
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, where the pension scheme is underfunded below a certain level. The compensation payable to individual members is determined in accordance with Schedule 6 to the Pensions (Northern Ireland) Order 2005 (“the 2005 Order”) and regulations made under it, including the Pension Protection Fund (Compensation) Regulations (Northern Ireland) 2005 (“the Compensation Regulations”).

These Regulations make amendments to the Compensation Regulations to insert provisions modifying the effect of Schedule 6 to the 2005 Order in relation to certain schemes, and also make other related amendments to the Compensation Regulations.

Regulation 2(6) inserts regulations 26 and 27 into the Compensation Regulations. Regulation 26 provides that the modifications to Schedule 6 to the 2005 Order apply to schemes in relation to which an assessment period begins on or after 24th February 2018, where under the scheme immediately before the assessment date a member is entitled, or has accrued rights, to a pension the annual rate of which would have decreased on or after the assessment date (referred to as a “step-down pension”). Regulation 27 sets out details of the modifications to Schedule 6 which apply in relation to those schemes.

Under Schedule 6 to the 2005 Order, periodic compensation is usually calculated by reference to the annual rate of the pension immediately before the assessment date, or, where the pension is not yet in payment, what would have been the initial annual rate. The modifications set out in regulation 27 of the Compensation Regulations provide for the annual rate of periodic compensation in respect of a step-down pension to decrease at a specified point in time, to reflect the decrease which would have occurred in the rate of the step-down pension under the member’s scheme. The Regulations also make other related modifications to Schedule 6, including to provide for the application of the compensation cap under paragraph 26 of Schedule 6 to a person who is entitled to compensation in respect of a step-down pension to take account of the decrease which will occur in the rate of that compensation.

The Pensions (No. 2 Act) (Commencement No. 12) Order (Northern Ireland) 2018 (S.R. 2018 No. 23 (C. 2)) provides for the coming into operation of paragraph 15 of Schedule 6 to the Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13 (N.I.)), which amends paragraph 33 of Schedule 6 to the 2005 Order, one of the enabling provisions under which these Regulations are made, on 2nd February 2018.

As these Regulations 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 to consult under Article 289(1) of the 2005 Order does not apply by virtue of paragraph (2)(e) of that Article.