DECEMBER | 2020

# 2020 INQUIRY

## All-Party Parliamentary Group on Frozen British Pensions

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This Report was researched by Tendo Consulting Ltd and funded by the International Consortium of British Pensioners (ICBP)

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# EXECUTIVE SUMMARY

The All-Party Parliamentary Group (APPG) on Frozen British Pensions inquiry focussed on the UK Government's policy of not uprating UK State Pensions in situations where the pensioner lives in a country that does not have a reciprocal uprating agreement with the UK. The call for evidence ran between 30 June and 3 August and the APPG received over 800 submissions of evidence from stakeholders ranging from individuals living on a 'frozen' pension to foreign governments with residents impacted by this policy. We also conducted a further survey of over 2,500 UK pensioners living overseas.

The overall finding of the APPG is that this policy is illogical, unfair and causes significant distress.

In summary, the policy means that a UK pensioner who moves abroad will have their UK state pension frozen at the level it was at when they left the UK or first claimed their pension overseas if the country they move to does not have a reciprocal uprating agreement with the UK. The policy affects over half a million UK pensioners. As an example, 95-year-old World War Two veteran Anne Puckridge, who served in all three-armed forces, receives a UK state pension of just £72.50 a week instead of £134.25 per week, even though she paid all her dues during her full working life in the UK. This is all because she moved to Canada to be close to family.

The inquiry laid bare the impact of the 'frozen' pension policy and the situation in which it leaves many UK pensioners living overseas, who have paid their dues in the UK. The current basic state pension is £134.25 per week and new state pension is £175.20 a week in the UK. However, a confidential survey of UK pensioners living in 'frozen countries found that 1 in 2 'frozen' pensioners are receiving £65 per week or less and over half struggle financially because of their frozen pension.

The APPG is particularly concerned about the impact of this policy on former public servants and military veterans who, by definition of their roles, have been loyal public servants. In addition, the Inquiry found that members of the Windrush Generation, who have already experienced tremendous hardship and injustice, are also disproportionately impacted by this policy.

The governments of both Canada and Australia submitted evidence in which they confirm a readiness and willingness to work with the UK Government to end this policy. Both administrations criticised the policy and said they had made representations to the UK Government on behalf of UK pensioners suffering in their countries.

Submitted evidence also reveals that the governments of Canada, Australia and New Zealand are subsidising British pensioners living in their country, as the UK Government refuses to provide them with their full pension. However, pensioners resident in other countries such as South Africa receive no help.

The report explores the three core justifications of the policy cited by the UK Government, namely that:

1. The UK Government prioritises UK pensioners resident in the UK over UK pensioners living overseas
2. UK pensioners living in 'frozen' countries made an informed choice to move abroad
3. The cost of uprating the pensions of UK pensioners living overseas is prohibitive

The evidence submitted addresses each of these arguments. The policy is clearly a result of historic reciprocal agreements with no coherence or logic. For example, the UK has a reciprocal social security agreement that covers uprating with the USA but not Canada. All UK pensioners in British Overseas Territories, except for Bermuda and Gibraltar, also receive a 'frozen' pension.

The fact that over 90% of affected pensioners live in Commonwealth countries adds a further level of distress. Commonwealth countries have, by definition, close cultural and political links to the UK.

The illogicality of the policy is further highlighted by the impact of Brexit. All UK pensioners living in the European Economic Area (EEA) have had the benefit of uprated UK state pensions. However, the Government has entered into an agreement to maintain that uprating for those living in the EU before the end of the transition period and has stated that it is looking to pursue a future agreement to cover UK pensioners who move to the EU after this period. This contradicts the Government's previously stated position that it is not willing to enter into new reciprocal agreements.

The Government has consistently claimed that pensioners moving to countries in which the frozen policy applies were informed about the policy before they left the UK. However, almost 90% of surveyed UK pensioners living on a 'frozen' pension stated that they were not aware, before they left the UK, that their UK state pension would be frozen when they left. Additionally, a similar percentage stated that they received no communication from the UK Government to inform them of this policy prior to their move.

The Inquiry considered the costs of ending the frozen pension policy. The policy can be reversed for a cost that is 0.3% of the total budget sought by the Department for Work and Pensions for 2019-20, which in monetary terms equates to approximately £600 million per annum.

The report recommends that the UK Government end the 'frozen' pension policy and seek to provide UK pensioners living in 'frozen' countries with their full uprated UK state pension as soon as possible.

The APPG and many of the stakeholders that submitted evidence have offered to work in support of the Government should they accept this recommendation.

# FOREWORD

Successive governments of differing political persuasions have sheltered behind the assertion that “we can only uprate pensions for UK citizens living overseas in countries with which we have a reciprocal agreement”. That is quite simply factually and morally wrong.

There is no requirement upon the Government of the United Kingdom to enter into any “reciprocal agreement” with another country before honouring its obligation to pay the full and uprated State pension to any UK citizen who has paid the requisite National Insurance contributions upon which State pensions are based.

It should make no difference whether that pensioner is now choosing to live in Vauxhall or Vancouver, Devonport or Darwin, on Wearside or in Wellington: they have done their time, paid their dues and are entitled to a full and uprated payment.

As the Chairman of the APPG on Frozen Pensions I regard it as a disgrace and a matter of national shame that the United Kingdom has for so long denied to elderly citizens, very many of whom have proudly served our country in the Armed Forces or the Civil Service, the funds that they need to live on in old age and, sadly, sometimes in ill-health.

It is past time for this injustice to be addressed and the wrong of decades righted.

**The Rt Hon Sir Roger Gale MP**
**Chairman, The All-Party Parliamentary Group on Frozen British Pensions**

# BACKGROUND AND INQUIRY PROCESS

The APPG on Frozen British Pensions brings together over sixty cross-party parliamentarians from both the House of Commons and the House of Lords to provide a parliamentary voice in support of the case to unfreeze British state pensions overseas and campaign for reform.

The purpose of this inquiry was to review the impacts of the Government's 'frozen' pensions policy on UK pensioners living overseas and the Government's justification for the continuation of the policy.

We are grateful to a wide range of individuals, organisations, international governments and politicians for responding to our call for evidence. We are impressed  to have received a wide-ranging comprehensive set of evidence about 'frozen' pensions from those impacted by the policy, the UK Government, foreign governments and politicians in countries with impacted residents, civil society groups and other stakeholders.

The APPG also conducted a confidential survey of over 2500 UK pensioners living on a 'frozen' pension to understand the concerns and challenges of those affected by this policy.

# INTRODUCTION

The UK state pension is paid to UK pensioners regardless of where they live. However, it is not uprated annually in line with the 'triple lock' unless the UK pensioner resides in the UK or a country with which the UK has a reciprocal social security agreement that covers uprating. The UK is the only country in the OECD to take this approach to the payment of annual increases to state pensions of pensioners overseas.[1]

The UK Government's position is that annual increases to UK state pensions are not payable where a person is not 'ordinarily resident' in the UK. However, from 1948 until 1973 the UK entered into numerous reciprocal agreements with countries that guaranteed the uprating of the pensions of UK pensioners living in their country. The UK's membership of the EU also included a reciprocal uprating arrangement, which covered the uprating of UK state pensions of UK pensioners living in the European Economic Area.[2]

From 1981 until 2019, no further commitments or agreements were made to uprate the pensions of UK pensioners overseas. A patchwork series of reciprocal agreements has left just 4% of UK pensioners, or half a million people, without annual increases to their UK state pension.[3]

However, the UK's decision to leave the European Union has prompted a shift in approach. In early 2019, the UK signed a reciprocal agreement covering uprating with Ireland. In September of the same year, former Secretary of State for Work and Pensions Amber Rudd announced a commitment to uprate the state pensions of UK pensioners living in the EU for three years regardless of whether there was a 'No deal' Brexit because "they've helped make our country the success it is"[4]. This statement offended many pensioners affected by the 'frozen' pension policy as they believe they also have contributed to the 'success' of the UK with many serving in the Armed Forces, some during actual conflict.

Under the European Union (Withdrawal Agreement) Act 2020, the EU social-security co-ordination rules are guaranteed to continue to apply until 31 December 2020 and for those people who are within its scope, which includes UK nationals residing in any of the 27 EU Member States at the end of the transition period thereafter. This means that UK pensioners already resident in the EU before 2021 will continue receiving annual increases moving forward.[5]

[1] Submission to the APPG inquiry by Paul Manly MP, Canadian Green Party MP for Nanaimo-Ladysmith
[2] Frozen Overseas Pensions Research paper, House of Commons Library, May 2020
[3] Ibid.
[4] Security for 500k by Amber Rudd Pensions Secretary, The Sun, September 2019
[5] Brexit and state pensions Research briefing, House of Commons Library, June 2020

# JUSTIFICATION FOR THE 'FROZEN' PENSION POLICY

The justification of this policy by the UK Government has varied over the decades but the three arguments used most recently and commonly in response to parliamentarians and campaigners on this issue are set out below.

The Government repeatedly states that affected UK pensioners were made aware of the 'frozen' pension policy before they left the UK. The UK Government argues that since UK pensioners chose to move to a 'frozen' country rather than remain in the UK, they knowingly accepted the consequence of living on a 'frozen' pension overseas.

In October 2020, Baroness Stedman-Scott OBE DL, Parliamentary Under Secretary of State in the Department for Work and Pensions said "the decision to move abroad is voluntary and remains a personal choice, dependent on the circumstances of the individual. For a number of years, advice has been provided to the public that the UK state pension is not uprated overseas except where there is a legal requirement to do so".[6]

The submission to the APPG inquiry from Guy Opperman MP, Minister for Pensions and Financial Inclusion refers to this argument, saying "information is provided in leaflets and on www.gov.uk that the UK State Pension is not up-rated overseas except where there is a legal requirement to do so".[7]

Frequently, spokespeople for the Department for Work and Pensions have also drawn attention to the cost of uprating the pensions of UK pensioners in 'frozen' countries as a reason for the policy, implying it is unaffordable.[8] In 2019, the Department estimated that fully uprating the State Pension in frozen rate countries would cost £600 million a year or £3 billion over five years.[9]

In recent debates on the 2019-2021 Social Security (Up-rating of Benefits) Bill, Ministers in both the House of Commons and the House of Lords made the case that annual increases to UK state pensions are designed to benefit UK residents and the Government chooses to prioritise UK pensioners resident in the UK over UK pensioners living overseas. Guy Opperman MP commented that successive governments "have taken the view that priority should be given to those living in the United Kingdom in drawing up expenditure plans for pensioner benefits…The up-rating of the state pension is intended to provide support for pensioners who live in the UK."[10]

Baroness Stedman-Scott also said the UK Government's "responsibility is to pensioners living in [the UK]".[11]

Another core argument in the past has been the Government's position regarding entering new reciprocal social security agreements. In March 2014, former pensions minister Steve Webb said the UK Government had no plans to "enter into fresh bilateral agreements which provide for up-ratings overseas".[12] However, since the UK voted to leave the European Union in 2016, the position not to pursue any further reciprocal agreements that cover uprating has changed as the UK Government has shown willingness to pursue bilateral agreements that will retain the uprating of UK pensions for UK pensioners living within the European Economic Area. Despite this, the Government has said there are "no plans to change" the policy towards UK pensioners in 'frozen' countries as this is a "long-standing policy pursued by successive post-war Governments".[13]

[6]VE Day anniversary: Calls to end frozen pensions for WW2 veterans abroad, The BBC, May 2020

[7] Estimated costs of uprating State Pension in frozen rate countries, Gov.uk, 14 February 2019

[8] HL Deb 27 October 2020, vol 807, col 190

[9] Submission to the APPG inquiry by Guy Opperman MP, Minister for Pensions and Financial Inclusion

[10] HC Deb 1 October 2020, vol 681, col 578

[11] HL Deb 27 October 2020, vol 807, col 191

[12] HC Deb 3 March 2014 c688W

[13] HC Deb 1 October 2020, vol 681, col 578

# THE IMPACT ON UK PENSIONERS OVERSEAS

**Financial impact of the policy on UK pensioners living overseas**

The APPG has received a significant number of submissions from affected pensioners expressing the financial impact of this policy and the dire straits in which many find themselves.

The responses to the survey of 2,567 UK pensioners living in 'frozen' countries lays bare the economic losses of many. Some 49% of UK pensioners surveyed by the APPG receive £65 per week or less, a stark contrast to the full basic state pension of £134.25 per week and new state pension of £175.20 a week. Another 51% said they struggle financially as a result of their frozen pension. For 58%, their financial difficulties are compounded by the fact that their partner or spouse also lives on a 'frozen' pension.

**1 in 2 'frozen' pensioners are receiving £65 per week or less and over half struggle financially as a result of their frozen pension.**

Of the UK pensioners affected, 75% said they do not receive enough financial support, and 45% receive no financial support, from the government of their country of residence to supplement the income lost from not receiving their full UK state pension. 46% of respondents also said they work or have worked in the past to supplement this lost income. For example, 81-year-old Peter Sanguinetti, must work part time as a school bus driver to cover living costs.[14]

"I had to sell my house 3 years ago because I could not keep up with all the rates and taxes and now I live off the money I received for the sale and badly need my British Pension to be unfrozen. Please help"

- **David March, UK pensioner living in South Africa**

80-year-old John Owen-Ellis said he was fortunate to have been able to do part time work and be employed full-time up to the age of 72, as without this income he would have had to return to the UK.[15]

Many submissions also mentioned the added burden of medical and care costs associated with old age that their 'frozen' pension does not cover. 33% of those surveyed had to obtain treatment for a major health issue and 41% live with a chronic illness for which they receive medical treatment under the health service of their country of residence.

**4 in 10 people on a 'frozen' pension live with a chronic illness for which they receive medical treatment under the health service of their country of residence.**

For example, a submission by Barbara Eloise Wetten on behalf of her husband, who served in the British Armed Forces during the Korean War and is now suffering from Alzheimer's and lives in a frail care centre, explained that their joint UK state pension "provides less than half of what [her husband's] monthly 'frails care' and medical expenses actually cost". She described working "long hours doing two jobs" to "manage to live" and said her husband "was ever proud to be a Brit before his illness started". [16]

Another submission by Marion Brown describes how she and her husband are in ill health and "finding it hard to make ends meet" as her husband's pension only just about covers the cost of electricity and rates and they are having to use their "rapidly depleting" savings to cover remaining household expenses and health care costs.[17]

> "[Norman] is a resident in a home for the care of the frail aged and has had to sell all his possessions in order to beable to stay there"
>
> - **Liz Balfour on behalf of Norman Arthur Gray, UK pensioner living in South Africa**

The economic hardship facing many living on a 'frozen' pension can also be illustrated by the stories of those who have felt forced to abandon life in their chosen country and move back to the UK. These include Heather and John Watts who moved to Australia to be with their daughter but were forced to return to the UK in 2012 due to financial hardship. Another example is Annette Carson who returned because she could not support her future health requirements on her frozen pension.[18]

World War Two veteran Bernard Jackson, who participated in the D-Day landings as a wireless operator in the RAF, had to return to the UK from Canada after the death of his wife as he could not afford to live on his 'frozen' pension of £48 per week. Broken Faith, a report produced by the Campaign to End Frozen Pensions, was dedicated to Bernard, who sadly died at the age of 97 in March 2020.[19]

The COVID-19 pandemic has compounded the financial and health related burdens facing UK pensioners overseas living on 'frozen' pensions. UK pensioners in already poor financial situations with frail health are now facing the economic and potential health risks of COVID-19 on a 'frozen' pension.

Many submissions referred to this. For example, affected pensioner Cathal Rodgers stated that he is particularly worried about Covid-19 and the health implications for himself and his wife "as medical costs in South Africa are so high."[20] William Jarvis, who moved to Japan with his wife to care for her widowed mother with cancer, noted that he had no way to return to the UK if he wanted to due to COVID-19.[21]

**Recommendation:**

That the UK Government urgently review the 'frozen' pension policy given the evidence of destitution facing many UK pensioners overseas and the recent impacts of COVID-19

[14] Submission to the APPG inquiry by Peter Sanguinetti

[5] Submission to the APPG inquiry by John Owen-Ellis

[16] Submission to the APPG inquiry by Barbara Eloise Wetten on behalf of John James Robert Wetten

[17] Submission to the APPG inquiry by Marion Brown

[18] Submissions to the APPG inquiry by Heather and John Watts and Annette Carson

[19] Broken Faith: Britain's Forgotten Heroes, End Frozen Pensions Campaign, May 2020

[20] Submission to the APPG inquiry by Cathal Rodgers

[21] Submission to the APPG inquiry by William Jarvis

## Affected veterans and public servants

**4 in 10 UK pensioners living on a 'frozen' pension are former public servants**

This policy has a significant impact on former public servants, with 40% of respondents to the APPG survey of 'frozen' pensioners having worked in the public sector in the UK. For example, Linda Brook, who moved to Sydney to care for her daughter after she was diagnosed with breast cancer. Linda had previously worked in care homes for Kirklees Council and is now reliant on financial support from the Australian Government.[22]

Sheila Whyte, after paying her national insurance contributions in full, also moved to Australia to be near her daughter as she had no other living relatives in the UK. Sheila had worked as a special needs teacher for 35 years, including overseas at British Army Schools for five years.[23]

**16% of UK pensioners living in 'frozen' countries had served in the UK Armed Forces**

The Campaign to End Frozen Pensions estimates that 60,000 UK military veterans are living on a 'frozen' pension.[24] Our survey found that 16% of respondents had served in the armed forces, indicating perhaps an even higher number than previous estimates. In 2020, the Campaign to End Frozen Pensions released the booklet 'Broken Faith' to highlight the impact of the 'frozen' pension policy on those who have served the country, featuring over thirty detailed case studies.

Powerful stories of veterans living on a 'frozen' pension submitted to the APPG include that of 95-year-old veteran Anne Puckridge, referred to earlier in this report. Anne enlisted under the age limit in 1942, served in all three-armed forces (plotting aircraft and warship movements and working as a signals intelligence officer) during World War Two and paid her national insurance contributions in full. She now receives a pension of just £72.50 a week because she exercised her right, at the age of 76, to move to another Commonwealth country, Canada, to be closer to her family.

Another affected veteran is 98-year-old Inez Minc, who served as a Voluntary Aid Detachment nurse during World War Two, nursing soldiers, including Field Marshall Montgomery, on the front line. After a career as a civilian nurse, Inez moved to Australia in 1986 with her husband where she discovered that her pension had been frozen at £40.13 per week. Thirty-four years on Inez, partially deaf and blind, struggles with medical bills as a result of her frozen pension.[25]

**Recommendation:**

That the Office for Veterans' Affairs make it a priority to ensure every UK veteran receives an adequate pension regardless of where they live by working to end the 'frozen' pension policy

## The impact on ethnic minority pensioners and members of the Windrush Generation

Over 90% of those living on a ‘frozen’ pension are resident in Commonwealth countries, which have close cultural and political ties with the UK.

Black and ethnic minority pensioners who came to the UK as part of the Windrush Generation and wish to return to their country of birth to retire are ‘penalised’ with a ‘frozen’ pension. Any members of the Windrush Generation removed from, or denied re-entry, to the UK will also have their pension ‘frozen’ if they were forced to remain in, or return to, a ‘frozen’ country. [26]

One such example of a member of the Windrush Generation affected is 82-year-old Monica Philip. Monica emigrated to the UK in 1959 and worked in the UK for 37 years as a civil servant for the City of London Social Services and the Ministry of Defence. In 1996, Monica returned to Antigua to look after her ailing mother and as a result her pension was frozen at £74.11 per week. In stark contrast, Monica’s sister, who remained in Leicester, receives a full up-rated pension.[27]

Harold Williams moved to the UK in 1955 as part of the Windrush Generation. He was then conscripted into the British army, serving in the Royal Electrical and Mechanical Engineers regiment. Harold paid into the social security system in the UK for forty years. In 1995 at aged 60, Harold left the UK to retire in his country of birth, Antigua.

“I returned to St Lucia to care for my ailing mother after the death [of] my father, when it became clear that she could not care for herself. She too lived and work[ed] in the UK from 1959 to 1990. Her pension was meagre to say the least. I joined my parent in 1964, I had no choice but [to return] to St Lucia in 2008 to care for my mother. With the falling £ rate it became increasingly difficult financially as mother deteriorate[d].”
- **Jayne Gonzales, UK pensioner living in St Lucia**

Harold, now 85, receives a weekly UK state pension of £78.46 per week. His wife, who also receives a ‘frozen’ pension, has had to move to a care home because she suffers with Alzheimer’s, diabetes, hypertension and has a heart problem. As a result, the couple have significant healthcare costs.[28]

The submission from The Network African Diaspora & Descent, Civil Service UK raises concerns about the disparity faced by UK pensioners overseas, particularly black pensioners and those residing in Africa and the Caribbean. The submission also describes the combination of the ‘frozen’ pension policy and the additional disparity between the wealth of older Black, Asian and minority ethnic people and white people as a “national shame”.

An analysis by the Centre for Ageing Better shows that Black, Asian and Minority Ethnic people aged 50-70 are more likely to be in the poorest fifth of the population in England.[29]

**Recommendation:**

That the Windrush Cross-Government Working Group, established by the UK Government in 2020, examine the impact of the 'frozen' pension policy on members of the Windrush Generation as part of its efforts to right the wrongs experienced by this group

[22] Submission to the APPG inquiry by Linda Brook
[23 Submission to the APPG inquiry by Sheila Whyte
[24] Submission to the APPG inquiry by the End Frozen Pensions Campaign
[25] Ibid.
[26] Ibid.
[27] Ibid.
[28] Ibid.
[29] Centre for Ageing Better, IPPR and UCL, Who is at risk of missing out?, August 2020 cited in the submission to the APPG inquiry by The Network African Diaspora & Descent, Civil Service UK

# AN INTERNATIONAL PERSPECTIVE

**The perspective of different nations**

Submissions from overseas administrations with residents living on frozen British pensions and their political representatives offer a new perspective on the 'frozen' pension policy. Both the governments of Australia and Canada have criticised the policy and its impact on UK pensioners overseas and have shown political will to work towards an end to 'frozen' pensions

> "Over the years, the Government of Canada has raised, and has sought to address, this issue with the UK, including by proposing the two countries negotiate a comprehensive social security agreement that would provide for the indexation of UK pensions. To date, UK officials have not engaged on this issue. As it has done in the past, the Government of Canada will continue to raise this issue with the UK through various channels, where appropriate."
>
> **-The Canadian Government**

In their submission, the Canadian Government said they had worked for years to address the issue and even proposed a social security agreement to the UK that would include uprating. A submission by Liberal Canadian MP Francis Scarpaleggia, was more explicit, stating that the Government of Canada has been "pursuing the cause of British pensioners living in Canada" for more than 30 years.[30]

However, UK Minister for Pensions Guy Opperman MP responded to a written question tabled in April 2019 with "the Government has no plans to hold discussions on uprating pensions with officials from the governments of Australia, Canada or New Zealand and no recent discussions have occurred."[31]

Another Canadian MP from the Liberal party, Nathaniel Erskine-Smith said, "I have received confirmation from [the] Minister of Seniors that Canada remains prepared to engage in a social security agreement".[32]

> "The Australian Government has been working to resolve this issue for some time, given the policy affects many expatriate pensioners living in Australia. The Government has made a series of representations to the UK Government in recent years, including at Ministerial level. We will continue to advocate our position to the UK Government."
>
> **-The Australian Government**

The submission from the Government of Australia also strongly stated its support for ending the policy and said it had made a “series of representations to the UK Government in recent years”.[33] The submission explained that Australia had a previous Social Security Agreement with the UK that did not cover uprating and that it was the UK’s refusal to renegotiate this Agreement to include indexation provisions that led to its termination in 2001.[34]

The Australian Government submission also makes it clear that a new social security agreement between the countries is not required for the UK to provide annual increases to the pensions of UK pensioners living in Australia. Canadian MP Francis Scarpaleggia (Liberal Party) also makes this point and noted that the UK Government could “unilaterally choose to index pensions paid into Canada even in the absence of a bilateral agreement”.[35]

The UK stands alone in its treatment of its national pensioners overseas. Canadian MP Paul Manly (Green Party) argues the UK is the only country in the OECD that pays pensioners differently based on where they live.[36] The Australian Government confirm in their submission that the Australian Age Pension is indexed for all pensioners regardless of where they live.[37]

Scarpaleggia and fellow Canadian MP Laurel Collins (New Democratic Party) also make the point that Canada provides its overseas pensioners with full uprated pensions, including those in the UK.[38] This means no reciprocal agreement would be necessary with these countries as they are already providing this benefit for their pensioners in the UK.

"No international agreement is required for [the UK] to unfreeze the pensions. It would simply be a matter of domestic regulation"

**- Canadian MP Paul Manly**

It is clear from the evidence submitted that some countries are subsidising UK pensioners living overseas. Submissions from elected representatives in, or the administrations of, Canada, New Zealand and Australia all confirm that these countries are helping to support UK pensioners living overseas. For example, Canadian MP Laurel Collins (New Democratic Party) acknowledges the “extra social security costs” incurred by Canada as a result of the ‘frozen’ pension policy.

“Non-indexation erodes the value of the UK pension over time, disadvantaging UK pensioners living in Australia. It also places an additional cost on Australia's taxpayer-funded system, which supplements these pensions through the means-tested Age Pension.”

**- The Australian Government**

The submission from the Government of New Zealand also outlines the impact of the policy on the government, which “supplements the pension to ensure the overall level of pension income matches the NZ standard rate”.[39]

“The UK Minister of State for Pensions has stated that were they to cancel the pension freeze, some of the benefits would flow to the Canadian government, in the form of reduced subsidies being paid by our government to low income pensioners. This is a clear acknowledgement that the Canadian government is subsidising British pensioners living in our country”

**- Canadian MP Paul Manly**

**Recommendation:**

That the UK Government open talks with governments who have made clear their willingness to resolve this issue as soon as possible to agree a resolution to restore the full UK state pensions of UK pensioners living in these countries, either by reciprocal social security agreement or unilateral uprating

[30]Submission to the APPG inquiry by Francis Scarpaleggia MP Canadian Liberal Party MP for Lac-Saint-Louis
[31] HC Deb, 1 May 2019, cW
[32] Submission to the APPG inquiry by Nathaniel Erskine Smith MP Canadian Liberal Party MP for Beaches-East York
[33] Submission to the APPG inquiry by the Australian Government
[34] Ibid.
[35] Submission to the APPG inquiry by Francis Scarpaleggia MP, Canadian Liberal Party MP for Lac-Saint-Louis
[36] Submission to the APPG inquiry by Paul Manly MP, Canadian Green Party MP for Nanaimo-Ladysmith
[37] Submission to the APPG inquiry by the Australian Government
[38] Submissions to the APPG inquiry by Francis Scarpaleggia MP, Canadian Liberal Party MP for Lac-Saint-Louis and Laurel Collins MP, Canadian New Democratic party MP for Victoria
[39] Submission to the APPG inquiry by the Government of New Zealand

## The impact of Brexit

The UK's departure from the European Union and the passing of the Withdrawal Bill in January 2020 has also created a new context for the 'frozen' pension policy and ramifications for those it impacts.

Leaving the EU ended the agreement to uprate the pensions of UK pensioners living in the European Economic Area, as agreed as part of EU membership, but the UK has sought to protect the uprating of pensions of UK pensioners in the EU post Brexit. By passing the European Union (Withdrawal Agreement) Act 2020, the UK Government committed to continuing to uprate the pensions of UK pensioners resident in EU countries prior to 31 December 2020.[40]

On 1 February 2019, the UK also signed a reciprocal social security agreement with Ireland that covered uprating.[41] In response to a written question from Virendra Sharma MP in April of the same year, Guy Opperman MP alluded to future agreements, saying "any requests for a new agreement would be considered carefully to ensure maximum benefit and reciprocity for both parties".[42]

Opperman has also confirmed that "the UK Government is seeking a reciprocal agreement with the EU which includes state pension up-rating".[43] These actions and comments are in stark contrast to the UK Government's argument that it was no longer willing to pursue reciprocal agreements that cover uprating. It is illogical to pursue new agreements with EU countries but not to seek to broker agreements with 'frozen' countries, many of which the UK is hoping to sign Free Trade Agreements with.

**Recommendation:**

That the UK Government do not pursue a two tier system for UK pensioners and make reciprocal social security agreements covering uprating with 'frozen' countries in addition to EU countries, or uprate the pensions of UK pensioners across all countries unilaterally

[40] Brexit and state pensions Research briefing, House of Commons Library, June 2020

[41] The Social Security (Ireland) Order 2019, March 2019, No. 622

[42] HC Deb, 15 April 2019, cW

[43] HC Deb, 14 October 2020, cW

## The Commonwealth connection

As outlined above, over 90% of UK pensioners living on a 'frozen' pension live in the Commonwealth.[44] The disproportionate impact on UK pensioners resident in these countries that have strong historic, cultural and familial links with the UK has been mentioned across multiple submissions as an example of the policy's injustice. In fact, UK pensioners in all the British Overseas Territories under the sovereignty of the United Kingdom, except for Bermuda and Gibraltar, receive a 'frozen' pension.

The Network African Diaspora & Descent, argue that ending the 'frozen' pension policy is an opportunity to "acknowledge not only the historic links – but the living legacy that is represented by our members, who may choose to spend their retirement in the Commonwealth nations we hold so dear."[45]

British Pensions in Australia (BPiA) count 48 of the 52 Commonwealth countries as 'frozen' and argues this is not in keeping with the Commonwealth Charter which states: "the Commonwealth is implacably opposed to all forms of discrimination".[46] The British Caribbean Pensioners Association emphasised in its submission the connections many Caribbean islands have to the UK, as former colonies and remaining British Overseas territories that are English speaking, recognise the Queen as Head of State and operate a UK based legal system.[47]

"it is a disservice to our long-standing and close relationship that UK pensions are not indexed in Canada but are indexed in many other countries"
**- Canadian MP Nathaniel Erskine-Smith**

Canadian MP Paul Manly (Green Party) said the 'frozen' pension policy made "a mockery of [the affected pensioner's] equal rights as citizens and subjects of Her Majesty the Queen" and is an "undignified way for the British government to be treating a close ally."[48]

**Recommendation:**

That the UK use its close ties with Commonwealth nations to broker discussions to resolve the issue of UK pensioners living on a 'frozen' UK state pension in many Commonwealth countries

[44] Submission to the APPG inquiry by End Frozen Pensions Campaign
[45] Submission to the APPG inquiry by The Network African Diaspora & Descent, Civil Service UK
[46] Submission to the APPG inquiry by British Pensions in Australia.
[47] Submission to the APPG inquiry by the British Caribbean Pensioners Association
[48] Submission to the APPG inquiry by Paul Manly MP, Canadian Green Party MP for Nanaimo-Ladysmith

# THE 'FROZEN' PENSION POLICY DEBATE

**A postcode lottery**

UK Minister for Pensions Guy Opperman MP made the case in his submission to the APPG that “priority should be given to those living in Great Britain when it comes to expenditure on pensioner benefits”.[49] This is a key pillar of the Government’s argument against uprating the state pensions of UK pensioners living in ‘frozen’ countries in line with the ‘triple lock’.

However, further evidence submitted makes it clear that there is no rationale to the countries in which pensioners receive or are denied annual increases to the UK state pension. For example, Barbados and Jamaica have reciprocal social security agreements with the UK that cover uprating and UK pensioners in French and Dutch islands receive their full UK state pension as they are part of the EU. Puerto Rico and the US Virgin Islands are also ‘unfrozen’ as they are US territories. However, the rest of the Caribbean islands are ‘frozen’.[50]

Furthermore, UK pensioners in the USA receive a full uprated UK state pension but UK pensioners across the border in Canada do not. This illogical situation is illustrated by the case of Peggy Buchanan, a Leading Wren who served the UK at Bletchley Park where she helped to break German enigma codes. Peggy is honoured at ‘Codebreakers’ Wall’ for her service and was stationed at Naval air stations in Shropshire and Cornwall after World War Two. Peggy now lives in British Columbia, Canada, but had her family settled two miles further south they would have been in Washington USA and Peggy’s pension would not be ‘frozen’.[51]

It is clear that the ‘frozen’ pension policy is the result of historic and incoherent reciprocal agreements.

**An informed choice**

As outlined in this report, the UK Government also argues that affected UK pensioners were made aware of the ‘frozen’ pension policy before they left the UK. The UK Government makes the case that since UK pensioners chose to move to a ‘frozen’ country rather than remain in the UK, they knowingly accepted the consequence of living on a ‘frozen’ pension overseas.

However, the survey of UK pensioners receiving a ‘frozen’ pension conducted by the APPG for this inquiry found 86% were not aware that their UK state pension would be frozen when they left the UK. 55% even continued paying into their UK state pension whilst living overseas.

**Almost 90% of surveyed UK pensioners living on a ‘frozen’ pension were not aware their UK state pension would be frozen before they left the UK**

“At no time was I made aware that my British Pension would be frozen; not even when I bought extra years of service”
**– John Owen-Ellis, UK pensioner in South Africa**

The Network African Diaspora & Descent, Civil Service UK reported that its members called attention to the lack of information on Gov.uk. Members said they visited the Check your State Pension forecast pages “to find no reference to frozen pensions and a lack of transparency”. Members who attended a roundtable hosted by the network also spoke to relatives overseas who confirmed they had not been aware of the impact retiring abroad would have on their UK state pension.[52]

88% of respondents to our survey said they received no communication from the UK Government to inform them that their UK state pension would be frozen.

In one case, shared by the Canadian Alliance of British Pensioners, UK pensioner Anne Puckridge contacted the DWP about receiving her pension in Canada but received no information that her pension would be frozen. Anne finally received a reply after 12 years to say the policy was explained in a pamphlet, but the pamphlet could not be sent to her, as it was out of print for cost-saving reasons.[53]

“The “frozen pension” will affect me for the rest of my life and not knowing about this in advance (coupled with the late change in the retirement age for women) has prevented me from making sufficient financial provision for myself”
**– Barbara Timms, UK pensioner in South Africa**

**The cost**

Spokespeople for the Department for Work and Pensions have said the £600 million a year it would cost to uprate the pensions of UK pensioners in ‘frozen’ countries in line with the ‘triple lock’ is too expensive.[54]

Age UK’s submission acknowledges the cost to the UK Government but asks for it be considered “in the context of reduced spending on health, care, social security benefits such as Pension Credit, and other services.”[55] The Liberal Democrats Overseas also make the point that “while they live overseas, the half a million plus pensioners are no burden to the NHS or social services. The financial benefit to the country far exceeds the cost of uprating pensions and ensuring that the recipients remain overseas.”[56]

£600 million per year is just 0.3% of the total budget sought by the Department for Work and Pensions for 2019-20.[57]

Previous estimates made by the International Consortium of British Pensioners in 2016 also found that partial uprating, uprating the pensions of UK pensioners overseas from their current value each year in line with the triple lock rather than increasing these pensions to their full value, would only cost £30 million a year.[58] Partial uprating would not provide a solution for those who suffer most under the policy, but it would prevent future retirees from being affected and be a step towards rectifying this injustice.

[49] Submission to the APPG inquiry by Guy Opperman MP, Minister for Pensions and Financial Inclusion
[50] Submission to the APPG inquiry by the British Caribbean Pensioners Association
[51] Submission to the APPG inquiry by End Frozen Pensions Campaign
[52] Submission to the APPG inquiry by The Network African Diaspora & Descent, Civil Service UK
[53] Submission to the APPG inquiry by the Canadian Alliance of British Pensioners
[54]VE Day anniversary: Calls to end frozen pensions for WW2 veterans abroad, The BBC, May 2020
[55] Submission to the APPG inquiry by Age UK
[56] Submission to the APPG inquiry by Liberal Democrats Overseas.
[57] Spending of the Department for Work and Pensions Research Briefing, House of Commons Library, July 2019
[58] International Consortium of British Pensioners & National Pensioners Convention, Frozen British Pensions: The Case for Change, February 2016

# RECOMMENDATIONS

The evidence submitted to the Inquiry demonstrates that current policy places UK pensioners living overseas under serious financial strain and distress. The APPG is particularly concerned about the impact of the policy on veterans and former public servants as well as the risk of the policy compounding the injustices experienced by members of the Windrush Generation. It is also overwhelmingly clear that there have not been enough efforts made by the UK Government to communicate this policy and its impact. Most UK pensioners living on a ‘frozen’ pension consulted had no idea that their pension would decrease in real value each year before they left the UK.

The evidence also demonstrates the illogical nature of government policy, favouring UK pensioners in some countries over others. The Government is now continuing to refuse to uprate the UK state pensions of UK pensioners in ‘frozen’ countries while actively pursuing new agreements with EU countries.

For these reasons, the main recommendation of this report is that the UK Government end the ‘frozen’ pension policy. We urge the Government to seek to provide UK pensioners living in ‘frozen’ countries with their full uprated UK state pension as soon as possible, particularly given the recent impacts of COVID-19 on this group.

The APPG believe that this is such an injustice that the relatively modest cost should not be allowed to be a barrier to ending the policy. Partial uprating of UK pensions could, however, be considered as an interim solution to prevent the ‘freezing’ of UK pensions moving forward, with a view to then addressing the historic injustice built into the present policy.

It is clear from the evidence that the UK does not need to pursue reciprocal agreements to uprate the pensions of UK pensioners overseas in line with the triple lock each year. However, submissions from Canada and Australia have shown a clear willingness to work towards an end to frozen pensions. The UK Government should conduct talks with these governments on this issue immediately.