

## New MFR Regulations laid

### 1 BACKGROUND

Following recent consultation, The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Amendment Regulations 2004 were laid before Parliament on 23 November 2004. The regulations, which are aimed at easing the transition away from the MFR to the new statutory funding objective, will come into force on 21 December 2004.

The 2004 Regulations amend the 1996 MFR Regulations in two main ways:

- they lengthen the MFR transitional period in order to prevent the additional requirements of regulations 11 and 12 taking effect;
- they help clarify the requirements relating to the actuary's valuation statement.

### 2 REGULATIONS 11 AND 12

Regulations 11 (duty to obtain minimum funding valuations following events with significant effects on funding) and 12 (duty to obtain minimum funding valuations where new serious underfunding suspected) of the 1996 MFR Regulations were scheduled to come into force at the end of a "transitional period". This period was extended to 31 December 2004, following the announcement of the MFR's abolition.

The new statutory funding objective set out under the Pensions Act 2004 is being introduced to comply with the European Pensions Directive, which is due to be implemented in the UK in September 2005. As the 2004 Regulations will further extend the transitional period to 5 April 2006, this should provide the Government with ample time in which to replace the MFR with its successor.

Continued

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**3 CLARIFYING ACTUARIAL STATEMENTS**

In an MFR valuation, the scheme actuary is required to indicate the level of benefits members could expect to receive if the scheme were to begin winding-up (based on the scheme's funding level at that time). There has been uncertainty as to which priority order should be used for this purpose because of transitional provisions built into the regulations governing the priority order on winding-up. The 2004 Regulations confirm that the priority order which should be used is the one which would apply as at the date of the valuation. But, of course, the priority order on winding-up is set to change yet again in April 2005 to take account of the introduction of the Pension Protection Fund.

**4 OTHER REGULATIONS IN THE PIPELINE**

In its September 2004 consultation paper on the 2004 Regulations, the Government made clear that it is seeking views on other proposals for smoothing the transition from the MFR to the statutory funding objective. In particular, it is considering how best to deal with schemes whose actuarial valuations fall due between the date the Pensions Act 2004 received Royal Assent (18 November 2004) and the new statutory funding objective coming into force. Further regulations will no doubt be forthcoming to deal with this.