

2017 No. [] (C. [])

PENSIONS

The Pensions Act 2014 (Pension Protection Fund: Increased compensation cap for long service) (Pension Sharing on Divorce) (Transitional Provision) Order 2017

Made - - - -

Coming into force - -

6th April 2017

The Secretary of State makes the following Order in exercise of the powers conferred by section 56(8) of, and paragraph 22(1) of Schedule 20 to, the Pensions Act 2014(a).

Citation, commencement and interpretation

1.—(1) This Order may be cited as the Pensions Act 2014 (Pension Protection Fund: Increased compensation cap for long service) (Pension Sharing on Divorce) (Transitional Provision) Order 2017 and comes into force on 6th April 2017.

(2) In this Order—

“the 2004 Act” means the Pensions Act 2004(b)

“the 2008 Act” means the Pensions Act 2008(c);

“the 2014 Act” means the Pensions Act 2014.

Transitional provision in connection with the Pension Protection Fund: Increased compensation cap for long service and compensation sharing on divorce etc

2.—(1) This article applies in relation to a person if—

(a) compensation is payable under Chapter 1 of Part 3 of the 2008 Act (compensation sharing on divorce etc); and

(b) the compensation is restricted in accordance regulations made under paragraph 18 of Schedule 5 to that Act (compensation cap)(d).

(2) Part 3 of Schedule 20 to the 2014 Act (effect of change in transitional cases) has effect in relation to a person to whom this article applies as it has effect in relation to compensation payable under Schedule 7 to the Pensions Act 2004 (pension compensation provisions)(e) subject to the following modifications.

(3) Paragraph 8 (recalculation of periodic compensation going forwards) has effect as if the reference in—

(a) 2014 c. 19.

(b) 2004 c. 35.

(c) 2008 c. 30.

(d) Paragraph 18 is amended by section 50 of, and paragraph 7 of Schedule 20 to, the Pensions Act 2014 with effect from 6th April 2017.

(e) 2004 c. 35.

- (a) sub-paragraph (1)(a) to compensation under paragraph 3, 11 or 15 of Schedule 7 to the 2004 Act (which relate to compensation payable to, respectively, pensioners, active and deferred members) were to compensation within paragraph 4 or 6 of Schedule 5 to the 2008 Act (compensation payable to transferee);
 - (b) sub-paragraph (1)(b) to the restriction in paragraph 26 of Schedule 7 to the 2004 Act (compensation cap) were to the restriction in regulations made under paragraph 18 of Schedule 5 to the 2008 Act;
 - (c) sub-paragraph (2) to the protected pension rate were, in both places that reference appears, a reference to the initial annual rate of compensation for the purposes of paragraph 4 or 6 of Schedule 5 to that Act; and
 - (d) sub-paragraph (5) to paragraph 28 of Schedule 7 to the 2004 Act (annual increase in periodic compensation) were to paragraph 17 of Schedule 5 to the 2008 Act.
- (4) Paragraph 9(2) (new cap does not generally affect old payments) has effect as if the reference to—
- (a) periodic compensation were to compensation within paragraph 4 or 6 of Schedule 5 to the 2008 Act; and
 - (b) that Schedule were to Schedule 7 to the Pensions Act 2004.
- (5) Paragraph 10 (survivors' compensation) has effect as if the reference to—
- (a) paragraph 4(3), 13(3) or 18(3) of Schedule 7 to the 2004 Act were to paragraph 5(3) or 7(3) of Schedule 5 to the 2008 Act (compensation payable to widow, widower or surviving civil partner);
 - (b) paragraph 8 were to that paragraph as modified by this Order.
- (6) Paragraph 11 (cases involving early payment or postponement of compensation) has effect as if the reference to—
- (a) paragraph 25 of Schedule 7 to the 2004 Act were to paragraph 10 of Schedule 5 to the 2008 Act (early payment of compensation); and
 - (b) paragraph 25A of Schedule 7 to the 2004 Act were to paragraph 16A of Schedule 5 to the 2008 Act (postponement of compensation).
- (7) Paragraph 12 (recalculation of terminal illness lump sums given in the past year) has effect as if the reference in—
- (a) sub-paragraph (1)(a) to paragraph 25E of Schedule 7 to the 2004 Act were to paragraph 15 of Schedule 5 to the 2008 Act (terminal illness lump sum: effect of successful application);
 - (b) sub-paragraph (1)(b) to the restriction in paragraph 26 of Schedule 7 to the 2004 Act were to the restriction in regulations made under paragraph 18 of Schedule 5 to the 2008 Act; and
 - (c) sub-paragraph (2) to Schedule 7 to the 2004 Act were to Schedule 5 to the 2008 Act (pension compensation payable on discharge of pension compensation credit).

Name
Minister of State
Department for Work and Pensions

EXPLANATORY NOTE

(This note is not part of the Order)

The Pension Protection Fund pays compensation to members of eligible occupational pension schemes when the employer becomes insolvent. The pension compensation is subject to a maximum cap in some cases – the compensation cap.

Section 50 of, and Schedule 20 to, the Pensions Act 2014 (c. 19) provide for a revised (increased) compensation cap dependent on a person's age and length of service when the person first becomes entitled to compensation.

Article 2 makes transitional provision relating to the coming into force of that Schedule in relation to pension sharing on divorce that is similar to the provisions of Part 3 of that Schedule. It also modifies the transitional provisions in Part 3 of that Schedule, which deal amongst other things with the recalculation of pension compensation going forwards and the effect on old payments, so that they apply in a similar way where compensation is payable on divorce etc under Chapter 1 of Part 3 of the Pensions Act 2008 (c. 30).

An impact assessment has not been produced for this Order as it has 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).