



Public Service Pensioners' Council

Manifesto for Public Service Pensioners 2010

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 2010.

State pensions

The Council believes that the level of the basic state pension should be increased to a level where pensioners with no other income can enjoy a retirement free from the scourge of poverty. This cannot be based on a basic state pension of £97.65 a week from April 2010.

The Council believes that it is totally unacceptable that people face not just a drop in their standard of living but real hardship in their retirement. As a short-term measure we believe that the basic state pension should rise from £97.65 a week to the means-tested guarantee credit level of £132.60 a week. 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.

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. It is imperative that the gap between the basic state pension, which is currently indexed in line with prices, and the pension credit, which is indexed in line with average earnings, should not grow wider.

The Council, therefore, reiterates its belief that the link between the State pension and the better of prices and earnings must be restored if pensioners are truly to share in the increased wealth of the nation. All three main political parties have agreed to index the basic state pensions to earnings at some point during the next Parliament. This is not good enough. It is imperative that a pledge is made to index all state pensions to the better of prices or earnings immediately.

In the longer term, we believe that the basic state pension should rise to at least the official poverty level, currently £165 a week. We recognise that to do this immediately could lead to unfortunate interactions with means-tested benefits. We believe that an incremental approach could smooth out means-testing issues en route and lead to the basic state pension being at least equal to the poverty level by 2020.

Over-80s allowance

The age addition was introduced at 25 pence a week by the Heath Government 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 concerning repairs, and personal services compared to younger pensioners, and these costs are simply not reflected in the 25 pence a week supplement.

Christmas bonus

The 'Christmas Bonus' was introduced at £10 by the Heath Government in 1971, and has remained unchanged ever since.

The Council therefore applauded the government's decision to bring forward the April 2009 increase in the basic state pension to create a 'Christmas Bonus' to pensioners of around £70 in that year.

The Council believes that this excellent precedent should be permanently enshrined through a Christmas Bonus of £100 paid each year to all those in receipt of the basic state pension or pension credit.

State pension increases for pensions paid abroad

State pensions are increased only in countries covered by a reciprocal agreement with the United Kingdom.

Those living in Commonwealth countries are particularly affected because the Government will not enter into reciprocal agreements with those countries. Many pensioners have families in Australia, New Zealand and South Africa. If they choose to retire to those countries to be with their families they receive no increases in their state pensions.

The effect of this is that after a number of years many retired workers find themselves suffering from severe financial hardship due to their fixed incomes.

UK state pensions are based on a contributory system through National Insurance. UK state pensioners should receive the same increases regardless of where they live in retirement. The PSPC will continue to seek a change to the current inequitable policy.

Income tax allowances

The age allowances have been frozen for the coming year. The allowance for people aged 65 to 74 therefore remains at £9,490, and the allowance for the 75+ age group stays at £9,640. The ceiling at which the age allowance begins to be clawed back stays at £22,900.

The age allowances rightly and explicitly recognise the inability of older people to undertake household repairs, maintenance and other jobs in their households which they would have been able to undertake when they were younger and stronger or in many cases would have been done by their now deceased husband or partner. The additional costs that they now incur are primarily labour costs which, of course, increase very much in line with earnings and not prices.

The Council 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 to be abolished, the PSpC believes that the income limit should be increased, and indexed to earnings. An income of £22,900 (including state pensions) is not high and could be obtained by police officers, middle grades in the civil service and teachers. An income of £22,900 is below the national average wage, and therefore it seems to us deeply unfair that the value of these tax allowances begin to be tapered back at this level.

Public service pensions

Public service pensions have come under increasing attack in recent months from politicians and the media, with some commentators arguing that the pensions arrangements of public service workers are in some way unfair and unsustainable.

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.

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 has led members to question whether their accrued rights are safe. This should not be an issue as accrued pension have been built up under statute. But the unremitting negativity around public service pensions has led members to question whether politicians would renege on their obligations. We urge all parties to give reassurance on this point, as they are collectively responsible for having stoked this fear amongst public service pensioners.

Protection of indexation arrangements

The indexation arrangements for public service pensions are covered under the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975, which provide for increases linked to the retail prices index.

It is right that public service pensions have full inflation-proofing to avoid pensioners' living standards being cut in retirement. The Council would oppose any attempt to change the indexation arrangements for public service pensions. We urge all political parties to re-affirm their commitment to maintaining index-linking.

Widows' pensions for life

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 PSPC believes that not paying widows' (and widowers) pensions for life effectively treats widows as the property of their former husbands. The provision is demeaning and encourages dishonesty for little gain to the schemes concerned. It should be abolished.

Free access to services

Those aged 60 and over currently have free access to some services, such as free prescriptions and concessionary travel. The Government has announced that the age at which these benefits can be claimed will rise in line with the female state pension age, which is set to increase from 60 to 65 over the next decade. This decision should be reversed - free access should remain at 60.

Conclusion

The Public Service Pensioners' Council believes that the interests of pensioners have been given insufficient attention over recent years. They 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.

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