



Society of Actuaries in Ireland

ACTUARIAL STANDARD OF PRACTICE PEN-2

RETIREMENT BENEFIT SCHEMES TRANSFER VALUES

Classification

Mandatory

MEMBERS ARE REMINDED THAT THEY MUST ALWAYS COMPLY WITH THE CODE OF PROFESSIONAL CONDUCT AND THAT ACTUARIAL STANDARDS OF PRACTICE IMPOSE ADDITIONAL REQUIREMENTS UNDER SPECIFIC CIRCUMSTANCES.

Legislation or Authority

The Pensions Act 1990 together with Regulations issued from time to time under the *Act*. Statutory guidance as issued by the Pensions Authority from time to time.

Application

Any member of the *Society* responsible for the calculation of individual transfer values including "transfer payments" under the *Act*, the assessment of benefits to be granted in respect of incoming transfer values, or giving advice concerning the calculation of individual transfer values.

| Version | Effective from | Version | Effective from |
|----------------|-----------------------|----------------|-----------------------|
| 1.0 | 01.09.1993 | 5.6 | 01.09.2009 |
| 2.0 | 07.01.1998 | 5.7 | 01.03.2010 |
| 3.0 | 01.03.2001 | 5.8 | 01.11.2010 |
| 4.0 | 15.07.2003 | 5.9 | 01.06.2011 |
| 5.0 | 01.09.2005 | 5.10 | 01.05.2012 |
| 5.1 | 01.05.2006 | 6.0 | 01.06.2014 |
| 5.2 | 30.12.2006 | | |
| 5.3 | 01.05.2007 | | |
| 5.4 | 01.11.2007 | | |
| 5.5 | 01.07.2008 | | |

Definitions

“*Act*” means the Pensions Act 1990 together with regulations issued under the *Act*

“*ASP*” means Actuarial Standard of Practice



“*Statutory Guidance*” means guidance issued by the Pensions Authority and prescribed by the Minister for Social Protection under the Occupational Pension Schemes (Preservation of Benefits) Regulations, 2002 (as amended or replaced)

“*Society*” means the Society of Actuaries in Ireland

1 Introduction

- 1.1 This *ASP* is the “*applicable professional guidance issued by the Society of Actuaries in Ireland and specified in the regulations*” referred to in section 34(2) of the *Act*.
- 1.2 This *ASP* sets out requirements relating to the calculation of individual transfer values. It also sets out the matters which the actuary must consider in calculating or giving advice concerning the benefits to be provided in such schemes in respect of incoming transfer values.
- 1.3 The objective of this *ASP* is to ensure that transfer values are not less than the actuarial value of the alternative accrued or preserved benefits under the transferring scheme calculated on a standard basis specified by *Statutory Guidance* from time to time.
- 1.4 This *ASP* relates to Irish requirements and conditions.
- 1.5 This *ASP* applies to all transfer values. A transfer value may include a transfer payment as defined under the *Act*.
- 1.6 The requirements of *Statutory Guidance* are in addition to those outlined in this *ASP* and, in the event of any conflict, *Statutory Guidance* shall prevail.

2 Calculation basis

- 2.1 Transfer values must reflect the rules of the pension scheme from which they originate and the overriding requirements of the *Act*. Every actuary has a duty to familiarise himself with both the provisions of the scheme and of the *Act* before recommending a transfer value.
- 2.2 (a) Except as provided for in paragraph 2.4, a transfer value must not be less than the standard transfer value calculated in accordance with *Statutory Guidance*.
 - (b) The standard transfer value is the minimum actuarial value of the contractual accrued, deferred or preserved benefits (as appropriate) payable to or in respect of the member, including statutory revaluation of such benefits in deferment and



- contingent benefits payable on death. The minimum actuarial value must be calculated based on the standard assumptions set out in *Statutory Guidance*.
- 2.3 Where the actuary considers it appropriate, he may recommend or calculate transfer values on a more generous basis. Such a basis could, amongst other things, reflect alternative assumptions which the actuary considers are appropriate to the circumstances. Alternatively, it could take account of additional benefits which a member has a reasonable expectation of receiving from the scheme on a discretionary basis. The actuary must establish with the appropriate authority (i.e. the trustees or the employer) the extent, if any, to which the transfer value calculation should make allowance for discretionary benefits and must advise the trustees of the financial implications of any such allowance. In considering the appropriateness of calculating transfer values on a more generous basis, the actuary must consider the funding position of the scheme.
- 2.4 If the actuary is reasonably satisfied that the scheme does not satisfy the funding standard, then the actuary must advise the trustees that the amount of the transfer value may be reduced. In such circumstances, the actuary must advise the trustees as to the extent of the reduction in the transfer value which would be appropriate having regard to the scheme's funding position and the winding up priorities contained in section 48 of the *Act*.
- 2.5 (a) In respect of incoming transfer values, subject to the provisions of the rules of the scheme, the actuary may recommend that benefits be provided on a defined benefit or on a money purchase basis.
- (b) Where benefits are provided on a defined benefit basis, the actuary must employ methods and assumptions designed to provide the member with fair value for the incoming transfer. The actuary may consider that this is achieved by employing methods and assumptions which are consistent with those set out herein and/or in *Statutory Guidance* for the calculation of standard transfer values.
- (c) If the benefits provided include discretionary elements which are only payable with the consent of an independent authority, then, in providing the quotation, the actuary must confirm the extent of the discretion and upon whom the discretionary power is conferred.
- 2.6 It is recognised that this *ASP* does not cover every conceivable circumstance that may arise. In such circumstances the actuary must as far as practicable apply the principles set out herein and *Statutory Guidance*.



3 Departures from the foregoing calculation basis

- 3.1 Except as outlined in paragraph 3.2, if benefits related to pensionable salary at or around retirement have been credited in respect of an incoming transfer value, then the corresponding outgoing transfer value on subsequent withdrawal must represent the then actuarial value of the added years. This value must be calculated based on the then pensionable salary and other assumptions (including an allowance for future pensionable salary increases) as considered appropriate at the time of withdrawal.
- 3.2 Special considerations apply in cases where the circumstances of a previous transfer had been such that the assets transferred bore no direct relationship to the leaving service benefits under the previous scheme. The transfer value in respect of the amount transferred from the previous scheme must be at least equal to the actuarial value of the rights granted on leaving service under the new scheme in respect of the period of service under the previous scheme (including preserved benefit, if any).

4 Defined contribution schemes

- 4.1 In the case of a defined contribution scheme (as defined in Part III of the *Act*), where all or part of a member's benefits depend directly on the proceeds of an earmarked investment, the corresponding transfer value will be the value of that investment. Similarly, an incoming transfer value to a defined contribution scheme will generally be applied to an earmarked investment, and the benefit to be granted will depend on the proceeds of the investment.

5 Presentation

- 5.1 The actuary responsible for advising the trustees of a scheme on the basis for calculating transfer values must hold a current Scheme Actuary Practising Certificate issued by the *Society*.
- 5.2 The actuary must inform the trustees of the basis used in calculating transfer values, i.e. whether he or she recommends the provision of standard transfer values calculated in accordance with this *ASP* (including *Statutory Guidance* to which it refers) or higher amounts.
- 5.3 It is not necessary for each transfer value to be authorised separately by the actuary. The actuary may supply tables or an electronic programme, for use by the trustees and administrators, for calculating the amount of any transfer value payable and the pensionable service or other benefits to be credited for an incoming payment. The actuary must specify the circumstances in which adjustments to the tables or revised rates would apply.



EXPLANATORY NOTE

ACTUARIAL STANDARD OF PRACTICE PEN-2, VERSION 6.0

This Explanatory Note does not form part of the ASP.

Version 6.0 replaces previous versions of this ASP and takes account of the fact that the assumptions to be used in the calculation of standard transfer values are now set out in Statutory Guidance issued by the Pensions Authority.