

DRAFT OCI GUIDELINE 2.1

VERSION 1.1

Winding-up of Pension Plans – a guide to regulatory approval

The Insurance Act 1998 (the “Act”) requires that the Commissioner of Insurance (the “Commissioner”) be involved in the wind-up of a registered pension plan (the “plan”). Until the appropriate regulations are issued, this document provides guidance on the basic steps that should be taken and the information to be provided in order to obtain approval for proposed full or partial wind-ups.

This guideline does not replace any requirements provided by the trust deed on wind-up nor is it intended to interpret any such requirements or be part of the trust deed. It is expected that this guideline will be followed in addition to all requirements as specified in the trust deed.

This guideline is prepared for the information and use of the managers and trustees of a pension plan. The Commissioner should be informed of any deviation from the general procedure outlined here with appropriate explanations.

1. The trustees and/or manager of the plan must inform the Commissioner as soon as possible of the intent to wind-up the plan. This should specify the expected date that wind-up is to commence and its completion.
2. The manager of the plan must provide the Commissioner with draft versions of the wind-up plan at least three months before the wind-up operation is expected to commence.
3. The wind-up plan must have the approval of the trustees and be signed by the trustees as well as the manager of the plan.
4. The wind-up plan should cover the following:
 - 4.1. The names, designations and contact details (including telephone number if available) of the trustees of the plan and the manager(s) and/or members of any management committee or otherwise involved in the administration of the plan as covered by the trust deed, the rules of the plan and/or any other document defining the role of the trustees and/or manager(s);
 - 4.2. The reason(s) for the decision to wind-up the plan;
 - 4.3. An up-to-date statement of the value of the plan’s assets, certified by the trustees, including details of any uncertainties or significant changes from the most recent audited financial statements of the plan;
 - 4.4. A copy of the most recent audited report on the financial statements of the plan;
 - 4.5. A copy of the most recent actuarial valuation;

- 4.6. An update of the actuarial liabilities and funding position of the scheme prior to wind-up in the form of a wind-up actuarial valuation (a “wind-up valuation”);
 - 4.7. Expected timescales and completion dates of all items/actions, including those for the windup valuation;
 - 4.8. Planned application and treatment of any surplus or deficit emerging during or after the wind-up if this is not covered in the trust deed;
 - 4.9. Copies of all information provided to members about the wind-up;
 - 4.10. The results of any membership votes or agreement on the proposed wind-up especially regarding the treatment of benefits. The proposed wind-up should seek to have the overall consensus of membership or their representatives; if not explanations of why this was not done should be provided;
 - 4.11. Details of the arrangements made for payment of benefits after the plan has discontinued and all other practical aspects of the wind-up;
 - 4.12. Details of how all categories of membership are to be treated. Priority treatment would normally be given to current pensioners;
 - 4.13. An estimate of the cost of the wind-up and details of how this will be paid. This information must also be disclosed to the plan’s actuary and the actuary providing the wind-up valuation (if different).
5. A signed written report from the trustees of the plan to the Commissioner commenting on:
 - 5.1. The arrangements that have been made for the wind-up including whether they are satisfied with the arrangements and whether they are in accordance with the trust deed,
 - 5.2. The appropriateness of the wind-up plan compared to possible alternatives with regard to the best interests of the membership;
 - 5.3. Any reservations or concerns they may have with regard to the wind-up including provisions made before and after the plan has been wound-up;
 - 5.4. Whether they have seen a copy of the wind-up valuation for the plan.
6. Copies of all information provided to members and/or their representatives about the wind-up should be submitted as soon as possible.