

**2006 No. 347**

**PENSIONS**

**The Pension Protection Fund (Pension Compensation Cap)  
Order 2006**

*Made* - - - - - *13th February 2006*

*Coming into force* - - - - - *1st April 2006*

This Order is made in exercise of the powers conferred by paragraphs 26(7) and 27(2) and (3) of Schedule 7 to the Pensions Act 2004(a).

On a review under section 148(2) of the Social Security Administration Act 1992(b) the Secretary of State concluded that the general level of earnings obtaining in Great Britain exceeds the general level by 4.2% at the end of the period taken into account for the last review under that section.

A draft of this instrument has been laid before Parliament in accordance with section 316(2)(s) of the Pensions Act 2004 and approved by a resolution of each House of Parliament.

Accordingly the Secretary of State for Work and Pensions makes the following Order:

**Citation and commencement**

1. This Order may be cited as the Pension Protection Fund (Pension Compensation Cap) Order 2006 and shall come into force on 1st April 2006.

**The compensation cap**

2. The amount specified for the purposes of paragraph (a) of the definition of “the compensation cap” in paragraph 26(7) of Schedule 7 to the Pensions Act 2004 (pension compensation provisions – compensation cap) shall be £28,944.45.

**Revocation**

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

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(a) 2004 c.35.

(b) 1992 c.5. Section 148(2) was amended by section 37 of the Child Support, Pensions and Social Security Act 2000 (c.19).

(c) S.I. 2005/825.

Signed by authority of the Secretary of State for Work and Pensions.

13th February 2006

*Stephen C. Timms*  
Minister of State,  
Department for Work and Pensions

### **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.

**£3.00**

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