
Press Release

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LEGISLATION TRAPS PENSIONERS AND COSTS TAXPAYERS

Over half a million British pensioners will once again miss out on any cost-of-living increase in their state pension next April, due to an annual Parliamentary procedure that this year begins with the tabling of the draft Uprating Order in the House of Commons on December 7. The procedure will also trap numerous pensioners in the UK by inflicting financial penalties were they to leave, and in the act, imposes substantial avoidable costs upon British taxpayers.

The Uprating Order is the instrument that annually sets the universal increase in the basic state pension for the coming fiscal year. But just before payment is due to be disbursed in the Spring, a regulation will quietly revoke the increase for some recipients—those who move to any one of 149 selected countries—while keeping it intact for pensioners still resident in the UK or in some 35 other countries abroad.

This denies Britain's 10 million resident state pensioners the ability to freely choose where to live in retirement without fear of incurring financial hardship. (See Case Study 1, attached.) Many are forced to spend their old age alone in the UK, if their family is living in a country not included among those where annual upratings are applied. Of the Commonwealth's 53 nations, 48 are adversely affected.

The pension-freezing regulation passes insidiously every year because it is a negative instrument, one which carries automatically unless a contrary motion is presented and passed. In spite of the support of 130 MPs for universal pension uprating in 2006, the fact is that no 'negative instrument' has been successfully annulled since 1967.

Many of the 520,000 negatively impacted pensioners are frozen at less than £29 per week, in spite of the fact they worked in the UK and, like their peers everywhere, paid mandatory National Insurance premiums for many years. (See Case Studies 2, 3 & 4, attached.) Ninety-eight per cent now live in Commonwealth countries, including 240,000 in Australia, 150,000 in Canada, 38,000 in South Africa and 37,000 in New Zealand.

To bring an end to this situation, 13 "frozen" pensioners have filed a legal challenge against the UK Government in the European Court of Human Rights. The lawsuit is underwritten by a consortium of pensioner organizations based in Canada, Australia and South Africa and is backed by Britain's largest pensioner organisation, the National Pensioners' Convention.

“Legal action should not be necessary,” says Tony Bockman, spokesman for the consortium. “A stroke of a pen in the form of a simple modification to the offending regulation would instantly restore even-handedness and individual freedom to state pensioners at home and overseas – the very values that Prime Minister Blair is actively promoting these days.”

Former pensions minister Stephen Timms confirmed that universal pension increases could be achieved by changing UK domestic legislation, when speaking in the House on March 10, 1999. He was echoing the January 1997 report of the House of Commons Social Security Select Committee which concluded, “A simple change in British law could enable upratings to be paid in any or all overseas countries, provided the political will was there to do so.” In 1988, former Secretary of State for Social Security Nicholas Scott agreed that bilateral reciprocal agreements with other nations are not required in order for all beneficiaries living abroad to be awarded pensions at the same rate as those paid in the UK.

The £34 billion in pensioners’ money lying surplus in the National Insurance fund, identified by the Government Actuary’s Department in January 2006, far exceeds the £400 million required to uprate the pensions of all contributors, wherever they live. The GAD forecasts the fund surplus will top £60.5 billion by 2011, almost 80 per cent of the anticipated NI expenditure for that year.

“In freezing pensions, the Government may actually be fiscally irresponsible,” says Tony Bockman, pointing out that when seniors who wish to leave the UK are prevented by Government policy from doing so, heavy demands on the national exchequer are needlessly maintained. The one million pensioners who have already left Britain save taxpayers an estimated £1.9 billion every year in health and care and other age-related costs. “Others would leave if they could rely on uprated pensions, thus saving even more” says Bockman. Then there are the extra costs associated with seniors whose frozen pensions force them to return to the UK for financial assistance with medicines and caregiving.

“It would be a win-win situation,” says Mr Bockman. “Modifying the legislation to allow universal state pension upratings to proceed would end the discrimination and would do much to restore Britain’s tattered image as the home of fair play. Further, it would not be as unaffordable for the British taxpayer as they may have been led to believe.”

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[CASE STUDIES ATTACHED – 2 pages]

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1. THE S.B. FAMILY

- Mr & Mrs B have lived in the UK all their lives. Mr S.B. is due to start drawing his 100% state pension in 2008. His wife E also qualifies for a 100% state pension.
- Total pensions for the couple (including SERPs, etc.) are forecast at £300 per week.
- Their son and his family live in Canada in a Toronto suburb.
- S and E want to retire to Canada so as to be close to their family.
- The problem? They will see their pensions frozen at £300 if they settle in Canada.
- Life expectancy for someone who reaches age 65 is 89 years.
- Net result? Assuming pensions index at an average 3% per year, the Bs will lose almost £190,000 over that period, compared to what they would receive by staying alone in Britain or moving to a country that is uprated but also without family members.

2. MRS E. K.

- E.K. was born in the UK in 1913 and worked there for 45 years before retiring in 1976.
- In 1986, following the death of her second husband, she was left with no family in the UK and emigrated to Canada to be close to her three sons who had already emigrated.
- Mrs K qualified for a 100% pension of £6.75 per week, when she reached pensionable age in 1973. By the time she emigrated to Canada in 1986, it had increased to £38.70 and it remains at that amount today.
- Had her pension been uprated annually since 1986, Mrs K would be receiving £84.25 per week today.
- Since 1986, Mrs K has been denied more than £24,400 in pension she would have received if she had not exercised her legal right to live close to her family in her retirement. This figure keeps rising with every passing year.

3. THE G.D. FAMILY

- G.D. was born in the UK in 1921 and worked there for 44 years (including serving in the RAF from 1939 to 1948) until he retired at age 60 in 1981.
- He and his wife, who also served in the RAF during WWII, emigrated to Canada in 1981 to join their son and daughter who had emigrated earlier.
- On reaching the age of 65 in 1986, Mr D qualified for a 100% state pension of £38.30 per week, the same amount he still receives today.
- Considering his wife's pension as well, this couple has been denied almost £40,000 over the past 20 years – a figure that keeps rising with every passing year.

4. THE B.J. FAMILY

- B. J. was born in the UK in 1922 and worked there for 50 years, including service as an Air Gunner in the RAF during WWII.
- On retiring in 1986, he and his wife moved to Vancouver, British Columbia, Canada, where they still live. They had fallen in love with Vancouver some years earlier.
- On reaching 65 in 1987, B qualified for a 100% state pension of £39.50 per week, the same amount he still receives today.
- Had his pension been uprated annually since 1987, his weekly pension would now be £84.25.
- In the 19 years that have passed since 1987, B has lost more than £23,600 in denied upratings because he exercised his right to live wherever he chose in retirement.
- Considering his wife's pension as well, the couple has been denied almost £38,000 since 1987 – a figure that keeps rising with every passing year.

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