

**Changes to legislation:** Pensions Act 2008, Cross Heading: Annual increase in periodic compensation is up to date with all changes known to be in force on or before 02 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

## SCHEDULES

### SCHEDULE 5

#### PENSION COMPENSATION PAYABLE ON DISCHARGE OF PENSION COMPENSATION CREDIT

##### Modifications etc. (not altering text)

- C1** Sch. 5 applied (24.7.2014) by [The Pensions Act 2011 \(Transitional, Consequential and Supplementary Provisions\) Regulations 2014 \(S.I. 2014/1711\)](#), regs. 1(1), **42(1)**, 53, 57 (with regs. 6, 41, 44(1), 47(1), 69(2), 72(1), 76(1)); coming into force immediately after s. 29 of 2011 c 19 - see S.I. 2014/1683, art. 2

#### PART 4

##### PROVISIONS APPLICABLE IRRESPECTIVE OF AGE OF TRANSFEREE ON TRANSFER DAY

###### *Annual increase in periodic compensation*

- 17 (1) This paragraph provides for annual increases to compensation payable to the transferee.
- (2) The transferee is entitled, on each indexation date, to an increase of the appropriate percentage of the underlying rate.
- (3) The increase to which the transferee is entitled on the first indexation date is restricted to 1/12 of the amount calculated under sub-paragraph (2) for each full month in the period beginning with the transfer day and ending with that indexation date.
- (4) For the purposes of sub-paragraph (2)—
- “the appropriate percentage”, as at an indexation date, is the lesser of—
- (a) the percentage increase in the [<sup>F1</sup>general level of prices in Great Britain] for the period of 12 months ending with the 31 May last falling before that date, and
- (b) 2.5%;
- “the indexation date” means—
- (a) the 1 January next falling after the transferee first becomes entitled to the periodic compensation, and
- (b) each subsequent 1 January during the transferee's lifetime;
- “the underlying rate”, as at an indexation date, is the aggregate of—
- (a) the indexed proportion (as determined under sub-paragraph (5) or (6) below) of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6) the revaluation amount, <sup>F2</sup>...
- (aa) [<sup>F3</sup>so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and]

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(b) any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates.

[<sup>F4</sup>(4A) For the purposes of paragraph (a) of the definition of “the appropriate percentage” in sub-paragraph (4), the Secretary of State may (from time to time) decide, as the Secretary of State thinks fit, the manner in which percentage increases in the general level of prices in Great Britain are to be determined.

(4B) The Secretary of State must publish any decision made under sub-paragraph (4A).]

(5) Where the transferor's PPF compensation is payable in accordance with paragraph 3, 5, 8, 11, 15 or 22 of Schedule 7 to the Pensions Act 2004 (“the relevant paragraph of Schedule 7”), “the indexed proportion” is the proportion of the amount mentioned in sub-paragraph (3)(a) of the relevant paragraph of Schedule 7 that is attributable to the transferor's post-1997 service.

Paragraph 28(4) of that Schedule applies for the purpose of attributing amounts to the transferor's post-1997 service under this sub-paragraph.

(6) Where the transferor's PPF compensation is payable otherwise than as mentioned in sub-paragraph (5), “the indexed proportion” is such proportion as is determined in accordance with regulations made by the Secretary of State.

(7) Where the compensation payable to the transferee is—

- (a) reduced as a result of the commutation of periodic compensation under paragraph 9, or
- (b) restricted under regulations under paragraph 18 (compensation cap),

the references in [<sup>F5</sup>paragraph (a) of] the definition of “the underlying rate” in sub-paragraph (4) above to the initial annual compensation rate and the revaluation amount are to that rate and that amount as so restricted or reduced [<sup>F6</sup>(and paragraph (aa) of the definition applies accordingly)].

[<sup>F7</sup>(7A) Where the commencement of periodic compensation has been postponed by virtue of paragraph 16A, this paragraph applies as if the transferee first becomes entitled to the periodic compensation on the day on which the periodic compensation commences.]

(8) The definition of “the appropriate percentage” in sub-paragraph (4) is subject to paragraph 20 (power of Board to alter rates of revaluation and indexation).

(9) In this paragraph—

“post-1997 service” has the same meaning as in paragraph 28 of Schedule 7 to the Pensions Act 2004 (c. 35) (annual increase in periodic pension compensation);

“the commutation percentage”, in relation to periodic compensation, means the percentage of that compensation commuted under paragraph 9.

#### Textual Amendments

**F1** Words in Sch. 5 para. 17(4) substituted (1.1.2012) by [Pensions Act 2011 \(c. 19\)](#), **ss. 20(6)**, 38(4); [S.I. 2011/3034](#), {art. 2}

**F2** Word in Sch. 5 para. 17(4)(a) omitted (13.3.2013) by virtue of [Pensions Act 2011 \(c. 19\)](#), s. 38(4), **Sch. 4 para. 35(2)(a)**; [S.I. 2013/585](#), art. 2(b)(iii)

**F3** Words in Sch. 5 para. 17(4) inserted (13.3.2013) by [Pensions Act 2011 \(c. 19\)](#), s. 38(4), **Sch. 4 para. 35(2)(b)**; [S.I. 2013/585](#), art. 2(b)(iii)

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- F4** Sch. 5 para. 17(4A)(4B) inserted (1.1.2012) by Pensions Act 2011 (c. 19), ss. 20(7), 38(4); S.I. 2011/3034. {art. 2}
- F5** Words in Sch. 5 para. 17(7) inserted (13.3.2013) by Pensions Act 2011 (c. 19), s. 38(4), Sch. 4 para. 35(3)(a); S.I. 2013/585, art. 2(b)(iii)
- F6** Words in Sch. 5 para. 17(7) inserted (13.3.2013) by Pensions Act 2011 (c. 19), s. 38(4), Sch. 4 para. 35(3)(b); S.I. 2013/585, art. 2(b)(iii)
- F7** Sch. 5 para. 17(7A) inserted (13.3.2013) by Pensions Act 2011 (c. 19), s. 38(4), Sch. 4 para. 35(4); S.I. 2013/585, art. 2(b)(iii)

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#### Commencement Information

- I1** Sch. 5 para. 17 wholly in force at 6.4.2011; para. 17 in force for certain purposes at Royal Assent see s. 149(2)(k); para. 17 in force so far as not already in force at 6.4.2011 by S.I. 2011/664, art. 2(3), Sch. Pt. 2

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 3(1A) inserted by [2023 c. 44 s. 1\(2\)](#)
- s. 5(1C) inserted by [2023 c. 44 s. 1\(3\)](#)
- s. 13(3)(ec) inserted by [2023 c. 20 Sch. para. 56](#)
- s. 13A inserted by [2023 c. 44 s. 1\(4\)](#)
- s. 24(1)(c) inserted by [2015 c. 8 Sch. 2 para. 43\(2\)\(d\)](#)
- s. 143(6)(7) inserted by [2023 c. 44 s. 1\(5\)\(b\)](#)