

Age Concern's response to the Pensions White Paper 'Security in retirement: towards a new pensions system'

Ref: 1806(s)

1. Introduction

- 1.1 The Government's White Paper on pensions: *Security in Retirement: Towards a New Pensions System* was published on 25 May 2006 following the Pensions Commission Report in November 2005. As part of our contribution to the debate around 30 local Age Concerns ran 'Listening events' which across the country were attended by around 600 people ranging in age from 40s to 80s. These provided discussions on pensions and pension reform and an opportunity to present their views to their local MP.
- 1.2 The main proposals are:
- Restoration of the Basic State Pension earnings link
 - Reform to the contributory system
 - A new scheme of personal accounts to encourage savings
 - A gradual increase in State Pension age

2. Summary of main points and recommendations

- 2.1 Age Concern strongly welcomes the White Paper which sets out the basis for a settlement around income in later life and should provide greater security for planning and saving for retirement.

- 2.2 Age Concern strongly supports the proposal to restore the earnings link although this should happen sooner and the level of the basic pension should be increased.
- 2.3 A total state pension income of £135 a week provides a good basis for retirement income. However it will take time to build up and many will not be entitled to this level of state provision.
- 2.4 In order to achieve an adequate income people who have limited opportunities to make private savings due to long-term caring responsibilities, ill-health or disability may need additional support for example through a higher build up of S2P or state contributions to personal accounts.
- 2.5 We are extremely pleased to see the focus on improving the system for women and carers. The 30 years qualifying period, the carer credit, and S2P credits for children up to 12 will be particularly beneficial.
- 2.6 The carer credit should ideally cover all carers providing 20 hours a week or more of care and as a minimum should include those caring for someone receiving the lower care component of disability living allowance.
- 2.7 We would like to see the 30 years qualifying period and abolition of the 25% rule introduced retrospectively so that older women also benefit.
- 2.8 As far as possible basic state pension and S2P credits should be aligned for carers and people who are ill or disabled.
- 2.9 There must be a continued emphasis on tackling poverty among current pensioners. We welcome the commitment to link pension credit to earnings in the long-term and would like to see this placed on a statutory basis.
- 2.10 Caution should be taken in respect of raising the state pension age. It should not be increased beyond 65 unless: it is as part of a clear package of improved state provision; health inequalities are reducing; the least well off are protected; and there is a programme of action to facilitate later working.
- 2.11 There needs to be a cross-government approach to tackling health inequalities and extending working life.
- 2.12 We support the proposals for auto-enrolment into a new system of personal accounts.

- 2.13 Deduction of contributions should start as soon as an employee is paid.
- 2.14 If employees who are aged under 22 or earning less than £5,000 wish to join the scheme then employers should also be required contribute.
- 2.15 We support the model in line with the Pensions Commission's proposals. This is likely to have lower costs, be easier to understand and be more portable than a model that includes a choice of provider as well as investment funds.
- 2.16 The conversion of pension funds into income will be an increasingly important issue particularly for women. The case for unisex annuities must be regularly reviewed and there should be disclosure provisions for members of couples considering purchasing a single life annuity.
- 2.17 There needs to be a clear strategy of financial information, advice and education developed alongside the strategy for pension reform.
- 2.18 Age Concern supports the idea of an ongoing pension commission which could increase the likelihood of long-term settlement and consensus. There needs to be independent analysis to look at the advantages and disadvantages of different models for an ongoing commission and periodic reviews.

The full version of the response to this Consultation can be obtained from our website at www.ageconcern.org.uk in the policy. Also, a copy can be sent on receipt of a sae to the address given below.

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