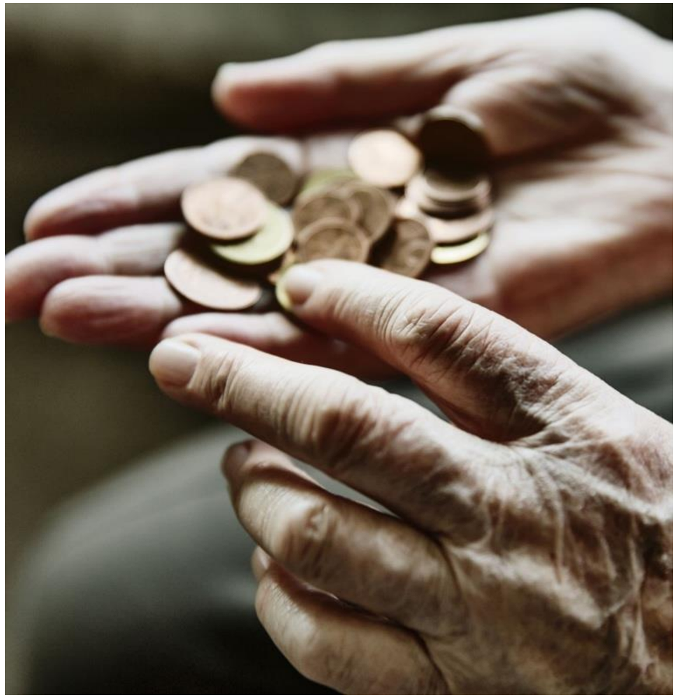
HPPA VIEW OF PRE 1997 PENSION INJUSTICE

Central issue- HPPA & “Alliance”

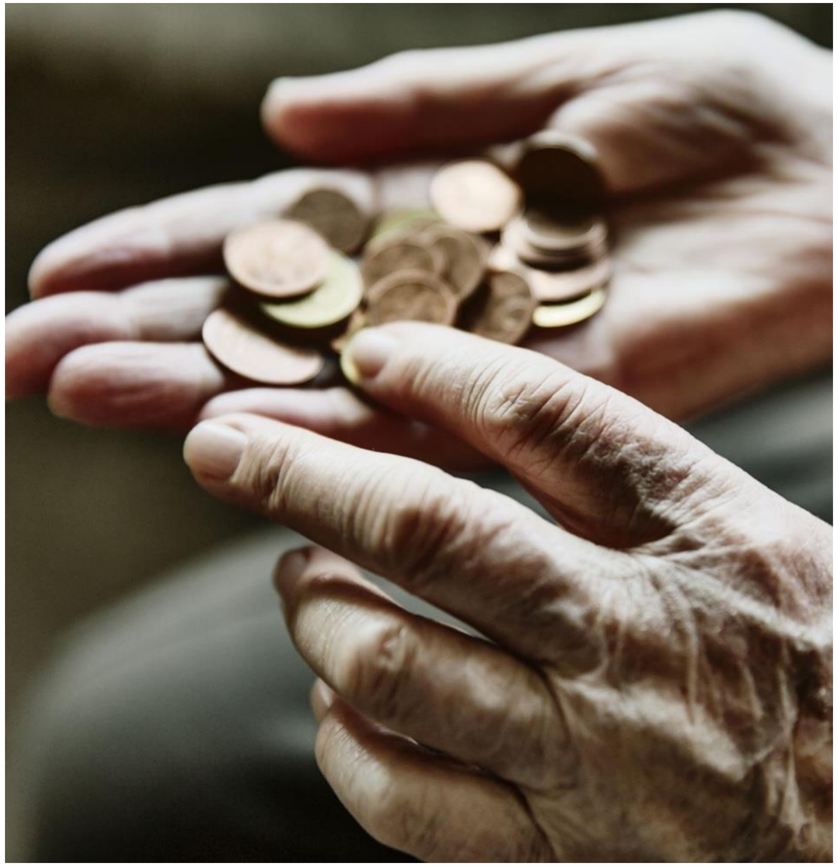
- Public sector pensions & most private sector pensions are “inflation proof”
- Some pre 1997 DB pensions are not “inflation proof” and rely on discretionary increases to maintain the value of their pensions
- Some companies have well-established patterns of not giving discretionary increases, even when funds are in surplus, which has resulted in
    - a significant devaluation of the pensions
    - less purchasing power for their pensioners
    - not fulfilling the stated object of the pension scheme (provide financial security)
- Devaluation does not fit with the reasonable expectations of pensioners who were required by conditions of employment to join & contribute to the company pension scheme
- Devaluation does not fit with UK government’s expectation of ethical corporate behaviour, especially for suppliers



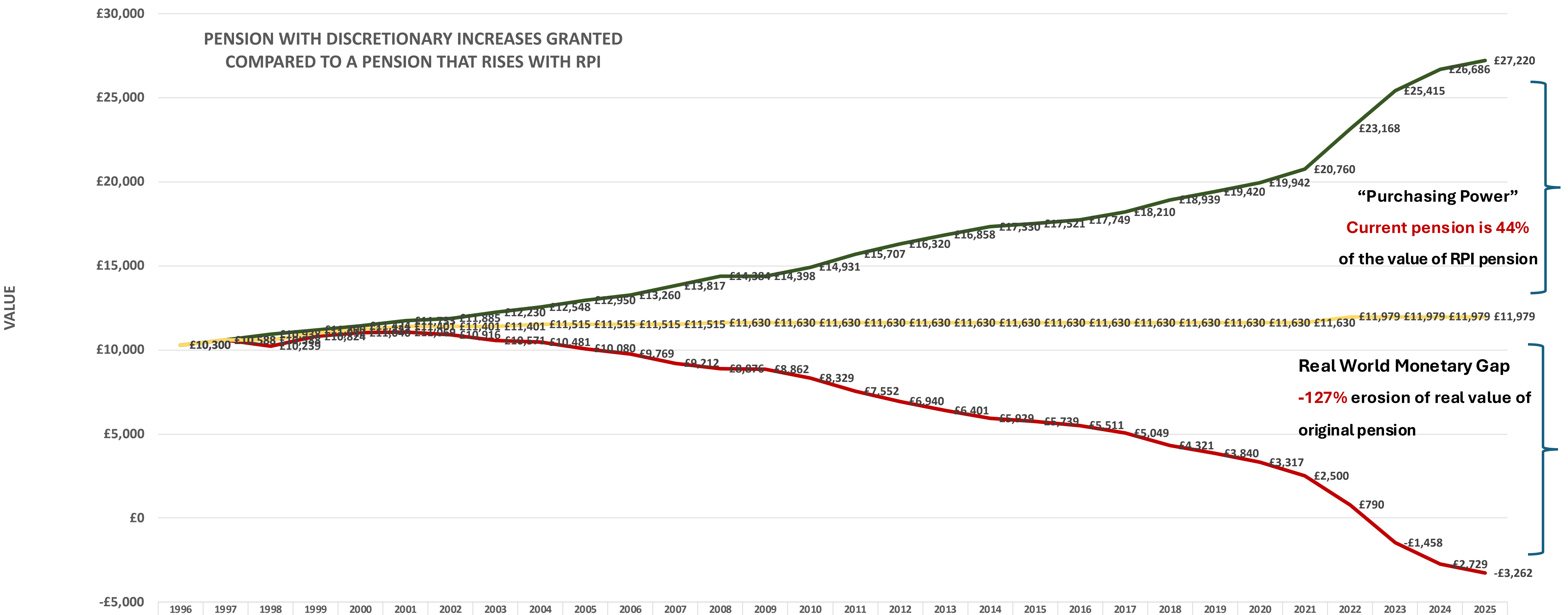
Size of Injustice: Real Case

Individual pensioner

- Age 89
- Joined in 1968
- Worked 28 years
- Retired 1996, age 60
- 29 years in retirement
- Pre-97 Pension value at start of retirement: £10,000
- Current pension approximately: £12,000
- Cumulative lost income approximately: £143,000
- *There is no time to waste in addressing this injustice*

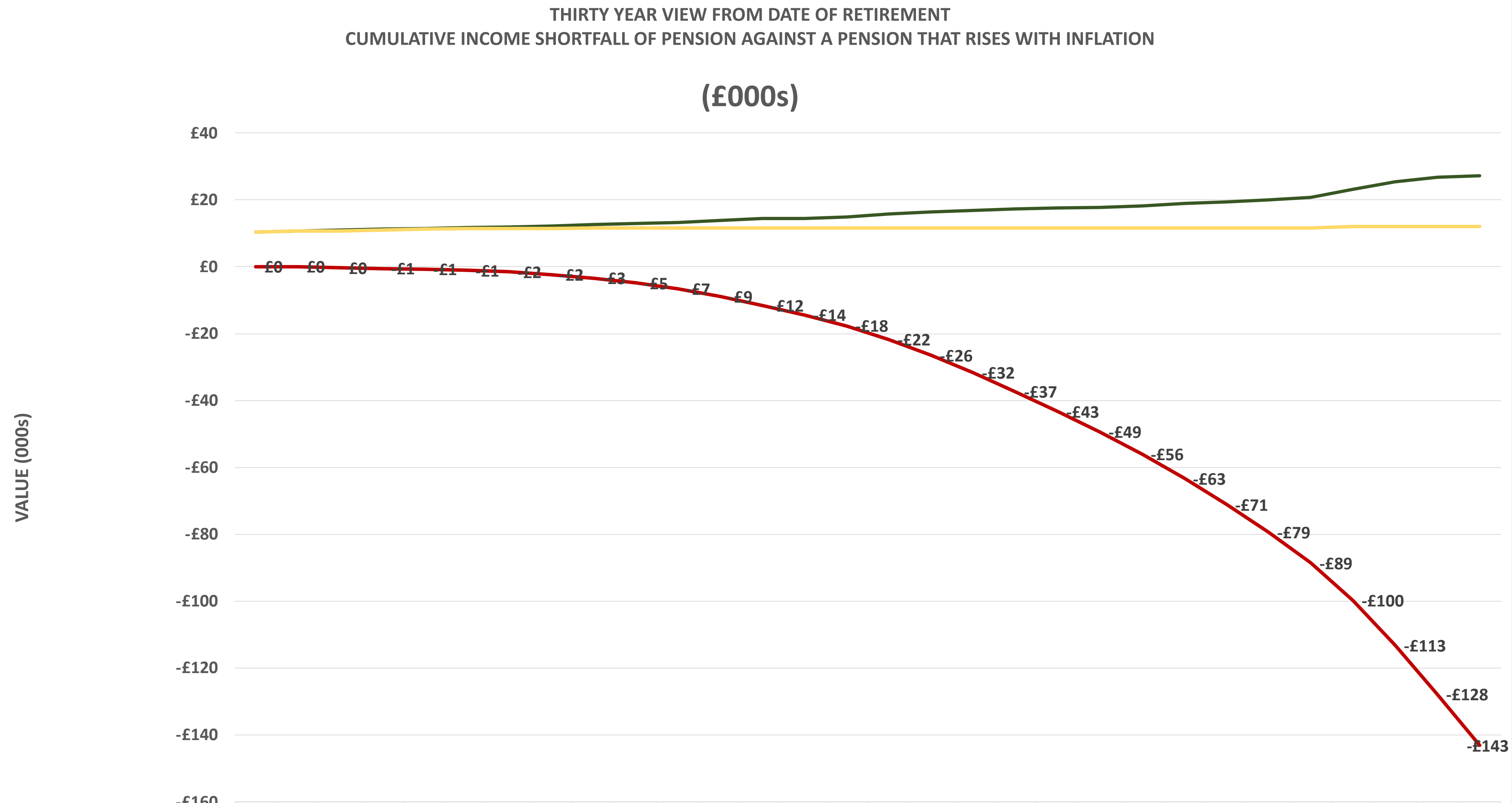


Decline in pension value



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
NET REMAINING VALUE	£10,300	£10,588	£10,239	£10,824	£11,040	£11,069	£10,916	£10,571	£10,481	£10,080	£9,769	£9,212	£8,876	£8,862	£8,329	£7,552	£6,940	£6,401	£5,929	£5,739	£5,511	£5,049	£4,321	£3,840	£3,317	£2,500	£790	-£1,458	-£2,729	-£3,262
RPI PENSION VALUE	£10,300	£10,588	£10,938	£11,200	£11,424	£11,733	£11,885	£12,230	£12,548	£12,950	£13,260	£13,817	£14,384	£14,398	£14,931	£15,707	£16,320	£16,858	£17,330	£17,521	£17,749	£18,210	£18,939	£19,420	£19,942	£20,760	£23,168	£25,415	£26,686	£27,220
CURRENT PENSION VALUE	£10,300	£10,588	£10,588	£11,012	£11,232	£11,401	£11,401	£11,401	£11,515	£11,515	£11,515	£11,515	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,630	£11,979	£11,979	£11,979	£11,979

Cumulative “lost income”

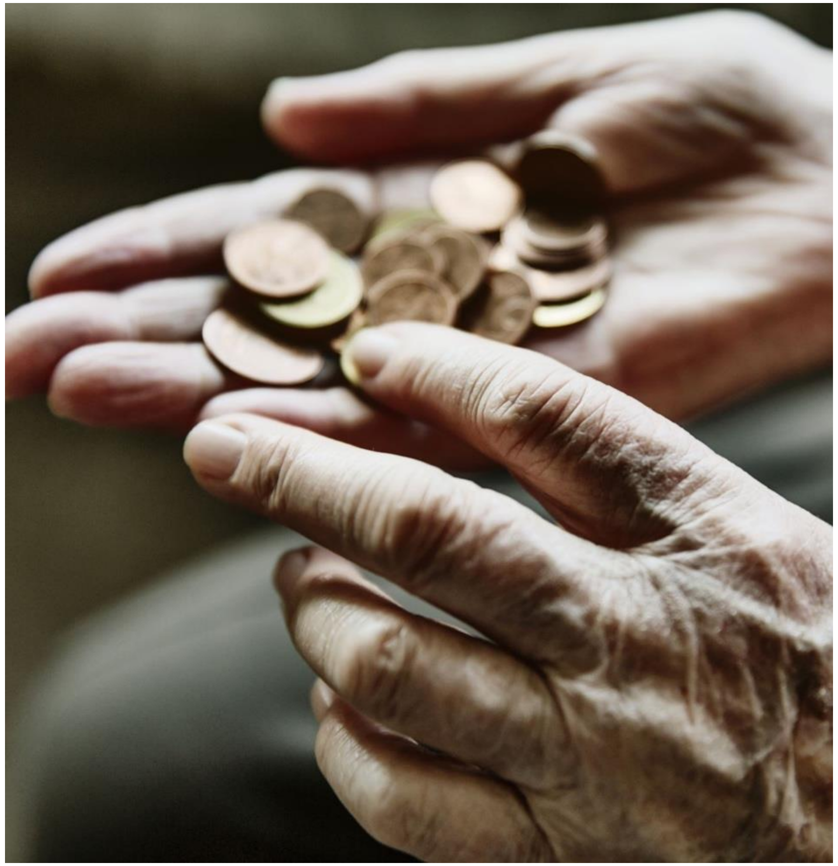


	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
RPI PENSION	£10	£11	£11	£11	£11	£12	£12	£12	£13	£13	£13	£14	£14	£14	£15
CURRENT PENSION	£10	£11	£11	£11	£11	£11	£11	£11	£12	£12	£12	£12	£12	£12	£12
CUMULATIVE INCOME SHORTFALL (£000s)	£0	£0	£0	-£1	-£1	-£1	-£2	-£2	-£3	-£5	-£7	-£9	-£12	-£14	-£18

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
RPI PENSION	£16	£16	£17	£17	£18	£18	£18	£19	£19	£20	£21	£23	£25	£27	£27
CURRENT PENSION	£12	£12	£12	£12	£12	£12	£12	£12	£12	£12	£12	£12	£12	£12	£12
CUMULATIVE INCOME SHORTFALL (£000s)	-£22	-£26	-£32	-£37	-£43	-£49	-£56	-£63	-£71	-£79	-£89	-£100	-£113	-£128	-£143

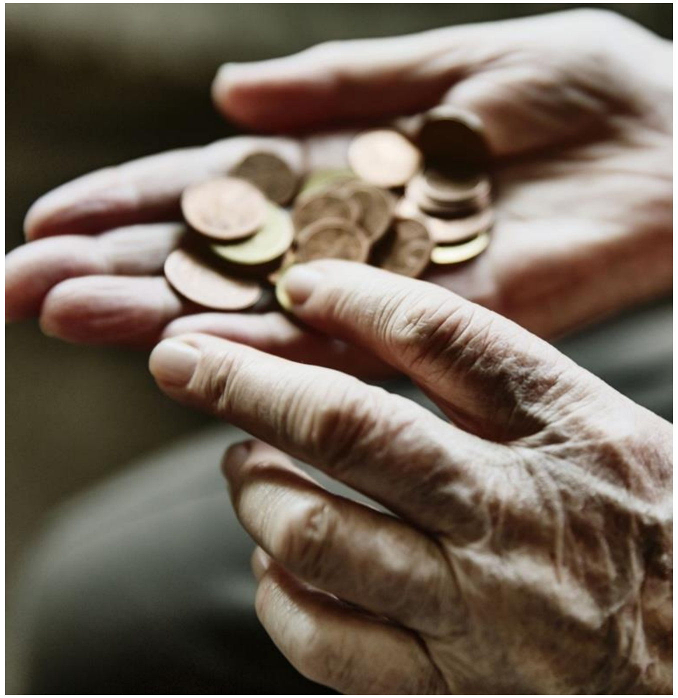
Members say -

- I am in my 80s and must work to make ends meet
- I worry every day about how my spouse will cope on 60% of this worthless pension once I am gone
- I have had to take equity release to pay household utility and maintenance costs
- I can no longer afford the pleasures I thought I had earned like a holiday
- I can’t afford to get the help I need to live at home now that I am less mobile
- I have had to sell my house to pay for the residential care of my spouse



Key Points

- Tip of the iceberg is emerging and shows a national issue that effects between 750K and 1.8 M people
- 20% of DB schemes do not have built in protection for pension value
- Some companies have well-established patterns of not giving discretionary increases, even when funds are in surplus, which has resulted in
  - a significant devaluation of the pensions
  - less purchasing power for their pensioners
  - not fulfilling the stated object of the pension scheme (provide financial security)
- No retroactive change is needed; just stop further devaluation
- By using Pension Act 2021 + TPR guidance + code of ethical conduct



Outcome: Public Statement from Minister

- Government sees the current situation for some pre-97 pensions as unacceptable
- Current practice of companies who over time consistently refuse discretionary increases for Pre 97 pensions is deemed unethical by the Government
- All companies should provide affordable* discretionary increases every year on pre-97 pension elements
- If companies do not voluntarily correct their current practices, the government will take steps to require the necessary changes

** Affordable to fund & company*

Cost & Benefit

- Zero cost to taxpayer
- Reduced benefit costs
- Increased income to pensioners in later life when more resources are needed and have disproportionate value to quality of life
- Increased money going into local and national economy; pensioners more likely to spend than save
- Public standards & government expectations of ethical company behaviour made more visible

Suggested Next Steps – 80/20 Rule

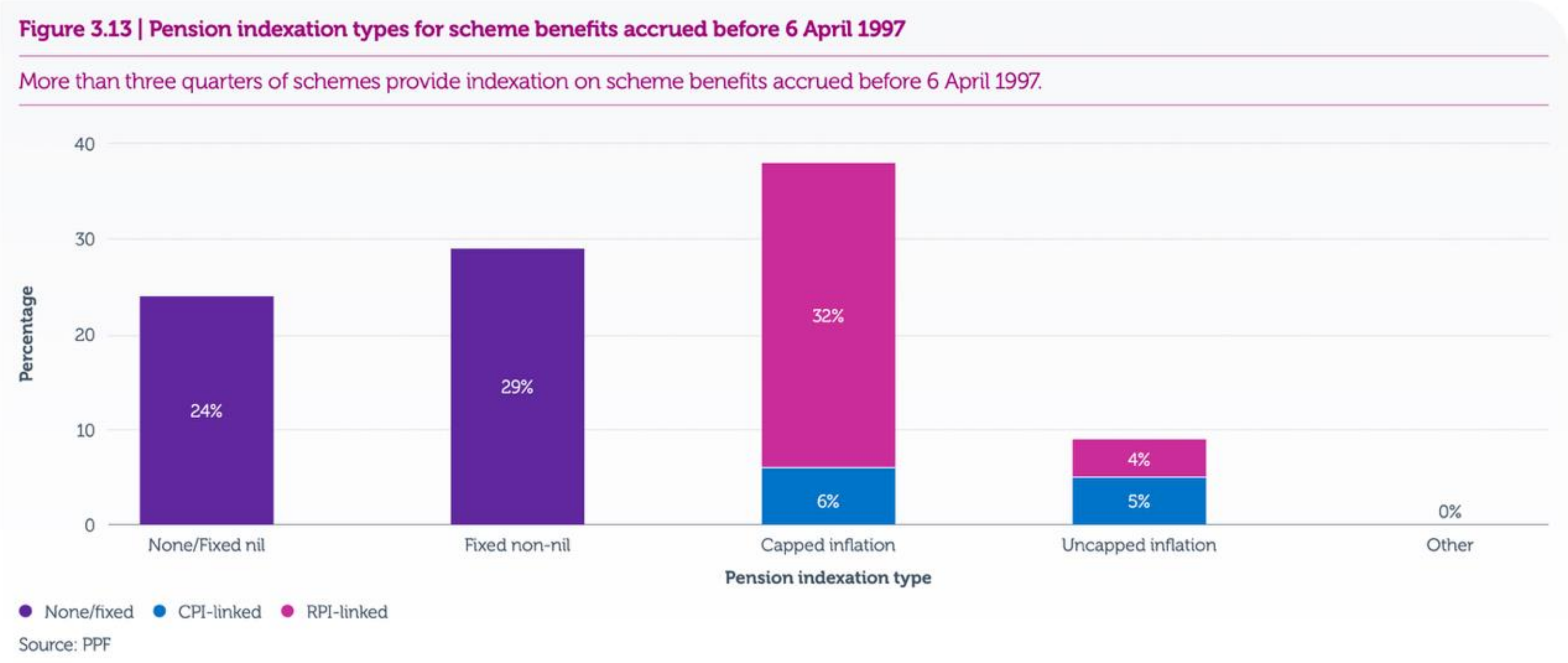
- Within 90 days, companies are encouraged to resolve their pre 1997 pension injustices by working with their Trustees ensuring that pensioners are genuinely heard & represented, decision making criteria and processes are transparent, and trustees are elected
- Where there is an established pattern of ”zero increases”, plans for reparations must be explored and evidenced
- There will be regulatory scrutiny of company decisions where annual pension adjustments are below RPI
- Within 3 months we will implement a code of ethical conduct for companies operating in the UK requiring a statement of commitment regarding treatment of Pre 1997 pensioners
- Ethical treatment of pensioners will become a requirement for all suppliers to government

Some Graphical Views of Pre-1997 Landscape

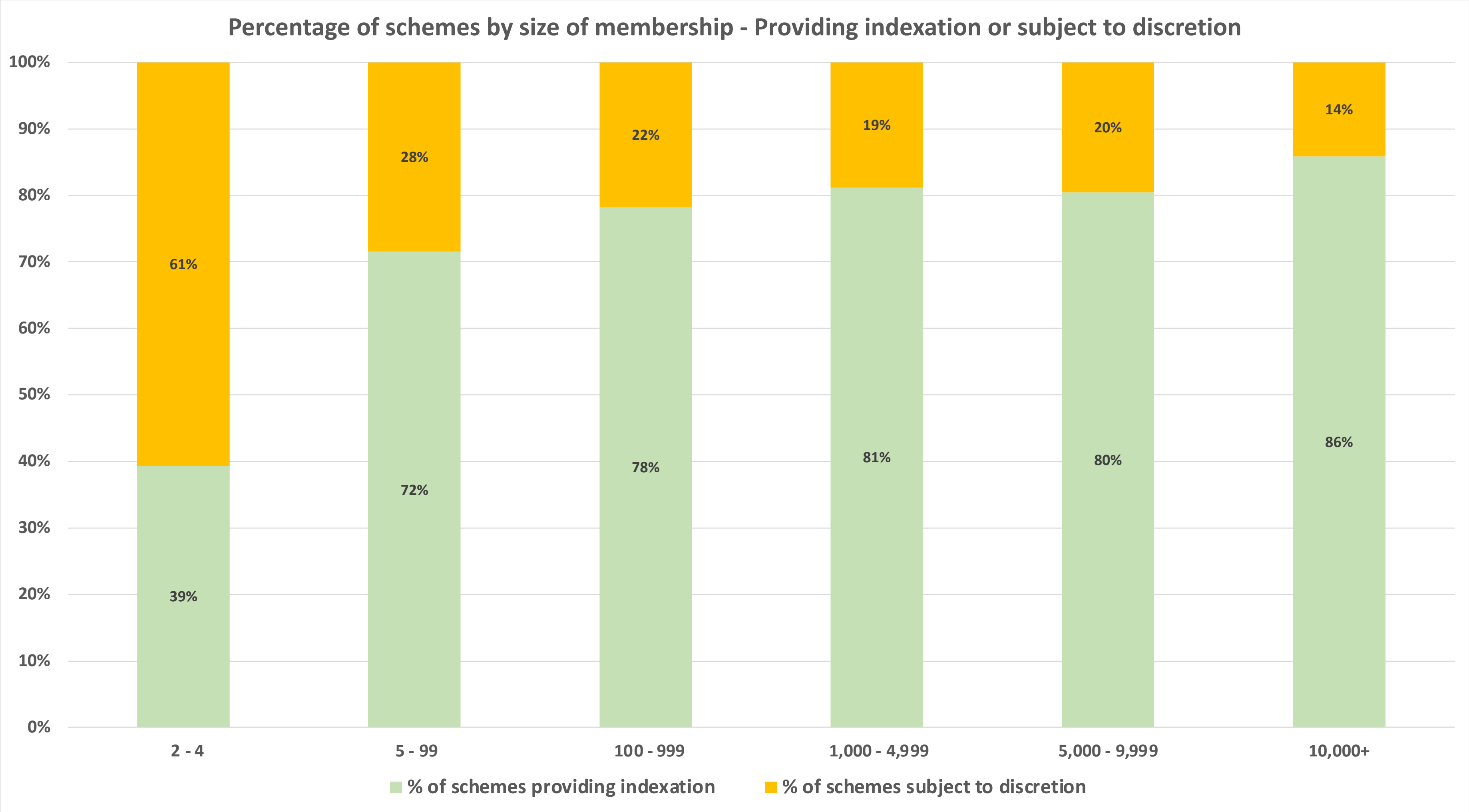
The 2024 Pension Protection Fund Purple Book

More than three quarters of schemes provide indexation on pensions accrued before April 1997

24% of schemes have no indexation – and increases to pensions in payment are therefore discretionary

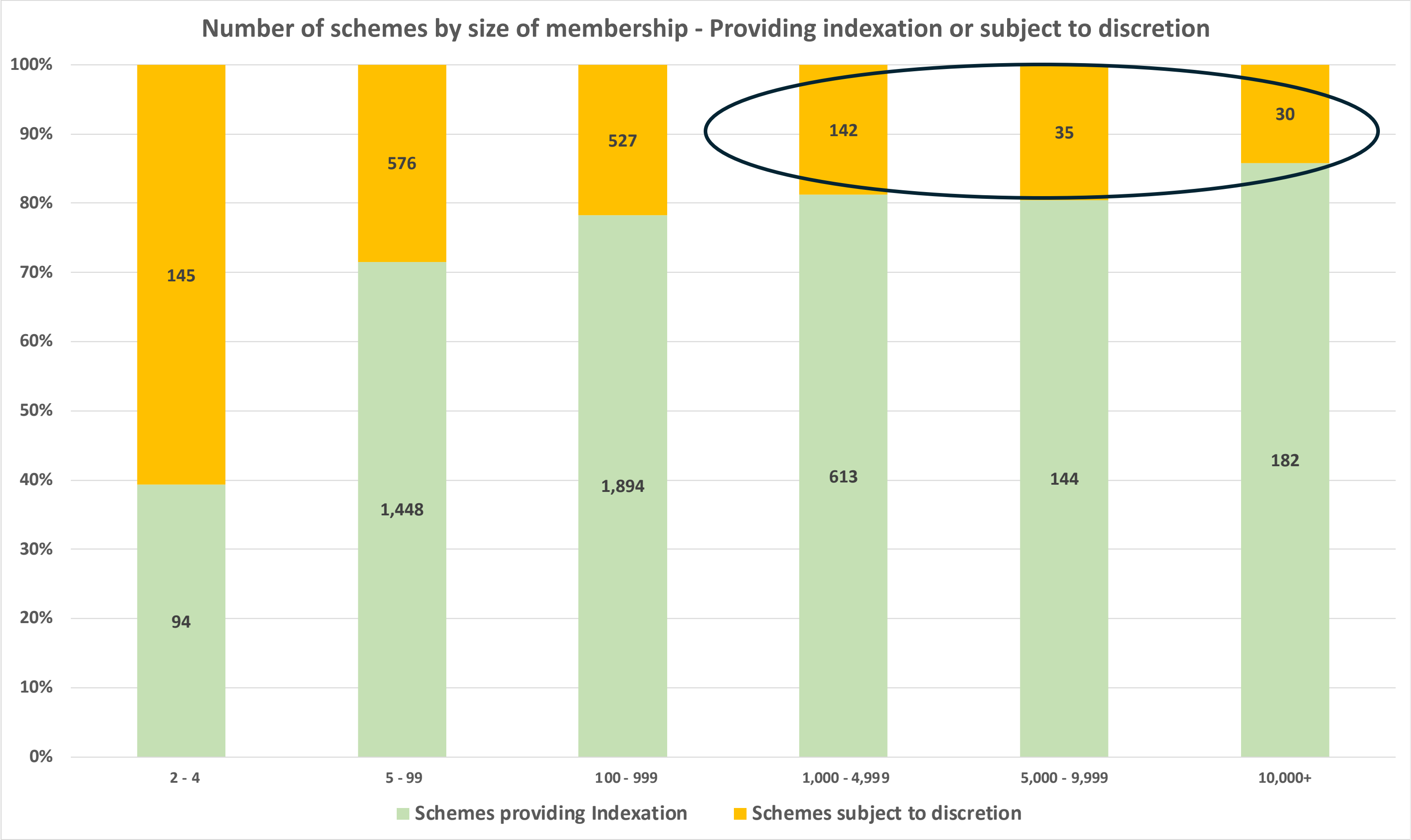


DB schemes by size of membership - providing pre-97 indexation or subject to discretion



Based on HPPA estimates following an FOI Request to TPR

THE NUMBER OF SCHEMES BY SIZE OF MEMBERSHIP – PROVIDING PRE-97 INDEXATION OR DISCRETION



200 of the largest schemes who provide pre-97 increases based on discretion, account for 80% of all pensioners subject to discretion

Based on HPPA estimates following an FOI Request to TPR

Government focus on these 200 companies will provide valuable insight enabling positive change in policy development, code of practice and future legislation

League Table based on recent press articles

Companies that have given

ZERO

discretionary increases to pre-97 pensions

Company	Number of years of zero
Wood Group*	**22**
Hewlett Packard/Enterprise*	**19**
3M*	**15**
KPMG	**15**
Goldman Sachs	**10+**
Amex*	**10+**
Pfizer*	**5**

*** Companies where former employees have come together to form the The Pre-97 Alliance**