

# Pensions Action Group Newsletter

Issue 12

14 July 2007

## The End is in Sight!

On Tuesday (17 July) the House of Commons will debate, and vote on, the amendments to the pensions Bill which were defeated in the Commons in April and reinstated by the House of Lords on 6 June. If they are passed, these amendments will give us parity with the Pension Protection Fund, will allow trustees to begin payments immediately and will include all schemes with solvent employers which wound up between 1997 and 2005.

The Conservatives and Liberal Democrats will support us and most of the smaller parties are sympathetic, so the key to victory lies with Labour MPs. We lost the last vote by just 22 votes, so if we can persuade just 11 noes to vote 'yes', we will carry the day. We each of us therefore need to write to as many Labour MPs as we can, by email, explaining our circumstances and why we need

them to ignore the whips and vote for justice. Ros Altmann gives all the details, below.

The Government has given very little notice of the timing of the debate (just four days) but we have already made plans for an effective response. Please come and join us for an informal meeting on Parliament Square (opposite the Commons) on Tuesday at 12 noon, in advance of the vote. Please also invite your MP to join you to show support. We will be asking the media to attend at about 12.30pm so that they can give coverage on the lunchtime news. Watch out on our website ([www.pensionstheft.org](http://www.pensionstheft.org)) for any late news.

If we can get these amendments voted through, it will mark the end of our long struggle for justice - let's give it our best shot!

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## Now is the Time

*By Dr Ros Altmann*

The Commons debate on the Lords amendments to the Pensions Bill will be this coming Tuesday 17th July, in the afternoon I believe. If we get these amendments passed, the fighting will be over. If they are not passed, then the Bill goes back to the house of Lords and will go back and forth until some agreement is reached.

I am expecting that the Government will announce more improvements to the FAS in the next few days, but unless the FAS is improved in line with at least PPF level, and on the same terms, so that:

- there is payment from scheme pension age,
- trustees are allowed to pay rather than waiting for the FAS bureaucracy,
- scheme assets are not used to buy annuities and

- other benefits are added back,

then there will be no fair settlement and the fight will have to go on. I believe that there will be a response to the second PASC report this Friday and it should be helpful for solvent employer schemes. I believe the Young Review will report shortly too, but none of this is enough to solve the problem.

I don't know what the Government will offer. We will have to see if they do the decent thing and just agree to pay at least the same as the PPF, with the same terms, or whether they try to get away with yet another improvement to FAS which is based on spin rather than reality.

Gordon Brown again said that FAS will pay 80% of your expected pension - that is totally untrue. It is 80% of something that is much less than your

scheme pension would have been and is much less than paid by PPF. Yet all PPF pensioners are already being paid by their trustee, while almost all FAS pensioners are still waiting for their money!

**You must put pressure on your MP. There will be a three line whip with Tories, LibDems totally on your side. It is Labour MPs who need to understand that the amendments offer a quick resolution of this scandal, to help end the suffering immediately. Waiting for another review is not fair and not decent.**

**Can anyone with a Labour MP please go and see them now.**

**We also desperately need Northern Ireland MPs and Scottish and Welsh nationalists. This will be crucial. Please go and see them. This really is crunch time and there is a possibility that we can get the amendments passed in the Commons if enough Labour MPs support their constituents and just decide enough is enough and the suffering must come to an end now, without further delays.**

Please let us know how you get on by writing to us at:

pensionstheft@yahoogroups.co.uk

If you are not a member, you can join by sending a blank email to:

pensionstheft-subscribe@yahoogroups.co.uk

It is important to tell Labour MPs (and all other MPs too of course) that we want them to vote FOR the following amendments next Tuesday. They will be New clauses 16 to 23. We may get some changes announced beforehand and then perhaps more during the debate on the amendments, but you need at least PPF and you need it now. No more promises and 'working towards' and nonsense about 80% which is not 80%.

Please urge your MP to vote for the following Lords amendments to the Pensions Bill:

**New clause 16** - amending regulations to include solvent employer schemes. This amends the FAS regulations so that solvent employer schemes are no longer excluded. It allows solvent employer scheme members to be included straight away, rather than waiting for the Secretary of State to lay new regulations in future.

**New clause 17** - sets up the Lifeboat Fund to be administered by the PPF. This Lifeboat fund will provide funding to increase FAS payments to PPF level, thus paying PPF to everyone and ensuring

payments can start straight away. The Lifeboat Fund will receive money from Government initially, in the form of an interest free loan and then will receive money from the Unclaimed Assets Recovery Agency

**New clause 18** - sets up Pensions Unclaimed Assets Recovery Agency. It will be up to the Secretary of State to determine where these unclaimed assets come from

**New clause 19** - specifies functions of Pensions Unclaimed Assets Agency.

**New clause 20** - requires people to provide information to Unclaimed Assets Agency.

**New clause 21** - transfers assets to the Agency. Within 12 months, regulations must be laid to specify requirements for transfer of any assets to the Agency

**New clause 22** - halts the purchase of annuities.

**New clause 23** - Trustees to pay from scheme assets and interim loan from government to ensure money paid straight away.

Ros  
12 July 2007

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### **Write to Gordon Brown**

Gordon Brown in his new role as Prime Minister has made a big splash about how his will be a 'listening' Government. Well, let's take him at his word, not that he has ever replied to our letters before. Given the short time available, the best way to get a message through would be by fax to: 0207 925 0918.

If you would like some inspiration, Keith and Pat Sargent wrote an excellent open letter, before Mr Brown's coronation, reproduced opposite. Let's see just how much listening he is prepared to do.

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**If you are over 65, eligible for FAS payments but not receiving any – contact them now and tell them.**

Financial Assistance Scheme, PO Box 702, York,  
YO32 9XR.  
Telephone: 0845 601 9941  
Email: FAS-Operational-Unit@dwp.gsi.gov.uk

## **An Open Letter to Gordon Brown**

Dear Mr Brown

Whilst we doubt you will remember, one of our Group stood as a non party-political candidate in the 2005 General Election in Kirkcaldy. This, after having witnessed a terminally ill, courageous fellow campaigner literally having to plead with the Government for his stolen pension rights. As you know, tens of thousands of other loyal workers are affected (ASW, Dexion, BUSM, Kalamazoo, Samuel Jones...); plus many in Scotland (UEF, Motherwell Bridge, Albert Fisher, Blyth & Blyth, Richards...)

As you now prepare for still higher office, we would like to remind you again of a few facts, in the hope that you will examine your conscience and - finally - find the will to act:

1. In July 1997, the chairman of the actuarial profession's pensions board, Harvie Brown, specifically warned the Treasury that "members [of DB pension schemes] could be lulled into a false sense of security thinking their fund was 100% funded when it could actually be considerably less than that." You know why.

Sometimes, as in Dexion's case, there have been no pensions at all - not even GMPs - despite continuing Government assurances of the security and protection in law of our entitlements.

2. After our years of campaigning, you publicly declared our plight to be "simply wrong", vowing to correct it - "to do what it takes to tackle the gross injustice of workers who through no fault of their own find their pensions have been destroyed." (Prosperity and justice for all - Labour Party Conference, 2004) This, after the setting up, in May 2004, of the Financial Assistance Scheme.

Despite subsequent and now promised reviews of this Scheme, very few have actually received any 'assistance' to date, despite their lifetimes of service and contributions... their 'playing by the rules'...

3. Your 2004 declaration and promise regarding our plight have, of course, been repeatedly vindicated since - first by the Parliamentary Ombudsman's findings and recommendations; then by the Public Administration Select Committee's investigation and conclusions; and now at Judicial Review. We wonder, therefore, why you still appear to be hesitating in fulfilling your earlier promise?

4. Tragically, many have died without justice - including the fellow campaigner of whom we reminded you earlier.

So, we must ask you again, as we have repeatedly, including from the election platform in Kirkcaldy: Why weren't workers protected, or warned, and when are you going to fulfil your promise to us, your backbenchers and your Party, Gordon, and finally commit the necessary funds?

Please remember - as was cited in the foreword to a collection of sermons published in celebration of your dear father's 80th birthday - "the self that thinks is the same self that acts". (Murdo Ewen Macdonald (Padre Mac), quoting Prof. John MacMurray, of course.)

Indeed, as you prepare for still higher office, we would like to once again extend to you a very sincere invitation to meet with some of our members who have been 'stripped of their pensions'. Indeed, we would again be prepared to travel to Kirkcaldy (from our home in Lincolnshire) if needs be, if you would spare even just a few minutes of your time.

We remember, of course, why you said you are in politics - that you "learned from [your] parents not just to do [your] best and to work hard, but to treat everyone equally, to respect others, to tell the truth, to take responsibility." You must surely know that until resolved, this shameful spectre - which is far worse than Maxwell - will continue to haunt pensions' confidence generally, creating doubts too as to your own trustworthiness and true leadership potential.

Come on, Gordon - please - show us what you're really made of, before still more of us die seeking only justice for ourselves and our families...

Yours sincerely  
Patricia & Keith Sargent

## **Phillip Hammond – On tour**

In order to fully acquaint himself with the problems being faced by people who have lost their pensions, Philip Hammond, the Shadow Secretary of State for Work & Pensions has been touring the country meeting groups of affected workers. We would like to express our appreciation of the effort which he has put into the consultation, both on behalf of those who were able to meet him and the many more whom they represented.

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### **New faces at the top**

This month has seen a number of changes in personnel both in Government and opposition as a result of the recent reshuffle. The table below shows

#### **Prime Minister**

Gordon Brown replaces Tony Blair

#### **Chancellor**

Alistair Darling replaces Gordon Brown

#### **Secretary of State for Work & Pensions**

Peter Hain replaces John Hutton

#### **Secretary of State for Pensions**

Mike O'Brien replaces James Purnell

#### **Tory Shadow SoS for Work & Pensions**

Chris Grayling replaces Phillip Hammond

#### **LibDem Shadow SoS for Work & Pensions**

Danny Alexander replaces David Laws

Phillip Hammond and David Laws have been staunch supporters of our campaign and have been frequently seen holding placards with us on our demonstrations. We are sorry to see them go and wish them every success in their new roles.

We also welcome the new incumbents to their positions and hope that all the talk about inclusivity, justice and 'listening' from our new Prime Minister is more than hot air, though we remain to be convinced.

## **Brown takes £14 billion more from pensions**

Not satisfied with taking £5 billion per year, every year, out of company pension schemes with the changes he made to Corporation Tax in his 1997 budget, Gordon Brown, in one of his last acts as Chancellor, has found a way to extract a further £14 billion.

He will achieve this, over the next five years, by capping the rebate which people receive when they opt out of the Government's state second pension. Normally such rebates are reviewed every 5 years and revised upwards according to the recommendations of the Government Actuary. This time, however, Brown has decided to set the level at 5.3% rather than the recommended 5.8%

Worst hit will be people with middle-incomes approaching retirement age. A man of 60 on £35,000 would lose out on more than £2,000 in retirement savings by the time he reaches 65.

It is instructive to compare the £14 billion which Brown is stealthily removing from the nation's pensions with the amount needed to top the FAS up to PPF levels – just £0.6 billion. And yet his spokesmen still persist in saying that even this level of compensation is unaffordable.

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### **Judicial review timetable**

There are currently two Judicial Reviews under way which we have instigated.

The first was heard by Mr Justice Bean in the High Court in March, whose judgement resulted in both sides appealing. The appeal is due to be heard in the Court of Appeal at the Royal Courts of Justice on the Strand for three days beginning on the 25 July. Each day will run from 10:30 – 4:30. If you can be present for any of the days, you will be most welcome. It is very important that the Court is confronted with the scheme members its decision will affect.

The second Judicial Review challenges the scope of the extensions to FAS by arguing that the reconsideration of the Ombudsman's first finding and first recommendation has not been undertaken lawfully. The case has been listed to be heard on 24 and 25 October, again in the High Court. The DWP is threatening the four claimants with over £70,000 of legal costs it expects to spend in its defence. We will however be applying to the court for an order to protect the four by limiting

those costs or directing that they cannot be recovered in a public interest case like this one.

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## Core Pension and the FAS revaluation

The following article has been submitted by the team at the FAS in response to enquiries about what exactly constitutes the 'core' pension, and how is it revalued before retirement.

### What is the FAS expected core pension and how is revaluation applied?

The expected core pension refers to the amount of pension accrued by a member in their scheme. It does not include additional benefits, such as indexation, the ability to commute part of a pension into a lump sum, benefits that may arise in relation to early retirement or pensions that may be paid to dependent children, which any individual scheme may have offered. The FAS provides a contribution towards the replacement of retirement income. It is not designed to replicate every detail of people's pension schemes.

The revaluation that is applied by FAS to calculate the expected core pension is standardised from the start of wind-up and so will not reflect the precise revaluation that would have been applied to pensions under scheme rules. In the case of deferred members (typically those members who had not started to receive their pension before the start of wind-up) relevant revaluation is applied under FAS rules as follows:

a. FAS revalues the pension accrued within a member's scheme broadly in line with the rules of that scheme from the date the member left the scheme up to the day before wind up began. If deferred members left their scheme at the start of wind-up (ie. if they were active members up to the start of wind-up) then their scheme will already have revalued their benefits up to that date when they provided us with data on their accrued pension. This helps ensure that deferred members are treated consistently regardless of when they left their scheme.

b. The FAS then applies revaluation in line with

prices (subject to a maximum of 5% compound per year) to those parts of the member's core pension that would have been revalued under a scheme's rules, from the day wind up began up to the 'certification date'.

c. The 'certification date' is provided at the discretion of the scheme trustees or other information providers and in most cases is the date as at which the pension secured by annuity is correct (or the interim pension in the case of initial payments). Different annuity providers quote annuity rates as at different dates (commonly the date a member left the scheme, the member's normal retirement age, or a common date towards the end of wind-up). Because there is no standard date at which annuities are quoted the FAS information gathering and assessment process is flexible to allow information that is readily available to be provided and for that information to be used to calculate payments.

d. If the certification date precedes the date of that the scheme started to wind-up then the 'scheme specific' revaluation referred to in paragraph a above is only applied up to the certification date and not up to the date of wind-up.

e. The overarching FAS calculation (eg. 80% of expected core pension minus annuity rate) is applied as at the certification date.

f. If there is a month or more between the certification date and the date at which FAS is payable (typically 65) then revaluation is applied to the FAS assistance up to the date it becomes (or it became) payable.

It should be noted that capital sums, like lump sums or transfers are taken into account when calculating FAS assistance. These sums are converted into notional rates of pension by applying actuarial factors that provide a reasonable estimate of the amount of pension that could have been bought by way of an annuity using the amount of lump sum or transfer at the time the lump sum or transfer was taken.

A full description of the way that FAS payments are calculated including a worked example can be found on the FAS website:  
<http://tinyurl.com/ywv9ju>

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