BRITISH BROADCASTING CORPORATION *RADIO 4*

TRANSCRIPT OF "FILE ON 4"

CURRENT AFFAIRS GROUP

TRANSMISSION:	*Tuesday 3rd August 2004*	*2000 - 2040*
REPEAT:	*Sunday 8th August 2004*	*1700 - 1740*

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PROGRAMME NUMBER: *04VY3031LHO*

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ROBINSON: Britain's pension crisis is deepening. More than 60,000 people have already lost some or all their retirement income after their companies went bust with shortfalls in their pension funds.

STOUT: We were devastated. Totally and utterly devastated. I was 65 in December last year. I've no pension at all from the company, and I'm working, and there's no prospect of me retiring in the near future.

ROBINSON: Tens of thousands more people are now waiting to learn if their pensions are next for the scrapheap. With the scale of the pensions disaster now threatening to overwhelm the government's rescue packages, we investigate the cause of this calamity, the projections which proved too optimistic, the warnings which weren't heeded, and the gambles companies took with their employees' futures. And we reveal the scale of the danger lurking for people now on final salary schemes if the companies they work for should suddenly collapse and trigger the pensions timebomb.

ALTMANN: There's nothing protecting these people. You know, you can't tell if or when a large company – or indeed a small one – is going to fail. You don't know. Nobody thought Marconi was going to happen, nobody thought Enron was going to happen. Nobody predicted that prior to the event.

SIGNATURE TUNE

ACTUALITY IN BRADFORD CENTRE

ROBINSON: It's Friday 23rd July, a beautiful summer's evening here in the centre of Bradford, and it's the day Eric Peacock was due to retire from the company where he had worked for 38 years.

ACTUALITY OF PUB NOISE

ROBINSON: In the Goose Inn, across the road from Bradford Town Hall, a group of Eric's workmates are gathering to mark the day.

MAN: Right Eric, this is your leaving do. We'll have a pint of smooth please, pint of Guinness, pint of Fosters please.

ROBINSON: But Eric's special day didn't turn out as he hoped, because the day before he was due to retire, he was told he'd lost his pension. Eric's company was Turner and Newall, a manufacturing concern now teetering on the edge of bankruptcy, with an £875 million hole in its pension fund.

MAN: It should have been a celebration for those that were leaving today, for Eric's leaving. Unfortunately obviously it's turned into more of a wake, to be honest, than a party, but ….

PEACOCK: It was my retirement day today, but unfortunately 24 hours ago my hopes and plans were dashed. Yesterday morning I turned up for work as normal. We went to the supermarket to buy cakes and confectionery for the staff and some of the workforce because I was leaving. We were called to a meeting at 12 o'clock regarding pensions, and that's when the bombshell was really put on us.

ROBINSON: With Turner and Newall's Bradford plant due to close, Eric had accepted a redundancy package offering a lump sum and half his pension until he is 65. Then he would get the full pension. Now nothing is certain for Eric or for his seventy fellow workers due to leave on the same package.

PEACOCK: Depending what happens now, I could end up not getting anything now till I'm 65, and that pension is what I've been paying into ever since I were a youngster. I've got 38 years service in. Being a family man, it is very hard, because it means all the plans that I have made I've got to change drastically, and we're just in a state of shock.

ROBINSON: And you were going to retire today?

PEACOCK: I was going to retire today, yes.

ROBINSON: How do you deal with that? What are you going to do?

PEACOCK: I don't know.

ROBINSON: Not only will Eric get nothing now, he still has no idea how much – if anything – he'll get when he's 65. With most company pension schemes, people who are already retired and are drawing their pensions get top priority. Shortfalls in pension funds hit people still working the hardest. Eric and his workmates never dreamed their pension scheme could let them down.

MAN: We thought the pension was a really good pension scheme. We were told it was a good pension scheme. It was the thing to do. The state pension wasn't going to pay, so it was the thing to do to join a good company pension scheme, which we all did.

ROBINSON: Did you ever think it wouldn't pay out?

PEACOCK: No, never.

ROBINSON: What were you being told about the pension fund?

MAN 2: The intimation was that it was underfunded but not seriously, that there was a gap that had to be plugged, but that all the indications were that it could be plugged.

ROBINSON: And when did you find out how big the hole was?

MAN 2: The first time we had a figure to put on it that we believed to be true was when we read the front page of the Financial Times this morning effectively.

ROBINSON: What did it say?

MAN 2: The deficit is £875 million, which totally shocked us. Good God, it's got to have been known for a long time just how serious the situation was, and why wasn't it made clear to people? Basically so that people like ourselves, who were in a position that either could draw their pension could at least get something out of the scheme. We were totally hoodwinked.

MAN: We've given the money in, it's only our money. Why shouldn't we get it back?

ROBINSON: Eric and his colleagues knew Turner and Newall was in trouble. The American multinational, which now owns the company, is facing an avalanche of asbestos compensation claims which threaten its survival. Negotiations with creditors are continuing in an effort to stave off the winding-up of the pension scheme. But a company doesn't need to be obviously struggling for its employees to be in danger.

ACTUALITY ON BUS

ROBINSON: With the big expansion and renewal of bus fleets in London and across Britain, you'd be forgiven for feeling pretty secure if you were in the business of building buses.

ACTUALITY IN CAR

ROBINSON: That's the way Hughie Hill felt. He'd worked for Britain's biggest bus maker since he left school.

HILL: This is the welding shop on our left.

ROBINSON: So all London buses start here?

HILL: The one closest to us is a London double-decker.

ROBINSON: Just the chassis?

HILL: Yes, just the chassis. Last year, off the top of my head, we done nearly two thousand bus – an awful lot of buses, yeah.

ROBINSON: Did you make money in this factory?

HILL: We made £92 million, I think, last year.

ROBINSON: Hughie Hill had a good job at the Dennis bus factory in Guildford. Responsible for checking the quality of subcontractors' components, he was earning around £30,000 a year. With thirty years pensionable service under his belt, Hughie was looking forward to a pension of around £15,000 a year when he retired.

HILL: We'd had statements every year saying that this was going to be your pension, etc, etc, and your death in service so that my wife was cared for, looked after. You know, everything in the garden looked rosy.

ROBINSON: But while Hughie and his wife were making their plans, the pensions timebomb was ticking. Dennis had been taken over by Mayflower, a large, apparently successful bus-making group boasting former Prime Minister John Major as a director. Then in March this year, the Mayflower Group collapsed in scandal. Accountancy irregularities had left a £20 million hole in its books.

HILL: It really didn't hit home regarding the pension. You know, you thought the company was in trouble, but when you were working for a division that was making considerable money, you didn't really think it was you, if you know what I mean.

ROBINSON: How did you find out that your pension might be in trouble?

HILL: Well, I was at home. I'd walked down to the paper shop and bought my paper, come home and had a look at the paper, and I opened it up and to my dismay, HILL cont: you know, it said Dennis pensions down the tube. And it was a considerable shock.

ROBINSON: The accountancy irregularity was in the company's books, not in the pension scheme. But, even though the Dennis pension fund is separate from the company, it was suddenly in trouble too because, like most British final salary pension schemes, the fund didn't have all the cash it needed to pay the benefits it had promised. To make ends meet, the pension scheme relied on a continuing flow of contributions from the company. That was okay when Mayflower was thriving, but when the group went bust those contributions stopped.

ACTUALITY AT MEETING

ROBINSON: Last month Hughie Hill turned up at a meeting to hear where he stood from the newly-appointed independent trustee now responsible for the Dennis pension scheme.

SPEAKER: The agenda for today, what caused the scheme to wind up, what winding up the scheme needs, and that's really to put that into a context that you understand, really your position, the options available ….

ROBINSON: Hughie expected bad news – and he got it. After paying the pensions of people already retired, there was only enough money left to give him around 40% of the pension he was expecting. It might be even less. As Hughie Hill and his not-yet-retired colleagues gathered in the sunshine outside the meeting hall, the mood was grim. Now towards the end of their working lives, they have no time left to start saving for retirement all over again.

HILL: I fear the worst. I fear that the money is not there. All my hard efforts over the last thirty, forty years is going to be no avail.

NORMAN: I was two weeks away from drawing a pension. My birthday was on 25th June, and something around 12th June they closed the scheme and therefore I miss out on a pension by two weeks. It's going to make a huge difference to my life. I was expecting around sixteen grand a year. I'm not going to get anywhere near that now. At the

NORMAN cont: moment I get a state pension, and if anyone can live on £105 a week they're welcome to try, because I can't. But I'm going to have to. It depresses you, of course. You just feel like going out and strangling somebody.

ROBINSON: None of this should have happened. After an earlier disaster, pensions were meant to be protected.

ACTUALITY OF NEWS PROGRAMME

NEWSREADER: You're watching the BBC Breakfast News. Now this morning's business headlines from Paul Burden.

BURDEN: Good morning. The Commons Social Security Committee is this morning expected to hear protests from pensioners of the Maxwell private companies. Their indignation …

ROBINSON: In the early 1990s, when newspaper tycoon Robert Maxwell tried to prop up his empire with money he plundered from its pension fund, Mirror Group pensioners were left stranded. John Major's government launched an inquiry and passed a new Pensions Act, which laid down a standard for the minimum amount of money a final salary pension scheme should hold on behalf of its members. It was called the Minimum Funding Requirement. Though designed to reassure members of company pension schemes that their money was safe, the MFR started the pensions timebomb ticking because it didn't provide the protection the public believed. Ros Altmann was a top City banker specialising in pension fund investment when, in 1997, the MFR standard was introduced.

ALTMANN: In truth it was never designed to ensure that there was always enough money in the scheme today to pay the pensions in the future if the scheme stopped today, if the company went bust or if they chose to wind up the scheme, because employers complained that it would be too expensive for them to fund their pension schemes. So the decision that was taken was that the MFR would be a standard that would ensure people who had already retired would get their full pensions. Anyone who hadn't already retired would have a 50/50 chance of getting their pension in the future.

ROBINSON: Was that stated at the time?

ALTMANN: It was in the legislation, but it was not explained to the public.

ROBINSON: So the MFR measure had a crucial weakness. Pension funds meeting the standard should be able to go on paying existing pensioners but not the full pensions of members not yet retired. This weakness remained hidden by the late 90s stockmarket boom. As the value of shares held by pension funds soared, matching the MFR standard was easy and paying pensions no problem. At the time, John Ralfe was Head of Corporate Finance at the high street chemists, Boots.

RALFE: Within Boots, as in with a lot of companies, not too many people worried about the pension scheme. It wasn't something that was absolutely central to the board's thinking, and the reason for that was that stockmarkets were doing very well, and if there wasn't a problem then nobody was going to be too concerned. I don't think people were aware of the risks that they were running, and it meant for a large part of the 1990s, as stockmarkets were doing relatively well, that companies were on contribution holidays. In other words, they weren't writing the full size of the cheque into the pension scheme.

ROBINSON: Companies were discouraged from building up big surpluses in their funds because, above a certain level, the government would tax them. And anyway, smaller company contributions to the pension fund meant bigger profits for shareholders, which usually meant bigger bonuses for directors. Down the high street, at stationer's WH Smith, the chairman at the time, Martin Taylor, was caught up in the contribution-cutting consensus.

TAYLOR: I wish I'd been clever enough to say in the mid 90s, 'This is all completely scandalous, we should be paying more money into the pension scheme.' I think if I had said that, nobody would have listened to me. I mean, the power of the consensus is very great, you know, when everyone has the same idea.

ROBINSON: What would WH Smith's management have said if you'd said that?

TAYLOR: I think they would have told me to take a running jump.

ROBINSON: In 2000, with the stockmarket at its peak, to most people the possibility of pension schemes being unable to deliver what they'd promised looked remote. But the little-known, highly-paid professionals who advise on the health of pension funds sounded an alarm. Actuaries make a business out of forecasting the financial future, and in 2000 they warned that too much reliance was being put on the minimum funding requirement measure as a way of judging the financial health of pension funds. The president of the Institute of Actuaries is Michael Pomery.

POMERY: The main essence of what we were trying to get across was that this thing called Minimum Funding Requirement sounded like it was some sort of good housekeeping seal of approval on pension funds. We, as actuaries, knew that it wasn't as simple as that.

ROBINSON: Asked by the government to review the workings of MFR, the actuaries warned that the weakness of the MFR standard was not understood by members of pension schemes, who almost invariably assumed that:

READER IN STUDIO: If their scheme is at least 100% funded on the MFR test, then their benefits must be fully secured and protected.

ROBINSON: The actuaries urged the government to ensure that:

READER IN STUDIO: Members are not misled into thinking that an MFR level of 100% will ensure their benefits are fully secured on winding up.

POMERY: We wanted the members of pension schemes to be told that if their fund was wound up and the fund passed this MFR test, it didn't mean that there would be enough money to provide all their benefits.

ROBINSON: Did the government act on your warning?

POMERY: They didn't act on it at the time, no.

ROBINSON: Should they have done?

POMERY: With the benefit of hindsight, clearly they should have done.

ROBINSON: After years of contribution cutbacks, the danger was that companies were relying too heavily on the future growth of shares to pay for their pensions. So, if shares fell, future pensioners would be at risk. Back at Boots, around 75% of the pension fund was invested in shares, and after the rise in the stockmarket it was worth far more than the government’s Minimum Funding standard required. John Ralfe could legitimately have cut back the contributions Boots paid to the scheme, but instead he shocked the pensions world by challenging the consensus that shares were best, and he switched the entire Boots pension fund out of shares and into bonds. Bonds are assumed to grow more slowly than shares because they are far less volatile and they pay a fixed rate of interest.

RALFE: The key reason for moving was to reduce risk, and it was to reduce risk for the company and it was to reduce risk for the pension scheme members. As far as the pensioners are concerned, you have a fixed commitment to make payments to pensioners going out a very very long way in the future. Those pensioners expect those cheques to be landing on their mat every month. The only way in which you can guarantee that is if you hold instruments which pay a fixed rate, regardless of what happens to the company. So the company can go bust and you should have a value of assets which can continue paying those promised pensions. It’s no use going to the pensioners and saying, ‘Well look, I’m sorry, the stockmarket hasn’t done very well. We’re not paying your pension.’

ROBINSON: At WH Smith, Martin Taylor, like most people in the pensions world, was surprised by the Boots move. But he didn’t follow their lead.

TAYLOR: Indeed there were a lot of companies, ourselves among them, and I wish we’d done the same thing, of course, who were looking at the equity market at the time and saying, ‘Maybe we’re getting close to the point at which we should be selling the equities.’

ROBINSON: Why didn’t you do it?

TAYLOR: Because I wasn't as worried as I should have been. I wasn't as worried as I should have been. I suppose there are a few dozen things that, if I had my time over again, I would do better, and that's one of them.

ROBINSON: There was good reason why most companies didn't follow Boots' example. Switching to bonds is expensive. Shares are assumed to grow faster than bonds, so funds with a large proportion of shares need lower contributions from the company. That meant that when stockmarkets fell and shortfalls in pension funds opened up, companies were left with a choice – to put more money in or gamble that the market would recover. Despite the unease of the Institute of Actuaries about pension security, Ros Altmann believes that most companies went on gambling on a recovery because the actuaries who advised them told them what they wanted to hear – stay in shares and keep your pension costs down. Fat consultancy fees were at stake.

ALTMANN: The problem, I think, stems from the fact that very often it was the employer who was paying the actuary, and if the employer was paying them, they didn't want to give the employer a message they didn't want to hear. So if the employer wanted to know how they could fund the pension fund as cheaply as possible, the actuary would want to deliver that. Somehow or other the actuaries got carried away with the stockmarket rises and continued to forecast that markets would keep rising, and therefore they could provide investment return assumptions, which would suggest that the scheme was well enough funded that the employer didn't have to put any money in at the moment.

ROBINSON: So the profit to the company would be bigger?

ALTMANN: So the profit to the company would be bigger. Exactly.

ROBINSON: Watson Wyatt is Britain's biggest firm of actuaries. Many of Britain's biggest companies are their clients, and many of their pension funds were – and are – heavily invested in shares. But Watson Wyatt's Stephen Yeo says actuaries don't tell pension funds what to do, they simply advise.
The key criticism is that you, the actuaries, told employers what they wanted to hear.

YEO: Our advice was provided to trustees, and it was the trustee body that would meet to discuss what contributions should be paid. And neither one side nor the other held the complete whip hand.

ROBINSON: But it's the employers who paid the bill and paid your fees, so perhaps it's not surprising that they get told what they want to hear.

YEO: I would think the typical situation is that the trustees pay our fees, so I don't think it's quite the way you're portraying it.

ROBINSON: But the money eventually comes from the employers.

YEO: As it does for the benefits in the scheme as well.

ROBINSON: There are endless employees in this country now who are at risk because of the state of these funds. At the heart of that surely is because of the advice the actuaries gave them.

YEO: It's always possible to look back after a situation has arisen and say if something different was done at some stage in the past, the present situation wouldn't have arisen. What's much harder is to be standing before the abyss, as it were, and say this is the right way to go, or that's the right way to go. The vast majority of final salary pension schemes are still delivering what it said on the tin – and will continue to do so.

ROBINSON: That may be true, but it's little consolation to victims of the funds that have failed. As pension fund shortfalls grew, there was a natural conflict of interests between companies wanting to cut costs and pension funds needing higher contributions. This conflict was difficult to resolve because, in most companies, company directors were also trustees of the pension fund. Martin Taylor's situation at WH Smith was typical.

TAYLOR: When I was chairman of both, I believed that I was making admirably fair judgements in my own head, and that I was well conscious of my responsibilities and duties. I was fooling myself.

ROBINSON: In what way were you fooling yourself?

TAYLOR: I was fooling myself that it's always possible to find an accommodation somewhere in between two positions. Sometimes the right answer is one of the extreme positions, and if you are doing both jobs and your left hand says 'A' and your right hand says 'B', you tend to come out somewhere between A and B. Often that's appropriate – but not always.

ROBINSON: At WH Smith there are now no directors at all among the trustees of the pension fund. Martin Taylor's trustees are now so forceful on behalf of their members that when a group of venture capitalists tried to buy the company last month, the trustees demanded they fill the hole in the pension fund as a condition of doing a deal. The bidders walked away and WH Smith is now starting to repair the hole itself. And trustees' demands at Marks and Spencer were a big factor behind the collapse of Philip Green's attempt to take over the company last month. But when companies are already bust, it's too late to fix the fund. In Scotland, one group of victims is claiming redress from the trustees who used to run their fund and the actuary who advised them. Blyth and Blyth Ltd, one of Scotland's oldest and best-known groups of consulting engineers, is now bankrupt and its pension fund wound up. The fund is so weak it can't even pay existing pensioners. In June, after twelve years drawing his company pension, Sandy Horn got a letter with an unwelcome message.

HORN: Unfortunately, with effect from 1st September, our pension entitlement is going to be reduced.

ROBINSON: Does it say by how much?

HORN: Yes. 40%.

ROBINSON: What did you feel when that came through the door?

HORN: A sickening feeling.

ROBINSON: Had you ever expected to get a letter like that?

HORN: No.

ROBINSON: Sandy Horn used to be a director of Blyth and Blyth Ltd and proud of the pension package it offered.

HORN: I feel particularly bad about this situation because in the eighties, when I was employing people, I would sell the pension fund as a good part of the salary package, and I never thought for one minute that they could lose not only their own contributions, but the company's contributions as well, and it seems completely unjust that this can happen.

ROBINSON: These are the people you employed?

HORN: Yes.

ROBINSON: And what's happened to them?

HORN: Some of them are in great difficulty now, great financial difficulty. People who are not retired have lost everything, and those who have retired have now lost 40%.

ROBINSON: Mark Stout was two years off retirement when the scheme was wound up, so he gets nothing at all.

STOUT: I was in the pensions fund for 25 years. I was 65 in December last year, and I'm working, and there is no prospect of me retiring in the near future. I will probably work till I'm 70 just to save some sort of money.

ROBINSON: And what were you expecting?

STOUT: In excess of £20,000, you know.

ROBINSON: £20,000 a year?

STOUT: From Blyth and Blyth plus the state pension, yes.

ROBINSON: And what have you got?

STOUT: Nothing. I've got the state pension.

ROBINSON: Mark learned the bad news at a meeting called by the trustees of the pension scheme. Some of them had also been directors of the company.

STOUT: We met in a hotel in Edinburgh. When the directors announced the wind-up on the 22nd November 2002, a day that will live in my memory for a long time, we were devastated, totally and utterly devastated. There were men in that room with 37 years in and no chance of making it up again. It was a very very emotional and very angry meeting. But we felt so helpless.

ROBINSON: The pension scheme's actuary was present at the meeting, and Mark Stout wanted him to explain how his entire retirement income had been wiped out.

STOUT: The scheme actuary stood there and blamed it all on the collapse of the market. You know, 2002 was a particularly bad year, but we had been in deficit for a lot longer than that, and one question I asked was, how did you arrive at the calculation of the deficit? And he said, 'Well, it's a very complicated calculation, Mr Stout.' I said, 'Well that's our business, we do calculations for business, you know. We understand complicated calculations.' And to this day he has never produced his calculation.

ROBINSON: But the man now responsible for looking after members' interests has done the sums. After the wind-up of the Blyth and Blyth Ltd fund, Andy Scott was appointed as independent trustee. He was shocked by the speed of the fund's decline.

SCOTT: Back in 1997, there was a surplus at that time. It was around about £1 million, which was very roughly 5% or 10% more than was needed. By the next valuation, three years later, 1st April 2000, there was a £2.25 million deficit. Ultimately when it wound up in November 2002, that deficit has never been properly calculated but was probably around £7 million or £8 million out of a fund of £14 million or £15 million, so it was about half

SCOTT cont: the fund. Certainly a big factor in the deficiency was the stockmarket. However, there were in our opinion other factors which came to bear which made the deficiency substantially bigger than it would have been if it was just the stockmarket that had caused the deficiency.

ROBINSON: One of the factors Andy Scott is now looking into is the early retirement taken by two directors of Blyth and Blyth Ltd, who were also trustees of the company pension fund. Had they waited until their normal retirement age, they'd have lost their pensions along with everyone else. By retiring early, they got pensions, but the already weak fund was made weaker still because it had to set aside money to pay for them.

STOUT: It's just unjust. It's simply totally and utterly unjust. I don't suppose these people have done anything legally wrong, you know, but it just seems morally wrong, what they did, I think.

ROBINSON: The early retirements are one reason Andy Scott, having taken independent actuarial advice, decided to launch a legal action seeking compensation from the former trustees.

SCOTT: The issue is that if you are a trustee, you have obviously responsibilities to the whole membership. If early retirement was to be taken at the expense of the other members, trustees must ask themselves is this in the interests of the members, and am I acting correctly as a trustee? These questions may well have been asked and there may be evidence that this was all handled properly, but it is certainly a question that we want to ask of these individuals.

ROBINSON: File on 4 has obtained a copy of a company minute of the November meeting. It shows one of the director/trustees justifying the early retirements on the grounds that:

READER IN STUDIO: Actuarial advice had been taken that it was affordable and therefore it was appropriate for the trustees and the company to allow early retirements.

ROBINSON: But File on 4 has discovered a reason why the fund might have looked like it could afford those early retirements. Shortly before the early retirements were taken, a curious change was made to the pension scheme's rules – the normal retirement age for members was raised for one month only, from 65 to 75. This change made little difference to the promised benefits, but Andy Scott argues it made a significant difference to the apparent financial health of the scheme.

SCOTT: Well if you assume that everyone is going to retire at 75 instead of 65, then obviously there's ten years less pension you've got to pay for. So that meant that the liabilities of the scheme were a lot lower, and therefore the hole in the pension fund was a lot less than it was before.

ROBINSON: Have you ever seen a situation before where just for one month retirement age for a whole pension scheme is raised by ten years?

SCOTT: I haven't. I'm not saying it's never happened, but it's certainly something that I'm unaware of that's happened in the past.

ROBINSON: So what's the issue there for you?

SCOTT: Well, the issue as the independent trustee is that the fund looked more healthy than it actually was. The reasons behind that we're still trying to glean from the parties concerned. Perhaps they had a very good reason, but we're still trying to ascertain that.

ROBINSON: Have they given you a reason yet?

SCOTT: No, they haven't.

ROBINSON: We wanted to ask the directors concerned about the change in the scheme's retirement age and the timing of their early retirements. They wouldn't be interviewed, but they deny any wrongdoing, say they took advice at every stage, and that they will explain their actions in court. The actuary concerned with the scheme and the company he works for also refused to be interviewed, citing continuing legal proceedings and issues of client confidentiality. This case will be closely watched by the representatives of other pension victims.

ROBINSON cont: If it succeeds, others may soon follow. But the many tens of thousands of victims of the pensions timebomb have another source of compensation in their sights – the government – and they turned up in force at Westminster to demand it.

EXTRACT OF NEWS BROADCAST

NEWSREADER: Thousands of people have taken part in a rally in central London to draw attention to the shortfall in pension funds.

MAN: We see our members coming down here today that have lost, a lot of them have lost a lot of their pension payments ….

ROBINSON: Pension campaigners now have a champion in former City banker, Ros Altmann. Ros Altmann once advised both Tony Blair and Gordon Brown on pensions issues. Now she's leading the fight to force the government to compensate people who have lost their pensions. The government should pay, she says, because it failed to heed the warning given by the actuaries back in 2000. And because government agencies, like the Financial Services Authority, misled the public with consumer leaflets wrongly assuring people that final salary pensions were guaranteed.

ALTMANN: The FSA produced guides for members of pension schemes. This one is called the FSA Guide to the Risks of Opting Out of Your Employer's Pension Scheme. So, what do they say? They say, 'Some type of employers' schemes, the ones called final salary or defined benefit schemes, give you a guaranteed pension.' There's another one. It defines final salary schemes as, 'You are guaranteed a certain level of pension when you retire.'

ROBINSON: That's the key word – guaranteed.

ALTMANN: Guaranteed. So everywhere throughout this booklet you are being told that if you are in a final salary scheme, your pension is guaranteed.

ROBINSON: The FSA declined File on 4's invitation to be interviewed about the wording of its leaflets or why in subsequent leaflets it's changed the word 'guaranteed' to 'promised'. Restoring confidence in pensions is now high on the government's agenda. From

ROBINSON cont: April next year it's new Pension Protection Fund will start replacing most of the pensions lost by members whose funds fail after that date. The PPF will raise the money it needs from levies charged on all final salary schemes. Financial support from the government for the PPF is not on offer. At WH Smith, Martin Taylor welcomes the idea, but suspects the PPF may not have sufficient financial strength to restore confidence, especially if a big pension fund should go under.

TAYLOR: There are lots and lots of schemes at the moment that are clearly teetering on the edge of needing the Pension Protection Fund. How is it going to have enough money to cope with them? It's impossible to have a scheme which has no money in it at the beginning. It's likely to have an awful lot of claims on it, and the government, which is really the only potential source of funds, is saying that it won't be the source of funds.

ROBINSON: The government says it's not going to guarantee it, no government money?

TAYLOR: I think what will happen probably is that the government will effectively be the source of funds by finding some formula of guaranteeing its borrowings, whilst pretending it's not doing.

ROBINSON: While the government continues to insist they will not back the PPF, uncertainty is likely to continue, and the PPF is no help at all to people who lose their pensions before April next year. For them, after a storm of pensioner protest and a threatened backbench revolt, the government came up with a hardship fund – a so-called Interim Assistance Scheme of £400 million. But that money is spread over twenty years. And, according to no less a person than the President of the Institute of Actuaries, Michael Pomery, it won't do much for the tens of thousands of people who need help.

POMERY: £400 million sounds a huge sum of money, but if you start working out how much it is per head on an annual or weekly basis, it comes to a relatively small sum of money.

ROBINSON: What sort of money?

POMERY: Well, I'd say certainly less than sort of £10 a week.

ROBINSON: £10 a week?

POMERY: That's right.

ROBINSON: But that doesn't go anywhere near to begin to replace the pensions that these people have lost.

POMERY: No, that's right. I mean, the amount of money you would need to fully replace it would be a very much higher figure.

ROBINSON: The Treasury and the Department of Work and Pensions wouldn't be interviewed about how little their Interim Assistance Scheme seems to be worth to people who have lost their pensions. The Pensions Minister did give us a statement, saying he appreciated that:

READER IN STUDIO: a lot of people out there are keen for information.

ROBINSON: And he gave us a website where people could:

READER IN STUDIO: be kept up to date with the latest developments.

ROBINSON: But as to who would get paid how much and when, there was no answer. Hughie Hill, who has lost more than half his pension in the Dennis scheme, is less than impressed with what the government is offering.

HILL: I thought that this £400 million was £400 million that would be shared with other companies immediately to top up our deficits, but it's not. It's £20 million this year and it's stretched over this twenty years, so the help that it's going to give us is worthless really to us.

ROBINSON: There's similar disillusion at Turner and Newall's Bradford plant, where Eric Peacock and his colleagues still have no idea what pension they'll get when they're 65.

STAN: I would say save your money in other accounts and maybe buy property or something like that, instead of investing it in a pension scheme and someone can take it off me, and I have no control over that. I have control over something else, so I would not join a pension scheme. There is no benefit in it.

ROBINSON: What about you, Eric? What advice would you give to your lad?

PEACOCK: Put his money into property, put it into a high savings account.

ROBINSON: Not a pension?

PEACOCK: Not a pension, no, no. I want him to learn by my mistake, which at the time wasn't a mistake, it was something for the future – and that future's gone.

ROBINSON: Unless confidence can be rebuilt in saving for retirement, Ros Altmann believes prospects for future generations are gloomy.

ALTMANN: The longer these stories continue to hit the headlines, the worse the situation for pension confidence becomes. And people who are contributing to pensions are thinking twice about what the purpose of their contributions really is, so that for the future we are storing up huge problems that individuals will not have enough money to live on in old age, and we haven't faced up to that yet.

ROBINSON: Some companies are starting to fill the holes in their pension funds. British Airways' contribution this year is more than last year's pre-tax profits, and they'll have to go on paying in for years to come. But for corporate Britain there's a long, hard road ahead. Last month research showed that despite increased contributions, two-thirds of the top hundred companies have pension fund deficits, which are still growing. After the havoc wreaked by the pensions timebomb, there's an awful lot of rebuilding still to do.

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