

## **Introduction to Pension Scheme Discontinuance**

The Main Aim of this Unit is:

The aim of this Unit is to provide occupational pension scheme administrators with an overview of why occupational pension schemes can close to future accrual of benefits for members and become a scheme in discontinuance. The Unit also covers the main steps of an occupational scheme which starts to discontinue and the information requirements that need to be given to members within the correct timescales.

The learner will need to know and understand:

### **The four statuses of a pension scheme**

- Definition of:
  - Open Scheme
  - Closed Scheme
  - Frozen Scheme
  - Discontinuing

### **Overview of a scheme discontinuance**

- What is a discontinuance?
- Why might a scheme discontinue?
- What is company insolvency
- The discontinuance date and the trigger events.
- Information requirements for members
- Timescales
- Key dates in a discontinuance

### **Overview of the important roles involved in Scheme Discontinuance**

- Independent Trustee
- Scheme Trustee
- Scheme Actuary
- Scheme Auditor
- Employer
- Lawyer
- Administrator (scheme and independent)

### **The Process of discontinuing a pension scheme**

- Scheme data gathering
- Payment of pensions in the discontinuance period
- Cancellation of contracting out certificate
- Cleansing the data
- Tracing members
- Reconciling Guaranteed Minimum Pensions
- Valuing scheme liabilities

### **Understanding Valuation Legislation**

- Section 75 Employer Debts and the Pensions Act 1995 and how it impacts on discontinuance.
- The thresholds and timescales for Section 75 Employer Debts and deficits in scheme funding.
- The time periods and benefits relevant to employers who have become insolvent.
- Compromise agreements and insolvent employers.

### **Overview of Section 73 Priority Orders and allocation of assets**

- The Orders up to 5 April 1997
- The Orders from 6/4/97 to 9/5/2004
- The Orders from 10/5/2004 to 5/4/2005
- The Orders post 6/4/2005

### **Post Discontinuance benefits**

- Overview of the Financial Assistance Scheme
- Overview of the Pension Protection Fund
- Overview of the Fraud Compensation Fund
- Buy out Quotations
- Options letters for members
- How benefits are bought out
- Timescales

### **The Learning Outcomes for this Unit:**

On successful completion of this unit the learner will:

1. Explain what is meant by the term 'discontinuance' in relation to an occupational pension scheme and the role of the Independent Trustee.
2. Know the background to the discontinuance of an occupational pension scheme and identify the reasons why a scheme may discontinue and the key dates.
3. Identify the key people involved in the discontinuance of an occupational pension scheme and the information requirements that need to be sent to members who are in the scheme that is discontinuing.
4. Identify the main stages in the process of the discontinuance of an occupational pension scheme.
5. Be able to outline the meaning of a Section 75 debt.
6. Be able to outline the significance of a priority Order.
7. Be able to briefly explain the term 'Buy out'.

8. Know the role of other parties used in the process of discontinuing an occupational scheme, and the role of the Pension Protection Fund and the Financial Assistance Scheme.
9. Know the importance of the Fraud Compensation Fund and who compensation can be available from if a shortfall in the scheme assets is due to fraud or theft?

### **Assessment Method**

Assessment is via examination compiled, carried out and marked in-house (PMI recognised centre). Assessment is to cover all learning outcomes in order to pass the unit.