

## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order specifies the amount of the compensation cap for the purposes of paragraphs 26(7) and 27(2) and (3) of Schedule 7 to the Pensions Act 2004 (c.35) (“the Act”) (article 2).

The Board of the Pension Protection Fund is established by section 107 of the 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 underfunded at a certain level.

The compensation cap is an amount used by the Board of the Pension Protection Fund to determine the amount of compensation payable to a person who is under normal pension age on the assessment date (as described in paragraphs 2 and 34 of Schedule 7 to the Act) and whose compensation is not derived from a pension payable on the grounds of ill health or a survivor’s pension. The compensation cap is used to determine the amount of compensation payable when that amount is restricted in accordance with paragraph 26 of Schedule 7 to the Act.

The Pension Protection Fund (Pension Compensation Cap) Order 2005 is revoked (article 3).

A full regulatory impact assessment has not been produced for this instrument as it has no impact on the costs of business, charities or voluntary bodies.