

# ***World Alliance of British Expatriate Pensioners***

Australia • Canada • New Zealand • South Africa • Zimbabwe

## **Reducing Pensioner Poverty**

A Submission to the

### **Social Security Committee**

of the

### **House of Commons of the United Kingdom**

on behalf of the

### ***World Alliance of British Expatriate Pensioners***

A coordinated group of organizations of British Expatriates which draws its expanding membership from present and future 'frozen' pensioners in five major Commonwealth countries and more than twenty-five other countries around the world where UK state pensions are also 'frozen'.

*Our single focus is on the ending of benefit discrimination.*

This submission is being made on behalf of all British expatriate pensioners suffering discrimination and has been authorized by:

AUSTRALIA: British Australia Pensioners Association

CANADA: Canadian Alliance of British Pensioners

NEW ZEALAND: British Pensioners Association (NZ) Inc.

SOUTH AFRICA/ZIMBABWE: South African Alliance of British Pensioners

(see Appendix I)

June 30, 2000

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## OVERVIEW

### “NEW INQUIRY - PENSIONER POVERTY”

*“The Social Security Committee is holding an inquiry into pensioner poverty. The purpose of the inquiry is to examine the causes, extent and severity of pensioner poverty, including the future of the basic state pension; the adequacy and take-up of existing social security benefits available to people of pensionable age; the option of pensioner tax credits and the position of those people with incomes marginally above the minimum income guarantee; and, if appropriate, to make recommendations for appropriate changes to the social security system.”*

Select Committee media notice, May 2000

The Committee has agreed to consider evidence from organizations speaking on behalf of 460,000 frozen expatriate pensioners. There can be no dispute, that this group:

- is the only group of UK state pensioners which has never received any uprating to their pensions--the **most poverty-stricken of all pensioners must be found within this group**
- receives no supplementary social benefits from the UK, and a large proportion of the poorest receive no, or very limited such benefits from any other government
- presents no financial liability to the UK Treasury (neither do they have any expectations) for any of the myriad of other social security/healthcare benefits available to UK residents.
- 

Many of these pensioners live in countries with no social security net to assist them in their most difficult final years. Examples of such countries are South Africa and Zimbabwe. Many others live in countries where social security benefits available may be quite limited because of shorter periods of residence and/or, in some cases, some degree of means testing. Canada<sup>1</sup> is just one example of countries within this group.

Although it does not have funds available to undertake comprehensive surveys of frozen pensioners, the World Alliance has started to accumulate a central registry of case histories of frozen pensioners experiencing the severest financial hardship. The specific financial impact of pension freezing on these individuals is clearly defined. The first few of these case histories are summarized as an attachment to this document. The data results from information offered by the individuals and, in most cases, subsequent interviews by volunteer researchers. For obvious reasons, our volunteer researchers did not pursue/interview any of the case histories amongst the 5,500 frozen pensioners living in Zimbabwe.

The World Alliance feels it is necessary to make the point that in the absence of valid research data to the contrary, it is reasonable to assume that the demographic and socio-economic levels are generally consistent between all UK state pensioners, regardless of their country of residence. However, within those general terms clearly the ever-decreasing, in real terms, UK state pension benefits received by the 54% of expatriate pensioners with frozen pensions, is a major contributor to moving more and more of that group into the ranks of the poverty stricken. Not only do they suffer at least the indignity of such treatment, but over the years, the pension income they have lost has played an increasingly important role in **leading them down the road to poverty**, to say nothing of the financial pressures brought to bear on relatives and friends as they attempt to make up for the shortfall initiated by Britain, by doing their best to help to **keep their elderly relatives away from poverty**.

<sup>1</sup> Social Security Select Committee; *Third Report: Uprating of State Retirement Pensions Payable to People Resident Abroad*. Published January 29, 1997; Page 29, Para 3. Explanatory letter from Canadian High Commission to Select Committee.

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## **1.0 RECOMMENDATION / EXECUTIVE SUMMARY**

The World Alliance of British Expatriate Pensioners (WABEP) recommends:

*that the Social Security Select Committee recommend to the Secretary of State that he remove country of residence as a factor determining the amount of state pension paid.*

### **1.1. RATIONALE**

This would:

- .1 **immediately ease clearly the most severe pensioner poverty which is found amongst the identifiable group**, (54% of the expatriate pensioners who have always had their pensions frozen) **receiving by far the lowest pension benefits; relieve the financial hardship so many more of these expatriate pensioners suffer** under the present discriminatory practice, particularly the majority of pensioners who are single women and widows, the more elderly and those residing in countries with little or no social security support
- .2 **fulfil the obligation of the UK Government to allocate equal benefits to all pensioners** whose required participation in a mandatory pension scheme involved equal contributions
- .3 **provide the same pension treatment the government ethically requires and legally demands from private sector employers**
- .4 **permit many current UK residents heavily reliant on state pensions the freedom to make their own choice to live abroad** near their children, if they so desire, without the fear of becoming a financial burden to them
- .5 **enable "frozen" pensioners to plan their declining years on a state pension on an equal basis to that of their colleagues** with whom they worked, fought and served alongside during their working life in, and service to, Britain
- .6 **temper the anger of expatriates**, particularly those who responded to prior long-term UK policies of encouraging settlement in Commonwealth countries, only to find themselves becoming, thereby, victims of UK Government discrimination. Why, for example, they ask are pensions **frozen in Canada but not in U.S.A., in Zimbabwe but not Bosnia-Herzegovina, in Trinidad and Grenada but not in Barbados or Jamaica!**
- .7 **help correct an image of modern Britain, particularly in Commonwealth countries, as ruthlessly opportunistic and callously indifferent**
- .8 enable the UK to defend its claim of the **best funded** contributory state pension scheme in Europe against well-founded allegations that it is the **least fair** since no other OECD country seeks to minimise expenditure by unfair discrimination
- .9 **incur a cost of less than three-quarters of one percent of the pensions budget.**

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## Sample Hardship Cases - Ages 81-97

## Frozen Pensioners in South Africa and Canada

Case #	Where	Age	Weekly Frozen Pension	Frozen since	% full	Cumulative Pension loss (est)	Comments
001	Bramalea, Canada	87*	£13.49	1978	69%	£21,815	Emigrated at age of 51. Some social security assistance
002	Capetown, S Africa	83*	£19.50	1979	84%	£22,734	No financial aid for Doc/Glasses/H Aid Medication; No family support; Nursing Sister WWII
003	Durban, S Africa	84/72**	£33.41	1981/87	50/47%	£16,355	No financial aid for severe medical problems; He was 4 years in Burma WWII + 2 more yrs in R. Artillery. Some family help.
004	Durban, S Africa	82***	£26.32	1986	67%	£7,645	No financial aid for severe medical problems; Reserved Occup. WWII and was torpedoed. Some family help.
005	Ganting, S Africa	90/86**	£12.39 ‡	1973/75	77%‡	£54,209 ‡	No financial or family aid for numerous medical problems. ‡ Since 1975/combined husband and wife
006	Hillbrow, S Africa	81*	£19.05	1973	56%	£8,963	No Family support
007	Johannesburg, S Africa	89/80**	£9.25	1984/85	16/9%	£3,462	No family or medical aid; Husband-Artillery/paratroops in WWII; Wife-worked in troop hospital WWII
008	Montréal, Canada	96*	£3.38	1963	100%	£53,759	Emigrated (after husband's death) in 1963 to live with her blind daughter - also on a frozen UK pension; some soc.sec. assistance
009	Natal, S Africa	83/81**	£17.75	1982(EST)	n/a	n/a	Wife has major health problems. No medical/family help; he works part time to support themselves; WWII-He in army and she in Wrens.
0010	Pointe Claire, Canada	97*	£4.16	1969	83%	£42,468	(Deceased '00) Received some social security and family assistance
0011	Johannesburg, S Africa	81*	£33.75	1983	99%	£15,879	Army and torpedoed at Dunkirk WWII; Wife (deceased 1999) worked in munitions WWII. Some family support
0012	Port Elizabeth, S Africa	88*	£13.62	1977	78%	£26,000	Wife(deceased 1996) was R Navy nurse WWII. He was in reserve occupation;No medical aid; Family with great difficulty helping to pay fees for Home for the Aged.
0013	Somerset W, S Africa	86*	£40.44	1986	n/a	n/a	Husband deceased 1970 served in WWI and reserve employment WWII;Serious health problems; No medical or family aid

Researched 1999/2000

\* Widow/Widower      \*\*Married  
\*\*\* Divorced/Separated



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## BACKGROUND

### FROZEN PENSIONS

#### 2.0 Definition

'Frozen Pensions' are those state retirement pensions paid to expatriate British pensioners, (98% of whom reside in Commonwealth countries), which are fixed for all time at the amount due when the beneficiary first qualified for a pension or became resident in a frozen country.

#### 3.0 History

An avalanche of social security legislation in the years immediately after World War II established the bare bones of the Welfare State. In time, pensions were conceded to emigrants, but for reasons now shrouded in mystery, annual uprating was denied. This patent inequity triggered no great protest initially; inflation was low, emigration a trickle. Only decades later with the mass emigration and soaring inflation, did expatriate pensioners begin to remonstrate at their unfair treatment, while host countries more politically powerful than former Dominions made increasingly known their objections to this singular UK policy. Ultimately the British Government acceded to the US and EU demands to abandon discrimination; it also accorded uprating in random fashion to some smaller countries, until almost half of all expatriates were indexed, but chose to ignore the mass pensioner populations in the Commonwealth, and in so many other countries whose governments lacked political leverage.

#### 4.0 Effects of Policy

The policy on pension uprating is morally indefensible, a key point of our previous submission to your Committee<sup>2</sup>. Surely morality and equity must always transcend political expediency.

The policy is the **cause** of much financial hardship, bitterness and anger, the **effect** of which is very real, affecting hundreds of thousands of pensioners, while continuing to damage and erode relationships between host countries and the UK.

These effects may be summarized as follows:

##### 4.1 on pensioners:

- at worst, in countries with no social security safety net, **abject poverty** especially among older pensioners
- at best, a standard of living well below that which the pensioner had reasonably expected

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<sup>2</sup> The House of Commons Select Committee on Social Security studied the issue, held Hearings in December 1996, and issued their Report in February, 1997. *Third Report; Uprating of State Retirement Pensions Payable to People Resident Abroad*. Published January 29, 1997;

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- with **women comprising<sup>3</sup> over 60% of frozen pensioners**, this discrimination further widens the income gap between women and men, a critical issue which the Secretary of State continues to ignore.
- for many United Kingdom residents, who would by choice wish to live close to their expatriate families in their final years, acute apprehension at the prospect of becoming a financial liability on those families as pension purchasing power erodes, thus **denying them the right of choice to move abroad**. In fact, thousands of pensioners who have made the move are being financially supported by their own families, who are all too often in no financial position to do so.
- in countries where there is no social security net (e.g. South Africa, Zimbabwe etc) or limited (often by residency period / means requirements - e.g. Canada, Caribbean countries etc), **frozen pensioners unfairly suffer financially** because of the failure of the United Kingdom to fulfill its responsibilities towards this group of its pensioners. Britain properly treats its pensioners resident in the UK or the 46% expatriate pensioners resident in non-frozen countries on an equal basis.

## **4.2 on the image of Britain abroad:**

As the only OECD country to invoke such a discriminatory policy<sup>4</sup>, the effect on its image is strongly adverse.

- Commonwealth countries resent the UK foisting onto their taxpayers the portion of the financial burden which is patently a UK responsibility
- the United States and peer countries in Europe, all of which accept pensions parity without discussion, regard Britain with incomprehension, derision, perhaps even contempt.

## **5.0 Expatriate Pensioner Profile**

Expatriate pensioners are frequently pictured as the well-to-do pursuing a halcyon existence in the world's sun-spots. While this might apply to many who have made their home in Florida, Spain or the French Riviera, where pensions are, of course, uprated, it is totally inappropriate for a mass of pensioners in Commonwealth countries. Many of these succumbed to the irresistible human need to spend their declining years with their families. Many of the others were encouraged by former UK Governments to move abroad. Thus they cover the whole spectrum just like their peers in the UK, some poor, others less so, but wealthy pensioners are rarely in evidence.

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<sup>3</sup> Projection based on DSS statistically valid sampling of 91% of 130,000 UK pensioners resident in Canada.  
Source: DSS 1997

<sup>4</sup> "The United Kingdom is the only one of 12 OECD countries in the Brunel University study which does not uprate pensions paid abroad". Source: Dr Helen Bolderson, Brunel University; 1996.

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One thing most have in common is belonging to the so-called "hero generation" who did their duty not just as workers, taxpayers, electors, savers, but also as members of the Armed Forces. In a ceremony commemorating the end of the Second World War, we welcomed the gracious message of Her Majesty the Queen on the Normandy Beach:

*"You deserve the nation's thanks. May we, your fellow countrymen, be worthy of what you did for us".*

"Frozen" pensioners resent particularly what may be regarded as the political conversion of this message, through the continuation by the previous Government of their policy of pension freezing, into a pious platitude about the debt the country owes those who served.

## **6.0 Government Excuses**

### **6.1 "Insupportable Cost"**

The World Alliance of British Expatriate Pensioners (WABEP) has never demanded the provision of additional funds. **Its claim is for PARITY** -- whatever total sum is made available for the payment of state pensions must be distributed strictly according to contributions, irrespective of pensioners' place of residence.

The Department of Social Security (DSS), choosing to regard the cost as additive, estimates the annual amount required for uprating "frozen" pensioners at **£300 million** although the high rate of attrition amongst those who qualified for pensions before the hyper-inflation years prior to 1982 (15% pa average) should mean that this amount will fall dramatically.

The Government estimate of cost is almost trivial compared with figures emerging for **social security fraud**

- the Secretary of State for Social Security proudly claimed to have exposed and eliminated fraud in the amount of £700 million annually
- your Committee conducted its own investigation into housing benefit fraud and concluded it was in the order of £2 billion annually
- the Public Accounts Select Committee set the annual fraud in Income Support at £1.4 billion

Quite clearly, vast sums are also being squandered through inadequate controls on programs within the Department of Social Security. Even better housekeeping would free up more than adequate funding to end discrimination!

With only 6% of GDP being spent on its state pension, the United Kingdom is at the lowest level within all the EU Member States<sup>5</sup>

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<sup>5</sup>

EU statistics

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Another very significant future **saving will be the £4 billion** from the Age Equalisation provision in the 1995 Pensions Act.

That same Pensions Act also legislated against **misappropriation** of private pensions funds, yet that is precisely what the previous administration did in 1991 with the accumulated balance in the **National Insurance Fund**<sup>6</sup>, demonstrating that today's pensioners had already paid, in excess contributions, enough to cover indexed pensions for all. But the Government improperly diverted the balance to other purposes, first by reducing future contributions by a massive £3 per week, then by applying a major part of the accumulated balance to launching a new participatory pension scheme. This was no doubt a commendable initiative, but not if it was then to deny a full pension to those whose contributions had helped create that balance, pleading lack of funds!

## **6.2 "Reciprocal Agreements"**

The absence of a reciprocal agreement with the "frozen" countries specifically authorising annual indexing is still advanced by the Government as justification for its discrimination. In fact, Ministers have conceded in the House that no such agreement is necessary. The regulations giving effect to the discrimination can be repealed by a simple procedure in the House.

Furthermore, your Select Committee in the 1997 Report concluded:

*'39. It would be clearly impractical to negotiate individual bilateral agreements with each of the other countries in the world where people draw British state retirement pensions, and in any case unnecessary; 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.'*

## **6.3 "Pension System is intended for UK Residents"**

No other developed country with a contributory pensions scheme adopts this stance; all of them fulfill their responsibilities to all of their beneficiaries by paying uprated pensions irrespective of in which country their pensioners may reside. In any case, Britain does pay fully uprated pensions to 390,000 (almost half) of its expatriate pensioners.

Britain pays all its pensions to MP's and public servants at the same rate,  
regardless of their country of residence!

## **6.4 "UK State Pension is a Pay-as-you-go Scheme"**

This effectively means that, unlike private sector pensions schemes which are required to be funded or attributed, a state pension fund can be, and often is operated on an unfunded basis. We respectfully submit that even if a pension plan is unfunded, the obligation to

<sup>6</sup>

<sup>6</sup>Summary Accounts of the National Insurance Fund 1975/76 to 1994/95. Source: UK Treasury

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provide benefit entitlement is unaffected. Benefit entitlement in state contributory schemes is based on actual contributions made and not on the method of funding.

## **6.5 “Emigrants should have been aware of the discrimination”**

Clearly a few pensioners were aware of the risk of frozen benefits if they moved to certain countries. But, in the limited cases where it did exist, that knowledge did nothing to make the policy fair. However, Ministers naturally choose not to believe assertions by most pensioners that they were unaware of a small print caveat in an obscure DSS publication. Contributors believed, and by all the evidence available to them were justified in believing, that parity applied to all pensions, as (Sir) Norman Fowler, the then Secretary of State for Social Services, had made abundantly clear in his 1983 Green Paper:

- in return for contributions, benefits would be given as of right
- all insured people, rich or poor, would pay the same contributions for the same security
- the basic national insurance pension must remain as an entitlement earned by people from paying national insurance contributions. That has been at the heart of our national insurance system since its inception and the Government is committed to it.

For the Government to have persisted in its discriminatory policy despite this categorical assurance from the senior minister responsible for pensions is tantamount to victimisation.

In any case, the excuse totally **begs the primary issue of discrimination when almost half the expatriate pensioners do receive annual uprating!**

## **7.0 Consequential Savings to the Exchequer**

The Hospital and Community Health Service costs<sup>7</sup> faced by the UK Exchequer, on average for each UK resident pensioner, ranged from £1,000/year in the 65-74 age group to as high as some £2,500/year for the more elderly. In 2000 it would, of course, be considerably higher. However, even taking a conservative estimate (based on 1994 UK Government figures) of an average cost of £1,500/year for Community Healthcare Services, the UK **saved £645 million/year** for the 430,000 expatriate pensioners. Projections for the current year (460,000 frozen expatriates) are for Treasury savings to be well in excess of **£1 billion**

As a number of media writers have commented, it surely would be greatly to the advantage of the UK to adopt pensions parity and **encourage** emigration among its pensioners. Today's "frozen" pensioners already save the Exchequer more than double the Government estimate of the cost of repealing the discrimination.

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Source: UK Department of Health, 1997 Departmental expenditure plans; page 35, figure 4.3.

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## **8.0 Summary**

As your Committee previously concluded, it would be clearly impractical to solve the problem of the discriminatory freezing of some pension benefits by negotiating reciprocal agreements with all the affected countries (some 150) in the world.

Your Committee further concluded:

*"Surely no one would have deliberately designed a policy of paying pensions to people living abroad intending to end up in the position we are at to-day."*

The World Alliance of British Expatriate Pensioners respectfully calls upon the Select Committee to recommend to the Secretary of State that he must:

- significantly reduce pensioner poverty and much of the **unwarranted poverty** and **financial hardship** brought about specifically by pension freezing
- recognize that, by definition, the **severest cases of pensioner poverty** will be found amongst the 54% of expatriate pensioners who have never received any uprating to their pension since they received their first benefit payment in a frozen country
- **by using existing domestic regulatory powers, put an immediate end to the discriminatory and shameful practice of using 'country of residence' as a factor in determining the amount of state pensions paid.**

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## **Appendix I**

Member organizations of the World Alliance of British Expatriate Pensioners and their representatives.

<b><i>World Alliance of British Expatriate Pensioners</i></b>	
Organization	Senior Officers
<p><b>British Australian Pensioner Association</b></p> <p>Box 35, Christies Beach            South Australia 5165            Ph/Fx: 61 (88) 370 9340            E-mail: <a href="mailto:brianh@olis.net.au">brianh@olis.net.au</a></p> <p>E-mail: <a href="mailto:rainbowf@tpg.com.au">rainbowf@tpg.com.au</a></p>	<p>Brian Havard            President</p> <p>James Nelson            Vice President</p>
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<p><b>British Pensioners Association (N.Z.) Inc.</b></p> <p>3/200 Edmonton Road            Te Atatu South            Auckland 8 New Zealand            Ph: 64 (9) 828 5688</p> <p>(Ph)/Fx: 64 (9) 836 7678</p> <p>E-mail: <a href="mailto:phil.greenfield@xtra.co.nz">phil.greenfield@xtra.co.nz</a></p>	<p>John Hayward            President</p> <p>Harry J. King            Secretary</p>
<p><b>South African Alliance of British Pensioners</b></p> <p>P.O.Box 30629, Braamfontein 2017            South Africa            Ph/Fx: 27 (11) 465 3355</p> <p>E-mail: <a href="mailto:ehms@netactive.co.za">ehms@netactive.co.za</a></p>	<p>Charles Poole            President</p>