# Public Service Pensioners' Council

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# Election 2019
# PSPC Manifesto for Public Service Pensioners

**The Public Service Pensioners' Council (PSPC) represents all of the main public service pensioners' organisations. It was established more than fifty years ago with the aim of protecting the interests of retired public servants. The Council has close links with a variety of other organisations and maintains regular contact with the Government and main political parties on issues of concern to public service pensioners.**

**This document sets out the PSPC's main policy concerns and priorities, which the Council and its constituent organisations will be pursuing with the major political parties both before and after the December 2019 General Election**

**For more information about the PSPC and its work, go to [www.publicservicepensioners.org.uk](www.publicservicepensioners.org.uk)**

## State Pensions

The Public Service Pensioners` Council calls on all political parties to make clear and specific commitments on pensions to include:

- **Retention of the Triple-Lock for uprating all elements of the State Pension;**

- **Compensate through a transitional payment those women who, as a consequence of the Pensions Act 2011, had their State Pension deferred by up to 18 months with only 5-7 years notice**

- **Ensure that any future increases in the state pension age are accompanied by at least 15 years advance notice;**

- **Oppose any further increase in state pension age beyond age 68, as set out in the Turner Commission Report;**

- **Ensure that assumptions on state pension age are based on adults spending one-third of adult life over state pension age, and not seek to reduce that assumption in order to justify further increases in state pension age.**

- **All UK State Pensioners should receive the same pension increases, regardless of where they live in retirement.**

### Triple-Lock

The State Pension is an essential element of income in retirement that allow pensioners to enjoy retirement with security, dignity and not slip into poverty after a lifetime of working. **Yet the value of the State Pension relative to earnings in the UK is the lowest in the industrialised world as confirmed in a 2017 OECD study report.** In this country it represents only **29%** of average earnings compared to an average **62%** across 31 industrialised countries. Had the State Pension link with earnings not been broken in 1980 then the basic single state pension would now be worth £63 per week more than its current value.

It is for that reason that the Council believes it is essential to maintain the Triple Lock mechanism for uprating the State Pension so as to guarantee annual increases that relate to the increases in earnings and inflation but are underpinned by a minimum 2.5% increase. It is only since that mechanism was implemented from April 2012 that the value of the UK state pension has improved relative to earnings, and which ensures a **3.9%** increase in the State Pension from April 2020 based on the average earnings index, compared to the CPI inflation rate of **1.7%** (September 2019). Removing the Triple Lock would lead to long-term decline in the value of the State Pension and force more pensioners into poverty.

### Single-tier Pension

The Council welcomed the introduction of the new state pension from April 2016 but believes that the Triple Lock indexation should apply the Second State Pension element (formerly S2P/SERPS) which only rises in line with CPI, otherwise the value of the basic State Pension in payment prior to April 2016 will continue to decline relative to the maximum of the single-tier State Pension.

### Transition period for raising of the State Pension Age to 66

The measures introduced in the Pension Act 2011 to accelerate the move to equalisation of State Pension age - to 65 by November 2018 and age 66 from October 2020 - gave little notice to make alternative financial arrangements and left many women born in the 1950`s suffering financial hardship. The Council supports calls for transitional compensation for those women and men who have had to wait up to 18 months longer to receive their pensions with inadequate notice of the change.

### Future changes to State Pension Age

The State Pension age is due to rise incrementally to age 68 between 2044 and 2046. This is based on the recommendations of the Turner Commission, subsequently endorsed by the Cridland Report, that people should enjoy one-third of their adult life (from age 20) in retirement. The Council is concerned that the Government has proposed changing the actuarial assumption as a means to accelerate further planned increases to the State Pension age rising to age 70 from 2056. We do not see any justification for the State Pension age to rise above 68 especially given the recent stalling of average UK life expectancy assumptions based on the latest mortality data.

### State pension increases for pensions paid abroad

Where UK State pensioners move to live abroad, their UK State pensions are increased only when they are living in countries covered by a reciprocal agreement with the United Kingdom.

Those living in Commonwealth countries are particularly affected because UK Governments have consistently refused to enter into reciprocal agreements with those countries. Many pensioners have families in Australia, Canada, New Zealand and South Africa. If they choose to retire to those countries, they receive no increases in their UK state pensions. The effect of this is that after a number of years many such pensioners find themselves suffering from severe financial hardship due to their fixed incomes.

The continued uncertainty of Brexit means that there is no certainty that State Pensions paid in EU countries will be uprated in the future without agreed reciprocal arrangements across all EU Member States.

**UK state pensions are an entitlement derived from a contributory system through National Insurance. All UK state pensioners should therefore receive the same increases, regardless of where they live in retirement.**

## Universal Pensioner Benefits

Older people currently have free access to some vital services, such as free prescriptions, eye tests, and concessionary travel such as free bus passes, and the winter fuel payment is available to all households with a person of suitable age present.

### Free TV licence for over-75`s

There has also been the provision of a free TV licence for the over-75`s. However, this important concession is due to be taken away from over 3 million pensioners from June 2020 following the Government's decision in 2015 to transfer responsibility to the BBC for funding the concession. The BBC announced in June 2019 that it would now limit the free TV Licence to those over-75`s who are in receipt of pension credit. Television is an important lifeline for millions of lonely pensioners and often their only link with the outside world.

**The PSPC calls on all political parties to commit to transfer responsibility back to the Government for funding the free TV licence for the over-75`s.**

## Why Universal Pensioner Benefits are important

There have been calls to pare back these universal entitlements on grounds of need. The argument is that richer pensioners do not need these services and poorer members of the working generation should not be taxed to provide them. The Council believes that universal pensioner benefits should be kept universal. Measures to 'affluence test' universal benefits may affect a small proportion of the population on introduction, but governments will be tempted to expand the net wider until only the poorest pensioners are in receipt of these measures. In addition means testing is disproportionately expensive and represents poor value for the taxpayer.

It is important to recognise that Governments have provided these benefits largely as an alternative to providing increases in the basic state pension. It should be remembered that the basic state pension has only been subject to the triple lock for the past seven years. Before that it was linked to prices for 30 years and fell behind movements in earnings.

The universal benefits serve different but important purposes. The measures for prescriptions and eye tests reflect the different health status of older people, while the free bus pass keeps people mobile and participating in their communities.

The age at which these benefits (with the exception of the free TV Licence and the availability of free prescriptions) can be claimed is rising in line with the female state pension age, set to increase to 66 by October 2020. The PSPC believes that ideally the decision should be reversed and that free access should remain at 60. If this is not accepted, the age of access should not rise beyond 65.

## Christmas bonus

The 'Christmas Bonus' was introduced at £10 in 1971, and has remained unchanged ever since. The Council believes that since Christmas brings extra expenses even in everyday living costs, a Christmas Bonus of **£100** should be paid each year to all those in receipt of the basic state pension or pension credit.

### Over-80s allowance

The age addition was introduced at 25 pence a week in 1971 and has remained unchanged ever since. The PSPC believes that the age addition is irrelevant at the current level.

## Intergenerational Fairness

Intergenerational Fairness has been the subject of various policy reviews and recommendations in the past few years, including well-publicised reports from the Resolution Foundation; the House of Commons Work and Pensions Select Committee; and House of Lords Intergenerational Fairness and Provision Select Committee. All reports have made reference to the perceived affluence of the Baby-Boomer pensioners (born since 1945) compared to the Millennial generation (born after 1985) and made recommendations to reduce Pensioner benefits and transfer resources to helping younger people.

These Reports have made recommendations to reduce pensioner benefits such as: scrapping the triple-lock; restricting bus-passes and other universal pensioner benefits to those aged 75 and charging NI contributions on earnings for working pensioners over State Pension age. All of these recommendations would have the effect of increasing pensioner poverty, despite recent evidence published by the House of Commons library (*HoC Research Briefing SNO 7096*) showing that 2.1 million pensioners are living below the poverty line using the Government's own definition of poverty. It is difficult to see the benefit to younger people of simply making pensioners poorer.

These official reports, and the media commentary around them, fail to recognise the positive contribution that pensioners make to the economy, through volunteering; unpaid caring for loved ones; and providing free childcare for grandchildren in order that their own children can be economically active in the workplace.

Recent analysis by Age UK highlights that older people contribute £160Billion annually to the UK economy, including £7.7billion through informal (unpaid) child-care; £95billion providing care for sick or elderly loved ones who otherwise would depend on the NHS or social care; and £2.7billion unpaid volunteering in local communities. The underlying assumption in recent commentaries adds to the myth that pensioners are seen as a drain on public resources, rather than as active people making a positive contribution to society and the economy.

## Public service pensions

The Council recognise the importance of good pension provision for current and future public service pensioners. Any debate around public service pensions should be evidence-based, rather than based on deliberate misconceptions.

Public service pensions have been subject to prolonged attacks from the media, both before and after the significant changes to Public Sector pension schemes agreed in 2012 which greatly reduced the costs of Public Sector pension schemes,

### Accrued rights

Accrued pension rights are deferred pay from the period over which our members have served the public. Accrued rights are not largesse, and certainly not the property of individual politicians to give or withhold.

The climate of debate surrounding public service pensions over recent years has led members to question whether their accrued rights are safe. This should not now be an issue, as negative retrospective changes are effectively prevented under the Public Service Pensions Act 2013. But the unremitting negativity around public service pensions, has led members to question whether politicians will renege on this position. We urge all parties to give reassurance on this point, as they are collectively responsible for having stoked this fear amongst public service pensioners.

### Indexation arrangements

The Council notes that successive Governments since 2010 have used CPI for the payment of public service pensions but retain RPI for the collection of revenue. Student Loan repayments; and regulated prices such as train fares and water rates all also continue to be linked to RPI. It cannot be right that RPI is a sufficiently good measure of inflation when it comes to taking money in, but is not an acceptable measure when it comes to paying money out. The PSPC believes that there should be a single, accurate and consistent measure of inflation and that the Government should cease cherry-picking between RPI and CPI.

In September 2019 the Government stated that it would publicly consult in 2020 on whether changes to the RPI to align with CPI (H) index should be introduced earlier than 2030, but not before 2025. The PSPC urge political parties to ensure that there is agreement with the UK Statistics Authority on the necessary adjustment needed to correct the acknowledged inaccuracies in the methodology used for the RPI; and agree on a single accurate, and consistent measure of inflation.

**Suspension of pension on cohabitation or remarriage**

An enduring injustice in some public service schemes, concerns those in receipt of a widows or widowers' pension who, under the scheme rules which applied when they retired, are not entitled to continue to receive that pension if they remarry or cohabit.

Although improvements have been made prospectively in some schemes, the 'no retrospection' policy operated by the Government means that many people are still subject to these provisions.

Pensioners affected by these provisions have described the situation as stressful, upsetting and soul destroying, forcing them to choose between companionship or financial security after the loss of their partner. The provisions disproportionately affect the poorest pensioner couples who cannot afford two homes. Richer pensioners who can afford to live separately from their new partners can avoid their impact. For occasional cohabitees, it is difficult to obtain guidance on what exactly constitutes cohabitation, for example, the number of nights spent together each week and the extent of financial interdependency allowed.

The Council is aware that in all Northern Ireland Civil Service pension scheme arrangements, the surviving adult dependant will continue to receive the payment of pension if they remarry in the future. We want to see this provision in all public service pension schemes.

**Post-retirement marriages**

In many public service schemes, men who marry after leaving pensionable employment only have service from 6 April 1978 counted towards their widow's pension. This compares to service from 1 April 1972 for marriages entered into before the man left pensionable employment. The PSPC believes this provision is yet another petty restriction that increases the complexity of public service pensions. The distinction should be abolished so that all pension rights accrued from 1 April 1972 automatically carry entitlement to a widow's pension.

## Conclusion

The Public Service Pensioners' Council believes that pensioners have borne the pain of austerity measures over the past decade along with current workers. We are truly "all in it together". Pensioners have spent their lives working and paying taxes, often to find that hardship awaits them in retirement. It is of paramount importance that this is not allowed to continue, both for the sake of those who have already retired and for the current working population who themselves will one day retire. We urge all political parties to adopt the policies set out in this manifesto.

**Public Service Pensioners' Council**
**18 November 2019**