Pensions Action Group Newsletter

Issue 30 5 October 2012

Fighting to get our pensions back

PAG Conference Demonstration

Conservative Annual Conference
The International Conference Centre
Broad Street, Birmingham, B1 2EA

Tuesday 9th October 2011
11:00 - 12:30

Right the wrongs of the past!
No justice => No trust
No trust => No pensions saving!

Have you noticed yet that your pension is nothing like what you were promised ??

On top of that the "90%" you may think you're going to receive , or already get, is nothing like that, when minimal indexation, ceilings, and early retirement penalties are considered.

And if, like half of the 30,000 members of the T&N scheme, you'd already reached scheme retirement age when it entered PPF assessment in July 2006, your pension has been frozen for the last 6 years and will be till the day you die. It's already gone down by 25-30% in real terms.

There's still the chance to get things changed: join the PAG (Pensions Action Group) for its next protest in nearby Birmingham - next Tuesday 9th at the Conservative party conference.

We plan to be there from 11:00 making a noise outside with our trademark "Stripped of our Pensions" demo at 12:00, ready to catch delegates as they come out for lunch.

It is really important that you come along if you can. The coalition would love to kick us into the long grass - they can't do that unless we let them. If you want to receive the pension you paid for, come and join us outside the conference hall on Tuesday.

There is a Google location map at http://g.co/maps/p4swq

If you are coming by car, there is a map at http://is.gd/NVn4Xu which shows the location of car parks in the local area. Those closest to the ICC are likely to be pretty full.

If you are coming by rail, Birmingham New Street station is likely to be the best option. It is about 15 minutes walk to the ICC by way of Hill St, the Town Hall, and through the library complex to the footbridge over the busy main road.

T-shirts, leaflets, placards and noise-making equipment will all be supplied if you don't have them.

Auto-enrolment launch

1st October saw the launch of the much heralded automatic enrolment in workplace pensions scheme, whereby it is planned that millions of workers currently without pensions will be automatically enrolled in schemes provided by their employers. The Government's stated intention is to increase the rate of saving for retirement in the population so that it can avoid increasing care costs for an ageing population.

That is all very laudable, but PAG fears that the new generation is in danger of being sold something which will not do what is claimed and where all the risk is being borne by the worker, who is least able to understand it and least able to afford it.

Our major concerns are:

Lack of guarantees – All of the investment risk falls on the worker. There are no guarantees that they will even get back the money which they paid in.

Who wins? – The employer wins because his liability is limited only to his contribution, and that has been reduced; the financial services and professionals win because their fees are paid regardless of the performance of the funds; the Government wins, because it will save on benefit payments. All of the risk is piled onto the low-paid worker, who is least able to understand it, and least able to carry it.

Investment risk – NEST pensions are predicated on receiving an annual return of 3% over inflation from the equity market yet, taking 20-year investment periods, starting in 1984, the average FTSE100 return is just 0.13% p.a. above RPI. So the worker will be lucky to get his money back, in real terms.

Effectiveness – The low-paid cannot afford to save significant sums. At present rates, annuities are paying around £5k pa for every £100k of pensions saving. So if a worker saves £50k, he or she would only receive £48 per week in pension, before tax. Most auto-enrolment pension pots will be much smaller than this.

Benefit loss – The Government is worried at the cost of maintaining an increasingly elderly population and this scheme is intended to reduce the burden. It follows therefore that anyone who saves for a pension will see a reduction in their benefits, relative to someone who opted out.

Inflexibility – Once money has been paid into the scheme, it is locked up until the worker retires.

Better alternatives – For individual workers there may be better ways of providing for their old age.

Lack of balanced advice – Government is not providing impartial advice; it is selling a product.
Inertia selling – "Automatic enrolment" is a form of inertia selling which is normally associated with dodgy products or investments. If NEST (and similar commercial schemes) were that good, there would be no need to use underhand and discredited sales methods on the low-paid.

Financial services bonanza – The legislation will involve the setting up of a million new pension schemes. This will be a land grab for the financial services industry which will take vast sums in fees and commissions off the backs of the low paid.

Penalties - Any employee who opts out will lose the so-called 'employer's contribution'. This money is part of the payroll cost and so it will, over time, be set against pay rises. So it is money that has been earned by the employee which will be taken away if he does not do what he is told: a fine, in other words.

Pension schemes are based on trust. Trust that, when the employee is too old to work any more, the money that he saved will be available to him in his old age. But, as we know to our cost, you can't trust Government when it comes to pensions. They can run their expensive advertising campaigns (see next story) but, with nearly half a million people in FAS and PPF and another million burnt by Equitable Life, there is a dead weight of experience out in the population which no campaign will overcome.

This is tragic, because people need to save for their retirement. But before it will happen, Government has firstly got to put right the injustices of the past; and secondly design a scheme where all the stakeholders share the risk and where the employee can see a reasonable prospect that he will see some benefit for the sacrifices he is being asked to make.

DWP – Misleading adverts

As an example of the way that the DWP is being cavalier about auto-enrolled pensions, you need to look no further than the advertising campaign itself. This is encouraging workers not to opt out of the AE workplace pension scheme. But these adverts are misleading. The DWP is spending £3.5 million on the campaign, in which a series of celebrities and business leaders appear, together with the catch phrases "I'm in" and "we're all in".

This is misleading, because:

The most reasonable interpretation of the ads is that "I'm in" means that the individual concerned personally has an auto-enrolled pension. This wasn't however possible, as auto-enrolment doesn't start until 1 October 2012, and then only for the largest companies.

Furthermore many, if not all, of these people are experienced and well-paid business people. It seems most unlikely that they would take out a pension which has been specifically designed for the low-paid.

In particular, Nick Hewer, who is the central figure in many of the advertisements is 68 and too old to be auto-enrolled. And Karren Brady has said in an interview that, not only does she not have any pension at all, but she isn't interested either.

It is possible that "I'm in" is meant to mean that the speaker already has a pension. But this too would be misleading, as the personal circumstances of these famous people are very different from those in the average workplace – what may be a sensible investment choice for a wealthy individual is unlikely to be equally sensible for the low paid, and in any case the financial products would be different. It would be rather like Sir Alan Sugar appearing in an advertisement for a cheap, small car saying "I've got one of those". This would be true, but only to the extent that he has a Rolls Royce and that is also a car.

We are also concerned that there does not appear to be any consideration that a workplace pension may not be in the best interest of every worker, and that opting out may in fact be the most sensible action. For instance, those nearing retirement, on means-tested benefits and with large credit card debts would probably be better advised to use the employee contribution to pay down their high-interest debt. Such warnings are commonplace in financial advertising so the absence of a warning is likely to be interpreted as meaning that workplace pension plans will always be the right decision for every worker. That too is misleading.

PAG have written to the DWP on this basis, and threatened to take them to the Advertising Standards Authority if they do not amend or withdraw the campaign within seven days. The deadline expires on Friday 5 October and, at the time of writing, no response has been received.

You can see the full letters and press releases on the website at http://is.gd/qS94Ng.

Our initial press release was favourably covered in the Times and in Professional Pensions and may gather more interest as the story develops, which will give us a platform from which to draw attention to our own situation.

Overpayment of FAS benefits

A considerable number of members have been receiving notification that they have been over-paid by either FAS, their scheme or insurer or combination of all three.

We have expressed concern to PPF/FAS and have tried to see senior DWP officials on this subject and whilst the staff at FAS have been very helpful the same cannot be said of the Minister's office, who have failed to respond.

Our concerns are around the accuracy of the information and the quality of communication and option for repayment or indeed non-repayment of the overpayments.

It is common for trustees to make interim payments while a pension scheme is in wind-up, to those members who reach normal retirement age. Because the trustees have to ensure that there is enough left in the pot for the deferred pensioners, the amounts paid are usually conservative, resulting in an increased pension and back-payments when the scheme is finally closed. The FAS also makes payments during this interim period and, because the pension payments are low, the FAS payments are correspondingly higher. This means that there have been overpayments of FAS money during the interim period and, quite reasonably, this money has to be recovered.

When this happens, members are being sent demands for repayment, which they can either do as a lump sum, or as an adjustment to their monthly payments from the FAS. The adjustment is calculated by the FAS so that, if the member lives to the actuarially calculated age, the debt is cleared. This means that, for those who die earlier, less is repaid. But it also means that, for those who live longer, the debt is never cleared – they may end up paying much more than they originally owed.

PAG is pushing FAS to change this system, so that no one ever has to pay more than they owe, but in the meantime, if you should find yourself in this position, it may be better for you to make a lump sum repayment.

PAG has also complained about the communication of overpayments and the FAS head of scheme delivery has said "*We are conscious our communication of overpayments could have been better and as a result are currently looking at our letters with a view to improving them*"

She also said that the FAS scheme manager would consider representations to waive the recovery of an overpayment. So if repaying the money would cause you hardship, you could ask the FAS to write off the debt.

The sensible way for this to be done would be for the trustees to remit the back payments to the FAS directly rather than to the member, so that the member would continue to receive the same monthly sum and only the proportion received from each source would vary, but there is no sign that this is actually being considered.

We have reason to believe there was an issue with overpayments for MP's whose treatment was far more generous than that being applied to FAS members. No surprises there.

We will robustly continue to pursue this and it is a matter that Ros Altmann is taking a very close interest in.

PAG and the media

Following an appearance at a Professional Pensions conference by Alan Marnes, who asked the Minister some difficult questions, the magazine has taken a renewed interest in our issues and as a result Terry Monk was invited by Professional Pensions to appear on a panel at their latest conference discussing restoration of trust in pensions.

Alan has followed up conference attendances and questioning by attending an FT conference when, this time, the Minister said "Hello Alan" but still will not move on his pre-election statements

Since the press release driven by Peter Lapinskas Alan has appeared on local radio, Brian Wilson has been trying to get a telling letter published by his local press and Terry Monk had a interview on LBC (a London radio station).

Each we have been pushing the message about trusting statements made by politicians and the clear fact that we are NOT and never will get 90% under the present rules.