



Response to

'A state pension for the 21st century'

June 2011

1 Introduction

Age Sector Platform (ASP) welcomes the opportunity to respond to the Department for Work and Pensions consultation 'A state pension for the 21st Century'.

Age Sector Platform, which was established in 2008, is a charity which supports older people to have their say on the issues that matter most to their lives. The organisation, which emerged from the Age Sector Reference Group (ASRG) has a membership base of 30 older people's organisations and networks which represent approximately 200,000 older people across Northern Ireland.

Age Sector Platform has long campaigned for greater financial support for older people to ensure they experience a decent quality of life in their later years. ASP's ongoing 'Can't Heat or Eat' campaign calls on Government to help older people cope with the high cost of living. These demands include increasing the basic state pension, linking the winter fuel payment with energy prices, automatic payment of pension credit to those entitled to it and the introduction of social tariffs in Northern Ireland to protect older people from significant energy price hikes.

ASP believes that the most effective way to tackle pensioner poverty is by making a significant increase to the Basic State Pension. Therefore, we welcome attempts to bring about serious reform to make the pension 'fit for purpose' for the twenty-first century.

Since the beginning of 2011, ASP has organised the first NI Pensioners Parliament, which has involved the largest engagement process ever with older people across NI on the issues that matter most to them. At the end of 1,200 surveys, seven local parliaments and a two day Northern Ireland Parliament on the 8th and 9th June, the parliament passed a number of motions in relation to pensions and income for older people.

The two top issues identified in the survey were 'keeping warm in winter/energy prices' and 'not enough money' (see appendix A). Over three quarters (75.4%) of those surveyed stated they didn't have enough money to heat their homes properly during the winter months. This highlights the urgent need for reform to the pensions system and we welcome the opportunity to contribute the views of our members in this consultation process.

At the NI Pensioners Parliament a number of issues relevant to this consultation were discussed in detail and a number of motions were passed by the delegates. The results of a number of these motions are included in our response to illustrate the strength of feeling among Northern Ireland pensioners on key issues in this consultation.

2 Pensions Reform

Age Sector Platform (ASP) supports the major review currently underway of the UK pension system as we believe that the current Basic State Pension is inadequate and responsible for plunging hundreds of thousands of pensioners across the UK into poverty.

Existing Pensioners

However, ASP believes that the proposals contained in this consultation document are fundamentally flawed in that they are only intended to improve the system for future pensioners and do nothing to help current pensioners.

ASP believes that any change to the pension system needs to be a change for current pensioners as well as future pensioners. We disagree strongly with the proposal to introduce a system that favours one group of pensioners over another, and believe that this approach is inconsistent with the Government's 'Fairness principle' as outlined in the introduction to this document.

The following motion was presented to the NI Pensioners Parliament on the 9 June 2011.

PB5 NIPP calls for any new pensions proposals by the UK Government to be universal proposals that apply to all pensioners, not just future pensioners.

97% voted in favour of this motion.

This clearly shows that pensioners in Northern Ireland are in strong opposition to the Government's plans to ignore the serious financial problems that existing pensioners are experiencing.

3 Pensioner Poverty

Pensioner poverty is a major problem for existing pensioners and this consultation does not appear to acknowledge this. The decision to re-establish the link between pensions and earnings last year was a welcome one but it did not address the consequence of the thirty year gap from when this link was broken and when it was re-established.

The result of the 30 year gap, when pensions were linked to inflation, has seen a generation of pensioners plunged into poverty as they fell further behind the rest of society in financial terms. The re-establishment of the link with earnings and the triple lock guarantee will not address this and therefore these pensioners cannot be dismissed in the Government's plans for pension reform.

Age Sector Platform (ASP) believes that the basic state pension needs to be increased to a level that takes older people out of poverty and enables them to have a decent quality of life. The official UK poverty line (60% of Median Income) is currently in the region of £170 per week and according to the Households Below Average Income (HBAI) report¹ produced by the Department for Work and Pensions, 18 per cent of pensioners (2.1 million) were living below the poverty line in the UK in 2009/10.

ASP believes that if the Government is serious about ending pensioner poverty then any new proposals must consider how pensioners will be provided with enough financial support to keep them above the poverty line.

¹ Households Below Average Income (HBAI) Report, DWP, May 2011

The NI Pensioners Parliament presented the following motion urging Government to make tackling pensioner poverty a priority.

PB4 NIPP calls on the NI Assembly to make tackling pensioner poverty a key priority in their new Programme for Government.

95% voted in favour of this motion

ASP disagrees with the Government's decision to change the way pensions are uprated from the Retail Price Index (RPI) to the Consumer Price Index (CPI). We believe that the 'triple-lock' should be a 'quadruple lock guarantee' that includes RPI as well, as this would keep pensioners more in line with the full impact of inflation. Since CPI is usually well below RPI (see below table), the move to CPI will exacerbate pensioner poverty further in the longer term and therefore we believe that the Government needs to reverse this decision.

The comparison of RPI/CPI September figures since 2000 has been as follows.

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
RPI (%)	+3.3	+1.7	+1.7	+2.8	+3.1	+2.7%	+3.6	+3.9	+5.0	-1.4
CPI (%)	+1.0	+1.3	+1.0	+1.4	+1.1	+2.5	+2.4	+1.8	+5.2	+1.1

The following motion on the change from RPI to CPI was also passed at the recent NI Pensioners Parliament.

PB1 NIPP calls on the UK Government to abandon its plans to change the way pensions are uprated from RPI to CPI and supports the judicial review being launched by pensioner organisations on this matter.

87% voted in favour of this motion

4 Means Testing

Age Sector Platform (ASP) believes the current system of means testing pension credit has failed to ensure that many of the most vulnerable older people in society are provided with enough money to have a decent, safe and healthy later life.

ASP agrees with the Government's analysis that the current pensions and benefits system is too complicated and that steps need to be taken to simplify the system to ensure people get what they are entitled to. The reality is that means testing has not worked as many of the most vulnerable people in society have not received what they are entitled to due to the complexity of the system.

The introduction of a universal basic state pension that would lift all pensioners above the Government's official poverty line would not only be the most effective way of lifting pensioners out of poverty but it also has the potential to save government financially. A decent pension would lead to undoubted health benefits for the older population which in turn could ease some of the pressure on the health service and enable older people to contribute more to society for longer. There would also be significant savings through the reduction of bureaucracy and the administration costs associated with processing a hugely complicated benefits system.

However, there would still need to be a system in place within a streamlined benefits system to protect the ten per cent of people (as estimated in the consultation document on page 31) who would not qualify for the pension. ASP is pleased that the Government has recognised that a 'safety net' benefit must be in place but we would require further information on the options before commenting on this proposal in more detail.

5 Saving for Retirement

ASP agrees that people should be encouraged to save for their retirement if they can and the pensions system must support and incentivise saving. It is only fair that people who are responsible and plan for retirement during their working life are not penalised for this in any way. It is therefore important that the new system instills this confidence in citizens so they can play their part in helping to secure a more sustainable pensions system in the longer term.

One issue that we would seek further information on is the rationale for ending Savings Credit as this is not clear in the document. While the new pension would lift incomes above the level of Guarantee Credit, Savings Credit is a different benefit meant to reward those who have saved for retirement and therefore it would appear that retaining it could support the Government's objective to encourage saving for retirement.

People need to have trust in the new system and believe that saving during their lives will make them better off in retirement. The Government has an important role in ensuring, and communicating clearly to people, that making retirement provisions will not negatively impact on their state pension entitlement when they retire.

The following motion in relation to supporting pensioners with savings was passed at the recent NI Pensioners Parliament.

PB6 NIPP calls on the NI Assembly to take action to help those pensioners who find themselves just above benefit levels or whose modest savings leaves them missing out on any financial assistance.

94% voted in favour of this motion

6 Single or 2-Tier Approach

Age Sector Platform (ASP) favours a single-tier approach but one that includes all pensioners, not just future pensioners. ASP agrees that the current state pension system needs to be reformed and agrees with many of the problems highlighted in the consultation. We agree that the complexity of the system is a major barrier to ensuring the most vulnerable in society receive the support they are entitled to and that the uncertainty of the system and the apparent 'penalties' for saving during your life puts people off planning for retirement.

ASP agrees that the existing system discriminates against certain groups such as women and people in low paid employment. A new, higher flat-rate pension is a fairer system as it provides better pension provision for those that have been unable to build up a second pension due to reasons such as caring or low earnings.

ASP accepts that there will be 'winners and losers' as a result of the proposals. ASP believes that it is right that there is a universal State Pension. We acknowledge that higher earners and those who contribute for more than 30 years will get less from the system although we believe that people in this category can still benefit from a clearer pensions system and one that provides them with ample opportunity to build up a private pension provision and not be penalised for doing so later in life. The introduction of automatic enrolment and the employer contribution we believe can also benefit this group.

We do not disagree with the proposal that those with less than seven years of contributions will receive nothing but would like further information on the rationale for setting this level as this is unclear in the document.

It is difficult however to assess the full impact of the proposals without more detailed analysis and would expect the DWP to publish more information in advance of any White Paper in order to better inform the debate.

7 'Cost Neutral' Approach

Age Sector Platform does not accept that for a system to be sustainable and affordable it necessarily has to be cost neutral within current spending on State Pensions. As already stated, it is clear that if the proposals to simplify the system were introduced that there would be savings made by cutting the amount of means testing and streamlining administrative systems. However, the document makes little reference to whether these savings have been factored into the 'cost neutral' equation.

However, providing a decent state pension for all has to be the driver in this debate, and for this to happen it needs to be properly funded. The level of spending on State Pensions in the UK is low compared to that in many other developed countries. The reality is that the current generation of pensioners has fallen behind the rest of society since the link with earnings was broken thirty years ago. In 1978, the basic state pension was 23.4% of average earnings but following the break with earnings this had fallen to only 14.7% by 2003. Therefore, it is incumbent on the Government to tackle the legacy of this decision and put higher priority on tackling pensioner poverty, which will inevitably involve increasing its investment in its older population.

8 Review of Pension Age

ASP believes that future decisions on the State Pension age should only be made after considering a range of factors, not just life expectancy. A holistic approach to this issue is required as poor decisions in setting the age could lead to unseen, and negative, consequences that could damage the sustainability of a new system.

ASP favours regular reviews carried out by an independent body and sees merit in considering a permanent pensions advisory commission as proposed by the Pensions Commission. This commission could provide a report on a

regular basis setting out current trends and options which will be important as there would be a need for ongoing monitoring of the impact of a higher pension age.

Whilst any final decisions will be taken by Parliament on this matter, there will be a much higher chance of long term policy success if these decisions are based on agreed evidence and independent analysis.

The wider impact of asking people to work longer must also be closely monitored. What will the health implications be for people who are required to work longer and will there be increased levels of sickness and sick pay in later life as a result of these changes? What impact will this have on older people volunteering or on the support provided to the economy by older people providing childcare provision? These are just some of the issues that will need to be researched and monitored closely in the coming years, and the results will have to be considered in advance of future changes to pension age to ensure we have a better and sustainable system for both pensioners and wider society alike.

**Appendix A – Results of Northern Ireland Pensioners Parliament Survey
2011**

Top Concerns as listed by respondents

Issue	Count	Percent (%)
Keeping warm in winter/Energy prices	912	75.4%
Not enough money	794	65.7%
Fear of crime	772	63.9%
Food prices	617	51%
Loneliness/Boredom	415	34.3%
Information on benefits/entitlements	398	32.9%
Access to health and social care	370	30.6%
Lack of respect	331	27.4%
Transport	325	26.9%
Age discrimination	242	20%
Isolation	187	15.5%
New technology	153	12.7%
Suitable housing	123	10.2%
Elder abuse	109	9%
Access to education/training	49	4.1%
Employment issues	20	1.7%
Other	13	1.1%
Total	1,209	

Age Sector Platform Members

Age NI

ALLY Foyle

Amicus Retired Members

AT&GWU Retired Members Association

Carers NI

Castlereagh Lifestyle Forum

Chinese Welfare Association

Civil Service Pensioners' Alliance (CSPA)

Communications Workers Union (NI Regional Retired Members)

East Belfast Seniors Forum

Engage with Age

Friendship Federation

GMB Retired Members

Greater Shankill Senior Citizens' Forum

Indian Community Centre 50+ Club

NASUWT Retired Members Association

National Federation of Occupational Pensioners

Newry and Mourne Senior Citizens' Consortium

Newtownabbey Senior Citizens' Forum

NIC ICTU Retired Workers Committee

North Belfast Senior Citizens Forum

Northern Ireland Pensioners Convention

Northern Ireland Public Service Alliance (NIPSA) Retired Members
Association

Older Women's Network

Pensioners Actively Lobbying Services (PALS)

Public Commercial Services Union (Associate and Retired Members)

Sperrin Lakeland Senior Citizens' Consortium

UNISON Retired Members

University of the Third Age (NI)

West Belfast 50+ Forum

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