

Introduction

May 7th, 2015, will see the next UK general election. The new Government will replace (or be a continuation of) the current Conservative/Liberal Democrat coalition Government which has been in power since 2010. The current Government effected many changes to pensions policy including laying the provisions for a New State Pension, linking state pension inflationary increases to the greater of earnings, prices or 2.5% and removing the requirement to purchase a secure retirement income product in order to access DC pension savings.

This Briefing Note highlights the pensions policy positions of the main political parties, in order to give some indication of how different parties might affect the future direction of pensions policy.

It is envisaged that this Briefing Note will be used as a reference; topics are listed alphabetically so that people can search for the topic they are interested in. This Note covers the following topics:

- **Additional Pensioner Benefits**
- **Guidance and Advice**
- **Overseas Pensioners**
- **Pensions Tax Relief**
- **Same-sex marriage and civil partnership**
- **Scheme governance and mis-selling**
- **State Pension Age Rises**
- **State Pension Indexation**
- **State Pension Reform**
- **Veterans and War Widows**

The PPI has presented information that is available from manifestos, party statements and related documents. Parties may have other policies, but this Note focuses on those highlighted in the election campaign. Many of the proposals outlined do not contain much detail, for example on the potential costs.

The Note does not make assessments of affordability where none were readily available. The costs of any given policy are dependent on changes in other policy areas, which have not been explored in this note.

The PPI does not endorse any of the policy options detailed in this note.

Additional pensioner benefits

While Labour and the Liberal Democrats have pledged to restrict Winter Fuel Payments for those on higher incomes, the Conservatives, the Green party and the SNP have promised to maintain Winter Fuel Payments for all UK pensioners.

Restricting eligibility for Winter Fuel Payments could save Government funds but could also create administrative complexity and could in some cases lead to deprivation. No parties intend to restrict any other additional pensioner benefits, except for the Liberal Democrats who would withdraw eligibility for free TV licences from

pensioners on higher incomes.

Conservatives: have pledged to maintain all current additional pensioner benefits including Winter Fuel Payments, free bus passes, free prescriptions and TV licences during the next Parliament.

They intend to continue with implementation of the "temperature link" which means that entitled people who live in EEC countries with higher average temperatures than the UK (Cyprus, France, Gibraltar, Greece, Malta, Portugal or Spain) will no longer be eligible to receive the Winter Fuel Payment from 2015/16. This will affect around 132,000 people in the first year.¹

Labour: has pledged to stop paying Winter Fuel Payments to the richest 5% of pensioners, around 600,000 people, (ostensibly via a means-test), though they guarantee that they would make no additional changes to the Winter Fuel Payments, free TV licences or pensioner bus passes.²

Liberal Democrats: have pledged to withdraw eligibility for Winter Fuel Payments and free TV Licences from pensioners who pay a 40% rate of income tax or above, though they have promised to retain free bus passes for all pensioners.³

PPI Briefing Notes clarify topical issues in pensions policy.

Green: have pledged to maintain Winter Fuel Payments and free bus passes for pensioners. Alongside this they have pledged to provide free social care and prescriptions to everyone, including pensioners, and abolish TV licences, thereby removing the need for these to be provided free to pensioners.⁴

SNP: have pledged to enshrine protection in law for Winter Fuel Allowance payments. Alongside this, they would arrange for people whose homes are off main gas grids to have their payments made early so that they can stock up on fuel earlier in the year when fuel prices are lower.

This would affect around 4 million people, 15% of UK households. This would mainly benefit Northern Ireland, where 80% of households are off-grid. In Scotland, 21% are off-grid; in Wales, 19%; and, in England, 12%.⁵

Democratic Unionists Party: have pledged to oppose plans to means-test universal pensioner benefits.

Guidance and advice

Labour: state their support for the introduction of greater flexibility for drawing down DC pension saving, but believe that proper guidance must be available that assists consumers to avoid mis-selling.⁶

UKIP: have pledged to raise the budget for Pension Wise, the guidance service, in 2015/16

Additional Pensioner Benefits		Pensions Policy Institute PPI	
Maintain Winter Fuel Payments	Means-test Winter Fuel payments		
Maintain other additional pensioner benefits			
Overseas pensioners (state pension)		Guidance and advice	
Award the same inflationary increases in state pension to overseas pensioners as those in the UK		Pledged to raise the budget for Pension Wise	Promote guidance around mis-selling

from £30 million to £60 million, and the 2016/17 budget from £10 million to £30 million.

They have also committed to developing a “pensions advice and seminar programme to help protect pensioners’ best interests and savings.”⁷

Overseas pensioners:

Green: have pledged to give pensioners who are receiving a UK state pension while living abroad the same inflationary increases as domestic pensioners receive. This policy would cost around £0.5bn per year.⁸

Pensions tax relief

The majority of the parties with a position on pensions tax relief intend either to restrict relief for higher earners or to review the system with a view to doing so; the Liberal Democrats intend to restrict relief for higher earners while also increasing the relief

that those on lower incomes would get on their pension savings, subject to a review.

Policies which restrict relief to higher earners would have the effect of saving money for the Government but could also increase complexity for savers and providers and could reduce incentives for higher earners to save. Increasing relief for lower earners could also increase incentives for lower earners to save.

Conservatives: have pledged to reduce tax relief for those earning over £150,000. People receiving income at this level currently pay tax of 45% and receive tax relief at the same rate on pension savings below £40,000 per year, the Annual Allowance (AA).

The policy would result in a re-

duction in the AA of 50p for every £1 of income people receive over £150,000. People with incomes:

- below £150,000 would have an AA of £40,000,
- between £150,000 and £210,000 would have an AA of between £10,000 and £40,000
- over £210,000 would have an AA of £10,000
















This policy would affect around 300,000 people and could save around £1.4bn a year.⁹

Labour: have pledged to restrict tax relief on pension contributions for the highest earners. This policy would be effected by reducing tax relief on pension contributions for those with incomes of £150,000 or above alongside currently scheduled reductions in the Lifetime Allowance and a reduction in the Annual Allowance to £30,000.

Labour are intending to use the money saved through this policy and through targeting tax avoidance, to cut tuition fees from £9,000 to £6,000 a year. Labour intends for the policy to result in a reduction of £40 billion in government debt arising from unpaid student loans by 2030. This policy could save around £2.3bn a year.¹⁰

Liberal Democrats: have pledged to review the case for implementing a single rate of pensions tax relief for everyone of above 20%.

Steve Webb, the Liberal Democrat pensions Minister under the Coalition Government, has previ-

Same-sex marriage and civil-partnership Pledged to equalise widows/widowers inheritance from occupational pensions 		Scheme governance and mis-selling Review governance and charges  		Tackle mis-selling  		PENSIONS POLICY INSTITUTE PPI	
State Pension Age rises Review SPA rises  		Pensions tax relief					
Oppose SPA rises 		Restrict tax relief to those on higher incomes    		Flat rate of tax relief higher than 20% 			Review tax relief system 
Allow people to take state pension early 							

ously expressed interest in the rate of 33% tax relief for all pension contributions.

This policy would result in basic rate tax payers receiving higher contributions towards their pension from the Government, in the form of tax relief, and higher rate tax payers receiving less via tax relief.

PPI analysis of a 33% rate of tax relief concluded that the cost to the exchequer would remain neutral if the transfer was accompanied by the abolition of salary sacrifice schemes (which allow employers to forgo paying some National insurance contributions in return for making higher pension contributions). The flat rate of 33% coupled with the increase in Government revenue arising from the abolition of salary sacrifice would ensure that the cost to the exchequer is initial-









ly neutral and, over time, could reduce the annual cost of tax relief by between £1.7bn - £2.2bn.¹¹

Green: have pledged to lower the Government outlay on pensions tax relief by half and use the savings from this to part-fund a "Citizens Pension".

They have also pledged to lower the annual allowance so that more tax relief is focused on the low-paid. They anticipate that this will save £10bn in 2016, and around £20bn annually.¹²

SNP: have pledged to review the "pension tax relief that is available to the wealthiest".¹³

Plaid Cymru: have pledged to end pensions tax relief of 40% or higher, though the details of how this policy will work are not clear.¹⁴

State pension reform Support current plans for the New State Pension 			PENSIONS POLICY INSTITUTE PPI		
Support New State Pension at a higher rate 	Introduce Citizens Pension 	Automatically pay Pension Credit 	Veterans and war widows Ensure all war widows/widowers receive a widow's pension for life 		Exclude War Disablement Pension from means-test 
State pension indexation Maintain triple-lock (for at least next Parliament) 			Legislate for triple-lock 		

ment costs and decrease incentives to work longer which could have a widespread impact on the economy. However, raising SPA for everyone could result in unequal outcomes for those with lower life expectancies and has the potential to increase levels of poverty among older people.

Labour: have pledged support for future rises in SPA, however they have also made a commitment to ensuring that people are notified early enough to give them sufficient time to prepare.²⁰

UKIP: have pledged to introduce flexibility into the SPA system by allowing people to take an earlier, reduced-rate, state pension from the age of 65.

A flexible state pension window could require an initial increase in Government expenditure, but over the long-term could cost less than a system with a single SPA, although this would be dependent on decisions regarding the rates people receive when they claim their state pension at different ages. If this policy affected the employment rate, there could be wider economic implications.²¹

SNP: have pledged to review plans to raise SPA beyond age 66. PPI analysis indicates that in England, 2032 is the trigger year in which the SPA would need to increase to 68 to avoid more than 33% of adult life being spent in retirement. The first year in which this would happen in Scotland is 2045.²²

Same-sex marriage and civil-partnership

Green: have pledged to pass legislation ensuring that people in same-sex marriages and civil partnerships are entitled to the same inheritance from a partner's occupational pension as those in mixed-sex marriages.¹⁵

Scheme governance and mis-selling

Conservative: have pledged to create a minister for consumer protection, and have identified Ros Altmann CBE as their preferred choice, who would be responsible for carrying out a review of financial fairness for consumers. This review would include an evaluation of the charge cap for auto-enrolment qualifying pension scheme default funds. The new Minister would also become involved in developing Pension Wise, the guidance service.¹⁶

Labour: have pledged to make reforms to the private pensions market which will aim to ensure that providers put savers first, and protect them from "retirement rip-offs".¹⁷

UKIP: have pledged to tackle mis-selling to those looking to access their pension savings and intend to make it a criminal offence to cold call someone in respect of their pension arrangements (with the exception of regulated advisers, pension schemes and those with an existing client relationship).¹⁸

SNP: have pledged to "identify and target unfair, hidden pension charges."¹⁹

State Pension Age (SPA) rises

Parties vary on their approaches to SPA rises. Maintaining the current or a low SPA would increase pensioner incomes, but could also increase Govern-

Plaid Cymru: have stated their opposition to SPA rises.²³

State pension indexation

Conservatives, Labour and the Democratic Unionist Party (NI): have pledged to maintain the triple-lock.²⁴

Liberal Democrats: have pledged to legislate to make the 'triple lock' permanent.²⁵

SNP: will vote to keep the triple-lock. It is not clear whether this would be just for the next Parliament or for the longer term.²⁶

State pension reform

The Conservatives, Labour, Liberal Democrats, UKIP, and Plaid Cymru: have all pledged their support for continuing with current New State Pension (single-tier) plans.²⁷

Green: Would introduce a "Citizen's Pension", paid irrespective of contribution record, to all pensioners from 2016, set at £180pw (single) and £310pw (couples). They calculate this would have a net cost of around £26bn annually. They intend to fund the pension through reducing pensions tax relief for higher earners and abolishing the National Insurance upper threshold. Their aim is to ensure that no pensioners would "live in pov-

erty". Increases to this pension would be by prices or earnings inflation.

They have also pledged to introduce a "state earnings-related pension scheme", contributions to which would be invested in long-term, public assets.²⁸

SNP: have committed to supporting the New State Pension (single-tier) at a rate of £160pw.

They have also pledged to keep savings credit rather than allowing its abolition. Savings Credit pays a maximum of £14.82pw to a single pensioner in 2015/16.²⁹

Sinn Fein: have pledged to work to ensure that Pension Credit is paid automatically.³⁰

Veterans and war widows

UKIP: have pledged to ensure that the 2014 legislation granting war widows and widowers a "war widows" pension for life from April 2015 will be made retrospective and paid to all war widows and widowers whether they have remarried or not.

Currently, war widows and widowers who lost their war widows pension as a result of remarrying prior to April 2015 are not eligible to reclaim under

the legislation (though there are provisions for those whose partnerships end).³¹

SNP: have pledged to ensure that war disablement pension is not treated as income in the assessment of entitlement to other benefits.³²

1 The Conservative Party Manifesto, 2015; HoC Library Standard Note, SN06019, 2013, Winter Fuel Payments; Gov Impact Assessment: Payment of Winter Fuel Payments in EEA, July 2013

2 The Labour Party Manifesto, 2015; Guardian 2013, Labour would cut winter fuel payments for rich, says Ed Balls

3 The Liberal Democrat Party Manifesto, 2015

4 The Green party Manifesto, 2015

5 The Scottish National Party Manifesto, 2015; HoC Library Standard Note, SN06408, 2012, Winter Fuel Payments for "off-gas grid" households

6 The Labour Party Manifesto, 2015

7 The UK Independence Party Manifesto, 2015

8 The Green party Manifesto, 2015; Hansard, Grand Committee, pensions Bill, 8 Jan 2014: Column GC408

9 The Conservative Party Manifesto 2015

www.ifs.org.uk/publications/7708; www.ifs.org.uk/uploads/publications/conferences/EBN_13_taxes.pdf

10 The Labour Party Manifesto, 2015; Ed Miliband speech, (Feb 2015) press.labour.org.uk/post/112217705819/a-better-plan-for-a-better-future-fairer-for, http://www.ifs.org.uk/uploads/publications/conferences/EBN_13_taxes.pdf

11 The Liberal Democrat Party Manifesto, 2015; Financial Times (11.02.15) Minister urges scrapping of higher rate UK pensions tax relief

12 The Green party Manifesto, 2015

13 The Scottish National Party Manifesto, 2015

14 Plaid Cymru Manifesto, 2015

15 The Green party Manifesto, 2015

16 www.theguardian.com/politics/2015/apr/17/ros-altmann-to-become-tory-peer-conservatives-win-election

17 The Labour Party Manifesto, 2015,

18 The UK Independence Party Manifesto, 2015

19 The Scottish National Party Manifesto, 2015

20 The Labour Party Manifesto, 2015

21 The UK Independence Party Manifesto, 2015; PWC (2014) One size fits none Does the flexible workforce of the future need a flexible State Pension Age?

22 The Scottish National Party Manifesto, 2015; PPI Written Evidence to the Scottish Parliament Finance Committee: The potential impact of Scottish Independence on State Pensions in Scotland

23 Plaid Cymru Manifesto, 2015

24 Party Manifestos, 2015

25 The Liberal Democrat Party Manifesto, 2015

26 The Scottish National Party Manifesto, 2015

27 Party Manifestos, 2015

28 The Green party Manifesto, 2015

29 The Scottish National Party Manifesto, 2015

30 Sinn Fein Manifesto 2015

31 The UK Independence Party Manifesto, 2015

For more information on this topic, please contact

Daniela Silcock

020 7848 1884 daniela@pensionspolicyinstitute.org.uk

www.pensionspolicyinstitute.org.uk