Pensions Action Group Newsletter

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Reminder, Reminder, the 5th of November!

Our London protest march is nearly upon us, so if you haven't made arrangements yet, you'd better get your skates on! It's being held on Sunday November 5th and is aimed to bring home the fact that the loss of hard-earned pensions can mean great hardship and heartache not just for individuals but for whole families - and we need your support! If you have lost your pension you must make the effort to join us in our march down Whitehall.

We will gather at Whitehall Place (which is off Whitehall, near Trafalgar Square) at 12.30pm for a 1pm start. Please being your whistles and kazoos. We will have banners for you to wave.

From there, we will march to Downing Street and the Houses of Parliament, before ending at St John's, Smith Square, where there will be guest speakers.

Andrew Parr (one of the organisers) said "When we get to Downing Street, two adults and four children will hand in our petition. We want to show that all generations are likely to suffer as a result of this. For example, grandchildren will end up going without presents on their birthdays and at Christmas."

As this is November 5th, our theme will be Guy Fawkes so if you want to dress up please do so.

We believe that real pressure is mounting on the government now, so we must make a very strong effort to keep this in the public eye. Please make the arrangements now to join us, bring your family and friends! Don't leave it to the rest of us!

It is important that we show how our families have been affected by this injustice. Please bring your own sons and daughters and any grandchildren you may have! Make a day of it, there will still be time to get back home for your bonfire!

Government remains defiant

On 2 November, the Government finally gave its response to the Public Administration Select Committee's report, in which it backed the Ombudsman's demand that our pensions should be compensated in full.

In a written answer, James Purnell, Minister for Pension Reform, stated "The Ombudsman has, and will continue to have, the total and unqualified respect of the Government."

This "total respect" however does not extend to accepting her verdict or following her recommendations. The only 'concessions' have been to accept that 'deemed buy back' (whereby you get to buy your way back into SERPS at a discount, having paid for it once already in the form of your 'Guaranteed Minimum Pension') could be more widely publicised and, perhaps, tweaked. And that schemes should normally be able to complete wind-up in 2 years.

As Ros Altmann comments: "In 1999, then Pensions Minister Stephen Timms presided over a Government inquiry into how to speed up wind-ups. He said the Government was anxious to make sure wind-ups were completed more quickly to alleviate the stress and uncertainty suffered by members while waiting for wind-up to finish!! Here we are, 7 years on, and the Government has done nothing to help at all, but is suddenly agreeing that wind-ups should be quicker and perhaps within 2 years from now! You couldn't make it up"

So – no more money on the table for the vast majority of people affected. Government believes that the FAS, which will give only a fraction of the pension we paid for, and leaves some people with 20 years or more service without even their 'Guaranteed Minimum Pension' (sic), is perfectly adequate.

Purnell has often expressed his "huge sympathy" for us. It looks like that's all we're going to get if he has his way, so we'll carry on fighting until he changes his mind or leaves office. Show him what you think – come to the London demonstration!

Action in Parliament

Ros Altmann gave a powerful presentation to MPs at the House of Commons on 17 October where she clearly laid out the Government's full role in the pensions debacle. Word is slowly getting through to MPs that this is a serious issue which will not go away.

We can build on her work. Now that the Government have revealed the full extent of their intransigence it is time to contact our MPs and demand that this should be debated in the House of Commons and that there should be a vote, to force MPs to get off the fence. This is about much more than pensions. It is about the style of Government which we are to have in this country. If Government can ignore the considered verdict of the regulators set up over it, then one of the most important limits to Government power will have been removed. Once elected, they will be able to do anything they want. If you don't think that would be a good thing, now is the time to contact your MP and make your views known.

Conservatives on the attack

After a very weak performance over the summer, the Tories are starting to wake up. The shadow Chancellor, George Osborne, had a very successful joust with Gordon Brown over the subject of pensions, which included this jibe: "Does he accept what his own party says - that he has made serious mistakes in the handling of pensions? If he cannot accept that, surely the current Secretary of State for Work and Pensions is right: the Chancellor will make an 'effing awful' Prime Minister?" If your MP is a Tory, perhaps you could write and let him or her know that we support their moves towards pensions justice.

Gordon Brown's Tax Raid - The true cost

by Terry Arthur

(Terry Arthur was the author of the original report which identified the true cost of Brown's tax raid. He has written this piece specially for this newsletter.)

Gordon Brown's infamous tax raid on pension funds via his 1997 abolition of Advance Corporation Tax Relief has cost pension funds far more than is commonly realised. My calculations suggest that the value of the loss is well over £100 billions and possibly closer to £200 billions, which compares with a typical estimate of less than £50 billions. Furthermore my estimates apply only to losses on assets held in 1997.

The difference is easy to explain. The lower numbers simply take an annual figure of up to £5 billions and roll it up to the present day allowing for compound interest. This method ignores the fact that the loss is ongoing and should be capitalised into a single figure.

An actuarial valuation of the assets and liabilities of an occupational pension scheme rests on two principles. Firstly it separates out "accrued" assets and liabilities (based on years of service to the valuation date) and secondly it uses standard techniques of discounting future cash flows.

This methodology is ideally suited to estimating the effect of the tax-grab. Gordon Brown could have legitimately (if not morally) changed the rules for future assets representing future company service; companies would at least have the option to reduce future benefits accordingly. But he also applied his new rules to assets held at the time (1997). These assets were there to meet liabilities already built up; suddenly the value of the existing assets fell in accordance with the loss of future dividend income. (By value, I mean fair value as assessed from dividend flows rather than the much more volatile market value which cannot be utilised except to pay immediate benefits).

The Treasury tries to rubbish this by arguing that the government cut Corporation Tax and removed the "distortionary" impact of dividend tax credit. But the Corporation Tax cut was NOT retrospective and has nothing to do with accrued assets and liabilities. And the removal of a socalled distortion was an open invitation to greater profit retentions to be spent by executives without reference to shareholders. All history suggests that this leads to malinvestment rather than productive investment, and I have no doubt that it accentuated the boom and bust of those years.

The Brown tax-grab (for which Norman Lamont gave a precedent) must go down as one of the worst tax decisions of all time, with predictably horrible consequences.

Date for the Judicial Review

Ros Altmann reported on 22 October that the case for a Judicial Review over Government rejection of the Ombudsman's report has been accepted by the High Court and the hearing is set for 7 February 2007. The judge has recognised the urgency of this case, but the Government has continually delayed and failed to meet the required legal timetable. It has still not filed a defence, but it will now be forced to do so within 35 days.

Superb media coverage

The press are continuing their huge levels of support. There have been major 2-page articles in the Independent, Mail on Sunday and the Sunday Telegraph over the last fortnight, which have now been joined by the Mirror, the Sun and the Times. We continue to get extensive and favourable coverage in the specialist media for the Pensions industry and Independent Financial Advisers.

They will continue to do this as long as they feel that people are interested, and they judge this by the size of their mailbag. We can help to keep the issue on their agenda by writing to the papers whenever the story is featured. To make this easier, we have set up a media response group: members receive an email whenever a suitable article appears together with details of where to respond. If you would like to join, either send an email to

pagmail-subscribe@yahoogroups.com

or go to the website at:

http://groups.yahoo.com/group/pagmail

Sign the petitions

5298 people have now signed the petition which Saga have set up on our behalf. If you haven't signed it yet, please do as this is the best opportunity we have to show the depth of feeling across the country. The target is 10,000 signatures so there is still a way to go – encourage all you family and friends to sign too! You can reach it here:

www.petitiononline.com/Pensions/petition.html

A second petition is being organised by Labour MP Alan Simpson but sadly his hard disk failed and all the email signatures collected to date have been lost. If you signed by email please could you do so again at:

www.alansimpsonmp.co.uk

Solvents update

By Richard Nicholl

After applying pressure through my (Cons) MP Bill Cash, I was granted a meeting with James Purnell, the Pensions Reform Minister on October 25th at the DWP.

The main points of my presentation were the continued exclusion from assistance for members of schemes with solvent employers, and the illogical age barriers included in the proposals for the updating of the FAS.

Mr Purnell gave his usual Cut & Paste answers, which were not convincing. He was either poorly briefed or actually believes his own spin. I pointed out, yet again, that the companies had acted legally, and that there was no way that the trustees could take any further action against them, and that legislation that was introduced later on, to shore up the protection available to us, was not made retrospective.

With regard to the age barriers he said it was the only fair way to distribute funding. I told him it was illogical, as the 'younger' longer servers were discriminated against. He said it was the only way, because there was not enough money to give something to everyone! If there had been a share out of the current funding among us all, then we each would have about 10% of our expectations! So he came to the same conclusion that we are already well aware of - it needs more money!

I will be following up my meeting with a letter back to him, reiterating my comments, and adding further suggestions and arguments that I could not make as we ran out of (his) time.

The very useful thing was that my MP Bill Cash was very supportive in the meeting, and now has a deeper understanding of our situation. I am sure he will be more active in future in helping us.

So get to see your MP. They need educating, and then they begin to understand and create some fuss for us!

Cost of PPF to rise

The Telegraph reported at the end of October that the levy on defined benefit pension schemes for the Pension Protection Fund is set to rise by 50%. This follows on an earlier 50% increase, yet the PPF has yet to start paying out to a single scheme. A spokesman for the PPF is quoted as saying that "We're a lean and efficient organisation."

"This is symptomatic of the attitude that pension funds, or the companies that sponsor them, can absorb any costs that Government throws at them," said Stephen Yeo, a senior consultant at actuaries Watson Wyatt.

MP's pension scheme in deficit

When the pension scheme for MPs was found to have ran up a considerable deficit three years ago the Government took steps to deal with the problem. You might expect that the scheme would have been wound up, in the same way as private sector schemes, but you would be wrong. Even though the Minister for Pensions Reform is adamant that taxpayers money should not be used to "bail out" members of failed pension schemes, he appears to have no problem with the fact that the taxpayer's contribution to his own pension was **tripled** from 7.9% to 24% of earnings, and it will be going up again this year to 26.8%. This increase is, of course, index-linked to his earnings.

Members of failed schemes are suffering because the Government failed to put in place adequate protection for them. But then, it's not their pensions which are affected, is it, so why should they care?

Keep in contact

If you would like to keep in touch with events as they happen, to chat and exchange notes with others in the same boat, why not join our email group? Full details at http://tinyurl.com/ruams

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Previous issues

You can download previous issues of the newsletter from (inserting the number of the issue you want):

www.pensionstheft.org/newsletters/
newsletter01.pdf
