‘Frozen’ state pensions won't improve, says Altmann

Pensions minister Ros Altmann claims government cannot afford to help retirees struggling on ‘frozen’ state pensions outside the UK.

by **Michelle McGagh** on Mar 30, 2016 at 12:01

Overseas retirees suffering the injustice of ‘frozen’ state pensions have had their hopes of rescue dashed by pensions minister Ros Altmann.

Around 1.2 million pensioners live abroad and draw the UK state pension but depending on where they live the amount they receive differs. Nearly half, or 550,000, of those pensioners have had their pension ‘frozen’, which means they are not entitled to annual increases in the state pension – known as uprating.

Those with ‘frozen’ pensions are only entitled to the sum they received when they first started drawing their pensions, with some living on as little as £6 per week.

Although the Cabinet Office had agreed to look at a plan to uprate such pensions proposed by the International Consortium of British Pensioners, pensions minister Ros Altmann has decided it is too costly to do so.

She told the House of Lords last week: ‘The government has a clear position, which has remained constant for around 70 years: the UK state pension is payable worldwide and is uprated abroad where we have a legal requirement to do so, for example in the European Economic Area or in countries where there is a reciprocal agreement in place that allows for uprating. There are no plans to change this.’

Altmann (pictured below) said the additional cost of uprating pensions of those who live in British overseas territories, such as the Cayman Islands and Gibraltar, would be £1 million a year. Extending this to all countries would be prohibitively expensive, she said.

‘Were this to occur, liabilities for pensioners who live in other countries and territories would also have to be met. The estimated cost of increasing pensions in those countries where they are not currently uprated would be over £0.5 billion a year. This would be financially unaffordable.’

The plan put forward by the ICBP and the All Party Parliamentary Group on Frozen British Pensions calculated the cost of uprating **pensions by 2.5% a year** from their current levels, without backdating the increases.

They found the bill would be £30 million in year one rising to £157.7 million in year five, although the groups argued the cost by then would still be equivalent to just 0.03% of total pension spending in the UK, and even after a decade it would represent only 0.31% of the state retirement budget.

Both groups have argued that uprating ‘frozen’ pensions could actually be cost neutral to the Treasury as it could allow pensioners to move abroad to live with family or to return to their country of origin, saving the UK money on health and social care and other benefits.

John Markham, director of the ICBP, rejected the argument that uprating ‘frozen’ pensions was too expensive and urged the government to consider other solutions. ‘There are many options available to the government when it comes to ending the **long-standing injustice** of frozen pensions, with full uprating being just one,’ he said.

‘Other options such as partial uprating are more than affordable even in the current era of spending constraints,’ he added.

Markham said the cost of uprating this year was ‘just £30 million’ and claimed ‘there is growing evidence that this would be cost neutral to the government overall given the potential secondary benefits of doing so; removing the barrier to choice involved in moving abroad and thus reducing the burden on the NHS’.

MPs are now looking for new ways to tackle the government on the issue after an appeal for a Parliamentary debate was rejected.

Markham said the All Party group had taken a ‘proactive approach’ to solving the problem ‘but sadly the government are proving rather slow to act when it comes to ending this injustice’.