UK: Bernard Matthews pensioners fleeced by liquidators

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14 October 2016

Thousands of pensioners at Bernard Matthews, a British turkey producer, have been robbed by liquidators and will receive just one penny in the pound from the value of their pensions.

The firm has been sold off by private equity firm Rutland Partners, leaving the Pension Protection Fund (PPF) and the taxpayers to pick up the tab. The theft of pensions on a massive scale is now a common occurrence in Britain. The attack on Bernard Matthews's pensioners follows those carried out against pensioners at high street retailer BHS and Tata Steel.

Rutland Partners sold most of the assets—land, farms and buildings—of Bernard Matthews, which went into administration in September, for nearly £87.5 million. Under a secretive "pre-pack" arrangement, a buyer can cherry-pick the assets it buys without taking on any of the liabilities. Rutland Partners have already pocketed £34 million, with another £5 million to come—more than recovering their initial £25 million stake and subsequent £10 million investment in the company. Other creditors, Wells Fargo and PNC Financial Services, will get £46.6 million.

Deloitte, the administrators, have submitted bills for £790,000 and their legal fees are likely to add a further £668,000. Deloitte's hourly charging out rate is between £390 and £872. The administrators have enormous powers over how assets are distributed once a company enters administration. As Professor Prem Sikka, who prepared a briefing report for the House of Commons' Work and Pensions Committee, explained, administrators "may well be swayed by their fees and prior relationships with company directors or parties to the sale/purchase of business. It is not unusual for major accountancy firms to receive business, including insolvency work, from banks."

Taken together this will leave virtually nothing for the pension fund, which has a deficit of around £17.5 million.

Bernard Matthews will dump its pension obligations onto the increasingly beleaguered PPF, which is funded through a levy on private sector employers. The PPF acts as a backstop when firms allow their pension funds to go under. Since it was set up a decade ago, the PPF has been forced to bail out 800 failed schemes with 222,000 members, at a cost of £1.8 billion.

Under PPF rules, Bernard Matthews' existing 750 pensioners would get the same payments with no assurance that they will get any indexed-linked increases, while the company's 2,000 workers and ex-workers—who are yet to retire—will see their payouts discounted by 10 percent.

This theft of what are workers' deferred wages to pay off the owners and secured creditors is all perfectly legal and increasingly commonplace. All the official institutions and commercial practices have conspired to rob workers of their entitlements and security in the final years of their lives. In the eyes of the politicians, workers have no rights to the pensions to which they have contributed. They must line up for the crumbs after the capitalist bosses and the financial institutions have taken what they want. The trade unions have stood back and let it happen without lifting a finger to defend their members.

Pension fund deficits are central to modern business strategy. Corporations routinely prioritise dividends to shareholders over their pension obligations. According to AJ Bell, 35 of the top 100 companies listed on the London Stock Exchange paid out more in dividends than the size of their pension deficit in 2015. It said that 54 FTSE 100 companies with funding deficits on their pension schemes paid dividends of £48 billion a year for the past two years, with a similar sum forecast for 2016. This annual sum is almost equal to the £52 billion pension fund deficit.

Some of the firms with the largest holes in their pension funds include blue chips such as Royal Dutch Shell, AstraZeneca, GlaxoSmithKline, Rio Tinto, National Grid, Glencore, British American Tobacco, Vodafone, Legal and General, Imperial Brands and Diageo.

Last month, the global consultancy firm PwC reported that the combined deficit of the UK's 6,000 defined benefit pension funds had grown by £100 billion in the previous month, bringing the total deficit to £710 billion. PwC said that the combined deficit was now £1.54 trillion, or 83 percent of Britain's entire GDP in 2015.

According to research carried out by Lane Clark &Peacock, the deficit at BAE, Britain's premier manufacturer, is around £5.4 billion—more than a third of its market cap—while BT's £10 billion deficit is about a quarter of its value.

Such figures point to the essentially parasitic and criminal nature of British capitalism today: payments to shareholders are dependent on looting the pension fund.

Following the 2008 global financial crisis, the Bank of England's "quantitative easing" sought to keep the banks afloat, but this temporary reprieve has come at the expense of workers' pension schemes. Companies use the interest rates on gilts, known as the yield, which have fallen to historic lows, to estimate their future payouts. The lower the gilt yield, the more the corporate bosses need to set aside to meet their future costs.

Cass Business School's Pensions Institute estimates that as many as 600 pension funds could implode over the next decade, while a further 400 are at risk. Together, these funds have a total deficit of around £45 billion—an amount that would overwhelm the PPF rescue fund. In 2014-15, the PPF's surplus stood at just £4.8 billion.

While around half of all workers pay into some sort of employer-based pension, employers have switched from "defined benefits" to the less generous "defined contributions" schemes in order to reduce their costs. Many are likely to abandon even these schemes as the government's compulsory work-based pension scheme becomes operational.

The situation facing many pensioners is dire. As many as one in seven pensioners, 1.6 million or 14 percent of all pensioners in the UK, live in poverty. Poverty is defined as having an income of less than 60 percent of median income after housing costs. A further 1.2 million pensioners have incomes just above the poverty line (between 60 and 70 percent of median income).

Low income in retirement is usually the result of low-paying jobs or periods out of employment due to caring responsibilities, disability or unemployment. For this reason, women are more likely to be poor than men, but older pensioners (especially those aged 85-plus), single people living alone, private tenants and Asian pensioners, are at particular risk.

Many older people do not claim their entitlements. According to government estimates, in 2014-15, £3.5 billion of low-income welfare benefits (Pension Credit and Housing Benefit) went unclaimed by older people, due the complexity of the schemes, an assumption they would not be eligible, negative attitudes to claiming, or because people are put off by the procedures.