

**EXPLANATORY MEMORANDUM TO THE  
PENSION PROTECTION FUND (PENSION PROTECTION LEVIES  
CONSULTATION) REGULATIONS 2005**

**2005 No. 1440**

**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 These Regulations require the Board of the PPF to consult on the manner in which they intend to calculate the pension protection levies. The Board of the PPF is required to consult the persons whom it considers appropriate on its determinations regarding the pension protection levies in a written form, and that it must publish the consultation document, and its determination after consultation, on the PPF website, making hard copies available to any person who requests them.

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

3.1 None.

**4. Legislative Background**

4.1 These Regulations are made under section 176 (supplementary provisions about pension protection levies) 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 27th May 2005 in order that they are in force before the Board issues its consultation document.

4.4 Section 176 of the Act sets out the legislative requirement for the Board to consult the persons whom it considers appropriate.

## **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 pension protection levies are the two levies collected each year by the Board of the Pension Protection Fund (PPF) from every eligible occupational pension scheme. These levies fund the compensation payments made by the PPF. Before the beginning of each financial year the Board of the PPF is required, by section 175(5) of the Pensions Act, to determine how they intend to calculate the amount of the levies due from each eligible scheme. This includes the time by which this must be done, the rate of the levies and the date when the levies become payable. Before reaching any determination, however, section 176 requires the Board to consult the persons whom it considers appropriate.
- 7.2 Section 176 (supplementary provisions about pension protection levies) of the Act sets out the statutory requirement for the Board to consult on the matters in section 175(5). These matters are to be consulted upon because of the way in which they affect the amounts paid by eligible pension schemes to the PPF each year.
- 7.3 These regulations require the Board to consult on their proposed approach to calculating the amount of the levies due from each scheme (i.e. their proposed determination under section 175(5)).
- 7.4 These Regulations also provide that the consultation document issued by the Board must be in written form, and must be published on the website of the PPF, as well as being available in paper format to any person who requests a copy.
- 7.5 After they have considered any representations received during the course of the consultation exercise the Board is required to publish details of how they will calculate the levies for the coming year.
- 7.6 These Regulations provide that the Board must publish details of this approach on the PPF website, again being made available in paper format to any person who requests a copy.
- 7.7 Consultation has not taken place for these regulations. As these Regulations are made before the expiry of the period of six months beginning with the coming into force of the provisions of the Act by virtue

of which they are made, the requirement for the Secretary of State to consult such persons as he considers appropriate does not apply. Furthermore, the regulations simply set out the minimum requirements of the consultation exercise and are very brief; for this reason it was considered that it would be neither appropriate nor necessary to consult on these regulations.

## **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.
- 8.2 These regulations will have no impact on the public sector.

## **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](mailto:Sarah.Ormerod@dwp.gsi.gov.uk) can answer any queries regarding this instrument.