STATUTORY INSTRUMENTS

2015 No. 892

PENSIONS

The Funded Public Service Pension Schemes (Reduction of Cash Equivalents) Regulations 2015

Made - - - -	*25th March 2015*
Laid before Parliament	*26th March 2015*
Coming into force - -	*16th April 2015*

The Treasury, in exercise of the powers conferred by sections 97C, 182(2) and (3) and 183(1) of the Pension Schemes Act 1993(**1**), make the following Regulations.

These Regulations were not subject to consultation because in this case the Treasury considered consultation to be inexpedient because of urgency.

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as The Funded Public Service Pension Schemes (Reduction of Cash Equivalents) Regulations 2015 and come into force on 16th April 2015.

(2) In these Regulations—

"the 1993 Act" means the Pension Schemes Act 1993;

"the 1996 Regulations" means the Occupational Pension Schemes (Transfer Values) Regulations 1996(**2**);

"actuary" means –

(a) a Fellow of the Institute and Faculty of Actuaries(**3**); or

(b) a person with other actuarial qualifications who is approved, at the request of the trustees or managers of the scheme in question, by the Secretary of State as being a proper person to act for the purposes of the 1996 Regulations in connection with that scheme;

"cash equivalent" means a cash equivalent mentioned in section 94(1) or (2) (right to cash equivalent) of the 1993 Act(**4**);

(**1**) 1993 c. 48. Section 97C was inserted by the Pension Schemes Act 2015 c. 8, section 69(4).
(**2**) S.I. 1996/1847.
(**3**) The Institute and Faculty of Actuaries can be contacted at 7th floor, Holborn Gate, 326-330 High Holborn, London, WC1V 7PP and at www.actuaries.org.uk.
(**4**) Sections 94(1) and (2) were substituted by the Pension Schemes Act 2015 c. 8, section 67, Schedule 4, paragraph 8.

"designated" means designated under section 97A(2) (designation of funded public service defined benefits schemes) or 97B(2) (designation of funded public service defined benefits schemes: Scotland) of the 1993 Act(**5**), and related expressions are to be construed accordingly;

"discount rate" means the interest rate used to discount future payments of benefit for the purposes of placing a current value on them;

"effective date" means –

(a) in relation to a transfer report, the date as at which the assets and liabilities are valued for the purposes of the transfer report; and

(b) in relation to any other report of an actuarial valuation of the scheme, the date as at which the assets and liabilities are valued for the purposes of the valuation;

"extension of a designation" means the extension of a designation under section 97A(6)(a) (designation of funded public service defined benefits schemes) or section 97B(6)(a) (designation of funded public service defined benefits schemes: Scotland) of the 1993 Act(**6**), and related expressions are to be construed accordingly;

"flexible benefit" has the meaning given in section 74 (meaning of "flexible benefit") of the Pension Schemes Act 2015(**7**);

"funded public service defined benefits scheme" –

(a) in the case of a scheme to which section 97A of the 1993 Act applies, has the meaning given by section 97A(10) of that Act; and

(b) in the case of a scheme to which section 97B of the 1993 Act applies, has the meaning given by section 97B(10) of that Act;

"guaranteed minimum pension" has the meaning given by section 8(2) (meaning of "contracted-out employment", "guaranteed minimum pension" and "minimum payment") of the 1993 Act(**8**);

"initial cash equivalent" means the amount calculated in accordance with paragraphs 4 and 5 of the Schedule;

"the insufficiency percentage" is the percentage referred to in paragraph 1(b) of the Schedule;

"official pension" has the meaning given by section 5(1) and (2) (scope of Act, and general powers to extend and adapt increases) of the Pensions (Increase) Act 1971(**9**);

"payment out of public funds"–

(a) in the case of a scheme to which section 97A of the 1993 Act applies, has the meaning given by section 97A(10) of that Act; and

(b) in the case of a scheme to which section 97B of the 1993 Act applies, has the meaning given by section 97B(10) of that Act;

"percentage P" has the meaning given in regulation 4;

"the relevant person" –

(a) in the case of a scheme to which section 97A of the 1993 Act applies, has the meaning given by section 97A(10) of that Act; and

(**5**) Sections 97A and 97B were inserted by the Pension Schemes Act 2015 c. 8, section 69(3).
(**6**) Sections 97A and 97B were inserted by the Pension Schemes Act 2015 c. 8, section 69(3).
(**7**) 2015 c. 8.
(**8**) Section 8(2) was amended by the Pensions Act 2014 c. 19, section 24(1), the Civil Partnership (Contracted-out Occupational and Appropriate Personal Pension Schemes) (Surviving Civil Partners) Order 2005 S.I. 2005/2050, Article 2(1), the Marriage (Same Sex Couples) Act 2013 c. 30, section 11(4), the National Insurance Contributions Act 2008 c. 16, section 4(1), the Pensions Act 1995 c. 26, section 151, and the Pensions Act 2007 c. 22, section 15(3)(a).
(**9**) 1971 c. 56. Section 5(1) was amended by the Superannuation Act 1972 c. 11, section 29(1), Schedule 6, paragraph 85.

(b) in the case of a scheme to which section 97B of the 1993 Act applies, has the meaning given by section 97B(10) of that Act;

"report of an actuarial valuation of the scheme" includes in particular any report of an actuarial valuation of the scheme–

(a) to which paragraph 103 (actuarial reports) of Schedule 1 (Scottish Parliamentary Pension Scheme) to the Scottish Parliamentary Pensions Act 2009(**10**) applies;

(b) to which paragraph 10 (exchequer contribution to fund) of Schedule 6 (Parliamentary and other pensions) to the Constitutional Reform and Governance Act 2010(**11**) applies;

(c) to which Treasury directions made under section 11 (valuations) of the Public Service Pensions Act 2013(**12**) apply; or

(d) to which regulation 62 (actuarial valuations of pension funds) of the Local Government Pension Scheme Regulations 2013(**13**) applies;

"scheme", in a case where part and not all of a scheme is or may subsequently be designated, means that part of the scheme, unless the context requires otherwise;

"transfer report" means a report concerning a scheme requested by the trustees or managers and prepared by the actuary in accordance with regulation 2 and the Schedule;

"trustees or managers" means –

(a) in relation to a scheme established under a trust, the trustees; and

(b) in relation to any other scheme, the managers;

"working day" means a day which is not—

(a) Saturday,

(b) Sunday,

(c) Christmas Day,

(d) Good Friday, or

(e) a day which is a bank holiday under the Banking and Financial Dealings Act 1971(**14**)

(i) in England and Wales, in the case of a scheme to which section 97A (designation of funded public service defined benefits schemes) of the 1993 Act applies; or

(ii) in Scotland, in the case of a scheme to which section 97B (designation of funded public service defined benefits schemes: Scotland) of the 1993 Act applies.

(3) Where a scheme has more than one pension fund, each pension fund of the scheme is a part of that scheme for the purpose of these Regulations.

(4) In the application of these Regulations to a pension fund that is or may subsequently be designated–

(a) references to the scheme's assets are to be read as references to the pension fund's assets; and

(b) references to the scheme's liabilities are to be read as references to the pension fund's liabilities.

(**10**) 2009 asp 1.
(**11**) 2010 c.25.
(**12**) 2013 c. 25.
(**13**) S.I. 2013/2356.
(**14**) 1971 c. 80.

Transfer report

2.—(1) The trustees or managers of a funded public service defined benefits scheme, or part of such a scheme, may request an actuary to prepare a report (a "transfer report") if they consider that—

(a) there may now or in the future be an increased likelihood of payments out of public funds, or of increased payments out of public funds, having to be made into the scheme so that it can meet its liabilities, and

(b) the increased likelihood may be connected with the exercise or expected future exercise of rights to take a cash equivalent acquired under section 94 (right to cash equivalent) of the 1993 Act.(**15**)

(2) The trustees or managers of a funded public service defined benefits scheme, or part of such a scheme, which is designated or the designation of which is extended, must request an actuary to prepare a report (a "transfer report") unless—

(a) they have already requested a report under paragraph (1) and that report has not been completed; or

(b) they already have a transfer report for the scheme which remains current.

(3) A transfer report for a scheme remains current if—

(a) it still has an effective date which is no earlier than the effective date of the most recent report of an actuarial valuation of the scheme;

(b) the determinations used by the actuary (under paragraph 4(2) of the Schedule) who prepared the report are still the most recent determinations for the scheme as a whole made by the trustees or managers of that scheme under regulation 7A(3) (manner of calculation of initial cash equivalents for salary related benefits) of the 1996 Regulations; and

(c) the assumptions used by the actuary (under paragraph 5(2) of the Schedule) who prepared the report are still the assumptions for the scheme as a whole most recently determined by the trustees or managers of that scheme under regulation 7B (initial cash equivalents for salary related benefits: assumptions and guidance) of the 1996 Regulations.

(4) Where the trustees or managers make a request under paragraph (2), they must make the request within three working days of—

(a) the scheme's being designated or the designation of the scheme being extended, in a case where the trustees or managers are the relevant person; or

(b) the trustees or managers receiving notice of a designation of the scheme or its extension, in a case where the trustees or managers are not the relevant person.

(5) Where an actuary has been requested to prepare a transfer report and—

(a) the request was made under paragraph (1), and the scheme is subsequently designated or the designation of the scheme is subsequently extended; or

(b) the request was made under paragraph (2) following a designation or extension of a designation of the scheme,

the actuary must complete the transfer report within two months of the designation or extension.

(6) The Schedule (transfer report) has effect.

Reduction of cash equivalent

3.—(1) Where, under section 95(1) (ways of taking right to cash equivalent) of the 1993 Act(**16**), a member of a scheme to which this regulation applies requires the trustees or managers to use a

(**15**) Sections 94(1) and (2) were substituted by the Pension Schemes Act 2015 c. 8, section 67, Schedule 4, paragraph 8.
(**16**) Section 95(1) was substituted by the Pension Schemes Act 2015 c. 8, section 67, Schedule 4, paragraph 9.