

**MINUTES OF THE ANNUAL GENERAL MEETING OF THE
PARLIAMENTARY GROUP ON OCCUPATIONAL PENSIONS HELD AT
THE HOUSE OF COMMONS ON HELD ON 17TH OCTOBER 2006**

GUEST SPEAKER: DR ROS ALTMANN

Present:

Henry Bellingham MP - North West Norfolk (Con)
Sir John Butterfill MP - Bournemouth West (Con)
Michael Clapham MP- Barnsley West & Penistone (Lab)
Jim Cousins MP - Newcastle-upon-Tyne Central (Lab)
Jim Dobbin MP & Researcher - Heywood & Middleton (Lab/Co-op)
Rob Ffello MP - Stoke-on-Trent South (Lab)
Edward Garnier MP - Harborough (Con)
David Gauke MP - South West Hertfordshire (Con)
Nick Gibb MP - Bognor Regis & Littlehampton (Con)
Nick Harvey MP - North Devon (Lib Dem)
Baroness Hollis (Patricia)
Gerald Howarth MP - Aldershot (Con)
Lynne Jones MP - Birmingham, Selly Oak (Lab)
Julie Kirkbride MP - Bromsgrove (Con)
Edward Leigh MP - Gainsborough (Con)
Rt Hon Oliver Letwin MP - West Dorset (Con)
Andy Love MP - Edmonton (Lab/Co-op)
Humfrey Malins MP - Woking (Con)
Sandra Osborne MP - Ayr, Carrick & Cumnock (Lab)
Ken Purchase MP - Wolverhampton North East (Lab/Co-op)
Rt Hon John Redwood MP - Wokingham (Con)
Researcher for Andy Reed MP - Loughborough (Lab/Co-op)
Andrew Selous MP - South West Bedfordshire (Con)
Alan Simpson MP - Nottingham South (Lab)
Mark Todd MP - South Derbyshire (Lab)
Lynda Waltho MP - Stourbridge (Lab)
Iain Wright MP - Hartlepool (Lab)
Jeremy Wright MP - Rugby & Kenilworth (Con)
Rt Hon Sir George Young MP - North West Hampshire (Con)

Ben Lewis on behalf of Paul Burstow MP - Sutton & Cheam (Lib Dem)
Paul Moore - on behalf of Linda Gilroy MP - Plymouth, Sutton (Lab/Co-op)
Caroline Jackson on behalf of John Maples MP - Stratford-on-Avon (Con)
Researcher for Paddy Tipping MP - Sherwood (Lab)
Researcher for Nigel Waterson MP - Eastbourne (Con)

Others present:

Ian Farr, Association of Consulting Actuaries
Tim Bull, Director, Saga

Secretariat

Keith Boyfield
David Robertson

1] Minutes of the last meeting

The minutes of the last AGM held on 11 July 2005 were agreed as an accurate record of the proceedings.

2] Election of Officers

The following Members were elected at the meeting:-

Chairman:	Sir John Butterfill MP
Hon Secretary:	Jim Cousins MP
Vice Chairmen:	Eric Illsley MP
	Nick Gibb MP

3] 'Trust & Pensions' a Presentation by Dr Ros Altmann

The re-elected chairman, Sir John Butterfill MP, welcomed Dr Ros Altmann and invited her to address the Group.

Dr Altmann gave a 22 page power-point presentation on the issues raised by the Government's response to the Parliamentary Ombudsman Report on 'Trusting in the Pensions Promise: Government Bodies & The Security of Final Salary Occupational Pensions & Pensions' (Copies of Dr Altmann's power-point presentation are available from the Parliamentary Group secretariat, telephone 0702 382 4594).

Dr Altmann began by stressing that in her view this problem was an even worse scandal than the Maxwell Debacle. She has been running a campaign to address the injustices that had surfaced as a result of collapsed occupational pension schemes and the inadequate financial compensation offered by the FAS (Financial Assistance Scheme, established by the DWP). Whereas Maxwell pensioners were rescued within weeks, she argued the FAS had proved to be a totally inadequate mechanism for dealing with the personal difficulties experienced by tens of thousands of people who are members of occupational pension schemes that were having to be wound up because of the employer's insolvency. To illustrate their plight, Dr Altmann discussed several individual cases including one, where a retired welder whose pension had failed weeks before his 62nd birthday after many years of contributions.. Not only were these individuals unable to claim their occupational pension, but they were also losing substantial sums each weeks on SERPS.

The Parliamentary Ombudsman had supported the arguments deployed by many of these aggrieved pensioners, however, the Government had declined to take up the recommendations made in the Ombudsman's report. Dr Altman claimed that this raised important constitutional issues: in her judgement, the Government's refusal to take forward the Ombudsman's recommendations marked an abuse of power. Consequently, MPs were confronted with an important challenge, namely how can Parliamentarians defend their constituents' interests against the executive?

Dr Altmann outlined her proposals on how to organise a rescue for the pensioners affected by these collapsed schemes. She said there were a number of potential sources of compensation ranging from the National Insurance Fund (those who had taken out contracted out benefits could be allowed back into SERPS/2SP);

alternatively, trustees could make good pensions out of scheme funds where this was possible; and the role performed by the FAS could be substituted by the newly established Pension Protection Fund. Lastly, a rescue package could be partly funded by the contingency reserve and unallocated funds within the current DWP budget negotiated with H M Treasury.

Turning to what might happen next, Dr Altmann noted that there was the option of Judicial Review, to establish whether the Government's response to the Ombudsman's findings was inadequate. There was also the possibility of appealing to EU institutions, notably the European Court of Human Rights on the basis that aggrieved pensioners' rights had been illegally dismissed. In the meantime, a major demonstration was being organised for 5th November; signatures were being collected for a petition, and a number of newspapers had taken up the pensioners' cause. Dr Altmann hoped that in the near future a debate would be held in the House of Commons, which would provide MPs with the opportunity to speak on behalf of their constituents affected by these distressing problems. Saga, which has over four million customers, was also supporting the campaign to compensate pensioners affected by these traumas.

Dr Altman's key concern centred on the false assurances she considers were given by government. Furthermore, DWP leaflets issued in 1998 and 2004 suggested that pensioners' contributions to occupational pension schemes were fully protected by a number of laws. This encouraged individual pensioners to save in schemes that subsequently collapsed.

The Government's response on these issues has been wholly inadequate in Dr Altmann's judgement. She argued that the Government had made a number of misleading statements, which she detailed in her slide presentation.

In conclusion, Dr Altmann argued that the Government should assume responsibility for the dire consequences now faced by the relevant pensioners. In her view, the mis-selling that had transpired required compensation and the pensioners affected should not face the prospect of losing their state pension rights as well. Dr Altman detailed a number of injustices in the way members of wound-up pension funds were being dealt with by the FAS, notably the absence of inflation linked payments, no tax free lump sums, a minimum age of 65 before payments were made and the fact that the £12,000 cap was not indexed; in short the compensation offered was not based on the individuals' 'expected pension'. She suggested that improving the compensation terms to scheme members along the lines she proposed would amount to about £3bn, equivalent to an actual cost of around £150m a year.

Focusing on the immediate need of rescuing members of defunct pension schemes, Dr Altmann recommended a package including interest free loans to enable people to rejoin SERPS and permission to allow trustees to draw on scheme assets to make appropriate payments. Venture capitalists who had invested in companies and run down pension contributions prior to selling on the business to others might also be pursued with the aim of refunding pension schemes.

In short, if pensioners were not adequately compensated, it would cast a permanent shadow over voters' confidence in the promises made by government on pensions.

Open Forum

The chairman, Sir John Butterfill thanked Dr Altmann for her presentation and invited questions. During discussion the following points were raised

- *How many people are affected by occupational pension schemes that plunged into insolvency?* Dr Altmann estimated the true figure to be approximately 100,000 although the DWP judge that it is nearer to 125,000.
- *Why is there a difference in the government estimate of compensation payments?* Dr Altmann noted that the Government figures did not take into account tax paid. In her estimation, the net figure, allowing for inflation, amounted to between £2.9 bn and £3.7 bn on a net present value basis.
- *Several Members raised the issue of moral hazard: the individuals affected had contracted out from the state pension scheme and were therefore responsible for their pension arrangements.* In response, Dr Altmann argued that those people who found themselves in difficulties had been misled by government advice in the form of DWP pamphlets and other literature. In her view, this involvement justified intervention by the government and taxpayer support for those faced with no pension.
- *Some other Members counselled against the idea of adopting retrospective guarantees in the pensions field. This would be tantamount to writing a large blank cheque on behalf of the taxpayer. Government was unable to underwrite all private pension provision.*
- *In any forthcoming legal case it was suggested that a key test that might be applied centred on how many people who had lost their pensions had actually read the DWP leaflets offering inaccurate information?* In reply, Dr Altmann observed that any future maladministration court case might hinge on this crucial point.
- *Concern was expressed about the FAS (Financial Assistance Scheme), based in York. It seemed that the employees of this new agency had little or no experience of dealing with occupational pension schemes. Based on MPs constituents' experience, the efficiency of the new agency left a great deal to be desired.*
- *Some support was shown for the idea of pursuing private equity firms that had 'asset stripped' companies prior to selling them on a substantial profit. It was alleged that certain venture capital companies had run roughshod over pensioners' rights when restructuring companies in preparation for sale.*
- There was some support for the proposal that the government should provide a more generous financial assistance scheme. However, the key issue still to be resolved was this: how much more funding should be directed into the FAS to provide reasonable compensation for those people who had saved for their retirement in an occupational pension scheme, yet were now facing serious difficulties in their retirement?

The chairman, Sir John Butterfill thanked Dr Altmann for all her tireless efforts in seeking to campaign for those hit by collapsed occupational pension schemes. He felt it was important for the House of Commons to hold a full debate on this critical issue, which had placed so many people in an unenviable position. On a positive note, he observed that in the end, Maxwell pensioners had been refunded nearly all the monies plundered from schemes.

There being no more business, the meeting closed.