
STATUTORY INSTRUMENTS

2005 No. 577

**The Stakeholder Pension Schemes
(Amendment) Regulations 2005**

New provisions relating to charges

7.—(1) The following regulations shall be substituted for regulation 14 (charges etc.—permitted reductions in members' rights)—

“Charges etc.—permitted reductions in members' rights

14.—(1) The value of a member's rights under the scheme may be reduced in the circumstances, and to the extent, set out in paragraphs (2) to (5) of this regulation.

(2) To the extent that a member's rights are represented by a fund allocated to him to the exclusion of other members, the value of those rights may be reduced by the making of deductions from that fund which, when added to the amount of any indirect charges attributable to the member's rights, are no greater than, at the choice of the trustees or manager—

- (a) the relevant percentage of its value for each day on which it is held for the purposes of the scheme, or
- (b) the proportion attributable to that fund of the relevant percentage of the value of all members' funds held for the purposes of the scheme for each day on which the fund is so held.

(3) To the extent that a member's rights are represented by a share of funds held for the purposes of the scheme, the amount of that share not being determined by reference to a discretion exercisable by any person, the value of those rights may be reduced by the making of deductions from that share which, when added to the amount of any indirect charges attributable to the member's share, are no greater than, at the choice of the trustees or manager—

- (a) the relevant percentage of its value for each day on which it is held for the purposes of the scheme, or
- (b) the proportion attributable to the member's share of the relevant percentage of the value of the funds for each day on which the share is held.

(4) To the extent that a member's rights are represented by rights in a with-profits fund, the value of those rights may be reduced by the making of deductions from the with-profits fund which, when added to the amount of any indirect charges attributable to the member's rights, are no greater than, at the choice of the trustees or manager—

- (a) the relevant percentage of the value of the member's rights in the fund for each day on which it is held for the purposes of the scheme, or
- (b) the proportion attributable to the member's rights of the relevant percentage of the value of such part of the fund as is allocated to the rights of members for each day on which the member has rights in the fund.

(5) The value of a member's rights under the scheme may be reduced—

- (a) where administrative expenses are incurred by the trustees or manager in—

- (i) the purchase or provision of an annuity for the member in accordance with the scheme, or
 - (ii) the making of payments of income (otherwise than by way of an annuity) to a member under arrangements made in accordance with the scheme,
- by the amount of those expenses;
- (b) by such amount, and in such manner, as is permitted by regulations under section 24 or 41 (charges in respect of pension sharing costs);
 - (c) where an order of the court provides for the recovery by the trustees or manager of costs incurred in complying with the order, by the amount of those costs;
 - (d) where any charges are incurred by the trustees or manager, directly or indirectly, in connection with the sale or purchase of investments held for the purposes of the scheme, by the amount of such of those charges as—
 - (i) are attributable to the member’s rights, and
 - (ii) are not the subject of an election by the trustees or manager under regulation 14B(1)(b);
 - (e) where any charges or expenses are incurred by the trustees or manager directly or indirectly in maintaining or repairing any land or buildings in which the fund is invested, or in connection with the collection of rent, service charge or other sums due under the terms of a lease from occupiers of any such land or buildings, by the amount of such of those charges or expenses as—
 - (i) are attributable to the member’s rights, and
 - (ii) are not the subject of an election by the trustees or manager under regulation 14B(1)(b);
 - (f) by the amount of any dilution levy charged, or, in the case of rights represented by rights in a with-profits fund, by the amount of any market value adjustment occurring in relation to the fund;
 - (g) where the member is the transferor for the purposes of section 29 (pension sharing: creation of pension debits and credits), by the amount of any payment made to discharge the liability of the trustees or manager in respect of a credit within the meaning of that section, and
 - (h) by the amount of any payment made for the purpose of returning excessive contributions made in relation to the member, in accordance with the arrangements that the scheme must have in order to be approved under Chapter 4 of Part 14 of the Income and Corporation Taxes Act (pension schemes, social security benefits, life annuities, etc.).
- (6) In paragraphs (2) to (4), “indirect charges” means management charges deducted from a fund in which a fund held for the purposes of the scheme is invested, directly or indirectly.
- (7) For the purposes of paragraphs (2) to (4), “the relevant percentage” means—
- (a) in the case of an established member, 1/365 per cent.;
 - (b) in the case of a new member—
 - (i) during the period of 10 years beginning with the day on which the first payment is made to the scheme by or on behalf of the member, or, in a case where an amount is credited to the member’s account in respect of a credit within the meaning of section 29 before any payment is made, the day on which that amount is credited, 3/730 per cent.,
 - (ii) otherwise 1/365 per cent.

(8) In this regulation and regulation 14A—

“an established member” means a person who first acquired rights under the scheme before 6th April 2005 and has maintained rights under it since that date, and

“a new member” means a person who first acquired rights under the scheme on or after 6th April 2005, or who reacquired such rights after that date having previously transferred all of his accrued rights under the scheme to another pension scheme or arrangement.

(9) Where the value of any member’s rights is reduced by reference to an amount of charges or expenses of a kind referred to in paragraph (5)(d) or (e), then, for the purposes of calculating any reduction under paragraph (2), (3) or (4) above, the funds held by the scheme are to be calculated after the deduction of any such amount.

Valuations for the purposes of regulation 14

14A.—(1) For the purposes of paragraphs (2)(a), (3)(a) and (4)(a) of regulation 14, the rights of members must be valued daily, weekly or monthly, but the frequency with which the rights of established members are valued may be different from that with which the rights of new members are valued.

(2) For the purposes of paragraphs (2)(b), (3)(b) and (4)(b) of regulation 14, the funds of the scheme must be valued daily.

(3) Both—

(a) the frequency, or different frequencies, with which rights are to be valued for the purposes of paragraphs (2)(a), (3)(a) and (4)(a) of regulation 14, and

(b) where valuation is to take place weekly or monthly, the day of the week or, as the case may be, the date in the month on which it is to take place,

must be specified in writing by the trustees or manager of the scheme; and the specification may not be amended during the period of 12 months after the date on which it is made.

(4) When calculating the value of a member’s rights for the purposes of paragraphs (2)(a), (3)(a) or (4)(a) of regulation 14, where it has been specified under paragraph (3) above that such rights are to be valued weekly or monthly—

(a) where the rights are to be valued weekly, they are to be valued on such day of the week (“the specified day”) as has been so specified by the trustees or manager (except that, where that day is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified day is to be taken to be the value of the rights on the previous specified day, and

(b) where the rights are to be valued monthly, they are to be valued on such date in each month (“the specified date”) as has been so specified by the trustees or manager (except that, where that date is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified date is to be taken to be the value of the rights on the previous specified date.

Charges etc.—permitted reductions in funds

14B.—(1) The value of a fund held for the purposes of the scheme may be reduced where any charges or expenses are incurred in the circumstances specified in regulation 14(5)(d) or (e) and are either—

(a) not attributable to the rights of a member under the scheme, or

(b) attributable to such rights but the subject of an election by the trustees or manager to recover charges or expenses by way of a reduction of the value of the fund rather than by way of a reduction of the value of the member's rights, by the amount of those charges or expenses.

(2) Where the value of a fund is reduced by reference to an amount referred to in paragraph (1), then, for the purposes of calculating any reduction in the member's rights under paragraph (2), (3) or (4) of regulation 14, the value of those rights is to be calculated after the deduction of that amount.

Rounding of fractional amounts

14C. For the purposes of any calculation under regulation 14 or 14B, values and amounts may be determined, at the option of the trustees or manager, by rounding down any fraction of a penny less than one half and rounding up any other such fraction.”.

- (2) In regulation 3(4), for “or 14” substitute “, 14 or 14B”.
- (3) In each of the following provisions, for “and 14” substitute “, 14 and 14B”—
- (a) regulation 12(5)(a)(i) and (d)(i)(1);
 - (b) regulation 15(4)(a);
 - (c) regulation 16(a)(i), and
 - (d) regulation 18(6).