An tÚdarás Pinsean
The Pensions Authority

THE PENSIONS AUTHORITY

PRESCRIBED GUIDANCE IN RELATION TO

SECTION 34 OF THE PENSIONS ACT, 1990

VERSION 02

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INDEX

1. INTRODUCTION

1.1 Section 34(2) of the Pensions Act, 1990 (as amended, the **Act**) provides that a member of a funded occupational pension scheme who is entitled to a preserved benefit will in certain circumstances be entitled to a transfer payment.

1.2 The Occupational Pension Scheme (Preservation of Benefits) Regulations 2002 (as amended or replaced) require that the transfer payment shall be calculated in accordance with guidance issued by the Society of Actuaries in Ireland and guidance issued by the Pensions Authority.

1.3 This guidance, which is prescribed by the Minister under the Occupational Pension Schemes (Preservation of Benefits) Regulations 2002 (as amended or replaced), sets out the assumptions which must be used in calculating a transfer payment on a standard basis. This guidance is in addition to the Society of Actuaries in Ireland Guidance (defined below).

1.4 This guidance does not preclude the calculation of a transfer payment on an alternative basis. However, except as provided for in paragraph 1.5, a transfer payment must not be less than the amount calculated using the assumptions set out in this guidance.

1.5 Section 34(2) provides that if the actuary advises the trustees that he is reasonably satisfied that if he were to prepare an actuarial funding certificate under section 42 having an effective date of the day upon which the amount of the transfer payment is expected to be made, he would not certify that the scheme satisfies the funding standard provided for in section 44, then the amount of the transfer payment may be reduced by the trustees, on the advice of the actuary, having regard to the provisions of section 48.

1.6 As this guidance is specified by Regulations made under the Act, it cannot be altered by the Pensions Authority without the prior consent of the Minister by virtue of section 7A of the Act. Any such alteration will be effective when such consent has been given and with effect from the date specified in the alteration and details will be published by the Pensions Authority as soon as reasonably practicable after the Minister has given that consent.

1.7 Scheme actuaries are reminded that, in addition to any requirements set out in this guidance, they must comply with the requirements of the Society of Actuaries in Ireland Guidance (defined below) except to the extent that there is any conflict with this guidance. In the event of any conflict, this guidance shall prevail.

1.8 Sections referred to in this guidance are to sections of the Act. Terms used in this guidance but not defined in this guidance have the meanings given in the Act. The following term has the following meaning.

“Society of Actuaries in Ireland Guidance” means the professional guidance issued by the Society of Actuaries in Ireland and specified in the Occupational Pension Schemes (Preservation of Benefits) Regulations 2002 (as amended or replaced) in relation to the calculation of transfer payments.

2. FINANCIAL ASSUMPTIONS

2.1 Table 1

	% per annum
Discount rate – pre-retirement	6.00%
Long-term discount rate – post retirement	4.25%
Rate of price inflation – pre retirement	1.50%
Long-term rate of price inflation – post retirement	1.50%

2.2 For schemes providing either pre- or post- retirement index-linked increases subject to an annual cap, the rate of increase assumed must be based on Table 2. Other rates of increase must be calculated on a basis consistent with that underlying this table.

Table 2

Annual Cap	Assumed Increase Pre Retirement	Assumed Increase Post Retirement
Under 1.5%	Actual Cap	Actual Cap
1.5% and over	1.50%	1.50%

2.2 For schemes providing a fixed rate of revaluation either before or after retirement the relevant fixed rates must be used.

2.3 For schemes providing either before or after retirement increases on a parity pay basis, the assumed rate of increase must be the relevant rate of price inflation plus 1.0% per annum.

2.4 If necessary, the transfer payment must be restricted to comply with Revenue limits (e.g. for schemes providing fixed rate revaluation or escalation in payment greater than the assumed rate of inflation).

3. NON-FINANCIAL ASSUMPTIONS

3.1
Retirement Age

Where a member has an absolute right to receive benefits without reduction for early payment and without the consent of the trustees or employer, then the transfer payment must be calculated on the assumption that the benefit commences on:

(a) in the case of benefits other than preserved benefits, the earliest date at which unreduced benefits are available as a right to the member; and

(b) in the case of preserved benefits, the earliest date at which preserved benefits become payable under the Act.

Commutation

Certain schemes provide, as an option, for the exchange of part or all of the member's pension for a lump sum payment. A transfer payment must not make any allowance for this option where its inclusion would act to reduce the value of the transfer payment.

3.2 Pre-retirement mortality	Males: 73% ILT15 (males) Females : 77% ILT15 (females)
Post-retirement mortality	Males: 58% ILT15 (males) Females: 62% ILT15 (females) with a compounded annual increase to the annuity value of: 0.36% (males with no spouse's pension) 0.30% (females with no spouse's pension) 0.30% (males with spouse's pension) 0.25% (females with spouse's pension)

	for each year between 2014 and the year in which normal pensionable age falls.
Spouses/ dependants	Status at date of leaving service. Where entitlement is based on the member's status as a spouse or person with a dependant at retirement or earlier death, a proportion may be assumed.
Age difference	Males three years older than females. In circumstances where a spouse's pension would be payable only to a member's current spouse that spouse's age may be used.

4. MARKET VALUE ADJUSTMENT (MVA)

4.1 The value calculated in accordance with the financial and non-financial assumptions above must be adjusted by multiplying it by a Market Value Adjustment (**MVA**), as set out below. The MVA used must be that applicable on the last working day of the month immediately before the effective date of the calculation.

4.2 The MVA adjusts for two factors:

4.2.1 It allows for a reduction in the pre-retirement discount rate to the long-term post-retirement discount rate on a uniform basis over the 10 years immediately prior to normal pensionable age (**pre-retirement MVA**); and

4.2.2 It allows for the difference between the yield on the benchmark stock (index-linked or conventional as appropriate) and the long-term post-retirement discount rate at the calculation date in the case of members who are within 10 years of normal pensionable age (**post-retirement MVA**).

4.3 The pre-retirement MVA must be calculated as:

$$[1.06 / (1.0425 + T/20 \times (0.06 - 0.0425))]^{T}$$

where T is the number of whole years to normal pensionable age subject to a maximum of 10 years.

4.4 Where the member has more than 10 years to go to normal pensionable age, the post-retirement MVA is 1.

4.5 At normal pensionable age, the post-retirement MVA reflects the characteristics of the rate(s) of revaluation of the post-retirement benefits. In the case of retirement lump sums, therefore, the post-retirement MVA is 1.

4.6 The adjustment for fixed benefits (and/or benefits with fixed rate escalation in payment) in the case of a member at normal pensionable age is calculated as:
$0.0425 \times a15 + v^{15}$ at i%

where i is the annualised gross redemption yield on the France Trésor OAT 5.75% 25 Octobre 2032 stock, to the nearest 0.25%

The adjustment for index-linked benefits in payment in the case of a member at normal pensionable age is calculated as:

$(1.0425/1.015 – 1) \times a15 + v^{15}$ at j%

where j is the annualised gross redemption yield on the France Trésor OAT€i 3.15% 25 Juillet 2032 stock, to the nearest 0.25%

4.7 Where the member has 10 years or less to go to normal pensionable age the MVA is adjusted proportionately i.e. where N = the number of complete years to go to normal pensionable age, the MVA used is calculated as:

MVA at normal pensionable age x (10 – N) / 10 + N/10

4.8 A table of post-retirement MVA factors applicable within various yield bands is shown in the Appendix.

5. Overall MVA

5.1 The overall MVA is the product of the pre-retirement MVA and the post-retirement MVA.

Appendix Post-retirement MVAs

i	Fixed Benefits MVA		j	Index Linked Benefits MVA
0.88% - 1.12%	1.451		-0.87% - -0.63%	1.551
1.13% - 1.37%	1.408		-0.62% - -0.38%	1.501
1.38% - 1.62%	1.367		-0.37% - -0.13%	1.453
1.63% - 1.87%	1.327		-0.12% - 0.12%	1.406
1.88% - 2.12%	1.289		0.13% - 0.37%	1.362
2.13% - 2.37%	1.252		0.38% - 0.62%	1.319
2.38% - 2.62%	1.217		0.63% - 0.87%	1.277
2.63% - 2.87%	1.182		0.88% - 1.12%	1.237
2.88% - 3.12%	1.149		1.13% - 1.37%	1.198
3.13% - 3.37%	1.117		1.38% - 1.62%	1.161
3.38% - 3.62%	1.086		1.63% - 1.87%	1.126
3.63% - 3.87%	1.057		1.88% - 2.12%	1.091
3.88% - 4.12%	1.028		2.13% - 2.37%	1.058
4.13% - 4.37%	1.000		2.38% - 2.62%	1.026
4.38% - 4.62%	0.973		2.63% - 2.87%	0.995
4.63% - 4.87%	0.947		2.88% - 3.12%	0.965
4.88% - 5.12%	0.922		3.13% - 3.37%	0.937
5.13% - 5.37%	0.898		3.38% - 3.62%	0.909
5.38% - 5.62%	0.875		3.63% - 3.87%	0.882
5.63% - 5.87%	0.852		3.88% - 4.12%	0.857