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STATUTORY INSTRUMENTS

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**2005 No. 670**

**The Pension Protection Fund (Compensation) Regulations 2005**

**PART 10**

Cash balance schemes

**Cash balance schemes: modification of [F<sup>1</sup> paragraphs 5, 15 and 19][F<sup>1</sup> paragraphs 3, 5, 8, 10, 11, 14, 15, 19, 22 and 37] of Schedule 7 to the Act**

**25.—(1)** [F<sup>2</sup>Subject to paragraph (1A),] this regulation applies to a cash balance scheme[F<sup>3</sup>, that is to say an occupational pension scheme the rules of which entitle a member of the scheme, upon attaining normal pension age, to a guaranteed sum which the trustees or managers of the scheme use to purchase for the member either a pension within the scheme or an annuity].

[F<sup>4</sup>(1A) This regulation does not apply to a cash balance scheme which is also a career average revalued earnings scheme within the meaning of regulation 26(1).]

[F<sup>5</sup>In their application to cash balance benefits or to a pension derived from cash balance benefits, the provisions of Schedule 7 to the Act have effect with the following modifications—

- (a) paragraph 3 (pensions in payment at assessment date) has effect as if—
  - (i) in sub-paragraph (3), after “The annual rate of the periodic compensation is” there were inserted “subject to sub-paragraph (3A)”; and
  - (ii) after sub-paragraph (3) there were inserted—
    - “(3A) In a case where—
      - (a) the pension is derived from money purchase benefits or cash balance benefits;
      - (b) there is no requirement or discretion under the admissible rules to increase the pension; and
      - (c) the pension is not required to be increased in accordance with section 51 of the Pensions Act 1995,the annual rate of the periodic compensation is the protected pension rate.”;
  - (iii) in sub-paragraph (5), for “sub-paragraph (3)” there were substituted “sub-paragraphs (3) and (3A)”.
- (b) paragraph 5 (pension benefits postponed at assessment date) has effect as if—
  - (i) in sub-paragraph (3), after “The annual rate of the periodic compensation is” there were inserted “subject to sub-paragraphs (3A) and (3B)”; and
  - (ii) after sub-paragraph (3) there were inserted—
    - “(3A) In a case where—
      - (a) the postponed pension is derived from money purchase benefits or cash balance benefits;

- (b) there is no requirement or discretion under the admissible rules to increase the pension; and
    - (c) the pension is not required to be increased in accordance with section 51 of the Pensions Act 1995,
- the annual rate of the periodic compensation is to be determined in accordance with sub-paragraph (3B).
- (3B) In a case falling within sub-paragraph (3A) the annual rate of the periodic compensation is—
- (a) where the commencement of periodic compensation under this paragraph has not been postponed for any period by virtue of paragraph 25A, 100% of the protected pension rate; or
  - (b) where the commencement of periodic compensation has been so postponed, 100% of the aggregate of the protected pension rate and the amount of the actuarial increase under paragraph 25A.”;
- (iii) in sub-paragraph (4) for “In sub-paragraph (3)” there were substituted “In sub-paragraphs (3) and (3B)”;
- (iv) after sub-paragraph (4) there were inserted—
- “(4A) In any case where the Board is satisfied that it is not possible to determine on the basis referred to in sub-paragraph (4) what would have been the annual rate of the pension, the “protected pension rate” shall mean what the Board may, having regard to the admissible rules, determine would have been the annual rate of pension if the postponement of pension had ceased immediately before the assessment date.”; and
- (v) in sub-paragraph (5) after “(4)” there were inserted “or (4A)”;
- (c) paragraph 8 (active members over normal pension age at assessment date) has effect as if—
- (i) for sub-paragraph (5) there were substituted—
- “(5) Subject to sub-paragraph (5A), the accrued amount means an amount equal to such initial annual rate of pension to which the member would have been entitled under the admissible rules when the pensionable service relating to the pension ended.
- (5A) In any case where the Board is satisfied that it is not possible to identify the initial annual rate of pension on the basis referred to in sub-paragraph (5), the Board may, having regard to the admissible rules, determine the accrued amount in accordance with actuarial factors published by the Board.”; and

(ii) sub-paragraphs (6) and (7) were omitted;

(d) paragraph 10 has effect as if—

  - (i) for sub-paragraph (4) there were substituted—

“(4) Subject to sub-paragraph (4A), the accrued amount means an amount equal to such amount of scheme lump sum to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to the scheme lump sum ended.

(4A) In any case where the Board is satisfied that it is not possible to identify the amount of the scheme lump sum on the basis referred to in sub-paragraph (4), the Board may, having regard to the admissible rules, determine the accrued amount in accordance with actuarial factors published by the Board.”;

(ii) sub-paragraphs (5), (6) and (7) were omitted;

- (e) paragraph 11 (active members who have not attained normal pension age at assessment date) has effect as if—
- (i) for sub-paragraph (5) there were substituted—

“(5) Subject to sub-paragraph (5A), the accrued amount means an amount equal to such initial annual rate of pension to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to the pension ended.

(5A) In any case where the Board is satisfied that it is not possible to identify the initial annual rate of pension on the basis referred to in sub-paragraph (5), the Board may, having regard to the admissible rules, determine the accrued amount in accordance with actuarial factors published by the Board.”; and
  - (ii) sub-paragraphs (6) and (7) were omitted;
- (f) paragraph 14 has effect as if —
- (i) for sub-paragraph (5) there were substituted—

“(5) Subject to sub-paragraph (5A), the accrued amount means an amount equal to such scheme lump sum to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to the scheme lump sum ended.

(5A) In any case where the Board is satisfied that it is not possible to identify the amount of the scheme lump sum on the basis referred to in sub-paragraph (5), the Board may, having regard to the admissible rules, determine the accrued amount in accordance with actuarial factors published by the Board.”;
  - (ii) sub-paragraphs (6) and (7) were omitted;
- (g) paragraph 15 (deferred members who have not attained normal pension age at assessment date) has effect as if—
- (i) at the beginning of sub-paragraph (5) there were inserted “Subject to sub-paragraph (5A)”;
  - (ii) after sub-paragraph (5) there were inserted—

“(5A) In any case where the Board is satisfied that it is not possible to determine on the basis referred to in sub-paragraph (5) what would have been the initial annual rate of the pension, the accrued amount shall mean an amount equal to such initial annual rate as the Board may, having regard to the admissible rules and in accordance with actuarial factors published by the Board, determine the deferred member would have been entitled to had normal pension age been the actual age attained by the deferred member when the pensionable service relating to the lump sum ended.”;
- (h) paragraph 19 has effect as if—
- (i) at the beginning of sub-paragraph (5) there were inserted “Subject to sub-paragraph (5A)”;
  - (ii) after sub-paragraph (5) there were inserted—

“(5A) In any case where the Board is satisfied that it is not possible to determine on the basis referred to in sub-paragraph (5) what would have been the amount of the scheme lump sum, the accrued amount shall mean an amount equal to such scheme lump sum amount as the Board may, having regard to the admissible rules and in accordance with actuarial factors published by the Board, determine the deferred member would have been entitled to had normal pension age been the actual age attained by the deferred member when the pensionable service relating to the lump sum ended.”;

- (i) paragraph 22 (survivors who do not meet conditions for scheme benefits at assessment date) has effect as if—
- (i) at the beginning of sub-paragraph (3)(a) there were inserted “subject to sub-paragraph (3A)”;
- (ii) after sub-paragraph (3) there were inserted—
- “(3A) In any case where the Board is satisfied that it is not possible to identify the initial rate of pension mentioned in sub-paragraph (3)(a), the Board may, having regard to the admissible rules, determine the initial rate of the compensation in accordance with actuarial factors published by the Board.”;
- (j) paragraph 37(1) has effect as if after “In this Schedule—” there were inserted—
- ““cash balance benefit” has the meaning given by regulation 2 of the Pensions Act 2011 (Transitional, Consequential and Supplementary Provisions) Regulations 2014;”]

[<sup>F6</sup>(3) [<sup>F7</sup>In this Part] —

“cash balance benefit” has the meaning given by regulation 2 of the Pensions Act 2011 (Transitional, Consequential and Supplementary Provisions) Regulations 2014; and

“cash balance scheme” means a scheme which provides cash balance benefits, whether or not the scheme also provides other benefits.]

#### Textual Amendments

- F1** Words in reg. 25 substituted (24.7.2014) by [The Pensions Act 2011 \(Transitional, Consequential and Supplementary Provisions\) Regulations 2014 \(S.I. 2014/1711\)](#), regs. 1(1), **60(5)(a)** (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
- F2** Words in reg. 25(1) inserted (6.4.2010) by [Pension Protection Fund \(Miscellaneous Amendments\) Regulations 2010 \(S.I. 2010/560\)](#), regs. 1(2)(b), **4(3)(a)**
- F3** Words in reg. 25(1) omitted (24.7.2014) by virtue of [The Pensions Act 2011 \(Transitional, Consequential and Supplementary Provisions\) Regulations 2014 \(S.I. 2014/1711\)](#), regs. 1(1), **60(5)(b)** (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
- F4** Reg. 25(1A) inserted (6.4.2010) by [Pension Protection Fund \(Miscellaneous Amendments\) Regulations 2010 \(S.I. 2010/560\)](#), regs. 1(2)(b), **4(3)(b)**
- F5** Reg. 25(2) substituted (24.7.2014) by [The Pensions Act 2011 \(Transitional, Consequential and Supplementary Provisions\) Regulations 2014 \(S.I. 2014/1711\)](#), regs. 1(1), **60(5)(c)** (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
- F6** Reg. 25(3) inserted (24.7.2014) by [The Pensions Act 2011 \(Transitional, Consequential and Supplementary Provisions\) Regulations 2014 \(S.I. 2014/1711\)](#), regs. 1(1), **60(5)(d)** (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
- F7** Words in reg. 25(3) substituted (6.4.2016) by [The Pension Protection Fund and Occupational and Personal Pension Schemes \(Miscellaneous Amendments\) Regulations 2016 \(S.I. 2016/294\)](#), regs. 1, **4(5)**

**Changes to legislation:**

There are currently no known outstanding effects for the The Pension Protection Fund (Compensation) Regulations 2005, Section 25.