Draft Order laid before Parliament under section 316(2)(s) of the Pensions Act 2004, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2011 No. 000

PENSIONS

The Pension Protection Fund (Pension Compensation Cap) Order 2011

Made - - - -

Coming into force - - *1st April 2011*

The Secretary of State for Work and Pensions makes the following Order in exercise of the powers conferred by section 315(5) of, and paragraphs 26(7) and 27(2) and (3) of Schedule 7 to, the Pensions Act 2004(**a**).

On a review under section 148(2) of the Social Security Administration Act 1992(**b**), the Secretary of State concluded that the general level of earnings obtaining in Great Britain exceeds by 0.5% the general level at the end of the period taken into account for the last such review under that section.

A draft of this Order has been laid before Parliament in accordance with section 316(2)(s) of the Pensions Act 2004 and approved by a resolution of each House of Parliament.

Citation and commencement

1. This Order may be cited as the Pension Protection Fund (Pension Compensation Cap) Order 2011 and shall come into force on 1st April 2011.

The compensation cap

2. The amount specified for the purposes of paragraph (a) of the definition of "the compensation cap" in paragraph 26(7) of Schedule 7 to the Pensions Act 2004 (pension compensation provisions – compensation cap) is £33,219.36.

Revocation of the Pension Protection Fund (Pension Compensation Cap) Order 2010

3. The Pension Protection Fund (Pension Compensation Cap) Order 2010(**c**) is revoked.

(**a**) 2004 c.35.
(**b**) 1992 c.5. Section 148(2) was amended by section 37 of the Child Support, Pensions and Social Security Act 2000 (c.19).
(**c**) S.I. 2010/667.

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

Minister of State,
2011 Department for Work and Pensions

EXPLANATORY NOTE

(This note is not part of the Order)

This Order specifies the amount of the compensation cap for the purposes of paragraph 26(7) of Schedule 7 to the Pensions Act 2004 (c.35) ("the Act"), in accordance with paragraph 27(2) and (3) of that Schedule (article 2).

The Board of the Pension Protection Fund ("the Board") is established by section 107 of the Act to provide compensation for members of certain occupational pension schemes which are underfunded at a certain level and whose sponsoring employer has become insolvent.

The compensation cap is used by the Board to determine the amount of compensation payable to a person who is under normal pension age on the assessment date (as described in paragraphs 2 and 34 of Schedule 7 to the Act) and whose compensation is not derived from a survivor's pension or a pension payable on the grounds of ill health. Paragraph 26 of Schedule 7 to the Act can restrict the amount of compensation payable. When it does so, the Board uses the compensation cap to determine the amount of compensation payable.

This Order increases the amount of the compensation cap from 1st April 2011 to reflect a higher general level of earnings.

The Pension Protection Fund (Pension Compensation Cap) Order 2010 (S.I. 2010/667) is revoked (article 3).

A full impact assessment has not been produced for this instrument as it has no impact on the private or voluntary sectors.

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