

Sent by Linda Ward on behalf of Pensions Action Group

February 9th 2011

To all Committee Members of
Works & Pensions Select Committee
House of Commons
London
SW1A 0AA

Dear (Each letter was addressed individually)

FINANCIAL ASSISTANCE SCHEME REGULATIONS 2011

We understand that you will shortly be discussing The Financial Assistance Scheme (Revaluation and Indexation Amendments) Regulations 2011 and in considering the amendments we would respectfully ask you to consider the following points.

No doubt you are aware of the struggle of the Pensions Action Group which has included the involvement of the European Courts and The English High Court following the publication of the Parliamentary Ombudsman's report 'Trusting the Pensions Promise' which finally resulted in the current Financial Assistance Scheme.

We had expected that the Coalition would immediately improve the FAS consistent with the comments previously made to your committee by Steve Webb MP and Nigel Waterson MP on the 7th of July 2009 but in fact the opposite is in danger of happening. The proposed change to CPI from RPI would make FAS's already very limited protection against inflation worse.

We quote the following extracts from the July 2009 committee minutes as published in Hansard:

Steve Webb (Columns 10 & 11 & 12)

'One caveat is that a person who retired before 2004 will potentially have several years in which they get not 90% but zero and that does not seem just'.

'The second and most fundamental problem is that all pre-1997 service is unindexed once the pensions start to be in payment. We are talking here about people whom membership of their schemes might have been entirely pre 1997'.

Mr Webb went on to state 'it will not take many years of 2.0, 2.5 or 3% inflation to seriously erode the values of these pensions'.

These are just two examples. There are many more in Hansard that you should read.

What we find particularly disappointing now is the refusal to carry forward and implement what Mr Webb believed should happen when he was in Opposition. He even covered the Government affordability issue.

Nigel Waterson (Columns 6, 8 & 10)

There are many comments around the mythical '90%', the Cap and early access but here is what Mr Waterson stated:

'Some of those who responded to the consultation said that, in particular schemes members had already paid for certain levels of indexation within that scheme. If that sort of indexation is not readily available the value of assistance in place of their pensions will rapidly diminish'. 'I am commenting on the views in the consultation that the indexation of assistance should reflect the scheme rules'.

We believe that the Government's intention to change the method of calculating annual indexation is based purely on cost, as explained in the Consultation document page 8, section 5. This has convinced us that pressure has been brought to bear by the pension industry and some large schemes.

Most of our members had paid for RPI, in many cases up to 5% p.a., both on their pre-retirement re-valuation and on the FULL amount of their pension, not just the small post 1997 period. For most schemes wind up commenced in 2000 so a member with say 30 years pensionable service will currently only receive any increase on one tenth of his pension, and even that is currently limited to 2.5%pa.

The reduction that the change in the formula for index calculation from RPI to CPI will cause is yet another blow to our members who had believed they were doing the right thing in saving for his retirement. It is interesting that the WRIC will be looking into how to motivate people to save for their retirement. That committee certainly has a lot of examples of what should not happen.

We also note with interest that the Government is now proposing that current private schemes which included RPI as part of their rules will now be allowed to keep RPI as their measure of inflation. If our original schemes fell into this category then we see no reason why we should be treated any differently.

In addition to the CPI/RPI issue, we feel very strongly that the FAS should include the following:

- 1) Adequate protection against the erosion of our benefits by inflation to at least the same level as provided by our company schemes
- 2) Cost neutral early access for a very limited group.
- 3) Compensation for pension that should have been paid before the May 2004 commencement of FAS. Remember the ECJ said less than 50% was not enough and yet for the period prior to May 2004 a few members are receiving 0%
- 4) Realistic assessment of the impact of the cap for those with long service and who are not in the 'Fred Goodwin' category and continued revaluation of the cap while pensions are in payment

It is not acceptable for the Government to keep repeating that the taxpayer cannot afford to pay the increases that we originally paid for., or that Government has to keep a balance between what is in the national interest and what is affordable, irrespective of what The Parliamentary Ombudsman or the Courts have said, when it has fully protected full indexation for what were effectively failed bank pension schemes.

We ask you to remember that the Government is responsible for our losses and that as the treasury is absorbing the remaining funds from our schemes (£1.6bn) the provision of proper indexation will not require additional cash from the treasury for several years by which time the current crisis should be over. This is besides the cost savings that will come from not having to pay for benefits later on in the life of our members if they can't live on their pensions.

Solving the index linkage problem would go a long way to finally closing this issue for once and for all, and help to restore confidence in the UK pensions system that is so desperately needed.

Workers have lost all trust in pension companies, insurance companies, banks, actuaries and Government departments.

Our members feel badly let down by the Coalition especially as we have tried so hard to cooperate and even suggested ways that the Government could fund the improvements.

It is hard not to doubt anybody's word when their actions tell us the opposite.

We have had a long and difficult struggle through no fault of our own, having done the right thing throughout our lives and all we want now is for Members of Parliament to be true to their word, whether in opposition or in Government. Our members should not have to face a future in retirement not only with a pension that is lower than they paid for but also having to worry about the impact of inflation that they have no or very little protection against.

Our campaign will continue until we get what is fair. We cannot afford to live on pensions that will see our standard of living reduce year after year.

You know that FAS does not provide our members with the headline 90%. If you haven't seen the figures already we can show you that many people during their retirement will get less than 50% of the value of the pension they paid for. You have not treated any other group so shabbily.

Just consider how you would feel if you were told just before retiring that due to Government errors you were only going to get a pension based on the FAS criteria and rules, including no indexation for most of it.

We would not want you to suffer that fate but we do sincerely hope you have the courage, humanity and decency to understand the position we are in, and to let the FAS continue to use the RPI as the basis for the inflation calculations

Meantime we will be continuing our cooperative campaign to improve FAS to the level it should be and you as part of that will be providing evidence to the WRIC

Yours Sincerely

Pensions Action Group
Richard Nicholl
Peter Laspinkas
Peter Humphrey
Andrew Parr
Terry Monk

Please support the Pensions Action Group Campaign for full compensation for people who have lost all or part of their pension due to Government mistakes. For details go to <http://www.pensionstheft.org/2230.html>