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BRIEFING PAPER 2:
EXCUSES FOR NOT CHANGING THE FROZEN PENSIONS POLICY

Background

1. The British Government freezes the rate of British State Pension paid to residents of Australia. It doesn't pay annual increases to pensioners living in Australia. Their pensions are frozen:
   - starting from the date of arrival in Australia for those who were receiving British State Pension before they arrived in Australia; or
   - from the date they first received British State Pension if they started receiving British State Pension after they arrived in Australia.
2. This treatment is not unique to residents of Australia, but it is not universally applied. More than half of pensioners living outside the UK receive the same annual increases as do residents in the UK.
3. Entitlement to British State Pension is based on two factors:
   - Having paid sufficient National Insurance Contributions[1]
   - Having reached State Pension Age.
4. Entitlement occurs regardless of the nationality of the pensioner.
5. Our objective currently is to obtain "Fair Play for British Pensions in Australia". This will happen when pensioners living in Australia receive the same rate of pension as is paid to residents of the UK.
6. There have been discussions in the past about modification of our objective to accept a lower rate of pension, presumably to make the change more palatable to the British Government. This lower rate of pension would see the annual increases applied to the rate of pension currently being paid rather than what should currently be being paid. BPiA has not accepted this "partial uprating" as an acceptable alternative to its objective.
7. Our objective does not include a claim for back payment. We campaign solely for pensions to be paid at the current rate from the date of change in policy.

Reasons put forward for not changing the Frozen Pensions Policy

8. According to the House of Commons Briefing Paper Number 1457 dated 8th February 2021 the cost to the UK Treasury of unfreezing state pensions was estimated by the Department of Work & Pensions in February 2019 as:

[1] These contributions could be those made whilst working in the UK or voluntarily (under certain conditions) after leaving the UK.

Year ended April	Estimated cost
2020	£600 million
2021	£610 million
2022	£610 million
2023	£630 million
2024	£640 million

Our argument has never been that unfreezing pensions is a cost-free exercise. Our campaign is based on moral grounds, not monetary.

9. "The policy on the up-rating of UK State Pensions for recipients overseas is longstanding and has been supported by successive Governments for over 70 years"[2]. *We can counter this in two ways (1) that a policy has been long-standing does not mean it is right (2) if we could list countries that have changed from being frozen to being not frozen over those 70 years, we may be able to argue that this policy has no consistency in practice.*

10. "The majority of pensioners abroad live in countries such as Australia, Canada, New Zealand and South Africa. The rules in those countries vary. Some have largely means-tested pension systems, whereby a significant proportion of any increase in the amount of UK State Pension would go to the Treasuries of those countries"[3]. *We can counter (1) the pension system in Canada and New Zealand and possibly South Africa are not means-tested so the reply is based on a false assumption and (2) in the case of Australia Mr. Opperman is saying that it is fit and proper for the Australian taxpayer to subsidise the UK government because of that governments mean and arbitrary policy.*

11. "There are two main reasons for not paying annual up-ratings to non-residents. First, up-ratings are based on levels of earnings growth and price inflation in the UK which have no direct relevance where the pensioner is resident overseas. Second, the cost of up-rating state pensions overseas in countries where we do not currently up-rate would increase immediately by over £0.5 billion per year if all pensions were increased to current UK levels"[4]. *Our response to the first reason is that this is selective economics. If earnings growth or price inflation differed between the UK and a country where frozen pensions are paid, the exchange rates between the two countries would change. If inflation in the UK was higher, the value of the £ versus the value of the country concerned would deteriorate so the increased rate of the pension would be offset by a lower receipt in local currency. As to the second reason, we do not argue that there would be no cost to the UK Treasury. Our argument is that the policy is unfair.*

12. "The UK State Pension is payable world-wide but is only up-rated abroad where there is a legal requirement or reciprocal agreement to do so"[5]. *Our response is that this constraint can be overcome by UK legislation (i. e. The UK can solve the issue by themselves, they don't need the agreement of the other country) or by negotiating a reciprocal agreement with the countries concerned.*

13. "Our priority is to concentrate any resources that may become available on pensioners resident in the UK. We have done much already for them but, as my right hon. Friend the Chancellor of the Exchequer announced in the Budget, we plan to do more. That is why we have no plans to unfreeze."[6]. *This answer pre-supposes that there is a finite amount that can be spent on pensions and therefore that the cost of unfreezing pensions paid to people overseas must be taken from*

[2] Guy Opperman reply to Claire Hanna (SDLP Belfast South). Parliamentary question 11th January 2021.
[3] Guy Opperman reply to Faisal Rashid (Labour Warrington). Parliamentary question 12th March 2018.
[4] ibid
[5] Steve Webb in House of Commons debate 2nd December 2010.
[6] Jeff Rooker in House of Commons debate 16th May 2000.

the pockets of pensioners in the UK. This is a fallacious argument.

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