national assembly of women response to **Turner**

pensions

The Pensions Commission – *the Turner Report* – a response

The Pensions Commission, chaired by Adair Turner, published its second report at the end of November. Its analysis of the problems, particularly for women, is good, and their proposals as a framework for the future, are far reaching. However its proposals avoid spending any more money now – so do nothing to help current and soon-to-be pensioners.

The government set up the Pensions Commission at the end of 2002 in response to trade union pressure for compulsory employer pension contributions.

Its remit: **"to assess trends in occupational and private and long term saving, and to advise whether there is a case for moving beyond the current voluntary approach"**.

Fortunately they extended their analysis to include a critique of the state pension system:

The **First Turner Report** published in October 2004 outlined four possible policy options:

- Poorer pensioners
- Higher taxes
- More pensions saving, or
- Later retirement

The NAW responded by arguing for a higher, more universal basic state pension, the ending of means testing, the need for a state second pension to credit carers, and support for compulsory employer pension contributions.

We also highlighted the inequity in the current system of tax relief, amounting to a massive subsidy to the highest paid. We argued that this money should be diverted to improving the state pension.

The **Second Turner Report** published in November 2005, sets out a framework for a reform of the entire pension system, and, although there are some unwelcome proposals, it does provide the basis for a real debate on the future of pensions in the 21st century.

the Report:

- Rejects the prospect of pensioners being poorer in the future
- Recognises that the current system particularly disadvantages women
- Recognises that state spending on pensions will have to increase
- Recognises that the tax relief currently in place disproportionately benefits the higher paid.

state pension

At the heart of the report is the recognition that spending on state pensions will have to increase in future as the numbers of pensioners increase. There is also a real acceptance of the need to improve women's and carers' pensions.

The Commission recommends that:

- The Basic State Pension increases are linked with earnings not just prices, starting in 2010.
- Future entitlement to state pension to move to be based on residency, rather than National Insurance credits.
- Pensions means testing needs to be limited.
- The State Second Pension should be retained, with improved credits for caring, but move to a flat rate supplement to the basic state pension.
- In the 'shorter-term', pay auto-

matically the full Basic State Pension to the over 75s whatever their circumstances.

proposal welcomed but!

The NAW welcomes the proposal that access to the basic state pension should be widened by making entitlement based on residency, but believes that this needs to be introduced immediately, in order to benefit those women who were mis-sold the married woman's stamp.

We welcome the suggestion to increase the basic state pension in line with earnings, but also want this to be introduced immediately, along with an increase in value to £109 per week.

national pensions savings scheme

The Commission has recognised that the voluntary approach to pension saving does not and will not work. Employers are retreating from good quality final salary pension schemes, and on average put in only half the amount into money purchase schemes. Less than half of those working in the private sector have access to a scheme with employer contributions and the Commission therefore recommends the creation of a National Pensions Savings Scheme. (NPSS).It has not gone for compulsory saving, but employers will have to make a contribution if employees do. To this end it further recommends:

- Automatic enrolment of everyone *either* into a workplace pension or into the new NPSS
- Minimum Contributions: 4% employees, 3% employer contributions with 1% paid for from tax relief giving a total of 8%
- The employee has the right to opt out. The employer does not have to make contributions if the employee opts out
- Minimum contributions are calculated on employee's earnings between the primary threshold of £4,888 and the upper earnings limit of £32,760
- The NPSS would be a defined contribution/money purchase system which by operating nationally should be able to have low set up and management charges, estimated at 0.3%

The NAW welcomes compulsory employer contributions, although we are concerned that the first £4,888 earnings are ignored. Many women part time staff working 16 hours per week or less would be excluded from compulsory employer contributions. On the minimum wage, people would have to work 18 hours to get above the threshold. Employees should have the right to have all earnings counted. There is already evidence that employers restrict working hours to ensure that they avoid liability to National Insurance contributions; **how many will avoid paying above the lower limit for pensions?** There would also need to be safeguards to prevent unscrupulous employers threatening worse pay to those who want to save for a pension.

state pension age

To reduce costs substantially, the Commission recommends increasing the state pension age:

- To 66 in 2030
- To 67 in 2040
- To 68 in 2050

It says this is justified on the basis that life expectancy is increasing. However there are significant regional differences in life expectancy, as well as between classes and different ethnicities.

The NAW is opposed to increasing the state pension age, as this would hit the poorest the most, whose life expectancy has changed the least. We should bear in mind too, that the first cohort of women whose pension age increased from 60 will feel the effect from 2010.

End the subsidy and improve the state pension: We have argued that the current system of tax relief is highly regressive and amounts to a direct subsidy of high earning men with over half of the cost of tax relief on pension contributions going to the richest 10% of taxpayers. In 2003/4 tax relief on pension contributions was an estimated £11.4 billion. This subsidy should be ended and the money redirected to improving the state pension.

what next? promote equality for women

The government is expected to produce a Pensions White Paper in the spring. Any proposals should meet the demands of the new Equality Act which places a positive duty on government departments to ensure that their policies promote equality for women.

The National Assembly of Women was founded in 1952 to work for full social, economic, legal, political and cultural equality for women irrespective of age, race, religion, philosophical belief, sexual orientation or nationality.

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