



# Meeting with Pensions Minister James Purnell MP

Wednesday 1<sup>st</sup> November 2006  
Christchurch United Reform Church, Pound Hill, Crawley

As a part of the on-going work she has done on pensions with Crawley people Laura invited a group of about 30 people to a meeting with the Minister of State for Pensions, James Purnell MP.

## **The Minister began with a brief overview of this government's history on Pensions;**

- In 1997 the level of pensioner poverty was unacceptable and had to be addressed.
- The Minimum Income Guarantee (now the Pension Credit) was an early measure which ensured that no pensioner has to exist on less than £114 a week – helping over 2 million of our poorest pensioners the most.
- These measure have cost considerably more (£7 billion since '97) than merely restoring the earnings link would have done but have targeted help to our poorest pensioners first.
- The Chancellor has agreed to restore the earnings link by 2012 – when it can be afforded and sustained.
- The Pensions Commission reported that whilst there is no crisis today there will be one in 20-30 years time.
- The voluntary approach to saving is not working – only about 1/3 of working age people are currently saving enough.
- They recommended the link be restored – which will happen in 2012.
- Also that account be taken of the contributions of women with caring responsibilities – the aim is to gradually reach equality by 2020 by recognising the position of carers and ensuring contributions are paid.
- A new type of saving will be introduced particularly aimed at those on lower incomes who may have difficulty in finding a good product. This will involve automatic enrolment in a private or government scheme with one for one employer/employee contributions for all those in work with employee action required to 'opt out'.
- The state pension age will gradually rise to 66 by 2026, 67 by 2036 and 68 by 2046.
- These sort of changes are happening all over the World as people live longer.

## **The Minister then took questions;**

**B&CE** – Is the pension planner scheme on hold and what is the Minister's view on companies setting up combined pension's forecasts?

**A** – The internet based pension planner was generally thought (by the industry) to be too complex and it often didn't work. The government continues to work with the private sector to see if such a scheme is possible.

**Crawley Pensioners Action Group** – What is the future for means testing which is a disincentive to save?

**A** – Means testing was an important part of addressing pensioner poverty in 1997 however it is recognised that over a longer term it is a disincentive. There are plans to cut means testing but it will remain for our most vulnerable such as those who have had to care for someone and for women who never married and made insufficient contributions.

In future, there will

**Crawley Pensioners Action Group** – We already struggle to compete – how will 3% employer contributions affect business?

**Federation of Small Business** – This will be a burden on small businesses – will there be any transitional help?

**A** – The Department is looking at these issues but there will be a phasing in period (till 2012) and the 3% will be set in legislation so it will not go up. The framework to set it up will be 'light touch'.

**Federation of Small Business** – There is a problem for some 'baby boomers' who have spent all their savings trying to make a new start because they have found it difficult to find new employment over the age of 50.

**A** – They will now get a full state pension and credits towards a second pension but it is very difficult to design a policy for the self employed because they are such a diverse group. If you get to 60 with no pension there is no question it is difficult.

**Federation of Small Business** – Young people receive far too many advertisements and enticements to take out loans and precious little about saving. The current pensions mailing is ridiculous – what is being done to address this?

**A** – The Department look very hard at this and the Child Trust Fund is a start, but the pensions Commission concluded that no amount of education would work which is why the new automatic enrolment in pensions is being brought forward.

**Crawley Pensioners Action Group** – Do you think that the miselling of pensions is still at the back of people's minds and that there are therefore on going issues of trust?

**A** – Certainly, but the Pensions Protection Fund will prevent that happening in future. However, whilst nothing is 100% safe the new scheme is much safer.

**Terry Reilly** – The rising cost of fuel means that many pensioner incomes are really being stretched – what is the government doing about that?

**A** – Whilst fuel cost are high right now the wholesale price is falling and that should come through in our bills. Government initiatives like the Winter Fuel Allowance and removing VAT from fuel have also helped.