

FINANCIAL ASSISTANCE SCHEME KEY FACTS

- The Financial Assistance Scheme (FAS) was set up to provide assistance to members of qualifying occupational pension schemes which started to wind up, under-funded, between 1 January 1997, and 5 April 2005, where the relevant employer is insolvent.
- When FAS was first announced in May 2004, the Government committed £400 million in cash terms over 20 years (£243 million in terms of Net Present Value). This would have helped about 15,000 people.
- In May, this year, we announced a £1.9bn extension to the scheme - bringing the total funding to £2.3bn in cash terms over 60 years (£540 million and £783 million NPV respectively). This will help about 40,000 people.
- FAS has been designed to strike a balance between helping those affected and making the most effective use of taxpayers' money.
- It has also been designed to provide greater help to people who were closer to retirement when their employer went bust – and are therefore less able to make alternative arrangements for retirement.
- So (under the FAS extension) someone who was within seven years of their normal scheme retirement age (as of 14 May, 2004) will receive top-ups to around 80 per cent of their core pension expectation. For people seven to 12 years from scheme retirement age the figure will be 65 per cent, and for people 12 or more years from retirement it will be 50 per cent.
- Payments are generally made to people aged 65 and over, regardless of the normal retirement age of their pension scheme. Payments to survivors and the terminally ill can begin earlier. Payments are not index-linked.
- Whilst final 'annual payments' can only be calculated when a scheme has discharged its liabilities to a member (usually on completion of wind-up), FAS can pay discretionary 'initial payments' at a lower rate if scheme trustees request them.

Frequent Questions and Answers

Q. What do members get from FAS ?

- In broad terms, the FAS Operational Unit (FAS OU) uses data supplied by the member's pension scheme to calculate FAS entitlement. FAS currently tops up any pension the member is receiving to 80% of core pension benefits (up to a limit of £12,000 a year). FAS does not make payments if an award works out as less than £520 a year (£260 for survivors). FAS payments are not index-linked and do not take into account particular features of individual schemes such as ill health benefits or lump sums.

A more in-depth explanation of the assessment process is included as a fact sheet. Although necessarily complicated, some members and trustees have found this useful as a step-by-step guide to how payments are calculated.

Q. What do survivors get ?

- Please see the accompanying fact sheet

Q. When do FAS payments start ?

- Although the qualification criteria for FAS are based on proximity to the member's pension scheme's normal retirement age, FAS payments do not usually begin until the member is 65. Survivors of qualifying members can receive FAS from the day after the death of their spouse or civil partner (or 14th May 2004 if this is later). Terminally ill qualifying members can also receive FAS prior to reaching 65.
- As FAS is paid from age 65, and the Government now propose to extend the Scheme to people up to 15 years from their scheme pension age, most of the estimated 40,000 people we expect to help will not be eligible for some time. For example, a 45 year old with a scheme pension age of 60 won't be eligible for FAS payments until they reach 65 in 2024.

Q. What does FAS need to be able to make payments ?

- Once the FAS OU has determined that a scheme is a qualifying scheme for the purposes of FAS then schemes need to provide data on individual members. There are currently over 600 qualifying schemes.
- If the pension scheme has wound up, data should be provided on all members which FAS OU will use to assess eligibility and calculate entitlement in order to make payments when a member reaches 65 (or immediately if they are already 65 or older). Arrears are paid back to the 65th birthday or the 15th May 2004, whichever is later

- If the pension scheme is still winding up, FAS OU cannot generally calculate final annual payments. Trustees can request 'initial payments' on behalf of members who reach 65. These are paid at a lower rate of 60% which means that some people who might be eligible for final annual payments (at 80%) will not qualify for initial payments if they are receiving an interim pension from their scheme that takes them above the 60% level.
- In all cases, after data provided by their scheme has been assessed, members must complete a form confirming their personal details which will be sent to them by the FAS OU.
- In general, a member should not have to contact FAS OU in order to request payments or advise us of their details: this should be automatic if schemes have provided the relevant data. Members of qualifying winding-up schemes who have reached 65 but are not receiving FAS should contact their scheme trustees to see if they have requested initial payments on their behalf.

Q. Why aren't you paying more people today?

- We understand people's frustration that payments have not been made more quickly. This is why we carried out a review of the administration of the scheme which is now being implemented.
- To make payments quickly we need to receive sufficient data from schemes about individuals who may be eligible for FAS. We are proactively engaging with schemes to help to build strong working relationships with trustees and administrators, and to increase understanding among schemes of the type of data we require to make assessments and payments quickly.
- We believe we are paying, or are about to pay, all of those people aged 65, or over, who meet the payment criteria and whose schemes have provided us with appropriate data to make FAS assessments.
- It should be remembered that while we have said that an estimated 40,000 people will be eligible for FAS payments – that includes people up to 15 years from their normal scheme retirement age. Obviously, the more people who reach 65, the more people who may be paid. Our experience to date suggests that there may be around 3000 people aged 65 plus who could receive initial payments if trustees applied on their behalf. However, only 233 of the 600 schemes which have qualified for FAS have applied for initial payments on behalf of their members. And of these, only 88 have provided sufficient data for us to be able to consider payments and we are paying – or are about to pay – all eligible members of these schemes.
- We rely on scheme trustees to provide us with information about people who may be eligible for FAS. If a member believes they should be receiving FAS now then they should contact their trustees to ask about FAS payments.

- However, some schemes have said they do not wish to apply for initial payments because they are relatively well-funded, and some schemes are not asking us to make initial payments because they are close to completing wind up or don't believe they have any eligible members at this point in time. Some members do not wish to take initial payments and prefer to wait until their final entitlement can be calculated

Q. Where can members go for further information ?

- In the first instance it will often be a good idea to contact the pension scheme's trustees or administrators. They should be able to give an update on their dealings with FAS and whether data on individuals has been supplied to FAS OU. Details of qualifying pension schemes and other information about FAS can be found at www.dwp.gov.uk/fas. Individuals can also contact FAS at:

Financial Assistance Scheme (FAS)

PO Box 702

York

YO32 9XR

Phone: 0845 601 9941

Textphone: 0845 601 9942

Opening Hours: 9am – 5.30pm Monday to Friday

Survivors & the Financial Assistance Scheme (FAS)

Q. What is a survivor ?

For FAS, a survivor is the surviving wife, husband or civil partner of a member or former member of a qualifying pension scheme who died after the scheme started to wind-up

This means that, for a survivor to be considered for FAS, their deceased partner ('the member') would need to meet the age criteria for FAS. Whilst this is currently to have been within three years of their pension scheme's normal retirement age or older on 14th May 2004, the extension of FAS (anticipated to come into force by Christmas) extends the normal retirement age criteria to those within 15 years of their scheme's normal retirement age on 14th May 2004 and to their survivors.

Payments to survivors can begin regardless of the age of the survivor.

Q. What can a survivor expect from FAS ?

Survivors will receive a payment from FAS only if the member would have received a FAS payment (e.g. it is possible a member could qualify for FAS by meeting the age criteria but wouldn't actually have received a payment because they were already receiving over 80% of their expected pension from their scheme)

The amount a survivor will receive from FAS depends on how far their deceased partner was from normal retirement age on 14th May 2004. The extension of FAS creates three distinct groups of qualifying members:

- 'Group 1' members - within 7 years of their pension scheme's normal retirement age on 14th May 2004 who will benefit from FAS topping up their pensions to 80% of their 'expected pension' (subject to a de minimis and a cap);
- 'Group 2' members – between 7 and 11 years who will be considered for a top-up to around 65% of their 'expected pension' (subject to a de minimis and a cap);
- 'Group 3' members – between 12 and 15 years who will be considered for a top-up to around 50% of their 'expected pension' subject to a de minimis and a cap).

The extension to FAS will mean that survivors of these groups of qualifying members will also become eligible for FAS.

We understand that, in general, pension schemes offer survivor benefits at around 50% of the member's entitlement and the design of FAS reflects this.

Q. What about surviving spouses of members who died before wind-up commenced?

Survivors of pension scheme members who died **before** the start of scheme wind-up will be 'qualifying members' for FAS purposes in their own right subject to their meeting the eligibility criteria. This is because they would have been entitled to pension payments themselves from the scheme before it started to wind-up.

Q. At what age is a survivor entitled to FAS payments?

- A qualifying member normally has to wait until age 65 until they receive a FAS payment, a survivor does not.
- The survivor of a qualifying member becomes eligible for payments from whichever **is the later** of:
 - 14th May 2004; or
 - The day after the day on which the qualifying member died.
- Payments are backdated to the date the survivor became eligible.

Q. How are survivor's payments calculated ?

Annual Payments

FAS is able to calculate **annual payments** when a pension scheme has discharged its liabilities to a member, which is usually on completion of wind-up. For survivors annual payments are determined using different methods which will generally depend on whether qualifying members died during wind-up or after wind-up has been completed.

- ***Method A*** - If a qualifying member dies **after** wind-up, their survivor will usually receive half of the amount that the qualifying member was receiving, or would have received, from the FAS.
- ***Method B*** - If a qualifying member dies **before** wind-up is completed, the amount of assistance payable to their survivor will generally be 50% of the member's 'expected pension' multiplied by 0.8, 0.65 or 0.5 (depending on the group in which the qualifying member would fall), minus the 'actual pension' **that the survivor** will receive from the member's scheme when the scheme completes wind-up.

The cap and de-minimis rules apply in each instance.

Initial Payments

Initial payments are paid at the discretion of the FAS Scheme Manager where we are waiting for the scheme's liabilities to be discharged and so cannot calculate annual payments.

Under the extension, the amount of assistance payable to their survivor:

- where that deceased qualifying member was a Group 1 qualifying member will be 50% of expected pension x 60%, less any interim pension paid by the scheme to the survivor (this is the same calculation as is applied to current FAS survivors).
- in any other case (Group 2 & 3) - 50% of the expected pension x 50% less the interim pension payable to that survivor.
- Again cap and de minimis rules apply.

When we come to assess the **annual payment** for these survivors we expect that Method B as described above will apply and any initial payments already paid to the survivor will be taken into account.

What should I do to get a payment as a survivor ?

If your spouse or civil partner was already receiving FAS then we should have your details and payments to you should begin immediately. If your spouse or civil partner had been receiving FAS but you are not then you should contact us on the number below.

If your spouse or civil partner wasn't getting FAS when they died and neither are you then you should contact your scheme trustees to see whether they have made an application on behalf of yourself or your late spouse or civil partner.

If you need further information about FAS please contact the FAS Operational Unit:

Financial Assistance Scheme (FAS)
PO Box 702
York
YO32 9XR

Phone: 0845 601 9942

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