



Pension  
Protection  
Fund

Manager of the Financial  
Assistance Scheme

Protecting people's  
futures



When you  
retire



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## Register on our member website

We've developed a secure website for the exclusive use of our members.

Please register as soon as you can because this website is the quickest and easiest way for most people to get information about their payments.

Once you've set up an account, you can do lots of things including updating your personal details and starting your payments, if you haven't yet retired.

To register, please go to the website at **[www.ppf.co.uk/fasmembers](http://www.ppf.co.uk/fasmembers)** and follow the registration instructions. It should only take few minutes.

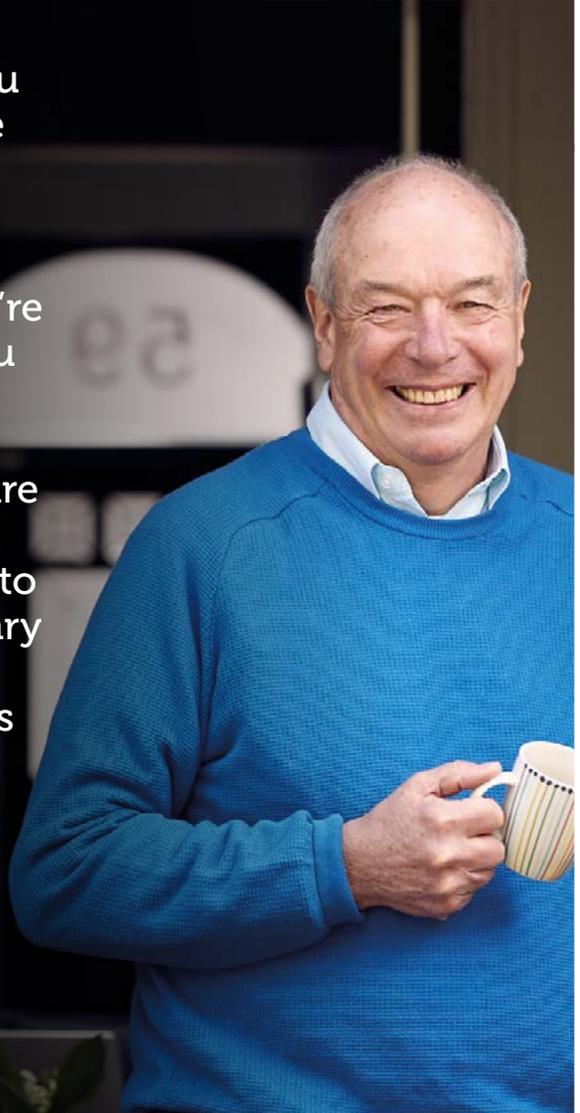
If you have any questions or concerns about anything included in this booklet, please visit our FAS member website or get in touch with us.

Contact details are at the back of this booklet.

# Introduction

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This booklet is designed to help you understand how the Financial Assistance Scheme (FAS) works and as one of our members, what you're entitled to when you retire. We've tried to keep it as simple as possible, but there are still some technical terms that we need to use. There's a glossary at the back of this booklet that explains these. The terms included in the glossary are shown in bold throughout.



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# The Financial Assistance Scheme

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

We provide financial assistance to members of certain defined benefit pension schemes, who'd lost all or part of their pension following their scheme winding-up underfunded, generally between 1 January 1997 and 5 April 2005.

When your scheme transferred into the FAS, you became one of our members. We would have sent you a welcome pack at this point, including details of your former pension scheme. We use the details provided by your former scheme to work out how much we're able to pay you.

The FAS is funded by the Government but is administered day-to-day by the Board of the Pension Protection Fund, on behalf of the Department for Work and Pensions.

## What you'll receive

FAS payments contribute to the replacement of expected retirement income. They won't necessarily cover all the different benefits you were entitled to under your original pension scheme.

We work out how much you're entitled to receive as a yearly amount that we call an annual payment. You'll either be a FAS top-up member or a FAS single payment member.

## Top-up member

Your former scheme will have secured benefits for you before the scheme fully wound-up. They may have done this by purchasing you an annuity or by transferring the whole of your available funds to another arrangement. Alternatively, they may have paid you all of your available funds as either a winding-up lump sum or a trivial lump sum.



### Single payment member

If your scheme didn't pay out all of your available funds as mentioned above, they would have been transferred to the FAS.

Please get in touch with us if you're not sure which of these applies to you.

### Calculating top-up member payments

We start with your expected pension amount. Broadly speaking, this is what you'd built up in your former pension scheme before it began to wind-up and is revalued to your FAS normal retirement age. Under FAS rules, you're entitled to a maximum of 90 per cent of your expected pension, which is then reduced if it's higher than the FAS cap.

Separately, we calculate the annual value of any annuity your former scheme bought for you in your own name.

In addition, we have to account for any benefits that were paid out of the scheme on your behalf. We convert these amounts into a notional annuity.

Your annual payment is your 90 per cent of expected pension, less any

annuity and notional annuity amounts calculated for you. If the value of your annuity and notional annuity is more than 90 per cent of your expected pension, you won't be entitled to a FAS top-up payment. Even if you're not entitled to FAS payments, it's possible that your survivors would be after you die. Therefore, it's important that you let us know if your contact details change so that we can keep in touch.

As a top-up member you're not eligible for a tax free cash lump sum from the FAS, but if your scheme bought you an annuity, you may be eligible to receive one from your annuity provider. You should contact them for more details.

Every January, part of your FAS payment may increase, once it starts being paid. In general, FAS payments relating to service after 5 April 1997 will increase each year by the rate of inflation, up to a maximum of 2.5 per cent.

However it's important to be aware that any increase to your annuity will also be taken into account and this may mean that your FAS payment will decrease. This is so you still receive the correct level of payment overall.



### Calculating single payment member payments

You're entitled to the higher of two amounts that we call standard assistance and notional pension.

We calculate your standard assistance as 90 per cent of your expected pension, which is then reduced if higher than the FAS cap. Broadly speaking, your expected pension is, what you'd built up in your former pension scheme before it began to wind-up and is revalued to your FAS normal retirement age.

In addition, we have to account for any benefits that were paid out of the scheme on your behalf. We convert these amounts into a notional annuity and deduct it from the 90 per cent of your expected pension.

Your notional pension is based on what your scheme could have afforded to pay you. To work this out, an asset share was calculated for you when your scheme transferred to the FAS. This is the amount of money allocated to pay your scheme benefits allowing for the scheme's funding position. We convert your asset share into what we call a

notional pension, which represents the annual pension amount your asset share could have bought you.

You may be eligible to take some of your FAS entitlement as a tax free cash lump sum at the date your FAS payments start. To be eligible you must not already have received any pension or tax free cash lump sum payments from your scheme and your asset share must have a value of more than £0.

If you're eligible to take a tax free cash lump sum, you'll be able to select this as an option when you reach your FAS normal retirement age. The amount of lump sum you can take is limited by certain FAS and tax rules.

If you take a tax free cash lump sum, your ongoing annual payments will be reduced. However, it's important to be aware that any future payments to your spouse, partner or children following your death, will also be based on this reduced amount.

Part of your FAS payment may increase once it starts being paid. The amount of your payment that increases may depend on what your scheme could

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have afforded. All increasing elements of your payment will go up each year, in January, by the rate of inflation, up to a maximum of 2.5 per cent.

### **When and how you get paid**

#### **Normal retirement**

Generally, we can start making FAS payments when you reach your FAS normal retirement age and once you've provided all the necessary information to us. Members also have the option to retire online using our secure member website.

Although we calculate your entitlement as an annual amount, we pay you in monthly instalments, a month in arrears, on the 21st of each month, into your bank or building society account.

#### **Early payment for ill health**

We can only start your FAS payments early in the following health-related situations:

- ill health
- severe ill health, or
- terminal illness.

Different rules apply to how we support our members in these three situations and to receive early payments you must meet certain criteria in relation to your health and your ability to work.

If you think this applies to you, please take a look at our 'Early payment for ill health' booklet, which you can find on our FAS member website, or give us a call to find out more.

#### **Payments to your family when you die**

When you die, your spouse, civil partner or relevant partner may also qualify for FAS payments. A relevant partner is someone of either sex who you aren't married to, or in a civil partnership with, but who you live with as if you're married or in a civil partnership. A relevant partner will only qualify for FAS payments where your former scheme rules allowed it.

If your former scheme rules allowed for survivor payments to relevant partners and you have a relevant partner, it's important that you nominate them as your beneficiary.

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You can do this on our FAS member website or over the phone using the contact details at the back of this booklet.

You don't need to nominate a spouse or civil partner as a beneficiary for them to be able to receive payments from us after your death.

Your children will also be entitled to FAS payments after you die if they're:

- under 18, or
- over 18, but under 23 years old, and
- on a qualifying full-time educational or vocational course or
- unable to work full-time due to a qualifying disability.

To find out how much your spouse, partner or children can receive, and for more information about eligibility, please see our 'Payments for spouses, partners and children' booklet. It's on our member website, or you can get in touch and ask us to send you a copy.

### FAS Cap

The total amount of payment you can receive each year is capped at a certain level, although the vast majority of our members aren't affected by this cap.

Details of the cap can be found on our member website.

The amount of assistance we pay has been the direct or indirect subject of three court cases. The vast majority of members aren't affected by these rulings.

The Court of Justice of the European Union (CJEU) ruled in September 2018 that pension scheme members should receive at least 50 per cent of the value of their accrued old age benefits, if their employer became insolvent. Since the ruling, we've implemented some changes to our processes. Work is ongoing to pay increases to all members who are affected by the ruling.

The CJEU ruled in December 2019 that any reduction in accrued old age benefits mustn't bring a household below the at-risk-of poverty threshold.

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We're working with the Government on its response.

The High Court ruled in June 2020 that the Pension Protection Fund compensation cap is unlawful. The Government sets the level of assistance we pay, so it's for them to decide how to respond.

You can check our website [www.ppf.co.uk](http://www.ppf.co.uk) for up-to-date information on developments of these cases.

### Your tax

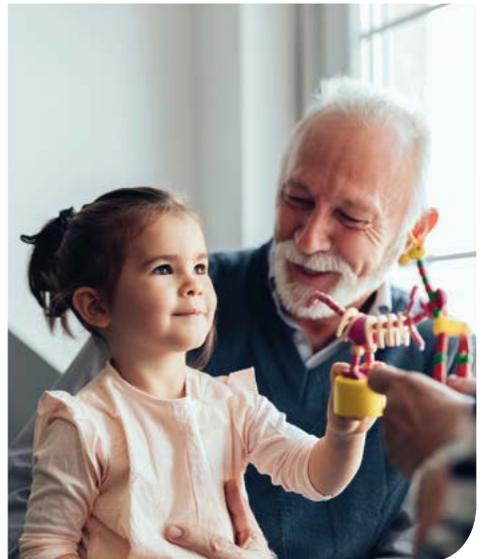
Your payments are regarded as earned income, which means you have to pay tax on them.

HM Revenue & Customs (HMRC) will take into account all taxable income you receive, including your State Pension, other earnings and bank interest before issuing you with a tax code.

We'll produce a P60 for you at the end of each tax year. P60s are available to view, at any time, on our member website. You can also request a copy by post. Your P60 will show the total payments you've received and the amount of tax deducted.

If you have any questions about your tax, please contact HMRC quoting reference 406/JA34863.

**Pay As You Earn and Self Assessment**  
**HM Revenue and Customs**  
**BX9 1AS**  
**United Kingdom**  
**Phone: 0300 200 3300**





### FAS payments and state benefits

Receiving FAS payments could affect any state benefits that you may already receive, such as Pension Credit, Jobseeker's Allowance, Income Support and Housing Benefit. If you're receiving FAS payments, you should tell the office that pays your state benefits.

Receiving FAS payments won't affect your occupational pension from other schemes, your personal pension or your State Pension.

If you have any concerns or questions about this, please get in touch with us.

### Lifetime allowance

Since 6 April 2006, people have only been allowed a maximum amount of pension benefits throughout their lifetime without triggering a tax charge. This amount is called the lifetime allowance.

Most people aren't affected by this.

The lifetime allowance is set each tax year and relates to the benefits people receive from all the pension schemes they belong to, including your FAS annual payment. If you want to check

what the level is, please go to the HMRC website [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Some people may have special protection for their benefits, under HMRC rules. If this applies to you, please let us know as soon as possible.

If you think you may be affected by the lifetime allowance, we recommend that you seek advice from an independent financial adviser. If you don't already have a financial adviser, you can find a local one at [unbiased.co.uk](http://unbiased.co.uk).

### Changing circumstances

It's important that the information we hold about you is accurate and up-to-date. This will help us make sure you receive the right payments, at the right time.

So, please let us know straight away if any of your personal circumstances change.

You should tell us if you:

- get married or enter into a civil partnership
- change your name

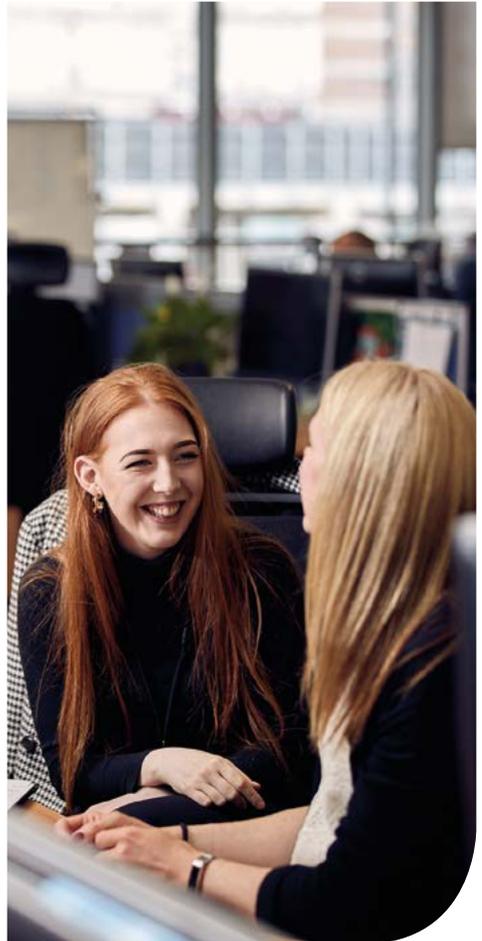
- get divorced or apply to dissolve a civil partnership, or
- nominate someone who can act on your behalf.

For security purposes, you may need to provide supporting documents, for example, if you get married, we'll need to see a copy of your marriage certificate – please don't send us the original.

You should also let us know if you:

- change address, including moving abroad
- change your bank details, or
- want to nominate a relevant partner (if your former scheme rules allow) to receive your FAS payment when you die, or want to cancel a nomination.

You can make these changes on our FAS member website.



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# Glossary

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## annual payment

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

## annuity

A product typically bought from an insurance company which entitles a top up member to receive a regular income for life and, potentially, an income for their survivor after their death.

## asset share

The amount of money calculated and allocated by your former pension scheme to pay your scheme benefits, allowing for the scheme's funding position.

## 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 built up in your pension scheme before it started to wind-up, which is used by the FAS to

work out how much you're entitled to receive from us.

## FAS cap

The amount, set by the Government and recalculated every year, at which annual payments are capped or limited. The vast majority of members aren't affected by this cap.

A higher cap may apply to members who paid into their pension scheme for 21 years or more.

Details of the FAS cap can be found on our member website.

## FAS 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

An estimate of the yearly pension you would have received in return for any benefits your former scheme paid out on your behalf before the scheme had fully wound up. Examples of these types of payment include a:

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- tax free cash lump sum
  - transfer payment to another pension scheme
  - payment to the government to increase your state benefits
  - trivial commutation lump sum, or
  - winding up lump sum.

### **notional pension**

Our calculation of the annual amount your former scheme could have afforded to pay you, based on your asset share.

### **revaluation**

Increases which aim to give some protection against inflation, normally up to your FAS normal retirement age.

### **Pension Protection Fund**

The Pension Protection (PPF) 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 weren't enough funds in the pension scheme to pay members' benefits.

### **standard assistance**

Our calculation of 90 per cent of your expected pension, reduced if higher than the FAS cap and minus any notional annuities.

### **tax free cash lump sum**

In common with most pension schemes, the FAS will allow certain members to choose to receive a tax free cash lump sum – sometimes known as a pension commencement lump sum or PCLS – on retirement in exchange for a lower annual pension. The amount of lump sum these members can take is limited by certain FAS and tax rules.

### **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.

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# Glossary

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## Protecting your data

We take care to handle your personal data in compliance with data protection legislation.

We process your personal data correctly and lawfully, to enable assistance payments to be made to you, to keep you up-to-date with developments and to seek your feedback about ways we could improve our service.

We won't rent, swap or sell your personal data to any other organisation.

You can view our full privacy policy at **[www.ppf.co.uk/fasmembers](http://www.ppf.co.uk/fasmembers)** or you can request a printed copy of the privacy policy be sent to you by using our contact details.

This booklet is for guidance only. It's necessarily simplified and not a definitive statement of law or entitlement.

Information in this booklet is based on our current understanding of the legislation governing the PPF in force at the time of writing.

Payments will always have to be calculated in accordance with legislation which will, therefore, override in the case of conflict.



# Pension Protection Fund

Manager of the Financial  
Assistance Scheme

## Contact us:

**FAS Member Services Team**

**FAS Member Services  
Financial Assistance Scheme  
PO Box 287  
Wymondham NR18 8EZ**

Tel: **0330 678 0000** (Monday to  
Friday, 09.00 to 17.30)

Overseas Members: **+44 (0)208  
406 2121**

Email: **fasmembers@ppf.co.uk**

FAS Member website:  
**[www.ppf.co.uk/fasmembers](http://www.ppf.co.uk/fasmembers)**