

RETIRED TEACHERS' ASSOCIATION NORTHERN IRELAND

www.rtani.co.uk

Hon. Secretary: Brendan McGlone. 109 Stockman's Lane. Belfast BT9-7JE.

e-mail: info@rtani.co.uk

PENSIONS UPDATE, FEBRUARY 2013

Triple Lock

Supporting pensioners has been a key Government priority since coming to office: enshrined in the coalition agreement is the commitment to protect the basic State Pension by the triple lock – increasing its value by the highest of price inflation, earnings growth or 2.5%. In September 2012, the reference point for considering the level of the 2013/14 benefits, both price inflation and earnings growth were below 2.5% for the first time since the triple lock was introduced.

From April 2013, the triple lock guaranteed minimum will therefore be engaged and the basic State Pension will be increased by 2.5%. As a result the basic State Pension will represent a higher share of average earnings than at any time since 1992.

The occupational pensions of retired teachers, though, will rise by 2.2% from April 2013, in line with the Consumer Price Index.

In a period of fiscal restraint, the Government has also protected key additional support for pensioners such as free bus passes, free prescriptions and Winter Fuel Payments. It has also taken action to address some of the most pressing issues facing the pensions system, including: bringing forward increases in State Pension age to ensure the system remains sustainable; and removing the default retirement age of 65 to ensure that older workers are able to continue to work where they wish to do so.

Single-Tier Pension

The Department for Work and Pensions has published the long-awaited White Paper on the single-tier pension, entitled "*A Formula for Saving*". The major issue for pensioners is that those of us who are already retired would remain on the current system rather than receive the single-tier pension. Depending on the individual's income from state pensions, this could work in their favour.

It does mean, however, that there will be a long tail of pensioners potentially subject to means-testing well into the middle of this century. The PSPC (Public Service Pensioners' Council with whom we are affiliated) believes that the reforms should not go ahead in their current form.

If the reforms proceed as planned, retired teachers, as current pensioners, will remain on the existing system and it will be almost impossible to secure future improvements for this group. The main proposals of the White Paper on single-tier pensions are:

- The plans would recast the current system into a single flat-rate amount which would subsume the additional pension. Implementation date is April 2017 at the earliest.
- The single-tier pension would be set at £144 a week in today's prices. It would be indexed in line with the 'triple lock' that currently applies to the basic state pension.

- The single-tier pension will also help to address gender inequality in the system, bringing forward by over a decade the point at which men and women achieve equal state pension outcomes.

Age-Related Personal Tax Allowance

The Government announced plans in 2012 to phase out the Age-Related Personal Tax Allowance and instead have a single personal tax allowance regardless of age.

From April 2013, existing age-related tax allowances will be frozen at their 2012 – 2013 levels:

- £10,500 for those born between 6th April 1938 and 5th April 1948
- £10,660 for those born before 6th April 1938

until the personal tax allowance for those under 65 years of age catches up. The personal allowance for the under-65s will be £9,205 in 2013 – 2014. The income limit at which age-related allowances begin to be clawed back will rise to £25,400 this year and will, presumably remain at this level. Indeed, from April 2013, age-related allowances will no longer be available to people who turn 65 after 6th April 1948.

The Government has given as its motivation the desire to simplify the tax system and reduce the number of pensioners in self-assessment. The measure will also save the Government a great deal of money; £360 million in 2013 – 2014, rising to £1.25 billion a year by 2016 – 2017.

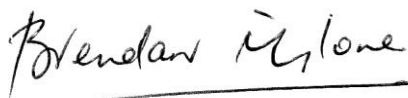
RTA, through its campaigning work with the Public Service Pensioners' Council, has always supported the age-related personal tax allowance as a measure that recognises the extra costs that pensioners face and it is deeply regretted that the Government sees fit to fund some of its other measures by targeting pensioners. This allowance was originally introduced by Sir Winston Churchill in recognition of the additional everyday costs faced by older people.

PSPC is contesting the Government's decision to freeze the Age-Related Personal Tax-Allowance. In fact, in the 2011 Budget Statement, the Government assured us that the Age-Related Personal Tax-Allowance would be increased in line with the Retail Price Index for the rest of this Parliament.

Members of the Retired Teachers' Association will be aware that an e-petition was launched last March to oppose the phasing out of the age allowance and to seek a debate in Parliament on the topic. E-petitions only have a life of one year, so the 100,000 signatures must be reached by 22 March or the petition will lapse. The number of signatures currently stands at just over 73,000. A final push may just get us to 100,000. I would urge members of the Retired Teachers' Association to go on-line and to sign this e-petition.

The e-petition can be found at <http://epetitions.direct.gov.uk/petitions/31778>

Pensioner incomes today are at an historic high, having grown faster than average earnings over the longer term. The percentage of pensioners in relative poverty was close to an historic low in 2010/2011 (at 14% after housing costs) with pensioners less likely to be in relative poverty than the population as a whole. Pensioner incomes, however, represent a very complex aggregation of state and private payments, making it difficult for anyone to predict what income they will receive in retirement.


Brendan Malone