

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, JANUARY 2014

Campaigns Update

The Pensions Bill received its second reading in the House of Commons on 17th June and was scrutinised in a Public Bill Committee which reported to the House of Commons on 11th July. The Pensions Bill having now passed its Commons stages has already had its Second Reading in the House of Lords.

The major provisions of the Bill are still intact, including the single-tier pension which means in practice that a two-tier pension system could emerge. The Bill means that existing pensioners and those who reach State Pension age before 6 April 2016 will have a pension less than the full single tier pension amount and so would remain on a much lower pension indefinitely.

The PSPC is operating jointly with Age UK, Civil Service Pensioners' Alliance, National Federation of Occupational Pensioners, National Pensioners' Convention and the Occupational Pensioners' Alliance.

Letters¹ have been sent to Lord Freud for the Government and Baroness Sherlock for the Opposition outlining our joint key concerns which are as follows:

- Protection for current and future pensions by including the triple lock guarantee in the Bill. For current pensioners both the basic and additional pensions need to be linked to the triple lock to prevent any gaps between entitlements growing.
- Ensuring that the Bill contains specific commitments to the introduction of a single tier Pension that is set at a level significantly above the means test.
- Clarifying the position around passported benefits, including Housing Benefit and Council Tax support, and ensuring that people do not lose vital additional help due to the introduction of the single tier pension.
- Introducing a 15-year transitional period for the derived benefits of those relying on a partner's contributions including widows and widowers.

As previously stated, single-tier pension does not meet the wider goals of the Public Service Pensioners' Council (PSPC) as it will be set well below the poverty threshold. Furthermore, the exclusion of existing pensioners means current pensioners would be left on a residual system and there would be little hope of future improvements.

The PSPC is planning a lobbying campaign with other pensioner organisations including RTANI for the remainder of the Bill's parliamentary passage. As things stand, the Government plans to have the Pensions Bill on the statute book by Spring 2014.

Indexation

The September CPI figure which determines public service pay increases will provide a pension increase of 2.7% payable from April 2014, compared with 3.2% had it been based on the RPI.

In the meantime, colleagues will recall that the existing RPI and CPI measures have been supplemented by two new indices – RPIJ and CPIH.

The PSPC has carried out some 'back-testing' of the four inflation indices based on the September figures in the relevant years:

	RPI	RPIJ	CPI	CPIH
2006	3.6	3.2	2.4	2.4
2007	3.9	3.5	1.8	1.7
2008	5.0	4.6	5.2	4.8
2009	-1.4	-1.9	1.1	1
2010	4.6	4.0	3.1	2.7
2011	5.6	4.9	5.2	4.7
2012	2.6	2.0	2.2	2.1
Average	3.4	2.9	3.0	2.8

¹ Copies of these letters are available from the <downloads> page of our website www.rtani.co.uk.

This confirms that RPI increases continue to be higher than those under the other indices and would give higher increases for index-linked benefits.

CPIH offers little prospect of producing higher increases than CPI as the owner-occupier costs component has been running well behind general CPI over recent years. RPIJ may in practice offer slightly higher increases than CPI (assuming no further methodological changes) as the slightly lower average is due to the negative 2009 result. In reality, pensioners received a freeze that year. Applying a zero result for 2009 brings the RPIJ average up to 3.2 per cent.

AGE-RELATED PERSONAL TAX-ALLOWANCES

What's the issue?

The Government is phasing out the age-related personal tax allowance for pensioners and has stopped new over-65s from having access to age-related tax allowances. This will cut incomes for pensioners with modest occupational pensions.

Why is the Government doing this?

The reason given in the 2012 Budget was that a single tax allowance would simplify the tax system and stop so many pensioners having to fill out tax returns. The real reason is that it will save money - £360m in 2013-14, rising to £1.25bn a year by 2016-17.

What exactly is happening?

Since April 2013 existing age-related allowances have been frozen at their 2012-13 levels (£10,500 for those born between 6 April 1938 and 5 April 1948, and £10,660 for those born before 6 April 1938) until the personal allowance for the under-65s catches up. The personal allowance for under-65s will be £9,440 in 2014 and £10,000 in 2015.

Government policy over the past few years has narrowed the gap between the basic tax allowance and the age-related allowances available to older people.

Table: Personal allowances 2011-2012 to 2013-2014

	Under 65	65-74	75 or over
2011-2012	£7,475	£9,940	£10,090
2012-2013	£8,105	£10,500	£10,660
	Born after 5 April 1948	Born between 6 April 1938 and 5 April 1948	Born before 6 April 1938
2013-2014	£9,440	£10,550	£10,660

Why should age-related allowances be kept?

The age-related tax allowance does not exist to feather-bed pensioners. It is a recognition that that as they get older, pensioners have to buy in services in areas such as home maintenance, the cost of which will tend to rise in line with wages. Age-related allowances have been part of the UK tax system since their introduction by Winston Churchill in 1925.

What is the impact on pensioners?

Most private pensions are linked to inflation. If tax allowances are frozen then pensioners' income will be cut in real terms as more of their income will be subject to tax.

What about high-earning pensioners?

High-earners don't get the age-related personal allowance. Age-related allowances reduce where the income is above an income limit (£25,400 in 2013-2014) by £1 for every £2 of income above the limit. This applies until the level of the personal allowance for those born after 5 April 1948 is reached.

What do we want?

The PSpC and RTANI want age-related personal allowances to be kept – and for the differential to be restored to at least that which existed in 2011-2012.

UNIVERSAL PENSIONER BENEFITS

The NPC has organised an e-petition calling for the retention of universal pensioner benefits. If the e-petition reaches 100,000 signatures then it should, almost certainly, lead to a debate in Parliament on this subject. It is important to remind politicians of all parties of the strength of feeling on this topic before they draw up their manifestos for the next General Election, not afterwards. The e-petition can be found at <http://epetitions.direct.gov.uk/petitions/49599> and currently has 40,000 signatures. I would urge and encourage RTANI members to sign.

Please note that the Annual Lunch (to include a very brief AGM) will take place on Wednesday, 15th October 2014 at the Glenavon House Hotel, Cookstown. Complimentary tea/coffee & scones will be available from 10am. This year, our special guest will be Brian Sturtevant, Chairman, Public Services Pensioners' Council, London who will address the meeting on current pension-issues and campaigns. He will also welcome any questions from the floor. Lunch, at only £14.50 will be served at 1.00pm. The *Ulster Tatler*, as well as local and national press, will be there. As usual, full booking details will be included in the Annual Report posted out to all members mid-September. This lunch promises to be particularly popular so please make sure you book for it in good time.