

Public Service Pensioners' Council

Response to the Intergenerational Fairness Committee

Select Committee on Intergenerational Fairness and Provision

General

1. Founded over 50 years ago, the Public Service Pensioners Council (PSPC) brings together the various organisations for retired public servants and retired members' sections of public sector unions. We campaign alongside other pensioners' organisations, to protect the interests of current and future pensioners, and the value of state and public service pensions.

2. We are aware that society and the welfare state is underpinned by an implicit social contract between the generations. However we believe that changes in the distribution of wealth, demographic trends, short-term planning and the policies of governments has placed this contract under pressure.

3. PSPC is chiefly concerned with Public Service and State Pensions as well as Universal Pensioner Benefits. We have therefore composed our response around these specific areas.

4. The Council is glad to have the opportunity to submit our policy views to the Committee on these issues.

5. 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. We resent the media and some politicians blaming the older generation for problems with pension schemes, especially the myth of "unaffordable Gold Plated" Public Sector Pensions, (the median civil service pension is around £8,000 for men and £4,000 for women per annum)

https://civilservant.org.uk/library/2011_hutton_pensions_report.pdf

General Secretary: Lisa Ray

6. Today's pensioners have contributed to our occupational and state pensions over time – either through National Insurance contributions and/ or employee contributions and it is only right that they receive their proper entitlement.

7. The media would do younger generations a better service by replacing this unfair and inaccurate story with a serious focus and push back against the “race to the bottom” that is occurring in occupational pensions e.g.: closure of Defined Benefit Schemes.

8. Today's workers are also “pensioners in waiting”. We are seriously concerned about the drop in quality of retirement provision. Younger people entering the workplace now are being denied access to defined benefit pension schemes and losing out on the means to secure themselves a sustainable and adequate income in older age, this short-sighted approach merely stores up problems for later on. Employers need to be encouraged to ensure that they care for their workers throughout their career and that any remuneration package includes a sustainable and fair way of building up retirement income.

9. We see automatic enrolment as a good step to encourage saving. However, we are concerned that the current percentages being saved in to workplace pensions are unlikely to be enough. We would encourage an increase in the minimum employer contributions for schemes under automatic enrolment, which will help to encourage a retirement savings culture in the UK, with greater involvement of NEST and more consolidation of schemes

State Pension

10. 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. Not all pensioners live the wealthy life often depicted by the media- approximately 1.6 million pensioners live in poverty, with a further 1.1 million just above the poverty line.

https://www.ageuk.org.uk/Documents/EN-GB/Campaigns/end-pensioner-poverty/how_we_can_end_pensioner_poverty_campaign_report.pdf?dtrk=true

11. 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.

12. The Single Tier Pension was introduced in April 2016. The decision taken in the 2014 Pensions Act, meant 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. This means that there are now two state pensions in operation and PSPC is campaigning for the transfer of all existing pensioners onto the single tier pension scheme on a no detriment basis.

13. The new single tier pension requires each individual to contribute to it for 35 years to qualify for maximum level and women are no longer able to rely on the contributions of their husband. This requirement means that the level of the single-tier pension needs to be considerably higher than the means-tested guarantee credit level. Furthermore, a consequence of the Coalition Government's decision to means-test child benefit has meant that some people (mainly women) have not registered for the benefit, meaning that they are not receiving National Insurance credits towards their future State Pension.

14. One of the disadvantages of the legacy state pension is that only the basic state pension element is triple locked, whereas the whole of the Single Tier State Pension is updated by at least 2.5%. This means that those on the old state pension system are worse off by around £60 a year and this divergence increases year on year. The PSPC is therefore also campaigning for all state pensions (including S2P/SERPS) to increase in line with the triple lock of prices, earnings or 2.5 per cent.

15. PSPC are also concerned that any attempt to decrease the value of the state pension by abandoning the triple lock and limiting future pension increases will not only have a detrimental effect on those already in receipt of their pension, but on those younger generations whose pensions will by cumulative effect be totally inadequate when they reach pension age.

State Pension Age

16. In July 2017, the Government announced that it would accept the recommendations of the Cridland Review of State Pension age (SPa), which recommended that SPa should rise to 68 years between 2037 and 2039, seven years earlier than is contained in current legislation.

17. Improving life expectancy and the increasing costs of the State Pension are cited as the principal reasons for bringing forward the SPa of 68. However, data from the Office of National Statistics in 2016 showed that increases in life expectancy are slowing markedly and that further more recent information confirms that trend. PSPC is against proposals to bring forward the date on which the SPa is currently legislated to rise to 68.

State Pension Age equalisation

18. The PSPC supports the need for a measure to ensure fair treatment for all those women and men affected by the Pensions Act 2011 which increased their state pension age rapidly, with little notice or time to make alternative financial arrangements. This chiefly affects those women born between April 1951 and April 1953. This age group has seen their state pension age increase by 6 years in some cases with little opportunity to make alternative arrangements for income in retirement.

Public service pensions

19. 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.

20. 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.

21. The Hutton Commission and NAO report evaluating the government balance sheet

<https://www.nao.org.uk/wp-content/uploads/2016/06/Evaluating-the-government-balance-sheet-pensions-Summary.pdf>

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 for both current and future pensioners.

Universal Pensioner Benefits (UPB)

22. The PSPC is concerned by the regular call for UPBs to be means tested or abolished. The whole reason that UPBs exist is because the level of the state pension is so low. Recent figures show that the UK state pension is one of the lowest, with average British worker only receiving 29% in pension and state benefits of what they previously earned (only Mexico is lower) – the average is 63% (according to OECD)

<http://www.oecd.org/unitedkingdom/PAG2017-GBR.pdf>

23. Means testing benefits means that costs of administering each claim is increased and it also means that many of the most impoverished in society miss out, as evidenced by the number of people who are entitled to, but do not claim Pension Credit.

24. The Public Service Pensioners' Council believes that pensioners have borne the pain of austerity along with current workers. Far from the rich retirees reported by the media to stoke up jealousy and tension between generations, we are truly "all in it together" with many retired people supporting their younger family financially, to help them with rent and mortgage or day to day living costs, and through providing free care, saving the State £ billions. 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.

25. Punishing today's pensioners by taking away their current pension protections and Universal Pensioner Benefits would not result in improved intergenerational fairness. It would have a negative impact on other services like the NHS and mean much work undertaken voluntarily by retirees would fall to the state. Rather, we would like to see a concerted effort in Government to ensure that future pensioners are

supported in every possible way to plan their retirement. Employers both in the private and public sector have a major role to play and a duty to ensure that past and future employees can enjoy a satisfying later life through decent pensions.

26. The PSPC would be happy to assist the Committee further. Please contact the General Secretary Lisa Ray on 020 8688 8418 or by email pspc@cspa.co.uk

Submitted on behalf of the Public Service Pensioners' Council 4th September 2018

