Frozen Pensions: A Policy Overdue for Review

A report by the International Consortium of British Pensioners

March 2024

Introduction

- History
- Who has their state pension frozen?
- Why are some state pensions frozen?
- What freezing state pensions does
- Reciprocal agreements
- How much will it cost?
- Why can't we change the policy?
- Why we should change the policy
- What ICBP is campaigning for

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History

- UK State pension introduced by the Atlee Labour Government in 1946
- Initially all pensions paid overseas frozen
- Since its introduction, UK has entered into agreements unfreezing pensions in 33 countries and territories
- Agreements with Australia, Canada and New Zealand did not include uprating clause

We are approaching the 80th anniversary of National Insurance.

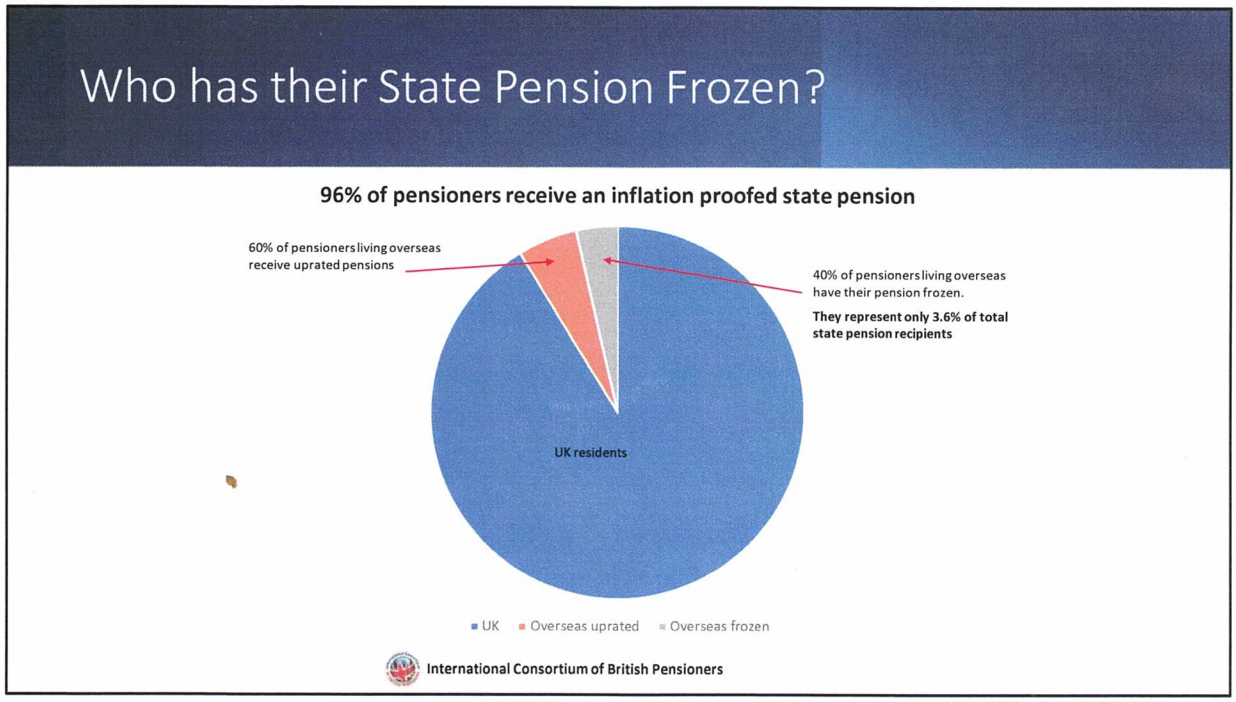
Does the National Insurance we have today meet the expectations of the original designers?

Does it meet today's expectations?

I give you a quote from the time (with apologies for the dated terminology):

"*Movement of men and women within the Empire must be made easier. A two-way traffic should grow. Those who wish to change their homes should be enabled to carry their national insurance rights with them wherever they go.*"

Who knows the source?



According to the latest available statistics from the Department of Work & Pensions, there are 12.7 million people receiving a state pension.

Of these, 1.1 million live overseas. Only 450,000 have their pension frozen.

A small number in statistical terms but a large number for each of the people affected.

The number of pensioners with frozen pensions has been declining over the past decade as the increases in state pension age have reduced eligibility.

Why are Some Pensions Frozen?

NO OVERARCHING LOGIC

- Selection of frozen countries is haphazard
- Some Commonwealth countries are frozen – some are not
- Some NATO countries are frozen – some are not
- UK policy is unique amongst state pension schemes

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Australia is frozen. The Philippines is not.

Canada is frozen, Turkey is not.

Samoa is frozen. Jamaica is not.

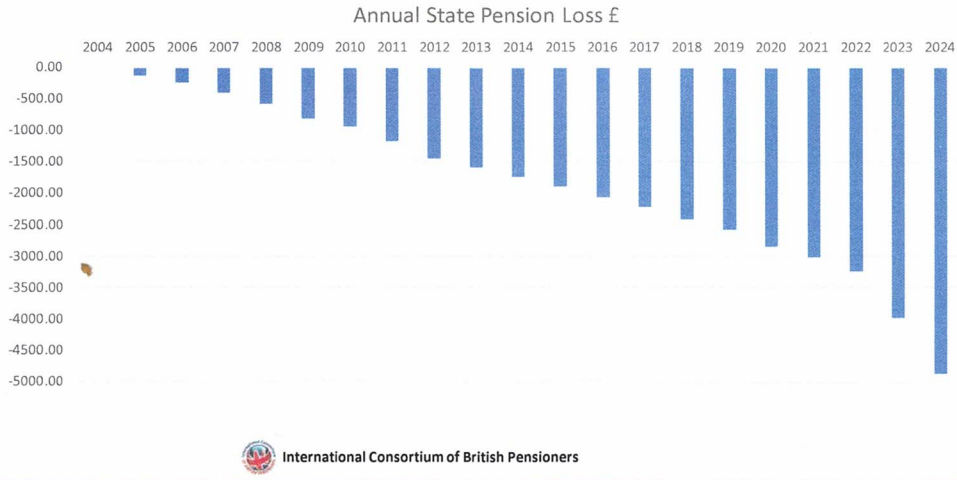
To quote a government minister:

"I am not prepared to defend the logic of the present situation. It is illogical. There is no consistent pattern. It does not matter whether a country is in the Commonwealth or outside it."

If freezing pensions is such a good idea, why are not all state pensions paid overseas frozen?

If freezing pensions is such a good idea, why aren't other countries following suit?

What Freezing Pensions Does



This shows the annual loss to a pensioner who reached state pension age in 2004.

You can ascertain the loss for anyone who reached state pension age in any of the years since 2004 by looking at the columns to the right of that year.

It is important to note it is not cumulative.

The cumulative loss for this unfortunate individual is £37,967.80.

Reciprocal Agreements

- Australia withdrew from its agreement with UK in 2001 after UK refused to renegotiate terms
- Canada has been pushing for uprating over many years
- DWP says reciprocal agreements are not needed
- Rules for UK state pension scheme is sole prerogative of UK Parliament

It is a constant response from government ministers that uprating for pensioners overseas only occurs where there is a legal requirement to do so.

This suggest that the obligation to uprate is imposed on the government by forces outside their control.

Cost of Changing the Policy

- Why does the DWP 5-year cost estimate of £4.59 billion assume full and immediate uprating?
- An estimate based on DWP experience of previous transitions from frozen to not-frozen is £307 million over 5 years

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This is an important question because, in the history of state pensions, no pensioners have ever received a full and immediate uprating.

The cynical might conclude that the DWP makes this assumption because it produces a scary cost. A frightening cost that invites the same reaction that has been provided for as long as ICBP has been campaigning.

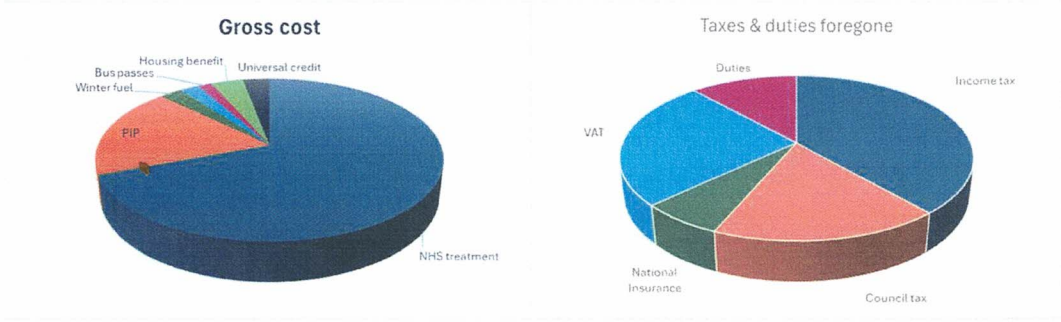
ICBP has calculated the cost of following precedent. Why has not DWP assumed the unfreezing will follow what has happening in every case where unfreezing has previously occurred?

£60 million a year represents .05% of the total state pension payments in the year ended 31st March 2023.

Each pensioner living overseas saves the UK taxpayer £2,616 a year

£2.878 Billion a year saving to the UK taxpayer based on the 1.1 million pensioners living overseas

- Average cost £8,937
- Average taxes paid £6,321



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A rational government will be encouraging pensioners to emigrate.

Each pensioner is costing the UK tax payer an average of £2,600 each.

Isn't it better for the UK tax payer that barriers to emigration are removed?

The DWP says there is no evidence that ending the frozen pension policy will result in more people joining their family overseas and no evidence that people overseas are returning to the UK for treatment under the NHS. With all the resources at their disposal have they investigated this?

Closed minds will never see the possibilities.

Reasons not to Change the Policy

- *"Contributions paid have never earned indexation entitlement"*
- *"The frozen pension policy is legal"*
- *"The distribution of reciprocal agreements is based on historical ties..."*
- *"People move abroad for many reasons... It is also their responsibility to take advice and make an informed decision before moving"*
- *"UK policy on uprating UK State Pensions for recipients overseas is longstanding and supported by successive Governments for over 70 years"*

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Government ministers should be ashamed to continue trotting out the same jaded excuses over and over again. Excuses that are easily refuted.

Entitlement to state pension is based on the rules applying at the time the pensions are paid. Pension entitlement is not related to the rules that applied when the contributions were made. Ask the WASPI women!

ICBP is well aware of the Carson case. That is why we want the law changed.

Historical ties??? Germany has greater historical ties than Australia? Turkey has greater historical ties than Canada? By historical ties does the government only count the number of times the UK has been at war?

Why should British citizens have to take advice on the rules for the government's state pension scheme. Isn't it the responsibility of the government to explain things to its citizens instead of burying them in obfuscation?

70 years without a review of the policy is not good government. Listen to the Parliamentary Ombudsman.

Conclusions

- Frozen state pensions is a political issue not a legal one
- DWP advice to potential emigrants is obfuscated and is tokenistic
- DWP ignores the possibility of behavioural change following a change in policy
- DWP has not assessed alternative solutions
- The frozen pension policy is an affront to British sense of fair play

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What we want

- ICBP asks for an impartial and comprehensive review of the frozen policy
- We are confident that a truly unprejudiced review will conclude the policy is overdue for change

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Wrap up.