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STATUTORY INSTRUMENTS

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**2005 No. 670**

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

**PART 7**

**Commutation**

**Commutation of periodic compensation**

**19.**—(1) The prescribed circumstances for the purposes of paragraph 24(1) of Schedule 7 to the Act (commutation of periodic compensation) are the circumstances specified in paragraph (2).

(2) The circumstances are that a person entitled to periodic compensation under paragraph 5, 8, 11 or 15 of Schedule 7 (pension compensation provisions)—

- (a) must not have exercised an option to commute for a lump sum a portion of the pension in respect of which that person is entitled to periodic compensation; and
- (b) must exercise the option to commute under paragraph 24(1) of Schedule 7 within six months beginning with the date on which—
  - (i) the Board gives the trustees or managers of the scheme a transfer notice under section 160(2) of the Act (transfer notice); or
  - (ii) entitlement to periodic compensation arises,whichever is the later.

**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 are that the aggregate value of—

- (a) any periodic compensation payable to the person in respect of a pension to which he is entitled under—
    - (i) the admissible rules of the scheme; or
    - (ii) the admissible rules of a connected occupational pension scheme;
  - (b) any compensation payable to that person as a lump sum in respect of a pension to which he is entitled under—
    - (i) the admissible rules of the scheme; or
    - (ii) the admissible rules of a connected occupational pension scheme; and
  - (c) any other benefits, including money purchase benefits, payable to that person under—
    - (i) the scheme rules; or
    - (ii) the rules of a connected occupational pension scheme,is less than £260 per annum.
- (2) For the purposes of this regulation—

- (a) the value of any—
  - (i) periodic compensation;
  - (ii) compensation; and
  - (iii) other benefits,is the value at the time at which periodic compensation becomes payable in respect of the pension under paragraph 5, 8, 11 or 15 of Schedule 7;
- (b) the value of any compensation or benefit payable as a lump sum means the annualised actuarially equivalent amount of that sum determined in accordance with actuarial factors published by the Board;
- (c) the scheme is connected with another occupational pension scheme if the same person is or was an employer in relation to both schemes.

**Manner in which an option to commute may be exercised**

**21.**—(1) The manner in which an option to commute periodic compensation under paragraph 24(1) of Schedule 7 may be exercised is specified in paragraphs (2) to (5).

(2) A person must exercise an option to commute a portion of his periodic compensation under paragraph 24(1) by giving notice to the Board in writing.

(3) A notice given under paragraph (2) must include—

- (a) the name, address, date of birth and national insurance number of the person exercising the option;
- (b) the name and address of the employer in respect of the scheme; and
- (c) the percentage of the periodic compensation that the person opts to commute.

(4) Where a person exercises an option to commute more than 25% of the periodic compensation that person must also provide the Board with the name and address of any connected occupational pension scheme of which he is a member.

(5) The Board may require a person exercising an option under paragraph 24(1) to produce any document or provide any other information relevant to the exercise of the Board's functions in respect of the notice given under paragraph (2).