

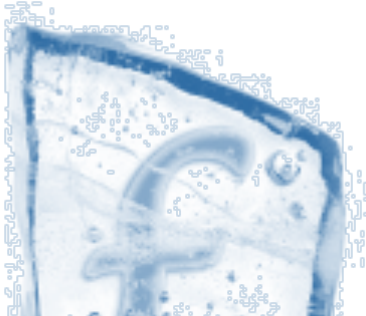
FROZEN BRITISH PENSIONS

The Case for Change

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

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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.

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www.pensionjustice.org

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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.

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First Published in Great Britain in 2016

By the International Consortium of British Pensioners

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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.

Overview

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

This means that rather than the annual inflationary uprating that uprated pensioners, their pension is frozen at the level first based on the cost of living in the rest of their life abroad. In practice this means that the value of their pension decreases in real terms value year-on-year.

To give an example - a pensioner aged 90 who has lived in a foreign country during their retirement would in 2016 still receive a basic state pension of £43.60 per week. If they lived in the UK they would receive £100.00 per week.

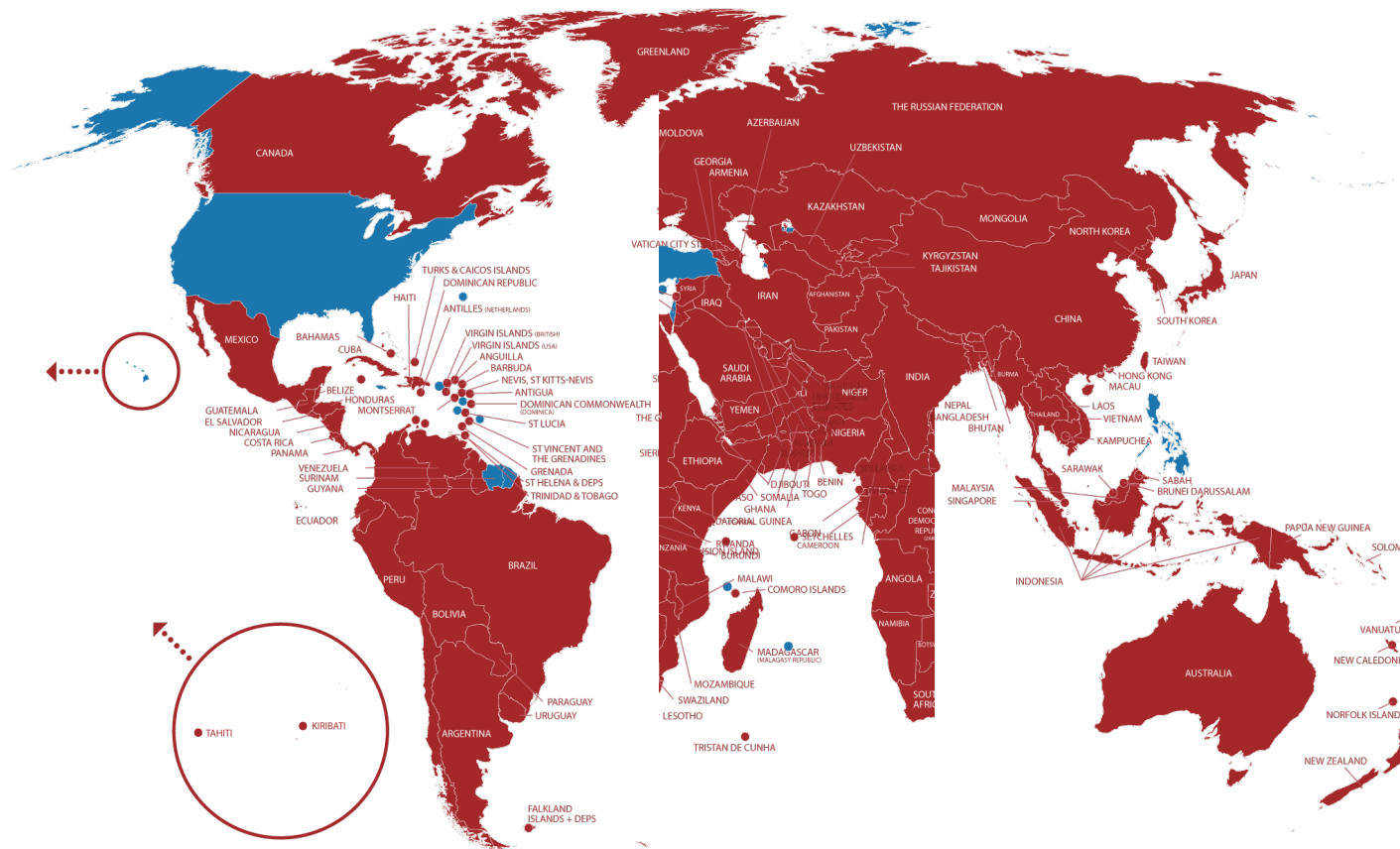
More than 90% of 'frozen' pensioners live in Commonwealth countries, mainly Australia, Canada, South Africa and New Zealand. The remaining 10% live in Pakistan, Bangladesh, many Caribbean islands and all African countries.

This is not a consistent policy however. Due to historic bilateral agreements, pensioners living in many countries do get an uprated pension in the UK do. The countries where the pension is increased are the USA, all EU countries, Barbados, Bermuda, Israel, Jamaica, the Philippines.

Campaigners for reform argue that given all overseas pensioners have made National Insurance Contributions during their working lives, all should receive their full and uprated pension according to this contribution, regardless of where they live.

Reform would bring the UK in line with international norms. Most developed countries do now pay their State Pension equivalent to the UK.

Countries which the Government currently excludes from annual uprating adjustments are red on the map.



Why Does this Situation Exist?

The uprating of state pensions has always been determined by the government of the day. When the "Social Security Benefit Uprating Order" was 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 do so. 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 more than thirty. This has created the anomalous situation that exists today, by which half overseas pensioners do not get their annual adjustments.

Since 1981, with the exception of countries joining the European Union (with whom the UK has a general social security agreement), the UK government has refused to negotiate any further social bilateral agreements, including with countries who have explicitly asked for one (e.g. Australia, Canada, Columbia, Mongolia, Thailand, Uruguay and Brazil). 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.

The Case for Change:

There is no dispute about the entitlement to receive state pensions overseas. All British pensioners who have made the required contributions during their working life are eligible. The issue at stake is whether pension provision 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 Pension have made contributions, and although historically the level of pension varied according to the level of contributions made, it is not possible 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 pensions for some and freezing the pensions of others. This for example leaves Canada with a frozen pension, but another in the USA with a full pension.

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

The financial and social impact on those affected

causing pensioner poverty, loss of independence, loss of family 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

likely to be actively considering emigration in retirement. wages paid in many of the occupations these immigrants find. their subsequent reliance on state pension income, there frozen pension policy disproportionately limits their choices impact is discriminatory.

It would make financial sense

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

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

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 £80 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

than the pensioners affected

The government has claimed that currently frozen pension cases compensated through means tested benefits in the residence, and that unfreezing would therefore simply represent making savings for foreign governments at the expense of the state taxpayer.

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

Lack of political priority

Successive governments have long perceived overseas pensioners as "out of sight, out of mind" and therefore simply not a priority for government spending. Although many currently frozen pensioners are eligible voters overseas have historically found it difficult to cast their votes hard to influence.

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

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. She 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-increasing poverty, I feel a sense

Abhik Bonnerjee



Abhik Bonnerjee, now 73, moved from Kolkata, India to Glasgow, Scotland in 1973. He worked in the UK for 38 years, in shipbuilding, steel manufacturing and the food industry. He owned an Indian restaurant for 6 years. Abhik returned to India in 1997 and reached the state pension in 2008 when it was paid at £87.30 a week. Having made all his contributions, if Abhik still in the UK today he would get £115 a week. The decline in his real terms income has left Abhik concerned about his future. He now feels he may have to move back to the UK.

"The situation makes me very, very angry. The government is scaremongering... [The Minister] says it will cost a lot of money to pay for 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 doing more."

that the government can just stop uprating it because I want my family"



Rita Young, 78, lives in Peterborough in the UK. She retired in 2002, aged 65, 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 pension.

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

Geoff Amatt



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

Geoff's daughter Jean emigrated to Calgary, Canada more than 50 years ago. 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 granddaughters and great grandchildren throughout his retirement. He has lived in the UK dependent on the state for care, since his wife died seven years ago.

"Frozen pensions are unbelievably unfair. Canadians get their pensions uprated because they live in the UK yet we don't offer the same for those who have spent their lives in the UK. The government is keeping families apart and I want to see it change for the benefit of British citizens."

immediately, impacting the worst affected most in terms of dignity and life choices.

- It would remove remaining barriers to emigration in

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.

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 £30.8 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 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.



Due to a quirk of history, half the elderly living overseas receive annual uprating as those living in the UK do, the other half in my view this is an unjust situation for people, who have made the required contributions during their working lives, with a dire result throughout their retirement.

The All-Party Parliamentary Group has made progress in working with the Government on a sustainable and affordable solution and I believe that there is a real opportunity to secure historical justice in the coming months and years ahead.

Sir Roger Gale MBE
Chair of the APPG on Frozen Pensions



What makes this policy so outrageous is that it is applied consistently. Move to anywhere like the US for example, and your pension is uprated as it would be had you stayed in the UK. Move to Pakistan, India or Bangladesh and your pension is frozen.

This is an issue of fairness and I can only hope common sense prevails and that the Government overturns this ridiculous policy once and for all.

Yasmin Qureshi
Vice-Chair of the APPG on Frozen Pensions



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.

"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**

We just have to break the institutional conservatism to get this idea looked at properly. We must, and we will, continue to push for change on what is a matter of social justice. It is simply unacceptable to sit back and watch as our own pensioners, wherever they may live, slip further into life of hardship.

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)**



Ian Blackford MP (Scottish Labour)
Vice-Chair of the APPG on Frozen British Pensions

"Britain is the only country that does not treat pensioners equally. That is not right. We should be treated so badly by the country we live in."

Williams - Mississauga, Canada

"How ironic it would be if, in order to stay alive, I had to return to my home country."

Sam - Sydney, Australia



When I hold a surgery, perhaps half of the constituents who attend are first or second generation immigrants who have come here to work, to build a life in this country and they have made their contribution to our economy in doing so. If they ask me why they would lose their right to a pension if they retire, what am I to say? Sorry, please consider Puerto Rico?

"If we have to continue living with zero increase in our pensions, we will eventually have no option but to return to England."

Jeanne Lawrence - South Africa

Many people from black and Asian communities around the country, who have lived and worked in the UK for decades, are choosing to retire to their countries of birth in Caribbean, Africa or South Asia. Yet frozen pensions are a real barrier for many.

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



Keith Vaz MP (Labour)

Australia

"I think what aggravates me most, is that I was informed at the time of emigrating that my pensionable age it would remain frozen."

“I paid Tax and NHI for 44 years – how much money must I have paid in to the UK Exchequer and what we have saved the UK by leaving.” **Ian Lewthwaite –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**

“Just imagine the quality of life Doris and I could have had with that extra £40,000! What hurts the most is knowing it was rightfully ours – we paid for it over many decades.” **Geoff Dancer - Ottawa, Canada**



“Now in my advanced frail and weak old age nobody I 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**



Afghanistan	Chile	Japan	Panama
Albania	China	Jordan	Papua New Guinea
Algeria	Colombia	Kazakhstan	Paraguay
Andorra	Congo, Democratic Republic	Kenya	Peru
Anguilla	Cook Islands	Kiribati	Qatar
Antigua	Costa Rica	Kuwait	Rwanda
Argentina	Cuba	Kyrgyzstan	San Marino
Armenia	Djibouti	Laos	Sarawak
Ascension Island	Dominican Commonwealth	Lebanon	Saudi Arabia
Australia	Commonwealth	Lesotho	Senegal
Azerbaijan	Dominican Republic	Liberia	Seychelles
Bahrain	Ecuador	Libya	Sharjah
Bangladesh	Egypt	Macau	Sierra Leone
Barbuda	El Salvador	Madagascar	Singapore
Belarus	Ethiopia	Malawi	Solomon Islands
Belize	Falkland Islands	Malaysia	Somalia
Benin	Faroe Islands	Maldives	South Africa
Bhutan	Fiji	Mexico	South Korea
Bolivia	Georgia	Moldovia	Sri Lanka
Botswana	Ghana	Monaco	St Helena & Deps
Brazil	Greenland	Montserrat	St Kitts and Nevis
Brunei	Grenada	Morocco	St Lucia
Darussalam	Guatemala	Mozambique	St Martins
Burkina Faso	Guinea	Namibia	St Vincent and the Grenadines
Burma	Guyana	Nepal	Surinam
Cambodia	Haiti	New Caledonia	Swaziland
Cameroon	Honduras	New Zealand	Syria
Canada	Hong Kong	Nicaragua	Sudan
Cape Verde Islands	India	Niger	Tahiti
Cayman Islands	Indonesia	Nigeria	
Central African Republic	Iran	Norfolk Island	
		Oman	

550,000 British pensioners currently living overseas affected by the government's frozen pension policy. For annual inflationary uprating adjustments received pensioners, their pension rate is frozen at the level for the rest of their life abroad. In real terms this means pension decreases in value year-on-year, leaving many without the independence they rightly expected in their

In this pamphlet, two of the more prominent campaigners who have worked for reform on this issue for many years, the International Consortium of British Pensioners and the British Pensioners Convention, outline the impact of the current policy, explain the case for reform and examine the way moving forward.

