

# **The Pension Protection Fund**

## FRAMEWORK DOCUMENT

Effective from August 2019

## **FRAMEWORK DOCUMENT 2019**

This framework document has been drawn up by the Department for Work and Pensions (DWP) in conjunction with the Board of the Pension Protection Fund (the Board). This document summarises the broad framework within which the Board operates. The document does not convey any legal powers or responsibilities and does not in any way limit the functions of and powers granted to the Board by the Pensions Act 2004 (the "Act"), as amended, and associated legislation made under the Act (the legislation).

The DWP will respect the operational independence of the Board and its independent statutory status. The Board shall, to the extent it is consistent with its statutory status and its obligations under the Act, have due regard to the principles, rules and advice contained in guidance documents referred to in this Framework Document. Nothing in this document requires or permits the Board to act or refrain from acting in a manner inconsistent with the Act and its statutory duties and powers.

Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the PPF website.

### **1 Purpose of the Board**

**1.1** Under the Pensions Act 2004, the Board has been set up to ensure that members of underfunded defined benefit pension schemes where the sponsoring employer became insolvent after 5 April 2005 receive a minimum level of income upon retirement.

**1.2** Its main statutory duties are to:

- hold, manage and apply the Pension Protection Fund (PPF) and the Fraud Compensation Fund (FCF);
- invest the assets of the PPF and FCF;
- impose levies on pension schemes eligible for PPF Protection;
- assume responsibility for schemes assessed to be underfunded after the insolvency of their sponsoring employer;
- pay compensation to eligible members; and
- act as a scheme manager for the Financial Assistance Scheme (FAS) which provides financial assistance to members of certain defined benefit pension schemes ineligible for compensation from the PPF.

The Board's operations are mainly funded by payments from the PPF under section 173(3). Some operations are funded through grant in aid under section 116 and for FAS through grant in aid under section 286(3)(e).

**1.3** The Board's strategic direction shall be determined by the Board from time to time and reviewed as set out in section 119 of the Act

**1.4** The Board's mission statement is to pay the right people the right amount at the right time.

## **Governance and accountability**

### **2 The Board's legal powers and duties**

**2.1** The Board's powers and duties are contained in legislation and nothing in this Framework Document shall override those powers and duties or require or permit the Board to act in a manner contrary to those powers and duties.

### **3 Ministerial Responsibility**

**3.1** The Secretary of State for DWP or the responsible minister will account for business relating to the Board in Parliament.

### **4 DWP's Accounting Officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)**

**4.1** The PAO of DWP has delegated authority from H M Treasury in respect of grant in aid funds paid to the Board. The Chief Executive of the Board acknowledges the Board's responsibilities in respect of the safeguarding of the public funds for which it has charge and for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds. The responsibilities of PAO and the Board are set out in Chapter 3 of Managing Public Money.

**4.2** The PAO is accountable to Parliament for the issue of any grant-in-aid to the Board. The PAO is also responsible for advising the responsible minister:

- on the appropriateness of the Board's objectives and targets in the light of the Board's statutory duties and DWP's responsibility to promote savings for retirement and ensure that saving for retirement pays;
- on an appropriate budget for the Board in light of its forecast workloads and DWP's overall public expenditure priorities; and
- how well the Board is achieving its strategic objectives and whether it is delivering value for money.

**4.3** The PAO is also responsible for ensuring arrangements are in place to:

- monitor the Board's activities;
- address significant problems in the Board, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks which impact both DWP's and the Board's objectives and activities;

- inform the Board of relevant Government policy in a timely manner.

**4.4** The senior Departmental partner for the Board is the Director-General of Policy Group. The PPF Partnership Team is the primary contact for the Board. They are the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the Board. They also support the PAO on his or her responsibilities to the Board.

#### *Responsibilities of DWP*

##### *Duty to Consult*

**4.5** The Department will consult the Board on proposals to amend or create legislation that affects the Board. Such consultation will be on going during the process of policy formation, and shall include early involvement prior to the matter being either put to Ministers or made the subject of a consultation exercise. The Department will provide papers and give the Board a reasonable amount of time to consider papers and proposals and will give due regard to the comments or representations that the Board may make. The Department will, in timely fashion, consider and give due regard to suggestions for legislative amendments that the Board considers are essential or beneficial to the discharge of the Board's statutory functions.

**4.6** There shall be a senior official at DWP responsible for the day-to-day-stewardship of the Board which shall include managing, in particular, decision making processes concerning new legislation, approval of the Board's strategic plan, requests for grant in aid, the structure of the PPF Administration Levy and for the Administration Levy rates that are imposed. DWP will give the Board reasonable notice of any information requests that it makes. It will give due regard to the availability of relevant data, administrative burden and cost of such requests.

## **5 Responsibilities of the PPF's Chief Executive**

### *General*

**5.1** The Chief Executive acknowledges he is responsible for ensuring the safeguarding of the public funds for which the Board has charge and for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the Board. In addition, he acknowledges, subject always to the requirements of the Act, the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of *Managing Public Money*.

### *CEO's responsibilities for accounting to Parliament*

**5.2** The accountabilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts which shall be properly prepared and presented in accordance with any directions issued by the Secretary of State;
- preparing and signing a governance statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the Board are established and made widely known within the organisation;
- subject to the primacy of the Act, acting in accordance with the terms of this framework document, with due regard to *Managing Public Money* and as appropriate other instructions and guidance issued by DWP, the Treasury and the Cabinet Office; and
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on the PPF's stewardship of public funds.

*CEO's responsibilities to DWP*

**5.3** Particular responsibilities in relation to DWP include:

- establishing in discussion with DWP, the PPF's corporate and business plans in the light of DWP's wider strategic aims and agreed priorities;
- informing DWP of progress in helping to achieve DWP's policy objectives and performance objectives; and
- ensuring that for the purposes of quarterly review meetings forecasts and monitoring, information on performance and finance are provided to DWP in a timely fashion; that DWP is notified promptly if over or under spends in respect of grant in aid are likely and that, where appropriate, corrective action is taken; and that any significant problems, whether financial or otherwise which would detrimentally affect the Board's ability to meet its statutory duties or to have due regard to the duties specified in *Managing Public Money*, and whether detected by internal audit or by other means are notified to DWP in a timely fashion.

*CEO's responsibilities in relation to the Board*

**5.4** The Chief Executive is responsible for:

- advising the Board on the discharge of its duties;
- advising the Board on the Board's performance compared with its aims and objectives.
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed; and
- taking action as set out in paragraph 3.8.6 of *Managing Public Money* if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the