

# PENSIONS ACT 2014

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### Part 6 – Private Pensions

##### ***Section 51: Pension Protection Fund: compensation cap to apply separately to certain benefits***

219. **Section 51** amends paragraph 26 of Schedule 7 to the PA2004.
220. Where a person is entitled to compensation under the PPF due to entitlement to two or more scheme benefits, paragraph 26 of Schedule 7 (as originally drafted) provided for those benefits to be added together for the purposes of applying the compensation cap in all circumstances. However, the policy intention is, and has always been, that for the purposes of applying the compensation cap, such benefits should only be added together where they are either all attributable to the person's pensionable service or all attributable to a pension credit arising from a divorce or dissolution settlement. The PPF have been calculating compensation on the basis of the policy intent. This means that individuals with benefits derived from different sources, for instance one benefit arising from a pension credit and another from their own service in the scheme, have their compensation calculated separately for each and the compensation cap applied separately to each.
221. This section amends paragraph 26 of Schedule 7 to the PA 2004 so that the legislation supports the policy and the current practice. The amendments to paragraph 26 are retrospective by virtue of *subsection (7)* to cover payments which may already have been made. *Subsection (8)* allows for the secondary legislation, which modifies how the compensation cap applies when tranches of compensation become payable at different dates, to be amended with retrospective affect to give effect to this change to paragraph 26.