Pensions Action Group Newsletter

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At least Robert Maxwell had the decency to top himself

Gordon Brown was warned of the risks when he made a tax raid on our pensions in 1997 – but went ahead anyway! His officials told him that taking £5 billion per year in Corporation Tax exemptions away from company pensions could have a devastating impact – especially on the lower paid - but he judged that the benefit to the economy (and his reputation) was worth the cost.

These dramatic revelations come as a result of an request made in 2005 under the Freedom of Information Act in which the applicant asked to see the advice which Gordon Brown was given prior to making the tax change in his 1997 budget. The Treasury refused to provide the documents and, when the Commissioner decided in favour of the applicant last June, they lodged an appeal. The appeal was due to be heard next month so, presumably to avoid even more damaging timing, the Treasury slipped the documents onto its website quietly on Friday 30 March, after Parliament had risen for Easter.

The revelations received massive press coverage over the following weekend. Brown's spokesman, Ed Balls, tried to defuse the situation by claiming that the Treasury had been subject to intense lobbying in favour of the change by the CBI. Unfortunately, he hadn't checked his facts and the CBI was forced to point out that it had in fact lobbied **against** the change, because of the damage it would do to pensions for their employees.

Since then, Gordon Brown himself has defended the decision. He said: "It was my decision and I take full responsibility for the decision. If I were taking the decision again, this would be the right decision. It was the right decision to make for investment, for pensions and for the future of the British economy."

He is clearly speaking the truth as he sees it. The impact of his annual tax grab on pensions became obvious very soon, as the dotcom bubble burst, yet he did nothing to staunch the flow of funds from pension schemes into the Treasury coffers. There

This poster is being displayed in Wales – see story inside have been nine budgets since 1997. Nine opportunities to correct this mistake. But each time, Brown has chosen to keep taking. We can only conclude that the pain that he was inflicting was quite deliberate.

His argument that taking £5 billion a year from pensions was right for pensions can only mean that he sees the destruction of private pension provision (and of our pensions) to be a good thing. Robert Maxwell also destroyed many peoples' pensions but, when he was discovered, he at least had the courage and the residual decency to fall on his sword. Gordon Brown, by contrast, believes that he is fit and, indeed, destined, to hold the highest office in the land.

The political response to these developments has been rapid. Mr Brown's predecessor as Chancellor, the Conservative Kenneth Clarke said on BBC Radio 4's Today programme: "It is obvious when we look back that it had been a very bad decision. His judgment was wrong. He should plainly have rejected this idea. This is one of the worst decisions that Gordon Brown made and it has done a lot of damage to pensioners, not just their pension funds."

The Tory MP Michael Fallon, deputy chairman of the Treasury Select Committee, has said that he will propose an investigation into the 1997 decision. Mr Brown could be summoned to testify to the Committee on why he went ahead with the tax change, despite explicit warnings from Treasury economists that it would result in a huge chunk being taken out of retirement savings. Philip Hammond, the Conservative work and pensions spokesman, said: "It beggars belief that in the face of clear warnings, Gordon Brown went ahead with the move that has devastated British pensions.

"This display of contempt for pensioners, present and future, and his reluctance to admit the truth, once again calls into question Gordon Brown's fitness for the highest office."

The Tory leader, David Cameron, has announced that he will call a debate on the issue as soon as Parliament reconvenes.

All this is good news for the profile of our campaign, but we have to be careful that the issue doesn't get hijacked. There are many people, in the Labour party as well as in the Opposition, who would like to see the demise of Gordon Brown. There is a danger that this will become the focus of events rather than the issue of adequate compensation for those with lost pensions. We must continue to put forward our own agenda and ensure that we don't get forgotten in the excitement of the political fight.

PAG poster campaign

The illustration on the front page is being used by the PAG in a poster campaign in the run-up to the local elections. PAG is not a party political organisation, but we live under a Labour government and so it is to Labour that we look to put right the injustices which we have suffered.

The first poster of the campaign will be unveiled in Cardiff today on a site which will be hard to miss. Watch out for more to follow!

Tax hike weakened the MFR

As if the removal of £5 billion per year from our pensions was not enough, it also weakened the Minimum Funding Requirement, the test which schemes had to pass in order to show that they were solvent. An article in the Times of 27 July 1997 the Chairman of the actuarial profession's Pensions Board, Harvie Brown, is quoted as saying "Members could be lulled into a false sense of security thinking their fund was 100% funded when it could actually be considerably less than that." The actuaries were pressing the Government for a change in the legislation and Harvie Brown went on to advise members not to take transfer values until it was sorted out.

Of course, as we know to our cost, it never was sorted out. The MFR level was later adjusted, twice, but both times it was made even less stringent. People believed that a scheme which met the MFR requirement would pay their pensions. Government knew this but, far from warning people, they treated the risks as though they were a state secret.

It is hard to escape the conclusion that there has been a concerted effort by Government to undermine final salary pension provision in this country.

In 1997 when Gordon Brown took office, 90% of pension schemes were final salary. Now the figure is around 10% (Scotsman, 3 April 2007). A recent survey by financial services firm MetLife revealed that 70 per cent of adults do not trust the government on pension reform and 25% were now less likely to invest for retirement following recent government action on pensions.

It seems therefore that their effort has been wildly successful.

Government Arguments

By Adrian de Segundo & Peter Lapinskas

In their responses, Government spokespeople have put forward the following points in favour of the tax change.

The pre 1997 tax system was distorted. Pensions are taxed when you receive them. Dividend tax credits were introduced in about 1980 to remove this double taxation. It is Gordon Brown's tax raid which is the distortion.

The sum involved was insignificant compared to stock market losses. The FTSE250 index is now about 70% higher than its peak in 2000, yet our pension system is in tatters. The point is that the £50 billion cost to pensions was **additional** to other losses – the straw that broke the camel's back.

Stopping tax credits allowed pensions schemes to take a more neutral view about income or capital growth. This could have been done in a revenue-neutral measure – it doesn't justify the removal of £5 billion per year.

The cut enabled the most productive commercial investments to be made. Encouraging companies to invest rather than pay dividends, regardless of company circumstances or competence of management gives absolutely no guarantee that investments will be productive – if anything the reverse. There was no compulsion on companies to pass any extra profits back to their pension schemes and so few did.

Pension funds no longer get a subsidy from the exchequer. This is only true if you believe that removing double taxation is a subsidy.

Stripped of our Pensions Demo 21st March 2007

by Andrew Parr

Wednesday 21st March was Gordon Brown's last budget before he almost certainly takes over from Tony Blair as Prime Minister, so as Gordon is perceived as the block on our campaign it was decided to hold our traditional "Stripped of our Pension" on Parliament Square before his budget speech. Alan Marnes did the usual negotiations and paperwork with the Metropolitan Police who, because they had a lot going on that day, imposed an upper limit on numbers.

Despite truly awful weather conditions on the preceding day (2°C, strong icy Northerly winds and snow showers) nine brave souls (from the left, Graham Dodds, Alan Marnes, John Benson, Andrew Parr, Pete Humphrey, John Hunt, Roger Day, Keith Sargent and Adrian Segundo) turned up and stripped off. Somebody must like us, because as we did the striptease the sun came out, the wind dropped and the temperature of 4°C seemed almost balmy. Numerous MPs from all political parties came and joined us, holding up placards for a media photo-shoot. Amongst these was Conservative Shadow Spokesman for Work and Pensions Phil Hammond MP and Lib Dem

shadow spokesman David Laws MP. Ros came along to offer welcome advice and support. After the photo shoot the strippers circled all round Parliament square to the delight of the tourists. We gather a police escorted limousine that passed contained Princess Anne, but we don't know what she thought!

We also did a football penalty shoot stunt on the grass in Parliament Square, based on the four government defeats from the Ombudsman, the Select Committee, the European Court and the High Court. A score of four nil as the placards said

With Bob Forty dressed as a Gordon Brown goalie, Roger Allen dressed as a referee (complete with whistle) and Peter Wheeler dressed as a very imposing judge a mock penalty shoot-out took place where Pete scored four conclusive goals to chants from the strippers of "FOUR – NIL"

The imminent budget speech meant that there was a media scrum present so we had good coverage on TV and radio and in the following day's newspapers.

Thanks to everyone who turned up, Alan Marnes for the paperwork and the Metropolitan Police for their usual good humoured control of the proceedings.

Budget Announcement
21st March 2007

by Andrew Parr

Gordon Brown's surprise announcement in the budget caught everybody by surprise, not least of all ourselves. Everyone had retired to The Sanctuary in Tothill Street after the demonstration for warmth, food and drink, and we were watching the budget speech on News 24 in the pub when we suddenly saw that Gordon had made an announcement about us. Then the mobiles started to ring and it was media mayhem for the rest of the day!

As usual you have to treat the figures with some cynicism and not be awed by the sums involved. It is peanuts in government terms. For example the quoted £8bn is given in cash terms over sixty years, in reality it is £33m a year (in today's money) for sixty years. This is money down the back of the sofa in terms of government spending. For example the DWP paid out over £700m in error last year which cannot be re-claimed and has been written off!

Three important changes to the FAS were announced:

1) When a scheme closed, everyone should have received a pension statement of their entitlement from their scheme administrators. Until the Budget the FAS topped up on a sliding scale to 80% of the core pension for those who were near scheme retirement age, down to 50% for those who were fifteen years from retirement when the FAS started. Now the 80% band applies to everyone, i.e. the pension you will receive from age 65 will be 80% of the core pension. Core pension is a rather imprecise term and is roughly the entitlement you had when the scheme closed, excluding cash lump sums, indexing, retirement through ill health, early retirement and other similar extras.

Payment is also made from age 65, even if your scheme had an earlier age of 60 or 62 The 80% figure is, as far as we can see, protected against inflation until you are 65, then freezes once you retire. Inflation will then decrease the value of the pension at about 3% per year. This lops off about a third over eight years and halves the value over twenty years

2) The old FAS had a cap of £12k. This meant that anyone with a higher entitlement than £15k would hit the cap and not get 80% (0.8 * 15 = 12). People with long service and/or high salaries were thus losing out. The cap has been raised to £26,000 which means people will get 80% of their pensions up to £32.5k (26 / 0.8 = 32.5). There is, though, one caveat which is unclear. The old FAS cap was not protected against inflation so those, say, 20 years away from retirement could hit the cap even though their original pension entitlement was much less than £12k. The PPF cap (which is also £26k) IS protected against inflation and increases every year. It is not clear whether the new FAS cap is now protected. If not, a sub £26k pension could hit the cap by time you reach retirement.

3) The minimum cut off of £520pa has been removed, so everyone gets 80%. This will benefit people with short service, but how a pension of, say, £100pa will be handled is unclear. At this level the pension will cost more to administer than it is worth so there may be a lump sum buyout of small pensions.

Whilst welcome, the improvements do not restore the lost pensions in full, and the lack of indexing after retirement means pensions will decrease annually (3% halves an income over 20 years, compare this with what happens to council tax and energy costs which are the main expenditures for a retired person). There is also the delay in payment from scheme age (commonly 60 or 62 in engineering) to 65 Other things like commutation for a lump sum, early retirement through ill health and partner's benefits on death before retirement are all missing

Employees of solvent companies which, quite legally, closed their schemes are excluded. Some people have lost all their pension and do not get a penny from the FAS or the PPF. The Pensions Action Group are therefore continuing their campaign, and the appeals in the High Court will probably be heard at the end of June 2007.

We also gather that Community & Amicus are not happy with the budget statement and are lobbying MPs to come up with something better. Their court action is still on the cards There is currently a Pensions Bill going through the House, and Julie Morgan (Labour MP for Cardiff) and others have tabled amendments calling for an increase in the FAS to at least PPF levels with indexing. This will be debated before October 2007.

The new-look FAS
Will you get 80% of your pension?

By Peter Lapinskas

The short answer is – no, of course not! It was a Gordon Brown promise. Here is an outline of how it will be reduced.

Solvent employer? Sorry, you're excluded altogether and get nothing.

Core pension only. The 80% figure applies only to your core pension (as defined by the Government). That excludes any life insurance component, or other benefits additional to your basic monthly pension, such as optional early retirement or early-death payments.

Payments from 65. You will not receive a penny of FAS until you are 65. If your scheme allowed for an earlier retirement, then there will be no help during the 'lost years'.

Payments are capped. The sum of your residual pension and the FAS payments are capped at £26,000 per year. So if your expected pension was above £32.5k, your percentage of FAS will be reduced.

The cap is not index-linked. Given modest inflation, the size of the cap will be halved in real terms every 20 years. So in 2027, it will be worth only £13,000.

Payments are not index-linked. You will be assessed for FAS at age 65 and the payments will then be fixed. Again, within 20 years they will be cut in half.

No tax-free lump sum. Were you planning on paying off your mortgage or keeping something aside to leave to the kids?

Spouses pension at 50%. Many schemes were more generous than this.

When you put all this together, it means that no one will get 80% of their expected pension. What you will actually get depends on your individual circumstances. In my own case (assuming moderate inflation and average lifespan) I will get just 31% of my expected pension including FAS payments, which will contribute 1.7%.

Judicial Review Appeal

By Andrew Parr

The government have appealed against the Judicial Review verdict that the Ombudsman's findings cannot be rejected. Our legal team has also appealed, against the findings on causation, the way that changes to the MFR were made and the Human Rights issues. The government refused to support an application for the case to be fast tracked to the House of Lords so the appeal will be heard in the High Court, probably in late June or early July. We gather that the verdict has increased the power of the Ombudsman which has caused concern in all government departments, not just the DWP

Secretary of State John Hutton stated in the House that the Government will meet our costs for the appeal and will not claim costs if they win. The statement was not clear, however, as to whether this will extend to our appeal or just the single point of the government's appeal. Clarity on this point has been requested

Govt response to maladministration judgement

The Minister reported to the House of Commons and said:

"The giving of wrong information by a Department is inexcusable. There is a clear responsibility to ensure that the information that

Departments provide is accurate and complete. In this case, it was not. Furthermore, even the serious implications of giving the wrong information were not appreciated by the Department. That should never have happened."

"We shall also provide redress for those people who were wrongly informed and who, had they known the true position, might have made different arrangements. Ministers have approached the matter in the following way. As a matter of principle, we believe that when someone loses out because they were given the wrong information by a Department, they are entitled to redress."

"We also have a responsibility to provide clear information to the public. We have already tightened up the procedures for checking leaflets and guidance, but we need to do more. The public rely on Government information and they are entitled to be reassured that leaflets are accurate and comprehensive. We are making root-and-branch reforms of the DSS, and, in future, DSS leaflets will be subject to external audit, so that people can rely on clear and accurate information."

But before you get too excited, this was Alistair Darling, speaking in March 2000 about the SERPS scandal (which was also maladministration). The contrast between the treatment of the victims then, and now, could not be more extreme.

Letter sent to all MPs

As part of our campaign to influence the Pensions Bill during its passage through Parliament, the letter on the next page has been sent to all MPs in the House of Commons, setting out our position. However, letters from constituents carry far greater weight than bulk mailings, so you should also write to your own MP using the information in the bulk letter, but using your own words.

Solvent scheme news

By Richard Nicholl

Members of solvent schemes were once again left out of the extension to the FAS funding announced by Gordon Brown in his Budget, and as such we are still ineligible for any assistance at all.

We have sent media statements out to expose the injustice of this exclusion but everyone needs to badger their MPs to make sure that they keep pushing for our inclusion, as recommended by the Ombudsman, the PASC and the Judicial Review.

Dr Tony Wright MP (Lab, Cannock), Chairman of the PASC has tabled an amendment calling for inclusion of the solvent company members, so people need to tell their MPs to support this. The amendments will be discussed and voted for on April 18th, so you do not have much time to confirm that your MP will actually support you.

The next few weeks will be crucial in finally getting the recognition we need, both from a legal and a moral point of view. Each one of you must take part in the action!

FAS payments update

The FAS have now made payments to 1,041 of the 10,000 people who were eligible for immediate payment under the old scheme. This is equivalent to processing one pensioner per month for each FAS employee. Nice work if you can get it.

Previous issues

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

www.pensionstheft.org/newsletters/newsletter01.pdf

Pensions Action Group

<<< put your name & address single line italics here for reply>>>

Dear

The PAG has been campaigning for many years for the replacement of our lost pensions. You will find it hard to imagine the amount of time we have lost, the stress we have endured and the illnesses that have been caused by the unforgivable delays to justice.

We are sure that following the PO Report, the PASC Report, a Judicial Verdict and the recent revelations concerning the pensions security warnings that were ignored, the government would like draw a line under this issue. The PAG are therefore looking to our Parliamentary representatives to support the amendments to the Pensions Bill tabled by members of the PASC and Conservative members, bearing in mind that the latter do not go far enough to provide the funds needed immediately for the 10,000 people already past retirement age, of whom 90% are so far receiving no assistance at all.

Our minimum and urgent needs include:

* Benefits to be at least the same level as the PPF, i.e. the same cap (if any at all), inflation linking for both the cap and pre-1997 contributions, early and ill health retirement options, spouse benefits and payments to commence at the scheme's normal retirement date, not the mandatory age of 65.

* Inclusion in FAS of the 6,000 members of schemes with solvent employers, which failed between 1997 and 2005 before adequate protection was provided, as ordered by both the Parliamentary Ombudsman and the PASC, and included in the Judicial Review.

* Trustees to be permitted to **immediately** pay PPF level benefits to all those past their scheme's retirement age.

* Emergency funding to be set aside to provide PPF level benefits for those schemes that have completed winding up, but whose annuities are far below their promised and expected pensions.

* Government to investigate the pooling of current scheme assets (over £1bn) to pay immediate requirements, to discontinue the purchase of expensive annuities, and to explore the possibilities of unwinding funds earmarked for annuities where they have not yet been purchased.

* Government should consider setting up a Pensions Restoration Fund to oversee all the above, to make sure that remaining assets are used efficiently and to simplify the current FAS administration to ensure people quickly receive their payments.

* Government should admit it is guilty of maladministration, and apologise to all of us whose lives have been devastated by this scandal.

Yours sincerely

8th April 2007 www.pensionstheft.org

The above letter has been sent to every MP at Westminster by PAG volunteers