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STATUTORY INSTRUMENTS

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**2010 No. 560**

**The Pension Protection Fund (Miscellaneous Amendments) Regulations 2010**

**Amendment of the Pension Protection Fund (Compensation) Regulations 2005**

4.—(1) The Pension Protection Fund (Compensation) Regulations 2005<sup>(1)</sup> are amended as follows.

(2) In regulation 2 (circumstances where a person shall be entitled to early payment of compensation)—

(a) for paragraph (2)(b), substitute—

“(b) that on the date on which the compensation is to become payable early—

(i) the person has attained the age of 55; or

(ii) paragraph 22 of Schedule 36 to the 2004 Act (rights to take benefit before normal minimum benefit age)<sup>(2)</sup> applies to the person and that person has attained—

(aa) the age of 50; and

(bb) the age referred to in paragraph 22(8) of that Schedule.”

(b) for paragraph (3)(a)(ii), substitute—

“(ii) the name of the scheme for which the Board has assumed responsibility (“the relevant scheme”); and”,

(c) in paragraph (3)(a)(iii), for “(“the requested early payment date”);” substitute “; and”, and

(d) omit—

(i) paragraph (3)(c) and the word “and” immediately preceding it, and

(ii) paragraph (4).

(3) In regulation 25 (cash balance schemes: modification of paragraphs 5, 15 and 19 of Schedule 7 to the Act)—

(a) in paragraph (1) at the beginning, insert “Subject to paragraph (1A),” and

(b) after paragraph (1), insert—

“(1A) This regulation does not apply to a cash balance scheme which is also a career average revalued earnings scheme within the meaning of regulation 26(1).”

(4) After Part 10, insert—

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<sup>(1)</sup> S.I. 2005/670.

<sup>(2)</sup> 2004 c.12. Paragraph 22 was amended by paragraphs 54 and 55 of Schedule 10 to the Finance Act 2005 (c.7) and paragraph 43 of Schedule 23 to the Finance Act 2006 (c.25).

## “PART 11

### Career average revalued earnings schemes

#### **Career average revalued earnings schemes: modification of paragraphs 8, 10, 11 and 14 of Schedule 7 to the Act**

**26.**—(1) This regulation applies to a career average revalued earnings scheme, that is to say an occupational pension scheme where the whole of the pension entitlement is determined by reference to the member’s earnings in each year of pensionable service, and where those earnings, or a proportion of those earnings accrued as a pension, may be revalued each year until the member attains normal pension age or the pension is put into payment.

(2) In their application to a career average revalued earnings scheme, paragraphs 8 and 11 of Schedule 7 to the Act shall have effect with the following modifications—

(a) for sub-paragraph (5) substitute—

“(5) Subject to sub-paragraph (5A), the accrued amount means an amount equal to such initial annual rate of pension to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to the pension ended.

(5A) In any case where the Board is satisfied that it is not possible to identify the initial annual rate of pension in sub-paragraph (5), the Board may, having regard to the admissible rules, determine the accrued amount.”, and

(b) omit sub-paragraphs (6) and (7).

(3) In their application to a career average revalued earnings scheme, the provisions of paragraph 10 of Schedule 7 to the Act shall have effect with the following modifications—

(a) for sub-paragraph (4) substitute—

“(4) Subject to sub-paragraph (4A), the accrued amount means an amount equal to such amount of scheme lump sum to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to the scheme lump sum ended.

(4A) In any case where the Board is satisfied that it is not possible to identify the amount of scheme lump sum in sub-paragraph (4), the Board may, having regard to the admissible rules, determine the accrued amount.”, and

(b) omit sub-paragraphs (5) and (6).

(4) In their application to a career average revalued earnings scheme, the provisions of paragraph 14 of Schedule 7 to the Act shall have effect with the following modifications—

(a) for sub-paragraph (5) substitute—

“(5) Subject to paragraph (5A), the accrued amount means an amount equal to such amount of scheme lump sum to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to the scheme lump sum ended.

(5A) In any case where the Board is satisfied that it is not possible to identify the amount of scheme lump sum in sub-paragraph (5), the Board may, having regard to the admissible rules, determine the accrued amount.”, and

(b) omit sub-paragraphs (6) and (7).

**Schemes where part of pension entitlement is determined on a career average revalued earnings basis: modification of paragraphs 8, 10, 11 and 14 of Schedule 7 to the Act**

27.—(1) This regulation applies to an occupational pension scheme where part of the pension entitlement is determined on a career average revalued earnings basis, that is to say by reference to the member’s earnings in each year of pensionable service applicable to that part, and where those earnings, or a proportion of those earnings accrued as a pension, may be revalued each year until the member attains normal pension age or the pension is put into payment.

(2) In their application to a scheme where part of the pension entitlement is determined on a career average revalued earnings basis, paragraphs 8 and 11 of Schedule 7 to the Act shall have effect with the following modifications—

(a) for sub-paragraph (5) substitute—

“(5) Subject to sub-paragraphs (6) and (7), the accrued amount is—  
 $X + Y$ ,

where—

X is an amount equal to such initial annual rate of that part of the pension which is determined on a career average revalued earnings basis to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to that part of the pension ended, or in any case where the Board is satisfied that it is not possible to identify the initial annual rate of pension, such amount as the Board may determine, having regard to the admissible rules, and

Y is  $AR \times PE \times PS$ .

(5A) In sub-paragraph (5)—

“AR” is the active member’s annual accrual rate, under the admissible rules, in respect of that part of the pension which is not determined on a career average revalued earnings basis,

“PE” is the active member’s annual pensionable earnings, under the admissible rules, in respect of that part of the pension which is not determined on a career average revalued earnings basis, and

“PS” is the active member’s pensionable service, under the admissible rules, in years (including any fraction of a year) in respect of that part of the pension which is not determined on a career average revalued earnings basis.”

(b) in sub-paragraph (6)—

(i) for “the pension” substitute “that part of the pension which is not determined on a career average revalued earnings basis”,

(ii) after “formula” insert “ $Y$  is  $AR \times PE \times PS$ ”, and

(iii) for “the accrued amount” substitute “ $Y$ ”, and

(c) in sub-paragraph (7)—

(i) after “formula” insert “ $Y$  is  $AR \times PE \times PS$ ”, and

(ii) for “the accrued amount” substitute “ $Y$ ”.

(3) In their application to a scheme where part of the pension entitlement is determined on a career average revalued earnings basis, paragraph 10 of Schedule 7 to the Act shall have effect with the following modifications—

(a) for sub-paragraph (4) substitute—

“(4) Subject to sub-paragraphs (5) and (6), the accrued amount is—

$$X + Y,$$

where—

X is an amount equal to such amount of the scheme lump sum that relates to that part of the pension which is determined on a career average revalued earnings basis, to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to that scheme lump sum ended, or in any case where the Board is satisfied that it is not possible to identify the amount of scheme lump sum, such amount as the Board may determine, having regard to the admissible rules, and

Y is  $AR \times PE \times PS$ .

(4A) In sub-paragraph (4)—

“AR” is the active member’s annual accrual rate, under the admissible rules, in respect of the scheme lump sum that relates to that part of the pension which is not determined on a career average revalued earnings basis,

“PE” is the active member’s annual pensionable earnings, under the admissible rules, in respect of the scheme lump sum that relates to that part of the pension which is not determined on a career average revalued earnings basis, and

“PS” is the active member’s pensionable service, under the admissible rules, in years (including any fraction of a year) in respect of the scheme lump sum that relates to that part of the pension which is not determined on a career average revalued earnings basis.”,

(b) in sub-paragraph (5)—

(i) after “the scheme lump sum” insert “that relates to that part of the pension which is not determined on a career average revalued earnings basis”,

(ii) after “formula” insert “ $Y$  is  $AR \times PE \times PS$ ”, and

(iii) for “the accrued amount” substitute “ $Y$ ”, and

(c) in sub-paragraph (6)—

(i) after “formula” insert “ $Y$  is  $AR \times PE \times PS$ ”, and

(ii) for “the accrued amount” substitute “ $Y$ ”.

(4) In their application to a scheme where part of the pension entitlement is determined on a career average revalued earnings basis, paragraph 14 of Schedule 7 to the Act shall have effect with the following modifications—

(a) for sub-paragraph (5) substitute—

“(5) Subject to sub-paragraphs (6) and (7), the accrued amount is—

$$X + Y,$$

where—

X is an amount equal to such amount of scheme lump sum that relates to that part of the pension which is determined on a career average revalued earnings basis, to which the member would have been entitled under the admissible rules had the member attained normal pension age when the pensionable service relating to that scheme lump sum ended, or in any case where the Board is satisfied that it is not possible to identify the amount of scheme lump sum, such amount as the Board may determine, having regard to the admissible rules, and

Y is  $AR \times PE \times PS$ .

(5A) In sub-paragraph (5)—

“AR” is the active member’s annual accrual rate, under the admissible rules, in respect of the scheme lump sum that relates to that part of the pension which is not determined on a career average revalued earnings basis,

“PE” is the active member’s annual pensionable earnings, under the admissible rules, in respect of the scheme lump sum that relates to that part of the pension which is not determined on a career average revalued earnings basis, and

“PS” is the active member’s pensionable service under the admissible rules, in years (including any fraction of a year) in respect of the scheme lump sum that relates to that part of the pension which is not determined on a career average revalued earnings basis.”,

(b) in sub-paragraph (6)—

(i) after “the scheme lump sum” insert “that relates to that part of the pension which is not determined on a career average revalued earnings basis”,

(ii) after “formula” insert “ $Y$  is  $AR \times PE \times PS$ ”, and

(iii) for “the accrued amount” substitute “ $Y$ ”, and

(c) in sub-paragraph (7)—

(i) after “formula” insert “ $Y$  is  $AR \times PE \times PS$ ”, and

(ii) for “the accrued amount” substitute “ $Y$ ”.”.