



Pension
Protection
Fund

All you need to know about

The Fraud Compensation Fund



The Fraud Compensation Fund ('FCF') was set up under the Pensions Act 2004 and is run by the Board of the Pension Protection Fund ('PPF').

The FCF pays compensation to trustees or scheme managers of most occupational pension schemes whose employers become insolvent in circumstances where the scheme has lost out financially due to offences involving dishonesty.

This compensation is paid for through a levy on both defined benefit, e.g. final salary, and defined contribution, e.g. money purchase, pension schemes.

The Fraud Compensation Fund

Regulations

Most occupational pension schemes are eligible for the FCF, apart from those listed in Regulation 2 of the occupational pension schemes (fraud compensation payments and miscellaneous amendments) regulations 2005 (see links).

Broadly, they can make a claim on the FCF, if:

- the employer has suffered an insolvency event (or, if the employer cannot suffer an insolvency event, the employer is unlikely to continue as a going concern);

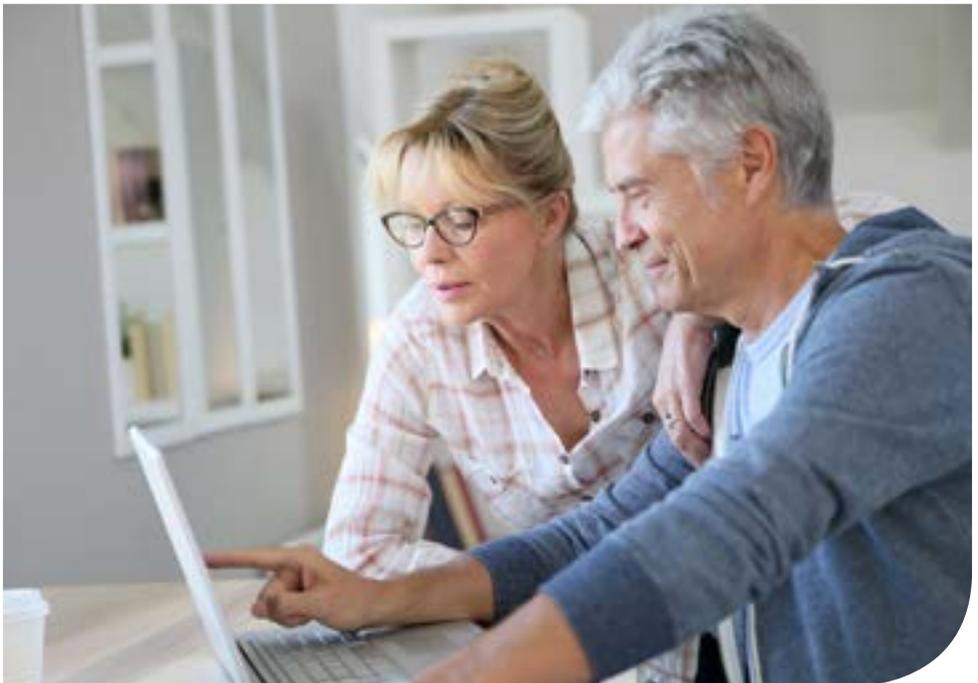
- there is no likelihood of the pension scheme being rescued; and
- the value of the scheme's assets has been reduced due to an offence involving dishonesty.

The regulations* governing how fraud compensation is paid can be found here:

www.legislation.gov.uk/uksi/2005/2184/contents/made

www.legislation.gov.uk/ukpga/2004/35/contents

* Regulations 14-20 cover multi-employer pension schemes.



Applying for compensation

Who can apply for fraud compensation?

- Trustees
- Scheme managers
- Members and other beneficiaries
- Scheme administrators
- Representatives of the above

Note: if an application for compensation is agreed, the Board is required by law to pay the compensation directly to scheme trustees or scheme managers only, regardless of who made the application.

When should you make a claim?

You must apply for compensation within an authorised period, which is 12 months from the later of:

- the date of the employer's insolvency event or, if the employer cannot suffer an insolvency event, the date of which it is unlikely that the employer would continue as a going concern; and
- the time when the trustees, scheme managers or scheme actuaries/accountants knew or ought to have known that the scheme had suffered financial loss due to offences involving dishonesty.

We can still accept applications outside these authorised periods but you will need to provide evidence to justify the delay.

Applying for compensation

You must first complete the Fraud Compensation application form which can be found on the PPF website here:

www.ppf.co.uk/fraud-compensation-fund

You must provide all the information required on the application form otherwise we may not be able to assess your claim.

If you can't provide all the necessary information then you need to explain fully why this is not on the form.

How we handle applications

We acknowledge all applications received and carefully consider the information provided on the application form and all supporting information. If necessary, we will contact you, or other relevant third parties, for further information.

When we have all the necessary information, we will make a decision and let you, or your representative, know as soon as possible, with a full explanation about the reasons for our decision.

If we decide to pay compensation to the trustees or scheme managers, we will let you know how much and when this will be paid.

Under consideration

Remember, the FCF should be considered as a last resort.

This means that, when an application is under consideration, we have to satisfy ourselves that the trustees or scheme managers have tried to recover the losses from other sources.

For example, if an insolvent employer failed to pay contributions deducted from employee wages into an occupational or personal pension scheme, an application for payment may be made to the Insolvency Service:

www.gov.uk/government/organisations/insolvency-service

We will always try to reach a decision as quickly as possible but every application must be thoroughly investigated on a case-by-case basis. This may lead to delays outside of our control, e.g:

- the trustees or scheme managers may be asked to seek recoveries of loss from another source;
- we may need evidence from third parties which may be difficult to obtain; or
- we may need to wait until legal proceedings have been pursued before we can make a final decision on a claim.

Of course, we will keep you up-to-date with progress at all times.



Determining eligibility

We also need to see documentary evidence to support your application, as set out in the application form. You should provide the documentary evidence at the same time as the application form (or shortly afterwards) so that our investigation can take place as soon as possible.

We may also need to gather evidence from third parties, and we will ask for your consent to do this in the application form.

If you, your representative, trustees or scheme managers (if different) want to query a decision, you should contact the PPF (see contact details at the back of this booklet).

In this way, we can often sort out any problems or concerns quickly and easily.

But, if you, your representative, trustees or scheme managers (if different) are dissatisfied with our response, a formal request can be made to review the decision.

An application to review a decision can generally be made within 28 days of the date the decision is received.

Information about how and when to request a review will be issued with any decision letter.

If your application is successful, the Board of the Pension Protection Fund (the 'Board') will calculate the amount of fraud compensation it will pay.

As a general rule, the amount of compensation due will be the difference between the following amounts:

(i) the value of the assets as stated in the audited scheme accounts, or the section 143 valuation, which immediately precedes the loss. Or, if neither of these exist, the value of the assets on the date immediately preceding the loss as reported by an accountant. This value is then adjusted to take account of any alterations in the value of the assets between the date immediately preceding the loss and the application date;

And

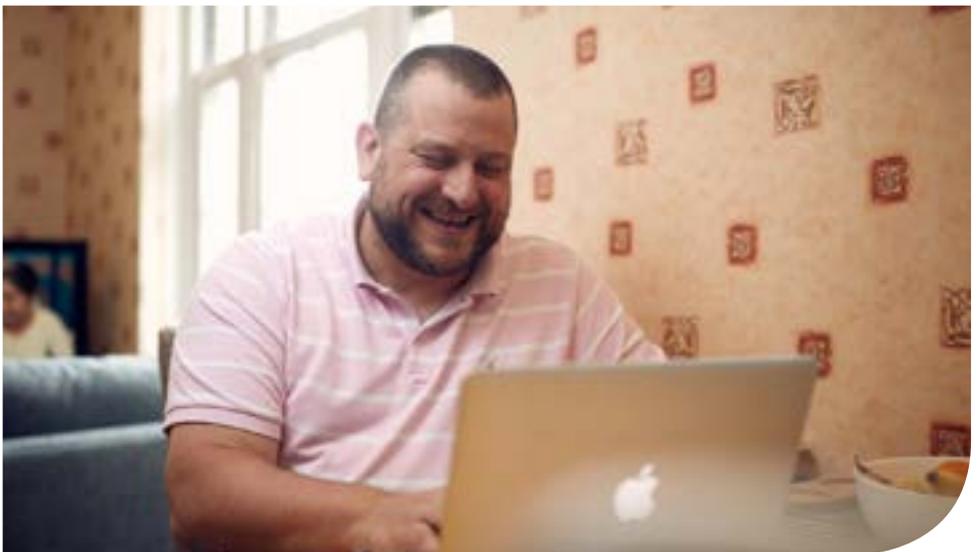
(ii) the value of the assets immediately before the application date as reported by an accountant.

The amount of the payment, or aggregate amount if there is more than one, must not be more than the difference between the amount of the relevant reduction in assets and the amount of any recoveries obtained before the date on which the Board determines that further recoveries of value are unlikely to be obtained without disproportionate cost or within a reasonable time (the 'settlement date').

Full details of how fraud compensation payments can be calculated is set out in section 185 of the Pensions Act and regulation 7 of the Occupational Pension Schemes (Fraud Compensation Payments and Miscellaneous Amendments) Regulations 2005.

Before a fraud compensation payment is made, a letter outlining the amount of payment and the terms under which it will be paid will be sent to the trustees or scheme managers (with a copy of the letter to the applicant, if different).

The letter will also include information on how the Board may recover any fraud compensation payments paid where it is aware that subsequent recoveries to the pension scheme have been made from other sources.



The logo for the Pension Protection Fund, featuring the text "Pension Protection Fund" in white, stacked vertically, next to a white curved line that starts above the text and arcs to the right.

Pension
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If you want more information about
the PPF, contact us by:

Tel: **0345 600 2541**

Textphone: **0845 600 2542**
(for customers who are deaf or who
have impaired hearing or speech)

Email: **fraudcompensationfund@ppf.co.uk**

Write to us at:
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Or see our website at: **ppf.co.uk**