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It is now almost a year since we made the first payments from the Financial Assistance Scheme to people who have lost part or all of their occupational pensions because their pension scheme has wound up underfunded due to the insolvency of the employer. Since December 2005 we have paid over £1.5 million to more than 450 members of different pension schemes. Underlying these payments, the FAS Operational Unit in York has received and dealt with over 900 applications from interested pension schemes.

However, I recognise that there is still much to be done and that FAS continues to fall short of the expectations of many. That is why I ordered a review of the administration of the Scheme which reported in July. As a result of that review we are working with industry experts to overhaul our processes, improve training for our staff and provide advice on the most complicated cases. We have listened to trustees and administrators and simplified our data requirements and the ways in which we can accept data. Staff have been out to talk to trustees, administrators and insurance companies and offered proactive help to enable them to get us the data we need to pay their members.

A number of members have asked for further background information on FAS. I am therefore writing to update you on what's happening with FAS and to give you some information to better help your constituents who might be entitled to a payment from the Scheme.

The Government has committed over £2 billion to help around 40,000 people who have lost their pensions and who are closest to retirement and so least able to make good any shortfall in their retirement provision. The Government believes this is a proportionate settlement of this difficult issue.

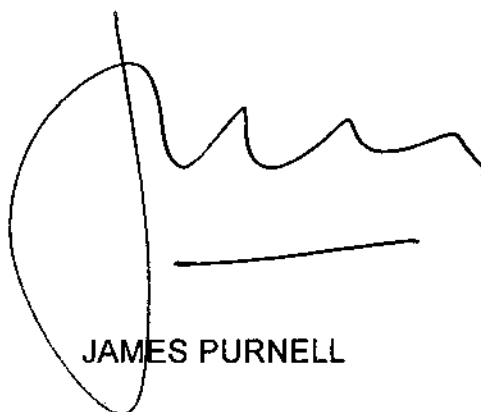
Whilst recognising that some members disagree with that view, I hope we can agree how important it is to ensure that everyone who could be getting a payment from the Scheme is getting one. As FAS is paid from age 65, and the Government now propose to extend the Scheme to people up to 15 years from their 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. Our experience to date suggests that there may be around 3000 people aged 65 plus who could receive initial payments if the 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 repaying – or are about to pay – all eligible members of these schemes. We receive good cooperation from many trustees and administrators. However, in some cases, members have expressed frustration at the speed of wind-up. In response to these concerns, we recently announced that schemes should not have a maximum wind-up time of two years. In addition, in our experience, pressure from MPs can be extremely effective in encouraging trustees and administrators to cooperate with the FAS Operational Unit in providing data.

There are also a number of misconceptions about FAS which need to be addressed. For example, many believe that FAS won't pay assistance to survivors. In fact it does. Once the necessary regulations (which I hope will have completed the parliamentary process by Christmas) are in place, survivors of those who would have been eligible for FAS under the extended Scheme will become immediately eligible for payments regardless of their age and, if schemes provide the data we need in time, I hope that payments can be made before the end of the year.

I enclose some Q&A and supporting fact sheets about the FAS which I hope you will find both interesting and useful in dealing with constituents. Further information, including details of the status of individual pension schemes, can be found at www.dwp.gov.uk/fas.

Yours sincerely



JAMES PURNELL