EXPLANATORY MEMORANDUM TO THE

PENSION PROTECTION FUND (ELIGIBLE SCHEMES) APPOINTED DAY ORDER 2005

2005 No.599

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. **Description**

2.1 The Board of the Pension Protection Fund (PPF) is a body corporate established by section 107 of the Pensions Act 2004 (c. 35) ("the Act") to provide compensation for members of eligible occupational pension schemes in the event of the insolvency of the scheme's sponsoring employer and where the pension scheme is underfunded at a certain level.

2.2 This Order gives the day appointed by the Secretary of State under subsection (2) of section 126 of the Act (Eligible schemes) as 6th April 2005.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Background

4.1 This Order is made under subsection (2) of section 126 (Eligible schemes) of the Act.

4.2 The Pensions Act 2004 established the Pension Protection Fund (PPF). The PPF will pay compensation to members of eligible occupational pension schemes where the sponsoring employer is insolvent and the scheme has insufficient assets to pay benefits at a level at least equal to the amount the PPF will provide.

4.3 These regulations are required from 1st April 2005. This is to ensure that the regulations detailing the types of schemes and the circumstances in which they will not be eligible, which are also required for this date, can come into force.

5. Extent

5.1 This instrument applies to England, Wales and Scotland under section 323(1).

6. European Convention on Human Rights

6.1 Not applicable.

7. Policy Background

7.1 The Pensions Act establishes the Pension Protection Fund (PPF). The PPF will pay compensation to members of eligible schemes where the sponsoring employer is insolvent and the scheme has insufficient assets to pay benefits at a level at least equal to the amount of compensation the PPF would provide.

7.2 This Order provides that a scheme is not an eligible scheme if it is being wound up immediately before 6th April 2005.

7.3 This Order is necessary to ensure that the provisions of the PPF cannot come into force retrospectively.

8. Impact

8.1 A full regulatory impact assessment has not been produced for this instrument as it has no impact on the costs of business.

9. Contact

9.1 Sarah Ormerod at the Department for Work and Pensions, tel: 020 7712 2757 or email: Sarah.Ormerod@dwp.gsi.gov.uk can answer any queries regarding this instrument.