

*These notes refer to the Pensions Act (Northern Ireland)
2015 (c.5) which received Royal Assent on 23 June 2015*

Pensions Act (Northern Ireland) 2015

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 6 – Private Pensions

Section 49: Pension Protection Fund: compensation cap to apply separately to certain benefits

This section amends paragraph 26 of Schedule 6 to the 2005 Order to bring existing legislation relating to the PPF into line with the policy intent and current practice.

The PPF pays compensation where the sponsoring employer of a defined benefit occupational pension scheme experiences an insolvency event and the scheme has insufficient funds to provide benefits at compensation levels. Where a person is under the scheme pension age at the date of the insolvency event, the compensation is based on 90 per cent of a person's accrued benefits, subject to a maximum cap.

Where a person is entitled to compensation under the PPF due to entitlement to two or more scheme benefits, paragraph 26 of Schedule 6 to the 2005 Order provides for those benefits to be added together for the purposes of applying the compensation cap. However, the policy intention is that only where both benefits are attributable to the person's pensionable service or both attributable to a pension credit arising from a divorce or dissolution settlement should they be added together for the purposes of applying the compensation cap. The PPF have been applying this policy meaning that an individual with benefits derived from different sources - for instance one benefit arising from a pension credit and another from their own service in the scheme – will have their compensation calculated separately for each and the compensation cap applied separately to each. Changing the current practice could lead to significantly lower payments to some individuals.

This section amends paragraph 26 of Schedule 6 to the 2005 Order so that both the primary and secondary legislation supports the policy and the current practice. The amendments would be retrospective by virtue of subsections (7) and (8) of the new section, to cover payments which may already have been made.