

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 07/08

Transfer Values - New Regime from October 2008

Amending regulations have recently been laid, which change the way in which individual transfer values must be determined. The overall objective of these regulations is to place the responsibility for the calculation of transfer values on the Trustees rather than the Scheme Actuary. These changes will affect all individual transfer values quoted on or after 1 October 2008, and detail the new scheme specific manner for calculating and verifying transfer values. The existing regime will continue to apply until that date.

Under the new regime, members will have a right to a transfer. The minimum transfer value must be calculated using assumptions which are 'best estimate' overall and the calculation date must be within 3 months of the request - or 6 months if the Trustees are unable to provide it sooner for reasons beyond their control.

There will also be changes to the way in which the calculations are carried out.

- the discount rate assumption must take account of the scheme's investment strategy as a whole. This means that, where the scheme is primarily invested in bonds, a bond-based discount rate must be used which may lead to higher transfer values.
- the Trustees will be responsible for determining the economic, financial and demographic assumptions used in the transfer value calculation. They must first obtain the advice of the Scheme Actuary, but no actuarial certification will be required.
- the Trustees will retain the option to reduce transfer values from under-funded schemes.
- all transfer value quotations must include a recommendation that the members take financial advice before reaching a decision.
- the Trustees will only be able to include allowance for discretionary benefits with the consent of the employer. It is expected that the Pensions Regulator will provide some further guidance about discretionary benefits in due course.

The current actuarial guidance note, GN11, will be removed and not replaced. In its place, the Pensions Regulator is due to publish guidance for Trustees and pension scheme members.

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This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email:

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