

Financial Assistance Scheme

Trustee Update – dated 30 May 2008

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

Subject: Financial Assistance Scheme – Halting Annuitisation	Financial Assistance Scheme (FAS) PO Box 702 York YO32 9XR Tel: 0845 6019941 Email: FAS-Operational-Unit@dwpgsi.gov.uk
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1. As you are aware, the Financial Assistance Scheme (Halting Annuitisation) Regulations 2007 came into force on the 26th September last year. Those Regulations prohibited the purchase of annuities and any agreement to purchase annuities for a period of 9 months unless the trustees had entered into a binding commitment to purchase before 26th September 2007 or the purchase has been approved by the FAS scheme manager.
2. This prohibition period is due to expire on 25th June 2008. We wish to make all trustees aware that we will extend this period of prohibition indefinitely through amendments to the current Pensions Bill.
3. Subject to the Bill and these provisions receiving Parliamentary approval, we expect the Bill to receive Royal Assent in the Autumn. Although Royal Assent will take place after the 26th June 2008, these provisions will be made to operate retrospectively. In practice, this means that the prohibition on the purchase of annuities and on agreeing to purchase annuities will be extended from 26th June and continue indefinitely. There will be no “gap” between 26th June and the date the Pensions Bill becomes an Act.
4. As a result, trustees of FAS qualifying pension schemes which have not yet been fully wound up must not purchase, or enter into any agreements to purchase, annuities on behalf of FAS qualifying members after 25th June 2008 without the approval of the FAS scheme manager.
5. If any trustee purchases or agrees to purchase an annuity after 25th June 2008 without the approval of the FAS scheme manager, that trustee will be in breach of the statutory requirement once that requirement comes into force.
6. We will be able to take action against trustees who breach that statutory requirement, just as we can if annuities are purchased or agreements to purchase are made at the current time.

7. Any trustees who feel they have strong arguments for seeking to annuitise some or all of their scheme members are able to make an application to FAS for permission to do so in the usual way. A copy of the relevant application form is available on the website at www.dwp.gov.uk/lifeevent/penret/penreform/fas/Application-to-annuitise.pdf
8. We have also contacted a number of annuity providers to let them know our intention to table these proposed amendments to the Pensions Bill and the effect (including the retrospective effect) they will have.
9. We would be grateful if you could acknowledge receipt of this communication in order to confirm that you are aware of the position in relation to these intended provisions. Further updates regarding these provisions will be provided throughout the passage of the Pensions Bill through Parliament.

Yours sincerely,

Ros Sannachan
FAS Operational Unit Manager