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## General Election Pensions Briefing

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## Introduction

The main political parties each have very different proposals for reform of the pension system.

This Briefing Paper is intended to put the facts on each set of pension proposals into the public arena in a convenient form.

Chapter 1 of this Briefing Paper summarises the main proposals put forward by the Liberal Democrats and the Conservatives, alongside current government plans.

Chapter 2 examines the potential impact of the reform proposals on the income of today's older people, using examples to highlight who stands to gain most, and who stands to lose, under each option.

Chapter 3 considers the wider impact of the proposals.

All of the parties have put forward proposals to help reduce the cost of the Council Tax for pensioners in England. Chapter 4 compares the different approaches.

## Key points

Pensions need to change as we all live longer. The PPI and many other organisations have suggested the priority should be reform of the state pension system. The key pension proposals from the three main political parties all focus on state pensions:

- The Conservatives make small changes to the current system.
- The Liberal Democrats make a major change to the state pension system for the over-75s, aspiring to cover all pensioners longer-term.
- The Government is making no new proposals for this election, but have announced a national debate on pension reform that could eventually make long-term changes to the state pension system.

There is a consensus among pension organisations that there should be a better state pension to improve the incomes of today's pensioners and reduce the means-testing barrier to saving for tomorrow's pensioners.

- Under a continuation of current policy, the number of means-tested pensioners will **increase over the next 5 years by 650,000**, from 2.7m today.
- Under the Conservative proposals, the number of means-tested pensioners will, over the same period, **increase by 400,000**. The Conservative proposal to increase the Basic State Pension in line with earnings takes people off means-testing only if the Pension Credit grows more slowly. But Pension Credit will still be increased by earnings in a Conservative first term. If it is then indexed to prices, as the Conservative intention appears to be, then the fewer pensioners left on Pension Credit will become relatively poorer.
- Under the Liberal Democrat proposals, the number of means-tested pensioners will, over the same period, **decrease by 1.2 million**.

Under a continuation of current policy, the state spend on pensioners will be around £80bn a year for the next Parliament. A better state pension will cost more.

- The Conservative proposal would increase this spending on state pensions by around £1bn a year, financed by scrapping some New Deal programmes.
- The Liberal Democrat proposal would increase spending by around £3bn a year, financed by a package of savings in non-pension areas.

None of the parties propose compulsory occupational or private pension savings. All suggest automatic enrolment to occupational schemes.

Other suggested changes to private pension saving are fairly minor:

- The Conservatives propose increasing the amount spent on tax incentives for pensions by around 10%.
- The Liberal Democrats focus on improving trust in pension saving, with a kitemark for good occupational schemes and new pensions sold by National Savings.

## Chapter 1: The pension policy proposals of the main parties

This chapter sets out the main pensions policy proposals put forward by the main political parties in recent Party Manifestos and related documents. While the Conservative and Liberal Democrat parties have made firm policy proposals to reform state pensions, the Government has recently started a national debate on pension reform to inform future policy development. Where the Government has not yet made policy proposals, this paper assumes that current pension policy continues.

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Basic State Pension</b>	<p>Retain the Basic State Pension at its current level (£82.05 a week), and increase each year in line with price inflation.</p> <p>Consider <i>whether a residence-based (as opposed to contribution-based) eligibility for the Basic State Pension would provide a cost-effective way of improving entitlements</i><sup>1</sup>.</p>	<p>Basic State Pension at its current level (£82.05 a week), and increase each year in line with average earnings (faster than prices<sup>2</sup>) until 2008.</p> <p>Ensure that anyone who has paid National Insurance contributions will be entitled to some Basic State Pension<sup>3</sup>.</p> <p>Increase the number of carers receiving credits for the Basic State Pension by using weekly rather than annual credits.</p>	<p>For those aged under 75, retain the Basic State Pension at its current level (£82.05 a week), and increase each year in line with price inflation. For those aged 75 and older, replace the Basic State Pension with a Citizen’s Pension at £109.45 a week, increased each year in line with average earnings (faster than prices).</p> <p>Over time extend the Citizen’s Pension until all people over state pension age receive it.</p> <p>Allow married women to repay missed National Insurance Contributions.</p>

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>State Second Pension</b>	<p>Retain in its current form and continue to allow contracting-out.</p> <p>These issues will be examined as part of the national debate on pension reform<sup>4</sup>.</p>	<p>Retain in its current form and continue to allow contracting-out.</p> <p>In the longer term consider <i>consolidating the State Second Pension into a higher Basic State Pension</i><sup>5</sup> and consult on replacing contracting-out with a new private pension incentive<sup>6</sup>.</p>	<p>Retain in its current form and continue to allow contracting-out.</p> <p>Once the Citizen's Pension is payable to all those over state pension age the State Second Pension (and contracting-out) would be abolished<sup>7</sup>.</p>
<b>Pension Credit</b>	<p>Earnings-index the Pension Credit Guarantee (£109.45 a week for a single pensioner) until 2008.</p> <p>Long-term cost estimates and policy documents suggest a commitment to further earnings indexation in future.</p>	<p>The initial policy proposal indexed Pension Credit to prices (slower than earnings) but more recent announcements have confirmed that Pension Credit would remain earnings-indexed until 2008. The indication from policy documents<sup>8</sup> is that after 2008 Pension Credit would be indexed to prices.</p>	<p>Retained for the under 75s, but gradually phased out as the Citizen's Pension is extended to lower ages.</p>
<b>Other pension benefits</b>	<p>Annual winter fuel payments of £300 for households with one person aged 80 or older, £250 for households with one person aged 75 or older and £200 for households with one person aged 60 or older<sup>9</sup>. Free TV licenses for households with someone aged 75 or older.</p>	<p>Continue with winter fuel payments and free TV licenses.</p>	<p>Continue with free TV licenses and allow winter fuel payments to be taken as a voucher redeemable against energy saving materials.</p>

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Private pensions and incentives</b>	<p>Encourage automatic enrolment to occupational pension schemes</p> <p>Continue with current tax incentives.</p> <p>Rolling out the Informed Choice programme. Plans to launch a web-based retirement planner by April 2006.</p>	<p>Encourage automatic enrolment to occupational pension schemes.</p> <p>Reduce pensions regulation.</p> <p>Continue with current tax incentives.</p> <p>Introduce additional tax relief for basic-rate taxpayers of £10 for every £100 saved in a funded pension.</p> <p>Remove the requirement to buy an annuity at age 75<sup>10</sup>.</p>	<p>Adopt automatic enrolment to occupational pension schemes, and allow employers to make scheme membership a condition of employment.</p> <p>Continue with current tax incentives.</p> <p>Establish a kitemark for occupational pension schemes.</p> <p>Offer <i>simple, safe and affordable</i><sup>11</sup> pensions run by National Savings.</p> <p>Remove the requirement to buy an annuity at age 75<sup>12</sup>.</p>
<b>Council Tax</b>	<p>One-off £200 payment announced in Budget 2005 for households with at least one adult aged 65 or older.</p>	<p>Automatic 50% discount on council tax bills, worth up to £500 a year for households where all adults are 65 or older. This would be implemented on top of the £200 one-off payment promised by the government.</p>	<p>Council tax replaced by a local income tax.</p>
<b>Long-term care</b>	<p>Piloting of an 'individual budget' of up to £10,000 a year<sup>13</sup> to allow people to choose when and where they receive care.</p>	<p>Meet all long-term care costs after a person has been in care for 3 years, and cap residential care costs.</p>	<p>Free personal care in residential homes across the UK (to match the situation in Scotland).</p>

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Other proposals</b>	<p>Free off-peak local bus travel.</p> <p>Abolish mandatory retirement ages under age 65 and give people the right to request work beyond age 65 (to be reviewed in 5 years time).</p> <p>Abolish age limit on student loans.</p> <p>Abolition of hospital fees for pensioners.</p>	<p>Would consider gradually extending abolition of mandatory retirement ages from below age 65 to below age 70, though no firm commitment<sup>14</sup>.</p>	<p>Free off-peak local bus travel.</p> <p>Scrap all mandatory retirement ages.</p> <p>Abolish age limit on student loans.</p>

## Chapter 2: The impact on today’s older people

This chapter examines the potential impact of the reform proposals on the income of today’s older people, using three examples of typical people of state pension age (Box 1). For simplicity, the examples are all single pensioners. Using examples of pensioner couples would give similar results.

### **Box 1<sup>5</sup>: Summary of the examples used in this chapter**

- **Annie** is 60. She represents a typical newly retired single female pensioner. She receives considerably less than the full Basic State Pension and little SERPS/S2P. Her private pension is less than half that of the typical man. She is entitled to Pension Credit Guarantee from age 60, and Savings Credit as soon as she reaches age 65.
- **Bill** is 65. He represents a typical newly retired single male pensioner. He receives slightly less than the full Basic State Pension and a small amount of SERPS/S2P on top. On top of this he receives a reasonable sum from occupational and private pensions.
- **Colin** is 65. He represents someone in the 20% of single pensioners with the highest incomes. He has a full BSP, high SERPS and a significant private pension income.

£ per week	BSP	SERPS/ S2P	Private Pension	Total
<b>Annie</b>	59	12	24	95
<b>Bill</b>	80	25	54	159
<b>Colin</b>	82	72	159	313

Different individuals, and different age groups, gain from the different policies:

- From age 75, the Liberal Democrat party proposals would be much more generous than those of the other parties.
- Women would typically be worse off under the Conservative party proposals, although a woman who currently does not claim Pension Credit would be better off.
- The Conservative party proposals and current government policy would typically give similar incomes to men.
- The Conservative party proposals would be better below age 75 for high earners.

**From age 75, the Liberal Democrat party proposals would be much more generous than those of the other parties**

At age 75, the Liberal Democrat proposal would give Annie a significant increase in her pension income (Chart 1). The automatic payment of a Citizen's Pension that is at the current Pension Credit Guarantee level and indexed in line with earnings would provide a higher income later in life.

**Chart 1<sup>16</sup>**



**Women would typically be worse off under the Conservative party proposals**

The Conservative policy would give Annie a lower income than current Government policy would (Chart 1). This is because she would receive less Pension Credit. Pension Credit is important for women as they typically have less state pension. The indication from Conservative policy documents is that after 2008 Pension Credit would be indexed to prices and so not rise as quickly as it would if it was indexed to earnings.

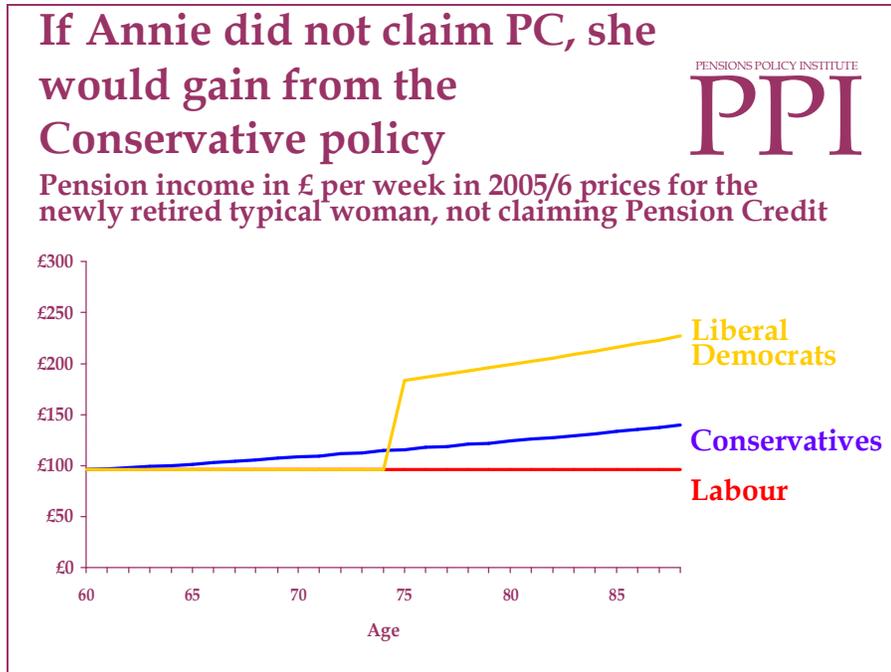
If, instead, the Conservatives continued to earnings-index Pension Credit after 2008, income under the Conservative proposal would be much closer to the income under the policies of the other parties. However, the Conservative proposal would give Annie a lower Savings Credit (Chart 2). Pension Credit is made up of two elements: the Guarantee Credit and the Savings Credit. By earnings-indexing both the Basic State Pension and the Guarantee Credit, Savings Credit is automatically reduced<sup>17</sup>.

Chart 2<sup>18</sup>



However, if Annie did not claim her Pension Credit entitlement, she would be better off under the Conservative proposal than under the current system (Chart 3). This is because she would receive a higher Basic State Pension from the Conservative policy. She would be less affected by whether she takes-up her Pension Credit entitlement under the Liberal Democrat's policy because she would be taken above the Pension Credit level from age 75 by the Citizen's Pension.

Chart 3<sup>19</sup>



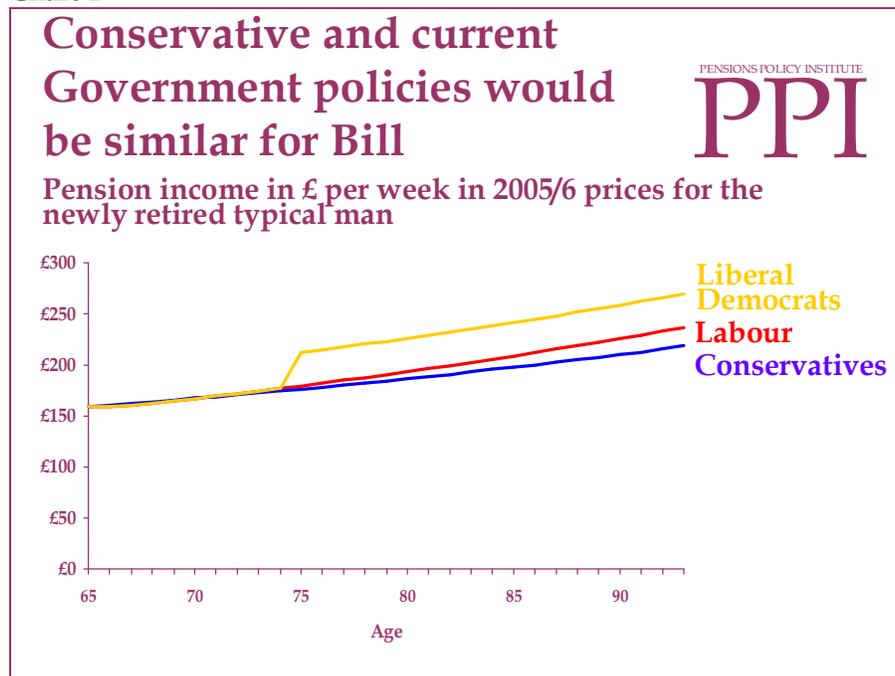
It is most likely that Annie would be claiming Pension Credit. Currently around 10% (150,000) of single women with income less than the Pension Credit Guarantee level (£109.45 a week) do not claim their entitlement; 90% do claim<sup>20</sup>.

**The Conservative party proposals and current government policy would typically give similar incomes to men**

Bill would gain initially from the Conservative policy, as he has a reasonable Basic State Pension and would not be entitled to the Pension Credit. However as he approached age 75 he would become entitled to the earnings-indexed Pension Credit under current government policy. He would then receive a higher income than under the Conservative proposals with a price-indexed Pension Credit.

He would benefit still further from the Liberal Democrat policy when reaching age 75 (Chart 4).

**Chart 4<sup>21</sup>**

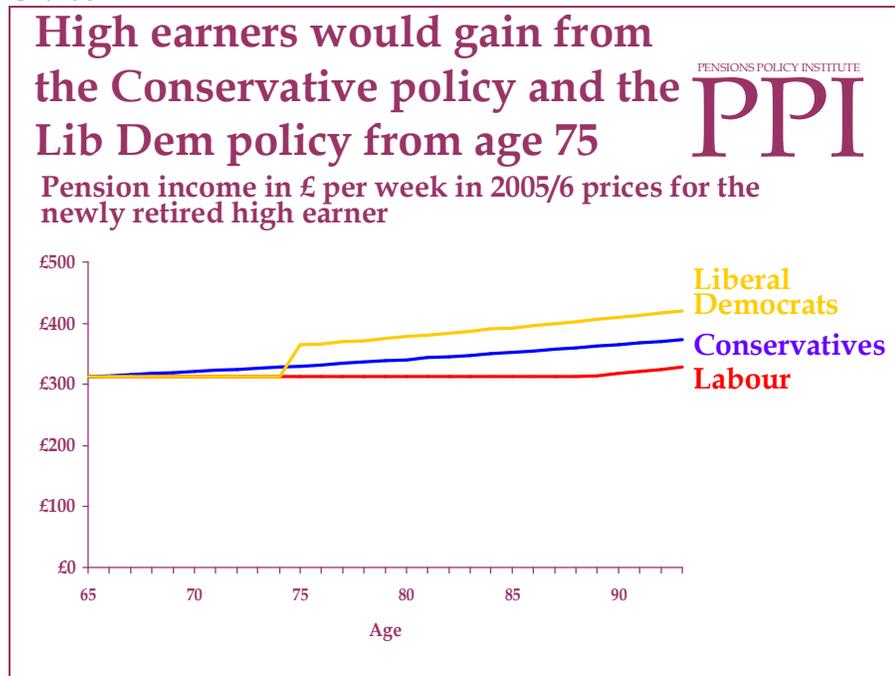


**The Conservative party proposals would be better below age 75 for high earners**

Colin would gain from the Conservative proposal before age 75, as he has a high Basic State Pension and a total income above the Pension Credit level.

He would benefit still further from the Liberal Democrat policy when reaching age 75 (Chart 5).

**Chart 5<sup>22</sup>**



### Chapter 3: An assessment of the proposals

This chapter gives a brief assessment of the alternative policy proposals put forward by the different parties against a range of different criteria relevant to pensions policy.

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Pensioner poverty and means-testing</b>	<p>The basic minimum amount that no pensioner should have income below (the Pension Credit Guarantee, £109.45 a week) will continue to be means-tested.</p> <p>2.7 million households received Pension Credit in 2004<sup>23</sup>. This is expected to rise by 0.65 million to 3.35 million households by 2009/10<sup>24</sup>.</p> <p>Imperfect take-up means that around 25% of all households entitled to Pension Credit (1 million) are currently not claiming<sup>25</sup>.</p> <p>By 2025, up to 64% of all people over age 65 could be entitled to PC<sup>26</sup>, compared to just under 50% today.</p>	<p>The Conservative proposals would not immediately reduce the number of Pension Credit claimants, but fewer people would become entitled to Pension Credit in future.</p> <p>Around 3.1 million households would receive Pension Credit in 2009/10. This is an extra 0.4 million compared to today's figure, but 0.25 million less than in 2009/10 under current Government policy<sup>27</sup>.</p> <p>Problems with imperfect take-up would remain.</p> <p>If Pension Credit is price-indexed after 2008, around 15% of pensioners would be entitled to Pension Credit by 2025<sup>28</sup>. But they, and the 2.1 million households<sup>29</sup> currently receiving Pension Credit Guarantee would have lower incomes after 2008.</p>	<p>Pension Credit would effectively be abolished for those over 75. This would immediately reduce the number of people on Pension Credit by 1 million<sup>30</sup>.</p> <p>Around 1.5 million households would receive Pension Credit in 2009/10. This is 1.2 million less than today's figure, and 1.85 million less than in 2009/10 under current Government policy<sup>31</sup>.</p> <p>Problems with imperfect take-up would remain for the under 75s. Everyone over 75 would be raised to or above the poverty level.</p> <p>If the Citizen's Pension were extended down to state pension age, there would be only a residual entitlement to Pension Credit of less than 10% of people aged 65 or older<sup>32</sup>.</p>

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Costs</b>	<p>The amount spent on benefits for pensioners is expected to increase from £74 billion today to £85 billion by 2009/10<sup>33</sup>.</p> <p>No significant increase in spending is planned in the longer term, despite a 50% increase in the number of people over state pension age in the next 40 years.</p> <p>But the future cost is uncertain because of the increasing importance of the Pension Credit. Higher take-up or no increase in voluntary saving would increase the cost of the Pension Credit; in the 'worst case' scenario doubling it.</p> <p>The national debate on pension reform<sup>34</sup> may well result in a different state pension, with higher future costs than current policy.</p>	<p>The amount spent on benefits for pensioners would be expected to increase to £86.5 billion by 2009/10<sup>35</sup>.</p> <p>Earnings-indexation of the Basic State Pension would increase spending on pensions each year, by around £0.3 billion in 2006/7 rising to around £1.5 billion by 2009/10<sup>36</sup>. The recent commitment to continue earnings-indexation of Pension Credit until 2008 would increase this annual cost<sup>37</sup>.</p> <p>Over one Parliament this would be paid for by abolition of the New Deals for Young People, the Over 25s and Lone Parents and reform of Lone Parent benefits, saving £0.7 billion in 2006/7, rising to £1bn in 2009/10<sup>38</sup>.</p> <p>The long-term costs would be higher than the current system, but would be more certain if Pension Credit were price-indexed. If Pension Credit remained earnings-indexed, costs would be higher still and more uncertain.</p> <p>Ensuring that anyone who has paid National Insurance contributions will be entitled to some Basic State Pension could cost up to £93 million a year<sup>39</sup>.</p> <p>Long-term care costs are uncertain.</p>	<p>The amount spent on benefits for pensioners would be expected to increase to £88.5 billion by 2009/10<sup>40</sup>.</p> <p>The Citizen's Pension for the over 75s would have an annual additional cost of £2.7 billion in 2006/7 increasing to £3.5 billion by 2009/10.</p> <p>This (and other policy proposals) would be paid for by a package of reforms that will include abolition of the DTI, ODPM, the Child Trust Fund and the Identity Cards scheme<sup>41</sup>.</p> <p>The long-term costs would continue to increase each year, depending on how and when the Citizen's Pension is extended to people over state pension age. Once extended, the future cost would be more certain as means-testing would be reduced significantly.</p> <p>Long term care proposals would cost between £1.5 billion and £2 billion a year. This is one of three policy proposals that would be met by a 50% income tax on incomes over £100,000 a year<sup>42</sup>.</p>

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Fair for women and carers</b>	<p>The pension system will continue to disadvantage women, with increasing numbers relying on Pension Credit in old age.</p> <p>Women and carers will continue to receive lower pensions from Basic State Pension and State Second Pension as they are less likely to have made contributions.</p> <p>The situation for women would be improved if the Basic State Pension became residency-based rather than contributory-based.</p>	<p>If the Pension Credit is price-linked after 2008, 1.5 million women currently receiving Pension Credit Guarantee<sup>43</sup> would be worse off than under the current system.</p> <p>Proposals to extend future credits for the Basic State pension would help future pensioners, but would still leave some women with a less than full Basic State Pension. The proposals would not help women already over state pension age.</p> <p>Ensuring that anyone who has paid National Insurance contributions will be entitled to some Basic State Pension would benefit up to 100,000 women<sup>44</sup>. It would give little extra income to women who receive the Pension Credit Guarantee. Women who do not receive Pension Credit Guarantee (because they do not claim or because their own or a partner's income is too high) could benefit by up to £20 a week<sup>45</sup>.</p>	<p>If a Citizen's Pension is extended to all people over state pension age women and carers would receive exactly the same state 'foundation' pension as all other individuals.</p> <p>Under these specific proposals for a Citizen's Pension, a married woman would receive less than a single woman.</p> <p>During the transition to a Citizen's Pension, women and carers under 75 would continue to suffer the same disadvantages as under current policy.</p>

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Encouragement and incentives for private pension savings</b>	Private pension policies could all have a positive effect on private pension saving, but it is not obvious that any single policy would have a significant impact.	Private pension policies could all have a positive effect on private pension saving, but it is not obvious that any single policy would have a significant impact.  The annual cost of the additional tax relief (£1.7 billion) is small compared to the cost of existing tax incentives (£19.5 billion <sup>46</sup> ).  Although the value of tax relief for a basic rate taxpayer could increase by one-quarter <sup>47</sup> , it is not clear that a lack of incentives is currently stopping people from saving.	Private pension policies could all have a positive effect on private pension saving, but it is not obvious that any single policy would have a significant impact.
<b>Simplicity</b>	With no change in the number of components, the pensions system will remain as complex as it is today.  This makes it difficult for people to calculate likely future pension income, and adds a significant barrier to private pension saving by individuals and employers.	With no change in the number of components, the pensions system will remain as complex as it is today.  Indexing the Pension Credit to prices could reduce complexity for some people, as fewer people would have to claim Pension Credit in future.  Further simplicity would be achieved if the State Second Pension was abolished.	During the transitional phase, where there are in effect two different state pension systems in operation, complexity is increased.  Complexity is reduced once the Citizen's Pension is extended to all people who achieve the residency criterion, as this would lead to less means testing and abolition of the State Second Pension and contracting-out.

## Chapter 4: Proposals for the Council Tax

All of the parties have put forward proposals to help reduce the cost of the Council Tax for pensioners in England. This chapter compares the different approaches.

	<b>Current government policy and Labour party proposals</b>	<b>Conservative party proposals</b>	<b>Liberal Democrat party proposals</b>
<b>Reform</b>	One-off £200 payment announced in Budget 2005 for households with at least one adult aged 65 or older.	Automatic 50% discount on council tax bills, worth up to £500 a year for households where all adults are 65 or older. This would be paid on top of the £200 one-off payment promised by the Government.	Council tax replaced by a local income tax <sup>48</sup> .
<b>Who gains</b>	<p>4.7 million households will benefit from the one-off payment<sup>49</sup>.</p> <p>The poorest pensioners who already have all of their council tax paid by council tax benefit will not gain.</p> <p>Women pensioners aged between 60 and 64 are excluded.</p>	<p>3.8 million households, comprising 5.3 million individuals, would gain from the reform. Each household would save an average £341 on their annual bill<sup>50</sup>.</p> <p>The poorest pensioners who already have all of their Council Tax paid by Council Tax Benefit will not gain.</p> <p>Those with the highest Council Tax bills would have their benefit capped.</p> <p>Women pensioners aged between 60 and 64 are excluded.</p>	<p>6 million pensioners would pay nothing and an average single pensioner would benefit by £209 a year<sup>51</sup>.</p> <p>Those with low incomes and high council tax would gain. Those with high incomes but low Council Taxes would lose<sup>52</sup>.</p>
<b>Cost</b>	£800m in 2005 Budget as a one-off payment <sup>53</sup> .	£1.3bn in the first year (on top of the £800 million for the government policy) <sup>54</sup> . Budgeted until 2008.	Local taxes would be held down by spending £2.5 billion a year (£2.8 billion by 2010), paid for by a 50% income tax on earnings above £100,000 <sup>55</sup> .
<b>Means testing</b>	2.5 million pensioners claimed Council Tax Benefit in 2004 <sup>56</sup> . But only 60% of pensioners entitled to Council Tax Benefit claim <sup>57</sup> .	Those receiving Council Tax Benefit will continue to do so.	Council Tax Benefit would no longer be necessary.

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<sup>1</sup> Labour Party (2005) *New Opportunities for later life: forward not back* page 5

<sup>2</sup> Earnings tend to grow faster than prices. For example, over the last 10 years earnings have grown by an average of 4.1% a year, while prices have grown by an average of 2.7% a year.

<sup>3</sup> In the current system BSP is only paid if enough National Insurance contributions have been paid to give entitlement to at least 25% of the full rate. More than 10% of men and 50% of women over state pension age do not receive a full Basic State Pension (PQ Lady Hermon 27 October 2004, House of Commons *Hansard* Column 1289W)

<sup>4</sup> Department for Work and Pensions (DWP) (2005) *Principles for reform: The national pensions debate* page 18

<sup>5</sup> Conservative Party (2005) *Action for Older People* page 7

<sup>6</sup> Willetts D and Yeo S (2003) *A Fair Deal for everyone on Pensions* page 37

<sup>7</sup> Liberal Democrats (2004) *Dignity and security in retirement* Pensions Policy Paper 67

<sup>8</sup> Willetts D and Yeo S (2003) *A Fair Deal for everyone on Pensions* page 27 assumes that the Minimum Income Guarantee (now known as the Pension Credit Guarantee) level will be linked to prices in the long-term. David Willetts speech to the Centre for Social Justice (6 January 2005) stated that '*Conservatives are committed to restoration of the earnings link [for the Basic State Pension] until the means test is completely abolished*'. This can only happen if the Pension Credit is indexed to something less than earnings.

<sup>9</sup> Higher winter fuel payments at ages 745 and 80 have only been announced for 2005, with no commitment for future years

<sup>10</sup> Although technically this will be possible anyway under the 2005 Finance Act

<sup>11</sup> Liberal Democrats (2005) *General Election 2005: Liberal Democrat manifesto for older people*

<sup>12</sup> Although technically this will be possible anyway under the 2005 Finance Act

- <sup>13</sup> Alan Johnson Speech, 23 March 2005
- <sup>14</sup> David Willetts quoted in *Tories may extend retirement ban*, BBC news report [www.bbc.co.uk/1/hi/uk\\_politics/vote\\_2005/frontpage/4458171.stm](http://www.bbc.co.uk/1/hi/uk_politics/vote_2005/frontpage/4458171.stm)
- <sup>15</sup> BSP and SERPS data for the 'typical man' and 'typical woman' are derived from the average for newly retired pensioners from Department for Work and Pensions (DWP) (2005) *State Pension Summary of Statistics September 2004*. Private pension figures derived from DWP (2005) *Pensioners' Incomes Series 2003/4*.
- <sup>16</sup> PPI analysis
- <sup>17</sup> The current relationship is that Savings Credit is calculated on all income between the full Basic State Pension level and the Pension Credit Guarantee level. Figures for all the parties' proposals assume that the current relationship between the Basic State Pension, Pension Credit Guarantee and Savings Credit carries on into the future.
- <sup>18</sup> PPI analysis
- <sup>19</sup> PPI analysis
- <sup>20</sup> PPI analysis based on PQ Steve Webb 3 March 2005, House of Commons *Hansard* column 1397W and Pension Credit Quarterly Statistical Enquiry December 2004 [www.dwp.gov.uk/asd/asd1/pc/pc\\_quarterly\\_nov04.asp](http://www.dwp.gov.uk/asd/asd1/pc/pc_quarterly_nov04.asp)
- <sup>21</sup> PPI analysis
- <sup>22</sup> PPI analysis
- <sup>23</sup> Written Ministerial Statement 3 February 2005, House of Commons *Hansard* Column 68WS
- <sup>24</sup> PQ Steve Webb 7 April 2005, House of Commons *Hansard* Column 1693W
- <sup>25</sup> PQ Mr Win Griffiths 5 April 2005 House of Commons *Hansard* Column 1385W
- <sup>26</sup> Emmerson C and Disney R (2004) *Public Pension Reform in the United Kingdom: What effect on the financial well being of current and future pensioners?* page 33
- <sup>27</sup> PPI analysis based on PQ Steve Webb 7 April 2005, House of Commons *Hansard* Column 1693W. This assumes that the Savings Credit threshold continues to be aligned with the Basic State Pension and is earnings-indexed. With a price-indexed threshold, 3.2 million household would receive Pension Credit in 2009/10.
- <sup>28</sup> Emmerson C and Disney R (2004) *Public Pension Reform in the United Kingdom: What effect on the financial well being of current and future pensioners?* page 33
- <sup>29</sup> Written Ministerial Statement 3 February 2005, House of Commons, *Hansard*, Column 68WS
- <sup>30</sup> Liberal Democrats (2005) *Dignity and security in retirement* Policy Briefing 8 January 2005
- <sup>31</sup> PPI analysis based on PQ Steve Webb 7 April 2005, House of Commons *Hansard* column 1693W and Pension Credit Quarterly Statistical Enquiry December 2004 [www.dwp.gov.uk/asd/asd1/pc/pc\\_quarterly\\_nov04.asp](http://www.dwp.gov.uk/asd/asd1/pc/pc_quarterly_nov04.asp)
- <sup>32</sup> PPI estimate
- <sup>33</sup> Pensioner Benefits include the Basic State Pension, SERPS/State Second Pension and Pension Credit. These estimates also include Housing Benefit, Council Tax Benefit and Disability Benefits paid to pensioners. DWP projections [www.dwp.gov.uk/asd/asd4/LT3.xls](http://www.dwp.gov.uk/asd/asd4/LT3.xls)
- <sup>34</sup> Department for Work and Pensions (DWP) (2005) *Principles for reform: The national pensions debate*
- <sup>35</sup> Pensioner Benefits include the Basic State Pension, SERPS/State Second Pension and Pension Credit. These estimates also include Housing Benefit, Council Tax Benefit and Disability Benefits paid to pensioners. DWP projections [www.dwp.gov.uk/asd/asd4/LT3.xls](http://www.dwp.gov.uk/asd/asd4/LT3.xls)
- <sup>36</sup> Willetts D and Yeo S (2003) *A Fair Deal for everyone on Pensions*. The figures shown assume earnings growth of 2% a year to be consistent with DWP projections of the short-term cost of the current system.
- <sup>37</sup> Estimates in Willetts D and Yeo S (2003) *A Fair Deal for everyone on Pensions* assume offsetting savings from means-tested benefits of between 35% and 40% a year. Assuming an earnings-indexed Pension Credit would reduce this offset. If the offset were 30%, the extra cost in 2009/10 would be £1.7 billion rather than £1.5 billion.
- <sup>38</sup> Willetts D and Yeo S (2003) *A Fair Deal for everyone on Pensions*
- <sup>39</sup> PQ Baroness Greengross 18 December 2003, House of Lords *Hansard* Column WA179. Costs are based on 2003 benefit rates, assume that all individuals have 9 years of entitlement and do not allow for offsetting savings from means-tested benefits. This cost is therefore quite an overestimate.
- <sup>40</sup> Pensioner Benefits include the Basic State Pension, SERPS/State Second Pension and Pension Credit. These estimates also include Housing Benefit, Council Tax Benefit and Disability Benefits paid to pensioners. DWP projections [www.dwp.gov.uk/asd/asd4/LT3.xls](http://www.dwp.gov.uk/asd/asd4/LT3.xls)
- <sup>41</sup> Liberal Democrats (2004) *Costings Document*
- <sup>42</sup> Liberal Democrats (2004) *Costings Document*. The other policies paid from by the 50p tax rate are the abolition of top-up and tuition fees, and holding down local taxes on the introduction of a Local Income Tax.
- <sup>43</sup> PPI estimate derived from Pension Credit Quarterly Statistical Enquiry December 2004 [www.dwp.gov.uk/asd/asd1/pc/pc\\_quarterly\\_nov04.asp](http://www.dwp.gov.uk/asd/asd1/pc/pc_quarterly_nov04.asp)
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- <sup>45</sup> PPI estimate
- <sup>46</sup> Curry C and O'Connell A (2004) *Tax relief and incentives for pension saving* PPI report for Age Concern England

<sup>47</sup> PPI estimate

<sup>48</sup> Liberal Democrats (2005) *How a Local Income Tax (LIT) works*

<sup>49</sup> Budget 2005 p115

<sup>50</sup> Institute for Fiscal Studies (2005) *Analysis of the Conservatives' proposed age-related council tax discount* Press Release 21 February 2005

<sup>51</sup> Charles Kennedy (2005) quoted in BBC News *Brown Budget chases grey vote* 16 March 2005

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<sup>52</sup> Institute for Fiscal Studies (2005) *Analysis of Liberal Democrat tax proposals* Press Release 28 February 2005

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<sup>54</sup> Institute for Fiscal Studies (2005) *Analysis of the Conservatives' proposed age-related council tax discount* Press Release 21 February 2005

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<sup>57</sup> Department for Work and Pensions (2004) *Income Related Benefits Estimates of Take-up in 2002/3*

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