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### **Pensions Bill 2013 - Public Bill Committee**

Further to my letter of 26 June, I am now writing to let you know that I have tabled the first amendments relating to the Pension Protection Fund (PPF) cap on 2 July 2013. These amendments change the structure of the compensation cap as it will apply to people who are members of schemes that join the PPF in the future.

I would also like to make you aware that the Government will today publish a call for evidence on quality standards in workplace defined contribution pension schemes.

#### The Pension Protection Fund compensation cap

Where the sponsoring employer of a defined benefit occupational pension scheme becomes insolvent, the scheme enters what is known as “the PPF assessment period”. During this period, the scheme’s funding is examined to determine whether it is able to pay its members’ pensions to at least the same amount that the PPF could pay in compensation. If the scheme is unable to do so it is transferred to the PPF, which then pays compensation to the members.

Anyone over the scheme’s retirement age at the beginning of the assessment period is paid compensation equivalent to 100 per cent of the pension in payment by the scheme. Anyone below that age is paid compensation based on 90 per cent of the accrued pension, subject to a standard maximum (currently £34,867.04).

The amendments change the structure of the maximum to recognise long service in the scheme. The standard maximum will continue to apply to anyone with less than 21 full years’ service. For anyone with longer service,

the maximum will be increased by 3 per cent for each full year above 20 years. There will be a ceiling to these increases: no one will be able to have a cap higher than twice the standard maximum.

The amendments tabled on Tuesday will ensure that the revised structure applies to anyone not yet in the PPF. However, in my Written Ministerial Statement on 25 June I made it clear that the change in the structure of the cap will also apply to people who are currently receiving a pension from the PPF. We are continuing to work on the legislation to provide for this, and I expect to table further Government amendments at a later stage; however I hope you will agree that it is helpful to table these amendments now to allow us to debate the issue while still in Committee. I will also be publishing an Impact Assessment relating to the changes to the compensation cap, which will be available on the Pensions Bill page on GOV.UK this week (<https://www.gov.uk/government/organisations/department-for-work-pensions/series/pensions-bill>).

#### Call for evidence on quality standards

The Government wants to ensure that every defined contribution scheme used for workplace saving delivers value for money and meets some essential minimum legislative standards. Schedule 16 of the Pensions Bill therefore makes provision for the Government to impose quality requirements for automatic transfer schemes in regulations, providing protection for those who are automatically transferred between workplace money purchase schemes, as well as those who are automatically enrolled into, or otherwise join such schemes. The Government is today publishing a call for evidence on quality requirements, responses to which will form an important part of the development of a set of minimum standards that workplace money purchase schemes will have to meet. The four key areas under consideration are: scheme governance; default strategies; administration and record keeping; and scale.

The Bill also makes provision for the automatic transfer regulations to limit or prohibit charges, and I plan to publish a consultation this autumn setting out proposals on this issue, including introducing a charge cap. I will place a copy of the call for evidence in the House Library and it will also be available on the GOV.uk website later today at the following address: <https://www.gov.uk/government/publications>. I am copying this letter to all members of the Pensions Public Bill Committee and will place a copy in the House Library.



**STEVE WEBB MP**  
**MINISTER OF STATE FOR PENSIONS**