

## Financial Assistance Scheme

### Trustee Update – 21 December 2007

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

<b>Subject:</b> <b>The FAS Review of Scheme Assets – Final Report.</b>	Financial Assistance Scheme (FAS) PO Box 702 York YO32 9XR Tel: 0845 6019941 Email: <a href="mailto:FAS-Operational-Unit@dwp.gsi.gov.uk">FAS-Operational-Unit@dwp.gsi.gov.uk</a>
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### Introduction

The FAS Review of Scheme Assets was set up to consider whether an alternative treatment of the residual funds in affected pension schemes could supplement the funding already committed by Government for the Financial Assistance Scheme and provide increased levels of assistance for members.

The Review published an interim report on 16<sup>th</sup> July 2007 which stated that the current system was not the best use of the residual assets. The interim report indicated that it would consider a number of alternative options and expected to report by the end of the year.

The final report was published on 17<sup>th</sup> December 2007 and broadly the key recommendation was;

On the assumption that the Government would guarantee assistance levels, the Government should take in the assets and pay the amounts due to all FAS beneficiaries as they fall due.

A copy of the final report can be found at  
[Asset Review final report](#)

### The Government response

The Government issued its response to the report on the day of publication. A copy of the statement made by the Secretary of State for Work and Pensions is available at  
[Statement from the Secretary of State](#)

It is the Government's intention to take in all the residual assets of qualifying FAS schemes, including those assets that relate to members whose benefits levels means that no assistance payments would otherwise be due.

The Government will bring forward legislation to enable payments to be made to such members. And we will take into account the legal entitlements of such members, when structuring payments to them. There is no intention to that anyone should be disadvantaged by this process.

The key features of the revised Financial Assistance Scheme are:

- Members will be guaranteed 90% of their accrued pension at the date of commencement of wind up, revalued to their retirement date.
- This will be subject to a cap of £26,000, the value of which will be protected.
- Payment of assistance derived from post-1997 service will be increased in line with inflation (subject to a 2.5% limit).
- Assistance will be paid from the scheme's normal retirement age, subject to a lower age limit of 60. In addition, people who are unable to work due to ill health will be able to apply for early access to their payments from age 60 (subject to actuarial reduction)
- Where their share of scheme funds allows, members will be able to commute some portion of their pension to a lump sum
- Assistance will be extended to members of schemes which wound up under-funded (after 1<sup>st</sup> January 1997 and before the employer was required to meet the full buy-out cost) where the employer is still solvent.

### **What this means for FAS qualifying schemes**

All FAS schemes will broadly fall into three categories;

- *FAS schemes that are still winding up but entered a binding commitment to purchase annuities before 26<sup>th</sup> September 2007.*

If your scheme has entered a binding commitment to purchases annuities and you have **not** already submitted a notification of exemption form to the FAS Operational Unit you should do so now as a matter of urgency. These schemes will be expected to continue to progress towards completion of the wind up as soon as possible and certainly within the 2 years expected by TPR. Unless you have issued final benefits options at the time of this communication, you should ensure that you have supplied the requisite data for all members who are 65 and over to the FAS Operational Unit, so that they can receive 'initial payments' of assistance on account of final payments until the wind up is completed.

- *FAS schemes that are still winding up and are **not** committed to buying annuities.*

Trustees should continue to progress the wind up as far as completing the final allocation of the share of fund for each member including the finalising members tracing, data cleansing etc. If trustees have already reached this point in the process, we would ask that they inform the FAS Operational Unit. You should also be aware that you will now be expected to provide information on the entire membership, not only the members that will be funded below 80% of core expected pension.

- *FAS schemes that have purchased annuities and have completed the wind up.*

These schemes will be expected to deliver data on their entire membership as soon as possible so that their members can be assessed and paid as soon as any eligible member reaches 65.

Where schemes have members that fall into separate categories, they should follow the relevant instructions as it applies to each group of members.

We expect trustees to follow these actions in relation to any solvent employer schemes likely to qualify for FAS under the recently announced extension.

## **Further developments**

You will appreciate that we now need to develop the operational processes around the revised scheme. This work is taking priority and we will be issuing regular updates on key issues.

Given this announcement, Trustees will recognise the importance of retaining all residual assets within schemes. Trustees should discuss any issue which has the potential to increase the cost to the taxpayer of providing assistance with the Operational unit.

In the meantime, if you have any queries, please do not hesitate to contact the Operational Unit on 0845 6019941

Yours Sincerely

Pat Ferguson

Unit Manager  
FAS Operational Unit