

2017 No.

PENSIONS

**The Pension Protection Fund (Modification) (Amendment)
Regulations 2017**

Made - - - -

Laid before Parliament

Coming into force in accordance with regulation 1

The Secretary of State for Work and Pensions makes the following Regulations in exercise of the powers conferred by sections 170(2), 315(2), (4), (5) and 318(1) of, and paragraph 26(9) of Schedule 7 to, the Pensions Act 2004 (a) and section 51(8) of the Pensions Act 2014(b).

[In accordance with section 317(1) of the Pensions Act 2004, the Secretary of State for Work and Pensions has consulted such persons as he considers appropriate.]

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Pension Protection Fund (Modification) (Amendment) Regulations 2017 and come into force on 6th April 2017.

(2) For the purposes of regulation 2(2) and (3), these Regulations are to be treated as having effect from 6th April 2005.

(3) The remaining provisions of these Regulations take effect from 6th April 2017.

Amendment to the Pension Protection Fund (Compensation) Regulations 2005

2.—(1) Regulation 22(3) (application of compensation cap where compensation becomes payable on different dates) of the Pension Protection Fund (Compensation) Regulations 2005(c) is amended as follows.

(2) For paragraph (6B) as inserted by regulation 22(3), substitute—

“(6B) This sub-paragraph applies if—

(a) before the person becomes entitled to relevant compensation in respect of benefit A, he has—

(i) become entitled to relevant compensation in respect of one or more other benefits under the scheme or a connected occupational scheme (“benefit or benefits C”), or

(a) 2004 c. 35 (“the 2004 Act”); section 170 was amended by article 7 of S.I. 2011/1730. Section 318(1) is cited for the meaning it gives to “prescribed” and “regulations”. Paragraph 26(9) of Schedule 7 to the 2004 Act was amended by section 22 of, and paragraphs 19 & 21 of Schedule 4 to, the Pensions Act 2011 and by sections 50 & 51 of, and paragraphs 4 & 6 of Schedule 20 to, the Pensions Act 2014 (c. 19).

(b) 2014 c. 19.

(c) S.I. 2005/670; regulation 22(1) was amended by S.I. 2013/627.

- (ii) become entitled to one or more lump sums under the scheme or a relevant connected occupational scheme (“sum or sums L”) and for these purposes, a scheme is a relevant connected occupational scheme if it is an eligible scheme when the person becomes entitled to the relevant compensation in respect of benefit A, and
 - (b) the conditions in paragraph (6BA) or (6BB) apply to the person. ”.
- (3) After paragraph (6B) (as substituted by regulation 2(2) of these Regulations), insert—
- “(6BA) The conditions in this sub-paragraph are that—
- (a) benefit A is attributable to a pension credit from a transferor, and
 - (b) each of benefit or benefits C and sum or sums L are also attributable to a pension credit from the same transferor.
- (6BB) The conditions in this sub-paragraph are that—
- (a) benefit A is attributable to the person’s pensionable service, and
 - (b) each of benefit or benefits C and sum or sums L are also attributable to his pensionable service.”.

(4) After paragraph (6G) as inserted by regulation 22(3), insert—

“(6GA) Where sub-paragraph (6B) applies, the “compensation cap” has the meaning given by paragraph 26A, except that the reference in sub-paragraph (2) of that paragraph to the length of the person’s pensionable service is to be treated as if were a reference to the total length of the person’s pensionable service at the latest time when he becomes entitled to any relevant compensation or lump sum under the scheme or a relevant connected occupational scheme.”.

Amendment to the Pension Protection Fund (General and Miscellaneous Amendments) Regulations 2006

3. In regulation 9A(3) of the Pension Protection Fund (General and Miscellaneous Amendments) Regulations 2006 (PPF money purchase lump sums)(a), for “£2,000” substitute “£10,000”.

Signed by authority of the Secretary of State for Work and Pensions.

Date

Minister of State,
Department for Work and Pensions

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Board of the Pension Protection Fund (“the Board”) is established by section 107 of the Pensions Act 2004 (c 35) (“the Act”) to provide compensation for members of certain occupational pension schemes in the event of the insolvency of the scheme's sponsoring employer and where the pension scheme is under-funded at a certain level. Paragraph 26 and 26A of Schedule 7 to the Act makes provision for the amount of such compensation to be subject to a cap in certain cases.

(a) S.I. 2006/580; relevant amending instruments are S.I.s 2013/627 and 2016/294.

Regulation 22 of the Pension Protection Fund (Compensation) Regulations 2005 (S.I. 2005/670) (“the Compensation Regulations”) modifies paragraph 26 of Schedule 7 so that where compensation is paid by the Board in successive tranches, or the person entitled to the compensation has on a previous occasion become entitled to one or more lump sums from the scheme in question or from connected schemes, the restriction applies by aggregating the annual values of the former benefits or lump sums with the benefits payable in the latest tranche.

Regulation 2(2) & (3) of these Regulations amend the modifications made by regulation 22 so that, for the purpose of the compensation cap, two or more scheme benefits are only added together where they are either all attributable to the person’s pensionable service or all attributable to a pension credit arising from a divorce or dissolution settlement.

By virtue of section 51(8) of the Pensions Act 2014 (c. 19), those amendments have retrospective effect and are to be treated as having effect from 6th April 2005, which is the date on which the Compensation Regulations came into force.

Regulation 2(4) further amends regulation 22 so as to make provision for how the increased compensation cap for long service of 20 years or more introduced by the Pensions Act 2014 (c. 19) is to be calculated where a person has previously become entitled to compensation under the scheme or a connected scheme.

Regulation 3 amends the Pension Protection Fund (General and Miscellaneous Amendments) Regulations 2006 (S.I. 2006/580) in relation to the discharge by the PPF of liabilities in respect of money purchase benefits by payment of a lump sum, where the value of a person’s money purchase benefits does not exceed a specified maximum. The amendment increases that maximum value from £2,000 to £10,000.

An impact assessment has not been produced for these Regulations as they have no impact on business or civil society organisations. An assessment has been made of the impact of the introduction of the Pension Protection Fund increased cap for long service. A copy may be obtained from the Better Regulation Unit of the Department for Work and Pensions, 2D, Caxton House, Tothill Street, London SW1H 9NA or from the GOV UK Website at: <https://www.gov.uk/government/publications/pensions-act-2014-impact-assessments-may-2014> (Annex J contains the assessment for the cap).