PRG TAKES INFLATION CAMPAIGN TO GOVERNMENT

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PRG News Bulletin – Feb 2024

The Pension Review Group is lobbying the UK Government on the pressing need for cost of living increases to be granted to RPF and SPS pensions earned pre-1997 amid a groundswell of similar campaigns by pressure groups representing thousands of defined benefit (DB) pensioners across the UK.

In a letter to Paul Maynard, Parliamentary Under Secretary of State at the Department for Work and Pensions, PRG chair Angela Dean wrote: “We calculate that our pre-97 pensions would need a 47.9% increase to reinstate their 2003 value.”

She explained that the PRG was established in 2004 after several years during which Reuters ceased paying annual inflation increases to its DB pensioners which related to their pre-1997 service.

“Since then we have conducted several campaigns to address this inequity,” she wrote. Reuters final salary pensioners could not be sure of even this year’s capped 2.5% increase being repeated in the future.

The PRG letter to the pensions minister is being sent as our current inflation-linked agreement ran out with this year’s hike. Our RPF and SPS trustees are facing tough

Other News

Why have the net assets of RPF fallen significantly in 2022?

Sharp-eyed pensioners were concerned when they spotted that Reuters Pension Fund assets had dropped by more than a billion pounds between 2021 and 2022. The latest accounts show a 39% drop in assets from 2.8 billion pounds to 1.7 billion. This information is from the Reuters Pension Fund Website –...

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Marathon Man who built the new PRG website

negotiations with the London Stock Exchange (LSEG), the latest sponsoring company, for a new long-term arrangement.

The negotiations will hinge on the latest triennial actuarial valuations of the assets and liabilities of our pension funds, due in March. After years of deficits, pensions funds across the country are now showing big surpluses, thanks to higher interest rates and better returns on their investments.

Pensioners Badly Squeezed

Pensioners might reasonably expect that the surpluses would be shared with them in better cost of living increases, not least because of the double-digit inflation of recent years.

Not so, according to The Times financial editor Patrick Hosking. He reported last month that an estimated half a million UK pensioners are being badly squeezed by loopholes in pension fund rules that allow employers to sidestep responsibility for lifting pension payments to take account of inflation.

At the heart of the dispute, says The Times, is that an estimated 1,000 defined benefit schemes have discretion over whether to award increases on pensions earned pre-1997. The 1995 Pensions Act only required inflation proofing after 1997.

This is the problem with RPF and SPS, where cost of living increases are also discretionary, although they were traditionally awarded up to 2002. This ended in 2003, when Reuters said there wasn't enough money in the funds to pay increases on pre-1997 pensions.

This sorry state continued off and on until 2012 when the trustees, supported by a vigorous PRG campaign, reached an agreement with the now Thomson Reuters, to pay an annual inflation increase of up to 2.5% on pre-1997 pensions.

This agreement has now run out and those of us with most or all of our pensions earned before 1997 face a grim future of ever-decreasing incomes devalued by inflation, unless the trustees can negotiate a new deal

Paul Walker, the forme
Reuters man who built
our new Pension Revie
Group (PRG) website,
a mad keen runner with
a dodgy back going for
next year's London
Marathon in memory of
his sister Louise.
Married, with two
teenage children, Paul
built the new Pension
Review Group (PRG)
website
reuterspensioners.org.
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LSEG CEO urges progress in UK pensior cash shift to companies – Reuters 17 Nov 23

www.reuters.com/markets/europe/lseg-urges-progress-redirecting-pension-cash-into-uk-companies-2023-11-17

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LSEG ups growth guidance, plans new share buyback in post-Refinitiv push – Reuters 16 Nov 23

www.reuters.com/business/lseg-raises-growth-guidance-announces-new-with LSEG.

Despicable Behaviour

Pensioner action groups like the PRG have been taking the fight to parliament, urging the regulators to support their cause. In written evidence to the House of Commons Work and Pensions Committee last October, the Hewlett Packard Pension Association said pensioners in the HP scheme had received discretionary increases totalling only 5% in the last 20 years.

The BP pensioners group told the same committee that the oil giant had rejected the recommendation from its pension fund trustees to award a discretionary increase, notwithstanding a fund surplus of £6 billion.

In another Times article, partners of KPMG UK were accused by a 76-year-old pensioner of despicable behaviour for failing to increase her pre-1997 pension since 2010, while partners in the accounting and consulting group voted themselves average pay of £757,000 last year.

All this noise is going on while the government seeks to encourage the pension industry to invest more in the sluggish UK economy, companies hungrily eye big new surpluses in their pension funds and trustees look to offload their liabilities through insurance buy-outs.

Pensions minister Maynard has promised to look closely at the way pension schemes are functioning to see whether current regulations are working as intended. He was responding to a parliamentary debate in Westminster Hall on 17 January, organised by MP Alistair Carmichael, during which the Liberal Democrat briefed the minister on the dispute between the BP Pensioner Group and their pension fund.

The BP pensioners have started a legal process against the oil giant, arguing its decisions have resulted in a permanent 11 pct reduction in the value of members' pensions in real terms.

MP Carmichael said the BP issue was "the equivalent of a canary in a coal mine" for defined benefit pensions in the UK and suggested the government look at the importance

share-buyback-post-refinitiv-push-2023-11-16/

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of trustees, and in particular their independence. He noted the funding ratio for the BP Pension Fund was 132 per cent.

According to the latest autumn Update, the RPF funding level stood at 102 per cent on July 31 last year, while the previous Update reported a £121 million on-going surplus at the end of June 2022.

What can the trustees do?

RPF rule 6.5 (3) says that the trustees shall regularly review all categories of benefits and if thought fit, with the consent of the scheme actuary, increase any benefits payable. The agreement of the sponsoring company is not specifically required, although in practice it has always been so since it is legally obliged to make good any funding deficit in the RPF.

According to the rules, any surplus in RPF assets may be used for the benefit of the members in some situations, or the sponsoring company in others. But if there were to be a formal winding up of the RPF, such as in a full buy-out by an insurance company, the rules provide for any surplus to be used to increase member benefits. There is no provision in the rules to return a surplus to the sponsoring company.

The PRG chair is also writing to David Carson of the HP pensioners group explaining the PRG campaign and offering support for any government backed research into the biggest DB schemes.