

# Pensions Action Group Newsletter

Issue 24

9 December 2009

Fighting to get our pensions back

## Ratchet up the pressure!

### Now is the time to talk to MP's and candidates

As the parties gear up to the forthcoming General Election, they are putting the final touches to their manifestos and are uniquely susceptible to pressure from the electorate. They are desperate to garner as many votes as possible and so there is a lot of discussion to determine which policies to include. One of the key factors in the decision is whether a policy will register with voters, as there is no point in including a policy if people are not interested. So the policy makers are keenly interested in hearing from their sitting MPs and candidates as to which issues they are hearing about in their postbags. And this is where you come in.

In every constituency, there will be a sitting MP and two candidates from the three major parties who are in 'listening mode'. Now is the time for you to write to them or, better still, go to see them to explain how you have been affected by the loss of your pension and how the FAS will provide less than the 90% which it promises. You can then specifically ask them to request that improvements to the FAS should be included in the manifesto.

You may feel that it is not worth the effort ("What difference can one person make?") but you would be amazed at how large an impact each person can have at this stage in the political process. In particular, hardly anyone goes to see the candidates, so a visit from a potential supporter is a big event for them, and is an opportunity for them to show to their party minders that they are engaging with the electorate.

You can find the contact details for your sitting MP here: <http://tinyurl.com/nyun58>

The candidates' details can be found here:

#### Labour

<http://tinyurl.com/yjlrq95>

#### Conservative

<http://tinyurl.com/yaau6ds>

#### Libdems

<http://tinyurl.com/yb6vhxx>

This is a big opportunity for us – let's make the most of it!

*Peter Lapinskas*

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### Update on DWP meetings

Various members of PAG have met regularly with DWP officials from the early days of the original FAS scheme, through the discussions with Andrew Young concerning the benefits of taking in scheme assets, right up to the ongoing discussions surrounding the various consultation documents issued following the December 2007 announcement. We have in addition had meetings with the various Ministers during the same period.

At each meeting we have restated the fact that we lost what we paid for and that we will continue to fight for full restoration. However, the consultation process following on from the 2007 announcement was aimed specifically at producing the regulations required to carry out those measures and we have addressed those fully.

During these consultations we have achieved additional benefits, including the serious ill health provisions (driven forcibly by Ros from the December announcement); the provision of partners pension benefits on death; some improvement in the tax free cash provisions; and, through the most recent consultation, we continued to seek improvements and fight any erosion of the 90% as announced by Gordon Brown in December 2007

Following each meeting we have circulated PAG members with a summary of the key points discussed but for confidentiality reasons (as requested by the DWP) we cannot release the full minutes. However we have always been available to answer questions raised by members

We are aware that the Unions have met the DWP and with Ministers although we have never seen a summary of those meetings

Additionally some PAG members have met privately with the DWP to raise their own issues and we know that members continue to raise specific concerns with both DWP and their own MPs.

We will continue to attend meetings and keep PAG members informed. We would like to thank those of you who have given us feedback and those who have responded to the consultation documents. Your contributions are and will continue to be very important

### **Pre-retirement revaluation**

It may help if we try to explain what pre-retirement revaluation means and what the purpose of it is:

At one stage when a member left a pension scheme there was no obligation to preserve benefits let alone make sure they were protected from erosion by inflation

This changed several years ago and schemes must now have a basis of revaluing benefits between the date of leaving service and the member reaching their scheme retirement age

The revaluation basis varies from scheme to scheme and indeed different benefits get revalued at different rates. Particular examples are contracted-out benefits (GMP/Protected rights) and what is often called "excess benefits" (i.e. those benefits that are in excess of contracted out benefits). These different tranches of benefit will

be shown separately on your leaving service statements (always keep these safe)

Under FAS rules the scheme revaluation basis applies from date of leaving until what is called the Crystallisation Date, which is usually the same date as wind-up date or the date the insolvency occurred. From that date onwards FAS revalue all the benefits at the same rate as the Retail Price Index with a maximum of 5% up until retirement date

The difficulty:

If you know the scheme revaluation basis up until the crystallization date and then guess at what RPI might be until your retirement age is reached you can make an estimate of the pension you would have received. The FAS will make your pension up to 90% of this figure, subject to a maximum (the cap) currently set at £26,000 per year.

You must of course recognise that even using these figures will only give an estimate which could change significantly and so they should not be relied upon

We will continue to press DWP (FAS) for a Government-approved illustration.

*Terry Monk*

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### **Contacts with political parties**

Over the Autumn period we have met with all three major political parties. The meeting with the Conservatives is covered elsewhere. Here is how we fared with the other two parties:

#### **Labour (Angela Eagle - Minister)**

Understanding and sympathy but absolutely no more money although interestingly she did say she expected us to continue to campaign

#### **Lib Dems (Steve Webb - Shadow Secretary of State for Work and Pensions)**

Very supportive of our position on the shortcomings of FAS but receives very few letters from Lib Dem supporters and MP's on the subject. Without evidence of concern in the voting public, he is unable to convince his colleagues to include a commitment to the issue in the manifesto (the same is true of the Conservatives). We will

continue to work with him and encourage his support, but for him to help us we need each of you to write to your LibDem MP or candidate and ask for them to contact him with your concerns..

For details of what Steve Webb said at a recent debate on FAS please refer to

<http://www.publications.parliament.uk/pa/cm200809/cmgeneral/deleg8/090707/90707s01.htm>

Here is an extract

*Steve Webb: I am not delighted to hear that; indeed, I am quite alarmed to hear it.*

*There is a lot of technical detail in these measures, which are part of a series, and I strongly welcome the iterations that the Government have gone through to beef up the scheme, although they have rather been dragged kicking and screaming to do so. However, it is clear that the figure is not 90 per cent. And that some pensioners will get far less than that on day one. Indeed, most, if not all, of the pensioners who are affected – about 114,000 people – will see a decline in their real living standards year by year, decade by decade. I suspect that many of them will be forced on to means-tested benefits to make up for the shortfall in what the FAS is not providing when their benefits have been eroded, so the financial saving from indexation – to come back to the intervention of the hon. Member for West Bromwich, West – is not even as great as the gross cost, because some of it will be clawed back through pension credit. I think we would all rather that those pensioners had a decent pension in their own right than that they should have to rely on means-tested assistance to top up an assistance scheme for a pension that they should never have lost in the first place.*

Extract from Nigel Waterston (Conservative) in the same debate

*Mr. Waterson: I think that we have proved beyond argument that both main parties have accepted that there will be significant cuts in public spending. The only person who seems to have been in denial for some time, until only the other day, is the Prime Minister. All I am trying to do is to find out whether, within the existing wrapper of the FAS, some apparent unfairness's can be ironed out. I am sure the Minister will find a lot of people beating a path to her door, wanting to talk about these issues on behalf of some of the groups involved.*

*The Government have set their face against changing the arrangements. However, the consultation says: "The Government acknowledges that the current indexation proposal means that, over time, the buying power of any assistance paid will be reduced".*

Terry Monk

## **Conservatives (Nigel Waterson - Shadow Secretary of State for Work and Pensions)**

Alan Marnes, Peter Wheeler, Brian Mealings, Brian Wilson, John Hunt and Richard Nicholl met with Nigel Waterson at the Conservative Party Conference in Manchester on Tuesday October 6th 2009.

As with the previous meetings with the LibDems we managed to get our main points across, bearing in mind that Mr Waterson had recently given us positive support in Committee.

Mr Waterson understands the issues, especially about indexation, 90% not being 90%, pre-2004 retirees and the cap, and sympathises with our position.

He left us in no doubt, however, that given the perilous state of public finances, and the huge demands for funding from every sector, we will only succeed in getting any further active support by motivating our MPs.

It is unlikely that we will get any further major improvements to FAS until after the next election, but we must all write to our MPs and any prospective candidates now, explain the situation simply, and demand their help. We should remind Conservative MP's of David Cameron's recent declaration that 'If you save money your whole life, you will be rewarded!' We need that reward in full and not to be short changed!

Further communication has since taken place with the Conservative Shadow Pensions team, including Theresa May. They are aware of our position and our arguments, but we must continue to pressurize them into action.

It is ironic that we may have to rely on Conservative and LibDem support to get the full justice we deserve, while New Labour seem to be ignoring the calls of the workers, the Parliamentary Ombudsman, the Courts, the public and the media. They will do this at their peril!

*Richard Nicholl*

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## **Re-statement of objectives**

We all recognise that we lost "what we paid for" and that should mean that we receive 100% as compensation, which is a point which we will continue to make. However in the current climate

we must focus on making sure that 90% means 90% and that it is not eroded by regulations and the current FAS failings.

We believe the following are the key components currently missing from FAS:

1. Indexation should fully reflect that provided our original schemes
2. Backdating should be to scheme Normal Retirement Age and not the arbitrary May 2004 cut-off date
3. A higher tax-free cash limit should be provided, irrespective of scheme asset share, to be paid on request
4. Access on early retirement irrespective of ill-health (with an actuarial adjustment)
5. Recognition of pre-retirement scheme revaluation basis
6. Provision of meaningful benefit projections
7. Recognition of the harmful effects of the earnings cap on long-serving members

*Terry Monk*

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### **Future plans**

It is currently very difficult to get the media interested in our continuing fight, given the pension difficulties of so many individuals and scheme members.

We need to focus on one or two key objectives and get buy-in from both of the opposition parties, noting what Steve Webb and Nigel Waterson said in the FAS debate.

We must remind Labour of our objectives.

We will commence a mailing campaign when the election date is announced and make that sure we write to all candidates and MP's in marginal seats

We will arrange at least one high profile demo before the election and, ideally, demos at key events of each of the main parties

*Terry Monk*

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### **90% of what?**

One of the most common questions raised about the level of support being delivered from FAS is 'We will get 90% of what?'

Leaving aside the fundamental differences between 'expected pension' and 'accrued pension', the most important elements of the equation involve our length of pensionable service and salary at date of leaving or start of wind up. If this basic information is incorrect or not available, then talk of 60%, 80%, 90% or 100% is meaningless.

That is why the PAG representatives made Member Data such an important issue during the Consultation Process to the latest set of FAS regulations currently winding their way through Parliament. We discussed the issues in great detail with the FAS and PPF officials, so that they could understand the importance of early verification of our data. They agreed with us, and hopefully the new legislation will insist that each member will be given details of the information held on them, so that we can be happy that it is correct. This is vital to get right while the trustees and administrators are still available to correct any mistakes.

It is also vital that we all keep as many of our own records as possible to be able to verify our own data. Once these have all been collated, then FAS will be able to determine the funding position of each scheme, and that has an effect on what level of optionable tax-free lump sum we may be offered (although we are arguing for 25% for everyone).

Other information that we must each keep the FAS team informed of is our address, phone number and spouse's (or partner's) name.

It has become apparent that some trustees and some administrators have kept poor records on their members. This is unforgivable and makes the work of the FAS staff that much more difficult. We will therefore carry on insisting that member data verification is kept to the forefront of the agenda.

Only when this information has been checked and approved can the FAS start to work on individual FAS Award forecasts for us all, which is something that we all need and must continue to press for. Notification of our potential FAS pension must be made available several years before our retirement date, to allow us to plan ahead properly. This was another of the points raised strongly during the consultation meeting we had with the FAS team, and we are hopeful that it will be included in the new regulations.

Please check your own data, and continue to write to your MPs to explain these problems, so that

when the Bill comes through Parliament they are in a position to support our demands.

*Richard Nicholl*

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## Benefit projections

One of the continuing and major concerns of PAG has been the inability of DWP (FAS) to provide examples of benefits that can be expected by members when they reach their expected scheme retirement age and this is a subject that has been raised at virtually every meeting we have had with DWP

There has recently been published a benefit calculator by the Daily Mail which you can find at

<http://www.thisismoney.co.uk/pension-protection-fund-calculator>

or

<http://tinyurl.com/y94yjs4>

Calculating a pension is potentially complex, so the site is only useful as a guide to give you a ballpark figure of what you can expect. You should not expect it to match your pension to the last penny. Nonetheless, if the FAS/PPF figures differ widely from the predictions you should ask for more detail.

Note that it is a Daily Mail site, not a PAG site, so blame them if it gives the wrong figures! Some specific warnings and caveats:

The salary you enter is the salary on the date the scheme was closed. This may not be the same as 52 times your weekly wage as your scheme may define pensionable salary differently from your actual paid salary. For example few schemes include regular/mandatory overtime or annual bonuses as part of your pensionable salary and things like allowances for shift work or call-out rotas may, or may not, be included. A few schemes do not work with final salary as such but with salary averaged over a specified period (for example my own scheme used the average of the best three years in the last ten years). In theory you should have received a statement showing your pension entitlement at the moment the scheme closed. This accurately gives you the pensionable salary to enter. If you do not have this document

try to remember how your scheme worked and/or try to find an old scheme members' handbook.

You also need to know the accrual rate, which will almost certainly be sixtieths, eightieths or fortieths. Sixtieths are commonest, but schemes are now moving to eightieths. Only a few, usually senior management positions, use fortieths. For example if your pensionable salary was £30,000 and you worked 20 years in a sixtieth scheme your pension entitlement would be:

$$30,000 * 20 / 60 = £10,000$$

Occupational pension members usually opted out of the state second pension but the scheme had to provide at least similar benefits. This is known as the Guaranteed Minimum Pension (GMP). The Mail website does not seem to factor the GMP into the calculation so there may be errors here.

High earners may find the pension is capped. Both the PPF and FAS cap the pension, currently at around £27k pa, and it is revalued each year. The mechanism by which this revaluation is done is different for the FAS and PPF, (the FAS only does a cap check once), but effectively the cap should be increased annually so your re-valuation should not creep you into the cap if at first you were below.

Finally the website attempts to include the re-valuation of the pension between scheme closure and retirement. This is usually the lower of RPI or 5%. You have to guess what inflation will be, 2.5% is a reasonable starting guess.

The site does not appear to replicate the FAS benefits basis and is not tailored for individual circumstances. And like any data system it is only as good as the accuracy of the information that you input

*Andrew Parr*

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## Labour Party Conference demonstration

Just under 200 people turned up on 29 September at Brighton for what is now an annual protest. We started at the pier and marched along to the conference centre where we stood for about 30 minutes chanting, whilst inside Gordon Brown was making his speech including the immortal phrase "Not one British saver has lost a single penny"!

14 people performed the traditional 'stripped of our pensions' display, to the great interest of the film crews

and photographers, and a number of us gave extensive interviews.

It was good to see some familiar faces and many new ones. UEF, ASW, Visteon & T&N were particularly prominent.

Our thanks go to Willie Riggans for spearheading the event and to Alan Marnes for his police liaison work..

*Peter Lapinskas*



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### Keep in contact

If you would like to keep in touch with events as they happen, to chat and to exchange notes with others in the same boat, why not join our email group? Full details at <http://tinyurl.com/ruams>

### Previous issues

You can download this and previous issues of the newsletter from here:

[www.pensionstheft.org/newsletters](http://www.pensionstheft.org/newsletters)



Wishing you all  
a very happy Christmas!

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