

Research Briefing

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Pensions (Special Rules for End of Life) Bill 2023-24



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Number

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Summary

[The Pensions \(Special Rules for End of Life\) Bill 2023-24](#), was introduced on 6 December 2023 by Conservative MP Mr Laurence Robertson as a Private Member's Bill, presented to Parliament through the ballot procedure.

The [Second Reading](#) of the Bill is scheduled for 2 February 2024. The Bill aims to extend eligibility for receiving terminal illness payments from the Pension Protection Fund and Financial Assistance Scheme. Clause 1 of the Bill would amend the definition of terminal illness used by both organisations to include people with a life expectancy of up to twelve months – instead of six months.

The Bill covers all of the UK and would come into force at dates chosen by the Secretary of State and Department for Communities in Northern Ireland. The [explanatory notes](#) for the Bill were drafted by the Department for Work and Pensions with the consent of Mr Laurence Robertson.

What are the Pension Protection Fund and Financial Assistance Scheme?

Defined benefit schemes pay a promised pension which is based on factors such as salary and length of service. A sponsor, which is usually the employer, guarantees that the promised pension benefits are paid.

The Pension Protection Fund

The [Pension Protection Fund \(PPF\)](#) is a statutory fund to protect members of defined benefit schemes if the scheme's sponsor becomes insolvent.

If the sponsor of a defined benefit scheme becomes insolvent the scheme is assessed by the PPF. Following an assessment, the scheme may enter the PPF. If this happens the PPF will pay a pension (compensation) to the scheme members. The pension paid by the PPF will typically be less than what the scheme would have paid outside of the PPF.

Well-funded schemes might not enter the PPF. If the assessment shows that the scheme has sufficient assets to do so, it could secure its members' pension benefits at a higher level than offered by the PPF.

The [PPF can pay a one-off lump sum to someone who is terminally ill](#) providing they have not previously received compensation from the PPF. It cannot pay any further compensation to someone who has received a lump sum for terminal illness.

The Financial Assistance Scheme

The [Financial Assistance Scheme \(FAS\)](#) provides financial assistance to members of defined benefit schemes who lost all or part of their pension if their scheme came to an end between 1 January 1997 and 5 April 2005.

The [FAS can start payments at any age for someone with a terminal illness](#). It does not pay a lump sum.

Definition of terminal illness

Both the Pension Protection Fund and Financial Assistance Scheme use the [same legal definition of terminal illness](#). That is:

... a person is “terminally ill” at any time if at that time the person suffers from a progressive disease and the person's death in consequence of that disease can reasonably be expected within 6 months.

The [Pensions Act 2008](#) allowed members of the PPF who are terminally ill to claim a lump sum. The then Work and Pensions Minister said that this would be “[using the same rules to define “terminally ill” as those that are used in the financial assistance scheme and in \[Department for Work and Pensions\] benefits.](#)”

Social Security (Special Rules for End of Life) Act 2022

The definition of terminal illness used by the Department for Work and Pensions was extended by the [Social Security \(Special Rules for End of Life\) Act 2022](#). The definition was extended to include people with a life expectancy of up to twelve months – instead of six months.

[The Pensions \(Special Rules for End of Life\) Bill 2023-24](#) aims make a similar change to the definition used by the Pension Protection Fund and Financial Assistance Scheme.

1 Introduction

[The Pensions \(Special Rules for End of Life\) Bill 2023-24](#), was introduced on 6 December 2023 by Conservative MP Mr Laurence Robertson as a Private Member's Bill, presented to Parliament through the ballot procedure.

The Second Reading of the Bill is scheduled for 2 February 2024. The Bill aims to extend eligibility for receiving terminal illness payments from the Pension Protection Fund and Financial Assistance Scheme.¹ It would amend the definition of terminal illness used by both organisations to include people with a life expectancy of up to twelve months – instead of six months.²

The Bill covers all of the UK and would come into force at dates chosen by the Secretary of State and Department for Communities in Northern Ireland. The [explanatory notes](#) for the Bill were drafted by the Department for Work and Pensions with the consent of Mr Laurence Robertson.³

¹ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Explanatory Notes](#)

² [Pensions \(Special Rules for End of Life\) Bill 2023-24, Clause 1](#)

³ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Explanatory Notes](#)

2 Pension Protection Fund and Financial Assistance Scheme

2.1 What is the Pension Protection Fund?

The Pension Protection Fund (PPF) is a statutory fund to protect members of defined benefit schemes (see Box 1 below) if the scheme's sponsor becomes insolvent.⁴ It has been operational since 2005 after being established by the Pensions Act 2004.⁵

1 Defined benefit pensions

Defined benefit schemes are one of two main types of pension schemes in the UK.

Defined benefit schemes pay a promised pension which is based on factors such as salary and length of service. A sponsor, which is usually the employer, guarantees that the promised pension benefits are paid. The pension provides and income for life and may also include a specified lump sum at retirement.

The other main type of schemes – defined contribution schemes – do not provide a promised pension. Instead they provide a pot of money which can be used in retirement. The value of the pension pot can increase depending on factors, including investment returns and contributions made.

Further information is available in the Library briefing [Pension FAQs: Occupational and personal pensions](#).

If the sponsor of a defined benefit scheme becomes insolvent the scheme is assessed by the PPF.

Following an assessment, the scheme may enter the PPF. If this happens the PPF will pay a pension (compensation) to the scheme members. The pension paid by the PPF will typically be less than what the scheme would have paid outside of the PPF.

⁴ [Pensions Act 2004, Part 2](#)

⁵ Pension Protection Fund, [Our history and track record](#) [accessed 26 January 2024]

Well-funded schemes might not enter the PPF. If the assessment shows that the scheme has sufficient assets to do so, it could secure its members' pension benefits at a higher level than offered by the PPF.⁶

2.2 What compensation does the Pension Protection Fund pay?

The level of compensation someone receives from the PPF depends on whether or not they had passed their normal pension age when the sponsoring employer became insolvent. Normal pension age is the age when someone can receive their full pension from a pension scheme. PPF members receive:

- 100% of the scheme pension if the person has reached normal pension age or if they retired through ill-health before the insolvency date.
- 90% of the scheme pension for others.⁷

2.3 How is the Pension Protection Fund funded?

The PPF is funded by:

- A levy on defined benefit schemes eligible for the PPF
- Recovering assets from the schemes which transfer to the PPF.

It invests assets with a strategy of becoming financially self-sufficient.⁸

2.4 What is the Financial Assistance Scheme?

The Financial Assistance Scheme (FAS) provides financial assistance to members of defined benefit schemes who lost all or part of their pension if their scheme came to an end between 1 January 1997 and 5 April 2005.⁹

The FAS provides payments to contribute to the replacement of an expected retirement income. It is administered by the PPF and funded by the Government.¹⁰

⁶ Pension Protection Fund, [An overview of the assessment process](#) [accessed 26 January 2024]

⁷ Pension Protection Fund, [What being a PPF member means](#) [accessed 26 January 2024]

⁸ Pension Protection Fund, [How we're funded](#) [accessed 26 January 2024]

⁹ [The Financial Assistance Scheme Regulations 2005, SI 2005/1986](#)

¹⁰ Pension Protection Fund, [What being a FAS member means](#) [accessed 26 January 2024]

3 Terminal illness

3.1 Payments

Pension Protection Fund

The PPF can pay a one-off lump sum to someone who is terminally ill providing they have not previously received compensation from the PPF.¹¹ It cannot pay any further compensation to someone who has received a lump sum for terminal illness.¹²

Financial Assistance Scheme

The FAS can start payments at any age for someone with a terminal illness.¹³ It does not pay a lump sum.

3.2 Definition of terminal illness

Both the Pension Protection Fund and Financial Assistance Scheme use the same definition of terminal illness. That is:

... a person is “terminally ill” at any time if at that time the person suffers from a progressive disease and the person’s death in consequence of that disease can reasonably be expected within 6 months.¹⁴

The Pensions Act 2008 allowed members of the PPF who are terminally ill to claim a lump sum.¹⁵ The then Work and Pensions Minister said that this would be “using the same rules to define “terminally ill” as those that are used in the financial assistance scheme and in [Department for Work and Pensions] benefits.”¹⁶

¹¹ [Pensions Act 2004, Schedule 7](#)

¹² [Pensions Act 2004, Schedule 7](#)

¹³ [The Financial Assistance Scheme Regulations 2005, SI 2005/1986](#)

¹⁴ [Pensions Act 2004, Schedule 7](#)

¹⁵ [Pensions Act 2008, Schedule 5](#)

¹⁶ [HL Deb, 14 July 2008, c1060](#)

3.3

Social Security (Special Rules for End of Life) Act 2022

The definition of terminal illness used by the Department for Work and Pensions was extended by the Social Security (Special Rules for End of Life) Act 2022.¹⁷ The definition was extended to include people with a life expectancy of up to twelve months – instead of six months.¹⁸

The Department for Work and Pensions and medical professionals using the definition to fast-track certain benefit claims for people nearing end of life.¹⁹

The Pensions (Special Rules for End of Life) Bill 2023-24 aims to make the same change to the definition used by the Pension Protection Fund and Financial Assistance Scheme.²⁰

Background to the Social Security (Special Rules for End of Life) Act 2022 is available in the Library briefing [Social Security \(Special Rules for End of Life\) Bill \[HL\] 2022-23](#).

¹⁷ [Social Security \(Special Rules for End of Life\) Act 2022](#)

¹⁸ [Social Security \(Special Rules for End of Life\) Act 2022, Clause 1](#)

¹⁹ Further information is available in the Library briefing [Social Security \(Special Rules for End of Life\) Bill \[HL\] 2022-23](#)

²⁰ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Explanatory Notes](#)

4 The Bill

[The Pensions \(Special Rules for End of Life\) Bill 2023-24](#) aims to extend eligibility for receiving terminal illness payments from the PPF and FAS.²¹ It would amend the definition of terminal illness used by both organisations to include people with a life expectancy of up to twelve months – instead of six months.²² It aims to do this through amending existing legislation.

[Explanatory notes](#) for the Bill were drafted by the Department for Work and Pensions with the consent of Mr Laurence Robertson.²³

4.1 Clause 1: Changes to periods of life expectancy

Clause 1 would amend the current definition of terminal illness used by the PPF and the FAS by amending the current “6 months” term to “12 months”.²⁴

The clause would change the meaning of terminal illness in:

- Pensions Act 2004, Schedule 7, paragraph 25B(3)
- Pensions Act 2008, Schedule 5, paragraph 12(3)
- Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I.1)), Schedule 6, paragraph 25B(3)
- Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13 (N.I.)), Schedule 4, paragraph 12(3)
- Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986), regulation 2(9) and regulation 17(3D)(b)(i)

4.2 Clauses 2-3

Clause 2 would extend the relevant sections of clause 1 to England and Wales, Scotland, and Northern Ireland.²⁵ It would also enable the Secretary of State

²¹ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Explanatory Notes](#)

²² [Pensions \(Special Rules for End of Life\) Bill 2023-24, Clause 1](#)

²³ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Explanatory Notes](#)

²⁴ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Clause 1](#)

²⁵ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Clause 2](#)

and Department of Communities in Northern Ireland to set dates for when the measures in the Bill come into force.

Clause 3 would establish the short title of the Act once passed.²⁶

²⁶ [Pensions \(Special Rules for End of Life\) Bill 2023-24, Clause 3](#)

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