Millions face pension cuts in final salary scheme reform: MPs want radical shake-up that would allow companies to ditch promises made to workers WITHOUT going through the courts

- **Firms could strip retired employees of annual increases to their pensions**
- **This would leave workers £100,000 poorer over 25-year retirement period**
- **Savers could also lose right to pass pensions on to spouse when they die**

By RUTH LYTHE FOR THE DAILY MAIL
PUBLISHED: 01:43, 23 July 2016 | **UPDATED:** 13:20, 23 July 2016

Read more: http://www.dailymail.co.uk/news/article-3704211/Millions-face-pension-cuts-final-salary-scheme-reform-MPs-want-radical-shake-allow-companies-ditch-promises-workers-WITHOUT-going-courts.html?ITO=1490

Millions of savers face drastic cuts to their company pensions under plans being drawn up by politicians and pension firms.
MPs want a radical shake-up that would allow companies to ditch promises made to workers without going through the courts.
Under the proposals, firms could strip retired employees of generous annual increases to their pensions, leaving them £100,000 poorer over a 25-year retirement.
And savers could also lose the right to pass final-salary pensions on to a spouse when they die.
Up to 11 million people are in final-salary pension schemes, which pay out a guaranteed amount in retirement, based on how long you work and how much you earn. They rise each year with the cost of living.
Last night a former pensions minister confirmed that the Department for Work and Pensions was working on proposals to cut back cost-of-living increases.
At present, firms have to go through a lengthy legal process if they wish to alter the promises they make to workers in private schemes.
But an amendment to the Pensions Bill this autumn could allow firms to bypass this. The shake-up is understood to affect only workers in the private sector, leaving the payouts enjoyed by MPs and civil servants intact.
Instead of rising with the Retail Prices Index (RPI), pensions might instead be increased in line with the Consumer Price Index (CPI).
The CPI, the Government's preferred measure of inflation, generally rises much more slowly than the RPI. According to figures from investment firm Hargreaves Lansdown, a saver with a final salary-pension worth £10,000 a year would have £104,000 less over a 25-year retirement if their pension was moved from RPI to CPI.
Former pensions minister Baroness Altmann told the Daily Mail: 'In an ideal world everyone would get every penny from their final-salary pensions and I want people to get as much pension as possible.

But it is unlikely to be affordable. Some schemes are offering incredibly generous benefits that nobody would have believed would have cost so much when the schemes were set up. Some have annual increases of 8 per cent a year. That is unaffordable for those companies but currently there is no way out.'
Campaigners warned that while cutting back benefits might make final-salary pensions cheaper to run in the long-term and result in more schemes surviving, many opportunistic employers will exploit the new rules.
Neil Duncan-Jordan, of campaign group the National Pensioners Convention, said: 'This shows that the writing is on the wall for final-salary pensions. It would be an optimistic person to believe companies won't use these measures as an opportunity to cut back on benefits further. Most people will have made contributions into these schemes thinking they know what they will receive at retirement but these promises could be taken away.
'The vast majority of workers with private salary pensions only receive a relatively small amount.

They would kill for the payouts of MPs who will make this huge decision.'
Malcolm McLean, a senior consultant at pensions firm Barnett Waddingham, said: 'There are huge difficulties with funding final-salary pensions and keeping the promises made, but firms should not be allowed to cut back on the rights and entitlements workers have already built up.'
The black holes across Britain's private sector pension schemes – the amount they owe savers but don't have on their balance sheets – totalled £383.6billion last month. Around 1,000 firms are on the brink of falling into the lifeboat scheme, the Pension Protection Fund, according to Cass Business School.
In May the Government opened the door to a radical upheaval of UK pensions when it launched a consultation on bailing out the British Steel pension scheme with taxpayers' money to make its owner, Tata Steel, more attractive to buyers.
And last month the Daily Mail revealed how the US owners of engineering firm Halcrow had reached an agreement with the Pensions Regulator watchdog to cut final salary workers' payouts or shift their pensions into the lifeboat scheme.
A Department for Work and Pensions spokesman said: 'We have a robust and flexible system for the regulation of occupational pensions and are working closely with the sector to understand the issues affecting defined benefit schemes.'

END