Written evidence from the Pensions Action Group (PPF0107)

Dear Mr Field,

The Pensions Action Group have made their formal submission to the Defined Benefits Enquiry in writing, and I have been trying to think of ways to demonstrate how the headline 'FAS 90% of expected pension' is misleading. I gave up trying to plot why it is misleading and have therefore resorted to mainly words and an example set of figures to try and explain it.

- Lets assume someone was on a expected pension of £10,000 pa.
- They had 20 years pensionable service.
- The scheme triggered wind up in 1999.
- The member reached his/her normal retirement date (NRD) in May 2003.

1. The £10,000 pa immediately becomes £9,000 pa under FAS with the initial 90% restriction.

2. Only 2 out of the 20 years of the member's Pensionable Service is eligible for any post 1997 indexation increases, even though the member paid for benefits that would have increased during retirement for the whole period of his service.

3. Therefore only £900pa is eligible for any increases with £8,100pa not increasing at all.

4. The RPI since 2003 has, over the period to 2016, been around 35% or more in total.

   The member's original paid for pension would by now, with this 35% RPI increase, be £13500pa.

   In reality under FAS rules, conservatively it might be £9,315pa, or even less as we are now subjected to indexation based on the CPI index.

   So the member is now only receiving 69% of their original paid for pension, and the percentage falls further every year!

5. Even with the FAS 90% the pension, adding the 20 years full pensionable service increases, their pension would now be around £12,150pa

6. To make matters worse, as the member used in the example above retired in May 2003 he/she receives nothing for the period from their NRD to the May 2004 FAS start up.

There are not very many people in this latter position and therefore it would be easy to solve by making a one off exgratia payment. Mark Harper MP in the adjournment debate stated that both FAS and PPF are affected in the same way, and we have documentary proof that the statement was misleading and incorrect.
8. In addition, if the member had been someone with a pension of, say £35,000 a year as a result of either seniority or a long length of service in their job they would have lost £9,000pa of their pension due to the restrictive Cap. The much delayed amendment to the long service Cap will not address this if and when it comes into force. We cannot understand why FAS has to wait until 2018 for the long service uplift and we just hope that the members and their widows/widowers do not lose out as it appears it will not be backdated.

You can imagine the impact on the spouses pensions when a member dies compared to what the member might of previously expected from all of the above.

9. We also feel that the administration of the FAS Regulations need reviewing as we have recently seen an example of an ASW member having his annual pension reduced by less than £3, due to his residual buy out benefits having increased, which is surely not time and money well spent!

We hope this basic attempt at explaining why PAG are still fighting for fairness helps the Committee.

Thank you for your valuable time and continued support.

Best Regards,

Terry Monk

On behalf of the Pensions Action Group

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