

Public Service Pensioners' Council

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Rt Hon Alastair Darling MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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7th October 2009

Dear Mr Darling

The Public Service Pensioners' Council represents all the main public service pensioners' organisations. It was established more than forty years ago with the aim of protecting the interests of retired public servants. The Council has close links with a wide variety of other organisations and maintains regular contact with the government and main political parties on issues of concern to public service pensioners. This letter sets out the Council's main concerns for the forthcoming Pre-Budget Report.

ROLE OF THE BASIC STATE PENSION

Like many organisations, we believe that the level of the basic pension should be increased to a level where pensioners with no other income can enjoy a retirement free from the scourge of poverty. Beveridge said the role of the state was to establish a national minimum – this cannot be based on a basic state pension of £95.25 a week.

As a short-term measure we believe that the basic state pension should rise to the level of the means-tested guarantee credit, in order to reach a position where individuals get the full value for savings made, rather than effectively losing part of their savings through the loss of means-tested benefits.

In the longer term, we believe that the basic state pension should rise to at least the official poverty level of £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.

STATE PENSION INDEXATION

Whether or not the government agrees with our goals for the basic state pension, it strikes us as 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. This recession has led to a 5 per cent drop in national output. In the recovery that follows, money paid in state pensions is likely to be spent and circulated around the rest of the economy, contributing to the government's wider policy objectives.

General Secretary: ANDREW MORRIS

ASSOCIATIONS REPRESENTED: Association of HM Inspectors of Schools OFSTED Section Committee • Association of HM Inspectors of Schools (Scotland) • Association of Local Authority Chief Executives • Association of Teachers and Lecturers • Association of School and College Leaders • British Broadcasting Corporation Pensioners Association • Civil Service Pensioners' Alliance • Civil Service Pensioners' Alliance (Scotland) • Educational Institute of Scotland • Forces Pension Society • Foreign and Commonwealth Association • National Association of Head Teachers • National Association of Retired Firefighters • National Association of Retired Police Officers • National Association of Schoolmasters Union of Women Teachers • National Union of Teachers • Overseas Service Pensioners' Association • Prospect • Public and Commercial Services Union • Retired Police Officers' Association (Scotland) • Retired Prison Governors Association • Retired Teachers' Association (Northern Ireland) • Scottish Retired Teachers' Association • UNISON • University and College Union

We therefore believe that the basic state pension should be indexed to earnings as soon as possible. Our understanding of government policy is that the intention is to restore the earnings link from 2012, or the end of the next Parliament in line with the formulation given in the 2007 Pensions Act. We urge you to give a firm, unequivocal commitment at the Pre-Budget report to restore the earnings link from 2012 at the latest.

AGE ADDITION

We also ask for a substantial increase in the age addition given to the over-80s. The age addition was introduced at 25 pence a week by the Heath Government in 1971 and has remained fixed ever since. Frankly, the age addition is derisory at the current level. The over-80s face additional costs when compared to younger pensioners, and these are simply not reflected in the 25 pence per week supplement.

CHRISTMAS BONUS

The PSPC notes with thanks the government's decision last year to bring forward the April 2009 increase in the basic state pension to create a 'Christmas Bonus' to pensioners of around £70.

We believe that the government should enshrine this excellent precedent in future by paying a Christmas Bonus of £100 to all those in receipt of the basic state pension or pension credit. The former Christmas Bonus of £10 has remained unchanged since 1971 and is almost irrelevant at that level.

AGE ALLOWANCE CEILING

The PSPC notes with thanks the government's achievements in raising the level of the age-related personal allowance over recent years, to £9,490 for the 65-74 age group and £9,640 for those aged 75+ in 2009-2010.

These additional allowances will however be tapered back for those with incomes of £22,900 or more, a ceiling that has not increased at anything like the same rate as the allowances.

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 PSPC believes that the age allowance ceiling is too low and should be increased, and indexed to earnings. An income of £22,900 (including state pensions) is not high and could be obtained by higher executive 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 unfair that the value of these tax allowances begin to be tapered back at this level.

The current difficult economic circumstances clearly strengthen the case for the changes set out above that we seek. We therefore urge the Government to institute these changes.

Yours sincerely



ANDREW MORRIS
General Secretary