



Work and Pensions Committee

Thursday, 6 February 2025

Torsten Bell MP

Minister for Pensions
Department for Work and Pensions
(By e-mail only)

Dear Torsten

Non-indexation of pre-1997 rights – FAS and PPF members

Firstly, can I offer you my very sincere congratulations on your Ministerial role.

You will be aware, that in its March 2024 report on [Defined Benefit Pension Schemes](#) the predecessor Work and Pensions Committee recommended legislation to provide for indexation of pre-1997 rights for members of the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS), where scheme rules provided for this (para 151 and 161).

- For the PPF, the Committee said the original justification for the policy - to limit costs to levy payers - was invalidated by the fact that the PPF had £12 billion in reserves. The policy had resulted in a 50% drop in purchasing power since 2006. The then PPF Chief Executive, Oliver Morley, said there was a “good case on equity grounds” for changing the rules (para 143-151). Since then, the value of the PPF’s reserves has increased to [£13 billion](#). Updated [PPF estimates](#) are that increasing pre-1997 benefits for the future, where scheme rules provided for that, in line with the CPI, capped at 2.5%, would increase the PPF’s liabilities by £1.7 billion and reduce its funding level by 14% (from 167% to 153%).
- For the FAS, the Committee said a change in the rules was particularly urgent. FAS members tended to have more of their service before 1997 and so were disproportionately affected. Most were in schemes that provided indexation of between 3 and 5 % on all pensionable service. Non-indexation meant that value of their FAS award (£2,700 on average) was progressively lower than the amount they expected from the original pension schemes. FAS members argued that they should get what they paid for. Updated [PPF estimates](#) are that increasing pre-1997 FAS benefits for the future, where scheme rules provided for that, in line with the CPI, capped at 2.5%, would cost £3 million in year one, rising to £13 million by year five; a total of £40 million in the first five years and £93 million in years six to ten.

In our inquiry on pensioner poverty, my committee has heard of the impact of cost-of-living increases on pensioners. In its written evidence, for example, Age UK says that polling in September 2024 found that:



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- More than half (55%) of pensioners (66+) said they would have to turn down or reduce the hours they use heating at home. This increased to 63% for more disadvantaged pensioners.
- A quarter (25%) of pensioners (66+) said they will have to reduce the length/number of baths or showers that they take. This rose to 36% for those on pensioner benefits.
- One in 10 (10%) said they would have to reduce the number of hot meals they eat, rising to 15% for more disadvantaged pensioners (PPCM0027)

The Centre for Research in Social Policy at Loughborough University tells us that the number of pensioners with incomes below the Minimum Income Standard (MIS) – the amount needed for a minimum, dignified, socially acceptable standard of living – increased from 13.1% (1.5 million pensioners) in 2008-09 to 20.5% (2.4 million pensioners) in 2021-22 (PPCM0039).

I recently met the Pensions Action Group who told me that:

We are losing more members every day as they sadly pass away so the need for an immediate response is now more vital than ever, given the backdrop of the significantly increased utility prices and other living costs that we are all experiencing. To have had no meaningful rise in our FAS awards for over 20 years is really hurting financially, so we desperately need action to be taken now.

The Secretary of State has [told me that](#) we can expect a letter from you on this issue. I look very much forward to your response, which I hope very much will be early and positive.

Finally, we would also like to invite you to give evidence to our pensioner poverty inquiry, probably in the early summer, prior to the report's publication.

I look forward to hearing from you.

Best wishes

Debbie Abrahams MP
Chair, Work and Pensions Committee