



Financial Assistance Scheme

Early access to FAS payments

for members in poor health

The Financial Assistance Scheme is administered
by the Pension Protection Fund

Contact us

If you have any questions about a specific pension scheme, you should first talk to your scheme trustees. However, we are always happy to answer any questions about the FAS.

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Further details about the FAS and how it works can be found on our website at www.pensionprotectionfund.org.uk. Or you can call our customer services team and ask for more information and guidance.

The team can be contacted at:
Financial Assistance Scheme
PO Box 234
Mowden Hall
Darlington DL1 9GL

Telephone:
0845 604 4585

Textphone:
0845 604 4139

(Phone lines are open from Monday to Friday 9.00am to 5.30pm)
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Introduction

This booklet covers the main points of the Financial Assistance Scheme (FAS) ill-health and severe ill-health payments. It is for general guidance only and cannot cover every detail of the law. You should consider the effect of receiving FAS assistance on your own circumstances.

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What is the Financial Assistance Scheme?

The Financial Assistance Scheme (FAS) offers help to some people who have lost out on their pension because:

- **their scheme wound-up (closed down) and did not have enough money to pay members' benefits in full, and**
- **the employer cannot pay the shortfall because it:**
 - is insolvent (unable to pay its debts), or
 - no longer exists, or
 - no longer has to meet its commitment to pay its debt to the pension scheme in certain circumstances.

This booklet tells you how eligible members of qualifying schemes can apply to receive their FAS payments before their normal retirement age because they are in poor health.

We explain:

- **the two types of payments available from the FAS because of poor health**
- **who may be eligible for payments because of poor health**
- **how to apply, and**
- **how we work out how much you will be paid.**

Please read the whole booklet and keep it for reference. This booklet is a guide to the assistance provided by the FAS for those in poor health. It is not intended to cover all circumstances and is not a full statement of the law. More general information about the FAS can be found in the booklet, **What the Financial Assistance Scheme means to you.**

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You can get more information from the FAS section of the Pension Protection Fund website at **www.pensionprotectionfund.org.uk**
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Main points

Who can receive payments from the FAS because of poor health?

There are two kinds of FAS payment related to poor health. These are:

- **ill-health payments, and**
- **severe ill-health payments.**

There are different rules for each kind.

To receive either payment you must be:

- **an eligible member of a qualifying¹ pension scheme, and**
- **unable to work due to ill-health, and**
- **likely to be unable to work until your normal retirement age because of your ill-health.**

Please note: if you think you have a terminal illness, you may be able to receive payments from any age without reduction. If you feel this may apply to you, please contact the FAS using the details inside the front cover.

We will ask for evidence to support your application for either kind of payment.

¹ You can read more about which schemes qualify and which members are eligible in the booklet, **What the Financial Assistance Scheme means to you**, or on the FAS section of the Pension Protection Fund website at www.pensionprotectionfund.org.uk

Main points on ill-health payments

More eligibility rules for ill-health payments

These rules apply in addition to those in ‘Main points – Who can receive payments from the FAS because of poor health?’ on page 3. For ill-health payments you will need to show that you have been advised, by your GP or another medical professional, not to work because of ill-health. You also need to be within five years of your normal retirement age.

The FAS takes your normal retirement age to be the age at which you would usually draw benefits from your scheme, as stated in the scheme rules in force when you ceased to accrue benefits, or:

- **60, if your scheme rules say you would usually retire before age 60, or**
- **65, if your scheme rules say you would usually retire after age 65.**

How do you work out how much I will be paid?

Ill-health payments from the FAS are for people who have been advised that they should not work and getting FAS assistance early is most suitable for them.

FAS payments are normally paid at 90 per cent of your ‘accrued pension’ (the pension you built up in your scheme), less any scheme pension you receive. If your scheme has not bought you your own annuity policy and is a transferring scheme, you will receive a single payment from FAS – this will incorporate any payments which previously would have been made by your scheme. This will include schemes where the

How do you work out how much I will be paid? continued

trustees are currently paying some benefits which are topped up by FAS.

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A transferring scheme is a scheme that qualifies for FAS and has not fully annuitised its members' pension benefits and for which the scheme's assets will transfer/have transferred to Government.
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There is an annual limit to FAS assistance known as 'the cap'. This cap was £26,000 for those first entitled before 1 April 2007 and is increased each year by the rate of inflation.

While the normal FAS payment level is 90 per cent of your 'accrued pension', there is an exception to this. Broadly, if you are a member of a scheme that has not bought you your own annuity policy and is a transferring scheme which could have afforded to buy you more than 90 per cent of your accrued pension, your assistance will reflect the level of pension, and any increases, your scheme could have afforded to pay. If this applies to you, your assistance will be based on what your scheme could have bought for you rather than 90 per cent of your expected pension, ie you may receive more than 90 per cent of your expected pension, but the usual rules about when your assistance will be paid, and about lump sums, will still apply.

Benefits for survivors

If you choose to receive FAS payments early because of ill-health, the amount will be actuarially reduced to reflect that you are paid over a greater number of years. This will affect the amount of assistance your spouse, civil partner or partner may get when you die. They would get half the reduced amount.

Because they are paid from an earlier date and are therefore expected to be paid over a longer period, ill-health payments from the FAS have to be 'actuarially reduced'. This means they are reduced by a formula, set by the Government Actuary's Department, which makes assumptions about things such as normal life expectancy and interest rates. The

How do you work out how much I will be paid? continued

reduction means you get broadly the same amount overall as if you had waited until your normal retirement age. But the monthly payments are lower because they are spread over more years. Remember that the payment begins up to five years before your normal retirement age.

To note, FAS conditions to qualify for ill-health payments may not be the same as your scheme conditions and so, as a result, you may be eligible for ill-health payments from your scheme but not from FAS, or vice versa.

When will I start being entitled to ill-health payments?

If you meet the conditions, you will be entitled to ill-health payments from the later of the following dates:

- **the date you (or your representative) first tell us you can't work due to ill-health and that this is likely to continue until your normal retirement age, or**
- **five years before your normal retirement age.**

Can my ill-health payments be backdated?

Your entitlement will start from the later of the dates above. If we have not assessed your entitlement before then, we will make payments that reflect the correct start date. So we will make up the difference between when your payments could have started and when they did start.

Can I take tax free cash?

If you receive assistance by way of a single payment from FAS – this incorporates any payments that would otherwise have been paid by

Can I take tax free cash? continued

the scheme – and you have not previously received any pension or tax free lump sum payments from your scheme, you may now be eligible to take some of your assistance as a tax free lump sum at the date your FAS payments start. The tax free cash payment can only be made once your scheme's assets have transferred to Government. This may occur after your FAS payments have begun.

Where eligible, your lump sum is limited by certain FAS and tax rules. If you take some of your assistance as a tax free lump sum, your assistance payments will be reduced, including any future assistance payments to your dependants, following your death.

If your scheme has already purchased an annuity for you, you will not be eligible for a tax free lump sum from FAS, but may be eligible to receive one from your annuity provider. You should contact your annuity provider for more details.

What if I have already taken tax free cash?

If your scheme has already paid you any form of lump sum, the FAS will convert that sum into what is called a notional annuity.

FAS assistance needs to reflect the fact that you may have taken some of your scheme benefits already. We will therefore deduct the notional annuity from 90 per cent of your expected pension to give a revised total amount.

Important things to be aware of

FAS payments at normal retirement age may include increases known as revaluation which aim to give some protection against inflation. But if you take your FAS payments early due to ill-health, we will apply revaluation only up to the time you start taking payments rather than up to your normal retirement age. This means you may get less than if you had waited.

Important things to be aware of continued

Remember that ill-health payments are actuarially reduced to take into account the fact that you will be receiving payments for longer. The example below shows how much your assistance may be reduced if you choose to take ill-health payments. The closer you are to your normal retirement age, the smaller this difference will be. The example explains the likely position if you take your pension at the earliest possible date.

Example for ill-health payments

You choose to receive FAS payments five years before your normal retirement age. During this time, inflation is 3 per cent a year.

If you had waited until normal retirement age, you could have got up to 25–35 per cent more each year. This is because your FAS payment would have been revalued up to retirement date and there would have been no actuarial reduction.

If you choose to receive FAS payments early because of ill-health, this will affect the amount of assistance your survivor and/or dependants will get when you die. Their assistance would be based on the reduced amount you were receiving.

Please consider the effect of the actuarial reduction and the loss of revaluation if you are thinking of taking ill-health payments now instead of waiting until your normal retirement age.

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Please note: receiving payments from FAS could affect any state benefits that you may already receive, such as Employment and Support Allowance, Pension Credit, Council Tax Benefit and Housing Benefit among others.

If you are receiving FAS payments, you should tell the office that pays your state benefits.
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Main points on severe ill-health payments

More eligibility rules for severe ill-health payments

These rules apply in addition to those under ‘Main points – Who can receive payments from the FAS because of poor health?’ on page 3.

People who have a much lower life expectancy because of their health may receive severe ill-health payments from the FAS.

To get severe ill-health payments from the FAS you must:

- **be aged 55 or over, and**
- **have a progressive disease, and**
- **have a much lower life expectancy because of the disease.**

For severe ill-health payments, we need evidence that you are unable to work, that the disease you are suffering from is progressive (will get worse over time), and medical information about your condition. This includes details of the treatment you are receiving and how long you have had the condition. If you are unsure whether you have a progressive disease, please speak to your GP or consultant.

For FAS purposes, a “much lower life expectancy” relates to those members who have a condition that could reasonably be expected to result in death within five years.

This does not mean that a doctor has told the member that they have five years or less to live. It means that five years or less would be within the range that a doctor could reasonably predict for a person in their situation.

More eligibility rules for severe ill-health payments continued

The FAS does not consider other things such as lifestyle in making these decisions. We only look at the specific condition, and its likely effect on a member's life expectancy.

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Please note: if you think you have a terminal illness, you may be able to receive payments from any age without any reduction. If you feel this may apply to you, please contact the FAS using the details inside the front cover.
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How do you work out how much I will be paid?

FAS severe ill-health payments are calculated at 90 per cent of your 'accrued pension' (the pension you built up in your scheme), less any scheme pension you receive and subject to the cap. It includes revaluation up to the date of payment only.

Severe ill-health payments are not actuarially reduced (see page 7). They are paid at the full rate of 90 per cent of accrued pension, less any scheme pension you are receiving.

There is an exception to this. Broadly, if you are a member of a scheme that has not bought you your own annuity policy and is a transferring scheme which could have afforded to buy you more than 90 per cent of your accrued pension, your assistance will reflect the level of pension, and any increases, your scheme could have afforded to pay.

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A transferring scheme is where a scheme that qualifies for FAS and has not fully annuitised its members' pension benefits and for which the scheme's assets will transfer/have transferred to Government.
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If this applies to you, your assistance will be based on what your scheme could have bought for you rather than 90 per cent of your expected pension, ie you may receive more than 90 per cent of your expected

How do you work out how much I will be paid? continued

pension, but the usual rules about when your assistance will be paid, and about lump sums, will still apply.

Benefits for survivors

If you choose to receive FAS payments early because of severe ill-health, this will affect the amount of assistance your survivor and/or dependants may get when you die. Their assistance would be based on the amount you were receiving.

When will I start being entitled to severe ill-health payments?

If you meet the conditions for severe ill-health payments, then usually you will be entitled to payments from the date the scheme manager receives your written request if you meet all the four conditions for entitlement:

- 1 you are aged 55 or over**
- 2 you have a progressive disease**
- 3 you have a much lower life expectancy as a result of your disease – ie, you could reasonably be expected to die within five years, and**
- 4 you are unable to work because of ill-health and this will continue to be true until normal retirement age.**

Can I take tax free cash?

If you receive assistance by way of a single payment from FAS – this incorporates any payments that would otherwise have been paid by your scheme – and you have not previously received any pension or tax free lump sum payments from your scheme, you may now be

Can I take tax free cash? continued

eligible to take some of your assistance as a tax free lump sum at the date your FAS payments start. The tax free cash payment can only be made once your scheme's assets have transferred to Government. This may occur after your FAS payments have begun.

Where eligible, your lump sum is limited by certain FAS and tax rules. If you take some of your assistance as a tax free lump sum, your assistance payments will be reduced, including any future assistance payments to your dependants, following your death.

If your scheme has already purchased an annuity for you, you will not be eligible for a tax free lump sum from FAS, but may be eligible to receive one from your annuity provider. You should contact your annuity provider for more details.

What if I have already taken tax free cash?

If your scheme has already paid you any form of lump sum, the FAS will convert that sum into what is called a notional annuity.

FAS assistance needs to reflect the fact that you may have taken some of your scheme benefits already. We will therefore deduct the notional annuity from 90 per cent of your expected pension to give a revised total amount.

Summary of the main conditions for both kinds of payment

	Ill-health	Severe ill-health
Conditions for payment		
You must be a member of a FAS qualifying pension scheme	●	●
You must be unable to work due to ill-health and be likely to remain so until your FAS normal retirement age	●	●
You must be within five years of your FAS normal retirement age.	●	
You must be aged 55 or over		●
You must have a much lower life expectancy		●
You must have a progressive disease		●

	Ill-health	Severe ill-health
Details of payments		
They can only begin from five years before your normal retirement age	●	
They are actuarially reduced to reflect early payment	●	
The accrued pension is revalued up to the date payments begin	●	●

How to apply for payments for ill-health or severe ill-health

Asking for a form

To ask for an application form, please contact us on **0845 604 4585** as soon as possible.

You must tell us on the form about:

- what type of payment you are applying for, and
- your ill-health and how it is likely to affect your ability to work until your normal retirement age.

Giving us evidence

You will need to send us supporting evidence. This could be, for example:

- a GP's medical certificate
- evidence that you are entitled to relevant benefits such as Incapacity Benefit, Employment and Support Allowance, Disability Living Allowance, or other benefits relating to ill-health
- a letter from a doctor, consultant or other registered medical professional which recommends that you should not work
- a letter from a doctor, consultant or other registered medical professional which states that you have a progressive disease and explains how you meet the tests for payment, outlined in this booklet, as well as providing details of any treatment and when it was first diagnosed
- a letter from your occupational therapist
- a letter from your former employer which explains that you stopped work due to ill-health

Giving us evidence continued

- **copies of details of your hospital appointments or of other medical treatment, and**
- **anything else you feel may support your application.**

If you have to pay to get the evidence, we cannot refund the cost.

Please ensure the evidence supports what you say on your form. In particular, it should include:

- **specific details of your ill-health**
- **details of how your ill-health prevents you working or means you should not work**
- **confirmation that your ill-health is likely to affect you until you reach FAS normal retirement age, or**
- **confirmation, where appropriate, that your condition is progressive. Also give details of when the illness was first diagnosed and any treatment you have had.**

If possible, please send your supporting evidence at the same time as your application form. However, if you need to send us supporting evidence separately, please make sure you include:

- **your name**
- **your address**
- **your National Insurance number, and**
- **the name of your pension scheme.**

We may not be able to decide whether you are entitled to payment until you have provided supporting evidence.

Other people contacting us on your behalf

Anyone can ask us for a form or give relevant evidence on your behalf. If they contact us, they will need to give us:

- your name
- your address
- your National Insurance number, and
- the name of your pension scheme.

After we receive your form and evidence

When we have received your application form and supporting evidence, we will need detailed information from your scheme about your pension, so we can work out how much you may be entitled to. We will ask your scheme for this information as soon as we receive your form. We will be able to work out your ill-health or severe ill-health payment when we receive the details from your scheme.

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With your permission, we may contact your GP or consultant for more evidence if needed.
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Frequently asked questions

What if my scheme has already bought me an annuity?

If your scheme has bought you an annuity (a pension for life), insurers will generally allow you to take it early, but reductions will apply for early payment. You will need to discuss your options with your annuity provider. We cannot arrange for payments from your annuity to be made early.

What if my scheme is still winding-up?

If your scheme is still winding-up when you apply, we will work with your scheme's trustees to work out how much pension you are entitled to.

We can use this information to make an 'interim ill-health payment' or 'initial severe ill-health payment' until we can work out your final payment. The FAS will decide whether to make these payments.

When your scheme winds-up, we will tell you how much your final payment will be. We will take into account any payments we have already paid you. We may ask you to repay money if you are eligible for less than we have already paid you.

What happens if I start receiving an ill-health pension from my pension scheme after my FAS payments have started?

You must contact us if your scheme starts to pay you an ill-health pension, as you may be overpaid. If you are overpaid the FAS may ask you to repay some of the money.

Frequently asked questions continued

If I take ill-health or severe ill-health payments from the FAS, what will my survivor and/or dependants be entitled to if I die?

Details can be found on the FAS section of the Pension Protection Fund website at www.pensionprotectionfund.org.uk.

But be aware that if your monthly FAS payments are actuarially reduced or are revalued to an earlier date because you take ill-health or severe ill-health payments from the FAS, this will affect the amount they will get.

Can I get early FAS payments if I have a terminal illness?

If you have a terminal illness and you are expected to live for six months or less, you may be entitled to FAS payments without reduction, no matter how old you are.

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Please note: if you think you have a terminal illness, you may be able to receive payments from any age without any reduction. If you feel this may apply to you, please contact the FAS using the details inside the front cover.
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Reviews and appeals

If you disagree with certain decisions about your application for ill-health or severe ill-health payments, you can ask for a review.

If you disagree with the outcome of the review, you can appeal against it. Our letter will tell you how.

You can read more about the reviews and appeals process in our booklet, **Financial Assistance Scheme – Complaints, reviews and appeals**, which is available on the FAS section of the Pension Protection Fund website at **www.pensionprotectionfund.org.uk** or on request from the FAS using the contact details inside the front cover.

Notes

Important information about this booklet

This booklet is for guidance only, it is necessarily simplified and not a definitive statement of law or entitlement.

Information in this document is based on current understanding of the legislation in force at the time of writing. Assistance will always have to be calculated in accordance with legislation which will, therefore, override in the case of any conflict.

We recommend that you get independent financial advice before making financial decisions based on this booklet.

