

To All Members

6 October 2006

Dear Member

GN51: Retirement Benefits Schemes – Modification of Subsisting Rights Without Consent

Introduction

From 6 April 2006 Section 67 of the Pensions Act 1995 was updated to become Sections 67 to 67I (as inserted by Pensions Act 2004). Under these Sections, trustees of a pension scheme when making a “regulated modification” which is a “detrimental modification” (but not a “protected modification”) must either gain members’ consent to the detrimental modification, or obtain from an actuary an actuarial equivalence statement which states that the actuarial value of members’ “subsisting rights” has been maintained after the detrimental modification.

There may be matters connected with a detrimental modification which would not prevent an actuary from issuing an actuarial equivalence statement, but which the trustees should consider before deciding whether or not to approve the modification. GN51 advises actuaries of the information that they must give to the trustees in order to alert them to the need to consider these wider issues.

Detail

Version 1.1 of *GN51: Retirement Benefits Schemes – Modification of Subsisting Rights Without Consent* – is being issued following consultation under Due Process on Version 1.0 which was exposed simultaneously as a Fast Track Guidance Note and an Exposure Draft in April 2006. It comes into effect on 6 November 2006.

The changes made to GN51 Version 1.1 are

- a minor clarification to the third bullet of paragraph 2.2
- addition of the references to Northern Ireland legislation.
- Section 4 has been removed as the Work Products are now within EXD72: Compliance Review: Pensions (expected to become version 2.0 of GN48). An appendix has been added to GN48, which sets out types of written advice that must be subject to compliance review.

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The Guidance Note continues to make reference to a Code of Practice issued by the Pensions Regulator. We do not know when this is likely to be finalised.

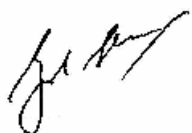
Version 1.1 of GN51 can be found from the effective date, on the profession's website at http://www.actuaries.org.uk/link/pensions/pensions_gns.xml.

Before the effective date, it can be found at:
http://www.actuaries.org.uk/link/professional_affairs/prof_standards.html

Board for Actuarial Standards

GN51 version 1.1 will be retained by Profession only until the DWP changes relevant legislative references and is expected to be adopted by the Board for Actuarial Standards thereafter.

Yours sincerely



Gordon Sharp
Chairman, Pensions Board