

11

PPF compensation 2020/21

This chapter looks at the compensation that we paid to PPF members in 2020/21, including the distribution of compensation amounts, and the gender split of PPF members.

Summary

When a scheme transfers into the PPF, we generally pay compensation of 90 per cent of the scheme pension (subject to a compensation cap¹⁹) to members who have not reached their Normal Pension Age (NPA) at the date the scheme entered assessment. We will generally pay a starting level of compensation equivalent to 100 per cent of the scheme pension to those members who are over their NPA at the start of the assessment period.

Here are some of the key statistics featured in this chapter:

	31 March 2021	31 March 2020
PPF compensation paid in the year	£1,006m	£860m
Number of records in respect of members receiving compensation	184,844	169,861
Average annual amount paid to members and dependants	£4,829	£4,588
Number of records in respect of deferred members*	113,902	116,461
Average annual compensation accrued by deferred members (ignoring any impact of the compensation cap)	£3,325	£3,333

* Members with compensation not yet in payment.

Total compensation and other member statistics

Figure 11.1 | Total compensation and number of members' records

Total compensation paid in the year to 31 March 2021 was £1,006.4 million, 17 per cent above the amount paid in the year to 31 March 2020.

Year ended 31 March	Total compensation paid (£m)	Number of members' records ²⁰		
		Members' receiving compensation	Deferred members	Total
2007	1.4	1,457	5,621	7,078
2008	17.3	3,596	8,577	12,173
2009	37.6	12,723	18,009	30,732
2010	81.6	20,775	26,058	46,833
2011	119.5	33,069	42,063	75,132
2012	203.3	57,506	70,608	128,114
2013	331.8	80,665	91,353	172,018
2014	445.1	95,599	100,070	195,669
2015	564.0	114,028	110,681	224,709
2016	616.0	121,059	109,143	230,202
2017	661.3	129,661	110,478	240,139
2018	724.5	135,377	107,759	243,136
2019	775.1	148,005	109,567	257,572
2020	859.7	169,861	116,461	286,322
2021	1,006.4	184,844	113,902	298,746

Source: PPF

¹⁹ In June 2020 the Administrative Court ruled in the case of *Hughes v Board of the Pension Protection Fund 2020 EWHC 1598* that this cap is unlawful. The Court of Appeal upheld this ruling in August 2021. We are currently in the process of uplifting compensation for members who were previously capped, but the compensation in payment shown in the table above has not yet been adjusted to dis-apply the compensation cap.

²⁰ Some members have more than one record in the data.

Figure 11.2 | Gender of members in the PPF

The majority of our members are male.



Members receiving compensation

● Male ● Female



Deferred members

● Male ● Female



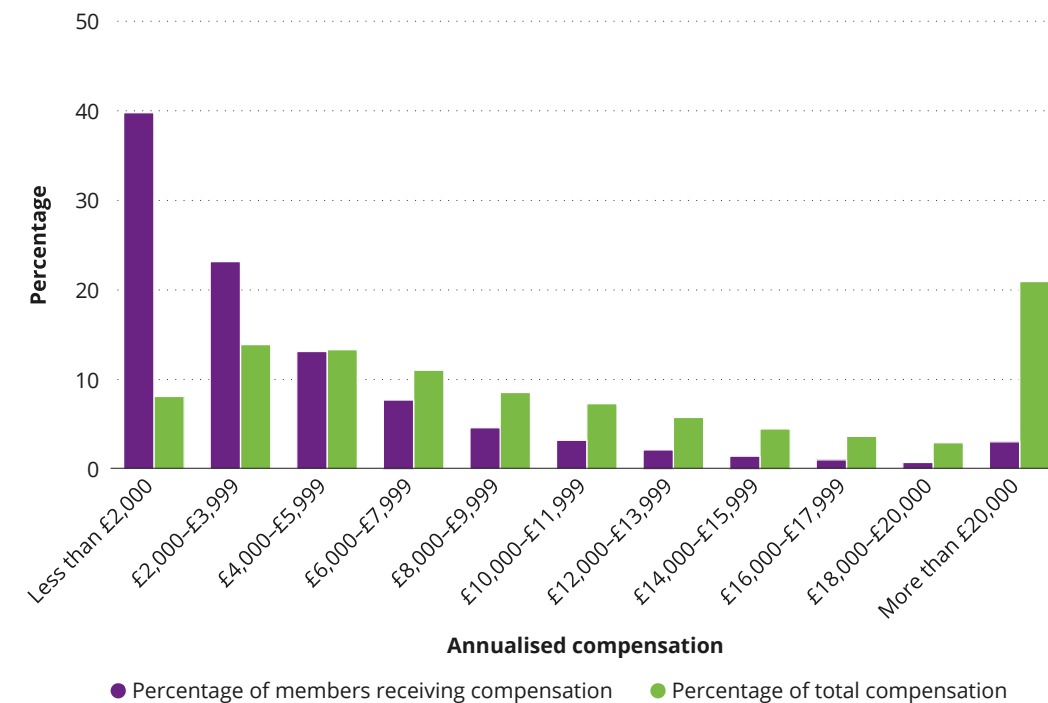
Overall

● Male ● Female

Source: PPF

Figure 11.3 | Distribution of members receiving compensation by annualised compensation level

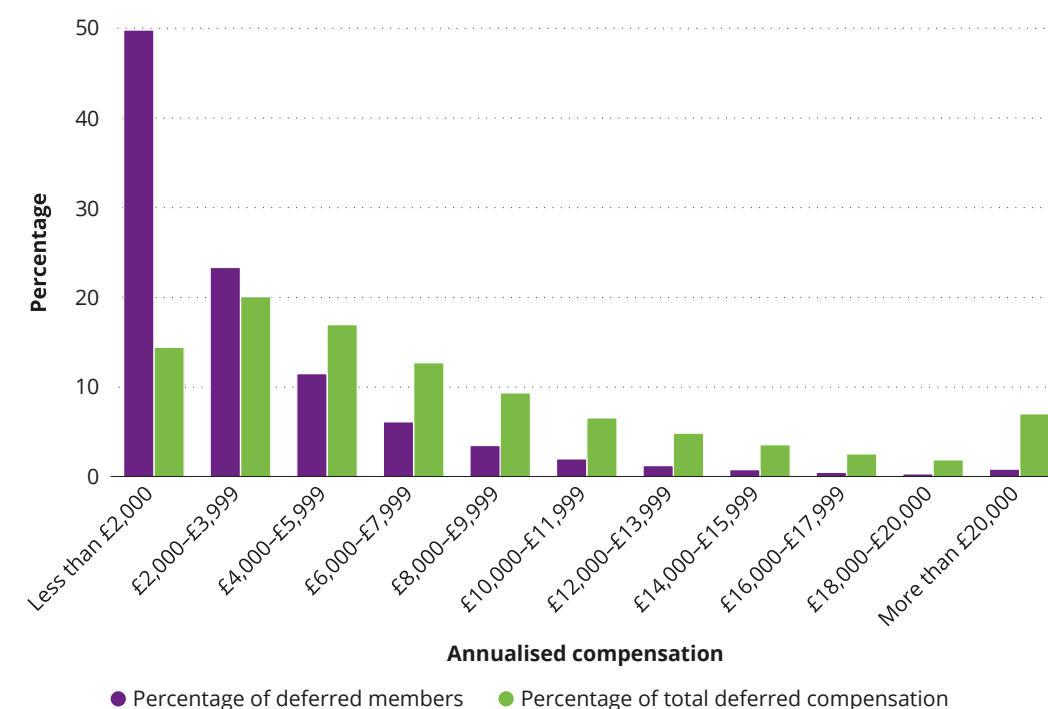
Around 90 per cent of members receiving compensation are paid less than £10,000 a year. However, this compensation makes up around 55 per cent of the total paid out.



Source: PPF

Figure 11.4 | Distribution of deferred members by annualised compensation level

Around 95 per cent of deferred members have annualised compensation of less than £10,000. This compensation makes up around 75 per cent of the total annual deferred compensation.



Source: PPF

Figure 11.5 | Status of members receiving compensation

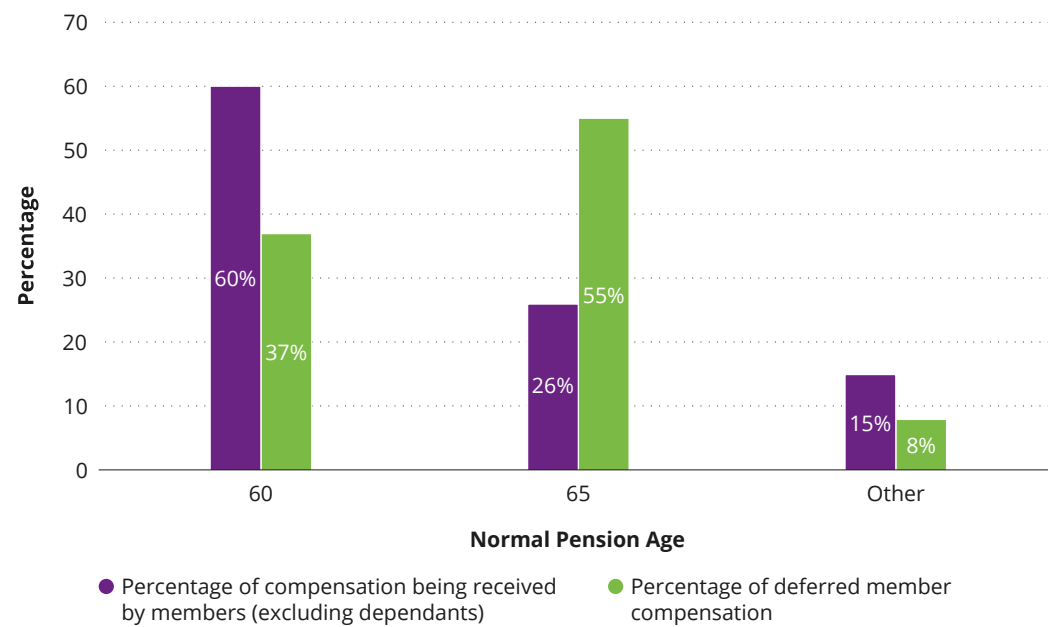
	Number of records in respect of members receiving compensation	Percentage of total population	Annualised compensation (£m)	Percentage of total annualised compensation
Members	154,415	84%	794	89%
Dependants	30,429	16%	99	11%
Total	184,844	100%	893	100%

Note: annualised compensation is less than compensation paid in the year to 31 March 2021 as the latter includes cash sums taken upon retirement, and takes account of member movements (e.g. deaths or retirements) over the year.

Source: PPF

Figure 11.6 | Distribution of members receiving compensation (excluding dependants) and deferred member compensation by NPA

For members receiving compensation, the majority of compensation was payable from an NPA of 60, whereas for deferred members the majority is payable from age 65.



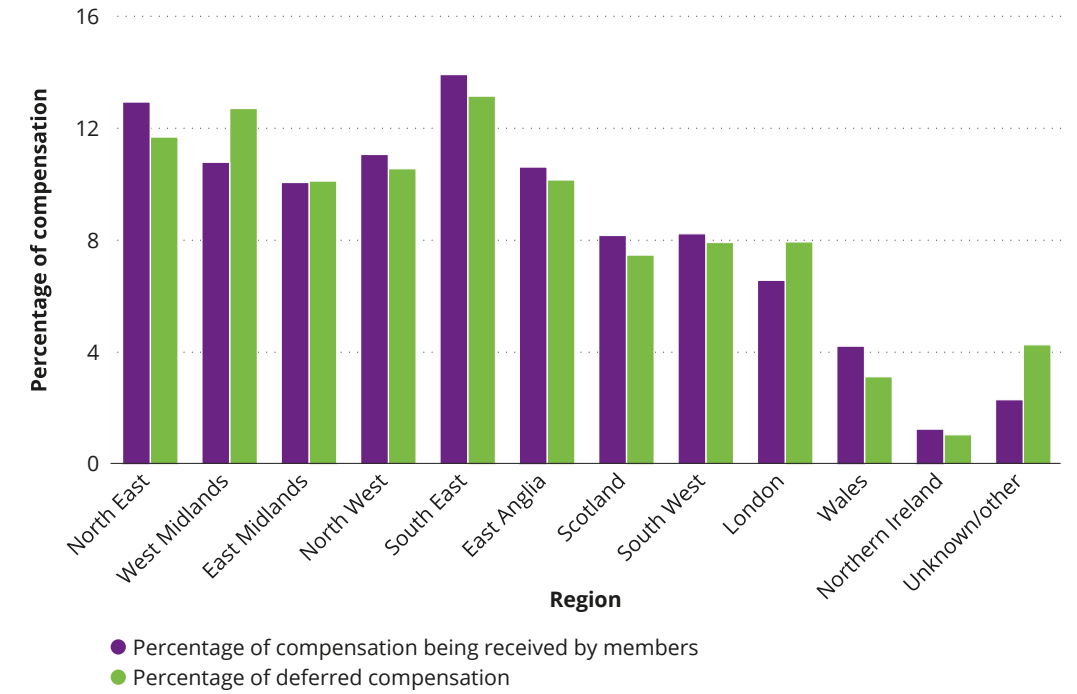
● Percentage of compensation being received by members (excluding dependants) ● Percentage of deferred member compensation

Note: the component figures may not sum to 100 per cent because of rounding.

Source: PPF

Figure 11.7 | Annualised compensation by UK region

The largest share of compensation goes to members in the North East and South East.



Source: PPF

Figure 11.8 | Annualised compensation for members receiving compensation and deferred members before 6 April 1997 and after 5 April 1997

Around 70 per cent of compensation being received by members was accrued before 6 April 1997.

	Members receiving compensation		Deferred members	
	Annualised compensation (£m)	Percentage	Annualised compensation (£m)	Percentage
Before 6 April 1997	620	69%	154	41%
After 5 April 1997	273	31%	225	59%
Total	893²¹	100%	379	100%

Source: PPF

21 This represents the annualised compensation payable to members receiving compensation at 31 March 2021 and excludes lump sums, whereas the total compensation paid over the year to 31 March 2021 including lump sums is £1,006.4 million.