EXPLANATORY MEMORANDUM TO
THE PENSION PROTECTION FUND (MALADMINISTRATION) REGULATIONS 2005

2005 NO. 650

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 Pension Protection Fund (PPF) is a new non-departmental public body, starting in April 2005, and is established under the provisions of the Pensions Act 2004. The PPF will protect members of eligible defined benefit occupational pension schemes (including the defined benefit element of hybrid schemes) by paying compensation in lieu of pension scheme rights if the employer has a qualifying insolvency event and there are insufficient assets in the pension scheme to cover the PPF levels of compensation.

2.2 The attached regulations set out the two stage internal review process for dealing with complaints of maladministration against the PPF. If this process does not resolve the matter to the satisfaction of those concerned, the case can be referred to the independent PPF Ombudsman.

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

3.1 None

4. **Legislative Background**

4.1 This is the first use of the power under section 208 of the Pensions Act 2004.

4.2 The PPF opens for business on 6th April 2005. These regulations need to come into force on the same date, to ensure that the required mechanisms are in place for dealing with any complaints of maladministration against the PPF.

5. **Extent**

5.1 This instrument applies to Great Britain.

6. **European Convention on Human Rights**

6.1 Not applicable.

7. Policy Background

7.1 The PPF will provide members of eligible defined benefit occupational pension schemes (including the defined benefit element of hybrid schemes) with compensation if their employer becomes insolvent on or after 6th April 2005, if there are insufficient assets in the pension scheme to cover the PPF levels of compensation.

7.2 Section 208 of the Pensions Act provides for a two stage internal review process for dealing with complaints of maladministration against the PPF. If a complaint remains unresolved at the end of the two stage internal review, the matter can be referred to the independent PPF Ombudsman.

7.3 The regulations provide a mechanism for raising complaints of maladministration against the PPF.

7.4 There is no requirement to consult on these regulations, and no consultation has been undertaken. There is no need to refer the regulations to SSAC as the PPF is a NDPB and does not provide Social Security benefits.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this Instrument as it has no impact on business, charities or voluntary bodies.

8.2 We do not envisage that the regulations will have any impact on the public sector.

9. Contact

9.1 Carole Jones at the Department for Work and Pensions Tel: 020 7712 2845 or email: carole.jones@dwp.gsi.gov.uk can answer any queries regarding this instrument.