Dear Mike,

Pensions Bill 2013 – frozen pensions: reciprocal agreement offers from Governments

During the Second Reading debate in the House of Lords on 3rd December, you asked about the number of Governments who have offered to enter into reciprocal agreements with the UK Government on the up-rating of pensions.

In the past decade the UK Government has received a number of requests to enter into reciprocal agreements covering up-rating. In some cases, there was insufficient parity between the respective systems to provide the required reciprocity. The Government has not entered into any wholly new agreements since 1981, principally on the grounds of the costs involved and because it would lead to calls from other countries to negotiate similar agreements. In recent times, there have been requests from Colombia (2008), Mongolia (2007), Thailand (2010), Uruguay (2011) and Brazil (2011).

In recent months the Government has received representations from both Australia and Canada in which they raised the issue of up-rating UK State Pension. Those two countries represent by far the largest proportion of recipients in countries where the UK state pension is not index-linked and indexation would present a considerable cost to the Exchequer, particularly considering the wide disparity in the number of pensioners involved. The Government has therefore informed the Australian and Canadian governments that it will not be opening formal discussions on this policy.
Unfortunately, the relevant correspondence is not available as disclosure requires the permission of the foreign Governments involved.

I am copying this letter to all Peers who spoke during the Second Reading debate, and will place a copy in the House Library.

Yours sincerely,

David

Lord Freud

Minister for Welfare Reform