

# **Statement of Operating Principles and Scheme of Delegations Amended to align with the Pensions Act 2004, the Pensions Act 2008 and associated regulations**

## **The Pension Protection Fund and the Board**

### **1 Introduction**

- 1.1 The Board of the Pension Protection Fund is a body corporate established under Section 107 of the Pensions Act 2004 ("The 2004 Act"). Additional functions are set out in the Pensions Act 2008 ("The 2008 Act") and in Regulations. The Pensions Act 2008 also amends the text of sections of the 2004 Act (referred to, as applicable, in this document).
- 1.2 This Statement of Operating Principles sets out the manner in which the Board of the Pension Protection Fund will discharge its functions.
- 1.3 The Scheme of Delegations attached as Annex A sets out the delegations from the Board of the Pension Protection Fund to its Committees, Sub-Committees, Executive Members and members of staff.

### **2 Definitions**

For the purpose of this Statement and Scheme, the definitions used in the Pensions Act 2004, the Pensions Act 2008 and associated Regulations are employed, except as follows:

- 2.1 "The 2004 Act" means the Pensions Act 2004.
- 2.2 "The 2008 Act" means the Pensions Act 2008.
- 2.3 "The Chairman" means the Chairman of the Board of the Pension Protection Fund appointed in accordance with the 2004 Act.
- 2.4 "Committee" and "Sub-Committee" means a Committee established by the Board of the Pension Protection Fund or a Sub-Committee established by a Committee.
- 2.5 "The Chairman of a Committee" or a "Chairman of a Sub-Committee" means the person elected by the Committee or Sub-Committee to preside at its meetings.
- 2.6 "The Chief Executive" means the Chief Executive of the Board of the Pension Protection Fund.
- 2.7 "The Members" means the members of the Board of the Pension Protection Fund as defined by Section 108 and Schedule 5 of the 2004 Act.
- 2.8 "Meeting" means a meeting of the Members which satisfies the requirements of the 2004 Act and of the Operating Principles.

### **3 Membership (for information)**

- 3.1 The Members comprise the Chairman, the Chief Executive and at least 5 ordinary Members, at least 2 of whom must be appointed from the staff of the Board of the Pension Protection Fund. The Chairman must not be a member of staff of the Board of the Pension Protection Fund.
- 3.2 The Chief Executive and the Members who are appointed from the staff of the Pension Protection Fund are "executive Members ". The other members are "non-executive Members". A majority of the Board of the Pension Protection Fund must comprise non-executive Members.

### **4 Meetings**

- 4.1 The Members will normally meet nine times annually and as frequently as is necessary to discharge the functions of the Board of the Pension Protection Fund.
- 4.2 The date, time and place of Meetings will be as determined by the Chairman and notified to the Members or, in default, as determined by the Chief Executive and notified to the Members.
- 4.3 Any or all of the Members may take part in a Meeting by means of a conference telephone or any communication equipment which allows all persons participating in the Meeting to speak to and hear each other. A person taking part in this way will be treated as being present at the Meeting and will be entitled to vote and be counted in the quorum. Such a Meeting will be treated as taking place where most of the participants are or, if there is no such place, at the place where the Chairman is.

### **5 Decision-making**

- 5.1 The quorum for a Meeting shall be a minimum of 4 Members (not including any non voting executive Members (see below) or a Member who has withdrawn under 6.4 below), with a majority of non-executive Members. In the event that at any time there is not a majority of non-executive Members, one or more executive Members may be declared non-voting ("a non voting executive Member") for the purposes of that Meeting or any matter in order that there is a majority of non-executive Members who may vote on any particular matter. A non-voting executive Member shall be entitled to remain at the Meeting and speak on any matter under discussion, but may not vote.
- 5.2 Decisions shall be taken by a majority of those Members who are present and voting on any particular matter. In the case of an equality of votes, the Chairman shall have a casting vote. Any Member may request the Board Secretary to record the manner in which he has voted on a particular matter in the record of the Meeting.

### **6 Attendance at Meetings**

- 6.1 All Members (other than in the circumstances described in 5.1 or 6.4 a non voting executive Member) shall be entitled to attend, speak and vote on any matter at all Meetings.
- 6.2 The Chairman may invite other persons to attend either for the duration of a Meeting, or for any particular item of business. Such persons may speak, but shall not be entitled to vote, on any matter.

- 6.3 The Chairman or, in his absence, a non-executive Member of the Board of the Pension Protection Fund elected at the Meeting for that purpose shall preside at each Meeting.
- 6.4 A Member having any personal interest in the subject matter under discussion at the Meeting, shall disclose that interest prior to the start of consideration of that matter or as soon as the interest is evident, and shall withdraw from the Meeting if so requested by the Chairman. Any Member who has an interest which is such that a member of the public, informed of the facts, might reasonably conclude that the interest would affect the Member's perception of the public interest, shall withdraw from the Meeting during the consideration of that matter, shall not vote on the matter and shall not seek to affect the determination of the matter. Any Member who has withdrawn from the meeting shall not be counted in the quorum present in the Meeting for the relevant matter. However, no determination of any matter shall be liable to be avoided on the ground of any personal interest not so disclosed.

## **Discharge of functions**

### **7 Committees and Sub-Committees (for information)**

- 7.1 The Board of the Pension Protection Fund is required to establish a Non-Executive Committee and a Reconsideration Committee, and may establish such additional Committees as it considers appropriate for the discharge of its functions.
- 7.2 Any Committee of the Board of the Pension Protection Fund (other than the Reconsideration Committee and the Decision Committee) may establish such Sub-Committees as it considers appropriate for the discharge of its functions. At the date of adoption of this Statement, the Board of the Pension Protection Fund has established an Investment Committee, a Reconsideration Committee, a Decision Committee and a Nomination Committee and the Non Executive Committee has established an Audit Committee and a Remuneration Committee (as Sub-Committees of the Non-Executive Committee).
- 7.3 The Board will determine the Terms of Reference (including provisions as to procedure and quorum) for any Committee or Sub-Committee except that that the Non-Executive Committee will determine the Terms of Reference for any Committee discharging the non-executive functions listed under Section 112 of the 2004 Act. Paragraph 4.3 above (meetings by telephone etc) shall in any case apply to meetings of all Committees or Sub-Committees as it does to Meetings of the Members.

### **8 The Power to Delegate**

- 8.1 Certain functions are granted specifically to the Reconsideration Committee<sup>1</sup> and to the Non-Executive Committee by the 2004 Act. The Non-Executive

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<sup>1</sup> The Reconsideration Committee is established under regulations made under Section 207 of the 2004 Act. It is required to undertake reconsideration of any "reviewable matter", as set out in Schedule 9 of the 2004 Act. The Reconsideration Committee must not include any person concerned in the reviewable matter in respect of which the reconsideration decision is to be made or any person concerned in the matter which is the subject of the relevant complaint.

Committee may authorise any Sub-Committee which it has established to discharge any of its functions on the Committee's behalf.

8.2 The Board of the Pension Protection Fund may arrange for the exercise of any of its functions (other than those specifically granted to the Reconsideration Committee and to the Non-Executive Committee) to be undertaken on its behalf by:

- a Committee (other than the Reconsideration Committee and the Non-Executive Committee)
- a Sub-Committee
- any executive Member
- any member of the staff of the Board of the Pension Protection Fund, which by virtue of paragraph 11 of Schedule 5 to the 2004 Act includes government secondees.

8.3 Where the Board has authorised the Investment Committee of the Board to exercise any functions on its behalf, the Board also hereby authorises:

- any sub-committee of the Investment Committee to exercise on behalf of the Board such of those functions as may be assigned to the Sub-Committee by that committee; and
- each of the executive Members, and all members of staff, to exercise on behalf of the Board such of those functions in circumstances where the Investment Committee or a Sub-Committee of the Investment Committee decides to assign them to the executive Member or member of staff concerned.

8.4 The intention of the Board is that (save where otherwise stated) functions delegated to executive Members shall be performed by such members of staff of the Board as may be required to discharge such functions in the normal course of their duties. Accordingly, the Board hereby authorises the discharge of functions expressed to be delegated to executive Members by those members of staff to whom such functions may be assigned by or under the authority of the appropriate executive Member.

8.5 The Board of the Pension Protection Fund may also arrange for a limited range of its functions to be exercised on its behalf either by a member of staff or by a third party on behalf of the Board of the Pension Protection Fund, as provided in Paragraph 18 to Schedule 5 of the 2004 Act (and as amended by Section 123 of the 2008 Act).

## **Scheme of Delegations**

### **9 Principles**

9.1 Nothing in this section overrides the 2004 Act, the 2008 Act or Regulations.

9.2 Whilst the Board of the Pension Protection Fund remains responsible for the determination of its strategic direction and for securing the proper and effective discharge of its functions, the Board of the Pension Protection Fund has determined that it is appropriate for the effective discharge of

functions to make extensive delegation of its functions to Committees, Sub-Committees, executive Members and members of staff, and for executive Members to whom functions have been delegated to authorise the discharge of those functions on their behalf by members of staff.

- 9.3 A list of the current delegations made by the Board of the Pension Protection Fund is set out in Annex A. The Board of the Pension Protection Fund will regularly review this list of delegations and may amend it from time to time, and the Chairman of the relevant delegating Committee or Sub-Committee or the Chief Executive for executive matters shall be responsible for maintaining an up to date list of such delegations.
- 9.4 All such delegated powers are to be exercised within the policies, procedures and budget approved by the Board of the Pension Protection Fund. Only the Board of the Pension Protection Fund may change such policies, procedures and budgets.
- 9.5 Where a delegated matter falls to be decided upon by a Committee, a Sub-Committee, an executive member or a member of staff, the decision-taker shall consider whether their proposed decision on the matter:
- (a) is contrary to or not wholly in accordance with any policy, procedure or budget approved by the Board of the Pension Protection Fund; or
  - (b) raises any new issue of policy which it is appropriate for the Board of the Pension Protection Fund to determine.

In either such case, the decision-taker shall refer the matter to the delegator who will report the matter for determination by the Board of the Pension Protection Fund.

- 9.6 In considering any delegated matter which falls to be decided by a Committee, a Sub-Committee, an executive Member or a member of staff, the decision-taker may at any stage decide that the matter should more appropriately be determined at a higher level, for example by reason of public interest or controversy relating to the matter, and in such cases the decision taker shall refer the matter to such higher level for decision.
- 9.7 Where a matter is delegated directly by the Board of the Pension Protection Fund, or indirectly by reason of a decision of a Committee, a Sub-Committee or an executive Member, the delegator may, at any time before the delegatee has taken his decision, notify the delegatee that the delegation has been withdrawn and that the decision is now to be taken by the delegator. A decision shall be deemed to have been taken by a delegatee when it is first recorded in writing.
- 9.8 The appropriate executive Member will report to the Board on the principles by which authority is assigned to members of staff under 8.4 above by that executive Member.
- 9.9 The Chief Executive shall be responsible for maintaining a record of any decisions by members of staff in relation to executive matters.

## **10 Reporting and Recording of Delegated Decisions**

- 10.1 The Chairman of each Committee (or, in their absence, a member of the Committee) shall report the record of decisions of the Committee to a Meeting of the Board of the Pension Protection Fund.
- 10.2 The Chairman of each Sub-Committee (or, in their absence, a member of the Sub-Committee) shall report the record of decisions of the Sub-Committee to the parent Committee.
- 10.3 The Chairman, or a Chairman of a Committee or a Sub-Committee (or in their absence, a member of the Committee) shall be responsible for maintaining a record of any decisions of a Meeting, a Committee or Sub-Committee.
- 10.4 Where the Chairman of a Committee or a Sub-Committee or the Chief Executive considers that a decision which has been taken will be of interest to the Members, a Committee or Sub-Committee, they shall be responsible for ensuring that the decision is notified to the Members, or the members of the Committee or Sub-Committee as appropriate, either by means of a formal written report thereon or by communication in writing as appropriate.

## Schedule of Delegated Powers

References to Chapters are references to Chapters in the 2004 Act and the 2008 Act.

### Preamble

Whilst the Board of the Pension Protection Fund remains responsible for the determination of its strategic direction and for securing the proper and effective discharge of its functions and for corporate governance, the Board of the Pension Protection Fund has determined that it is appropriate for the effective discharge of functions to make extensive delegation of its functions to Committees, Sub-Committees, the executive Members and members of staff. The Board of the Pension Protection Fund has direct responsibility for certain matters, including the appointment of Members, the establishment of Committees and the appointment of members of such Committees. In addition, the Members in Meeting will approve the Strategic Framework within which the Board of the Pension Protection Fund will operate, and that Strategic Framework will include the Communications, Human Resources and Corporate Social Responsibility Policies of the Board of the Pension Protection Fund.

Such delegations arise in two distinct manners:

- (a) Some functions are allocated by the 2004 Act directly to particular Committees. These delegations are summarised in this Annex for information.
- (b) Some functions are delegated by the Board of the Pension Protection Fund to particular Committees, Sub-Committees or individuals in accordance with Paragraph 17 of Schedule 5 of the 2004 Act. It is these delegations which are set out in this Annex.

### Chapter 1 – Establishment

#### 1 Establishment and general provisions about functions - Sections 107 to 111 of the 2004 Act

- 1.1 The Board of the Pension Protection Fund has delegated to the Chief Executive a general power to do anything which, in their opinion, is calculated to facilitate the exercise of the functions of the Board of the Pension Protection Fund or is incidental or conducive to their exercise, except in so far as the Board of the Pension Protection Fund has reserved such functions to itself or has specifically delegated them to a Committee or Sub-Committee.
- 1.2 The Board of the Pension Protection Fund has delegated to the Chief Executive the power to commence, join, pursue, defend, settle or otherwise participate in on behalf of the Board of the Pension Protection Fund any legal proceedings where they are of the opinion that it is appropriate so to do in order to protect the interests of the Board of the Pension Protection Fund or to secure the effective discharge of its functions.
- 1.3 The Board of the Pension Protection Fund has delegated to the Chief Executive the power under paragraph 13(1) of Schedule 5 of the 2004 Act to appoint employees of the Board.

- 1.4 The Board of the Pension Protection Fund has delegated to the Chief Executive the power to make arrangements for the exercise of the functions contained in paragraph 18 of Schedule 5 and the delegation of review functions under paragraph 19 of Schedule 5 (and as amended by changes to Schedule 5 of the 2004 Act set out in Section 123 of the 2008 Act). The arrangements that the Chief Executive approves may provide that any person, not necessarily being a member of staff, may exercise these functions.
- 1.5 The Board of the Pension Protection Fund has delegated to each executive Member of the Board a general power to authenticate the fixing of the common seal of the Board in accordance with paragraph 20 of Schedule 5. No other member of staff may be authorised under paragraph 8.4 of the Statement of Operating Principles to exercise this function.

## **2 Non Executive functions – Section 112 of the 2004 Act**

These functions are granted by the 2004 Act to the Non-Executive Committee.

## **3 Financial matters – Sections 113 to 118 of the 2004 Act**

- 3.1 Prudent management (Sections 113(1) to 113(3)) – delegated to the Investment Committee.
- 3.2 Appointment of Fund Managers (Section 113(4) to 113(6)) – Initial appointments to be made by the Board of the Pension Protection Fund. As from 31<sup>st</sup> December 2006 delegated to the Investment Committee.
- 3.3 Investment principles and Investment Strategy (Section 114) – preparation and recommendation is delegated to the Investment Committee, approval of first Statement of Investment Principles and Investment Strategy is reserved for the Board of the Pension Protection Fund; thereafter only material changes require the approval of the Board of the Pension Protection Fund; other changes are delegated to the Investment Committee.
- 3.4 Borrowing (Section 115) - The Board of the Pension Protection Fund delegates these powers to the Chief Executive.
- 3.5 Grants, Administration Levy and Fees (Section 116 to 118) - The Board of the Pension Protection Fund will respond to the Secretary of State consultation but delegates all other powers and the obligation for prudent discharge of these powers to the Chief Executive.

## **4 Annual Reports to the Secretary of State - Section 119 of the 2004 Act**

This remains an obligation of the Board of the Pension Protection Fund, subject to the inclusion of the report of the Non-Executive Committee.

## **Chapter 2 – Information relating to Employers Insolvency**

### **5 Sections 120 to 125 of the 2004 Act**

All functions contained in these sections are delegated to the Chief Executive.

## **Chapter 3 – Pension Protection**

### **6 Eligible Schemes and Valuation - Sections 126 to 173 of the 2004 Act**

All functions within these Sections (and as amended by the changes to Schedule 7 of the 2004 Act set out in Sections 101 and 122 and Schedules 2 and 8 of the 2008 Act; changes to Section 173 of the 2004 Act as set out in Section 123 of the 2008 Act) are delegated to the Chief Executive with the following caveats:

- 6.1 Subject to the general principles set by the Board of the Pension Protection Fund within which the Chief Executive is to act.
- 6.2 Certain schemes may be nominated by the Board of the Pension Protection Fund for closer scrutiny (nominated schemes). For these schemes, the Chief Executive shall have responsibility for securing the undertaking of all preparatory work required for presentation of a report to a Meeting or appropriate Committee for final decision.
- 6.3 The Chief Executive to recommend any variance to indexation and revaluation rates for final approval by the Board of the Pension Protection Fund.

### **7 Levies - Sections 174 to 181 of the 2004 Act**

- 7.1 Initial Levy (Section 174) - the functions are delegated to the Chief Executive.
- 7.2 Pension Protection Levies (Sections 175 to 181) - the Chief Executive is instructed to undertake all preparatory work including the maintenance of up to date scheme data, and to prepare a report recommending the principles upon which the statutory determinations are to be made for approval by the Board of the Pension Protection Fund.

## **Chapter 4 – Fraud Compensation**

### **8 Fraud Compensation - Sections 182 to 189 of the 2004 Act**

The functions in these sections of the Act are delegated to the Chief Executive with the exception of section 188 (relating to the Fraud Compensation Fund) which is delegated to the Investment Committee.

## **Chapter 5 – Gathering Information**

### **9 Gathering, Use, disclosure of information and the publication of reports - Sections 190 to 205 of the 2004 Act**

These functions are delegated to the Chief Executive. Only executive Members may be authorised under paragraph 8.4 of the Statement of Operating Principles to exercise the power to appoint a person for the purposes of section 194(7) (Warrants).

## **Chapter 6 – Reviews, Appeals and Maladministration**

### **10 Reviews, Appeals and Maladministration - Sections 206 to 218 of the 2004 Act**

The functions in these sections are delegated to the Chief Executive, except that:

- 10.1 Where an original decision on a reviewable matter has been taken by an executive member, the first stage review shall be undertaken by an executive member or the Decision Committee.
- 10.2 Where an original decision on a reviewable matter has been taken by a Committee or a Sub-Committee, the first stage review shall be undertaken by the Committee or Sub-Committee or the Decision Committee.
- 10.3 Decisions which the Chief Executive considers to be of strategic importance will be undertaken by the Decision Committee.
- 10.4 Where a complaint of maladministration has been made in respect of the actions of an executive member including the Chief Executive, the investigation and decision shall be undertaken by an executive member or the Decision Committee, provided that the executive member concerned in the matter which is the subject of the complaint must not be involved in the investigation or decision in respect of the complaint.
- 10.5 Where a complaint of maladministration has been made in respect of the actions of a Committee or Sub-Committee, the investigation and decision shall be undertaken by the Decision Committee, (excluding any member of the Committee or Sub-committee concerned with the complaint).
- 10.6 The functions under section 207(1)(b) and 208(3)(b) are granted to the Reconsideration Committee directly by the Act.

## **Chapter 7 – Miscellaneous**

### **11 Pension sharing - Section 220 of the 2004 Act**

- 11.1 The functions under Section 220 of the 2004 Act and associated regulations are delegated to the Chief Executive.

### **12 Financial Assistance Scheme for certain pension schemes – Section 286 of the 2004 Act**

- 12.1 The Financial Assistance Scheme (Miscellaneous Amendments) Regulations 2009 brought into force on 10 July 2009 conferred on the Board of the PPF the function of scheme manager to the Financial Assistance Scheme (FAS).
- 12.2 Subject to 12.3 below, the functions under Section 286 of the 2004 Act and as amended by Section 124 of the 2008 Act are delegated to the Chief Executive.
- 12.3 To the extent that provisions under that section apply (with or without modification) provisions of Part 2 of the Act delegated or reserved elsewhere in this Schedule, those delegations/reservations shall apply equally for the purposes of FAS.

## Pensions Act 2008

### Chapter 1 – Pension Compensation on Divorce etc

#### 13 Pension compensation sharing in relation to a person’s shareable rights to PPF compensation – Sections 107 – 120 of the 2008 Act

The functions under Sections 107 – 120 that relate to the Board of the Pension Protection Fund are delegated to the Chief Executive.

### Chapter 2 – Other Provision about Pension Compensation

#### 14 Charges in respect of pension sharing etc – Section 121 of the 2008 Act

The functions under Section 121 are delegated to the Chief Executive (this Section is an addition to Section 168 of the 2004 Act: administration of compensation).

#### 15 Interest on late payments of levies

The functions under Section 129 and Schedule 10 are delegated to the Chief Executive.

Version	Approved by	Effective From
V1	Board	13 July 2005
V2 (interim delegations were agreed whilst no Chief Executive was in post)	Board	May 2006 (rescinded 21 June and V1 reverted to once Partha Dasgupta had been appointed as Chief Executive)
V3	Board	18 July 2007
V4	Board	13 March 2008
V5	Board	28 January 2009
V6	Board	16 July 2009
V7	Board	11 February 2011
V8	Board	20 September 2011