



BUDGET UPDATE: COALITION AGREEMENT PROMISES BROKEN

TRIPLE GUARANTEE LATE AND UNDERMINED

Coalition Agreement: "We will restore the earnings link for the basic state pension from April 2011, with a 'triple guarantee' that pensions are raised by the higher of earnings, prices or 2.5%" p26

Budget: "The basic state pension will be increased by the equivalent of RPI in 2011-12." p41

Conclusion: The triple guarantee will start in April 2012 so no pensioner benefits until then and nothing is done to raise the real value of the state pension which is desperately needed. The state pension currently stands at £97 per week while the poverty level is upwards of £150 per week. On top of this the 'prices' reference is to CPI not RPI a figure that is on average 0.5-1% lower than RPI.

Financial Assessment For This Year:

Saving to public finances - £0

Benefit to pensioners - £0

PUBLIC SECTOR PENSIONS COMMISSION PRE-EMPTED

Coalition Agreement: "We will commit to establishing an independent commission to review the long-term affordability of public sector pensions, while protecting accrued rights." p26

Budget: "The Government will adopt the CPI for the indexation of benefits, tax credits and public service pensions from April 2011." p17

Conclusion: As CPI is generally 0.5-1% lower than RPI this is a reduction in the index linking of public sector pensions both for the future and for those who have already retired or left the public sector. This is not the protection of

accrued rights the coalition led public sector workers to expect and brings into question why a Commission has been set up if government is changing public sector pension schemes without any consultation or reference to the Commission.

Financial Assessment For This Parliament:

Cost to public sector pensioners - £700m

Cost to public finances – Unknown. More public sector pensioners will become eligible for means tested benefits over time as a result of this change leading to greater pressure on the public finances.

STATE PENSION AGE INCREASE TO BE BROUGHT FORWARD

Coalition Agreement: “We will hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women.” p26

DWP Announcement from Steve Webb, Minister for Pensions 24th June 2010: “We have established a review into the timing of the increase in State Pension Age to 66...To support this review I have published a Call for Evidence to inform an internal review.”

Conclusion: The deadline for submitting evidence is 6th August 2010 meaning a consultation period of only 44 days. The Call for Evidence repeats the statement that the restoration of the earnings link is happening next year. As discussed above, according to the Budget this is not the case.

OTHER PROVISIONS

Coalition Agreement: “The Government believes that people deserve dignity and respect in old age, and that they should be provided with the support they need”

Budget: VAT increased to 20%; the indexation of Housing, Council Tax and other benefits will be linked to CPI rather than RPI; indexation of the Second State Pension and SERPS to CPI rather than RPI.

Conclusion: VAT increases hit those on lowest incomes the hardest and the reduction in the real value of benefits over time will lead to greater poverty among older pensioners. On top of this the cuts to DWP and local authorities’ budgets threatens many of the transport and care services older people rely on.