STATUTORY INSTRUMENTS

2017 No. 324

PENSIONS

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

Made - - - -	*8th March 2017*
Laid before Parliament	*13th March 2017*
Coming into force - -	*6th April 2017*

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) and (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) to (4), 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 of the Pension Protection Fund (Compensation) Regulations 2005 (application of compensation cap where compensation becomes payable on different dates)(**c**) is amended as follows.

(2) For sub-paragraph (6A) substitute, "Where sub-paragraph (6B) or sub-paragraph (6BA) applies to a person, sub-paragraphs (6C) and (6D) apply (instead of sub-paragraph (1)) in relation to the entitlements referred to in the sub-paragraph which applies to him.".

(3) For sub-paragraph (6B), substitute—

"(6B) This sub-paragraph applies if—

(a) a person becomes entitled to relevant compensation in respect of a benefit ("benefit A") that is attributable to a pension credit from a transferor; and

(**a**) 2004 c. 35. 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 of Schedule 7 was amended by section 22 of, and paragraphs 19 and 23(9) of Schedule 4 to, the Pensions Act 2011 (c. 19) and by sections 50 and 51 of, and paragraphs 4 and 6(3) of Schedule 20 to, the Pensions Act 2014 (c. 19).

(**b**) 2014 c.19.

(**c**) S.I. 2005/670. Regulation 22 was amended by S.I. 2013/627.

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

(i) relevant compensation in respect of one or more other benefits under the scheme or a connected occupational pension scheme that are also attributable to a pension credit from the same transferor ("benefit or benefits C"); or

(ii) one or more lump sums under the scheme or a relevant connected occupational pension scheme ("sum or sums L") that are also attributable to a pension credit from the same transferor.".

(4) After sub-paragraph (6B) (as substituted by regulation 2(3) of these Regulations), insert—

"(6BA) This paragraph applies if—

(a) a person becomes entitled to relevant compensation in respect of a benefit ("benefit A") that is attributable to the person's pensionable service; and

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

(i) relevant compensation in respect of one or more other benefits under the scheme or a connected occupational pension scheme that are also attributable to his pensionable service ("benefit or benefits C"); or

(ii) one or more lump sums under the scheme or a relevant connected occupational pension scheme ("sum or sums L") that are also attributable to his pensionable service.".

"(6BB) For the purposes of sub-paragraphs (6B)(b)(ii) and (6BA)(b)(ii), a scheme is a relevant connected compensation pension scheme if it is an eligible scheme when the person becomes entitled to the relevant compensation in respect of benefit A.".

(5) After sub-paragraph (6G) as inserted by regulation 22(3), insert—

"(6GA) Where sub-paragraph (6B) or (6BA) 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 it were a reference to the total length of the person's pensionable service at the time when he becomes entitled to the relevant compensation in respect of benefit A.".

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.

Richard Harrington
Parliamentary Under- Secretary of State,
Department for Work and Pensions

8th March 2017

(**a**) S.I. 2006/580. Regulation 9A was inserted by S.I. 2013/627 and amended by S.I. 2016/294.

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 2004 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. Paragraphs 26 and 26A of Schedule 7 to the 2004 Act make provision for the amount of such compensation to be subject to a cap in certain cases.

Regulation 22 of the Pension Protection Fund (Compensation) Regulations 2005 (S.I. 2005/670) ("the Compensation Regulations") modifies paragraph 26 of Schedule 7 to the 2004 Act 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) to (4) of these Regulations amends the modifications made by regulation 22 of the Compensation Regulations 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) ("the 2014 Act"), the amendments made by regulation 2(2) to (4) 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(5) of these Regulations 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 2014 Act is to be calculated where a person has previously become entitled to compensation under the scheme or a connected scheme.

Regulation 3 of these Regulations amends regulation 9A of the Pension Protection Fund (General and Miscellaneous Amendments) Regulations 2006 (S.I. 2006/580) in relation to the discharge by the Board 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 t: https://www.gov.uk/government/publications/pensions-act-2014-impact-assessments-may-2014 (Annex J contains the assessment for the cap).

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