



Ten things you should know

about the Pension Protection Fund.

Pension
Protection
Fund

One

The Pension Protection Fund (PPF) is an independent body

While the PPF was established by Parliament in the Pensions Act 2004, we are, in fact, a public corporation – just like Channel 4.

This means we are independent of Government and have a Board which sets our business strategy and plan.

However, we are subject to certain limitations laid down by Parliament such as the maximum levy we can raise.

Two

The taxpayer does not foot any of the bill for the PPF

Both the administration of the PPF and the compensation we pay to scheme members are funded by pension schemes which could make a claim on the PPF now or in the future.

Three

The PPF has more than one source of income

The PPF collects a Pension Protection Levy from eligible pension schemes.

But we also generate income from:

- > recoveries of money, and other assets, from insolvent employers of schemes that we take on
- > taking on the assets of schemes that transfer to us, and
- > returns on our own investments.

Four

Staff at the PPF come from a wide range of backgrounds in both private and public sectors

Many of our staff come from some of the big pensions, insurance, actuarial, legal, financial and consultancy firms.

We employ former civil servants who are experts in matters of government policy.

Also, we have a secondment policy which ensures we continue to build up skills and experience as well as a mutual understanding with the industry.

Five

Contrary to some opinion, the PPF is not a regulator

We are not the Pensions Regulator (tPR). We are an independent financial institution.

We encourage final salary pension schemes to reduce their risks by improving their funding. The less risk they pose to the PPF, the less risk based levy they are likely to pay.

The Regulator has a duty to protect the PPF against employers dumping their pension liabilities on us – but it is a separate body and has many different functions.

We work jointly with tPR when appropriate. The best example of this is the Purple Book published annually to provide comprehensive information to help work-based pension schemes manage their risk.

Six

The PPF does not seek to drive employers with weak pension schemes into insolvency

Weaker schemes remain protected by a cap on the levy. BUT the risk based levy is just that – the amount you pay reflects the amount of risk you pose to the PPF (just like any insurance premium). If schemes and their sponsoring employers want to reduce their bills, they should take action to reduce their risk.

Seven

The PPF does not envisage extreme fluctuations in the levy estimate year-on-year

We propose to set the levy estimate for the next three financial years, subject to indexation and there being no significant change in long term risk.

This will provide greater stability in the total amount of levy that we seek to collect during this period.

Eight

A major employer going bust should not threaten the PPF's own solvency

In setting the levy, we take account of the probability of a large claim being made on the PPF.

Remember: if a large scheme came into the PPF, we wouldn't have to pay compensation to all its members at once as many will not be retired yet.

Also, we have designed our investment strategy to reduce the risk of our investments, and those of pension schemes, performing badly at the same time.

Nine

The PPF does not intend to reduce compensation paid to scheme members

Under legislation, the Secretary of State for Work and Pensions has the power to reduce PPF compensation levels.

We can also recommend to the Secretary of State changes in PPF benefits. We have no intention of making such a recommendation, except in the most extreme adverse circumstances.

Ten

The PPF pays 100 per cent compensation to some scheme members

People who reach their pension scheme's normal retirement age before their employer goes bust will generally be paid 100 per cent compensation.

We also generally pay 100 per cent compensation to those who have retired on legitimate health grounds, regardless of age, and those receiving a pension relating to someone who has died.

For those who retired early and have not reached the normal pension age and for those yet to start receiving pension payments, we will pay up to 90 per cent compensation. The level of compensation is capped (further details can be found on our website).

In all cases, increases in future payments won't be as much as expected.

Further information about the Pension Protection Fund can be found on our website:

www.pensionprotectionfund.org.uk

Contact us by:

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This booklet is for guidance only. It is necessarily simplified and not a definitive statement of law or entitlement. Information in this document is based on current understanding of the legislation in force at the time of writing. Compensation will always have to be calculated in accordance with legislation which will, therefore, override in the case of any conflict.

Please note that levels of compensation paid by the PPF could be reduced by the Secretary of State for Work and Pensions, on the recommendation of the PPF.

