



What the Financial Assistance Scheme means to you

The Financial Assistance Scheme is administered by the Pension Protection Fund

Introduction

This booklet is for guidance only. It is a summary of the Financial Assistance Scheme (FAS) rules and is not, therefore, a definitive statement of 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 any case of conflict.

There is a glossary of terms at the back of this booklet which will help you. The terms referred to are highlighted in **bold** throughout the text.

For more information on the Financial Assistance Scheme, contact:

Helpline:

0845 604 4585

Minicom:

0845 604 4139

Email: members@fasonline.org.uk

Or write to us at:

**Operations Team
Financial Assistance Scheme
PO Box 234
Mowden Hall
Darlington DL1 9GL**

Or see the Financial Assistance Scheme section of the Pension Protection Fund website at www.pensionprotectionfund.org.uk

The Financial Assistance Scheme

The FAS was announced by the Government in May 2004 and began operating in September 2005.

This booklet reflects the position of the FAS as it stands at November 2010.

The FAS provides financial assistance to members of certain **defined benefit** pension schemes, who had lost all, or part of, their pension(s) following their scheme **winding-up** underfunded between 1 January 1997 and 5 April 2005. In some cases this has been extended until 22 December 2008.

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Please note that not all **defined benefit** pension schemes qualify for assistance from the FAS. The FAS section of the **Pension Protection Fund** website provides information on which schemes qualify – and which schemes do not – www.pensionprotectionfund.org.uk

The FAS is funded by the Government but is administered day-to-day by the **Pension Protection Fund**.
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Who receives assistance from the FAS?

You are eligible to be assessed for FAS payments if you:

- **belong, or have belonged, to a pension scheme that qualifies for the FAS, and**
- **were a member of the scheme with **expected pension** immediately before it began to **wind-up**.**

A 'member' includes employees who were members of the scheme immediately before **wind-up**; anyone receiving a pension from the scheme; ex-employees with a **deferred pension**, and anyone with pension credit rights deriving in the scheme from divorce or nullity of marriage or dissolution or nullity of a civil partnership.

The family of eligible members may also be entitled to assistance in certain circumstances.

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If you are not a FAS qualifying member in your own right but think you may be eligible for payments due to the death of a member, please visit the website at **www.pensionprotectionfund.org.uk** or contact us for a copy of the leaflet, **FAS Provision for survivors**
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How much will you receive?

FAS assistance is paid from your scheme's **normal retirement age** for life (but not before age 60) or from 14 May 2004, whichever is later. For exceptions, see the sections entitled 'Getting assistance before normal retirement age'.

FAS rules mean that in most cases you will receive 90 per cent of what you had built up in your pension scheme before it started to **wind-up** (your **expected pension**). This amount may, in some cases, be increased to reflect inflation – up to a maximum of 5 per cent per annum over the period – between **wind-up** and the time you start to receive your assistance.

Where you are entitled to assistance you will receive payment in one of two ways:

- if your scheme has bought you your own **annuity policy**, a combination of **scheme payment/annuity payment** and **FAS assistance**, or
- 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 that were due from your scheme. This will include schemes where the trustees are currently paying some benefits which are topped up by **FAS**.

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Note: If this second bullet applies to you, then certain special rules apply. For ease of reference, all paragraphs which outline the special rules which apply to you can be found in *italics*.
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Whether you are entitled to assistance will depend upon any benefits that the scheme's trustees have secured on your behalf. For example, if the scheme's trustees have bought an **annuity** in your name that is more than 90 per cent of your **expected pension** you may not receive any further FAS assistance.

How much will you receive? continued

*Broadly, if you are a member of scheme that has not bought you your own **annuity** policy and is a **transferring scheme**, as mentioned earlier, and your scheme could have afforded to buy you more than 90 per cent of your **expected 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.*

Assistance will not necessarily cover all the different benefits you may have been entitled to under your original pension scheme, eg tax-free lump sums or **indexation** – these will only apply in certain circumstances. In addition, the annual amount payable to your beneficiaries on death maybe different to what your scheme would have paid.

The total amount of payments you could receive is subject to a cap, set at the date of your FAS entitlement. The cap was £26,000 for those first entitled to FAS assistance before 1 April 2007 and is increased each year by the rate of inflation.

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The cap may not apply, however, to certain people – see the earlier ‘note’ – whose scheme could have paid them more than the capped amount. To find out if you are affected by the cap, please contact us using the contact details at the beginning of this booklet or visit the website at www.pensionprotectionfund.org.uk
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Some of your FAS assistance may increase once it starts being paid. In general, assistance relating to service after April 1997 will receive an increase. All increasing elements of assistance will go up each year by the rate of inflation, up to a maximum of 2.5 per cent.

How much will you receive? continued

*If you receive assistance by way of a single payment, based on what your scheme could have afforded rather than 90 per cent of your **expected pension**, the amount of your assistance that increases may depend on what your scheme could have afforded. All increasing elements of assistance will go up each year by the rate of inflation, up to a maximum of 2.5 per cent. The increasing element will not necessarily be based on the number of years service you have had since April 1997.*

Lump sums paid

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.

If you transferred your pension benefits into another pension arrangement while your original scheme was **winding-up**, the FAS will also convert the amount you transferred into a **notional annuity**. This **notional annuity** will then be topped up to 90 per cent of your **expected pension**.

*If you are being paid more than 90 per cent of **expected pension**, any lump sum already paid will be taken into consideration.*

Can I take part of my FAS assistance as a tax free lump sum?

If you receive assistance by way of a single payment from FAS – ie, this incorporates any payments that were due from your scheme – and you have not yet received any pension or tax free lump sum payments from your scheme, you may be eligible to take some of your assistance as a **tax free lump sum** at the date your FAS payments start.

Where eligible, your lump sum is limited by certain FAS and tax rules. Once your scheme has fully **wound-up**, FAS will send you yearly forecasts of your assistance which will show an estimate of the maximum **tax free lump sum** and assistance you will be able to take. You can take less than the maximum if you wish.

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 maybe eligible to receive one from your **annuity** provider. You should contact your **annuity** provider for more details.

When and how will you get paid?

Once the FAS has all the information it needs, you will be paid from your **normal retirement age**. For exceptions, see the section entitled 'Getting assistance before normal retirement age'.

FAS assistance is currently paid a month in arrears on the 21st of each month into your bank or building society account.

If you have a pension – parts of which are payable at different ages, but in the same scheme – the FAS will only provide assistance from one **normal retirement age**. If you have more than one period of service, in the same scheme, it is the **normal retirement age** of your last period of service that will be applicable for FAS assistance.

If you could have taken part of your benefit at an age earlier than your **normal retirement age**, the amount of assistance you receive in respect of that part will be increased to acknowledge this.

Similarly, if part of your benefit would have been payable under your previous scheme at an age later than your **normal retirement age**, the amount of assistance in respect of that part will be reduced to acknowledge this.

For schemes that have finished winding-up

When we have confirmed that you are eligible for FAS assistance, we will work out your payment from the information provided by your scheme. This is called an **annual payment**. We will calculate the amount you receive each year and normally divide it into 12 monthly payments.

When and how will you get paid? continued

For schemes that are still winding-up

If your scheme is still **winding-up** when you reach **normal retirement age** (or if you have already reached this age), we will work with your scheme's trustees to work out your **expected pension**.

Your pension scheme may make interim pension payments to you while your scheme is **winding-up**. We use the information we get from trustees to make FAS **initial payments** which are paid until your **annual payment** can be calculated – which can usually only be done once your scheme has completely **wound-up**.

When your scheme has finished **winding-up**, and the amount the scheme can afford to pay you is finalised, the FAS will calculate your **annual payment** taking account of any interim pension paid by the scheme and any FAS **initial payments** that have been made.

If you have been overpaid, the FAS may ask you to repay the amount overpaid. If this is the case, you will be given time to agree a reasonable payment plan and wherever possible we will deduct the overpayment gradually from your future assistance payments.

If you have been underpaid, the FAS will pay you arrears and the details will be provided in the **annual payment** award letter.

Getting assistance before normal retirement age: because of poor health

You can receive FAS payments before **normal retirement age** due to poor health. The three types of these early payments are:

- **ill-health payments**
- **severe ill-health payments, or**
- **terminally ill payments.**

When and how will you get paid? continued

Different rules apply to these three payments and to receive any of these payments you must:

- be an eligible member of a qualifying pension scheme, and
- meet certain criteria in relation to your health and your ability to work.

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If you think you are eligible, please contact us for a copy of the leaflet, **Early access to FAS payments for members in poor health**, or visit the website at www.pensionprotectionfund.org.uk
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Getting assistance before normal retirement age: where there is no poor health

If your scheme has been making payments to you earlier than the **normal retirement age** – for example, from age 55 – and you are a member of a **transferring scheme**, broadly, you will be paid what your scheme could have afforded to pay until you reach **normal retirement age**. When you reach **normal retirement age** you will be re-assessed.

In all other circumstances, you are not able to receive your FAS assistance before your **normal retirement age**.

What happens when you die?

If you die, your survivor may also qualify for FAS assistance. A survivor can be your spouse or civil partner.

If your scheme rules allow/ed, a survivor's pension can also be paid to a partner of either sex:

- **if you nominated that partner, or**
- **where you did not make a nomination, but that partner was:**
 - financially dependent on you and living with you, and
 - where you do not have a surviving spouse or civil partner.

If you were a member of a scheme in your own right and not as a survivor of a scheme member – then your survivor will receive 50 per cent of your FAS entitlement.

A small number of survivors, where the scheme would have paid and could have afforded more than 50 per cent, may be entitled to receive more than this.

*If you are a member of scheme that has not bought you your own **annuity** policy and is a **transferring scheme** and your scheme could have afforded to buy you more than 90 per cent of your **expected pension**, your spouse may receive the same proportion of your assistance as was payable under the original scheme rules. This could be higher or lower than 50 per cent. However, we would always pay 50 per cent of the 90 per cent of **expected pension** as a minimum.*

A child belonging to the family of a scheme member who has died will also be entitled to FAS assistance if they are aged under 18 – or over 18, but under 23 years old, and:

- **on a relevant full-time educational or vocational course, or**
- **unable to work full-time due to disability.**

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If you are not a FAS qualifying member in your own right but think you may be eligible for payments due to the death of a member, please contact us for a copy of the leaflet, **FAS Provision for survivors**, or visit the website at **www.pensionprotectionfund.org.uk**
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Receiving payments from the FAS

What we need from you

When we have confirmed that you are eligible for assistance from the FAS, and how much you will receive, we will need to confirm your personal details (such as your bank details and your National Insurance number) before we can begin providing FAS assistance.

All you have to do is fill in the personal details form we send you (known as the FAS A2) and return it to us, with any documents we request.

We will pay FAS assistance directly into your bank or building society account, usually on the same day each month.

As with an occupational pension, tax will be taken from your FAS assistance before it is paid to you.

FAS payments and state benefits

The FAS is not a state benefit. Also, the assistance you receive from the FAS is not 'means-tested' (based on your financial circumstances). This means that you can receive payments from the FAS no matter how much income you receive from other sources.

BUT, payments from FAS could affect other state benefits that you may already receive, such as Pension Credit, Jobseeker's Allowance, Income Support, Housing Benefit and Council Tax Benefit.

If you are receiving FAS payments, you should tell the office that pays your state benefits.

Receiving FAS assistance will not affect your occupational pension from other schemes, your personal pension or your State Pension.

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If you have any concerns, please contact us for advice.
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If you are not satisfied with the FAS

Reviewing a decision

If you don't agree with a decision about whether your scheme qualifies for the FAS, whether you are eligible for FAS payments or how much you should receive from the FAS, then you should follow our review process.

This is when we look again at why we reached a particular decision and whether we did so correctly. If you are still not happy with the outcome after a review, you can appeal to the Pension Protection Fund Ombudsman.

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For more information, visit www.pensions-ombudsman.org.uk
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Eligible payments from the FAS, the amount of **annual payment** you are entitled to, and the amount of any lump sum payable from FAS, are what we call 'reviewable determinations'. This means that you are entitled to ask for a review of the decision.

If the FAS makes a decision on whether you are eligible, or the amount you are entitled to, it will send its decision in writing to you and/or anyone appointed to act on your behalf. The written decision is known as a 'determination notice'.

We cannot review any decision we make on the amount of any **initial payments**, as these are made at the discretion of the scheme manager. However, if you believe the amount you are receiving to be incorrect you should check this with the FAS.

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You can get more information about the review and complaints process, including a full list of reviewable determinations, by contacting us or asking us for a copy of the leaflet, **FAS Complaints, reviews and appeals**, or from the FAS section of the **Pension Protection Fund** website at www.pensionprotectionfund.org.uk
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If you are not satisfied with the FAS continued

Complaints process

We think it is important to deal with your concerns as soon as they come up. This helps us to solve problems quickly and to stop similar problems happening in the future. If you have a complaint, please contact us.

We will reply to your complaint within seven working days of receiving it. If we cannot deal with it during this time, we will tell you why. The FAS will tell you if we need any more information and when you can expect a reply.

If you are not satisfied with the response to your complaint, it will be referred to a senior manager within the FAS who will aim to resolve your complaint. If you are not happy with the answer you receive at this level, you may approach the Head of the FAS team at the **Pension Protection Fund** – the details will be included with the senior manager’s response.

If you think the FAS has not dealt with your complaint properly, you can write to the Independent Case Examiner (ICE). However, you must give the FAS the chance to respond to your complaint before the ICE will be able to investigate it.

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For details of how to write to the ICE, please ask us for a copy of the leaflet, **FAS Complaints, reviews and appeals**.
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Other useful information

This section deals with points of general information about the FAS not covered specifically in this booklet and other related areas.

Unless your scheme has already **wound-up**, the best people to ask about the FAS are your pension scheme trustees and you should contact them first.

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If you're still not sure if the FAS can help you, contact us or visit the FAS section of the **Pension Protection Fund** website at **www.pensionprotectionfund.org.uk**
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Keeping the FAS informed

If any of your personal details change, for example your name, address or marital status, you should let us know as soon as possible. It is important that the information we hold about you is as up-to-date as possible so that we can keep you informed and pay the right amount to the right people at the right time.

Tracing an old pension

If you think you have an old work pension but do not have any related information then the Pension Tracing Service can help.

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The service is free and you can get details from the Directgov website at **www.direct.gov.uk/en/Pensionsandretirementplanning/PlanningForRetirement/AboutToRetire/DG_10027189**
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If you would prefer to trace your pension scheme by phone or post, you can phone **0845 6002 537** or write to:

Pension Tracing Service
Tyneview Park
Whitley Road
Newcastle-upon-Tyne
NE98 1BA

Other useful information continued

Help for people not eligible for FAS

If you are a pensioner, you may qualify for Pension Credit if your income is below a certain amount. However, there are other conditions for qualification, such as the amount of savings you have. You may also be able to claim Housing Benefit and Council Tax Benefit.

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To find out more, contact the Pensions and Disability Carers Service on

0845 60 60 265, or visit the Directgov website at

www.direct.gov.uk/en/Pensionsandretirementplanning/PensionCredit
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Glossary

annual payment

The annual amount that you are eligible to receive from the FAS. It will be paid to you in monthly instalments.

annuity

This is a product typically bought from an insurance company which entitles the person to receive a regular income for life and, potentially, an income to their survivor after their death.

annuity payment

This can be an annuity that has been bought by the trustees of your scheme on your behalf, or alternatively an annuity that you purchase yourself after receiving a transfer value from the scheme.

deferred pension

A pension benefit in respect of a pension scheme member who is no longer in active employment but will receive a benefit in the future.

defined benefit

A pension scheme where scheme members are promised a set amount of benefit, for example where benefits are worked out in line with their length of service and salary.

expected pension

The amount of pension you accrued, ie built up in your pension scheme before it started to wind-up, which is used by the FAS to assess your assistance. This may not include all scheme benefits, eg some lump sum benefits.

indexation

This is the process by which FAS assistance, once in payment, is increased annually to take account of inflation.

Indexation may apply to some or all of your assistance relating to pension benefits you accrued during service in the qualifying scheme after 5 April 1997. Annual payments which are eligible for indexation will be increased up to a maximum of 2.5 per cent. Increases, where applicable, will take effect from 1 January each year after assistance payments begin. If there is no inflation your post 1997 assistance will not receive any increase, neither will it be decreased.

initial payment

If your scheme is still winding-up when you reach normal retirement age, initial payments will be made until your annual payment can be calculated. These may be more or less than your annual payment, and you may be paid arrears or your annual payment could be adjusted to take account of the difference.

normal retirement age

The age specified in the scheme rules in force when you stopped accruing pension as the age at which the member will normally retire. This is subject to a lower limit of age 60 and an upper limit of 65.

notional annuity

The FAS will work out a notional annuity when establishing how any lump sum you have taken will affect your FAS payments. It is an estimate of the yearly pension you would have received in return for the cash sum.

Glossary continued

Pension Protection Fund (PPF)

The Pension Protection Fund began on 6 April 2005. It was set up to compensate members of eligible defined benefit pension schemes whose employers became insolvent and there were not enough funds in the pension scheme to pay members' benefits.

scheme payment

A scheme payment could be made in one of the following forms:

- Interim pension
- Winding-up lump sum
- Trivial commutation
- Transfer value

Please note, if you have received a refund of contributions from your scheme, you will not be entitled to FAS assistance.

tax free lump sum

Most pension schemes allow members to choose to receive a tax free lump sum on retirement in exchange for a lower annual pension. Such lump sums are subject to limits imposed by HM Revenue and Customs.

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If you want to find out more about the actuarial factors for tax free lump sums then visit the FAS section of the Pension Protection Fund website at www.pensionprotectionfund.org.uk
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transferring scheme

This 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.

wind-up (winding-up or wound-up)

Wind-up is the term normally used to describe the process by which a pension scheme comes to an end.

