

Pensions Action Group Newsletter

Issue 11

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Victory in the Lords!

After weeks of letter writing and campaigning by Pensions Action Group members (and much work behind the scenes and with the media by the indefatigable Dr Ros Altmann) we have achieved a major victory in the House of Lords. Peers voted on 6 June in favour of a series of amendments to the Pensions Bill which will offer improved levels of compensation for lost pension rights and more rapid payments than currently provided by the Government scheme.

The amendments are almost identical to those put to the Commons in April (see issue 10 of the Newsletter) and which were defeated by just 22 votes. If brought into law, they will have the effect of bringing the level of compensation provided to workers whose schemes started wind-up between 1997 and 2005 up to the same level as enjoyed by workers whose schemes wound up later, who are covered by the Pension Protection Fund.

The amendments would:

- a) Bring payments up to 90% of 'core' pensions entitlement.
- b) Pay pensions from the scheme age rather than from the FAS age of 65
- c) Dispense with the slow and laborious FAS payment scheme and allow trustees to start paying pensions locally
- d) Remove the requirement to buy annuities
- e) Include employees of solvent companies
- f) Improve payment to surviving partners
- g) Give some (but not total) protection against inflation
- h) Achieve all this in the short term with a Treasury loan, which will later be repaid from unclaimed assets

Overall, the package is much more generous than the Government's current scheme (the Financial Assistance Scheme).

Although the Government strenuously opposed the amendments, they were passed by 181 votes to 126, a majority of 55, showing that the peers, who

are an independent-minded group of people, were unimpressed by the Government's arguments. This brings the number of cases brought on our behalf, where the Government's arguments have been tested and defeated, to five, namely:

- Parliamentary Ombudsman's report
- Public Administration Select Committee
- European Court of Justice
- High Court Judicial Review
- House of Lords

In most games, a score of 5-0 would be a clear victory, so it is unfortunate in our case that the referee is also captain of the opposing team!

If you would like to read the debate in full, it is available on Hansard here:
<http://tinyurl.com/2wofnz>

James Purnell, shortly after the vote, was still defiant and pledged that the Government would overturn the amendments again when the Pensions Bill is returned to the Commons for its final reading. He may be being optimistic, as we need just 11 MPs to change their minds for the defeat to become fixed. But even if Purnell is proved to be right, the Lords would have an opportunity to reintroduce them yet again. In that case, it would become a battle between the two houses. In the end, the Commons have the right to impose their will, but if time runs out, the whole Bill may be lost when Parliament rises for the Summer recess on 26 July and it would then have to be reintroduced in the Autumn - this may be a higher price than the Government is willing to pay and would certainly be considered a poor start to Brown's period as Prime Minister.

Parliamentary demonstration

In order to convey to their Lordships our determination to achieve justice, the Pensions Action Group held a demonstration on the day of the vote on Parliament Square including, by request from the media, our trade mark "stripped of our pensions" banner protest (see pictures).



The weather was kind to us (unlike the previous occasion in March when it was 4° C) and the large media turnout got some excellent shots and interviews. Several press photographers wanted us to do the stripped act outside Downing Street and, surprisingly, the police gave permission so the Times, for example, were able to run with that photo the next morning.

What next?

As mentioned above, the Bill, together with the amendments, will now pass back to the House of Commons for debate which is expected to take place in July. Between now and then we therefore need to build as much public pressure as we can through the media, and to try to persuade as many Labour MPs as possible to vote against the Government when the time comes. Individual members can help with both aspects through letter writing.

MPs can be written to at the following address:

House of Commons
London
W1A 0AA

Start with your own MP, especially if he or she is in the Labour party. You can find a breakdown of how MPs voted in April here:

http://www.Lapinskas.com/downloads/voting_record.doc

The MPs we need to target are those from the minority parties and those Labour MPs who abstained or voted against us last time. In particular, those MPs who signed one or more of the Early Day Motions have shown a certain sympathy with our cause; we need to build on this to move the 'noes' to at least abstain and move the abstainers to vote with the 'ayes'. As ever, if you can write from a personal perspective and explain what the amendments would mean for you, it will carry most weight.

We also need to write to journalists and broadcasters, to encourage them to keep the spotlight on the issue. Politicians are more likely to do the decent thing if they feel that they are being watched, and if the public mood is against them.

More details of our plans will be circulated through the PensionsTheft email group. If you are not yet a member, full details can be found at <http://tinyurl.com/ruams>

FAS payments – Important News

Some Pensions Action Group members have had a constructive meeting with the FAS administration about how benefits are calculated and how to help in communications to ensure that everyone who is entitled to payments gets them. We hope to have more information for the next issue.

In the meantime, the Government spokesman in the Lords debate, Lord McKenzie of Luton, gave out some very interesting information in his speech:

"We estimate that there are around 10,000 individuals who are over 65 and should qualify for payments under the current scheme rules, but the Operational Unit has already carried out assessments on around 4,100 people: of those, 1,624 are eligible for payments of FAS; 1,236 are being paid now; 68 will be paid as soon as the members have confirmed their personal details; and 320 will be paid as soon as they reach 65. There are 2,482 who are currently ineligible because of the de minimis £520 a year constraint and other factors such as the relatively high funding level of their scheme. The legislation requires applications made by trustees, as

only they can provide the data that are needed to assess payments."

He then discussed the reasons why Trustees might be slow to submit the necessary applications and went on to say:

"While those are legitimate reasons for caution, they are delaying people receiving help, so we are working with trustees and administrators to help to resolve those issues. I can truthfully say that we are paying all those members for whom appropriate data have been provided and will continue to do so, but we are conscious that it is individual members who suffer if they are due to receive money at 65 and, for whatever reason, are not getting it. I can announce today that we are introducing arrangements so that, rather than relying on trustees to make applications on their behalf, individual scheme members who believe that they are eligible for payment can advise the FAS Operational Unit direct, which will then contact the scheme trustees to seek to arrange a payment. I shall shortly be writing to all noble Lords to explain the new arrangements. The Government will be seeking help from campaigners and trade unions to ensure that everyone eligible for assistance receives it as quickly as possible."

Therefore, if you are aged 65 or over, and believe that you are due payments from the FAS but are not receiving them, you can (and should) now write to them direct. The address is:

Financial Assistance Scheme
PO Box 702
York
YO32 9XR

Timetable for FAS extension

In the last Budget, Gordon Brown announced a substantial extension of the FAS scheme, but did not say when it would come into effect. This has now been clarified by Lord McKenzie who said (in respect of schemes with solvent employers):

"The noble Lord, Lord Skelmersdale, asked how quickly we would be able to come forward in that. We intend to include such schemes in regulations to bring about the extension of FAS announced in the Budget, and hope that this will come into force by the end of this year."

We can infer from this that the other changes will also be brought into effect at the same time and so the additional payments should start very shortly after.

Indexation of the FAS cap

In the Budget, the Chancellor announced that the cap on the amount of pension for which the FAS would provide assistance would be increased to £26,000. That might sound like a lot, but without index-linking, its value will be substantially eroded over a period of 30 or 40 years.

Now, in a written answer in the House of Commons, the Government has conceded that the cap should be index linked:

Philip Hammond:

To ask the Secretary of State for Work and Pensions whether the new cap of £26,000 for assistance from the financial assistance scheme will be uprated in line with inflation.

James Purnell (Minister of State (Pensions Reform):

The extension to the FAS announced in March means that we will be helping many more members over a greater length of time. Because of the extension the payment assessment rules may need to be revised to help ensure we determine FAS payments consistently for all members. We intend to ensure that the cap retains its value, even where assessments are made for members who will not be eligible for payment until many years into the future. We are looking at the best way to achieve this objective and details will be published in draft regulations for consultation.

In the FAS as currently constituted, the payments are fixed at age 65 and do not change thereafter so it is likely that the Minister is referring to indexation of the cap only up until that point. Nonetheless, this could make a significant difference to many people, particularly those who are a long way away from retirement.

Ros Altmann Award

Ros Altmann will be well known to most readers as a pensions expert and tireless campaigner on behalf of all of us, and now this has been recognised by her professional colleagues who voted her 'Pensions Personality of the Year' for 2007. She was presented with the award at a gala dinner and said afterwards:

"It is quite overwhelming to think that there is such support for what I am doing in the industry. It was a thrilling evening."

She added: "It was a tremendously strong field, anyone of the nominees could have justifiably won so I was honoured it was me."

"What I have been doing is for the people who have been so dreadfully wronged by our system who are the really fantastic people as far as I am concerned. What they have been through, no one should have to go through."

We can all join in warmly endorsing this award for a wonderful lady, and it is gratifying that her peers have recognised the great courage she has shown and sacrifices she has made in her fight against a Government which is prepared to use its full powers against anyone who dares to challenge it.

Solvents News

By Richard Nicholl

The successful vote on Amendment 68 in the House of Lords included a sub clause that effectively would mean that the FAS would include all solvent company schemes that went into wind up between 1997 and 2005, irrespective of whether there was a compromise agreement which prevented insolvency.

This is another move forward for us solvents, although we need to see a lot of MPs to persuade them to vote in a similar fashion for this amendment, so please make your appointments with them as soon as possible.

On another point we are trying to get clarification from the DWP about whether the position of the sub group of solvent company schemes that did not have compromise agreements will be part of the Young Review being carried out on behalf of the DWP. The 'objectives' of the terms of reference contradict the 'scope' of the Review, as one suggests that these schemes should be examined to see if help can be given, while the other specifically excludes any such investigation! Our lawyers are demanding an answer to this, but those of you affected should also be pressing your MPs to ask James Purnell for a black and white answer.

John Hunt, one of the sub group, was one of the 'naked' protesters outside The Lords this week, and is campaigning heavily on your behalf. Please support John, Ros and the rest of us by seeing your MP again!

PASC Second Report

The Public Administration Select Committee (which oversees the role of the Parliamentary Ombudsman) has issued a second report on the issue of lost pensions (copy available at <http://tinyurl.com/2noetm>) in which it briefly examines the Government response to the Ombudsman's report and makes recommendations that it should move further in improving the FAS, particularly in respect of members of schemes with solvent employers who are currently excluded from the FAS. They conclude that "The Ombudsman system has proved to be effective even in the face of Government resistance."

There are also some useful appendices, including a detailed comparison of benefits available under the FAS and the PPF.

Brown's £8 billion whopper Nine pension victims in ten still get nothing from him

*by Dr. Ros Altmann
14th May 2007*

Would-be Prime Minister Gordon Brown told an £8 billion whopper on breakfast TV today.

He boasted to GMTV presenter Fiona Phillips that he had put £8 billion into the Government's rescue fund for the 125,000 working men and women robbed of their life savings when their company pension schemes collapsed.

The truth is that - many years later - nine in every ten victims have not been paid a penny. Over 10,000 of the robbed workers are already past pension age - some now in their 70s, some desperately ill - yet only 1,000 have received anything at all. These are people who were assured that their pensions had been properly protected after the Maxwell scandal. Yet they have ended up far worse off than Maxwell's pensioners, who were rescued within a few weeks.

The rescue system this Government put in place - the Financial Assistance Scheme - has turned out to be one of the worst bureaucratic shambles in Whitehall. It has only paid out about £4 million and yet it has cost the taxpayer £10 million to run. The claims of £8 billion are just political spin, of the kind which Gordon Brown insisted last week he wanted to move away from.

Even Mr. Brown's promise to pay 80% of the pensioners' lost income has less to it than meets the eye. It is more spin. The Financial Assistance does not pay 80% of the pension these people were expecting. Instead it is 80% minus the benefits of a tax free lump sum, minus inflation protection, minus a proper widow's pension, minus ill-health provision - and in many cases with five years' pension wiped out altogether.

And of course none of this incredible shrinking 80% is being paid at all to nine pensioners in ten.

We can only hope that Mr. Brown himself has been misled and does not realize that what he is saying is not actually true. If so, it is time for him to step in now and right this wrong. The £8 billion is spin. The 80% is more spin. Time is running out for the victims of this scandal and they are looking to Mr. Brown to organise a proper rescue immediately and acknowledge the Government's responsibility for what has happened to them. They have had all the verdicts in their favour. The time for reviews is surely over, they need the money now.

This is the great test of whether Gordon Brown means what he says about a new approach to honesty, spin and Parliamentary democracy. And whether he really will usher in a new era as Prime Minister - or not."

Union proposes windfall tax on venture capitalists

The GMB union has looked at the role of private equity in the demise of company pension schemes and identified more than £2 billion of unfunded liabilities in 96 insolvent pension funds. They are calling for Gordon Brown to close the legal loopholes which allow private equity directors to dump these liabilities onto the taxpayer and to introduce a windfall tax on private equity to recover this money. This could provide a substantial proportion of the funds required for the Lifeboat Fund in the Lords amendments described above, provided of course that this Labour Government is prepared to act against its friends in the City. We shall see.

The GMB press release and full report can be found at: <http://tinyurl.com/2yhojj>

Peter Humphrey

Peter is one of the stalwarts of the Pensions Action Group and he has asked to pass on his thanks to all those that were in touch with Jacque during his recent illness. He said "It is warming to know that so many sent cards and best wishes. Although I still have a little way to go to full recovery (a little op here and there) I hope soon to be back to normal."

Open letter to Gordon Brown

From Ros Altmann

Dear Mr. Brown

I am writing to you on behalf of the 125,000 people who, through no fault of their own, have been stripped of their company pensions since 1997. I particularly want to remind you about ten thousand of them who are already past their pension age. They have been the most severely affected, but, despite frequently trumpeted 'extensions' to the Financial Assistance Scheme (FAS) supposedly designed to help them, they have been abandoned.

These victims saved diligently for their retirement, just as the present Pensions Bill reforms want to encourage people to do in future. They believed Government assurances that their money was safe, whatever happened to their employer, but lax laws failed to provide the promised protection for their occupational pensions. Despite meeting the legal funding requirements and assets being kept separate from the company, there is not enough money in the schemes. In such cases, the law requires trustees to divide the assets so that members who contributed for decades but were not quite retired can receive nothing, while their money is used to provide for those already drawing pensions. Their life savings have therefore disappeared when their employers went bust or legally wound up their schemes.

One of your first acts as Prime Minister could be to bring a fair and final resolution to the worst pensions scandal the UK has ever seen. That would surely be a fitting balance to one of your first acts as Chancellor, which was to remove money from their pension schemes by taking away dividend tax credits. Your advisers at the time told you this would weaken pension funds and that they could not predict what would happen to smaller schemes. Well, it turned out that hundreds of such schemes did not survive, and these are the innocent victims.

Perhaps you do not realise that the FAS is a shambles. As the Sunday Telegraph has been highlighting, this 'assistance scheme' has turned into a farce. Since it was announced in 2004 it has paid out only about £5m to under 1500 people, has cost £10m of taxpayers money in administration and has so far failed to reach the ten thousand people I am asking you to focus on today. Sadly, some have died or committed suicide while waiting for their money.

In your recent budget you suggested you will extend the FAS to ensure all 125,000 victims receive 80% of their pension, at a cost of £8bn. I'm afraid this is simply not true. It is a classic example of the spin you have assured the nation you want to move away from. Let me explain.

The FAS will also not help all the victims. In fact, those who should already qualify for the FAS are hardly better off after your announcement, because nothing is being done to ensure they get their money quickly. Some schemes even remain excluded altogether because the employer is still trading, yet there is nothing these members can do to recover their pensions.

The FAS will also not pay 80% of their pension - this is more spin. The FAS has invented a new concept of 'core' pension, leaving out many of the basic features of scheme pensions, and then taken 80% of this much lower figure. It excludes inflation linking, full revaluation, full widows benefits, tax free lump sums and even ignores the scheme pension age.

Furthermore, the £8bn is worth just £1.9bn in real money (net present value), to provide payments for the next 60 years. All FAS benefits are taxed and some of the money will replace means-tested benefits, so the net cost will actually be significantly lower

Please, Mr. Brown, you need to sort this mess out now. You must end the suffering and get money quickly to those who need it today. After the Maxwell scandal, the then Government rescued his pensioners straight away, yet, since 1997, thousands of pensioners have been left penniless for years. It is these people who need your attention so urgently.

The House of Lords has passed amendments to the Pensions Bill that would finally see a fair and effective resolution of this scandal. They will come back to the Commons next month and provide a test for your new premiership.

They call for everyone to receive the same level of compensation, on the same terms provided by the Pension Protection Fund (PPF) - which is the scheme set up in 2005 to ensure members of schemes which wind-up in future will receive nearer 90% compensation. The amendments would allow FAS scheme trustees to pay anyone who has already reached scheme pension age, just as the PPF does, instead of making them wait for the FAS bureaucracy. Their scheme assets could pay them their pensions now. This is the practical way to ensure that the money actually reaches the thousands who have been abandoned. The extra cost of providing PPF rather than FAS level benefits is around £20m a year for 60 years, with a net present value around £640m. This is a tiny price to pay to end this national disgrace. To put these sums in perspective, official mistakes in benefit payments each year cost taxpayers over £700m.

When Governments make mistakes, taxpayers have to foot the bill for compensation. Why not just commit to doing the decent thing and end all the fighting? The Government is facing another Judicial Review, to prove that the recent FAS extensions do not comply with February's High Court ruling ordering the Government to compensate in light of the Parliamentary Ombudsman's findings of maladministration. The appeal against that High Court verdict itself will be heard next month. Why are you forcing these people to fight in court and spending so much taxpayers' money trying to defend the indefensible? Committing the extra £20m a year would provide a fair compensation package to the innocent victims of this country's failed pension policies.

Using unclaimed financial sector assets would be one way of mitigating the costs to the taxpayer.

Using the assets in the schemes themselves, rather than buying expensive annuities would also be more effective. The victims should not have to wait for yet another Review. The amendments passed in the Lords commit the Government to sorting this out properly now.

Come on Mr. Brown. Show your courage and your statesmanship. Bite the bullet on this one and just agree to pay PPF level immediately to everyone affected. For goodness sake, get this right as soon as you can. Justice demands it. The country is watching you.

Yours sincerely,

Dr. Ros Altmann
10 June 2007

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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