

These notes refer to the Pensions (No. 2) Act (Northern Ireland) 2008 (c.13) which received Royal Assent on 15 December 2008

Pensions (No. 2) Act (Northern Ireland) 2008

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Schedule 4: Pension compensation payable on discharge of pension compensation credit

Part 4: Provisions applicable irrespective of age on transfer day

Paragraph 17 provides for the amount of compensation derived from the transferor's service after 1997 to be increased every year in line with the increase in prices, subject to a maximum increase of 2.5% a year. This provides for the transferee to receive increases due to take account of inflation in the same way as the transferor. This is subject to the power in *paragraph 20* for the Board to alter the maximum rate of increase from 2.5% (as established in Part 1 of this Schedule).

Paragraph 18 allows the Department to set out in regulations how the compensation cap under paragraph 26(7) of Schedule 6 to the Pensions (Northern Ireland) Order 2005 will apply to the compensation payable to the transferee. The intention is that the cap will apply in a way that ensures that both the transferee and transferor receive the appropriate levels of compensation without creating additional liabilities for the Board of the Pension Protection Fund or opportunities for evasion of the cap.

Paragraph 19 provides that regulations may provide for compensation to be payable to partners and dependants of prescribed descriptions.

Paragraph 20 provides that the Board of the Pension Protection Fund may determine the maximum indexation rates for the purposes of *paragraphs 8* and *17*. For the purposes of *paragraph 17* this can only apply to future increases and can apply to all cases or those cases where entitlement arose after the determination. The Board of the Pension Protection Fund must consult anyone it considers appropriate and publish details of the proposed determination as it considers appropriate. The Board must consider any representations made. This is an equivalent power to that which applies in respect of the rates of revaluation and indexation in paragraph 29 of Schedule 6 to the Pensions (Northern Ireland) Order 2005.