



To All Members

January 2004

Dear Member

GN11: Retirement Benefit Schemes – Transfer Values

Introduction

Legislation allows members of occupational pension schemes to obtain a transfer payment (a 'cash equivalent' payment) from their existing scheme to transfer either to another scheme or to a personal pension. This Guidance Note describes the calculation of these payments. The Guidance Note also applies to the calculation of pension values for divorce proceedings and to the disclosure of directors' pensions in company accounts. The Guidance Note has been revised following the issue of an Exposure Draft in July 2003 to take account of the Occupational Pension Schemes (Transfer Values and Miscellaneous Amendments) Regulations 2003, SI 2003/1727 which amend the procedure for adjusting cash equivalents to take account of underfunding.

Detail

Version 9.1 *GN11: Retirement Benefit Schemes – Transfer Values*, is being issued following a period of consultation under Due Process on Version 9.0 which was exposed simultaneously as a Fast Track Guidance Note and an Exposure Draft. It comes into effect on 01.03.2004.

The changes made to version 9.0 are minor clarifications, with the exception of that made to paragraph 5.3.1, where the actuary may take assets into account at a higher amount than their market value, if he or she considers that to be appropriate. (This may be the case for certain insurance policies.) It is also made clear that a valuation of full cash equivalents is not necessarily required.

Other clarifications are:

- Paragraph 4.12 has been deleted on the grounds of duplication with the regulations.
- Paragraph 5.2 has been moved after 5.3.5 (now 5.2.6), to make it clear that it imposes a duty which is not discharged merely by the provision of a 'GN11 report'.
- Paragraph 5.3.5 (now 5.2.6) has been changed to clarify that, particularly within the statutory priority order, it is the liability amounts that should be considered, rather than the normal cash equivalent of the benefit concerned.

- Paragraph 1.5 covers calculations for the purposes of both the Listing Rules and the Directors' Remuneration Report (DRR) Regulations. While the Listing Rules state that reductions should be ignored, Parliament did not include such a statement in the DRR Regulations. It is therefore a matter of legal interpretation whether reductions should be ignored or not. The Pensions Board did not consider that it was the responsibility of the Profession to make that decision. GN11 is therefore silent on the matter. It should be noted that at the time of publishing GN11 Version 9.1, the Directors' Remuneration Regulations refer to GN11 Version 8.1.

Members are reminded that guidance must be read in conjunction with the relevant legislation.

Whilst the opportunity has been taken to update the legislative references, GN11 has not been comprehensively reviewed. A review has commenced but it is unlikely that it will be completed until Autumn 2004.

Supplements to the Manual of Actuarial Practice are now only being 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 9.1 of GN11 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/files/pdf/map/Contents.pdf>

Before then, it can be found at: http://www.actuaries.org.uk/link/board_area/pensions.html

A copy of version 9.1 of GN11 that tracks the changes which have been made since Version 9.0 can be found at: http://www.actuaries.org.uk/link/pensions/pensions_gns_track.xml

Yours sincerely

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Pensions Board