

# Trustee Good Practice Guide

Guidance for trustees of Financial Assistance Scheme  
qualifying schemes that are in the process of winding-up

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# Introduction

The Pension Protection Fund (PPF) has prepared this guide for trustees of Financial Assistance Scheme (FAS) qualifying schemes that are in the process of winding-up.

As trustees, you should read it alongside information held on the FAS website and the tripartite statement issued in June 2008.



[www.dwp.gov.uk/fas](http://www.dwp.gov.uk/fas)  
[www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf](http://www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf)

This statement was produced jointly by the Pensions Regulator, the FAS (as part of the Department for Work and Pensions (DWP)) and the PPF. It sets out the agreed approach to regulating trustees of all occupational pension schemes in wind-up.

You may already be familiar with existing FAS legislation, which can be found in section 286 of the Pensions Act 2004. If not, the FAS website includes a range of information to help you, including a summary of FAS regulations, with links to the relevant statutory instruments.



[www.dwp.gov.uk/other-specialists/financial-assistance-scheme](http://www.dwp.gov.uk/other-specialists/financial-assistance-scheme)

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# Introduction

## Why the PPF is involved with FAS qualified schemes

In December 2007, the Government announced that it would take in the residual assets of FAS qualifying schemes.

The Government recognised that managing the asset transfer process, including the data held by schemes, needs particular wind-up expertise.

The PPF has built up considerable experience and specific skills during the last four years in managing a similar process – guiding pension schemes through the PPF assessment period. The Government, therefore, decided to harness the PPF experience for FAS qualified schemes.

As you will have read in the Trustee Updates sent out by FAS in July and August 2008, FAS now places greater emphasis on using a ‘project management’ approach to move schemes through wind-up and focus on making sure all FAS schemes complete wind-up tasks as efficiently as possible.

This is in keeping with the tripartite statement which stated that all schemes should complete wind-up, where practical, in two years.

The PPF has a proven track record of transitioning schemes through the assessment period in two years and now will use this experience to move FAS qualifying schemes through wind-up, following PPF processes where appropriate. Your PPF caseworker will discuss this with you.

However, we recognise that there are differences between the PPF and FAS schemes and so our processes will be adapted in recognition of these differences.

• The PPF was given the power to manage, or make arrangements in relation to the management of, the transfer of any property, rights and liabilities of qualifying pension schemes which have not been fully wound-up in the FAS (Miscellaneous Amendments) Regulations 2008. This power includes (but is not limited to):

- + the preparation of plans or other similar preparatory documentation
- + undertaking work calculated to assist in ensuring any transfer is carried out effectively and efficiently
- + undertaking work to assess the effect of any action taken in relation to qualifying pension schemes, and
- + the inspection, examination and auditing of data or other information relating to qualifying pension schemes.

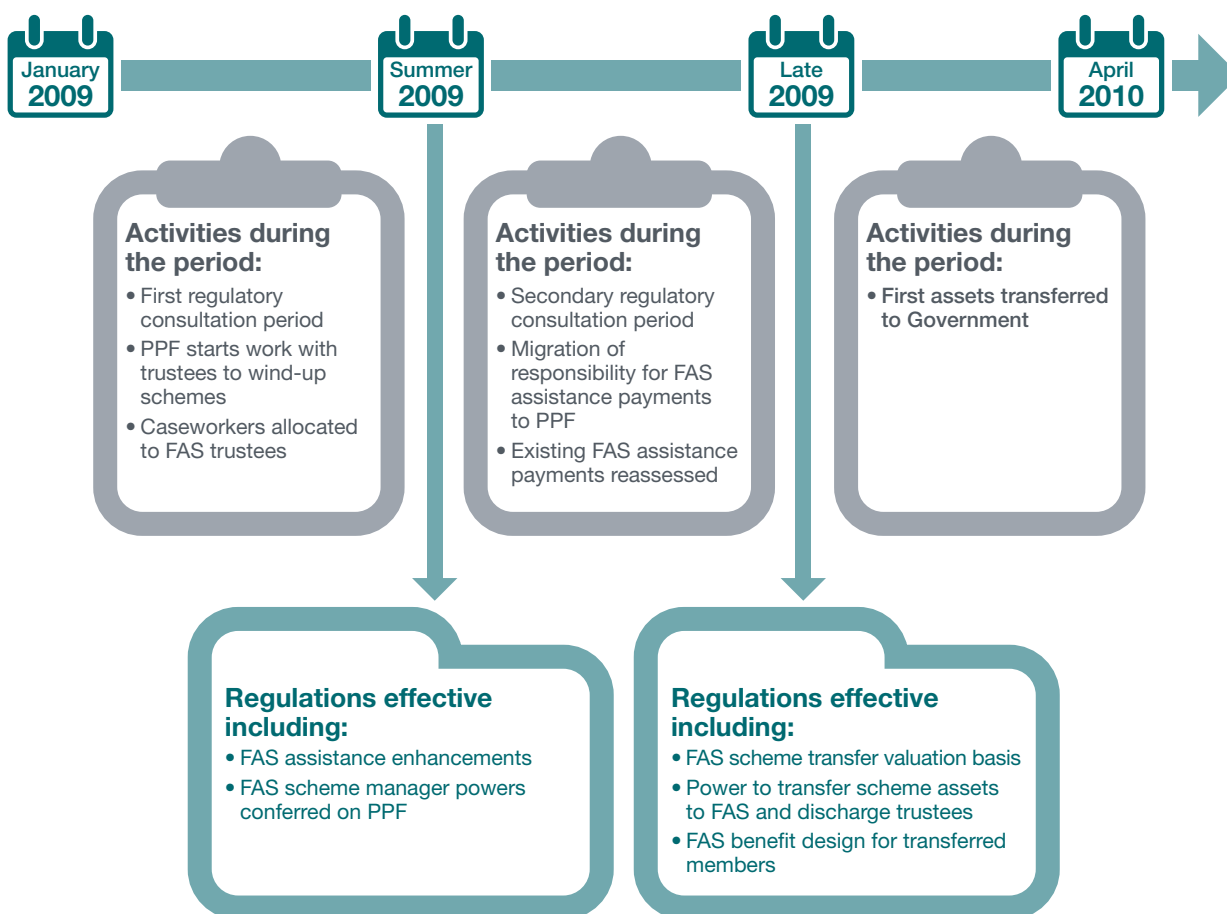
## Introduction continued

### Changes to the FAS

As a result of the Government's announcement in December 2007, a number of changes to the FAS are being proposed. You may be aware that further legislation is planned during this year, which will make a number of amendments, including further changes to the assistance payments and to enable the Government to take in residual assets of FAS qualifying schemes.

It is, therefore, very important that trustees keep up-to-date with these changes by regularly checking the FAS website and monitoring industry news. We will review and update this guide as new legislation comes into effect, particularly – but not exclusively – to help trustees of schemes that will transfer assets to the Government. It will also help you to understand what we will expect of you before this can happen.

The estimated timeline for change, subject to consultation and agreement of Parliament, is:



Although this guide, and therefore the process you will need to complete, will not be finalised until the full regulatory changes are known, you are still expected to progress your scheme as far as possible through wind-up and we will help and support you throughout this process.

## Introduction continued

### The purpose of this guide

This guide is to help you, as a trustee, to understand:

- your roles and responsibilities during the wind-up of a FAS qualifying scheme
- the roles and responsibilities of the PPF's designated caseworker, who will help you through the process, and
- the PPF's reporting requirements.

This guide does not provide details of all your responsibilities under the regulatory framework. As a trustee, you need to make sure you are carrying out all of your day-to-day duties involved with running your pension scheme as set out by law and in the scheme rules, subject to FAS requirements.

It does provide guidance on the approach that the PPF considers to be best practice in managing the wind-up of FAS qualifying schemes, and the key skills that we expect trustees to demonstrate.

Individual PPF caseworkers will be assigned to each scheme to support trustees through the process.

**2** Details of the PPF caseworker's role and responsibilities can be found in section 2.

We believe that good project management plays a critical part in winding-up a pension scheme efficiently and effectively. We understand that most FAS qualifying schemes that have not yet fully wound-up will have made significant progress.

We expect trustees to continue this work, with their PPF caseworker's help, to make sure that schemes have progressed as far through the wind-up process as possible when asset transfer regulations become effective.

For schemes transferring assets to the Government, the ultimate aim is to enable the FAS scheme manager to discharge trustees of their scheme responsibilities, and transfer scheme assets, liabilities and full scheme data, as quickly and efficiently as possible. Along with this our key aim is also to ensure that members receive continuity and consistency of payments.

**If you have any queries about this guide you can discuss these with your PPF caseworker. If you have not yet been assigned a PPF caseworker, you can raise queries with your Customer Account Manager at the FAS Operational Unit (FASOU) on telephone number:**

**0845 6019941**

## Introduction continued

For schemes not transferring assets, the ultimate aim is to wind-up the scheme and provide data to the FASOU for top-up assistance calculations. We expect most trustees of FAS qualifying schemes to have completed the process relevant to their scheme within two years.

In some cases, based on their progress through wind-up and planning for outstanding tasks, we will agree an earlier target completion date. It is critical that the trustees and the PPF caseworker work together in an effective partnership to make sure this is achieved, particularly in light of the developing legislative environment.

We do not expect schemes to put in place onerous management processes that create a disproportionate amount of work or unnecessary cost, or duplicate work already done. But, we do expect to have a clear understanding of the scheme's current position and that any outstanding tasks are managed, following the principles outlined in this guidance.

# Key roles and responsibilities

The responsibilities outlined in this section relate to how a scheme is managed through the wind-up process, not the responsibilities that trustees will also have under the law and their scheme's rules.

Trustees should be familiar with how to meet these responsibilities, which include complying with requirements laid out in FAS regulations – for example, providing data to the FASOU to assess whether your scheme members are eligible for FAS assistance payments. A link to FAS regulations can be found on the FAS website at:



[www.dwp.gov.uk/other-specialists/financial-assistance-scheme](http://www.dwp.gov.uk/other-specialists/financial-assistance-scheme)

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## Key roles and responsibilities

# The role of the trustees

As trustees of the scheme, you remain ultimately responsible for making sure that the scheme completes the wind-up process (including additional tasks required by FAS) successfully and in an accurate and timely manner. Although this will be subject to future legislation and guidance on the transfer of assets to the Government, many of the key wind-up tasks will continue to apply.

Whether you are lay or professional trustees, your duties are set out in law and in your scheme rules. The involvement of the PPF will place different obligations on you to make sure that your scheme winds-up quickly.

Also, while you will not keep your current responsibilities as a trustee of the scheme once wind-up is complete, you should note that you may be required to provide help to ensure FAS has the information that it needs (if you are identified as an 'appropriate person' in accordance with the FAS (Provision of Information and Administration of Payment) Regulations 2005.

Together with your advisors, we expect you to have the necessary skills (detailed later in this section) for taking a scheme through the wind-up process and that you have an overview of the legal environment in which you need to work.

You need to recognise and accept that as trustees of a FAS qualifying scheme in wind-up, you will be taking on some different tasks compared with the normal day-to-day duties involved in managing a pension scheme. Putting in place a management framework, in line with this guidance, will reduce the risk of unexpected delays and tasks being overlooked.

While you are ultimately responsible for making sure necessary activities are carried out for the management of your scheme, we recognise that you will delegate the task of carrying out some of these activities to your advisors. As trustees, you will still remain responsible for making sure any delegated tasks are carried out appropriately.

Also, we expect trustees to put in place a framework throughout the wind-up process that makes sure all activities and stakeholders (including your advisors) are co-ordinated, managed and communicated to proactively in an effective and efficient manner.

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## Key roles and responsibilities continued

### The role of the trustees

We have outlined in this section the key skills which we believe are fundamental to delivering and supporting this framework. These should ensure that you have an appropriate framework in place to deliver your scheme through the wind-up process quickly. They are not exhaustive and we encourage you to expand your skills and knowledge as much as you can.

You need to carefully consider what you are required to do and evaluate whether you have the appropriate skills and/or resources to deliver this framework. If you have any doubts, discuss them with your PPF caseworker.

**The key skills we believe you, and your advisors, need in order to create a framework to take a scheme through wind-up smoothly and quickly are:**

- **project management**
- **relationship management**
- **financial management**
- **communications, and**
- **knowledge and understanding.**

## Key roles and responsibilities continued

### The role of the trustees

#### Project management

The ultimate aims of the wind-up process are to make sure you secure members' benefits and the scheme is wound-up. FASOU must also be able to assess whether your members are eligible to receive FAS assistance payments – and you remain responsible for making sure FASOU receives the information needed to make that assessment.

We believe that effective project management is crucial. As trustees, you are responsible for managing the wind-up process in a controlled project environment.

If you do not put in place a rigorous and transparent project management plan then you risk overlooking key stages in the process and missing important deadlines. Members may also receive final assistance payments later than necessary.

It is important that everyone involved in the delivery of the project plans understand their roles and responsibilities.

#### What we expect you to do

You should not have to go over work that has already been completed. However, we will ask you to confirm (and where necessary demonstrate) that work carried out previously has been completed in the correct way and that any issues that arise are being addressed.

**For example**, we do not expect to review decisions made by trustees where appropriate advice has been taken and evidenced. But we will focus on the wind-up process and any outstanding FAS-related tasks. While your workload will have changed due to FAS regulatory requirements, we do not expect the project management approach outlined in this guide will mean extra work, as we expect trustees to have followed a similar approach to date, in line with industry best practice.

**The project plan should be completed as soon as possible**

#### → It should

- + list all key activities as well as how long they will take to complete
- + include the actions needed to address identified issues – for example, legal, equalisation, data, etc which may affect wind-up timescales – and make sure they are monitored regularly, and
- + be realistic and achievable after consulting with all relevant parties.

Provide us with a copy of the up-to-date project plan, and then on a monthly basis, with progress and changes clearly marked.

To help you with this work, your PPF caseworker can provide you with a project plan template. We have developed a list of key activities with recommended timescales.

## Key roles and responsibilities continued

### The role of the trustees

#### Monitoring

A project plan will help ensure that the scheme completes the wind-up process quickly. You should monitor and update it regularly throughout the remainder of the wind-up period.

We accept that you will have estimated some of the tasks and timescales on the initial project plan but you should finalise these as soon as possible within two months of first speaking to your PPF caseworker. You should also update it if the information gathered changes the activities on the plan.

Fundamental to your project plan will be the need to monitor all risks and issues. If you spot any significant problems, then tell your PPF caseworker immediately. You should also explain how you are going to deal with the problems to reduce the impact they may have on your plan and the progress of the scheme through the wind-up period.

You should take a proportionate approach in determining whether or not a problem is significant and consider:

- whether the impact on the progress of the scheme wind-up and the project plan is within the tolerances originally agreed with the PPF caseworker
- how many members the issue or problem affects, and
- the impact on the financial resources of the scheme, in terms of both the problem itself and the cost of resolving it.

An issue which proves significant for one scheme may not be significant for another scheme. Similarly a solution that is proportionate for a large scheme may not be for a small scheme. Always consult with your PPF caseworker before choosing a proportionate approach to a problem.

#### Communicating progress

Once you have a project plan, you should communicate it to all relevant parties. This is essential to prevent any delays, for instance because of availability of resources.

Regular and timely progress reporting to all appropriate parties is essential to ensure that:

- any changes to the original plan are communicated and agreed with your PPF caseworker so that everyone is working to the same timescales, and
- issues can be identified and managed in an effective manner.

**Your project plan should be communicated and shared with all parties.**

## Key roles and responsibilities continued

### The role of the trustees

#### **Making decisions**

You should take a proportionate approach throughout the wind-up period and make key decisions only after carefully considering the best interests of both the scheme and its members. Always consult with your PPF caseworker before taking such decisions.

You should also only take significant decisions once you have the information you need to make a fair and proportionate decision. Simple queries should be dealt with in a timely way to avoid unnecessary delays.

You should also make sure you have a single point of contact in your firm who will be accountable for ensuring that information on a given FAS qualifying scheme is provided to all parties at the right time. This gives your PPF caseworker confidence that there is one person with a working knowledge of all issues and who can make quick but considered decisions on how to proceed when necessary.

#### **Appointing advisors**

You may be able to appoint an advisor to handle the day-to-day management of the wind-up process – but only in certain circumstances.

**For example,** a very large scheme with trustees who are used to delegating responsibility may appoint an advisor. But they would need to ensure that they, in turn, properly manage the advisor as ultimate responsibility for the scheme still rests with them.

**Key decisions should take into consideration the best interests of both the scheme and its members.**

## Key roles and responsibilities continued

### The role of the trustees

#### Relationship management

Because a number of parties are involved in the winding-up of the scheme, good working relationships must be established. This will be achieved by working in partnership, agreeing realistic timescales and ensuring that all relevant parties are clear about their individual roles. As existing trustees of the scheme, we would expect you to already have a good working relationship with your scheme advisors.

You, as trustees, are ultimately responsible for your scheme and will be the main point of contact throughout the winding-up process, unless agreed otherwise. That is why you must make yourself available to ensure there are no delays when making important decisions and that communication channels are open at all times.

This also means that you need to effectively manage relationships between your advisors to ensure that they work together in a competent, proficient and supportive way – and, importantly, that they know they are accountable to the trustees for their own actions.

It is important that you tell your PPF caseworker about the progress you are making in dealing with issues and concerns. If you do not, we can only assume that you have made no progress. If you do not satisfy our concerns, you could be investigated by both the Pensions Regulator and ourselves, and where necessary further action may be taken.

You can also ask your PPF caseworker for advice on any matters that arise during wind-up as they will have experience of other FAS qualifying schemes which have had to deal with similar issues.



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**But remember, it is not the PPF caseworker's job to make decisions on your behalf.**

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**You, as trustees,  
are ultimately responsible  
for your scheme.**

## Key roles and responsibilities continued

### The role of the trustees

#### Disputes

If there is a dispute between advisors or other professionals, you should:

- make every effort to ensure all parties come to an amicable agreement
- tell your PPF caseworker before the relationship between the parties deteriorates further, and
- arrange regular meetings – either face-to-face or by telephone – to encourage regular open communication and positive working relationships.

If you have good working relationships then you can deal with any issues or concerns in a proficient and constructive way.

#### Conflicts of interest

You should be aware of any conflicts of interest either among fellow trustees or between your advisors. If conflicts of interest are not handled effectively, they can delay the winding-up process.

Ideally, you should have a pre-agreed policy for handling conflicts. If you do not, then make sure you discuss them openly and transparently with all relevant parties. If anyone fails to acknowledge a conflict exists, you should raise this with your PPF caseworker.

#### High profile cases

Sometimes schemes with high-profile employers may attract a lot of attention. If you are trustees of such a scheme, you should talk to your PPF caseworker about any contact you have with people such as the media, politicians or bodies such as trade unions to ensure they receive consistent messages.

Effective communication is essential. If you need any help with drafting materials for external parties, then talk to your PPF caseworker who has extensive experience of dealing with such issues.



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**Remember, high profile cases should be handled with extra care as they are more likely to attract negative comment which could delay the winding-up process.**

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**You should have a policy for handling conflicts.**

## Key roles and responsibilities continued

### The role of the trustees

#### Financial management

You will be responsible for managing the financial resources available to you in the most cost-effective way possible. While we would not want you to miss out certain tasks based on cost alone, we would want you to take a proportionate approach to your decisions.

**For example**, once a scheme has taken reasonable steps to trace members – such as using the Department for Work and Pensions' tracing service, publishing a notice in local media or asking other members to provide details of any missing members – we would not expect the trustees to spend limited resources on tracing the final few members if it would result in disproportionate cost to the scheme.

#### Managing assets

So that you can minimise your scheme's deficit, you will need to manage your scheme assets properly. From the outset – and throughout the wind-up period as the profile of your scheme changes – you should consider if your scheme asset allocation is appropriate and, if not, make changes where possible.

You should pay particular attention to illiquid assets such as property or fine art which could be difficult or slow to disinvest from, given that our goal is to assist you in liquidating them on, or before, the scheme winding-up.

It is likely that we will require scheme assets to be transferred as cash in every situation where this is achievable, and that our ability to accept scheme assets in forms other than cash will be limited to a very restricted number of other asset types.



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**Again, you are expected to discuss any significant changes or actions with your PPF caseworker before any action is taken and agree any subsequent action.**

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Any structural changes in your investments which are not for the purposes of paying benefits to your members and which re-allocate your investment holdings can be significant. This includes changes in:

- asset classes
- allocation of assets, and
- fund managers.

**You need to manage the finite financial resources available to you.**

## Key roles and responsibilities continued

### The role of the trustees

We expect trustees to act prudently and proportionately with regard to any financial transaction which involves the re-allocation of the scheme's investments. You should make sure that two authorised signatories approve any such financial transaction – something we regard as best practice.

For schemes that expect to transfer assets to the government, you should make sure that you and/or your investment managers provide us periodically with copies of the up-to-date asset valuations for the investments you hold. This information will provide an overview of the investments held across all schemes, enabling us to form an opinion on the investment profiles.

Also, where we do not have enough information about a scheme's assets, or if the information provided is more than six months old, we will request further information regarding the current value of your investments.

#### **Trustee and advisory budget**

You should agree a budget with your PPF caseworker for moving through the winding-up process which will include the cost of providing information to FAS and your advisors' costs.

While we accept that any initial budget will be an estimate, you will be expected to justify any significant increase and, in certain circumstances, seek confirmation from your PPF caseworker that they have no concerns about your actions.

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**3** See reporting section for more details.

As you become aware that the estimated budget may exceed tolerances agreed with your PPF caseworker, you should notify your PPF caseworker about the size of the increase and why it has happened.

Everyone involved is accountable for their budget and responsible for managing it as it is not in your members' interests to overspend.

## Key roles and responsibilities continued

### The role of the trustees

#### Communications

You should work together with your advisors and with your PPF caseworker to agree how and when you should communicate with each other, and with your members.

This should be reviewed on a regular basis and adapted according to circumstances. You should also give your PPF caseworker an updated project plan each month which highlights the progress made and where deadlines may be missed.

#### Meetings and updates

You will be responsible for holding regular meetings with your advisors and with your PPF caseworker to monitor progress. Because advisors are as accountable as trustees, we expect them to provide timely updates to PPF caseworkers, via the trustee where required, and in between, through organised meetings, without them having to be chased by the trustee.

#### Scheme members

Throughout the winding-up period, you will be responsible for communicating with your scheme members. They must be kept informed about any issues so that you manage their expectations and ease any concerns.



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**Please note you should not issue any key correspondence or any other communications to the membership as a whole without agreeing the contents with your PPF caseworker.**

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## Key roles and responsibilities continued

### The role of the trustees

#### Knowledge and understanding

You do not have to have any qualifications or undertake any formal training to be a trustee. But we believe they can greatly improve your understanding of your role, particularly as your scheme is winding-up.

We strongly recommend, therefore, that you become familiar with the Pensions Regulator's Trustee Knowledge and Understanding Code of Practice and to complete the Pensions Regulator's Trustee Toolkit training modules.



[www.thepensionsregulator.gov.uk/codesofpractice/tku](http://www.thepensionsregulator.gov.uk/codesofpractice/tku)

#### Trustee Toolkit

Firstly, we would encourage you to complete the Pensions Regulator's Trustee Toolkit to boost any training you already have as part of the Trustee Knowledge and Understanding Code of Practice.

Training should be integral to your role and you should take advantage of training opportunities to ensure that you can perform your role in respect of a scheme winding-up. We strongly recommend the Toolkit modules on winding-up. While there is not a FAS-specific module, the existing modules do contain useful wind-up information that will help you.

#### Advisors

The winding-up process and FAS requirements need special knowledge and experience. If you feel both your own and your fellow trustees' knowledge is limited or out-of-date, you should make sure that you have the right advisors in place to cover any gaps in your knowledge.

You should always bear in mind that you are still ultimately responsible for all decisions relating to your scheme. It is your responsibility to ensure your knowledge and understanding is sufficient to fulfil your responsibilities as a trustee during the winding-up period.

## Key roles and responsibilities continued

### The role of the trustees

#### Existing trustees

You should not underestimate the value of the experience and knowledge that you and the other existing trustees hold, regarding your scheme, when your scheme qualifies for the FAS. Should all trustees choose to stand down, for example to be replaced by an independent trustee, we would recommend that one or two key trustees remain in a consultative role, on an ad hoc basis. These trustees can prove invaluable when reviewing historic decisions and scheme changes.

#### Complying with obligations

Once a scheme qualifies for FAS, it must comply with obligations which are set out in FAS regulations. Having a high level of knowledge and understanding of the FAS legislation should enable you to comply fully with these obligations – and you can get help from your PPF caseworker when necessary.

If you fail to meet your legal obligations, you could face legal action or professional censure. It is important to remember that the PPF caseworker provides information and guidance, but cannot provide legal or actuarial advice. When necessary you must seek such advice from your scheme's advisors.

Qualifying for FAS does not mean you can ignore statutory or regulatory requirements in place for schemes in general. These include, for instance, producing an annual report and obtaining audited accounts.

#### PPF powers

The PPF's approach, in line with the tripartite statement, is to educate, enable and enforce.

This guide is aimed to provide a structured framework so that you can manage a FAS qualifying scheme through wind-up.

While there is no legal requirement to follow our guidance, we will closely monitor any schemes which fail to apply the guiding principles we have set out.

If a scheme continually performs badly certain powers can be applied and, in extreme circumstances, trustees can be removed. Importantly, we will report on trustees' conduct to the Pensions Regulator. This will be taken into account when it makes future independent trustee appointments.

We believe that if you commit to the development of your knowledge and understanding, it will help you comply more easily with all relevant legal requirements and other obligations.

**If you fail to meet your obligations under law, you could face legal action or professional censure.**

## Key roles and responsibilities continued

# The role of the PPF caseworker

This section of the guidance is to help you understand the role of the PPF caseworker, enable you to use them to their full potential and get maximum benefit from the support you receive.

Every pension scheme that has not yet wound-up and which qualifies for FAS will be assigned a PPF caseworker to provide it with help and guidance. The PPF caseworker is the PPF's project manager, ensuring that PPF and FASOU staff act in a co-ordinated way for the scheme – and is the main point of contact for trustees throughout the winding-up period.

As trustees of the scheme, you remain responsible for the day-to-day operation of the scheme, including meeting all the scheme's reporting and compliance requirements until the end of the winding-up period. In some cases you may be required to provide further assistance after wind-up has completed (if you are identified as an 'appropriate person' in accordance with the FAS (Provision of Information and Administration of Payment) Regulations 2005).

The PPF caseworker will also have the same key skills that a trustee needs during the winding-up period (see 'role of the trustee' section). This ensures that there is a fair and consistent approach to the wind-up process, regardless of the type of scheme.

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### The four main key skills of the PPF caseworker are:

- **project management**
- **stakeholder support**
- **influencing external parties, and**
- **delivering effective feedback.**

## Key roles and responsibilities continued

### The role of the PPF caseworker

#### Project management

The PPF caseworker will review and monitor the progress of FAS qualifying schemes in the winding-up period. They will do this by tracking progress against the agreed project plan and budget. Where there is delay or unbudgeted costs, you should provide a valid reason to the PPF caseworker as soon as possible. As trustees, you will remain ultimately responsible for project managing the scheme through the winding-up process.

The PPF caseworker will also assess whether information provided by all parties meets FAS's minimum quality standards. If it does not meet these standards, the PPF caseworker will discuss with you how this will be addressed.

As the PPF caseworker is responsible for managing all activities for the scheme through both the PPF and FASOU throughout the winding-up process, you can rely on them to co-ordinate internal activities within FAS and the PPF effectively.

#### Stakeholder support

Many people involved with FAS qualifying schemes during the winding-up period may be unfamiliar with the processes we are putting in place.

While we empathise with trustees – given the different responsibilities they face – it is also important to make sure that legal requirements are complied with and the best interests of the members are met.

The PPF caseworker can be a useful contact for those who need support and guidance and can help by agreeing reasonable timescales for completion of tasks as the winding-up progresses.

As trustees, you should make a distinction between guidance and decision making. The PPF caseworker will not make decisions on behalf of stakeholders, particularly trustees. While the PPF caseworker can offer support and guidance it is for the trustees and their advisors to make the ultimate decisions.

The PPF caseworker will commit to responding to a query from a stakeholder within an agreed timeframe in order to manage expectations.

**As trustees, you will remain ultimately responsible for project managing the scheme through the winding-up process.**

**The PPF caseworker will not make decisions on behalf of stakeholders.**

## Key roles and responsibilities continued

### The role of the PPF caseworker

#### Influencing external parties

You should tell your PPF caseworker if advisors or other parties are holding up the winding-up process and your involvement has failed to improve matters.

With a significant number of FAS qualifying schemes in the winding-up period at any one time, we can often identify whether particular advisors are struggling to meet targets across all their schemes and find out whether or not this is justified. If this is the case, PPF senior management will talk to the advisors concerned to help resolve the situation.

#### Feedback process

PPF caseworkers are committed to playing a key role monitoring and providing feedback to all parties involved with progressing a scheme through the winding-up period. PPF caseworkers provide regular feedback on individual trustees and the PPF will monitor trustees (and independent trustee companies as a whole) against specific areas such as the ability to manage schemes through wind-up within time and budget.

## Key roles and responsibilities continued

# Other key roles

The interaction between the trustees and the PPF caseworker is fundamental to ensuring that a scheme progresses quickly through the winding-up period. The following advisors also play a key role in ensuring that key activities are completed accurately and in a timely manner.

### Scheme administrator

Your scheme administrator will remain responsible for carrying out the day-to-day duties involved with administering a pension scheme.

But, we would also expect your scheme administrator to be involved with helping you to complete the other key activities during winding-up, including:

- providing information and data on an ongoing basis as members reach their NRA to enable the assessment of members for FAS assistance payments
- conducting a benefit and data audit, and
- preparing the scheme and member data for transfer to the PPF and/or FASOU.

### Scheme actuary

During the winding-up period, the primary role of your scheme actuary is to produce an actuarial valuation of the scheme's assets and liabilities. Guidance will be issued in due course for the completion of final valuations in relation to schemes transferring assets to the Government.

### Legal advisor

We would expect your legal advisors to provide you with guidance and support where required in winding-up the scheme

**For example**, when reviewing the equalisation history of the scheme.

### Investment advisor

We would expect your investment advisors to work with you during wind-up to determine an appropriate investment strategy for your scheme as it progresses through the winding-up period and to make any changes to your existing investments as required.

## Key roles and responsibilities continued

### Other key roles

#### Scheme accountant

The scheme accountant will be responsible for maintaining the financial books and records of the scheme until wind-up is complete, and for preparing accounts to meet the scheme's statutory obligations and (if these cannot be combined with statutory accounts) for preparing accounts to support the final valuation of scheme assets and liabilities. Detailed guidance on scheme accounts for FAS purposes is expected to be issued shortly.

#### Scheme auditor

The scheme auditor retains whistle-blowing duties throughout the wind-up period, and is responsible for auditing accounts (whether statutory or special purpose) presented to them by the trustees.



# Reporting

To ensure that, together, we complete wind-up within the desired timescales as agreed with your PPF caseworker, we need to be kept regularly informed with documentary evidence, about the progress you are making and any early warnings about possible delays.

## → In this section

→ Legislative reporting	3.1
→ Regular reporting	3.2
→ Exception reporting	3.3
→ Escalation lines	3.4

While this guidance is not prescriptive, you should adhere to certain reporting requirements unless agreed otherwise with your PPF caseworker. If you believe these requirements are not suitable for your scheme, then talk to your PPF caseworker to agree a mutually satisfactory way forward.

There are three types of reporting that your PPF caseworker will expect from you; legislative reporting, regular reporting and exception reporting.



# Reporting

## Legislative reporting

The FAS (Provision of Information and Administration of Payments) Regulations 2005 sets out the information that a FAS scheme's trustee is required, by law, to provide to the FAS scheme manager, in the appropriate timeframe.

You can access this legislation on the DWP's FAS website in the legislation section.



[www.dwp.gov.uk/other-specialists/financial-assistance-scheme](http://www.dwp.gov.uk/other-specialists/financial-assistance-scheme)



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**Please note – forthcoming legislation is expected to include further reporting requirements. Please ensure you keep up-to-date with this by monitoring the FAS website.**

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## Reporting continued

### Regular reporting

Throughout the winding-up period your PPF caseworker will expect you to provide regular updates about the scheme's progress at agreed periods of time.

#### Project plan

The project plan is key and you need to make sure that it is comprehensive and maintained throughout the winding-up period. It should reflect the specific features and complexities of your scheme and refer to the resources needed by both trustees and advisors to complete tasks effectively.

To help, we have developed a template project plan that is available on our website, which you can use as a starting point for your own plan. This will need to be adapted to take into consideration the specific features and issues for your scheme. The template can be found on our website.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

You should update the plan regularly and share it with your PPF caseworker and advisors as appropriate. This should be sent, complete with relevant documentation at least every month, with progress and changes clearly marked.

#### Progress reports and meetings

You should also hold regular meetings with your advisors and PPF caseworker – face to face where possible – to address any potential issues. Under normal circumstances, quarterly meetings will be sufficient but, if several activities are taking place at the same time, we may suggest that monthly meetings may be more appropriate.

You should also provide a brief highlight report indicating the achievements and progress over an agreed period. This report should include details of any overdue deadlines and the activity planned for the following reporting period.

#### Budget

Once your PPF caseworker has been appointed, you should agree a budget with them to ensure it represents value for money and is realistic. Once approved, you should report expenditure against agreed budget to your PPF caseworker.

**You need to ensure that the project plan is comprehensive and maintained throughout the winding-up period.**

## Reporting continued

### Exception reporting

There will be times when you will need to report a particular issue to your PPF caseworker outside the regular reporting cycle.

**For example**, if a member raises an issue about their scheme benefit or you encounter issues with your advisors.

You should bring to your PPF caseworker's immediate attention any delay which would put back overall timescales as they may be in a position to resolve the particular problem or reduce the delay.

You should also tell your PPF caseworker if you are likely to exceed your budget in an area before you exceed that budgeted amount or before a delay in delivery is realised.

As part of your existing internal controls and governance procedures in running a pension scheme, we would assume that you already have a mechanism in place to record and monitor any issues which arise – for example, a risk register.



[www.thepensionsregulator.gov.uk/codesofpractice](http://www.thepensionsregulator.gov.uk/codesofpractice)

As well as telling your PPF caseworker, you should also document and manage any exceptional issues identified during the winding-up period in line with your existing procedures.

The table summarises the type of reporting and the frequency that your PPF caseworker will expect from you during the winding-up period.

Description of the information to be provided	Method of reporting	Frequency
Updated project plan	Project plan	Monthly
Updated budget plan	Budget plan	Monthly
Progress reports	Highlight report	Monthly
	Face-to-face progress meetings	Quarterly, unless agreed otherwise, eg if several key activities are taking place at the same time.
Up-to-date asset valuations	Copies of the investment updates you receive from your investment managers.	Quarterly

## Reporting continued

### Escalation lines

If you continually fail to report progress or to provide the necessary information to your PPF caseworker within the agreed timescales, the PPF caseworker will bring your case to the attention of PPF senior management.

If you do not ease our concerns satisfactorily, you could be investigated by the Pensions Regulator and by the PPF, and further action may be taken including replacement of trustees where necessary.



# The wind-up process

This section provides a high level overview of the tasks that should be completed during the wind-up process for schemes that qualify for the FAS.

The tasks should be completed for both annuitising (FAS 1 schemes) and non-annuitising (FAS 2 schemes) unless specifically advised otherwise.

This information should be used in conjunction with:

- + detailed information to be available shortly on our website which includes a step-by-step guide to the process; and
- + the Pensions Regulator's Trustee Knowledge and Understanding Toolkit module on wind-ups.



[www.pensionprotectionfund.org.uk/FAS/Pages/Fas.aspx](http://www.pensionprotectionfund.org.uk/FAS/Pages/Fas.aspx)

## → In this section

→ Overview	4.1
→ Notification/qualification	4.2
→ Legal cases	4.6
→ Transition	4.7



# The wind-up process

## Overview

We would expect that the great majority of FAS schemes can be wound-up within two years .

Trustees should have potentially completed many of the activities shown on pages 4.2 to 4.5 prior to the introduction of their PPF caseworker. If that is the case then all that will be required is the production of evidence to show that each task has been completed.

The evidence will be reviewed by your caseworker for completeness. You will be provided with detailed feedback and guidance on when it is suitable to move to the next stage of the process.

**The FAS wind-up process is split into three areas:**

- **notification/qualification**
- **task completion, and**
- **transition.**

**Typical timings are:**

→ notification/qualification	four weeks
→ task completion	nine to 15 months
→ transition	two months

All of the parts will need to be completed although not all of the underlying tasks will need to be completed for a given scheme. For example, there will be no requirement for a section 73 valuation to be sent to the PPF on non-annuitising schemes.

More information is available on our website at the FAS section of the PPF website:



[www.pensionprotectionfund.org.uk/  
FAS/Pages/Fas.aspx](http://www.pensionprotectionfund.org.uk/FAS/Pages/Fas.aspx)

## The wind-up process continued

### Notification/qualification

This part of the process will determine whether a scheme qualifies for the FAS.

Trustee/member/advisor applies to the FAS Operational Unit by completion of the appropriate form for their scheme. This will then be reviewed and any information needed to support the application will be requested. A decision will then be made and a letter will be sent to all interested parties confirming the outcome of the application.

#### Produce and monitor project plan and budget

A comprehensive project plan and budget are key to you being able to successfully wind-up the scheme in the agreed timescales.

You should check the plan and budget with your caseworker to ensure the timescales are realistic and achievable. This will be a working document and the main way to track progress.

Once this has been agreed you should:

- on tasks that have been completed send evidence to your caseworker to demonstrate progress; and
- on outstanding tasks continue to work on these areas and once completed send the evidence of this to your caseworker.

A template project plan and budget plan can be obtained from our website.

#### Cancel the contracting out certificate and reconcile GMPs

In the vast majority of cases we would expect that the certificate has been cancelled and that good progress has been made towards reconciling the members' numbers and amounts.

This task can take a number of months and therefore you should do this as soon as possible. The GMPs should be reconciled with the National Insurance Contributions Office in Newcastle.

You should discuss with your caseworker any agreed tolerance levels and if any additional liabilities are found.

Once this task has been completed then please send evidence to your caseworker for example, confirmation of completion from the National Insurance Contributions Office.

#### → Key activities during wind-up

- + Produce and monitor project plan and budget. Agree it with your caseworker
- + If appropriate cancel the contracting out certificate and reconcile Guaranteed Minimum Pensions (GMPs)
- + Review the equalisation history of the scheme
- + Identify early assistance payments
- + Conduct a benefit and data audit
- + Ensure addresses are held for all members
- + Carry out pensioner existence check
- + Discharge any money purchase benefits (including any DC Additional Voluntary Contributions (AVCs))
- + Obtain audited accounts to the agreed date
- + Produce a section 73 valuation (or a 'FAS valuation' in the case of non-annuitising schemes)
- + Ensure that the assets are held in an easily-realisable form
- + Communicate with members

**This task can take a number of months and therefore you should do this as soon as possible.**

## The wind-up process continued

### Review the equalisation history of the scheme

Delays can occur due to issues around historic equalisation exercises carried out by trustees i.e. making sure that male and female members receive the same benefits.

Problems we typically see involve the quality of the legal documents which have resulted in schemes failing to close the Barber window or benefits which continue to be calculated on an unequalised basis, despite trustees ruling that the scheme should be equalised.

You should provide to your caseworker any legal advice you have obtained together with all documents to support this for example, deed, communication to members.

If any further action needs to be taken then please liaise closely with your caseworker.

### Early assistance payments

Please note that there are circumstances where a member could qualify for early assistance payments from the FAS on the grounds of ill-health, severe ill-health or terminal illness. The exact requirements for early reduced payments on the grounds of ill health are laid out in relevant FAS regulations. You should liaise with your caseworker on how to apply.

### Conduct a benefit and data audit check

We would expect you as trustees in consultation with your caseworker to check that all scheme data and benefit calculations are accurate and complete.

If this has already been completed then please provide your caseworker with a summary of the actions taken. Otherwise you will need to agree with the caseworker the cost and extent of the work needed to complete this audit.

### Check member addresses

It is key that the current address of all members is held. You should identify any gaps and use appropriate agencies to trace any that are missing for example, DWP tracing service, tracing agency etc.

You should provide your caseworker with any evidence to confirm the actions that you have taken.

If a section 27 notice has been placed in the London Gazette or any newspaper then please provide a copy of this advert to your caseworker.

### → Benefit audit

You should take the necessary action to make sure that the information held about individuals is accurate and all data complete, and that the scheme rules have been accurately applied. This often includes the following activities:

- + reviewing scheme rules to ensure that they have been applied correctly to the calculation of members' benefits, and
- + identifying an appropriate sample population that represents each membership category and carry out manual calculations to test that the benefits calculated and held for each type of member is correct.

### → Data audit

This step ensures that accurate and complete data is held for each member and is sufficient for our administration system.

As evidence of work carried out, you should provide a summary of activity so that we can be satisfied that the audit is sufficiently thorough.

## The wind-up process continued

### **Pensioner existence**

You should consider whether it is necessary to carry out this check.

If all pensions have already been secured with another provider then this exercise will not be required. However if pensions are still being paid via the scheme then trustees will need to satisfy themselves that adequate checks are in place.

Your caseworker can offer guidance and you should provide your caseworker with any evidence to confirm the actions that you have taken.

### **Discharge of money-purchase benefits**

The Government intends to only accept assets that relate to defined benefits. You should identify defined contribution AVCs and any other money purchase benefits and make arrangements for these to be discharged.

You should discuss this with your caseworker and provide the evidence to show that this has been completed.

### **Annual accounts**

It is proposed that accounts will need to be completed to support the ongoing valuation.

It is important that cashbooks are kept up-to-date on a monthly basis in order that there are no undue delays in obtaining audited accounts when required.

The legislation and guidance forms part of the draft Financial Assistance Scheme (Miscellaneous Amendments) Regulations 2009 ('the asset transfer Regulations'), which were published for consultation on 12 August 2009 and which should come into force in early 2010.

Please liaise with your caseworker before requesting any further accounts.

**If all pensions have already been secured with another provider then this exercise will not be required.**

## The wind-up process continued

### FAS valuation

As described in consultation on the draft asset transfer Regulations it is intended that the final stage of the wind-up and transfer of assets of non-annuitising schemes to the Government would be the production of an actuarial valuation. Work would only start once we were satisfied with the quality of the scheme data. When this stage was complete we would write to the actuary commissioning the valuation (usually, but not always, the scheme actuary).

Initially the actuary would submit a draft report for review. Our actuarial team would review this draft to ensure it complied with legislation and guidance – and would work with the actuary to resolve any issues.

Please liaise with your caseworker before requesting any interim valuations.

### Investments

Where scheme assets will ultimately transfer to the Government you should review the investments held and where appropriate ensure they are held in easily-realizable form. Please discuss this with your caseworker and your investment advisors to determine an appropriate investment strategy.

Full guidance is being considered and your caseworker will advise you when this is available.

In the meantime you must ensure that any change or prospective change in investment strategy is discussed with your caseworker prior to making the change. Also ensure that your caseworker is made promptly aware of any concerns you may have about assets in your schemes.

### Communication

You should keep your members updated with the progress of the wind-up. There have been a number of recent changes to FAS regulations, for example dependants' eligibility for receiving assistance

Please liaise with your caseworker who will be able to assist you with this task.

**Further details including draft legislation regarding the valuation of assets forms part of the draft asset transfer Regulations, published for consultation on 12 August 2009.**

## The wind-up process continued

### Legal cases

Legal proceedings may have a huge impact in terms of cost and time to wind-up a scheme, and it is therefore important as part of the case management process for us to know where legal proceedings are being contemplated.

Under recent legislation, trustees must advise their caseworker if any legal action is being taken already or if any such action is contemplated. In this context we would regard contemplating legal action to commence when you start to incur cost in relation to a claim by asking for legal advice (whether on the prospects for a claim or to defend a complaint or potential claim). In practice we would expect you to be complying with this obligation by sending your caseworker a copy of your initial instructions to your legal advisor (at the same time).

In most cases we would not expect to intervene directly in the way the case is run. However it is important that you keep us up-to-date on what is involved in each case; the costs; the likelihood of a successful result; alternative action taken or considered.

**Under recent legislation, trustees must advise their caseworker if any legal action is being taken already or if any such action is contemplated.**

## The wind-up process continued

### Transition

#### **Migration of existing payments and transfer of data**

A migration period is planned to migrate all existing payments from the existing system in the FASOU to the PPF over a period of six months commencing in August 2009.

Administrators are being asked to supply data to the PPF in an agreed format via the S1. It is a requirement under legislation that this data is supplied in a set format and you should work with the administrators in order that this is sent to the PPF in accordance with requests made.

A member of our transition team will be liaising with both the administrators and trustees to ensure there is a smooth handover process.

#### **Provide information on members approaching their normal retirement age or who have died**

Legislation requires you to provide us with information to enable us to calculate assistance payments correctly. This must be supplied at the latest three months before the member's normal retirement age, or within one month of becoming aware that a member has died, using the agreed data format (the S1).

#### **Contract review**

We have to identify and review all the contracts that are in place between the trustees and their advisors. We need to scrutinise them for exit clauses so we can determine whether they can be terminated immediately or must remain in place until all the final activities have taken place.

Further guidance will be given to you by your caseworker.





