

1987 No. 1112

PENSIONS

The Personal Pension Schemes (Transfer Values) Regulations 1987

<i>Made</i> - - - -	<i>25th June 1987</i>
<i>Laid before Parliament</i>	<i>6th July 1987</i>
<i>Coming into force</i> -	<i>27th July 1987</i>

The Secretary of State for Social Services, in exercise of the powers conferred upon him by section 168(1) of, and Schedule 20 to, the Social Security Act 1975(a), and paragraphs 13 and 14 of Schedule 1A to the Social Security Pensions Act 1975(b), and of all other powers enabling him in that behalf, by this instrument, which is made before the end of a period of 12 months from the commencement of the enactments under which it is made, makes the following regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Personal Pension Schemes (Transfer Values) Regulations 1987 and shall come into force on 27th July 1987.

(2) In these Regulations, unless the context otherwise requires—

“the Act” means the ¹Pension Schemes Act 1993²;

²

“cash equivalent” has the same meaning as in ¹Chapter IV of Part IV of the Act as it applies to personal pension schemes⁴;

²“initial cash equivalent” means the amount calculated in accordance with regulation 3(2) to (4);⁴

“member” means a member of a personal pension scheme to whom ¹Chapter IV of Part IV of the Act applies⁴;

³

²“personal pension scheme” has the same meaning as in section 181(1) of the Act;⁴

⁴

“receiving scheme” means a scheme under whose rules transfer credits or rights are to be acquired by a member in exercise of his choice under ³section 95(3)(a) or (b) of the Act⁴;

“scheme” means occupational pension scheme or personal pension scheme;

¹Words in defns. of “the Act”, “cash equivalent” and “member” in reg. 1(2) substituted by para. 17(2) of Sch. 2 to S.I. 1994/1062 as from 12.5.94.

²Defns. of “the Board ...” & “money purchase benefits” omitted, defn. of “initial cash equivalent” inserted and defn. of “personal pension scheme” substituted by Sch. 2 para. 1 of S.I. 2008/1050 as from 1.10.08.

³Defn. of “the Modification Regulations” deleted from & words in defn. of “receiving scheme” substituted in reg. 1(2) by para. 17(2)(d) & (g) of Sch. 2 to S.I. 1994/1062 as from 12.5.94.

⁴Defn. of “protected rights” omitted by art. 3(2) of S.I. 2011/1246 as from 6.4.12.

(a) 1975 c. 14. See definitions of “prescribe” and “regulations” in Schedule 20. Section 168(1) applies, by virtue of section 66(2) of the Social Security Pensions Act 1975 (c. 60), to the exercise of certain powers conferred by that Act.

(b) 1975 c. 60. Schedule 1A was inserted by the Social Security Act 1985 (c. 53) section 2, and Part II of Schedule 1. Paragraphs 13 and 14 of Schedule 1A were amended by the Social Security Act 1986 (c. 50), section 86 and Schedule 10, paragraph 30, and have effect as modified, in relation to personal pension schemes, by virtue of the Personal and Occupational Pension Schemes (Modification of Enactments) Regulations 1987 (S.I. 1987/1116), regulation 3(10) and Schedule 4.

“trustees”, in relation to a scheme which is not set up or established under a trust, means the managers of the scheme;

and other expressions have the same meaning as in ¹Chapter IV of Part IV of the Act as it applies to personal pension schemes[◀].

¹Words in reg. 1(2) substituted by para. 17(2)(h) of Sch. 2 to S.I. 1994/1062 as from 12.5.94.

²Reg. 2 substituted & reg. 2A omitted by art. 4(2) & (3) of S.I. 2006/744 as from 6.4.06.

►²Requirements to be satisfied

2.—(1) The prescribed requirements referred to in section 95(3)(a) and (b) of the Act (cash equivalent of member’s rights under a personal pension scheme to be used for acquiring transfer credits or rights under another scheme) are that—

- (a) the receiving scheme—
 - (i) is registered under section 153 of the Finance Act 2004 (registration of pension schemes), or
 - (ii) is a qualifying recognised overseas pension scheme as defined in section 169 of that Act (recognised transfers),

³Reg. 2(1)(b) omitted by art. 3(3) of S.I. 2011/1246 as from 6.4.12.

►³◀

(2) Paragraph (1)(a)(i) shall not apply if the receiving scheme was immediately before the 6th April 2006 approved under Chapter III of Part XIV of the Income and Corporation Taxes Act 1988^(a) (retirement annuities), unless the transfer is from a contract or scheme which was immediately before 6th April 2006 approved under Chapter III of Part XIV of that Act.◀

(2A) ►²◀

⁴Regs. 3 & 4 substituted by Sch. 2 para. 1(b) & (c) of S.I. 2008/1050 as from 1.10.08.

►⁴Manner of calculation and verification of cash equivalents

3.—(1) Cash equivalents are to be calculated and verified by calculating the initial cash equivalent in accordance with this regulation and then making any increases or reductions in accordance with regulation 4.

(2) The initial cash equivalent is the realisable value ►⁵at the date of calculation◀ of any benefits to which the member is entitled.

(3) The trustees must calculate that realisable value—

- (a) in accordance with the scheme rules; and
- (b) in a manner which is—
 - (i) approved by the trustees; and
 - (ii) consistent with Chapter IV of Part IV of the Act.

(4) The realisable value must include any increases to the benefits resulting from a payment of interest made in accordance with the scheme rules.

⁵Words inserted in reg. 3(2) by reg. 2(2) of S.I. 2008/2450 as from 13.10.08.

Increases and reductions of cash equivalents

4.—(1) Initial cash equivalents may, or as the case may be must, be increased or reduced in accordance with this regulation.

(2) If the whole or any part of the benefits referred to in section 94(1)(b) of the Act (right to cash equivalent)^(b) is or has been surrendered, commuted or forfeited before the trustees of the personal pension scheme do what is needed to comply with what the member requires, the initial cash equivalent must be reduced in proportion to the reduction in the total value of the benefits.

(3) If the trustees of a personal pension scheme fail without reasonable excuse to do what is needed to carry out what a member of the scheme requires within 6 months of the relevant date, that member’s initial cash equivalent must be increased by—

(a) 1988 c. 1.

(b) Section 94 was amended by section 154 of the Pensions Act 1995, paragraph 35 of Schedule 12 to the Welfare Reform and Pensions Act 1999 and paragraph 13 of Schedule 12 to the Pensions Act 2004.

- (a) the interest on that initial cash equivalent, calculated on a daily basis over the period from the relevant date to the date on which the trustees carry out what the member requires, at the same rate as that payable for the time being on judgment debts by virtue of section 17 of the Judgment Act 1838 (judgment debts to carry interest)(a); or if it is greater,
- (b) the amount, if any, by which that initial cash equivalent falls short of what it would have been if the relevant date had been the date on which the trustees carry out what the member requires.

(4) In a case where both paragraphs (2) and (3) fall to be applied to a calculation, paragraph (2) must be applied first. ◀

Signed by authority of the Secretary of State for Social Services.

25th June 1987

Nicholas Scott
Minister of State,
Department of Health and Social Security

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations are all made under provisions of the Social Security Pensions Act 1975 (“the 1975 Act”) as modified by Regulations made under the Social Security Act 1986 (“the 1986 Act”) before the end of 12 months from commencement of the relevant provisions as modified. Consequently, by virtue of section 61(5) of the 1986 Act, the provisions of section 61(2) and (3) of the 1975 Act (as amended by section 86(1) of, and paragraph 94 of Schedule 10 to, the 1986 Act), which require reference to the Occupational Pensions Board of, and a report by the Board on, proposals to make regulations for certain purposes of both Acts, do not apply to them.

They make provision in relation to personal pension schemes for the calculation and verification of cash equivalents (within the meaning of Part II of Schedule 1A to the Social Security Pensions Act 1975, as modified so as to have effect in relation to personal pension schemes by the Personal and Occupational Pension Schemes (Modification of Enactments) Regulations 1987).

Regulation 2 sets out the requirements which an occupational pension scheme, or a personal pension scheme, must satisfy if a cash equivalent is to be used for acquiring transfer credits or rights under it.

Regulation 3 provides for the manner in which a cash equivalent is to be calculated and verified: in particular, except where the calculation or variation does not involve making estimates of the future value of benefits, it must be such manner as may be approved by an actuary.

The publication “Retirement Benefit Schemes – Transfer Values (GN11)”, referred to in regulation 3(2)(b)(ii), may be obtained from the Institute of Actuaries, Staple Inn Hall, High Holborn, London WC1V 7QJ, and from the Faculty of Actuaries, 23 St Andrew Square, Edinburgh EH2 1AQ.

Regulation 4 sets out the circumstances in which a cash equivalent is to be increased or reduced to an amount greater or less than the exact equivalent of the benefits in question.

(a) 1 & 2 Vic. c. 110. The rate of interest was amended by S.I. 1993/564.

