

Your pension matters

It was reported in the National Pensioners Convention June issue of 'Campaign' (see www.npcuk.org) that on May 7 Ros Altmann was appointed Minister for Pensions. Ms Altmann is not an MP, but takes the role on as a Conservative member of the House of Lords. Previously she has been a pensions' advisor to Tony Blair's government and the head of the older people's leisure and insurance company, SAGA. In recent years she has been outspoken against a number of measures the government has taken; most notably the switch from the Retail Price Index to the lower Consumer Price Index. Her in-tray will also be piling up with a number of outstanding issues. Among them will be overseeing the ongoing auto-enrolment process, under which every firm in the country should by 2018 have started a pension pot for their employees. Then there's the radical changes to the state pension that will leave many existing pensioners caught in an inferior second-rate pension. Of particular concern is the fact that the annual increases in the old and the new pensions may not be applied in an equal way - resulting in the gap between the two pensions growing wider over time. The new minister will also face the hundreds of thousands of women born between 1951 and 1953 who from next April face getting a smaller state pension than men of the same age. What's interesting is that Baroness Altmann will also be in charge of overseeing the new pension freedoms giving the right of annuity holders to cash in their policy, when she herself is connected to MetLife; one of the companies advising people on how to spend their pension pots. The NPC is seeking to meet with the minister.

Recently, older people have often been portrayed as having escaped the austerity measures at the expense of younger people. However, the latest figures from the Office for National Statistics show that almost 40% of those aged 65 and over in the UK experienced poverty at least once between 2010 and 2013, compared with around 30% of those under 65. Almost a third (33%) of the UK population as a whole experienced poverty during the same period, equivalent to 19.3m people, compared to just 25% across the EU. Evidence also shows that certain groups are more likely to experience poverty than others. These include single parents, women and retired people. Ron Douglas, NPC president said: "Both older and younger people have been hit financially and the only ones who have escaped austerity are the rich."

When the previous pensions' minister, Steve Webb launched the reformed state pension system, he described it as 'flat-rate', but ever since critics have claimed that for many people the new pension will actually be of varying amounts. In calculating entitlement to the new state pension, the amount an individual receives from their occupational pension is deducted from their state pension. Once you contracted out, even if for a couple of years, this deduction might apply across your entire SERPS entitlement earned between 1978 and 1997, even though you were back in and paying full National Insurance (NI) for most of the period. The DWP has confirmed: "It is a common misconception that any contracted-out deduction would be limited to the years for which a person was contracted out, and in effect any entitlement for years contracted in would be preserved." This means that a few years spent contracted-out of SERPS can make a huge deduction from an individual's entitlement to the new state pension. For workers nearing retirement it's worth checking pension entitlements!

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