national assembly of women

pensions briefing **3**

pensions

THIS IS THE SUMMARY OF THE NATIONAL ASSEMBLY OF WOMEN'S RESPONSE TO THE GOVERNMENT'S WORK AND PENSIONS COMMITTEE INQUIRY INTO THE FUTURE OF PENSIONS. THE FULL DOCUMENT IS AVAILABLE – SEE DETAILS AT THE END OF THE SUMMARY.

1. There is a crisis in UK pension provision which has four main causes:

- the falling level of State Benefits;
- employers pulling out of good quality final salary schemes;
- the very poor past track record of insurance companies and other commercial providers; and
- the government's policy of reducing the public share of pension provision from 60 per cent to 40 per cent by 2050 in favour of private provision.

2. The policy of reducing the public share of pension must be changed to bring us into line with advice from the OECD and experience in other countries. The UK government is the only European government to plan a reduction in public pension provision as its population ages; the rest are planning increases. The government has been warned by the OECD that its pensions policy will result "in a greater share of provision in the inherently riskier private system".

3. The government has committed itself to gender proofing its policies and yet it seems blind to the gender impact of its policies on pensions. Neither the Department for Work and Pensions (DWP) nor the Women and Equality Unit has published an assessment of the gender impact of its pensions policies. A recent letter to the NAW from the Minister for Women endorses the government's approach on the grounds that stakeholder pensions will benefit women because the rules allow their better paid relatives or friends to contribute on their behalf. This underlines the need for a published assessment by the DWP of the gender impact of the government's policies and proposals on pensions. This assessment would have to take account of the different work patterns of men and women, the periods women spend in unpaid caring roles and the enduring problem of unequal pay. It would need to take account of the 2,000,000 women in regular employment who do not earn enough to pay National Insurance contributions towards their state pension entitlement, let alone save extra money. Finally, such an assessment would have to include the role of government in recognising and compensating women for years of unpaid caring work and low lifetime earnings.

4. The best means of encouraging saving would be radical reform of the state pension system to guarantee a decent income for everyone, funded by higher and more redistributive National Insurance contributions and the abolition of the lower and higher earnings thresholds to provide a genuine subsistence income without means tested benefits. Providing this level of security for retirement income would enable people to save what they could above this, without having any such savings taken off them by means testing; the current system of making pensioners parade their poverty for means tested benefits would be replaced by pensioners displaying their wealth for taxation.

5. Contracting out of state pension, either by the married woman's stamp or by contracting out of SERPs has not been a success, and created a level of complexity in top-ups between schemes that needs to be abolished. Contracting out should be scrapped for the future. Surveys continue to show that women do not find the overly complicated and jargonistic language of the pensions industry easy to get behind and abolishing contracting out would make pensions easier to understand and administrate and reduce the scope for miss-selling inappropriate provision.

6. Legislation needs to be put in place to prohibit the use of sex-based actuarial rates to calculate pension rates. The application of sex-based factors means that, all other things being equal, a woman receives a lower pension than a man for the same level of contributions, because she is likely to live longer. This is a formidable barrier to women making adequate provision for their retirement in private sector pensions, particularly money purchase schemes. The use of unisex rates would represent a major step towards equality and go some way towards reducing poverty for women pensioners.

7. There should not be any compulsion for employees to pay money into privately-run pension schemes unless major reforms are first introduced to guarantee the future of the schemes, regulate the employer contributions and trustee investment strategies, introduce democracy and worker rights into their operation. We do support compulsion for employees in public sector schemes, as access to good occupational schemes is a step towards to ensuring more equality in retirement incomes.

8. The government has a crucial role in educating women about their pension and savings choices, and in making information clear and accessible. It is unreasonable to expect low earners to pay for independent financial advice – this should be provided by agencies, such as the Citizen's Advice Bureau, properly funded by government. The main aim, however, should be to introduce a far simpler pensions system, reducing the need for advice and information. The current complexity works against transparency and the interests of individuals and for the interests of the finance industry.

9. The state pension age should not be increased further. Already the state pension age for women is being raised from 60 to 65. Women are only now beginning to understand the impact that this will mean for them individually as they receive details of their retirement dates. The political fall-out from this decision should not be underestimated as women in their 40s and 50s see their retirement dates move away from them. Another extension would be quite unacceptable. As a wealthy nation, we should be able to afford to provide for a reasonable length of retirement for everyone. We should be proud of the fact social and economic conditions have so improved that 90 per cent of people now live to receive their state pension as against 66 per cent in 1950. Instead, there are some who call for a return to the bad old days when people worked until they dropped. In reality this would mean that low paid people would end up working even longer in the future, whilst those with enough money would be able to retire whenever they chose. It would be a disgrace if a Labour government introduced such backward looking and discriminatory measures. People's confidence in pensions policy has been badly shaken over recent years, most seriously confidence in the willingness of the government to honour its commitments to a decent income in retirement for all. This confidence will only be restored by clear and unequivocal guarantees of the role of the state in providing adequate state pensions for all its citizens.

The NAW *Pensions Briefing* is sponsored by UNISON, the State Pension at 60 Alliance, and the National Pensioners' Convention

POSTSCRIPT: work till you drop?

Throughout this year there has been a relentless stream of press releases by insurance companies arguing for an increase in retirement age.

At the end of September, and beginning of October, two influential papers were published that coupled raising the state pension age to 70 with improving the basic state pension to reduce means testing.

The Pensions Policy Institute published raising the *State Pension Age: Are We Ready?* Their thesis is that by raising state pension age, the basic state pension can be substantially improved without any increased expenditure and sets the role of the basic state pension as providing insurance against the risk of living too long.

Then the National Association of Pension Funds set out its policy in a paper entitled *Pensions – Plain and Simple.* This argued for a single universal Citizen's pension, worth £100 per week at present and rising in line with earnings, to help more pensioners out of poverty. They coupled this with raising the age when it would be paid to 70 in 2020-2030.

This new-found zeal of the pensions industry to eliminate means testing is apparently refreshing! Or is it that the insurance and pensions industry does not want any responsibility to provide pension products for the lower paid, but see raising the state pension age to 70 as frightening the higher paid into saving more for early retirement?

We have argued for the State Pension to be set at a level that provides a decent income at an age that the vast majority can look forward to a reasonable period of retirement.

The role of the State Pension should not be to insure against living too long, but should enable people to leave work, enjoy life and live in dignity.

The NAW's policy remains for a state pension age of 60 for men and women.

We will also continue to campaign against any further increase in the state pension age and for a basic state pension linked to average earnings and free from means testing.