

Financial Assistance Scheme

Trustee Update – 27 July 2007

This update is for Trustees, Administrators and members of FAS Qualified schemes. Please make its contents available to colleagues within your organisation.

Subject: Halting Annuitisation Regulations and Cut Off dates for Insolvency Events.	Financial Assistance Scheme (FAS) PO Box 702 York YO32 9XR Tel: 0845 6019941 Email: FAS-Operational-Unit@dwpgsi.gov.uk
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We wrote to you last week to provide details of the interim findings of the Young Review of assets remaining in pension schemes and to draw your attention to the statement made by the Minister of State for Pensions Reform that the Government believes that the cost of extending the Financial Assistance Scheme (FAS) could be met by making better use of those assets, matched by a further contribution from Government. We said that we hoped you would consider very carefully whether purchasing annuities is in the best interests of your members.

The Pensions Act 2007 received Royal Assent on 26th July. On 24th July the Government agreed an opposition amendment requiring the Secretary of State for Work and Pensions to introduce regulations to prohibit the purchase of annuities on behalf of scheme members who will qualify for FAS.

The Government will therefore be bringing forward regulations to place a temporary halt on the purchase of annuities by trustees of qualifying schemes that are still winding up. Trustees will be able to purchase annuities with the approval of the FAS scheme manager if he considers it is appropriate for them to do so. These regulations are expected to be in place by October and will apply for nine months from the date on which they come into force.

It is extremely important, therefore, that you keep us informed about the progress of your schemes towards completion of wind-up and, in particular, if you are considering purchasing annuities for any or all of your members. Although the regulations will not be in place for a couple of months, the Government expects trustees to consider their approach to annuitisation very carefully and to involve their Customer Account Manager at the FAS Operational Unit in any decision before then.

The Government has also announced that it does not intend to enforce the cut-off date for employer insolvency of 31st August 2007, announced by the then Minister of State for Pensions Reform on 27th February 2007. We will consult on whether there should be a cut-off date for insolvency and bring forward regulations in due course

In light of these developments, we also want to reiterate our request that if you have not already done so, you apply for FAS initial payments for scheme members who have

reached (or are approaching) the FAS payment age of 65. Initial payments have increased from 60% to 80% of core expected pension (subject to the cap), and we ask you to ensure that you apply on behalf of all scheme members either whom you believe are eligible, or who request that you do so. The information we have recently been provided by many schemes on funding levels indicates that most schemes are funded well below this level, so there must be many people who are being denied payments because trustees have not applied on their behalf.

Details of your Customer Account Manager were included in our recent letter. They will be contacting you over the next three weeks to answer any queries you may have and to discuss how best to work together in the future.

Yours Sincerely

Pat Ferguson

Unit Manager
FAS Operational Unit