Pensions Action Group Newsletter

Issue 5 11 December 2006

A pension is for life, Not just for Christmas!

Parliamentary debate
Government remains defiant

The long-awaited debate on lost pensions and the Government's defiance of its regulators took place on Thursday 7 December. There was a powerful opening speech by the chair of the Public Administration Committee Tony Wright, who made the case clearly and eloquently for Government to recognise the authority of Parliament and to organise appropriate compensation for those affected. Although the debate was curtailed through lack of time, he was followed by speaker after speaker who all (bar one) supported and amplified the case he was making. Throughout the speeches there were a series of interruptions by members who had not been able to get on the list of speakers but who still had important and supportive points to make.

The one dissenting MP was the last to speak. Having heard all the arguments, who was it who could not see that the Government was at fault, and who believed the Parliamentary Ombudsman, the entire Parliamentary Select Committee and all of the previous speakers were misguided? It was the Minister for Pensions Reform, James Purnell. He looked a lonely figure as he insisted that everyone was out of step apart from him.

Because (in spite of all evidence to the contrary) he does not believe that the Government was at fault to the slightest degree, he does not feel that compensation is appropriate. Such help as he is prepared to offer is therefore merely a recognition of hardship rather than righting a wrong done by Government. And he feels that the Financial Assistance Scheme (see below) is the very best that can be offered, given the Government's duty to be frugal with taxpayers' money.

You can read a full transcript of the debate in Hansard here: http: //tinyurl.com/ydoeaq

There was no vote at the end of the debate, so Parliament has not yet delivered its verdict on the Government's behaviour. We must therefore redouble our efforts to persuade MPs of all parties to convince the Government that it must change its mind.

Next protest – 13 December, Westminster

The next symbolic protest will be held on Parliament Green (nearest tube is Westminster) on Wednesday 13 December at 11:00 for 11:30 am and will last until 3:00 pm. The theme will be 'begging for justice' so come dressed in rags (warm rags, as it's likely to be cold). There will be two hampers – one full to represent Christmases past and one empty to represent Christmases present and future. There will be a banner reading "Pensions are for Life - Not Just for Christmas!" plus others available on arrival. This protest will also offer the opportunity for important individual lobbying of MPs in advance of our Judicial Review in February next year.

Early Day Motions

There is an all-party early day motion (a device used by Parliament to gauge support on various issues amongst MPs) which is aimed at demonstrating support for the restoration of our pensions. It is number 241 and you can read it here: http: //tinyurl.com/ydx87b

So far, there are 157 signatures (out of about 650). Have a look and see whether your MP has signed. If not, drop him or her a line and ask. Some Conservative MPs have taken issue with the wording, so there is a second EDM (number 106) , with 90 signatures, which some find more acceptable. Some MPs feel so strongly that they have signed both!

We already have about ¼ of all MPs supporting us but we need more if we are to persuade Government that they have to listen.

Saga petition

The petition organised by our friends at Saga are continuing to gather signatures with the total now standing at nearly 6,500. If you haven't signed, or know of anyone who hasn't, now's the time to get your names down. You can reach it here:

www.petitiononline.com/Pensions/petition.html

Don't forget to click the button marked 'Preview my signature' after signing, to ensure that it has registered.

Successful symbolic protest 6 December

Jacquie Humphrey

One of our smaller demos, but none the less effective, for that, took place on Parliament Green on Wednesday 6th. The idea was to catch MPs and hopefully Brown and Blair as they were arriving. The 'maladministration banner' was so big they couldn't have missed it! Cars hooted in support, and several MP's including Phil Hammond took time to come over and speak.

Meanwhile, I had gone into the Commons to try and deliver a letter to Brown as he emerged from the Chamber after his speech, asking him if he'd find time to talk to some of us, as up until now he has never responded to our request for a meeting. As was probably expected, he went straight for lunch and champagne, bypassing the lobby. I eventually handed the letter to Malcolm Wicks who promised to make sure Brown got it. (not a phrase that this government is familiar with!!).

Also managed a quick word with Cameron. When asked what he was doing to help sort this injustice he replied: "I'm trying, I'm trying." Earlier Roger Day (Dexion) had been man-handled by plain clothes police for doing nothing other than being there. Two members of the group had been working all night before attending and John Benson had travelled up from Cardiff. WHERE WAS EVERYBODY ELSE....?

Protest March Sunday November 5th 2006

Over 300 people took part in a protest march in London on Sunday 5th November . The theme of the march was Guy Fawkes (the only man ever to enter Parliament with honourable intent). In addition the marchers had brought along their children and grandchildren from all over the country to demonstrate that the loss of a pension affects not just the workers but also many generations.

The grandchildren had all written individual letters to Gordon Brown and Tony Blair. These were collected in a mock up red postbox by suitably attired postman Bob Duncan (BUSM). The letters were marked for the attention of Tony Blair and Gordon Brown and delivered to 10 Downing Street by Mick Eaglestone's granddaughters Maya Lewis (11) and Ruby Lewis (13) with John Benson's grand daughter Danielle Benson (7) and Alan Marnes' grandson Aaron Carter (3) holding the bag. Peter Humphrey and Dr Ros Altmann escorted the children.

After the letters had been delivered the march continued past Parliament to St Johns Smith Square where there were speeches from pensions expert Dr Ros Altmann, Adam Price MP, Jo Thornhill (from the Mail) and Sittingbourne and Sheppey Tory candidate Gordon Henderson. Dr Altmann also read out a letter from Tim Bull of Saga. This letter can be found on our Documents page of our website. For the record, the use of a loudhailer for the speakers meant we had to pay Westminster Council £150 for a license.

Thanks as ever to the Metropolitan Police for the slick organisation and their unfailing good-humour and common sense.

There was a very good media turnout and excellent reports appeared in many newspapers. We were covered, with interviews, on local TV and radio but unfortunately the Saddam Hussein trial verdict pushed us off the nationwide TV news channels.

Judicial review update

The Department of Work and Pensions was supposed to have submitted its defence to the

High Court by 22 November but failed to do so and, when asked, said that it would be ready by 13 December. Our lawyers challenged this and the judge, Sir Andrew Collins, responded forcefully: "I shall require a full explanation why the 35-day time limit was not met . . . The rules are there to be obeyed and an application to extend time should have been made before it expired . . . simply announcing there would be non-compliance is hardly acceptable." He then summoned them to appear before him on 5 December.

Miraculously, the DWP lawyers were able to produce their defence just before the hearing and, through making profuse apologies and some serious grovelling, were able to persuade the judge to accept it and not disqualify them from the hearing. Our team were awarded costs.

However, the Government have still not withdrawn the threat of seeking 'unlimited costs' from the brave pensioners who are undertaking the action. This could amount to hundreds of thousands of pounds if the case goes to appeal. The Pensions Minister James Purnell was directly challenged on this by Richard Burden in the parliamentary debate and this is what was said:

Richard Burden: "My hon. Friend said that the Government were waiting to hear from the pensioners' representatives, but it has now been established that it is the other way round. When will the representatives of the pensioners be hearing from the Government? "

James Purnell: "That has not been established. I said - this continues to be the situation - that the representatives have not made the case that the matter fits into the normal precedent whereby the Government would waive costs. We have said not that we will enforce costs, but that we will consider them, as we always do, at the end of the case."

In fact, our legal team have written at least nine times to the DWP asking for the threat of costs to be dropped and have met only with evasion and prevarication.

That nice Mr Purnell will probably get a knighthood out of this.

Farepak

The distribution company Farepak went out of business at the beginning of November, leaving, as an odd co-incidence, about 100,000 people without the Christmas goods they had saved for during the year. This was a tragic event for those affected who will, as a result, face a bleak Christmas.

The government's response, though, was very interesting. Gordon Brown said it was a "National Disaster" (his own words) and wrong that people "could lose the money they had conscientiously saved". A fund was started and MPs were asked to donate a day's pay to the fund. Most are apparently complying. In addition, the government leaned on the High Street chains of Tesco, Sainsbury, Morrison, M&S etc to make donations. They have also had quiet words suggesting help from Farepak's bank.

All this is very fair and honourable, but does it not jar with the way the government had treated us? The Farepak customers have lost one Christmas and a few hundred pounds. We have lost all the Christmases for the rest of our lives and hundreds of thousands of pounds.

The government had no liability whatsoever for Farepak's trading, yet it has acted responsibly. What is the difference? The cynical may think that it is a clever, low-cost media spin exercise to make Gordon Brown seem human.

FAS Update

The vehicle through which the Government plans to 'help' those who have lost their pensions (not 'compensate' as that would imply that they accept some degree of fault) is the Financial Assistance Scheme. We know that 125,000 people have experienced loss of pension due to scheme wind-ups. However, only 40,000 are likely to be eligible for assistance. Of these, only 10,000 have reached 65 and are therefore eligible for assistance now.

So, having ruled out 92% of those who have suffered losses to arrive at their list of eligible people, how many are actually receiving payments?

You have to remember that the FAS Operating Unit (FASOU) is a new organisation, only founded in September 2005, and so it will have taken some time to come up to speed. So the number of members receiving payment (by the end of October) was …… 454, representing 4.5% of those who urgently need payment now, and only 0.3% of those who have lost pension.

At this rate, the FAS will achieve 100% payment of those currently eligible in 24 years, by which time many of those waiting (who are already over 65) will be dead. Those who turn 65 in the meantime will join the end of the queue.

The Government have so far disbursed only £1.3 million in interim payments or in buying annuities for members but, lest anyone should think they have been idle or have been wasting time, they estimate that they will have spent £10.4 million on set-up costs and administration by March 2007 so someone there has obviously been very busy indeed.

Another way of looking at this is that the 74 full-time equivalent staff at FASOU have so far processed just over 6 members each over 14 months , a rate of about one every 45 working days (using the term 'working' in its widest sense).

Whichever way you slice it, this is a pathetic record.

Never mind. The Pensions Minister, James Purnell has 'every sympathy' with our plight, so we'll be able to use that to keep ourselves warm in our old age.

How the PPF works

Adrian de Segundo

(This guide is based on a study of the PPF website, a presentation by its chairman Lawrence Churchill sponsored by Punter Southall in London on 08 Nov 06, and reference to the Pensions Act 2004.)

1. HOW ENTRY TO THE PPF PROCEEDS

1.1 Assessment Period

This is triggered by a 'qualifying insolvency event' occurring after 06 April 2005 in relation to an employer of a scheme which is 'eligible'.

Only defined benefit (ie final salary) schemes are eligible. The PPF publishes a monthly list of schemes found eligible and thus entering assessment.

1.2 Stages of Assessment

First of all the PPF checks 2 key questions to see if a scheme can

- be rescued
- afford to pay at least the PPF level of benefits.

If the answer to either question is "yes" the PPF ceases to be involved. See 1.4 below.

If the answer to both questions is "no" the PPF proceeds with a detailed actuarial valuation.

When this valuation is complete and the PPF accepts it the same 2 questions are asked again.

1.3 PPF Taking on Responsibility

If the answer to the 2 questions is still "no" - ie a scheme does not have enough assets to pay even PPF levels of compensation - the PPF assumes responsibility and pays compensation.

1.4 Rescue or Wind up outside the PPF

A scheme can be rescued if an original or new employer can continue as a going concern. A scheme will wind up outside the PPF if it has at least enough assets to meet PPF levels of compensation. 6 schemes were in one of these categories during the PPF's 1st year - to 6 April 2006.

1.5 Length of Assessment Period

One year or more, depending on scheme size. The first 3 schemes have just come out of assessment, and the PPF has started to pay compensation to 46 pensioners, Payments to these people will be totally or largely frozen from now on, at a time when inflation is on the rise again.

1.5 Scheme Operation during Assessment

Trustees continue to run their schemes, but under PPF direction and paying no more than PPF levels of compensation.

The PPF will require any changes to scheme rules or discretionary increases made during the 3 years prior to entering assessment to be undone.

2. LEVELS OF COMPENSATION

- 100% of pension paid if you'd reached scheme retirement age from date scheme entered assessment.
- 90% of pension due if you'd not yet retired, subject to current cap of £26050pa.
- No indexing on part of pension for which you contributed up to 1997, and max 2.5% pa for subsequent contributions.
- Spouses pensions maintained at 50% of PPF compensation level
- Severe penalties on early retirees - compensation down to as low as 1/3rd of current pension

- Pensions Act 2004 gives Secretary of State power to reduce compensation levels for whatever reason.
- Secretary of State specifically denied power to inject money into PPF
- PPF board may reduce levels of indexation if it sees fit.

Thus levels of compensation are not guaranteed.

3. FINANCIAL STRENGTH OF THE PPF

PPF reckon they are on course after one year. Deficits are high as expected in the early years, the number of schemes entering assessment is less than thought, and recovery of money from employers has been surprisingly good.

The PPF is funded by a levy in 2 parts, one relating to insolvency risk and the other to scheme size. So far the risk part is higher - to encourage employers to put their schemes in order - but the PPF can and would change the proportions of the levy if they felt the need to.

In year 1 the PPF got £4m investment income and with funds of £10bn expected to be taken in over the next 5 years this will grow sharply.

However there are £485m of 'probable' claims and £483m of 'possible' ones. Lawrence Churchill considers this manageable, while stressing the needs never to be complacent and to meet the challenges of long term risk.

4. INVESTMENT PRINCIPLES OF THE PPF

The PPF has the right to set - and change its investment principles. Current allocation of assets is:

Cash	20 %
Global bonds	50 %
UK Equities	12.5 %
Global Equities	7.5 %
Property	7.5 %
Currency	2.5 %

3 Fund managers have been appointed, including Pimco of the US.

The PPF will argue that he above reflects their liabilities and approach to risk.

5. IMPRESSIONS OF THE PPF

Under its chairman Lawrence Churchill the PPF is doing an honest, open and competent job. Indeed the frequent references to clarity, integrity, trust & "ensuring that reliance can be placed on our written and oral statements" is a welcome and refreshing change from Government spin and, frankly, deceit.

Their claim to provide "Security in Retirement" is based on where schemes would be without them, rather then on original benefits promised.

6. SO WHAT'S WRONG WITH THE PPF THEN ?

Its terms of reference - which all comes back to politics and our elected representatives.

PENSIONS PROMISES MADE should be PENSIONS PROMISES KEPT.

WHAT WE NEED ARE FULLY RESTORED PENSIONS RIGHTS FOR ALL.

WHY SHOULD THOSE WHO'VE SAVED, AND DONE EVERYTHING THEY WERE ASKED TO, BE CHEATED OF A FAIR AND DECENT PENSION?

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

Happy Christmas

Finally, warm wishes for a happy, relaxing and peaceful Christmas to you and yours from all at PAG. Have a good one!

To receive future copies of this newsletter direct by email, send a blank message to subscribenews@pensionstheft.org