
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision in relation to the administration of the Pension Protection Fund (“the PPF”), the assumption of responsibility for an eligible pension scheme by the Board of the Pension Protection Fund (“the Board”), the pension protection levy, which the Board must impose for each financial year by virtue of section 175(1) of the Pensions Act 2004 (c. 35) (“the Act”) (pension protection levies).

These Regulations also amend the Pension Protection Fund (Entry Rules) Regulations 2005 (S.I. 2005/590), the Pension Protection Fund (Compensation) Regulations 2005 (S.I. 2005/670) (“the Compensation Regulations”) and the Pension Protection Fund (Valuation) Regulations 2005 (S.I. 2005/672) (“the Valuation Regulations”).

Regulation 2 provides that where the property, rights and liabilities of a scheme are transferred to the Board and a contract in respect of those property, rights or liabilities contains terms or conditions that the Board considers to be onerous, the Board may disapply any such term or condition or modify it. It also provides that where the benefit of an insurance contract entered into by the trustees or managers of an eligible scheme to cover the pension benefit liability of a specific person contains a term or condition that provides for the benefit of that contract to be paid to the specific individual, the Board may substitute for this a term or condition stating that the benefit is to be paid directly to the Board.

Regulation 3 enables the Board to treat death in service lump sum benefits that are paid by the trustees or managers of an eligible scheme to a person who is entitled to such benefits (where the deceased was a member of that scheme and who died before the commencement of the assessment period) as if they had been paid before the commencement of the assessment period, for the purposes of calculating any compensation entitlement.

Regulation 4 enables the Board to treat death in service lump sum benefits that are payable by the Board to a person who is entitled to such benefits (where the deceased was a member of the eligible scheme who died prior to the assessment period) as if they had been paid before the commencement of the assessment period, for the purposes of calculating any compensation entitlement.

Regulation 5 provides that the rate of interest on overpayments and underpayments of scheme benefits made during the assessment period shall be the base rate.

Regulation 6 sets out the exceptions from the general rule, contained in section 163(4)(a) of the Act (adjustments to be made where the Board assumes responsibility for a scheme), that the Board must recover overpayments of amounts paid by the trustees or managers of the relevant scheme made during the assessment period.

Regulation 7 sets out the manner in which the Board shall discharge any money purchase benefit liabilities that transfer to it from an eligible scheme.

Regulation 8 provides the procedure by which the Board shall determine the manner in which money purchase benefits shall be discharged.

Regulation 9 provides for the manner in which the Board may discharge a liability in relation to money purchase benefits by way of a trivial commutation payment.

Regulation 10 prescribes the circumstances in which the equal treatment provisions relating to payment functions in section 171(2) of the Act (equal treatment) do not apply.

Regulation 11 makes provision for when, and how, a first payment of PPF compensation may be made.

Regulation 12 makes provision for the method of payment of PPF compensation.

Regulation 13 makes provision for periodic compensation payments to be made in no more than 52 instalments in a year.

Changes to legislation: *There are currently no known outstanding effects for the The Pension Protection Fund (General and Miscellaneous Amendments) Regulations 2006. (See end of Document for details)*

Regulation 14 makes provision for the rounding of payments of PPF compensation that include a fraction of a penny.

Regulation 15 provides that where required to do so by a court order, or an enactment the Board shall make payments of PPF compensation to a third party in accordance with that order or enactment.

Regulation 16 provides for recovery of overpayments of PPF compensation. Where an overpayment has occurred, the Board may recover such an overpayment where it determines that such a recovery would not cause hardship to that person or his family, and may do so by making deductions from that person's ongoing entitlement to periodic compensation payments or recovery from the person in the form of a lump sum.

Regulation 17 provides for a refund of underpayments of PPF compensation. Where an underpayment has occurred the Board must pay the amount underpaid to the person entitled to the compensation.

Regulation 18 provides that where the Board cannot contact a person entitled to compensation, or has reason to believe that a person is, or may be attempting to receive PPF compensation to which he is not entitled then it may suspend payment of PPF compensation.

Regulation 19 provides for the circumstances in which the Board may collect payment of the pension protection levy by instalments.

Regulation 20 provides that section 181(5) of the Act (amount of the levy payable in respect of a scheme which is an eligible scheme for only part of the period for which the levy is imposed), does not apply where the scheme is eligible to pay the levy at the start of the financial year.

Regulation 21 amends the Entry Rules Regulations to substitute references to "tax registered scheme" for "tax approved scheme", omit a reference to section 111 of the Pension Schemes Act 1993 (c. 48) and insert a reference to the Occupational Pension Schemes (Investment) Regulations 2005 (S.I. 2005/3378).

Regulation 22 amends regulation 19 (commutation of periodic compensation) and substitutes regulation 20 (circumstances in which the portion of compensation to be commuted may exceed 25 per cent) of the Compensation Regulations to provide that a person may opt to commute more than 25 per cent of his periodic compensation where he is aged 60 or over and has not attained the age of 75, and the amount so commuted will not exceed 1 percent of his standard lifetime allowance at the time when the application to commute is made.

The standard lifetime allowance is provided for in section 218 of the Finance Act (individual's lifetime allowance and standard lifetime allowance) and annually up-rated by order.

References in the Compensation Regulations to connected occupational pension schemes are removed as the standard lifetime allowance is calculated in relation to all of a person's occupational pension schemes and not on an individual scheme basis.

Regulation 23 amends regulation 5 of the Valuation Regulations (valuation of assets) so that regulation provides that the amount of external liabilities should be taken into account in determining the value of the assets.

These Regulations have only a negligible impact on the cost of business, charities or the voluntary sector. Publication of a full Regulatory Impact Assessment is not necessary for such legislation.

Changes to legislation:

There are currently no known outstanding effects for the The Pension Protection Fund (General and Miscellaneous Amendments) Regulations 2006.