

## SCHEDULES

### SCHEDULE 20

#### PENSION PROTECTION FUND: INCREASED COMPENSATION CAP FOR LONG SERVICE

##### PART 1

###### THE NEW COMPENSATION CAP

1. Schedule 6 to the 2005 Order (pension compensation provisions) is amended as follows.

2. In paragraph 26 (the compensation cap), for the definition of “the compensation cap” in sub-paragraph (7) substitute—

““the compensation cap” has the meaning given by paragraph 26A;”.

3. After paragraph 26 insert—

(1) This paragraph gives the meaning of “the compensation cap” for the purposes of paragraph 26.

(2) The amount of the compensation cap for a person depends on the person’s age and length of pensionable service at the time when the person first becomes entitled to the relevant compensation.

(3) “The compensation cap” for a person who has 20 or fewer years of pensionable service at that time is the standard amount.

(4) “The compensation cap” for a person who has more than 20 years of pensionable service at that time is—

(a) the standard amount, plus

(b) for each additional year, an amount found by multiplying the standard amount by 3%.

(5) A person has an “additional year” for each whole year of pensionable service that exceeds 20 years of pensionable service.

(6) If the total amount calculated under sub-paragraph (4)(b) would exceed the standard amount, it is to be treated as being equal to the standard amount.

(7) In sub-paragraphs (3) and (4) “the standard amount”—

(a) for a person who is 65 years old at the relevant time, means the amount specified by the Department by order, and

(b) for a person of any other age at the relevant time, means the amount specified under paragraph (a) as adjusted in accordance with actuarial adjustment factors published by the Board.

(8) A person credited with a length of notional pensionable service because of pension credit rights is to be treated for the purposes of this paragraph as having pensionable service of that length (in addition to any pensionable service that the person is treated as having under sub-paragraph (9)).

(9) In any case where the Board is satisfied that, under the admissible rules, a person is entitled to benefits that are not attributable to a particular period of pensionable service, the Board may for the purposes of this paragraph treat the person as having a length of pensionable service to reflect those benefits (which is in addition to any other pensionable service that the person has).

(10) In any case where the Board is satisfied that it is not possible to identify the length of some or all of a person's pensionable service under the admissible rules, the Board may, having regard to those rules, determine its length for the purposes of this paragraph.

(11) Where a person becomes entitled to relevant compensation in respect of benefits under two or more connected occupational pension schemes at the same time, this paragraph applies in relation to the relevant compensation in respect of each benefit as if—

- (a) a reference to the length of the person's pensionable service were a reference to the total length of the person's pensionable service under all of the schemes (counting any period of overlap once only), and
- (b) sub-paragraphs (9) and (10) apply for the purposes of working out the length of the person's pensionable service in respect of each scheme as if a reference to the admissible rules were to the admissible rules of that scheme.

(12) When applying this paragraph in relation to relevant compensation in respect of a benefit, ignore any pensionable service that relates to a benefit that is not from the same source.

(13) For the purposes of sub-paragraph (12)—

- (a) benefits attributable to a person's pensionable service under a scheme are from the same source as benefits attributable to the person's pensionable service under that or a connected occupational pension scheme,
- (b) benefits under a scheme which are attributable to a pension credit from a transferor are from the same source as benefits under that or a connected occupational pension scheme which are attributable to a pension credit from the same transferor, and
- (c) benefits are not otherwise from the same source.

(14) Expressions used in this paragraph have the same meaning as in paragraph 26.”.

4. In paragraph 24(2), at the end insert “of the periodic compensation at that time”.

5. In paragraph 26(9), after “this paragraph” insert “and paragraph 26A”.

6. In paragraph 27 (increasing the compensation cap in line with earnings), for “paragraph 26(7)” substitute “paragraph 26A(7)”.

7. In paragraph 18(2) of Schedule 4 to the Pensions (No. 2) Act, for “the compensation cap” to the end substitute “a modified version of the compensation cap in paragraph 26A of Schedule 6 to the 2005 Order.”.