

The Times 5th January 2024 – Focus on HPE

Pension schemes in spotlight over inflation 'squeeze'

Patrick Hosking Financial Editor

An estimated 500,000 pensioners in Britain are being badly squeezed by loopholes that allow employers to side-step responsibility for lifting pension payments to take account of inflation.

Hewlett-Packard, American Express, Chevron, 3M and the UK-listed Wood Group are among employers accused of taking advantage of the rules, according to a campaigner pushing for a rethink by regulators.

The injustice, says David Carson, who has taken his fight to parliament, is about to become irreversible for some as employers are poised to hand over all responsibility for legacy pensions schemes to life insurers via so-called buy-out deals.

At the heart of the dispute are the estimated 1,000 defined benefit schemes which have discretion as to whether they give inflation increases in respect of the employee's service before 1997.

Many choose not to, which is perfectly legal but leaves their pensioners progressively worse off every year as inflation erodes the real-term value of their pensions. The leap in UK inflation of the past two years has exacerbated the problem.

Carson, 68, a member of the Hewlett-Packard Pension Association, says the company has only raised pension payments in respect of pre-1997 service by 5 per cent cumulatively since 2002. UK prices are up by as much as 65 per cent over the same period.

One former UK executive at Amex, Naomi Sutcliffe, told The Times some former colleagues had not received any inflation increase in respect of pre-1997 benefits since 2014, wiping 30 per cent from the real value of their pension incomes. "These are the people who contributed to making American Express the successful company it is today," she said, estimating that

"thousands" of Amex pensioners in the UK were affected.

The worst offenders, Carson said, often seemed to be American companies, which he believes are most likely to be advised by their accountants and consultants to do no more than the bare minimum.

Thousands of UK pensioners who previously worked for Amex, 3M and Chevron were among those urgently appealing for those employers to recognise the erosive effect of inflation and increase their pensions.

Wood Group also declined to pay any increases at all. Former employees of the UK arm of Foster Wheeler, which Wood acquired in 2017, have now received no inflation increase for 21 years.

The Department for Work and Pensions and the Pensions Regulator had no idea about the scale of the issue because they do not compile the necessary data, Carson said. He is calling for urgent research into the 50 biggest DB schemes with discretion over pre-1997 service, which would help establish how widespread the problem is.

Each of those schemes alone have more than 5,000 members. He then wants a code of conduct to try to shame employers into doing more.

The Pensions Act 1995 only forced employers to introduce inflation-proofing in respect of pensions clocked up for service after 1997.

A Wood Group spokesman said: "Wood is in discussions with the trustee of the Wood Pension Plan regarding the long-term strategy for the plan. Various options are being considered, and it is likely that decisions will be made and communicated with the appropriate stakeholders in early 2024."

Last month BP was accused of being "tone deaf" after limiting pension increases to members of its defined benefit scheme to 5 per cent this year, when inflation was running at 9 per cent.

The Times 22nd January 2024, Patrick Hosking Financial Editor

BUSINESS

Ex-KPMG staff attack 'despicable' partners over pensions

Large pay rises at Big Four professional services group
contrast with freezing of former colleagues' pensions



Benefits clocked up before 1997 are not automatically uprated with inflation and any increases are at the discretion of the firm

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Partners of KPMG UK have been accused of despicable behaviour for freezing the pensions of their former colleagues, in some cases for as long as 15 years, while voting themselves pay packets averaging £757,000 last year.

Some past employees of the accounting and consulting firm say they have not had an inflation-linked rise in their pensions since 2008, leaving them with pensions 37 per cent lower in real terms.

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While inflation-linked uprating of pensions is automatic for benefits clocked up in respect of service after 1997, no such protection applies to service before that date, with any increases entirely at the discretion of KPMG.

The firm has awarded only one increase in the past twenty years, according to some members of the scheme, which was a 10 per cent rise announced in 2008.

That has left some former long-servers who are today in their late seventies, eighties and nineties [suffering increasing financial pain](#), especially because of the bulge in inflation of the past two years.

Kay Breach, 76, a retired administrator from Rickmansworth, Hertfordshire, who worked for Peat Marwick Mitchell, KPMG's predecessor firm, for 27 years, said she had not received a penny extra in her pre-1997 pension since 2010.

"For a partnership as big as KPMG, this is quite despicable, considering the [remuneration partners each receive](#). How the partners expect me to live on the same amount that I received in 2010 is beyond me, and quite frankly immoral."

Another retired KPMG long-server, who asked not to be named, said: "A big chunk of my income has been frozen since 2008. But I am luckier than some of my former colleagues who were in more junior roles. A lot of people are feeling this really badly. The partners should think about them. They are feeling pretty aggrieved."

The decision not to give discretionary rises, while perfectly legal, is all the more unfair, say some former KPMG employees, because the pension fund, a defined-benefit arrangement, is now in surplus. The last actuarial valuation said it had assets of £676 million and a surplus of £2.5 million.

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The present 786 KPMG partners received average cash distributions of £717,000 each, plus £40,000 boosts to their capital accounts after what the firm called a strong year in 2022, the last year for which accounts have been published. Existing staff were handed bonuses amounting to £105 million.

The UK chief executive of KPMG is Jon Holt, 51, who was paid £2.72 million last year. He joined the firm as a junior in Leeds in 1994, working alongside colleagues now complaining about their treatment. He hosted a session in Davos last week with Jeremy Hunt, the chancellor.

[Bina Mehta](#), 54, the chairwoman, was also a colleague of some of the complainants, having joined the firm in 1990. She was paid £1.29 million last year.

Thousands of other UK pensioners are in a similar situation, seeing their real-terms pensions in respect of pre-1997 service dwindle. Former workers with American Express, Hewlett-Packard, Chevron, 3M and the UK-based Wood Group are among those to have their problem raised with MPs last year.

David Carson, 68, a member of the Hewlett-Packard Pension Association, is campaigning for the government to investigate how widespread the problem is, before pushing for a code of conduct to shame employers into doing more.

A KPMG spokeswoman said: “Pension benefits under the scheme that are built up before April 1997 are subject to discretionary increases and this year the scheme has not made a discretionary increase to payments. This is because while the scheme currently has a small actuarial surplus, it is still and will continue to receive annual contributions from the firm rather than being fully funded itself.

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“We are also conscious that the Pensions Regulator may introduce a new scheme funding code, which would have implications for the scheme’s funding position and the contributions needed from the firm. Against that backdrop, it remains appropriate that we take decisions which safeguard the overall resilience of the scheme for all members and pensioners both current and future.”

The scheme was closed to new accrual in 2016 and has 5,687 members, of whom 2,309 are already retired.

Goldman Sachs ‘failing to inflation-proof pensions for ex-staff’

Former employee claims the investment bank has broken its promises to staff from 1980s and 1990s



Goldman Sachs made worldwide profits last year of \$8.52 billion

RICHARD DREW/AP

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Goldman Sachs is the latest big-name employer to be accused of letting down its former staff by failing to upgrade their pensions in line with inflation.

The investment bank, which employs 6,000 people in

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London, has broken promises made in the 1980s and 1990s, according to one former employee, forcing them to suffer real-terms pension cuts of almost 25 per cent.

Simon McGuire, a former capital markets originator who worked at Goldman for ten years until 1995, said that he and other former Goldman bankers have been claiming since 2014 that pensioners' incomes, including their own, have been allowed to dwindle in real terms.

McGuire said that he had repeatedly put the case to senior management at Goldman including Richard Gnodde, chief executive in London, without success and had decided to go public in frustration. "They just don't care," he added.

He said the failure to upgrade pensions had hit not just well-remunerated bankers but less well-paid back-office employees and administrative staff, for whom the pension is a major source of their retirement incomes.

The losers are those who clocked up defined benefit pensions in respect of pre-1997 service. Unlike pensions in respect of post-1997 service, which the bank routinely raises in line with the retail prices index, these pensions are not automatically indexed. In law, any rises are at the discretion of the company.

McGuire, who went on to work for UBS and is now retired, said it was fully understood at the firm in the 1980s and 1990s that Goldman would upgrade pensions by inflation, unless there was a significant downturn in the firm's finances. "They have broken their promises," he claimed.

[Goldman made worldwide profits last year of \\$8.52 billion](#) and McGuire estimated that the annual cost of restoring the link amounted to less than 0.1 per cent of this, “or a single banker’s bonus”.

“Honouring past promises and ending discrimination would have no impact on the firm’s financial position. They pay less, and discriminate, because they can, not because they can’t afford to pay,” he said.

As many as 1,000 staff are said to be affected. During the 1980s and 1990s Goldman in the UK expanded from a tiny offshoot of the New York bank to become the pre-eminent deal-making and trading investment bank in London.

A Goldman spokesman said: “The pension increases provided to members have at all times been in line with the rules of the pension scheme and UK pensions legislation.” The scheme, which was closed to new accrual in 2016, was £50 million in deficit as of December 2022.

A string of UK employers, many of them US-owned, have been criticised in recent months for failing to upgrade pensions in respect of pre-1997 service. After the surge in UK prices over the past three years, that alleged neglect has become much more critical.

KPMG partners, who were paid an average of £757,000 last year, have infuriated some former colleagues from the 1990s [by freezing pre-1997 pensions for up to 15 years](#). UK employees of other big-name companies including American Express, Hewlett Packard and 3M have complained about similar issues.

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MPs on the work and pensions committee have been furnished with evidence of the problem and asked to call for an official inquiry into how widespread it is. Many employers argue that former staff in direct benefit schemes are more fortunate than their successors in inferior defined contribution schemes and the focus should be on them.

The Pensions Act 1995 was brought in after the Robert Maxwell Mirror Group Newspapers pension fund scandal to give members more protection, but indexation was only mandated in respect of post-1997 service.

Patrick Hosking



Amex ignores plight of pensioners impoverished by rising inflation

“Ten years ago Christine Muckleston, a pensioner living in Burgess Hill, West Sussex, was drawing a pension of just over £13,000 a year from her old employer, American Express. It seemed a very reasonable amount then. She was in that supposedly surefire thing, a defined-benefit pension scheme, the kind routinely labelled as “gold-plated”. Today she is still receiving just over £13,000.

It hasn't gone up by a penny, despite inflation over the years that has whittled away its real-terms value by getting on for 30 per cent. For like hundreds of thousands of other pensioners in Britain, Christine, who is 70, clocked up her pension rights in respect of the 25 years of work that she did for the US credit card company before 1997.

For service before 1997, employers are under no legal obligation to raise their former employees' pensions, whatever the cost of living might be doing. Amex used to make some discretionary increases but these started to fizzle out 20 years ago and there now hasn't been a single rise since 2014 in spite of growing fury from thousands of its former British employees. “I used to be so proud to work for American Express,” said Christine, who worked in its IT department, eventually becoming a team leader. “Now it's leaving a nasty taste in the mouth.” Many of her former colleagues are equally disgusted, according to letters I have received from them, and baffled that the company would leave them in the lurch in this way.

Amex is no fly-by-night employer. It first chose Brighton for its European HQ in the 1970s and is thought to be the city's biggest private-sector employer. It likes to think of itself as deeply rooted in the community. It sponsors Brighton and Hove Albion via an £80 million deal, but while that helped

American Express sponsors Brighton and Hove Albion via an £80 million deal

provide money for staff and stars like Danny Welbeck, who got 20 per cent bonuses last year for propelling the club into Europe, there was no extra cash for Christine.

In the villages of Sussex and retirement towns of the south coast, Amex's name is mud with many. Around 3,000 pensioners and another 2,000 workers with “deferred pensions” are thought to be affected. One former Amex IT manager, Keith Appleyard, went so far as to write in protest to the Amex chief executive, Stephen J Squeri. They were colleagues in Utah many years ago. No reply. He wrote again and sent the letter by registered mail. No reply.

Squeri, by the way, an Amex veteran of 39 years, was given a 69 per cent pay rise last year to \$48.03million. Yes, you read that right. That's a gigantic pay packet even for a general heading one of America's biggest corporations, and it hasn't gone unnoticed on the Facebook page of Amex's disgruntled British foot soldiers.

The same quiet fury and near incomprehension is expressed by others who thought they had secured a comfortable retirement. “How could I predict that Amex would abandon me after all those years of dedicated hard work?” Mary Russell, another Amex lifer who began her career there in 1974, said. Now 70, she and her husband are having to leave Sussex to raise some cash from the equity in their home.

What really bugs them is that Amex continues to preen itself on its ethical values, including its backing for colleagues and communities.

Only the other day it was boasting that it was ranked eighth in Fortune's Most Admired Companies. It's hard to disagree with one Amex lifer, who says there's a bit of hypocrisy in this.

Over the past few weeks in these pages we have highlighted similar disappointment among pensioners of other blue-chip employers. Pensions for KPMG's long servers from the 1970s, 1980s and 1990s have been frozen for 15 years now, while the current

partners voted themselves pay packets averaging £786,000 last year. Hewlett Packard, Chevron and 3M are among other employers to completely freeze payments in spite of rocketing prices.

Their alumni are hardly natural revolutionaries. They devoted their working lives to the big beasts of capitalism but they believe in a kind of capitalism where employers doing well owe a duty of care to their former people. That may sound naive to younger workers but not so long ago that was a mainstream view.

But DB pensions, even those frozen for years, can be better than the defined-contribution schemes in which most private sector workers are placed today, where nothing is guaranteed and members' retirement incomes are entirely at the mercy of financial markets.

Amex may have just recorded its sixth successive quarter of record profits, but is under no legal obligation to pay a penny more than it does. It refuses to engage either with its former employees or with The Times, except to say this: “American Express complies with all its pension obligations to current and former colleagues and will continue to do so in the future. The company annually reviews whether a discretionary increase will be awarded in respect of pre-1997 pensions, and communicates the outcome to members via the Pension Trustees.”

The problem is not going away, for Amex or others. Even if the Bank of England succeeds in bringing inflation back to 2 per cent, these people will still be progressively worse off with every passing year.

If the government pushes ahead with its recently announced plans to slash the tax on employers that claw back surpluses from their DB schemes, this low-profile, slow-burn issue may well explode into life.

It's past time that Amex should be shamed into finding more crumbs for the people that helped to build it into the \$154 billion giant it is today. It's also time we ditched the lazy assumption that all DB pension schemes are gold-plated.

Patrick Hosking is Financial Editor of The Times



Pfizer accused of betraying British workers over pensions

US pharmaceutical giant made billions from Viagra but stopped making discretionary increases to offset inflation



About 4,800 UK former and current employees of the US drugs company Pfizer have been disadvantaged as their fixed pensions get eroded by the rising cost of living

ALLEN J SCHABEN / LOS ANGELES TIMES VIA GETTY IMAGES

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Pfizer is the latest blue-chip American company to be accused of betraying its former employees in Britain by failing to lift their pensions in line with inflation.

About 4,800 UK former and existing employees, including scientists who developed the bestselling erectile dysfunction drug, Viagra, in the 1990s, have been disadvantaged as their fixed pensions get eroded by the rising cost of living.

Brian May, a former chairman of trustees of the Pfizer UK pension scheme, estimated that pensions accrued by employees in respect of pre-1997 service had been cut by 30 per cent to 40 per cent in real terms.

May, 78, who worked as head of pensions and benefits at Pfizer UK from 1980 to 2005, said he was still in contact with many Pfizer employees. “We feel let down. We feel disrespected.”

The freeze affected factory workers and the researchers at the research and development centre in Sandwich in Kent whose little blue pill improved the sex lives and self-esteem of millions and made billions of dollars in sales for Pfizer worldwide.

[Pfizer](#) made some discretionary increases in the 2000s but these started to die out after 2010 and the last one was made in 2019, according to May.

The latest complaint comes days after the government said it would not intervene to help the victims of frozen

pensions because it would amount to retrospective legislation.

A representative of Paul Maynard, the pensions minister, wrote to former employees of Reuters, who also feel aggrieved that their sponsoring company has failed to lift pensions fully in line with inflation.

The letter said: "It is generally seen to be unreasonable to add liabilities to pension schemes that could not possibly have been considered in the funding assumptions that determined the contributions to be paid at the time.

"If the government changed the law to require schemes to now pay indexation on pre-1997 accruals, this would be a retrospective change."

The letter dashes any immediate hopes for many tens of thousands of people mostly in their seventies and eighties, who are seeing major reductions in their real incomes, especially after the inflation bulge of the past three years.

[American Express, Hewlett Packard, 3M and Chevron](#) are among the US groups to have chosen not to hand out discretionary increases, while some UK employers have taken the same approach, [including KPMG UK](#).

The Reuters complaint has added piquancy because the sponsor of the scheme today is London Stock Exchange Group, whose board is lobbying to push through [a 76 per cent pay rise](#) to David Schwimmer, its chief executive, to £11 million. It took over responsibility for the scheme after buying Thomson Reuters.

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While defined benefit pensions clocked up in respect of service since 1997 are inflation-protected, no such guarantee applies to earlier pensions, which rely on employers choosing to make discretionary increases.

Employees argue that employers have a moral obligation to push through discretionary increases while employers privately argue that their first duty is to the existing staff who are usually saving in less-generous defined contribution schemes. The Pfizer UK scheme was shut to new members in 2008 and new accrual in 2018.

The Times 1st April 2024 – Patrick Hosking, Financial Editor

Pensioner outrage over Amex freeze

US group holds payouts for tenth year running

Patrick Hosking Financial Editor

American Express has dashed the hopes of thousands of British pensioners, telling them it is freezing their pension payments for the tenth successive year.

The US banking group said it had once again considered the case for a discretionary increase and decided against it in letters sent to pension fund members on March 22.

Furious pensioners, many of whom were with Amex all their working lives, said they had suffered a 30 per cent fall in the value of their pensions after adjusting for inflation over the past ten years.

Meanwhile, Amex has reported record profits and Stephen Squeri, its chief executive, was given a 69 per cent pay rise last year to \$48.03 million.

David Thomas, of the Amex UK Pensioners Justice Campaign, said the latest refusal was "massively disappointing", with some colleagues on their Facebook page "incandescent" about the way the company was behaving.

"These pensioners have endured more than a decade-long freeze on their pensions, failing to keep pace with the relentless tide of inflation," Thomas, 69, who was a manager at Amex from 1981 to 1998, said.

"The repercussions of this negligence are dire, with many pensioners facing financial straits that threaten their very livelihoods."

The freeze affects 3,000 UK pensioners who worked for Amex before 1997. Pension increases for service in respect of pre-1997 years are at the discretion of

the company. Another 2,000 workers from that period who are members of the defined benefit scheme but have not yet retired are also affected.

Thomas said: "Since 2014, discretionary decisions have been made by the company [Amex] and no awards have been granted. In conclusion I feel that we could certainly say that we expected that increases would be made from time to time, and that those expectations were met during the period that the trustees had the discretionary power, and that they have clearly not been met since the company took over."

An Amex spokeswoman said: "American Express complies with all its pension obligations to current and former colleagues and will continue to do so in the future."

In the letters, Amex said: "The company has not committed to granting discretionary increases on an ongoing basis and has at all times reserved its right to award discretionary increases only when deemed appropriate in the circumstances. The company has reconsidered the factors outlined above and has determined there will be no discretionary increases in 2024."

In January Amex reported record net profits of \$8.4 billion, up by 11 per cent. The number of its cardholders grew by 12.2 million to 140 million worldwide.

Amex, which remains a major employer in Brighton, is one of dozens of companies, many of them American, that have chosen to stop paying out discretionary increases for pre-1997 workers. Others include Pfizer, Hewlett Packard, Chevron, 3M and Goldman Sachs.