PENSIONS ACTION GROUP RESPONSE TO RESULTS OF PROFESSIONAL PENSIONS MAGAZINE PENSIONS BUZZ SURVEY 20NOV19

The well respected Professional Pensions magazine in its weekly Pensions Buzz survey dated 20th November 2019 raised the question: 'Should FAS and PPF provide indexation for pre-1997 pensionable service?'

To explain, the Financial Assistance Scheme (FAS) and the Pensions Protection Fund (PPF) were set up to assist members of failed pension schemes, but do not provide any indexation relating to a member's pre-1997 pensionable service. Post-1997 pensionable service is limited to a maximum of 2.5%pa or the published annual inflation rate using the CPI, whichever is lower.

The Pensions Buzz survey, is mostly sent to, and responded by, professional pensions actuaries, lawyers, investment managers, trustees, consultants and administrators

The result of the survey showed that 36% of the respondents thought that FAS and PPF should provide pre-1997 indexation, 36% think that they should not, while 28% said they did not know.

However, the survey results include comments made by the respondents. Three of the 'No' and one of the 'Don't Know' categories actually said that if the original scheme rules provided pre-1997 indexation then FAS and PPF should also provide it. By including these respondents then the majority of those who replied to the survey thought that FAS and PPF should provide pre-1997 indexation.

We refer to several of the comments made:

'A life boat fund is not intended to be a first class yacht'.
'We should not forget that this is a 'lifeboat' not a 'replicator' arrangement'.
We agree with these statements, but equally it must not be a boat that will sink.

Most schemes failed due to the collapse of the sponsoring company, or termination of their funding, leaving a deficit in the pension scheme. We should not forget the reasons for this underfunding, i.e. the removal of pension fund investment dividend tax relief, the now discredited Minimum Funding Requirement, the fact that a scheme could be 100% funded to MFR but still most deferred members would receive very little of their eventual pension, the tri annual evaluations with actuaries reporting satisfactory levels of funding for a long term recovery, the substantial fees collected by the pensions industry during the life and after life of these pension funds, the lack of serious warnings by the profession about the inadequacies of the then pensions protection, and the lack political will to ensure the protection available complied with Article 8 of the EU Insolvency Act. All this information is available to read and was revealed in the 2006 Parliamentary Ombudsman's damning report 'Trusting in the Pensions Promise'. The main finding was maladministration on behalf of the government, and full recompense of the losses was recommended.

Recent ECJ court cases including Robbins, Hogan, Hampshire and Bauer have shown that UK governments have not provided the protection cover that they should have done. That is why the Pensions Action Group is still fighting for the restoration of their pre-1997 indexation.
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We should also remember that approximately £1.8 billion, the residues of pension scheme funds entering FAS, were transferred to the government and swallowed up by the Treasury.
While we accept that legal provision of indexation was only made compulsory in 1997, it should not be used as an excuse by the DWP to not supply the indexation to the schemes that did actually provide it, and whose members paid for it in their contributions. We are only asking for the benefits that we paid for, we are not asking for a universal provision of pre-1997 indexation which would include schemes that did not provide it. Ironically, public servants are all being provided with full pre-1997 indexation, and the tax that FAS recipients are currently paying is helping to provide this!

There are many other benefits that original scheme members paid for and are denied by FAS or PPF. These include full GMP entitlement, indexation above 2.5%pa, higher levels of pre NRD revaluation, the original use of the RPI not CPI as is now used, better spouse entitlements, guarantee periods, early retirement options, payments denied for anyone reaching the NRD before 2004, and much more.

We are very grateful and it is heart warming to see the support that was shown by the 36%+ of recipients, given their professional positions, but also a bit concerning that some of the negative replies from the professional pensions industry showed a limited understanding of the issues surrounding the history of this pensions scandal, particularly given the income that was derived from these schemes.

Confidence in pensions savings depends on resolving any negative past issues!