
STATUTORY INSTRUMENTS

2020 No. 101

PENSIONS

The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2020

Made - - - - 30th January 2020
Laid before Parliament 3rd February 2020
Coming into force in accordance with article 1(2) to (4)

The Secretary of State for Work and Pensions makes the following Order in exercise of the powers conferred by sections 178(1) and (6) and 315(2) and (5) of, and paragraphs 26A(7) and 27(2) and (3) of Schedule 7 to, the Pensions Act 2004⁽¹⁾.

In accordance with section 178(5) of that Act, the Secretary of State has reviewed the general level of earnings obtaining in Great Britain during the period of 12 months ending with 31st July 2019. It appears to the Secretary of State that the general level of earnings has increased by 3.9% during that period.

On a review under section 148(2) of the Social Security Administration Act 1992⁽²⁾, the Secretary of State concluded that the general level of earnings obtaining in Great Britain exceeds by 3.6% the general level at the end of the period taken into account for the last such review under that section.

Citation, commencement and interpretation

1.—(1) This Order may be cited as the Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2020.

(2) This article and article 2 come into force on 12th March 2020.

(3) Article 3 comes into force on 31st March 2020.

(4) Articles 4 and 5 come into force on 1st April 2020.

(5) In this Order, “the Act” means the Pensions Act 2004.

(1) 2004 c. 35. Paragraph 26A was inserted by paragraphs 1 and 3 of Schedule 20 to the Pensions Act 2014 (c. 19). Paragraph 27(2) was amended by paragraphs 4 and 6 of Schedule 20 to that Act. See also [S.I. 2019/159](#) which set the levy ceiling for the financial year beginning on 1st April 2019.

(2) 1992 c. 5. Section 148(2) was amended by section 37 of the Child Support, Pensions and Social Security Act 2000 (c. 19). Paragraph 27(2) of Schedule 7 to the Pensions Act 2004 requires the Secretary of State to make an order increasing the standard amount specified for the purposes of paragraph 26A(7) of that Schedule where on a review under section 148(2) in a tax year, the Secretary of State concludes that the general level of earnings in Great Britain has increased over the relevant period.

The earnings percentage

2. For the purposes of section 178(3)(a) of the Act (the levy ceiling), the percentage by which it appears to the Secretary of State that the general level of earnings has increased during the review period⁽³⁾ is 3.9%.

The levy ceiling

3. For the purposes of section 177 of the Act (amounts to be raised by the pension protection levies), the levy ceiling for the financial year beginning on 1st April 2020 is £1,099,445,505.

The compensation cap

4. The amount specified for the purposes of paragraph (a) of the definition of “the standard amount” in paragraph 26A(7) of Schedule 7 to the Act (pension compensation provisions – meaning of “the compensation cap”) is £41,461.07.

Revocation

5. The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2019⁽⁴⁾ is revoked.

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

30th January 2020

Guy Opperman
Parliamentary Under Secretary of State
Department for Work and Pensions

(3) See section 178(4) of the Pensions Act 2004 and regulation 3 of [S.I. 2006/2692](#) which together provide that the review period is the period of 12 months ending with 31st July 2019.

(4) [S.I. 2019/159](#).

EXPLANATORY NOTE

(This note is not part of the Order)

This Order specifies the earnings percentage used to calculate the levy ceiling (article 2), the amount of the levy ceiling (article 3) and the standard amount of the compensation cap (article 4) for use in relation to the Pension Protection Fund in the financial year beginning on 1st April 2020.

The Board of the Pension Protection Fund (“the Board”) is established by section 107 of the Pensions Act 2004 (c.35) (“the Act”) to provide compensation for members of certain occupational pension schemes which are under-funded at a certain level and whose sponsoring employer has become insolvent.

Section 175 of the Act requires that the Board must impose pension protection levies for each financial year. Section 177(2) provides that the amount of the levies for a financial year must not exceed the levy ceiling for that financial year. The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2019 (S.I. 2019/159) (“the 2019 Order”) specified that the levy ceiling for the financial year beginning on 1st April 2019 was £1,058,176,617. Section 178(3)(a) of the Act provides that the levy ceiling must increase in line with any increase in the general level of earnings obtaining in Great Britain.

Article 2 of this Order specifies that the increase in the general level of earnings for the period from 1st August 2018 to 31st July 2019 is 3.9%. Accordingly, article 3 specifies that the levy ceiling for the financial year beginning on 1st April 2020 is £1,099,445,505.

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. The amount of compensation payable must be restricted in accordance with paragraph 26 of Schedule 7 to the Act in cases referred to in that paragraph. Where that paragraph applies, the Board uses the compensation cap to determine the amount of compensation payable.

Article 4 provides that the standard amount of the compensation cap under paragraph 26A(7)(a) of Schedule 7 to the Act is £41,461.07 from 1st April 2020. This is an increase on the previous standard amount to reflect a higher general level of earnings.

Article 5 revokes the 2019 Order.

This Order amends an existing regulatory regime by a pre-determined formula and the associated administrative costs or savings for the private sector and civil society organisations are negligible. A full impact assessment is not necessary for such an Order.