
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) 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 underfunded at a certain level. Paragraphs 26 and 26A of Schedule 6 to the Pensions (Northern Ireland) Order 2005 (“the Order”) make provision for the amount of such compensation to be subject to a cap in certain cases.

Regulation 20 of the Pension Protection Fund (Compensation) Regulations (Northern Ireland) 2005 (“the Compensation Regulations”) modifies paragraph 26 of Schedule 6 to the Order 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(a) to (c) of these Regulations amends the modifications made by regulation 20 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 49(8) of the Pensions Act (Northern Ireland) 2015 (“the 2015 Act”), the amendments made by regulation 2(a) to (c) 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 operation.

Regulation 2(d) of these Regulations further amends regulation 20 of the Compensation Regulations so as to make provision for how the increased compensation cap for long service of 20 years or more introduced by the 2015 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 (Northern Ireland) 2006 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.

The Pensions (2015 Act) (Commencement No. 5) Order (Northern Ireland) 2017 (S.R. 2017 No. 44 (C. 5)) provides for the coming into operation of Schedule 20 to the 2015 Act, which amends paragraph 26(9) of Schedule 6 to the Order, one of the enabling provisions under which these Regulations are made, on 6th April 2017.

As these Regulations, in so far as they are made under the Order, make in relation to Northern Ireland only provision corresponding to provision contained in regulations made by the Secretary of State for Work and Pensions in relation to Great Britain, the requirement for consultation does not apply by virtue of Article 289(2)(e) of the Order.

An assessment of the impact of the introduction of the Pension Protection Fund increased cap for long service is included in the Regulatory Impact Assessment which accompanied the 2015 Act, a copy of which has been laid in the Business Office and the Library of the Northern Ireland Assembly. Copies of the Assessment are available from the Department for Communities, Social

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