**LABOUR POLICY CONSULTATION**

**DIGNITY AND SECURITY IN OLDER AGE: THE STATE PENSION**

**Written Evidence from THE PUBLIC SERVICE PENSIONERS’ COUNCIL**

The Public Service Pensioners’ Council represents the interests of retired public servants.

Founded over fifty years ago, PSPC brings together the various organisations for retired public servants and the retired members’ sections of public sector unions, providing a united voice on issues of concern to government and the public.

We campaign alongside other organisations, including the National Pensioners' Convention and the TUC, to protect the interests of pensioners and public service pensions.

PSPC members are not just concerned about protecting existing pensioners. From the vantage point of retirement, we recognise the importance of pensions for current and future public sector workers alike. After all, current workers are also “pensioners in waiting”.

We believe in protecting public service pensioners by promoting the facts rather than misconceptions. The Council represents the interests of the main public service pensioners’ organisations. Our members include groups representing retired Police Officers, Firefighters, University and College Lecturers, Civil Servants, Teachers, Prison Officers and the Armed Forces and between us we represent more than a million members.

We welcome this consultation as a step in the right direction to understanding how the State Pension impacts on older people, and how it can be improved.

Our members 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.

In response to the consultation, we have answered the questions drawing on our current policies on The State Pension age, Universal Pensioner Benefits and the triple lock. We have added further information at the end of this submission on other relevant policy issues connected to public sector and state pensions.

**THE STATE PENSION EXPERIENCE**

**Q: WHAT IS YOUR CURRENT EXPERIENCE OF THE STATE PENSION (SP) AND OTHER SOCIAL SECURITY SUPPORT FOR PENSIONERS E.G. WINTER FUEL PAYMENTS, PENSION CREDIT?**

We want to see the level of state pension set significantly above the poverty level, so that those who rely on it can enjoy security and dignity in retirement. Over half of all pensioners do not receive enough income to pay income tax and only 4% pay higher or additional rate of tax. 1.6 million Pensioners are still living in poverty and a further 1.1 million have incomes just above the poverty line.

Universal Pensioner Benefits were originally introduced to top up the low value of the state pension. Free prescriptions, concessionary bus passes, winter fuel allowance and the free TV licence continue to play a vital role in reducing pensioner poverty and enabling an active later life and we would like to see them protected and enhanced.

In addition we believe that the current system of Pension Credit is bureaucratic and stigmatizing, this puts many people off applying for help they desperately need. These problems could be eliminated by simply setting the basic State Pension at a decent level - well above the current pension credit threshold. This would also save on the cost of administering the means-test of each pension credit application.

**STATE PENSION AGE**

**Q: WHAT ARE YOUR VIEWS ON THE CURRENT PLANS TO INCREASE THE STATE PENSION AGE (SPA) TO 68?**

We believe that all generations must see the state pension system as fair and we think that it is right that the State Pension Age should be periodically reviewed as life expectancies change.

Data from the Office of National Statistics in 2016, showed that increases in life expectancy are slowing markedly. Increasing State Pension age beyond 68 in the future should be deferred until such time improvements in life expectancy resume, otherwise it will have a very unfair impact on people in later life.

An increase in lifespan does not necessarily mean that extra time will be spent in good health. In many occupations it is neither likely nor desirable that many people will be able to continue working until the age of 68. The Pensions Act 2011 implemented a more rapid increase after the equalisation of SPa than had been originally proposed, and this has undermined many peoples’ retirement plans. Any future changes must be directly communicated to those affected with sufficient notice to ensure people have sufficient time to plan for their new pension age.

**Q: DO YOU SUPPORT PROPOSALS FOR A MORE FLEXIBLE APPROACH TO THE STATE PENSION AGE, ONE WHICH RECOGNISES THE CONTRIBUTION THAT PEOPLE HAVE MADE IN THEIR WORKING LIVES?**

The PSPC replied to the Turner Commission’s second report “**A New Pension Settlement for the Twenty-First Century** - back in 2005. We stated:

 *“Whilst existing retired members of our member organisations were not affected by the proposal to raise the retirement age to 67 or higher in the future, the Council has previously argued for the retention of the State retirement age of 65. We do recognise however, that in any compromise settlement, there may be a need to move towards a higher State pension age. Measures should be retained which protect those workers in manual or high stress occupations. These workers should be able to retire earlier than the new state pension proposed”.*

We still hold the same opinion, and PSPC therefore welcomes the Labour Party’s commitment to commission a review of the pension age that is tasked with developing a flexible retirement policy. This review should ensure that differences in life expectancy across the UK and different occupations are taken into consideration.

**VALUE OF THE STATE PENSION**

**Q: WHAT ARE YOUR VIEWS ON THE VALUE/ADEQUACY OF THE STATE PENSION? WHAT ARE YOUR VIEWS ON THE TRIPLE LOCK GUARANTEEING A MINIMUM OF 2.5% ANNUAL INCREASE TO THE STATE PENSION, OR HIGHER IF AVERAGE EARNINGS OF CPI INFLATION ARE ABOUT 2.5%**

We want to see the level of state pension set significantly above the poverty level, so that those who rely on it can enjoy security and dignity in retirement.

During our campaign in the run up to the last General Election, we were reassured by Labour’s manifesto commitment to guarantee the State Pension “triple lock” throughout the next Parliament. The triple lock continues to play an important role in protecting the poorest pensioners from increases in the cost of living. We strongly believe that the triple lock is vital to ensure progress continues to lift pensioners out of poverty. Removing this safety measure would reverse the progress made.

The average State Pension is only just over £7,000 per year, but is still the main source of income for millions of older people in this country, and therefore must be safeguarded. The impact of removing the triple lock would cause hardship and misery for many, and also affect demand for health and social care, costing more money in the long run.

We would also like to highlight that the triple lock only applies to selected parts of the State Pension, it benefits some pensioners more than others.

The basic and new State Pension benefit from the triple lock, but it does not apply to the State Second Pension and some other pensioner benefits such as war veterans and widows benefits and carers’ benefits (which are linked to inflation).

Pensioners in receipt of the new State pension will see their payments rise from £159.55 to at least £164.34, meaning they will be almost £250 a year better off. However, pensioners who reached State pension age before 6 April 2016 and are on the old Basic State pension will only see their State pension increase from £122.30 to £125.97 a week, giving a lower increase of £191 over the year.

PSPC want to see a review of this unfair method of uprating state pensions, which is creating an unfair two-tier system in state pensions. We would like to see the transfer of pensioners on the old State Pension to the new State Pension on a no detriment basis.

In addition, state and public service pensions should be uprated using a fair and realistic rate of inflation and we support the introduction of a Household Inflation Index which should more accurately reflect the experience of price increases in different households- including those owned by people who have retired. Please see “indexation arrangements” below.

**1950s BORN WOMEN**

**Q: WHAT COULD BE REASONABLE TRANSITIONAL ARRANGEMENTS FOR 50S BORN WOMEN (& MEN) WHO FELL VICTIM TO THE ACCELERATED INCREASE IN THE SPA AND TIMING OF THE NEW STATE PENSION**

We support the need for a measure to ensure fair treatment for those women born between April 1951 and April 1953 who were adversely affected by the very late notice of the changes to State Pension age introduced by *The Pensions Act, 2011,* namely that the equalised SPa of 65 years was to be brought forward from April 2020 to November 2018, and then further the increase for both men and women to 66 years would be brought forward to April 2020.

The 2011 Act gives insufficient notice. All those adversely affected by the increase in state pension age should be properly and fully recompensed.

**Q: HOW DO WE HELP LOW INCOME GROUPS TO MAKE HIGHER CONTRIBUTIONS TO AN OCCUPATIONAL PENSION TO COMPLEMENT THEIR STATE PENSION?**

Currently, millions of people are not saving enough to have a sufficient income in retirement.

There are many reasons for this decline, including student debt and poorly paid graduate jobs, high property prices and the rapid retreat of employer schemes. We are concerned that the good final-salary schemes that some of our members have experienced are being closed and that this will make saving for retirement more difficult for younger people.

The closure of Defined Benefit Schemes needs to be averted and where defined contributions schemes are in operation, consideration given to shared risk schemes. This would mean that fluctuations in the stock market do not impact solely on the individual. We do not want to see a race to the bottom for workplace pension schemes of the future.

The introduction of auto-enrolment, will encourage a retirement saving culture in the UK but it needs to go further to make savings count and encourage younger people and the lower paid to make provisions for their future.

**PUBLIC SERVICE PENSIONS**

Although PSPC’s main purpose is to represent the interests of those who have retired, we recognise the importance of good pension provision for current and future public service pensioners. Any debate around public service pensions should be based on evidence, rather than deliberate misconceptions.

The Hutton Commission showed that the cost of public service pensions is expected to fall in the long term. Indeed, evidence from the National Audit Office shows that the cost, expressed as a percentage of GDP, was not rising even before the latest set of reforms. We therefore expect politicians to show leadership and be prepared to explain to the public that, contrary to the information they are fed, public service pensions are sustainable.

**INDEXATION ARRANGEMENTS**

State and public service pensions should be uprated using a fair and realistic rate of inflation which truly reflects a household’s experience of price increases.

The Council notes that the current Government now uses CPI for the payment of public service pensions but retains RPI for the collection of revenue. Student Loan repayments, 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 Office of National Statistics has been working on some alternative measures of inflation and the National Statistician has stated that the CPI will be replaced by CPI (H). PSPC support the introduction of this measurement which includes owner-occupier housing costs. The National Statistician has also said that he is committed to the development of a Household Inflation Index (HII). Early signs indicate that this index would more truthfully reflect the increases in the cost of living experienced by a range of households across the UK, and we will watch its development with interest.

**STATE PENSION INCREASE FOR THOSE WHO ARE RESIDENT 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.

A further worry now for those who have retired to EU countries will be the outcome of Brexit negotiations. We urge the Labour Party to ensure that these pensioners continue to receive a fair uprating of their state pension.

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. The PSPC welcomes the establishment of an All Party Parliamentary Group on this issue and will continue to seek a change to the current inequitable policy.

**FURTHER INFORMATION**

The Public Service Pensioners Alliance would be happy to help with further information if required. Please contact Lisa Ray, General Secretary on lisa.ray@cspa.co.uk or telephone 020 8688 8418