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Andy Reed MP

Dear Andy

Thank you for your letter of 7 November [REDACTED]
[REDACTED] regarding the British United Shoe Machinery (BUSM)
pension scheme.

I am aware, of course, of the difficult situation that the members of the BUSM pension scheme, and their families, face as a result of the scheme winding up. I do sympathise with those who will not receive the pension they expected.

I can confirm that the BUSM Pension Plan is a qualifying scheme for the purposes of the Financial Assistance Scheme (FAS). Scheme qualification does not necessarily mean that all members of that scheme will be eligible for help from the FAS. Our priority has been to get help to those facing the most urgent difficulties, who will be least able to make provisions to replace their lost pensions.

On 25 May this year, we announced that we will extend eligibility for this assistance to members of qualifying pension schemes who were within 15 years of their scheme's normal retirement age on 14 May 2004. This was the date when we first announced the FAS.

Eligible members will receive assistance according to how close they are to their scheme's normal retirement age. Scheme payments will not usually start until eligible members reach the age of 65 and this applies to both men and women.

FAS payments for eligible members, subject to the £12,000 cap and a *de minimis* rule, will work as follows:

- members who were within 7 years of scheme pension age on 14 May 2004 will receive a top-up to 80 per cent of their expected 'core' pension;
- members who were within 8 to 11 years of scheme pension age on that date will receive a top-up to 65 per cent; and
- members who were within 12 to 15 years will receive a top-up to 50 per cent.

This tapered approach will allow us to reach more people, albeit with lower levels of support for some. It reflects the fact that those further away from retirement have more opportunity to supplement their retirement income. The extension costs around £2.3 billion and is as much as the taxpayer can be expected to fund. It provides significant help to those most likely to need it.

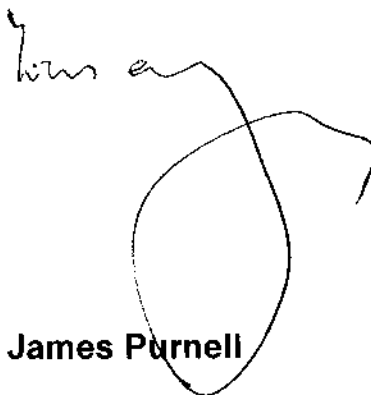
We published regulations to effect these changes, as well as other proposed changes, on 24 July and they were consulted over a period of 8 weeks through to September. We hope that the changes will come into force by the end of the year, ensuring that everyone who is eligible and reaches the age of 65 over the next few years is able to access assistance where appropriate.

The Government considers that extending the Scheme to 15 years is as much as the taxpayer can be expected to bear. Most taxpayers do not benefit from defined-benefit occupational pension schemes and cannot be expected to assume responsibility for the pension scheme liabilities of those that do. Extending the scheme to those within 15 years of their pension scheme's normal retirement will do much to help those who may have suffered significant losses but are least likely to be in a position to be able to make up the shortfall. We believe this provides a fair and final settlement of this difficult issue.

If Mr Butler requires information about his own eligibility, he should refer to his scheme trustee or administrator in the first instance. Information is also available at www.dwp.gov.uk/fas.

Turning to the points raised by Mr Butler regarding the Ombudsman's report, it is, and will remain, highly unusual for the Government to not accept an Ombudsman's report. However, it is not unprecedented: other Governments have, on rare occasions, also not accepted such reports.

As far as the Court case is concerned, it would be highly unusual for us to waive, in advance, recovery of our costs. It is our practice to consider each case on its merits at the end of any Court proceedings and we have been given no convincing reason why we should not do so in this situation.

A handwritten signature in black ink, appearing to read 'James Purnell', with a large, stylized loop at the end of the signature.

James Purnell

For more information on pensions reform, visit www.dwp.gov.uk/pensionsreform.