PSPC
For all public service pensioners

Public Service Pensioners' Council

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, which the Council and its constituent organisations will be pursuing with the major political parties both before and after the General Election 2015.

For more information about the PSPC and its work, go to www.publicservicepensioners.org.uk

State pensions

The Council believes that the level of the basic state pension should be increased for all pensioners to a level where pensioners with no other income can enjoy a retirement with security, dignity, and freedom from poverty.

It is unacceptable that retired people face not just a drop in their standard of living but real hardship in their retirement. Long term growth in standards of living and the nation's economy owe as much to the efforts of those now retired or about to retire as to the efforts of those working. It is right that retired workers should enjoy a fair share of those improvements.

Single-tier Pension

The Council does not oppose the concept of a single-tier pension. The major issue for pensioners with regard to the single-tier pension proposed under the 2014 Pensions Act is that those who are already retired or reach state pension age before its introduction would remain on the current system rather than receive the single-tier pension.

Whether existing pensioners' exclusion from the proposed single-tier pension affects individuals adversely or not will depend on their pensions income under the current system. The proposed exclusion from single-tier will mean, however, that there will be a long tail of pensioners potentially subject to means-testing well into the middle of this century. Currently, around one-third of eligible pensioners do not claim means-tested Pension Credit, leaving them poorer as a consequence. Furthermore, if the proposals proceed as planned so that existing pensioners remain on the existing system, it will be almost impossible to secure future improvements for this group. The Council believes that the proposed single-tier pension should not go ahead in its current form.

The Council asks that all political parties make a commitment to:

- an early review of the possible inclusion of existing pensioners in the single-tier pension on a no detriment basis

- a 15-year transitional period for derived rights accrued under the current system

- the level of the single-tier pension to be considerably higher than the means-tested guarantee credit level

- increase all state pensions (including S2P/SERPS) in line with the triple lock or prices, earnings or 2.5 per cent

- maintenance of passported benefits for those with single-tier pension and no other income

We believe that the basic state pension (and single-tier pension) should rise as quickly as possible to at least the official poverty level, currently £178 a week.

As a short-term measure we believe that the basic state pension should rise for all pensioners to above the means-tested guarantee credit level. This would enable people to get full value for savings made, rather than lose part of their savings through the loss of means-tested benefits.

Income tax allowances

The PSPC continues to oppose the current Government's decision in the 2012 Budget to phase out age-related personal allowances and in the meantime restrict them to those who turned 65 on or before 5 April 2013.

It is important to understand why the age allowance was introduced. It is not an unjustified 'freebie' for pensioners. The age allowances rightly and explicitly recognise the inability of older people to undertake household repairs, maintenance and other jobs in their households which, when they were younger and stronger, they and their partners would have been able to undertake themselves. The additional costs that the allowances address are primarily labour costs which are likely to increase in line with earnings over the long term.

Age-related personal allowances were introduced in 1925 by Winston Churchill. It is a pity that the current Government has sought to phase them out now. The Government maintains that its motivation is the desire to simplify the tax system and reduce the number of pensioners in self-assessment. The PSPC believes the real reason is the desire to save money – approximately £1.25bn a year by 2016-17.

We call for the principle of age-related allowances to be maintained and the differential between these allowances and the under-65s personal allowance to be re-set at 20 per cent. This is approximately the difference that applied in 2011-2012, before the Chancellor announced the phasing out of age-related allowances.

The Council also believes that the income limit applicable to the age allowance should be abolished, albeit in stages if necessary. While the income limit remains, the effective tax rate at the margin is 30 pence in the pound, 50 per cent above the standard rate of 20 pence in the pound.

If the income limit is not abolished, the PSPC believes that the income limit should be increased and indexed to earnings. A pensions income of £27,000 (including state pensions) is not uncommon and could be obtained by police officers, middle grades in the civil service and teachers. It therefore seems to us deeply unfair that the value of these tax allowances begin to be tapered back at this level.

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.

Older pensioners face additional costs compared to younger pensioners in relation to matters such as home repairs and maintenance, and personal services and these costs are simply not reflected in the 25 pence a week supplement.

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.

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 to be with their families, 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.

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

Public service pensions

Although the Council'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.

Public service pensions have been subject to gross attacks from the media, both before and after the Government's planned changes to pensions stemming from the Hutton Commission.

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.

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 the past four 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 current Government has changed the indexation arrangements governing the uprating of public service pensions. These arrangements are covered under the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975. Since their inception, this had provided increases linked to the Retail Prices Index (RPI).

The Government decided in 2010 to change the linkage to the Consumer Prices Index (CPI). The Government has argued that CPI is a more accurate measure of inflation. While statisticians continue to argue over the nature of inflation and the merits of different indices, ultimately the decision to switch from RPI to CPI was due to economics, not statistics. RPI has been, on average, 0.7 per cent a year higher than CPI since the latter's inception in 1989. This will save the Government over £15,000 over a 25-year retirement in pension payments to for someone with an initial £5,000 pension.

Many pensioner and other organisations were involved in a Judicial Review of the Government's decision which concluded that the Government had acted lawfully. Nevertheless, it has severely damaged the confidence that pensioners have in their pensions. Like it or not, pensioners were led to believe in generations of pension scheme literature that they were accumulating a pension linked to RPI in retirement. The suspicion is now that the Government can amend indexation whenever it likes to whatever it likes. This does not inspire confidence.

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 Council urges a return to the RPI indexation that pensioners were promised.

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.

The Council understands the logic of 'no retrospection' in certain circumstances but does not accept that it should apply here. Pensioners affected by these provisions have described the situation as stressful, upsetting and soul destroying. 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.

We believe that it is entirely unfair and inequitable to restrict the lives of those who simply wish to live a comfortable and companionable life in retirement but are prevented from doing so by an arbitrary date. We would hope that the Government will leave the 19th century and join the 21st century by abolishing this rule.

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.

Universal Pensioner Benefits

Older people currently have free access to some vital services, such as free prescriptions, eye tests and concessionary travel. Free television licences are available for the over-75s and the winter fuel payment is available to all households with a person of suitable age present.

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.

These benefits have developed in a piecemeal fashion. 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 five years. Before that it was linked to prices for 30 years.

The 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. Free TV Licences for older pensioners is perhaps a reflection of the sad fact that many older pensioners do suffer from loneliness and the television is perhaps the only voice that many will hear in a day.

The Council believes that universal pensioner benefits should be kept universal. Services for the poor tend to become poor services. We believe that 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.

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, which is set to increase to 65 by April 2018. 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.

Conclusion

The Public Service Pensioners’ Council believes that pensioners have borne the pain of austerity 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.

Public Service Pensioners’ Council
May 2014