

1987 No. 1103

PENSIONS

The Occupational Pension Schemes  
(Contracted-out Protected Rights Premiums)  
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>6th April 1988</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), sections 44ZA(4), (6), (7), (9) and (13) and 52 of, and paragraph 6 of Schedule 2 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 Occupational Pension Schemes (Contracted-out Protected Rights Premiums) Regulations 1987 shall come into force on 6th April 1988.

(2) In these Regulations, “the principal Regulations” means the Occupational Pensions Schemes (Contracting-out) Regulations 1984(c).

**Manner of calculation and verification of cash equivalents mentioned in section 44ZA(7) and (9)(a)(i) of the Social Security Pensions Act 1975(d)**

2.—(1) Except in a case to which paragraph (3) below applies, the cash equivalent mentioned in ►<sup>1</sup>section 58(3) of the Pension Schemes Act 1993◄ of protected rights (being those rights under a scheme, which has ceased to be a money purchase contracted-out scheme, whose cash equivalent is to be the amount of a contracted-out protected rights premium) shall be calculated and verified—

- (a) in such manner as may be approved in particular cases by the trustees or managers of the scheme, and
- (b) by adopting methods consistent with the requirements of ►<sup>1</sup>sections 26 to 33 of that Act◄.

<sup>1</sup>Words in reg. 2(1) substituted by para. 12(2) of Sch. 2 to S.I. 1994/1062 as from 12.5.94.

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(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. Section 44ZA was inserted by the Social Security Act 1986 (c.50), section 6 and Schedule 2, paragraph 7. Paragraph 6 of Schedule 2 was amended by the Social Security Act 1980 (c.30), section 3(12), and is modified by the Personal and Occupational Pension Schemes (Modification of Enactments) Regulations 1987 (S.I. 1987/1116), regulation 5(4).

(c) S.I. 1984/380; the relevant amending instrument is S.I. 1985/1928.

(d) Subsecs. (7) and (9)(a)(i) of s.44ZA of the S.S.P. Act 1975 (c.60) were re-enacted in ss.58(3) and 60(7)(a) respectively (subj. in both cases to s.63(2)) of the P.S. Act 1993 (c.48).

<sup>1</sup>Words in reg. 2(2) substituted by para. 12(3) of Sch. 2 to S.I. 1994/1062 as from 12.5.94.

(2) Except in a case to which paragraph (3) below applies, the cash equivalent mentioned in <sup>1</sup>section 60(7)(a) of the Pension Schemes Act 1993<sup>◀</sup> of a person's rights (being those rights under a scheme, which has ceased to be a money purchase contract-out scheme, whose cash equivalent is to be used to supplement a contracted-out protected rights premium) shall be calculated and verified in such manner as may be approved in particular cases by the trustees or managers of the scheme.

(3) In a case where the rights under a scheme mentioned in paragraph (1) or (2) above fall, either wholly or in part, to be valued in a manner which involves making estimates of the value of benefits, the cash equivalents of those rights shall be calculated and verified—

- (a) in such manner as may be approved in particular cases by—
  - (i) a Fellow of the Institute of Actuaries, or
  - (ii) a Fellow of the Faculty of Actuaries, or
  - (iii) a person with other actuarial qualifications who is approved by the Secretary of State, at the request of the trustees or managers of the scheme in question, as being a proper person to act for the purposes of these regulations in connection with that scheme, and in this regulation “actuary” means any person such as is referred to in head (i), (ii) or (iii) of this sub-paragraph; and
- (b) by adopting methods and making assumptions which—
  - (i) if not determined by the trustees or managers of the scheme in question, are notified to them by an actuary, and
  - (ii) are certified by an actuary to the trustees or managers of the scheme as being consistent with “Retirement Benefit Schemes – Transfer Values (GN1)” published by the Institute of Actuaries and the Faculty of Actuaries and current at the date of the calculation, and, in the case of protected rights, as being consistent with the requirements of <sup>2</sup>sections 26 to 33 of the Pension Schemes Act 1993<sup>◀</sup>.

<sup>2</sup>Words substituted in reg. 2(3)(b)(ii) by para. 12(4) of Sch. 2 to S.I. 1994/1062 as from 12.5.94.

[Regulations 3-7 have been revoked by S.I. 1996/1172 as from 6.4.97.]

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 Act 1986 (“the 1986 Act”), or provisions of the Social Security Pensions Act 1975 (“the 1975 Act”) inserted by or modified under the 1986 Act, before the end of a period of 12 months from the commencement of the relevant sections of the 1986 Act. 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.

The amendments made to the 1975 Act by Schedule 2 to the 1986 Act introduced into the 1975 Act the concept of the “money purchase contracted-out scheme”. When such a scheme ceases to be a contracted-out scheme, a “contracted-out protected rights premium” may become payable under section 44ZA of the 1975 Act in respect of each person in the categories described in subsection (4) of that section.

Under subsection (7) of that section, the amount of a contracted-out protected rights premium is the cash equivalent of the protected rights of the person concerned, calculated and verified in the prescribed manner.

Regulation 2 provides for the manner in which protected rights, and other rights under the scheme, are to be calculated and verified.

Regulations 3 to 7 make various amendments, in order to deal with the case of contracted-out protected rights premiums, to the Occupational Pension Schemes (Contracting-out) Regulations 1984, and in particular to regulations 18 (liability for payment of state scheme premiums), 20 (time for payment of premiums) and 23 (treating premiums as paid).

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

