
STATUTORY INSTRUMENTS

2006 No. 580

**The Pension Protection Fund (General and
Miscellaneous Amendments) Regulations 2006**

PART 6

Miscellaneous amendments

Amendment of the Compensation Regulations

22.—(1) The Compensation Regulations are amended in accordance with this regulation.

(2) In regulation 1(2) ^{M1} (interpretation)—

(a) in the appropriate alphabetical places insert—

“the 2004 Act” means the Finance Act 2004;

“commutation period” means the period beginning with the day on which a trivial commutation lump sum or PPF trivial commutation lump sum is first paid to the member and ending 12 months after that day;

“lump sum compensation” means—

- (a) any lump sum compensation payments made in relation to a person, payable under the pension compensation provisions as specified in section 162(2) of the Act (the pension compensation provisions); or
- (b) any lump sum payments made in relation to a person, payable under section 166 of the Act (duty to pay scheme benefits unpaid at assessment date etc.);

“periodic compensation” means—

- (a) any periodic compensation payments made in relation to a person, payable under the pension compensation provisions specified in section 162(2) of the Act; or
- (b) any periodic payments made in relation to a person, payable under section 166 of the Act;

“PPF compensation” means any payments made under the pension compensation provisions specified in section 162 of the Act (the pension compensation provisions);

“PPF trivial commutation lump sum” means a payment made under paragraph 24 of Schedule 7 to the Act (commutation of periodic compensation);

“registered pension scheme” has the meaning given in section 150(2) of the 2004 Act (meaning of pension schemes);

“standard lifetime allowance” means—

- (a) for the tax year 2006-07, the amount specified in section 218(2) of the 2004 Act (individual's lifetime allowance and standard lifetime allowance); and
- (b) for each subsequent tax year the amount specified in the relevant order for that tax year made under section 218(3) of that Act;

“tax year” has the meaning given in section 279(1) of the 2004 Act (other definitions);
“trivial commutation lump sum” has the meaning given in paragraph 7 of Schedule 29 to the 2004 Act (trivial commutation lump sum).”; and

(b) for the definition of “relevant partner”, substitute—

““relevant partner” means a person of either sex who was not married to, or in a civil partnership with, the member—

(a) who was living with the member as if that person and the member were husband and wife; or

(b) in the case of two adults of the same sex, as if they were civil partners,

and, for the purposes of these Regulations, two adults of the same sex are to be regarded as living together as civil partners if they would have been regarded as living together as husband and wife were they instead two adults of opposite sex;.”.

(3) In regulation 19 (commutation of periodic compensation)—

(a) in paragraph (1), for “specified in paragraph (2)” substitute “ specified in paragraphs (2) and (3) ”; and

(b) after paragraph (2), add—

“(3) Where a person makes an application to the PPF Board to commute in accordance with regulation 20(1), that person must have attained the age of 60 and must not have attained the age of 75 on the date specified in paragraph 20(2)(b).”.

(4) For regulation 20 (circumstances in which the portion of compensation to be commuted may exceed 25 per cent) substitute—

“Circumstances in which the portion of compensation to be commuted may exceed 25 per cent

20.—(1) The prescribed circumstances for the purposes of paragraph 24(2) of Schedule 7 to the Act (commutation of periodic compensation) are that the portion to be commuted is a PPF trivial commutation lump sum, in accordance with paragraph (2).

(2) A payment is a PPF trivial commutation lump sum if—

(a) either—

(i) no trivial commutation lump sum or PPF trivial commutation lump sum has previously been paid to the person—

(aa) by a registered pension scheme; or

(bb) the Board; or

(ii) if such a lump sum has previously been paid; that lump sum is paid before the end of the commutation period;

(b) on the nominated date, the value of the member's entitlement to PPF compensation and pension rights do not exceed the commutation limit;

(c) it is paid when all or part of the member's standard lifetime allowance is available; and

(d) it extinguishes the member's entitlement to PPF compensation.

(3) The nominated date is—

(a) the day within the period of three months ending with the first day of the commutation period nominated by the person; or

(b) if no day is nominated, the first day of the commutation period.

- (4) The commutation limit is 1% of the standard lifetime allowance on the nominated date.
- (5) The value of the member's pension rights on the nominated date is the aggregate of—
 - (a) the value of the member's relevant crystallised pension rights on that date; and
 - (b) the value of the member's uncrystallised rights on that date.
- (6) For the purposes of paragraph (5)—
 - (a) relevant crystallised pension rights shall be calculated in accordance with paragraph 8 of Schedule 29 to the 2004 Act (trivial commutation lump sum); and
 - (b) a member's uncrystallised rights shall be calculated in accordance with paragraph 9 of Schedule 29 to the 2004 Act.
- (7) The value of the member's entitlement to PPF compensation shall be calculated by adding any entitlement he may have to lump sum compensation and any entitlement he may have to periodic compensation.
- (8) For the purposes of paragraph (7), the value of any entitlement to—
 - (a) lump sum compensation, shall be the full amount of the lump sum compensation to which that member would be entitled on the nominated date; and
 - (b) periodic compensation, shall be calculated by multiplying the annual periodic compensation to which that member would be entitled on the nominated date by 20.”.
- (5) In regulation 21 (manner in which an option to commute may be exercised) omit paragraph (4).
- (6) In paragraph (1)(a) of regulation 23 (disregard of certain small payments in determining PPF compensation cap) for “Finance Act 2004” substitute “ 2004 Act ”.

Marginal Citations

M1 Regulation 1(2) was amended by [S.I. 2005/2113](#).

Changes to legislation:

There are currently no known outstanding effects for the The Pension Protection Fund (General and Miscellaneous Amendments) Regulations 2006, Section 22.