

THE PENSION UNFAIRNESS OF GOVERNMENT

A Crisis of Trust

Introduction

Schemes that commenced winding up between 1997 and 2005 are covered by the Financial Assistance Scheme (FAS). As the Pension Minister acknowledges, the FAS rarely achieves its headline claim to award 90% of the expected pension. Normally, it is much less. PAG is campaigning for 100%, as argued by the Parliamentary Ombudsman in her paper "Trusting in the Pensions Promise".

Indexation

The FAS, when calculating the 'expected pension', disregard indexation after normal retirement age (NRA). The FAS payments limit indexation to contributions after 1997. Scheme indexation for pensions saved before 1997 is thus ignored.

Pre-2004 Payments

Those who retired before 2004 receive no FAS payments for the earlier years, in spite of having suffered the same injustice as all beneficiaries. This is wrong.

The Cap

The total pension received cannot exceed a certain value, known as the cap. The cap takes no account of length of service nor the proportion of the total pension savings that the FAS pension might represent. The cap is also never revalued after the NRA. It is thus very unfair.



Steve Webb (Minister of State for Pensions)

"for financial and other institutions in recent months and years, the Government have for some reason decided that a 100 per cent bail-out is appropriate. However, for FAS pensioners, 90 per cent. is seen as appropriate....."

"some pensioners will get far less than that on day one. Indeed, most, if not all, of the pensioners —about 114,000 people— will see a decline in their real living standards year by year, decade by decade....."

"The second and most fundamental problem is that all pre-1997 service is un-indexed once the pensions start to be in payment. it is not even 90 per cent. on day one, let alone in year two, three or four.

FAS Regulations Committee on 7th July 2009

George Osborne (Chancellor of the Exchequer)

George Osborne pledged at the 2009 Conservative Conference "I will reverse the effects of Gordon Brown's pension tax raid". However, it has never been "reversed" as promised leading to even greater mistrust in pensions.

Conservative Party Conference 2009

Tax Free Lump Sums

The FAS only permits schemes with significant residual assets to offer tax free lump sums (TFLS), and then only up to 25% of the value of their share of the assets (not the value of their original pension). Thus those who have lost the most, get proportionately the least.

Pre-retirement revaluation

The FAS uses a standard calculation to revalue pension entitlements from the date of leaving a scheme. This can differ from scheme rules. There will be some who gain but many will lose.

Split Retirement Ages

Some pensioners are entitled under their original schemes to certain benefits which were payable at a specific age. It is unjust to now require them to wait for these benefits under FAS rules.

Earlier Entitlement

Some schemes made provision for members to retire before the NRA without any actuarial reduction. This was built into the original scheme and would have been funded by the member's contributions. It is ignored by the FAS but not the industry insured Pension Protection Fund (PPF).

Early Retirement

Most schemes allow people to take their pensions early with an actuarial reduction. The FAS does not allow this.

Ann Abraham (Parliamentary Ombudsman)

The Parliamentary Ombudsman, published her report in March 2006 following an 18 month enquiry into claims that workers were misled – similar in many ways to the accusation levied at Thatcher's Conservative Government.

Her conclusions were damning. She described government information on occupational pensions as inaccurate, incomplete, unclear, inconsistent and she laid the ultimate accusation of maladministration before Parliament.

Despite the very favourable ruling, The Pensions Action Group (PAG) is still campaigning for justice and the full restoration of their rightful pension entitlement following the inevitable en masse collapse of hundreds of final salary schemes.

Over eight years have since passed and justice is still not served. David Cameron and Nick Clegg announced that honesty and fairness were central to the coalition's mandate. We are still waiting for the Coalition to honour that pledge.

Gordon Brown (Chancellor 1997-07 Prime Minister 2007-10)

Under the misleading guise of "new structural budget reforms to encourage investment", Gordon Brown introduced for the first time the full taxation of pension investment dividends two months after New Labour's election win in 1997.

The devastating tax raid has all but killed off final salary schemes for millions of ordinary pensioners. The official total cost to occupational pensions is estimated at £118 billion, growing by some £9 billion per annum, a figure that completely dwarfs the cost of meeting PAG's claims.

Gordon Brown in 2014 is now on record of having made the ultimate contradiction of his entire political career:-

"Why risk losing something that you have paid into all of your working life"

