
EXPLANATORY NOTE

(This note is not part of the Order)

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

The Board of the Pension Protection Fund (“the Board”) is established by section 107 of the Act to provide compensation for members of certain occupational pension schemes which are underfunded at a certain level and whose sponsoring employer has become insolvent.

The compensation cap is used by the Board 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 survivor’s pension or a pension payable on the grounds of ill health. Paragraph 26 of Schedule 7 to the Act can restrict the amount of compensation payable. When it does so, the Board uses the compensation cap to determine the amount of compensation payable.

This Order increases the amount of the compensation cap from 1st April 2009 to reflect a higher general level of earnings.

The Pension Protection Fund (Pension Compensation Cap) Order 2008 (S.I. 2008/909) is revoked (article 3).

An impact assessment has not been produced for this instrument as it has no impact on the costs of business, charities or the voluntary sector.