

FROZEN BRITISH PENSIONS

The Case for Change

A report by the
International Consortium of British Pensioners
& National Pensioners Convention



February 2016



The International Consortium of British Pensioners (ICBP) is a global coalition of campaign groups representing the 550,000 frozen British pensioners. The ICBP is working to make the case for reform on the issue of Frozen Pensions and to achieve pension parity for all British pensioners, wherever they live.

www.pensionjustice.org



The National Pensioners Convention (NPC) is Britain's biggest independent organisation of older people, representing 1000 local, regional and national pensioner groups with a total of 1.5m members. The NPC's main objective is to promote the welfare and interests of pensioners, both now and in the future, as a way of securing dignity, respect and financial security for all in retirement.

www.npcuk.org

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Foreword

The government's continued exclusion of half the British pensioners living overseas from annual inflationary increases to their State Pensions is in my view a great injustice.

The current frozen pension policy means that 550,000 people who have paid the required National Insurance Contributions during their working lives, in expectation of a decent basic pension in retirement, are finding themselves living on incomes that fall in real terms year on year.

There are countless heart-breaking cases of individuals, who played their part in building Britain, many even fighting for Britain, who now face ending their days in poverty because they chose to live in the "wrong" country, in most cases without any knowledge of the implications of their choice for their pension. Others are being forced back to the UK, away from the family they love, just to secure an income they can survive on.

This issue is of increasing concern in Britain too, due to the barrier to choice it creates for any British citizen considering emigration in retirement. This includes a fair number in our Black, Asian and Minority Ethnic communities, who feel the impact to be discriminatory, given the countries affected are largely in the Commonwealth and to which many of us retain cultural and family ties. It also affects those wishing to move to Australia or Canada.

In my view it is high time for change on this policy and I am delighted to be supporting the campaign for reform from the House of Lords.

Baroness (Floella) Benjamin OBE
Frozen Pension Campaigner

Overview

550,000 British Pensioners, 4% of all recipients of the State Pension and half the pensioners currently living overseas are adversely affected by the government's frozen pension policy.

This means that rather than the annual inflationary uprating received by UK based pensioners, their pension is frozen at the level first received, for the rest of their life abroad. In practice this means that their State Pension decreases in real terms value year-on-year.

To give an example - a pensioner aged 90 who has lived in a frozen country all their retirement would in 2016 still receive a basic State Pension of just £43.60 per week. If they lived in the UK they would receive £115.95.

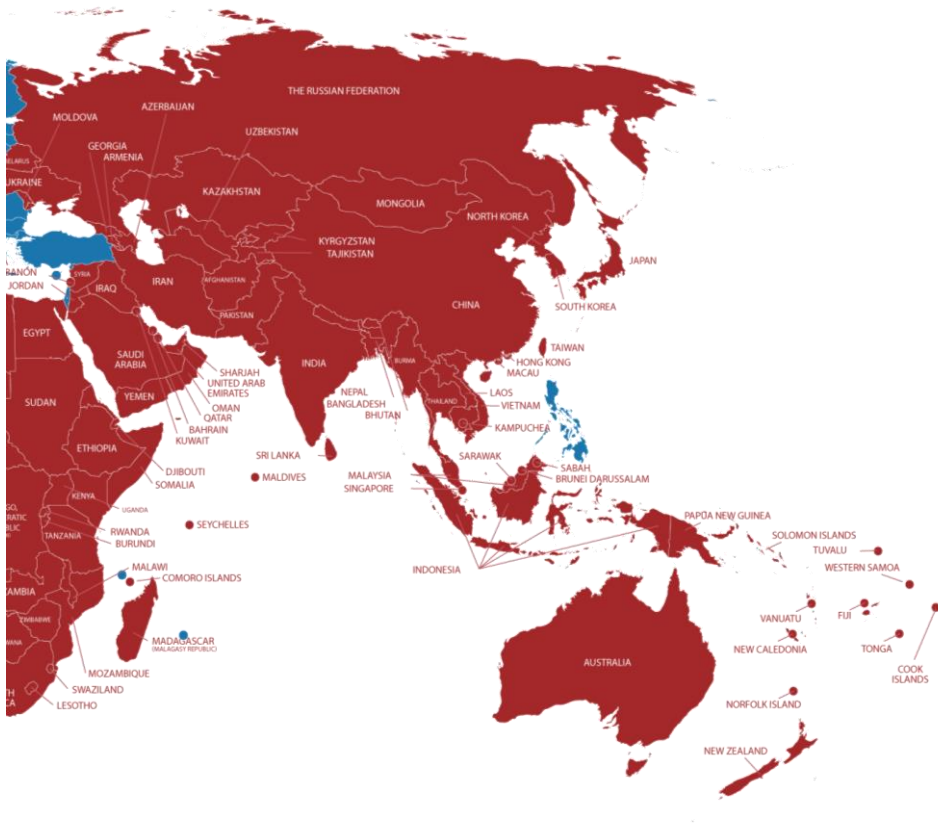
More than 90% of 'frozen' pensioners live in Commonwealth countries, mainly Australia, Canada, South Africa and New Zealand, but also India, Pakistan, Bangladesh, many Caribbean islands and all African countries.

This is not a consistent policy however. Due to historic bilateral deals, British pensioners living in many countries do get an uprated pension, just as those in the UK do. The countries where the pension is increased each year include the USA, all EU countries, Barbados, Bermuda, Israel, Jamaica, Mauritius, the Philippines.

Campaigners for reform argue that given all overseas pensioners who have made National Insurance Contributions during their working lives are entitled to a State Pension, all should receive their full and uprated pension according to this contribution, regardless of where they choose to reside. Reform would bring the UK in line with international norms as most other developed countries do now pay their State Pension equivalents in this way.

cludes from annual





A full list of frozen countries can be found at the back of this pamphlet.

Why Does this Situation Exist?

The uprating of State Pensions has always been determined by the government of the day. When the “Uprating Order” is passed in parliament each year the government actively excludes pensioners living overseas, where there is not a legal obligation or reciprocal agreement that requires them to include them.

This practice has its origins in a government decision in 1945 to exclude all overseas pensioners from increases made under the then new National Insurance based pension scheme.

Between 1948 and 1981 however, the government entered into a series of bilateral social security agreements with other countries, including the uprating of State Pensions in many. This created the anomalous situation that exists today, by which half overseas pensioners do get their annual adjustments, while the other half don't.

Since 1981, with the exception of countries joining the European Union (with whom the UK now has a general social security agreement), the UK has refused to negotiate any further social bilateral agreements, including with countries who have explicitly asked for one. The government's longstanding argument for this position is that its limited resources should not be used for pensioners living outside the UK.

In the meantime, most other Western countries have acted unilaterally to provide full State Pension equivalents to their pensioners living abroad. This includes Canadians and Australians living in Britain.

The UK's frozen pension policy has been challenged in the European Court of Human Rights, but in 2009 the Court found in favour of the UK Government. This leaves the decision to change this policy firmly with the politicians.

The Case for Change:

There is no dispute about the entitlement to receive a State Pension overseas. All British pensioners who have made the required NI contributions during their working life are eligible. The issue at stake is whether that pension is universally uprated or not.

The case for universal uprating rests on the following arguments:

The mandatory contributory nature of the State Pension

Payment of NI Contributions in order to qualify for a State Pension is mandatory. All recipients of the British State Pensioners have made these contributions, and although historically the level of pension received has varied according to the level of contributions made, it is clearly unfair to differentiate payment levels by any other criteria.

The unequal application of the frozen pension policy by country

Due to increasingly anachronistic bilateral arrangements made with some countries and not others the government justifies uprating for some, while freezing the pensions of others. This for example leaves a pensioner in Canada with a frozen pension, but another in the USA with a fully uprated one.

Other anomalous neighbours include: Barbados (uprated) and Trinidad (frozen); France (uprated) and Andorra (frozen); Israel (uprated) and Lebanon (frozen); and Mauritius (uprated) and Madagascar (frozen).

The financial and social impact on those affected

Frozen pensioners see their real terms income fall year-on-year. This is causing pensioner poverty, loss of independence, increasing

dependency on families and in some cases forcing people to return to the UK to live alone, fully dependent on the welfare state, against their wishes.

The lack of information provided.

Most currently frozen pensioners had no idea that their pension would be frozen when they choose to emigrate. Even now the information available from the government online is complex and confusing. In addition, many affected moved overseas before retirement, for work, when their State Pension was not their first concern.

The barrier to the choice to emigrate

The frozen pension policy acts as a disincentive to pensioner emigration. People currently living in the UK, who would like to emigrate and who are aware of the frozen pension policy, know they wouldn't be able to afford to live on a State Pension at its current level in their older years, by which time inflation will have decreased its value, and decide not to move accordingly.

The impact of recent pension reforms

Historically uprating adjustments to the State Pension were relatively infrequent or relatively small and the exclusion of overseas pensioners was not so controversial. However, in recent years the increases have become more regular and the impact on those affected considerably greater. The 2010-15 coalition government, fixed the annual uprating mechanism to ensure that UK pensioners always receive a "triple locked" increase by the highest of price inflation, earnings growth or 2.5% each year. This will increase the disparity of income received by frozen pensioners.

The discriminatory impact of this policy

Frozen pensions are increasingly impacting the choices of those in Britain's Black, Asian and Minority Ethnic communities with cultural links to frozen Commonwealth countries.

Many, now over 55 within these communities, came to Britain to work in the 1950s, 60s and 70s and opinion poll evidence suggests that they are more likely to be actively considering emigration in retirement. Given the low wages paid in many of the occupations these immigrants found work in and their subsequent reliance on State Pension income, there is a feeling that frozen pension policy disproportionately limits their choices now and that the impact is discriminatory.

It would make financial sense

Although there is a cost to unfreezing pensions, increased emigration as a result would offer the government savings to help pay for it. The government estimates that there is a £4,300 a year saving for each pensioner who moves abroad in retirement (i.e. Lower NHS / social care costs, savings from other residence based pensioner benefits).

Increased pensioner emigration would also reduce the burden on the health service at a time when it is under increasing pressure. It makes sense to encourage it.

Why is the Government resisting change?

Successive governments have refused to act to end the frozen pension policy on several grounds:

Lack of legal obligation

There is no legal obligation on the government to uprate British State Pensions universally due to historic bilateral agreements with individual countries. This has been tested in the European Court of Human Rights as recently as 2010.

The decision to uprate is therefore purely a political or moral decision about the appropriate and fair way to treat British pensioners.

Cost

To fully uprate currently frozen pensions to full, as UK, levels would cost £580 million in year 1, plus the cost of annual uprating in subsequent years. The government deems this too much to spend at a time of public spending cuts, despite it representing just 0.66% of current State Pension spending.

The Government has even opposed the All-Party Parliamentary Group on Frozen British Pension's proposal for partial uprating for frozen pensioners (uprating from the current base), which would cost less than £30million a year (0.03% of total State Pension spending).

Fear of legal claims for back payment.

The government claims that it has received legal advice that raises fear of claims for back payments, should currently frozen pensions be fully

uprating to as UK levels. They suggest that the cost of such claims could run into the £billions.

Legal advice received by the ICBP from Blackstone's Chambers contradicts this, and even the government admits that forward only solutions such as partial uprating would not carry the same level of risk.

An inaccurate claim that unfreezing would benefit other governments more than the pensioners affected

The government has claimed that currently frozen pensioners are in many cases compensated through means tested benefits in their countries of residence, and that unfreezing would therefore simply replace this income, making savings for foreign governments at the expense of the British taxpayer.

The ICBP's recent review of the countries with the largest numbers of frozen British pensioners contradicts this however and demonstrates that the vast majority would benefit from uprating in full.

Lack of political priority

Successive governments have long perceived overseas pensioners to be "out of sight, out of mind" and therefore simply not a priority for additional government spending. Although many currently frozen pensioners can vote, voting rates amongst eligible voters overseas have historically been low and their votes hard to influence.

Recently, there has been increasing concern in the UK media, from those approaching retirement and from disproportionately affected ethnic minority communities in the UK, who feel that their choice to emigrate is being restricted. This is likely to increase the political priority for change.

Case Studies

Anne Puckridge



Former college lecturer Anne Puckridge, now 91, lived and worked in the UK all her working life, paying mandatory NI contributions throughout this time. In 2002, aged 77 she finally retired and decided to move to Canada to be with her daughter and grandchildren who had moved to Calgary in the 1990s.

Fourteen years on, Anne, who served as an intelligence officer in the Women's Royal Navy in the Second World War, is struggling to live on the frozen £75.50 a week rate, she was entitled to when she moved abroad.

Anne now feels that she will be forced to move back to Britain, because her pension will no longer cover day to day expenses and she is increasingly reliant on her daughter to get by.

“ *It's the small things, and the injustice, that is really getting to me. I value my independence, but I can't go on living on the breadline and I don't want to inflict this on my family. As well as ever-increasingly poverty, I feel a sense of stress and shame, which is affecting my health.* ”

Abhik Bonnerjee



Abhik Bonnerjee, now 73, moved from India to Glasgow in 1960. He worked in the UK for 38 years, in shipbuilding, steel manufacture and the food industry. He owned an Indian restaurant for 6 years.

Abhik returned to India in 1997 and reached the State Pension retirement age in 2008 when it was paid at £87.30 a week. Having made all the required NI contributions, if Abhik still in the UK today he would get £115.95, 28% more.

The decline in his real terms income has left Abhik concerned about losing his home. He now feels he may have to move back to the UK.

“ *The situation makes me very, very angry. The government are scaremongering... [The Minister] says it will cost a lot of money but it is only a tiny percentage [of the pensions budget].*

“The government should be doing more, especially for Commonwealth countries and MPs can’t explain why they are not.”

Rita Young



Rita Young, 78, lives in Peterborough in the UK. She retired in 2002, aged 67, having enjoyed a long career in market research and as a community volunteer.

Rita's son moved to work in Australia some time ago and now has a family there. Since being widowed Rita has wanted to join her son and grandchildren in Australia, but has felt unable to do so due to the prospect of a frozen pension.

As she gets older Rita finds daily life increasingly difficult, especially as she doesn't have a family around who she can call on. She is deeply saddened that she is not able to be with her family during the later stages of her life, and feels that it is a complete injustice that had her son moved to a different country (e.g. France or the USA) she would be able join him with a full UK pension.

Rita has spoken at the National Pensioners Convention about the issue and is very active in her community.

“ *I worked and contributed to my State Pension all my life. It doesn't seem fair that the government can just stop uprating it because I want to be with my family.* ”

Geoff Amatt



Geoff Amatt from Abergele in Wales reached 100 last year. Geoff contributed to the UK economy all his life and fought for his country during the Second World War.

Geoff's daughter Jean emigrated to Calgary, Canada more than 40 years ago, yet Geoff was unable to follow in the knowledge that his State Pension would be frozen at the rate of leaving the country. £29 per week at the time.

As a result Geoff has been separated from his two grandchildren and two great grandchildren throughout his retirement. He has lived alone, largely dependent on the state for care, since his wife died seven years ago.

“Frozen pensions are unbelievably unfair. Canadians get their pension uprated in they live in the UK yet we don't offer the same for those moving in the other direction. The government is keeping families apart and I worry about my father left all alone in Britain while we're thousands of miles away.”

Solutions

The International Consortium of British Pensioners, supported by the National Pensioners Convention, has long campaigned for Pension Parity as the only truly just solution to frozen pensions. However, more recently, UK parliamentarians have started to promote partial uprating as a more achievable policy option.

These two options are outlined below:

Pension Parity

Pension Parity would give all 550,000 currently frozen pensions their full, as UK, State Pension entitlement. They would then be uprated in line with UK pensions going forward.

The cost of this policy is estimated to be £580 million in year one, and then the cost of uprating in subsequent years (e.g. approximately £44.5 million in year 2, £45.6 million in year 3 etc.)

The benefits of this policy are obvious:

- It would offer all British Pensioners the same State Pension entitlement, according to their National Insurance Contributions, not their country of residence.
- It would alleviate the poverty of currently frozen pensioners immediately, impacting the worst affected most and restoring dignity and life choices.
- It would remove remaining barriers to emigration immediately.

Partial Up-rating

Partial uprating would involve introducing triple lock uprating for frozen pensioners, going forward, but from the rate currently received.

The initial cost of this policy option is much lower, estimated to be £30 million in year one, and the additional cost of uprating in subsequent years (£30.8 million in year two, £31.5 million in year three etc.)

Partial uprating has significant advantages to the status quo:

- All currently frozen pensioners would benefit every year, with an end to the real terms year-on-year decline of their State Pensions.
- The policy removes the problem completely for future retirees and as a result removes the barriers to future emigration created by the frozen pension policy.

But partial uprating would be of limited immediate benefit to the pensioners most affected by the frozen pension policy, as their low income would only rise by inflation.

This option can only therefore be seen a step in the right direction, or as a means to spread the cost of ending the current problem over a longer period.

Due to the considerable (£4,300) saving (mainly in health and social care costs) that the government makes for every pensioner living overseas, Partial Uprating would be cost neutral for the government if just 7,000 additional people emigrated or remained overseas a year. Given that 7,000 represents just 2.5% of current emigration and well within annual variation, and given the considerable barrier effect the current policy is having on those approaching retirement, this appears to be a credible financial case.

At the moment the government is examining the financial case for partial uprating, but has made no commitment to enact it.

Voices for Change



Due to a quirk of history, half the eligible pensioners living overseas receive annual uprating payments, just as those living in the UK do, the other half do not. In my view this is an unjust situation, leaving British people, who have made the required contributions during their working lives, with a diminishing income throughout their retirement. The All-Party Parliamentary Group made significant progress in working with the Government towards a sustainable and affordable solution last year, and I believe that there is a real opportunity to secure historic change in the years ahead.

Sir Roger Gale MP (Conservative), *Chair of the APPG on Frozen British Pensions*



What makes this policy so outrageous is that it is not applied consistently. Move to anywhere in Europe or the US for example, and your pension will be uprated as it would be had you stayed in the UK, but move to Pakistan, India or Bangladesh and find your pension frozen. This is an issue of fairness and I can only hope that common sense prevails and that the government overturns this ridiculous policy once and for all.

Yasmin Qureshi MP (Labour) *Vice-Chair of the APPG on Frozen British Pensions*



Thousands of frozen pensioners, particularly those in their later years, are being reduced to real poverty by this policy. Some have been forced back to the UK, to be supported by the State. Others have simply lost their independence and with it their self-esteem. I find this appalling. We have to break the institutional conservatism to get this idea looked at properly. We must continue to push for change on this matter of social justice. It is simply unacceptable to sit back and watch as our own pensioners, wherever they may live, slip further into a life of hardship.

Ian Blackford MP (SNP), *Vice-Chair of the APPG on Frozen British Pensions*

Countless others

"I was brought up to believe Britain was a fair country. It's terrible to meet pensioners over here who say they have to come back to Britain because they can't manage." **Bernard Jackson - Canada**



"The UK government is forcing a husband and wife to live apart from each other." **Derek Sawyer - Leicester (his wife is still in St Kitts)**



"Britain is the only country that does not treat all its pensioners equally. That is not right. We do not deserve to be treated so badly by the country we fought for." **Vic Williams - Mississauga, Canada**

"How ironic it would be if, in order to stay alive, I had to resettle in Britain." **Sam - Sydney, Australia**

"If we have to continue living with zero increase in our pension income then we will eventually have no option but to return to England."
David and Jeanne Lawrence - South Africa

"What she gets would buy about three loaves of bread today." **Mavis Wilson - daughter of Annie Carr Sydney, Australia**



"I think what aggravates me most, is that I was never informed at the time of emigrating that when I reached pensionable age it would remain frozen for the rest of my life." **Ron Rose - Zimbabwe**

FROZEN BRITISH PENSIONS

"I paid Tax and NI for 44 years – how much money must I have paid in to the UK Exchequer and what we have saved the UK by leaving."

Mike Goodall - Australia



"My Mother, with her UK pension frozen, feels the impact on a daily basis. Frankly, I think it is cruel. Especially as both my parents fought in the War to ensure the freedom now enjoyed in the UK."

Wendy Simpson - South Africa

"The government have twice recognised my work on their behalf with accolades, yet are still unwilling to pay my full pension, one I've contributed to my whole life. It's a major injustice that the government denies people of their rightful pension...I expect the government to respect the right of people to a pension they have paid for."

Richard Hyde - Madagascar

"It's doubly unfair because we are not getting health treatment paid for by Britain."

John Trantom - Oakville, Canada



"Now in my advanced frail and weak old age nobody in the UK government or the Ministry of Justice is listening. This cruel, callous abuse is causing such a high level of lost dignity and misery"

David Harding - Borneo



"This blatant discrimination has gone on for far too long. It is now time for the Government to remove this anomaly and give thousands of pensioners worldwide the opportunity to live in dignity, with the pension income for which they have paid."

John Markham - Canada

The Full List of Frozen Countries

Afghanistan	Chile	Japan	Panama	Taiwan
Albania	China	Jordan	Papua New Guinea	Tanzania
Algeria	Colombia	Kazakhstan	Paraguay	Thailand
Andorra	Congo, Democratic Republic	Kenya	Peru	The Bahamas
Anguilla	Cook Islands	Kiribati	Qatar	The Gambia
Antigua	Costa Rica	Kuwait	Rwanda	The Russian Federation
Argentina	Cuba	Kyrgyzstan	San Marino	Togo
Armenia	Djibouti	Laos	Sarawak	Tonga
Ascension Island	Dominican Republic	Lebanon	Saudi Arabia	Tours
Australia	Commonwealth	Lesotho	Senegal	Trinidad & Tobago
Azerbaijan	Dominican Republic	Liberia	Seychelles	Tunisia
Bahrain	Ecuador	Libya	Sharjah	Turkmenistan
Bangladesh	Egypt	Macau	Sierra Leone	Turks & Caicos Islands
Barbuda	El Salvador	Madagascar	Singapore	Uganda
Belarus	Ethiopia	Malawi	Solomon Islands	Ukraine
Belize	Falkland Islands	Malaysia	Somalia	Uruguay
Benin	Faroe Islands	Maldives	South Africa	Uzbekistan
Bhutan	Fiji	Mexico	South Korea	Vanuatu
Bolivia	Georgia	Moldovia	Sri Lanka	Venezuela
Botswana	Ghana	Monaco	St Helena & Deps	Vietnam
Brazil	Greenland	Montserrat	St Kitts & Nevis	Virgin Islands (British)
Brunei	Grenada	Morocco	St Lucia	Yemen
Darussalam	Guatemala	Mozambique	St Martins	Zambia
Burkina Faso	Guinea	Namibia	St Vincent & the Grenadines	Zimbabwe
Burma	Guyana	Nepal		
Cambodia	Haiti	New Caledonia		
Cameroon	Honduras	New Zealand		
Canada	Hong Kong	Nicaragua		
Cape Verde Islands	India	Niger		
Cayman Islands	Indonesia	Nigeria		
Central African Republic	Iran	Norfolk Island		
	Iraq	Oman		
		Pakistan		

550,000 British pensioners currently living overseas are adversely affected by the government's frozen pension policy. Rather than the annual inflationary uprating adjustments received by UK based pensioners, their pension rate is frozen at the level first received, for the rest of their life abroad. In real terms this means that their State Pension decreases in value year-on-year, leaving many in poverty or without the independence they rightly expected in their later lives.

In this pamphlet, two of the more prominent campaign organisations who have worked for reform on this issue for many years, the International Consortium of British Pensioners and the National Pensioners Convention, outline the impact of the frozen pension policy, explain the case for reform and examine the main options for moving forward.



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