

To: All Members

December 2002

Dear Member

GN3: Retirement Benefit Schemes - Contracting-out Certificates for Schemes where Wind-up commenced before 6 April 1997

Introduction

This Guidance Note assists actuaries signing the various certificates required by the Inland Revenue in relation to the sufficiency of the resources of pension schemes that hold contracted-out rights.

The Occupational and Personal Pension Schemes (Contracting Out) (Miscellaneous Amendments) Regulations 2002, SI 2002/681, which came into effect on 6 April 2002, affected GN3. The purpose of this letter is to inform you that an updated version of GN3 (version 3.4) reflecting the impact of these regulations has now been issued, with the concurrence of the Department for Work and Pensions and the Department for Social Development in Northern Ireland. It comes into effect on 13 January 2003 as a Technical Amendment.

Detail

The Department for Work and Pensions and the Inland Revenue National Insurance Services to Pensions Industry have confirmed that, as a consequence of the above regulations:

- there is no longer a requirement to renew any Certificate T when the period covered by such a certificate expires;
- there is no requirement to monitor the funding position of a scheme specifically in relation to Certificates T that are currently 'in force'; and
- there is no requirement for new contracted-out schemes with a final salary element to submit a Certificate T after completion of the scheme's first MFR valuation and the certification of the associated Schedule of Contributions.
- a reference to the Professional Conduct Standards (PCS) has been added. This is a reminder to members that the PCS applies to work covered by all Guidance Notes.

This will be confirmed in due course by the Department for Work and Pensions and the Department for Social Development in Northern Ireland, when updated versions of the relevant Inland Revenue manuals (in the 'CA' series) are published.

Accordingly, all references to Certificate T have been removed from GN3. The title of the Guidance Note has been amended as it now relates solely to Certificate C, the certificate required for contracted-out final salary schemes that started to wind-up before 6 April 1997. Schemes which commenced wind-up prior to 6 April 1997 are not subject to the transitional priority order in section 73 of the Pensions Act 1995 (modified by Regulation 3 of the Occupational Pension Schemes (Winding Up) Regulations 1996, SI 1996/3126); however, Regulation 73 of the Occupational Pension Schemes (Contracting-out) Regulations 1996, SI 1996/1172 does apply. The guidance has been reduced in scope to reflect this. The revised Guidance Note does not impose any additional duties on actuaries providing Certificates C.

The guidance on Certificate C is drafted on the assumption that the Government's previous requirements contained in the CA15 manual will continue, although the Pensions Board awaits confirmation of this from Government.

Under regulation 72 of the Occupational Pension Schemes (Contracting-out) Regulations 1996 (SI 1172), funding assurances – based on an 'interim' schedule of contributions - continue to be required for any new contracted-out schemes with a final salary element, in respect of the period until the first MFR is updated and the schedule of contributions is certified. It is expected that guidance on the form of assurance required will be provided in the revised versions of the relevant CA manuals, in a similar form to that currently required under paragraphs 9.12 and 9.13 of CA14C, and paragraphs 2.51 and 9.23 of CA14E.

Supplements to the Manual of Actuarial Practice are only sent to those members who have previously requested them in writing. If therefore you have requested a posted copy of Guidance Notes, the revised version 3.4 of GN3 will be attached to this letter as an A4 document. From the effective date it can be found on the profession's website at: <http://www.actuaries.org.uk/map/Contents.pdf>

Before that it can be found at: www.actuaries.org.uk/pensions/latest_news.html

A copy of GN3 that tracks the changes which have been made since the previous version of GN3 can be found at: www.actuaries.org.uk/pensions/pensions_gns_track.html

Yours sincerely

Ronald S Bowie
Chairman
Pensions Board