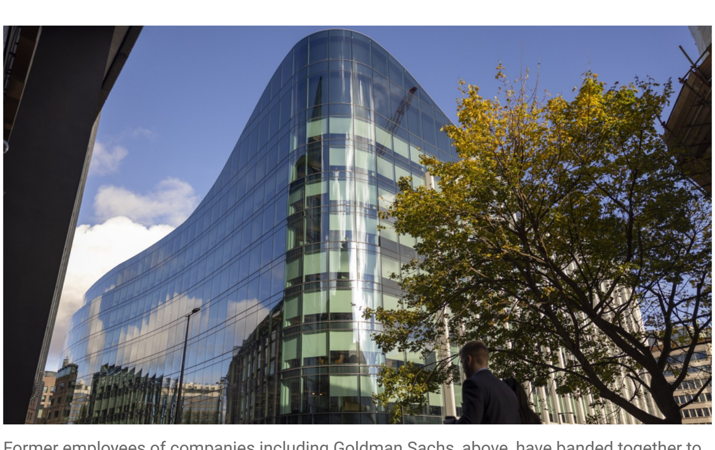
MPs urged to intervene in fight over pre-1997 pensions

New campaign group puts pressure on ministers to help it secure payments adjusted for inflation

Patrick Hosking, Financial Editor

Friday December 27 2024, 12.01am, The Times

Banking Companies Pfizer KPMG



Former employees of companies including Goldman Sachs, above, have banded together to form a campaign group, called the Pre-1997 Alliance
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Pensioners in their eighties and nineties are mounting a campaign to shame some of the world's biggest companies after seeing their real retirement incomes shrink by another 3 per cent in the past year.

Former employees of blue-chip companies including American Express, Pfizer, KPMG UK, Hewlett Packard Enterprise and Goldman Sachs have formed an alliance to lobby ministers to put pressure on the businesses, which in some cases have frozen their pensions for years.

The dispute centres on pension benefits clocked up in respect of service before 1997. These are not protected by inflation-proofing rules. Employers are not legally bound to raise pension payments at all in respect of pre-1997 service, though most do.

Because of inflation, these payments have sunk each year in real terms, with some pensioners seeing erosion "approaching 60 per cent", according to David Thomas, a leading figure in the new pressure group, the Pre-1997 Alliance.

In November, Liz Kendall, the work and pensions secretary, promised to respond to the matter in the new year after the work and pensions select committee heard evidence from so-called frozen pensioners. The alliance has lobbied 85 MPs to state its case.

Peter Swallow, Labour MP for Bracknell, raised the issue in the Commons last week calling on the government to force the Pensions Regulator to investigate. Emma Reynolds, the pensions minister, said the Department for Work and Pensions was "looking to gather information" on the matter.

The ratcheting effect of the freeze makes people worse off every year, with "the heaviest burden falling on the oldest and most vulnerable retirees", said Thomas, who has fought a long campaign to try to pressure American Express into lifting its pre-1997 pensions. These have now been frozen for ten years.

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Defined-benefit pensions are usually seen as generous and "gold-plated", but not all recipients have been so lucky. The alliance estimates that 750,000 people have now been affected by the pre-1997 rule. Twenty four per cent of defined-benefit schemes do not provide formal indexation for accruals before April 1997, according to official data.

With many traditional pension schemes swinging from deficit to strong surplus in recent years because of higher bond yields, the case for employers to offer discretionary increases is even stronger, the campaigners argue.

John Wood Group, the oil services group that owns the UK division of the old Foster Wheeler, has not made any discretionary increases for 22 years, the alliance said. Roy Davies of the Wood Group campaign, said: "Our principal focus is protecting the interests of the secretaries, filing clerks, typists etc that we were so dependent on in the past and retired 20-25 years ago with mostly pre-97 pensions."

Liz Kendall, the work and pensions secretary, has promised to address the matter in the new year
ALAMY

The situation was also bad for widows of former Wood Group employees, whose pensions are halved on the death of their spouse, he added.

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Patricia Kennedy, who campaigns on behalf of Hewlett Packard Enterprise pensioners, said: "Neither the government nor the law is at fault here. The decisions of successful businesses are causing this injustice. For many pensioners it is too late. There's still time to help thousands. This injustice shouldn't continue any longer."

The alliance is calling for comprehensive research by the government into the scale and level of harm of the problem as well as putting pressure on employers and scheme trustees to ensure due consideration is given to the interests of pre-97 pensioners.

The employers have strongly argued that they are doing nothing wrong and comply fully with the rules. They say their primary duty is to ensure the financial resilience of their schemes to honour promises to all members. They do consider discretionary increases.

In a statement, the alliance added: "Some members express anxiety and tension about coping in the future, exacerbated by deteriorating health. There is also anger, frustration, resentment at the way they are being treated with no resolution in sight. Many feel their loyalty was misguided and now feel betrayed."

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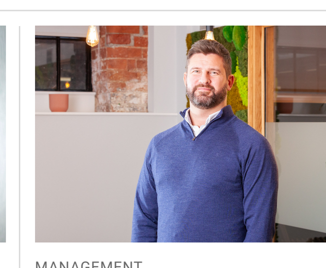
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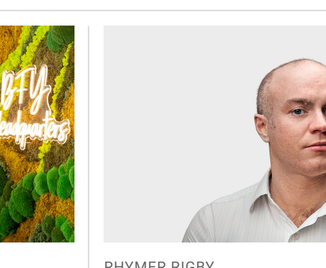
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Nothing to do with the Government.
Although they could perhaps repay Gordon Brown's tax raid...
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Jim Harrison
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Lloyd's Register is another of these supposed blue-chip companies that has treated its older pensioners in this same shoddy manner. Our pensioners action group will seek to join this alliance of aggrieved older pensioners to encourage MP's to legislate to amend the 1995 Pensions Act to oblige emplo...
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D A Sellars
22 MINUTES AGO
MPs were responsible for the same shoddy treatment (your words) when they set up the PPF lifeboat scheme, they included the same no increases for pre-1997 accrued pension benefits as well. They have control over that.
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Eliza Warwick
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I hope this is read by all the groaning public sector staff who enjoy gold plated index linked untouchable pensions.
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The MPs should start with the State's own Pension Protection Fund lifeboat scheme then or be accused of hypocrisy. That was set up by Parliament at the time and does not provide for increases to pre-1997 accrued pension benefits either. At least the MPs can immediately control and change that schem...
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