Our pas de deux with Treasury working group

by John Markham, Director, CABP & International Consortium of British Pensioners

Spring 2011 marked a monumental milestone along the road of the campaign for pension justice – that's when we were invited inside the fortress that is the Treasury, the UK government department responsible for developing financial and economic policies for Her Majesty's Government. In March 2011, a small working group was established there with instructions to examine and consider the matter of global pension parity.

This significant milestone event occurred as a result of two things: we had finally gained the backing of a very senior member of Cabinet, and we had produced an evocative paper on the positive economic impact that unfreezing overseas pensions would have on the UK. The paper detailed the findings of a study we had commissioned from Oxford Economics (OE), a blue-chip economic forecasting consultancy headed by a respected former Treasury senior economist.

The OE study revealed that after an initial cost outlay (due to the £640-million per year that uprating/unfreezing would require), significant net gains would be experienced in Britain over the years, so much so that by the fifteenth year the annual savings would be £1.1-billion, and by the twentieth year this would have risen to an annual benefit to the UK economy of £7.2-billion.

The study confirmed that in spite of the fact that expatriate pensioners do not contribute directly to the economy through income tax, council taxes, VAT, etc., they do indeed demonstrably financially benefit the UK by virtue of simply living abroad. In 2011 alone, that benefit amounted to £3.1-billion (£2500 per frozen pensioner), according to government figures, due to the fact that they do not use the National Health Service, are not entitled to a multitude of benefits including free television licences, bus passes and Christmas bonuses, and do not incur social services costs such as home care.

While OE was undertaking its study, we commissioned a professional research company, Opinium Research, to conduct a survey among pre-retirees in Britain. The results indicated that up to twenty-nine percent of people in the 45-to-60 age bracket would consider emigrating to a 'frozen' country upon retirement providing the Basic State Pension was unfrozen. This translates to a potential additional 40,000-plus pensioners leaving Britain on top of these who leave each year regardless, meaning the government could keep an additional £100-million in its pocket each and every year.

After scrutinizing the evidence from OE and Opinium, Treasury's comeback was to suggest that a "large number" of 'frozen' pensioners return to the UK in their final years and place an excessive burden on the NHS, thereby negating the benefits to the UK economy. We next commissioned OE to go out and verify the accuracy of this claim.

Using data gathered from the four countries where over ninety-two percent of 'frozen' pensioners live – Australia (home to 46.5%), Canada (29.6%), New Zealand (9.15%) and South Africa (7%) – OE determined that Treasury's conjecture is in fact highly improbable as these countries provide medical coverage to pensioners that is as good as or better than that offered by the UK, the only possible exception being South Africa where delays can be lengthy.

OE next discovered that the number of pensioners returning to the UK from 'frozen' countries is *dramatically* insignificant in comparison to the number returning from 'unfrozen' countries like France and Spain, no doubt having discovered that the grass is not always greener at the other end of the chunnel. In addition, OE's gathered evidence revealed that the small number of 'frozen' pensioners who do return to the UK do *not* do so for reasons of health but rather for financial reasons, and so their number is likely to decline if global pension parity was awarded.

Once again, Treasury retired to consider our evidence. This time they came back to us with the hypothesis that giving in to the request for global pension parity would "open the floodgates" of demands from Europe, where a number of UK expatriates are agitating to have uprating applied to the UK benefits they still receive, just as it is applied to their pension and just as other European migrants enjoy when they are away from their home country.

We responded to this by reminding them of the fact that the two situations are in no way analogous and cannot be linked with any credibility, as the Basic State Pension is a contracted right and is funded through recipients' own (mandatory) contributions, whilst state-awarded benefits meet neither of these provisos; and so, for anyone to attempt to correlate state pensions and benefits would be a specious argument that simply would not stand up under any serious examination, and thus the 'open floodgates' concern has no teeth.

Next, sensitive to the UK's current economic stresses and the Eurozone issue, we made some suggestions about various ways of easing in pension parity. One example: in the first year, uprate the pensions of those who are 85 and older, as they are the ones most severely hit by pension freezing and many of them contributed mightily to the war effort. The next year, include those over 80; followed by 75+, then 70+, then 65+, and finally the remainder.

Today, as we approach the spring of 2012, our historic *pas de deux* with Treasury continues.