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*Fair Play for British Pensions in Australia*

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**Submission to Department of Foreign Affairs and Trade  
Australia – United Kingdom Free Trade Agreement**

**July 2020**

**Opportunity for contribution to the Australian economy**

We draw your attention to a matter that negatively affects the Australian economy and which may be able to be corrected in any future discussions with UK in relation to Trade.

The attached page gives an outline of the issue that BPiA has been fighting to rectify, that is the UK government discrimination against UK pensioners living in Australia. This policy which unfairly “freezes” the rate of UK pensions paid to residents of Australia also has a cost to the Australian economy.

In the past 2 years, we have had a meeting with Prime Minister Malcolm Turnbull who understood our issue and indicated his support for this matter but he was unable to raise the matter formally at CHOGM. We also presented our case to Prime Minister Scott Morrison’s office in November 2019 and received a helpful response from the PM.

We have had positive responses from Department of Foreign Affairs and Trade indicating that the Government has made a series of representations to the UK Government on the issue of frozen pensions. The matter was raised in speeches to Parliament by Mr Julian Lesser (MP for Berowra) in December 2018 and Mr Trent Zimmerman (MP for North Sydney) in February 2020.

**FROZEN UK PENSIONS - BREXIT - TRADE DEALS**

Now that Brexit has occurred and negotiations have opened for a Trade Agreement with the UK, we ask that you propose that, as an ancillary to the Trade Agreement, the UK cease the freezing of UK age pensions to recipients who live in Australia.

For over 70 years pensioners who qualify for the UK Aged Pension and live in Australia have their pension payments frozen at the level of the first amount paid here. This results in damage to the Australian economy:

- an estimated \$500 million per annum is lost in foreign currency transfers into the economy
- it results in around \$180m in extra payments by Centrelink.

Increasing losses are suffered by around 228,000 pensioners who live in Australia, many of them self-funded retirees.

Comprehensive information about this freezing policy is included in a **House of Commons Library Briefing (May 2020) -**

<https://researchbriefings.files.parliament.uk/documents/SN01457/SN01457.pdf>

- the UK aged pension is not means tested, rather it is funded by the National Insurance Scheme to which all people who work in UK are required to make compulsory contributions. The amount of pension paid depends upon the number of years the person has contributed.

- The reasoning behind the freezing policy would appear to be cost saving:  
Shailesh Vara (Parliamentary Under Secretary for Pensions) has said that the UK Government decision not to uprate pensions paid to residents in countries such as Australia was that "...a significant proportion of any increase in the amount of the UK state pension would go to the Treasuries of those countries, rather than the pensioner" (House of Commons debate 11<sup>th</sup> May 2016)
- the "freezing" policy was introduced in 1946 when a new UK insurance scheme was being set up together with much increased benefits. Pensioners who had already moved overseas to the dominions, as we were known then, would not contribute to the new scheme so their pensions were frozen. All current UK pensioners now in Australia have compulsorily "contributed" to the new scheme but the policy remains, to the benefit of the UK (Briefing Paper - Page 4 HISTORICAL BACKGROUND).
- there are significant exceptions to this freezing policy - pensions are not frozen when paid to over half the pensioners living outside the UK (657,000 people out of a total of 1,167,000). This includes those who live in the USA, the EU, Israel, the Philippines, Serbia and Turkey (Briefing Paper Page 12)
- Most of the other 510,000 pensioners live in countries that are members of the Commonwealth, of which approximately 228,000 reside in Australia which is the largest number (Briefing Paper Page 12).
- It should be noted that the UK Government's Actuary reported that at 31<sup>st</sup> March 2020 the NI account forecast a credit balance of £36 Billion which is more than the actuarial balance required to support the NI pension scheme,

In December 2019 there was an ABC Radio National AM programme during which the British High Commissioner in Australia, Vicki Treadell, indicated that there is great need for action and said that freedom of movement between our countries could be part of a trade deal where financial services would also be covered. We believe this is an opportunity for Australia to insist that UK pensioners living in Australia should be treated on the same basis as the majority of pensioners living outside the UK.

The Australian economy would benefit by around \$500 million per annum from the injection of additional foreign currency into Australia.

We have had communication with Senator Birmingham who is aware of the matter of "frozen" UK pension payments and the cost to the Australian economy.

In June this year we received a response from Senator Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology who confirmed that the Australian Government considers the policy of not indexing pensions to Australian residents as **unfair**.

We trust that this matter can be addressed at any future discussions with the UK government concerning Trade Deals. We are pleased to provide you with any further information that you feel necessary

B Beaumont Owles  
Chairman

## BRIEF OUTLINE OF BRITISH PENSIONERS IN AUSTRALIA Inc (“BPiA”)

BPiA incorporated in 2003

Over 12,000 UK pensioners in Australia have contributed to its action since BPiA was incorporated.

### **Objective:**

To rectify the unfair and discriminatory policy of the UK government in freezing the rate of pension paid to some pensioners outside the UK but not others.

This is despite the fact that the pensions concerned have been earned by the pensioners as a result of contributions to the National Insurance Scheme (“NIS”).

### **Issues:**

UK Pension Policy: Persons who have earned a UK government pension as a consequence of their contributions to NIS have their pension frozen at the rate that they first receive such pensions when they live in countries such as Australia and Canada.

A UK pensioner in Australia who retired before 2000 receives less than 50% of equivalent entitlement if they lived in UK.

This pension freezing policy does not apply to residents of many countries including USA, the EU, Israel, Turkey, the Philippines and some Caribbean countries.

### **Anomalies**

When a pensioner visits the UK ,or other countries where pensions are not frozen, for a temporary visit, the full payment of pension rights is restored for the period of the visit.

UK Pensioners living in adjacent locations have different entitlements (eg British Virgin Isles *frozen*, American Virgin Isles *not-frozen*; Antigua *frozen*, Barbados *not-frozen*; Vancouver *frozen*, Seattle *not-frozen*)

The majority of UK Pensioners with frozen entitlements live in Commonwealth countries.

### **Partners**

BPiA works closely with Canadian Alliance of British Pensioners (“CABP”) through an entity, International Consortium of British Pensioners (“ICBP”), to attempt to overcome this unfair and discriminatory policy relating to all frozen pensions.

### **ICBP action**

ICBP, funded by BPiA and CABP, employs a London PR Agency (Tendo Consulting) to lobby Westminster MPs and raise awareness of this discriminatory frozen pension policy.

Tendo Consulting manages the All Party Policy Group on Frozen pensions (“APPG”) that seeks to change the UK Government’s policy relating to Frozen UK Pensions

See: [www.endfrozenpensions.org](http://www.endfrozenpensions.org)

ICBP has written to all Commonwealth Heads of Government alerting them to this discriminatory practice in relation to the payment of UK Pensions to of their residents. It requested that this matter be raised and discussed at CHOGM in April 2018. Unfortunately, this matter did not appear on the Agenda. It should be noted that such a policy is in contravention to one of the key principles of the Commonwealth Charter signed by Her Majesty the Queen, in March 2013, which states: “We are implacably opposed to **all forms** of discrimination”:

### **Australian Economy**

If the full UK pension entitlement was paid to approx. 228,000 UK Pensioners living in Australia, it is estimated that **the Australian economy would benefit by about \$500M per annum**

Approximately 170,000 UK pensioners also claim an Australian Centrelink Pension, if the full entitlement to their UK Pension was paid, it is estimated that **Centrelink payments would be reduced by \$180M per annum.**

BPiA dated July 2020