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## EXPLANATORY NOTE

*(This note is not part of the Order)*

The Board of the Pension Protection Fund (“the Board”) is established by section 107 of the Pensions Act 2004 (“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 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 6 to the Pensions (Northern Ireland) Order 2005 (“the Order”)) 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 6 to the Order.

Paragraph 26(7) of Schedule 6 to the Order sets out the definition of “the compensation cap”. This Order, which corresponds to an Order ([S.I. 2008/909](#)) made by the Secretary of State for Work and Pensions under section 315(5) of, and paragraphs 26(7) and 27(2) and (3) of Schedule 7 to, the Act, specifies the amount of the compensation cap for the purposes of paragraph (a) of that definition as £30,856.35 (Article 2). It also makes a consequential revocation (Article 3).