



## Government Rescue.

The Government has finally pledged £12.5bn for up to 140,000 people who lost savings when their employer-sponsored pension schemes collapsed. Secretary of State for Work and Pensions Peter Hain has decided to increase Financial Assistance Scheme (FAS) help for those affected to 90% of their accrued pension. He will extend the settlement to cover 11,000 people in schemes wound up by qualifying solvent employers.

The commitment follows Prime Minister Gordon Brown's promise last week to aid the pension scheme victims and comes alongside the Young Review, which examines ways of generating additional value from the failed pension schemes. The review demonstrates the Government could meet trade unions' demands if it brought the residual assets in failed pension schemes, totaling more than £1.7bn, into the Government with a top-up.

The Secretary of State said that all those who lost their pensions had done the right thing by saving for later life. They played by the rules, only to see their pension savings disappear through no fault of their own. Some were within weeks of retirement, having paid their contributions for 30 years or more, when they were so cruelly deprived of their pension.

The Government states that this represents a just and final settlement, bringing the total commitment to £12.5bn in cash terms or £2.9bn in net present value terms.

Although the Government has been criticised over this matter, these are huge amounts and it is right that the Government has been able to maximise the return from residual assets in the schemes that collapsed so that the public purse has had value for money too.

Peter Hain's announcement is good news for the 125,000 people who lost their pensions. The Government will extend the FAS so all scheme members will receive payments from their failed scheme at its normal retirement age, with a lower age limit of 60. Scheme members will face a £26,000 cap to their 90% of accrued pension, the value of which the FAS will protect.

The FAS will raise assistance payments derived from pension accrued post 1997 in line with inflation and allow members to draw a tax-free lump sum, up to their full lump sum entitlement, if their share of scheme funds allows. People unable to work due to ill health will also become eligible to apply for early access to payments from age 60.

The FAS aids people whose pension schemes collapsed between January 1997 and April 2005, while the Pension Protection Fund (PPF) helps members of schemes that have collapsed since then.

While this is undoubtedly a welcome reversal of previous Government policy it is hard not to believe that this couldn't have come earlier. The huge support provided to the failing Northern Rock made the Government's intransigence over this matter indefensible.

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