

September 18, 2009

Financial Assistance Scheme Consultation  
Pensions Protection and Stewardship Division  
Department of Works and Pensions  
Caxton House  
7th Floor  
6-12 Tothill Street  
London  
SW1H 9NA

Dear Sir or Madam,

FINANCIAL ASSISTANCE SCHEME (MISCELLANEOUS AMENDMENTS) REGULATIONS  
2010

I am writing on behalf the Pensions Action Group and its members although I am aware that a number of our members will be responding in their own name

1. We wish to restate that we paid for and expected to receive our pension entitlements in full and our objective within the Autumn consultation is to ensure that the 90% promised by the Prime Minister is delivered in full
2. We have expressed concerns both in writing and at meetings with DWP officials and with previous and current Ministers plus both main opposition parties that the December 2007 announcement and subsequent regulations fails to deliver and sustain the headline 90% for the following reasons
  - a. There is very limited post retirement inflation protection and FAS should recognise the *full* scheme basis of escalation and not *just* the limited post 1997 increases: failure to resolve this is *provoking further public protest and damaging publicity*
  - b. *The same applies to the PPF, though with the passage of time new schemes entering can have a higher proportion of compensation indexed at <2 1/2% on post 1997 contributions. This will depend on whether the schemes were already closed & when and the age profile of membership.*
  - c. Pension inflation is greater than the Governments headline RPI and CPI figures, *and in 2008 was estimated at 7/8%, as pointed out by Mark Wood of Paternoster writing to Professional Pensions in the first week of February..*
  - d. The May 2004 cut of is unfair and should not apply and although there are we understand technical difficulties a resolution is not impossible
  - e. In the current financial and employment climate we would wish to see early access along the line available to the PPF made available to FAS beneficiaries
  - f. We find the tax free cash situation very restrictive given the restriction on commuting FAS top up and wish to see a figure with a cap (unless share of fund exceeds it ) for all
  - g. We have always felt that the CAP (which only applies to a small group) is very unfair to long service members and the impact is damaged further by the limited post 1997 escalation, *as are the reductions for early retirement in the PPF which can reach 70% and which they have described as an unintended consequence of the 2004 Pensions Act.*

3. We wish to make the following specific points on the consultation document which reflects the objective of at a minimum protecting the headline 90%
- All AVC benefits whether they are DB (added years) or annuities purchased by members AVC's but paid through the payroll must stand alone from any FAS calculation. AVC's are the property of those members who voluntarily chose to do more to improve their pension and they must be protected
  - The consultation discusses the calculation of members share of fund and the calculation of notional pensions and it further discusses notifying members of their share of fund , this must be accompanied by pension estimates as without it the figures will be meaningless and create more questions than answers
  - The objective of the consultation document in protecting members benefits with assets transferring in FAS is to be welcomed BUT we are concerned that by the use of FAS factors and FAS benefit basis some members might have their overall benefits reduced
  - We are concerned that there is fairness between the two classes of FAS beneficiaries I.E. those who have annuitized and those where the assets are transferring
  - There is mention of how the post 1997 escalation is calculated and the offset of any escalation on residual benefits , we consider this to be unfair given the very restrictive FAS escalation as well as being very expensive to monitor in particular where benefits have been secured with an insurer
  - We wish to see a more pragmatic approach taken to the tax free cash calculations as there are a number of members who we relying on their TFC to reduce or repay mortgage debts and we would propose a more flexible approach with a cap of share of fund or £40,000 which ever is higher

Our wider concerns have been repeated above and we have outlined what we consider to be the key areas in the consultation document that we feel place the 90% at risk

PAG is meeting with DWP officials on the 30<sup>th</sup> of September and the minutes of that meeting should also form part of the consultation

Faithfully

Terry Monk on Behalf of Pensions Action Group