

A Stocktake on State Pension Reform

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- Who is proposing what:
17 proposals
- Where consensus and disagreement lie
- What work remains to be done

Proposals for 'foundation' state pension

Basis of entitlement	Contributory			Review	Citizen's Pension/Universal	
					Partial	Full
£ per week (for singles)	79	79	105 (or higher)	105	105	105 (or higher)
Indexation	Prices	Earnings	Earnings	Earnings	Earnings	Earnings
Who	<ul style="list-style-type: none"> •Labour •ABI •Lib Dems (65- 74) 	<ul style="list-style-type: none"> •Tories 	<ul style="list-style-type: none"> •CBI •IPPR •PRG •TUC 	<ul style="list-style-type: none"> •AC •HtA •NPC 	<ul style="list-style-type: none"> •Lib Dems (over age 75) 	<ul style="list-style-type: none"> •BCC •EOC •HoL •NAPF •NCC •OECD

Proposals for second tier state pension (S2P)

State Second Pension	Retain	Reform	Review	Stop
Contracting-out	Retain	Retain	Review	Stop
Indexation in payment	Prices	Prices	Review or ?	N/A
Who	<ul style="list-style-type: none"> •Labour •NPC 	<ul style="list-style-type: none"> •ABI •TUC (index to earnings?) 	<ul style="list-style-type: none"> •AC •CBI •EOC •HtA •Lib Dems •NCC •Tories 	<ul style="list-style-type: none"> •BCC •HoL •IPPR •NAPF •OECD •PRG

There is consensus on the first tier



- Emphasis and detail on foundation pension
- £105 target (and earnings indexation) indicates desire for end of means-testing
- Great interest in 'Citizenship' or 'Universality'
- Little emphasis (confusion?) on State Second Pension, but most suggest reviewing

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Less agreement or mention of other issues



- Compulsion on private savings: For 2, against 14
- Informed choice policies: 9 mentions
- Review tax incentives: 10 mentions
- Age discrimination legislation and better employment policies for older workers: 11 mentions
- 'Fairness' on taxation: 5 mentions

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How to pay for improvements?



- Reduce or stop means-testing:
14 explicit mentions
- Review National Insurance rates:
3 explicit mentions
- Increase state pension age:
For 9, against 8

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Where more analysis is needed



- Practical transition details
 - Implementation of whole package
 - Who gains and who loses
- Impact on future income distribution among pensioners; extent of under-pensioning remaining
- Costs and ways to pay for pension proposals

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Research questions raised



- Contributory vs Citizenship vs Means-testing
 - Roles for the state and private provision: levels and structure
 - Eligibility criteria, practical transition details
- Raise state pension age and/or taxes?
Inter-generational equity?
- How can consensus be achieved and locked-in?
- What changes in savings behaviour or retirement behaviour are likely?
- Adequacy levels for people of pension age?

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PPI next steps



- *Towards a Citizen's Pension*, for NAPF, Interim Report December 2004
- Response to Pensions Commission report
- *Shaping a stable pension solution with the Nuffield Foundation*: to run a series of seminars in 2005 on the balance and interaction between state and private pension provision
- Developing modelling capability for costing and impact of reform

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Acronyms used

ABI	=	Association of British Insurers
AC	=	Age Concern
BCC	=	British Chamber of Commerce
CBI	=	Confederation of British Industry
EOC	=	Equal Opportunities Commission
HtA	=	Help the Aged
HoL	=	House of Lords Economic Affairs Select Committee
IPPR	=	Institute for Public Policy Research
NAPF	=	National Association of Pension Funds
NCC	=	National Consumer Council
NPC	=	National Pensioners' Convention
OECD	=	Organisation for Economic Co-operation and Development
PRG	=	Pension Reform Group
TUC	=	Trade Union Congress

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