

# Web site guidance

## Important information for Trustees

When the employer becomes insolvent and the scheme enters the PPF assessment period the trustees must tell the scheme members about the process within a 28 day deadline. The deadline runs from the time the trustees first hear from the PPF that the assessment period has started.

We have produced a draft 'member announcement' which may be of help in meeting the legislative requirements (Pensions Act 2004). Please note that the information is for guidance only. Trustees may wish to take advice from their professional advisers on this issue.

Please supply a copy of the draft communication to your caseworker for comment before it is issued to members.

### Introductory leaflets

You may find these helpful when communicating with your scheme members about the role of the PPF.

- **[Introducing the PPF \(ink-friendly version\)](#)** gives an overview of who we are, what we do, the schemes we protect and the compensation we pay.
- **[Ten Things you Need to Know About the PPF leaflet \(ink-friendly version\)](#)** dispels some of the misconceptions you may have heard about us.
- **[Your journey to becoming a member of the Pension Protection Fund \(ink-friendly version\)](#)** explains what you can expect to happen during and after this process
- **[Protecting People's Pensions leaflet \(ink-friendly version\)](#)** explains how compensation works and gives some examples of how amounts are calculated.

Supplies of these are available from 01375 484 807 or email [pensionprotectionfund@ecgroup.co.uk](mailto:pensionprotectionfund@ecgroup.co.uk)

[Please print on scheme headed paper]

## **Member Announcement (Draft)**

### **Suggested wording for the initial stages**

**a)** *The PPF has been informed that [employer – xxxxxxxx] has become insolvent. The PPF is currently deciding whether an assessment period has started for the [Scheme name xxxxxxxxxxxx] pension scheme to see if it can be considered for support by the PPF in the future.*

**b)** *The PPF has been informed that [employer – xxxxxxxx] has become insolvent. PPF has confirmed that the assessment process has now started for the [Scheme name xxxxxx] pension scheme. The assessment period started on the date of the insolvency which was [dd/mm/yy].*

### **Other cases**

(e.g. where trustees are aware that the scheme employer is unlikely to continue as a going concern, and other entry requirements are met; they must apply to the PPF to see if it will take over the scheme under current regulations.

**c)** *The Trustees have contacted the PPF to see if the [Scheme name xxxxxxxxxxxx] scheme is eligible for support. The PPF is currently deciding whether it can start assessing the [Scheme name xxxxxxxxxxxx] scheme to see if it can be considered for support in the future.*

**d)** *The Trustees contacted the PPF to see if the scheme is eligible for support and the PPF has confirmed that the assessment process for the [Scheme name xxxxxxxxxxxx] scheme started on [dd/mm/yyyy].*

In the assessment period the PPF will decide whether the [Scheme name xxxxxxxx] scheme qualifies for support in the future. The Trustees [Individual names or Corporation if applicable] will still look after the scheme under PPF guidance until a formal decision has been made.

## **During the assessment period the PPF will decide if;**

1) *The scheme can be recovered (existing employer to continue or can a new employer take over)?*

2) *The scheme can pay benefits that equal the current PPF levels if it supported the scheme?*

If either option is possible the PPF will not be required to offer support to the scheme and will not become involved once the assessment period is complete.

If the answer to both questions is 'no'; once the assessment process is complete, PPF will support the scheme in the future and take over its running.

## **Assessment Process**

Assessing the scheme takes at least one year and can extend to between 2 – 3 years. Much will depend on the individual scheme in the final process and PPF will keep the trustees up to date with progress at all times.

## **Running the scheme whilst it is being assessed for support**

The trustees will continue running the scheme, paying the pensions and the trustees will help the PPF during the assessment process. During the assessment process no further contributions can be paid to the scheme unless they relate to periods before the assessment process started. No further benefits can be built up from the start of the assessment process and you will not be able to transfer benefits to another scheme.

## **How does this affect scheme members?**

The PPF pays benefits in the form of compensation. The level of compensation paid depends on whether you have reached the scheme's normal pension age (65 or xx) or you receive a survivors' pension or you receive an ill health pension.

In these cases PPF will pay **100% level of compensation**.

This means that you will get the same pension you were receiving before the assessment process started. This is subject to a review of the scheme rules.

More information on receiving the 100% level of compensation appears in **(Notes 1)** at the end of this announcement.

Most of the members below the scheme's normal pension age (65 or xx) will receive the **90% level of compensation**.

This means that you will get 90% of pension you had earned up to the start of the assessment process. This is subject to a review of the scheme rules. This amount will qualify for an increase related to the Retail Price Increase up until compensation payments actually begin.

The 90% level of compensation is restricted further by an overall limit (Cap) currently £29,748.68 at age 65. The Cap is reviewed each year. Member information on receiving the 90% level of compensation appears in **(Notes 2)** at the end of this announcement.

**Data Protection**

The assessment process involves passing personal data about scheme members to PPF to help with the scheme review. Additionally data is supplied for statutory reasons and, depending on whether the scheme joins the PPF; data may be needed to pay compensation to members. In order to carry this out the PPF may need to pass data to appropriate third parties. If you are concerned about this please contact the trustees at (xx 66 uulll.)

**Further information on the scheme or your pension benefits**

If you have any queries about your scheme membership please contact the scheme trustees using the contact information below:

**Scheme Contact Details:**

Scheme Trustee

Scheme Administrator

Names: .....  
.....

Names: .....  
.....

Address for correspondence

Address for correspondence

.....  
.....  
.....  
.....

.....  
.....  
.....  
.....

## **Further Information on the Pension Protection Fund**

General information is available from [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

Pension Protection Fund  
Knollys House  
17 Addiscombe Road  
Croydon  
Surrey  
CR0 6SR  
Tel: 0845 600 2541  
Fax: 0208 633 4903  
Email: [information@ppf.gsi.gov.uk](mailto:information@ppf.gsi.gov.uk)

**(Please note that the Pension Protection Fund does not hold individual membership details and therefore any such enquiries should continue to be referred to the scheme trustees / administrator).**

## **Useful Definitions:**

### **Pension Protection Fund**

The Pensions Act 2004 set up the fund as a protection measure to pay compensation to pension scheme members of defined benefit or hybrid schemes where the sponsoring employer has become insolvent. In addition the pension scheme is unable to pay pensions at least up to the PPF level.

### **Assessment Period**

If the company running the scheme suffers a 'qualifying insolvency event', this will start the assessment process off starting on the date the insolvency happened.

### **Caseworker**

Your individual contact at the PPF who will provide help and guidance in running the scheme throughout the assessment period and afterwards if the scheme transfers to the PPF.

[Please print on scheme headed notepaper]

## **(NOTES 1)**

### **Members entitled to 100% level of compensation**

#### **[What happens to my pension]?**

Your pension will continue at its current level in the form of compensation.

This is subject to a review of the scheme rules which is required by legislation. Any changes to the rules and any discretionary increases made in the last three years will be looked at to see if they meet PPF requirements.

If your pension is affected it will be reduced to the level you would have received before the rule change was made. You will be contacted individually if a reduction affects you.

#### **[Will it still be paid on the same day]?**

**Yes.** The payment dates will be harmonised to 1<sup>st</sup> of the month in advance. So there may be changes if this is not the case. You will be told about any changes nearer the time.

#### **[Will I have to pay back any of the tax free cash I received when I retired]?**

No.

#### **[Will I still receive an increase to my pension each year]?**

Future pension increases will be at levels specified by PPF.

The part of your pension that you earned whilst working for your employer on or after 6 April 1997 increases each year in line with the RPI which can't exceed 2.5%. No other part of your pension will increase.

The increase will apply from 1 January each year. (Unless the scheme started to be assessed in the previous 12 months – when part increases will be made).

#### **[What happens to my life assurance or death benefits during the assessment process]?**

Once the assessment process has started, any life assurance or other lump sum benefit provision on death under the pension scheme will cease.

*(Trustees may want to add further information on the effect of a scheme rescue on life assurance benefits)*

**[Is my spouse or partner entitled to a pension/compensation on my death]?**

In the assessment process survivors' benefits which are payable under the scheme rules must be reduced to the PPF level of compensation.

**[What children's benefits are payable if due during the assessment period and afterwards]?**

Children's pensions paid under the scheme rules must be paid at the PPF level of compensation

If the [Scheme name xxxxxxx] scheme is transferred to the PPF compensation will be paid to dependent children up to age 18 (or 23 in some cases).

The amount of compensation depends on if compensation is also payable to a surviving spouse or partner. If compensation is being paid to a surviving spouse or partner, the level will be as follows;

One child – 25% of member's compensation

Two or more children – 50% of member's compensation, divided equally between the children.

**[Are my money purchase benefits affected]?**

PPF compensation is provided for defined benefit schemes. Any Money Purchase benefits that you have will be paid in full. Money purchase benefits will generally be dealt with before the scheme transfers to PPF.

**[I retired for ill health reasons – is this affected in any way]?**

The PPF can review some ill health pensions granted in the 3 years before the assessment process started. If you are in this category the trustees will write to you individually. If payments are affected this will not start until after the assessment process finishes.

[Please print on scheme headed notepaper]

## **(NOTES 2)**

### **Members entitled to 90% level of compensation**

#### **[I took early retirement how much pension will I receive]?**

You will receive 90% of current pension. If your pension is greater than (*Age related figure inserted*) there is a further reduction to this amount to comply with PPF requirements. This is known as the 'compensation cap'.

Future increases will be at rates specified by the PPF rules.

#### **[My pension is not due yet. How much am I entitled to]?**

As you are under the scheme's normal pension age you will receive 90% of your pension earned up to the start of the assessment process. There may be a further reduction that applies to you, (please see below). Future increases will be at rates specified by the PPF rules.

This is subject to a review of the scheme rules which is required by regulations. Any changes to the rules and any discretionary increases made in the last three years will be looked at to see if they meet PPF requirements.

If your pension is affected it will be reduced to the level you would have received before the rule change was made. You will be contacted individually if a reduction affects you.

#### **[Are there any further reductions to the 90% level of compensation]?**

The 90% level of compensation may be reduced further by a 'compensation cap'. The 'cap' is adjusted depending on your age when you start to receive compensation.

To illustrate this, after allowing for the 90% level of compensation the 'Cap' is currently;

£29,748.68 of pension per year at age 65

£26,841.40 of pension per year at age 60

£24,749.94 of pension per year at age 55

The level of the 'Cap' is reviewed in April each year.

**[I am due to retire in two years time will I be restricted by the 'Cap' at today's rate]?**

Scheme members retiring in the future will be affected by the 'Cap' in force at the time they start to receive their compensation. If you took a lump sum when you retired this is taken into account in deciding if the 'Cap' will apply to your compensation. If your total benefits including the lump sum are more than the 'Cap' amount, then the lump sum is taken into account when calculating your compensation.

If the total benefits including the lump sum are less than the 'Cap' then the lump sum is not taken into account when calculating your compensation.

**[When will my pension be reduced]?**

(Indicate when this is likely to occur)

**[My pension has been overpaid – will I have to repay the trustees]?**

Yes. In most cases the trustees will expect to recover the overpayments.

**[I already receive a pension. Will I still receive an increase to my pension each year]?**

Future pension increases will be at levels specified by PPF.

The part of your pension that you earned whilst working for your employer on or after 6 April 1997 increases each year in line with the RPI which can't exceed 2.5%. No other part of your pension will increase.

The increase will apply from 1 January each year. (Unless the scheme started to be assessed in the previous December – when part increases will be made).

**[I was a deferred pensioner before the assessment process began. Under the scheme rules my pension is 'Inflation proofed' until I retire. Will this still happen]?**

Yes - this still applies.

Your benefits earned up to the date the assessment process started will be reviewed in line with changes in the Retail Prices Index. The maximum increase will be 5% up until the day before you start to receive your compensation.

(This may differ from scheme rules and you may wish to mention this specifically)

### **[Is my spouse or partner entitled to a pension on my death]?**

Pensions to survivors paid under scheme rules must be reduced to PPF compensation levels. If the scheme is transferred to PPF compensation is paid as follows;

- to spouses where the rules, accepted by PPF (including discretionary provision), permit the payment of spouse's pensions. (Trustees may wish to comment on the position).
  - to civil partners where the rules, accepted by PPF (including discretionary provision), permit survivor's pensions to be paid to a civil partner.  
*(If a member is married or in a civil partnership, on death, compensation is paid to the spouse or civil partner unless a valid nomination is made in favour of an unmarried partner. If this situation exists and the accepted scheme rules allow a pension to be paid to an unmarried partner, the unmarried partner will receive compensation and the spouse or civil partner will not receive compensation).*
  - to unmarried partners if there was provision (Including discretionary provision) under the accepted rules to pay a survivor's pension to an unmarried partner.
- In most cases the survivor's benefit will be 50% of the member's compensation amount.**

### **[Are children's pensions payable]?**

During the assessment process children's pensions paid under scheme rules must be reduced to the PPF compensation level. If the (xxxx jjjjj) scheme is transferred to the PPF compensation will be paid to dependent children up to age 18 (or 23 in some cases).

The amount of compensation depends on if compensation is also payable to a surviving spouse or partner. If compensation is being paid to a surviving spouse or partner, the level will be as follows;

One child – 25% of member's compensation

Two or more children – 50% of member's compensation, divided equally between the children.

### **[Are my money purchase benefits affected]?**

PPF compensation is provided for defined benefit schemes. Money purchase benefits are not affected.

**[I am over 50. Can I still take early retirement]?**

During the assessment process members can apply for early retirement if the scheme rules allow it. Benefits are payable at PPF levels using PPF early retirement factors and the PPF rates for exchanging pension for a cash lump sum.

If the scheme is transferred to PPF members can take early retirement from age 50 (Age 55 from 6 April 2010). Compensation will be reduced using PPF factors. Members must normally give 6 months notice before opting for early payment of compensation.