Public Bill Committee

PENSIONS BILL

Third Sitting

Thursday 27 June 2013

(Morning)

CONTENTS

Examination of witnesses.
Adjourned till this day at Two o’clock.
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The Committee consisted of the following Members:

*Chairs:* †Martin Caton, Mrs Anne Main

† Blenkinsop, Tom (Middlesbrough South and East Cleveland) (Lab)
† Bradley, Karen (Staffordshire Moorlands) (Con)
Colville, Oliver (Plymouth, Sutton and Devonport) (Con)
† Gilmore, Sheila (Edinburgh East) (Lab)
Graham, Richard (Gloucester) (Con)
† Griffiths, Andrew (Burton) (Con)
McCann, Mr Michael (East Kilbride, Strathaven and Lesmahagow) (Lab)
† McClymont, Gregg (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab)
Nash, Pamela (Airdrie and Shotts) (Lab)
† Pincher, Christopher (Tamworth) (Con)
† Reckless, Mark (Rochester and Strood) (Con)
Reynolds, Jonathan (Stalybridge and Hyde) (Lab/Co-op)
† Selous, Andrew (South West Bedfordshire) (Con)
Simpson, David (Upper Bann) (DUP)
† Webb, Steve (Minister of State, Department for Work and Pensions)
† Wheeler, Heather (South Derbyshire) (Con)

Neil Caulfield, John-Paul Flaherty, Stephen McGinness, Committee Clerks

† attended the Committee

Witnesses

Chris Curry, Director, Pensions Policy Institute

Neil Carberry, Director of Employment and Skills, Confederation of British Industry

Dominic Lindley, Financial Services Policy Team Leader, Which?

Catherine Kirby, 700,000 Group

Marion Rees, 7000,000 Group
Public Bill Committee

Thursday 27 June 2013
(Morning)

[MARTIN CATON in the Chair]

Pensions Bill

11.30 am
The Committee deliberated in private.

Examination of Witnesses

Chris Curry, Neil Carberry and Dominic Lindley gave evidence.

11.36 am

The Chair: Welcome to the Committee. We will now hear evidence from the Pensions Policy Institute, the Confederation of British Industry and Which? Before calling the first Member to ask a question, I remind the Committee that questions should be limited to matters within the scope of the Bill, and that we must stick to the timings in the programme motion that the Committee has agreed. I hope I do not have to interrupt questions or answers mid-sentence, but I shall do so if need be.

Members of the Committee should declare any interest before the start of each panel to which that interest is relevant. For the record, will our witnesses please introduce themselves to the Committee?

Dominic Lindley: I am Dominic Lindley, head of financial services policy at the consumer group, Which?

Neil Carberry: I am Neil Carberry, director of employment and skills at the Confederation of British Industry. That is the directorate in which pay and pensions policy sits.

Chris Curry: Good morning. I am Chris Curry, director at the Pensions Policy Institute.

The Chair: Thank you very much. The first question comes from Andrew Selous.

Q118 Andrew Selous (South West Bedfordshire) (Con): How closely do the Bill’s provisions match your expectations of what a viable reformed state pension system should ideally look like?

Chris Curry: I should say that the remit of the Pensions Policy Institute is to provide evidence and not necessarily to support or be against any particular policy measure. From what I have seen of the Bill so far, it seems to follow quite closely what has been set out in other policy statements from the Department. There are a few things it would be useful to see within the Bill that are currently not there. They are quite important, such as the single tier and issues around some of the more detailed nuances about how much it would actually be, how it might be indexed in future and some of the qualification criteria, because that’s very important in determining what the real benefits will be and how viable the state pension system is likely to be in future.

It would be good to have a little more detail in some areas, but generally the Bill sets out a fairly solid and sustainable framework.

Neil Carberry: Our view is that a sustainable form of the state pension is a required final portion of the pensions reform that we have been undertaking in this country for the past decade, alongside changing the retirement age and introducing auto-enrolment. We believe that the provisions in the Bill do that effectively. We are comfortable with the design of the state pension as it affects employers. Obviously, I work within a self-denying ordinance of commenting on those things that are of particular interest to business.

I want to make two points about the Bill in its current form. First, this regime will enter into force earlier than we had previously expected. Originally, the plan was from April 2017; we are now seeing the system coming into force in 2016. That puts a time pressure on those businesses that are particularly affected by it—businesses currently operating under the contracted-out regime—and places particular emphasis on needing to get to secondary legislation with clarity as quickly as possible. Our members estimate an 18-month preparation time for the change.

The second point is the cost to those businesses, which I am sure we will pick up later. A change to the state pension has to come in in a way that is cost-neutral for businesses. The Bill contains provisions to do that, which we strongly support.

Dominic Lindley: From the consumers’ perspective, many are confused about the state system at the moment. In our survey, 60% of people do not know how much state pension they will receive, and 40% say they do not understand how it works at all. More clarity about the state pension is important because if you think about the decision that consumers have to make, they have to think about how much they are going to need in retirement and need to know how much they will get from the state, and then what options they have available to make up that gap in terms of their own contributions.

By providing a bit more certainty for some consumers, the single tier could be a positive development. I would say, do not underestimate the complexities of trying to explain the transition and the system to consumers, and start early. As you get closer to the implementation date, the people who are affected on either side of the cliff edge will become more vocal and more interested.

In terms of what consumers are asking us about the reforms at the moment, the most common question we had when it was announced was: can I defer my state pension to get the higher amount? Of course, the answer was no. That is about as far as consumers have got with pensions. Most of that negative attitude that some consumers have toward pensions. Most of the consumers in our focus groups who had been automatically enrolled were going to stay in, and there was a feeling of relief that they were doing the right thing, being responsible and saving for their retirement. So automatic enrolment is a really positive step to get
more people saving into pensions. There is that second order, though: the minimum amount that people are paying in under auto-enrolment might not deliver the retirement aspirations that some consumers have, so we have to do a better job in explaining to consumers how much extra they might need to pay in to get the retirement that they aspire to.

Q120 The Minister of State, Department for Work and Pensions (Steve Webb): I want to ask the Pensions Policy Institute a question. People are obviously interested in gainers and losers, and the Department has obviously published the right answer, but others have published analysis. The Institute for Fiscal Studies has been loosely quoted as saying that most people would be worse off under the single tier. Clearly, there is a certain tension around that soundbite. From your independent standpoint, what is your assessment of the balance?

Chris Curry: We have published analysis that I think provides the right answer. As with all these things, the answer is fairly complex. I do not think you can generalise too much and say that most people will lose or most people will gain, because there is a range of different impacts in different parts of the Bill. It affects different groups in very different ways. Our analysis suggests that there are some broad categories that will do very well from the move to the single tier. That is because the current system has such a wide range of outcomes. Some people do badly and some do well from the system, but those who have traditionally done badly from the current state pension system—women with broken work histories and different patterns in their careers, and the self-employed—and particularly those who are coming up to retirement in the next 10 years or so will probably do quite well from the single tier pension. That is because the current system has been evolving over a long period and there have been a lot of fairly recent changes, in the last 10 or 15 years, to improve the coverage of the state pension system, but which have been introduced only for the last 10 or 15 years, so people who have spent the large part of their working careers under a system that did not, for example, give any additional pension entitlement to people who were at home caring for children or people with disabilities will not benefit from the recent changes. They will end up with relatively low state pension entitlements under the current pension system.

The IFS analysis and some of the figures shown by the Department and ourselves suggest that in the longer term, when you look at people retiring perhaps in 20, 30 or 40 years’ time, you get more of a difference, because over that period the current system has in effect fully filtered through and so people are spending more time under a system that gives recognition to the different types of non-working, but creditable, activity: caring for children, for example, or caring for disabled relatives. In that situation, you can see that people would have built up a good state pension under the current system. Whether they are better off under each comes back to one of the points made earlier. It depends very much on what the level of the single-tier pension is and what the indexation arrangements for the single-tier pension are likely to be when we get there.

To give you an example, we have modelled an individual: she has a standard female work history of sometimes working part time, sometimes caring for children, sometimes caring for others. If she is in her 60s now and reaching state pension age in 2016, she would be better off under the single-tier pension than she would be if the current system had continued. If you take an individual with exactly the same work and earnings pattern as a proportion of average earnings, but who is in her 40s today and will reach state pension age in the late 2030s, she would initially be better off under the current system than under the single tier, assuming that the single tier is triple locked. However, if the triple lock stays in place for the single tier, within five years that individual would do better under the single-tier system than under the current system.

Whether people gain or lose will depend a lot on the exact levels used within the single tier and the way they change over time. Generally, we can say that there are probably more gainers in the shorter term and more people who would get less initially from the single tier in the longer term, but that is very dependent on the assumptions that you use.

Q121 Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): My understanding is that the Government are taking away the state second pension and ploughing those resources into a flat-rate state pension. Would it be fair to describe the flat-rate state pension as a capped state pension, since you can no longer save additionally into S2P?

Chris Curry: I guess that once the transition has gone through fully, there will be a limit as to how much people can get at their pension age from the state pension. I guess that, if you defer, you will still be able to receive slightly more each year than you would get in a single tier.

I guess there would be a cap in the current system as well, depending on the earnings level you reach with state second pension, but that would be limited, based on the number of years you can make contributions for. I am not sure whether I would describe it as a cap, but rather as a simpler level where people will hopefully understand what they are likely to receive.

Neil Carberry: I follow Chris’s line of logic closely. Any Government-driven pension system will ultimately have cost controls in it, for very good fiscal reasons. There are cost controls inside S2P at the moment.

This system is much clearer. Going back to where Dominic started, we are addressing the problem that nobody really understands what the state will pay them in retirement. That drives people’s savings decisions in the private sector. I have been involved in pensions policy for a decade, and I am not sure I could tell you what my S2P position is, and I doubt whether many people in this room could.

The advantage of this system is that it gives savers clarity about what the Government will pay. By definition, because it is a Government system, it is capped.

Q122 Gregg McClymont: It is capped?

Neil Carberry: As with any Government system, it would have cost control in it.

The Chair: We now move on to the ending of contracting out.
Q123 Heather Wheeler (South Derbyshire) (Con): I think one of you already mentioned that you have thoughts on whether the revised implementation date of April 2016 for the single-tier state pension will give employers and pension schemes sufficient time to make the necessary adjustments. Would you like to spread a bit more joy on that?

Neil Carberry: Yes. By definition, adjusting contracting out is difficult because, for very large schemes, these systems have been in place for over 30 years and longer. When the Minister first met with the CBI’s members in the halcyon days of mid-2010, we had a discussion about giving a humane death to contracting out because, in truth, it is pretty unloved on the business side because successive Governments have cut the value of the rebate, so that is now worth nowhere near the cost of the benefit that the businesses deliver for it. Clearly, it also acts against the simplification of the state pension system.

Having said that, no pensions change is ever simple; whether it is for the Government in the state system or for companies, as is clear in the Bill there is a need for information and consultation and for systems change. As I said earlier, we think that that is an 18-month job for most companies.

In reality, if we look at when the Bill might receive Royal Assent, that means that business will need to see secondary legislation very quickly—arguably, in its initial stages, during the passage of the Bill through the House would be ideal. That would allow businesses to start putting in place the systems they will need, so that when the Bill receives Royal Assent they can kick-off the necessary changes in the business as quickly as possible.

Heather Wheeler: Anyone else, or do you basically agree? Just nod.

Chris Curry indicated assent.

Dominic Lindley indicated assent.

Q124 Heather Wheeler: That is marvellous.

You alluded to contracting out issues. On the question of whether there is anything to add, are you satisfied with the provisions in the Bill that would allow employers to amend pension scheme rules to take account of the ending of contracting out—the statutory override?

Neil Carberry: We are satisfied, as long as the provisions in the Bill are used with regard to protected persons. A significant number of the people affected by this change are employees in formerly nationalised industries where there has been an assumption in the policy debate that relatively few people are covered. The nature of industries such as electricity is that people go in as apprentices at 16 or 18. The majority—just—of members in the electricity scheme and some of our biggest members in that sector would be covered. The average age is only about 51, and we are talking about tens of thousands of people in this position. We think it is fair that we extend the right to offset that to companies employing protected people basically for three reasons.

First, the money to pay that additional cost in the company must come from somewhere, and we are typically talking about transport companies and electricity companies, which is an area where increasing consumer cost is not necessarily desirable. Secondly, if you do not offset it, you end up with a situation in which you reduce take-home pay for affected members. Finally, there is an issue with fairness across the private sector.

Q125 Steve Webb: When we had the GMB in earlier this week, I put to it the employer’s perspective, so symmetry demands that I put to you the union perspective. The workers we are talking about were made clear pension promises in law and by Ministers. They were told that their pensions were as they would be until they retired. Do you not think it undermines the pension system if Governments make pension promises and then break them?

Neil Carberry: I think it is important that we take the view of workers directly about their pensions. That is why the consultation requirements in the Bill are important. When it is set out clearly to workers we can see what their views will be, but ultimately we are talking about a situation in which people will see their take-home pay fall. Certainly the feedback from our members about what they have heard from staff on the ground is that that is not something they are particularly keen on.

The Chair: Thank you. We will now move on to eligibility for the single-tier state pension.

Q126 Mark Reckless (Rochester and Strood) (Con): On the requirement to contribute for 35 years to get a full pension, and for 10 to get any at all, do you think that is fair, and do you have particular concerns for groups that may find that a detriment?

Chris Curry: I do not think I would like comment on whether it is fair or not, but I will make a few observations. It is only fairly recently that the provisions, at least in the basic state pension, have been changed so that, first, the qualifying years came down to 30. Until 2010, women had to have 39 qualifying years for a full basic state pension, and men 44. The number for females would have increased over time as the state pension age went up. Everyone needed to have an entitlement of a quarter of the basic state pension to receive anything. Those rules have only just been removed, so what is happening with the single tier is almost moving back to the system that was there about five years ago, so you can almost look at the intervening five years as a blip and a change in the way it has happened.

Having said that, there are obviously some implications from having slightly more difficult eligibility criteria to meet than under the current state pension. One is that more people will not receive the full entitlement. That could be an issue at some future point. It is not likely to be a major issue, because the Department’s projections still show, I think, that the vast majority of people will have 35 qualifying years. I have not seen any real updates from the projections in previous Bills, which suggested that by the mid-2020s somewhere approaching 95% of individuals will have at least 30 qualifying years. People will get very close to 35, if not most of them actually getting there.

The issue of reintroducing a minimum is important. Much of the focus has been on the impact of a minimum on foreign nationals who come into the UK to work for short periods and then go back to their country of origin. The minimum is portrayed as a way of ensuring that state pension money is not taken out of the UK...
and used by pensioners living abroad, but it will also have an impact on women and men who stay within this country.

Although it is a relatively small group, there is still that 5% of people who do not have 30 qualifying years, and some of them will not have any qualifying years. Having these criteria mean that the Government will save money over time, but to save money the criteria must affect people. Not all those affected will be those who spend their retirement overseas; some of them will be in the UK. Some will not get as much pension as they would have done, because of these eligibility criteria.

Mark Reckless: Does anyone else have anything to add on this issue?

Neil Carberry: Just to note that as a rule, businesses have always favoured having a contributory basis to the system, and maintaining a number of qualifying years for full state pension is something the business community broadly supports.

Q127 Mark Reckless: Do you think the protections and transitional arrangements for inherited and derived rights are sufficient?

Chris Curry: This is another complex area, and with the Bill and the policy in general, the real thorny issues are in the transition. There is a lot of support for where the system will end up. If you look at the responses from all the stakeholder groups, there seems to be broad support for the idea of simple single-tier pension, but as with all policies, it is the transition that is difficult.

Reading through the explanatory notes and looking at it from that point of view, it is clear that there are some important transitional protections in place. In particular, some of the arrangements around reduced-rate elections limit the potential detriment to married women who have decided to enter that situation. The rest of the protections can be summarised as being based on when the dependant reaches state pension age and when the original contributor reaches state pension age. There will be some cases where people expected to rely on the rights that have been built up by a partner, and that will no longer be the case, but it is also fair to say that the figures suggest that more and more people are building up reasonable pensions in their own right, even if they are not likely to get a full pension.

As I have said, the vast majority of people will have 30 or more qualifying years by the mid-2020s, and in that situation they are likely to get at least as much a pension from the single tier as they would have under the current system going forward, even if they could have inherited or substituted their partner’s contribution history into their own. It is an important issue, but there is a reasonable balance in the Bill to ensure that it is hopefully limited to a relatively small number of people, but what they get will depend on their individual circumstances when they reach pension age.

Mark Reckless: Neil, Dominic: do you agree that a reasonable balance is being struck in the Bill?

Neil Carberry: In any change like this, as Chris has said, you will have winners and losers. It is a difficult issue and it is worth noting that the initial plans for transition have been overhauled quite significantly by the Department. In this Bill, we have ended up with an approach to transition that is not perfect, but that is probably because perfection is not possible. It seems to us to be the right balance; it feels as fair an approach as one could take.

Dominic Lindley: From our point of view, I would stress again the need for early communication at the transition period with the people around the cliff edge, because they are not going to be paying much attention to it at the moment. As we get nearer to the implementation date, the lobbying and desire to unpick various bits will start. Being really clear with everyone up front and ensuring that not too many people are on that cliff edge is the best approach to take.

The Chair: We will now look at the interaction with means-tested benefits. Andrew Griffiths.

Q128 Andrew Griffiths (Burton) (Con): Gentlemen, are you satisfied, with regard to means-tested pensioner benefits, that the provisions in the Bill will ensure that those who are affected by the abolition of the savings credit will benefit from the single-tier pension? Could you give us an overview of whether you are satisfied with how means-tested pensioner benefits will be affected by the changes?

Chris Curry: There are some welcome implications for means-testing as a result of moving to the single tier. I reiterate that the precise outcomes and impact will depend on the things that are not in the Bill—for example, the level of the single-tier pension and how it is indexed over time. Those are very important in determining future eligibility for means-tested benefits.

However, based on the levels that have been used as illustrations, with £144 for the single-tier level indexed to the triple lock, it is important to look at two different aspects of means-testing. One is means-testing for basic income, which I think the PPI would characterise as things such as the guarantee credit and the savings credit. Although the removal of the savings credit could lead to a relatively small number of individuals, in the few years after the transition and the first movement towards a single tier, potentially ending up with slightly less from the state overall than they might otherwise have done. Those individuals might not have an opportunity to do anything about it; they may not be able to build up any more private pension in that short period of time to overcome that.

The longer-term issues around not having savings credit there and reducing the reliance on guarantee credit longer term, which the Department’s estimates and our own estimates from looking at previous incarnations of a single-tier pension suggest would happen, are probably very welcome. That will not remove the need for a safety net through guarantee credit at all, because there are certain situations in which, as we have heard, people will not receive the full single-tier pension. Some people who are eligible for things such as severe disability premiums, and so need extra amounts of money, will still be able to get that support if they have no other forms of income. The removal of the reliance for a relatively large minority of the population on guarantee credit and savings credit is an important boost to auto-enrolment, and a way to try to make clear the benefits of private pension saving.
The other aspect is means-testing for particular needs, such as housing benefit and council tax support. Because the level of the single tier in the illustrations is not significantly higher than the levels of guarantee credit that we see, there is quite a small impact on the levels of entitlement to and eligibility for housing benefit and council tax support going forward. There will still be residual means-testing within the system. That still has the potential to have some detrimental impact on people’s views on the benefits of saving. Again, the impact of that is very much linked to the final level of the single-tier pension and how that changes over time. The impact there, because they are means-testing for a particular purpose, is probably less than it would be if someone is means-tested for basic income.

Neil Carberry: I do not have anything to add to Chris’s answer; I agree with much of it.

Q129 Andrew Griffiths: Chris, you said that a small number of people would be affected. Have you been able to identify who they are likely to be?

Chris Curry: It would be people who have total incomes just above the current guarantee credit level. That could be a combination of their basic state pension and additional pension as it would have been, but who end up with a single-tier pension and a small amount of other income. They are in an income band where they would have been able to get savings credit of a few pounds a week, whereas under the single-tier provisions, they will get a single-tier pension, which may be at the same level, or a similar level, to what they would have got from the state. They may be a small gainer in terms of their state pension, but that will not be eligible for the savings credit, so they will not be able to get that, and therefore, their overall income might be slightly lower.

Unfortunately, we have not been able to estimate exactly how many people are in that situation, but the relative changes in their incomes are likely to be quite small. As I say, given that the single-tier pension might grow faster than other forms of their income may have done anyway, they may not end up having a lower income right the way through their retirement. It might only be a temporary phenomenon, but we would like to explore that issue further.

Q130 Andrew Griffiths: Do you have any views about how the complexity will be affected from a pensions perspective, in terms of applying for things?

Chris Curry: It should make things much simpler. As both Neil and Dominic have alluded to, one of the big advantages of the single-tier pension is that it is much clearer, and hopefully, it is much easier for people to understand what they can expect the state to deliver to them. Removing some of the uncertainty around means-testing from that can only help in that situation. Whether then goes through to lead into a positive impact on, for example, auto-enrolment and other pension saving, we will have to wait and see. However, it should do no harm for people to understand what they will get, and perhaps to have a better idea of the scale of the issue they are likely to be facing, in terms of what income they might feel comfortable with in retirement, and therefore, what they need to do, or what they need to get from other sources above the state pension in order to do that.

The Chair: We will now turn to provisions for the self-employed.

Q131 Andrew Selous: The Bill is quite generous towards the self-employed. I would like to know your views on the level of national insurance that will be required of the self-employed. Some have suggested that it might be right to ask the self-employed to pay slightly more for the higher pension that they will receive. I would like to get your views on that area, please, starting with Mr Curry.

Chris Curry: I think you are certainly right in saying that the self-employed are one of the groups who would benefit most from the introduction of a single tier, in that currently not having access to the state second pension, at least for the time that they are self-employed, has meant that although they pay lower national insurance contributions, they are more likely to have a lower state pension as a result and are potentially more likely to be eligible for means-tested benefits when they get into retirement, as a result of not having a state second pension. Having a single tier means that they do much better from the state than they might otherwise have done, and so, again, it means that the removal of means-testing is an important issue for them.

Whether they need to pay higher contributions is not necessarily just a pensions question. It is a much broader area, and it is probably beyond the remit of the Pensions Policy Institute to comment on whether they should or not. I just point out that the self-employed would potentially be getting the same pension as an employee, but for lower national insurance contributions. They would not be alone in that. For example, the credit system means that people who are looking after children, people who are working part-time and therefore paying a smaller contribution, because they have lower earnings, and people with disabilities are all groups that also pay less in national insurance, but end up with a similar pension. I think there is a broader issue about whether the role of the state pension is to provide that redistribution, but also whether how that distribution works should be linked to the ability to pay, as well as the benefit that comes out at the end.

Q132 Andrew Selous: That is very helpful, thank you.

Neil Carberry: Chris has allighted on the right point at the end, which is the broader question of how we treat the self-employed inside a system that broadly works pretty well for the employed. It is clear that pension saving among the self-employed is a problem. It is not high enough. This system will ameliorate that to some extent. There is a broad question, which is probably a matter for the Treasury more than the DWP, about the taxation position for self-employed workers, taking into account the pensions question. It is probably not a matter for this Bill specifically.

Q133 Andrew Selous: Does the CBI see this in any way as a pro-enterprise measure? There are 4.2 million self-employed people in this country, and they are quite important to our economy.

Neil Carberry: Clearly, self-employment ultimately breeds employment if businesses grow. We would not be in favour of raising NI on self-employed workers, for the reason that they are trying very hard to make ends meet and to generate the growth that will help to move
this country forward. Having said that, we have to take all these policy decisions in the round, and there may be a time at which we feel that it is appropriate to tweak the pension system in line with a number of other considerations about the national insurance treatment of self-employed workers. That is a broader question than the question in this Bill, however.

Dominic Lindley: The only additional point I would make is that the self-employed are not going to benefit from automatic enrolment as much as workers will, and they are a very diverse group, ranging from very high-earning professionals right down to low-income, part-time self-employed people. That point needs to be taken into account as well.

Andrew Selous: That was an important last point; thank you.

The Chair: Our next question is on the state pension age. Christopher Pincher.

Q134 Christopher Pincher (Tamworth) (Con): Mr Carberry, you spoke earlier about the impact on businesses of the timetabling change adjustments, but I suppose my question is focused more towards Mr Curry. I want to ask you about further increases in the state pension age and particularly about the increase from the age of 66 to 67 between 2026 and 2028 being eight years earlier than in existing legislation. Do you think that that gives people sufficient time to make their own personal adjustments?

Chris Curry: I think that, generally speaking, it does. We were very involved in the debate a couple of years ago about the much-faster increase in the state pension age from 65 to 66—bringing that forward. There was much less of a notice period, if you like, for people who were affected by that change, and we raised concerns at the time—based on, for example, the economic activity rates of people who were to be affected by the change—as to whether a number of people would have a chance to make any changes to their plans or would simply have to make the pensions that they had already built up or the benefits that they received from other parts of the system last longer than they were originally expecting them to have to last.

We came up with the rule of thumb that 10 years was probably a sufficient notice period, based on the fact that if you look at people in the age group roughly 10 years before their state pension age, between two thirds and three quarters of them are still economically active and therefore have an opportunity to take account of the fact that they will have to wait an extra year before they receive their state pension.

I think the general issue about the state pension has been well rehearsed and discussed. There are some key drivers, including increased life expectancy and increasing pressure on costs. One interesting thing about the Bill and the single tier is the fact that the Government have almost tied their hands so that they cannot spend any more than they are currently spending on the existing system. We have already had discussions about the level of the single-tier pension and the indexation of the single-tier pension. One way in which the level could be made higher or indexation could be maintained at a higher rate would be by using changes in the state pension age, but obviously that is a long-term rather than a short-term method of cost control, given that we feel that people need enough notice to take account of the changes.

Q135 Christopher Pincher: Okay. Broadly, the lead time of, as it turns out, more than 10 years is acceptable, but do you think that there are any specific groups of future pensioners who will find the adjustment more difficult than others and, if you have identified such groups, what proportion of the mass of pensioners do they constitute?

Chris Curry: The last bit of your question, about the proportion, is very difficult to answer, but you are perfectly right. There is a danger, in that a lot of the discussion that we have is based on averages. Average life expectancy is going up, but this is not true for particular groups. For example, there have been increases in life expectancy in all social classes and all industrial classifications, but in some areas and generally in higher social classes, that has been faster than in lower social classes, although it is still going up in all of them. But even within those groups, you get people who for whatever reason are unable to work right up until state pension age, and there is a distribution of life expectancies, some of which are obviously shorter than others, even if the average is going up.

Alongside any increases in state pension age—and that could be further explored, looking at the periodic reviews going forward for state pension age—it is not necessarily just a simple relationship between the average going up and the state pension age therefore needing to go up to reflect it. There is also what is happening to people with disabilities and people in manual work, who are more likely to have a shorter life expectancy when they get to state pension age, and are more likely to not be able to work up until state pension age. There may, therefore, need to be provisions elsewhere in the benefit system to try to help those individuals.

Neil Carberry: We are in a good position here relative to some of our European peers, because we have much higher activity rates above the age of 55. There is one group that I would add to the range of possible groups that Chris outlined, and that is the low-skilled. We get a bit of attention on school leavers and on how well or otherwise they are doing, and what is clear—this came out in our education and skills survey earlier this week—is that if you look at businesses’ assessment of the skills of the work force their feedback is that the skill levels among school and university leavers are often very good. A lot of the remedial work that businesses are doing is going in higher up the age range, so it underpins a link to the other part of the Department’s responsibilities, which is about what the agenda for supporting the continued employment of people for longer is, through the activities of areas such as Jobcentre Plus.

The Chair: We will now focus on private pensions.

Q136 Gregg McClymont: What is your view of the private pension provisions in the Bill?

Dominic Lindley: There are two aspects. First, there are the additional powers that are clarified in the Bill. The Bill clarifies the ability of the Government to cap charges. We very much welcome that, and hope that the powers are acted upon.
From our point of view, the most important aspect is that we are really proactive on this and set proper quality standards. The one thing that consumers were very surprised about, when we talked to them in our focus groups about automatic enrolment, was that they would be automatically enrolled into a scheme. Many of them trusted their employer to get them a good deal, but they were shocked that no one had set clearly defined quality standards and a clear charge cap to prevent them from being automatically enrolled into a poor scheme. They felt very weak in the market, and found pensions very complicated. Even if they did find out that they were in a high-charging scheme, the only thing they could do would be to opt out, which would mean not having a pension.

It is important to be proactive now and set clear quality standards, and that covers schemes used for both the automatic transfers and pot follows member—which I can come on it—and all schemes used for automatic enrolment. Doing that quickly now would help employees. It would also help employers, because it is not rational to expect small businesses to spend days and days choosing an appropriate pension scheme. Certainly, a very high percentage of the small businesses the Government surveyed thought that their employees did not pay any charges for their pensions. Those employers have much better things to do than to spend days choosing a pension scheme, so setting clear quality standards provides a clear signal to them that the schemes meet the standards.

Particularly on administration charges, we would like to see the Minister and the Government step in and cap what we call deferred member penalties, and what the industry calls active member discounts. They are penalty charges imposed on consumers when they switch job and stop contributing. Since we know that more than 60% of people stop contributing to a group personal pension within four years, the vast majority of consumers will be hit by the charges. Of course, this is not something that you can expect competition to deliver, because it is the employers who are making the decision and, if they are engaged, they will be most concerned about people who currently work for them. So it is important not only that the powers are in the Bill but that they are exercised.

Q137 Gregg McClymont: Just to take up that point, you make very clearly and powerfully the point that there are additional reserve powers in the Bill, but the Bill does not specify what will happen in the case of the charges. Is that correct?

Dominic Lindley: I do not think that it does specify. There has been a kind of monitoring of the market, which has changed very recently. We welcome the decision of the Government and the Minister to ban consultancy charges. Our research shows that insurance companies are willing to accept deductions of up to £450 on someone’s first year of contributions. From speaking to consumers, I know the one thing that would definitely cause them to opt out is if they get their first statement and £450 of their money has gone in charges. So it is important that clear triggers are set, because it is not just about the average, as my colleagues on the panel have said; it is about the tales—if stories appear of consumers being automatically enrolled into poor-quality schemes, it will damage their confidence and the wider confidence in automatic enrolment. It is good that we are seeing proactive action on consultancy charges, but that needs to spread across to quality standards for all pensions.

Q138 Gregg McClymont: Does the Bill give the Minister the power to deal with deferred member penalties?

Dominic Lindley: I think the Bill does give the Minister the power to deal with deferred member penalties. There might be a further question if, ultimately, the charge cap is to be expanded to apply to legacy schemes—schemes that are not used for automatic enrolment now but that contain employees’ money at the moment. If the consultancy charging ban, which again we very much welcome, applies only to automatic enrolment schemes, there could be other schemes that are not currently being used for automatic enrolment but that could be subject to consultancy charging. Perhaps the best way to address that would be for the Financial Conduct Authority to review its rules in that area.

Q139 Gregg McClymont: Can we move on to “pot follows member” or, more widely, how one goes about automatically transferring stranded pension pots? Does Which? think there should be a limit on the size of stranded pots that should be transferred? If so, why? More widely, I believe you have put on the record that Which? has strong concerns about the Government’s preferred option of “pot follows member.”

Dominic Lindley: The concerns we have about “pot follows member” are, first, the risk of consumers being transferred from higher-quality schemes to let us call them slightly less high-quality schemes, even if they are not poor schemes. Even if the charge cap of, say, 0.75% is introduced, it is still possible for a consumer to be transferred from a trust-based scheme charging, say, 0.3% to a contract-based scheme charging 0.75% a year, which is more than double the charges. It is about quality standards, and it is also about the administration costs that will be imposed. It is notable that the impact assessment is incomplete because it does not include the cost of developing the infrastructure needed to link every single pension scheme in the country, which is a very big undertaking, and it is probably not an infrastructure that can be managed or owned by the industry. It is not clear how that infrastructure gets developed.

Secondly, it becomes much more difficult to audit if at any point a scheme could be sending its members’ money to any other scheme in the country. Whereas with an aggregator I can assure myself that the aggregator is of sufficient quality and that it is clear when the transfer can be done, so consumers will be out of the market less often. Again, one of the costs that is not in the impact assessment is the cost of selling the assets, moving it into cash and sending it to the other scheme, and there might be a delay before it gets invested back in the market again.

Q140 Gregg McClymont: If we have a system of “pot follows member,” given that the automatic enrolment providers such as the National Employment Savings Trust, the People’s Pension and Now deal with employers who often change job, is there a big issue that their investment structures will have to have assets in a liquid form?
Dominic Lindley: There may be, but the bigger issue is that consumers who use those providers transfer around a lot, so the money could move out from one provider and then come back again. Each of those round trips incurs administrative and trading costs, which are ultimately paid by the customer. Overall, a lot of “pot follows member” will be implemented by secondary legislation, but it seems quite strange that we have decided on a policy but will develop the system later.

Q141 Gregg McClymont: Your point is that there is no system in place for “pot follows member” as things stand?

Dominic Lindley: No. It is not clear who is responsible and what kind of mechanisms will be introduced to develop that system or ensure that it works. You have quite a lot of time before the system is introduced properly, but it is a big question for consumers. Again, if you think about something like information that consumers are going to be given when they are automatically transferred, if you are not transferred until eight or nine months after you have left the scheme, you would probably have lost any information you were given eight or nine months ago. We cannot rely on disclosure of information to consumers for them to be able to become aware of when they are being moved from a high-quality scheme into a slightly less high-quality scheme.

Q142 Gregg McClymont: You, Dominic, mentioned deferred member penalties. It strikes me that it is conceivable in the “pot follows member” system that, unless the Government take a decision to deal with deferred member penalties, one could be transferred into a scheme that practices deferred member penalties from a scheme that does not.

Dominic Lindley: Yes, that is true, and there might not be a limit on the amount of money you have to have before you stop being subject to the deferred member penalty, because it is entirely an arrangement between the scheme and the employer. When insurance companies offer a quote on these pensions, some of them will offer a flat rate, but some will say, “You’ve got a couple of options as the employer. You can either go for a flat, say, 0.6% annual management charge or you can maybe go for one that is 0.45% for your existing employees, but when they leave, that doubles up to 0.9%.” That is where you have competitive forces working towards the encouragement of deferred member penalties. It would be interesting to see what the Office of Fair Trading finds out about this. One of the problems is that we found it difficult to get information about the level and scope of these charges.

The Chair: Thank you, Dominic. The next question is on short service refunds.

Q143 Heather Wheeler: Clause 32 removes the facility to refund pension contributions to employees who leave a scheme after a short period and also for the employer’s contributions to be retained within the scheme. Do you regard this change as potentially detrimental to employers?

Neil Carberry: We regard it as slightly a sledgehammer to crack a nut, but it also fits into the discussion. Dominic was just having about how we interact things such as “pot follows member” with reforms like retention of savings within the scheme. There is a lot of complexity in this. Rather like the charges debate we were just having about how we interact things, rather like the charges debate we were just having about how we interact things such as “pot follows member” with reforms like retention of savings within the scheme. There is a lot of complexity in this. Rather like the charges debate we were just having about how we interact things.

The Chair: We are coming very near to our time limit now. Hopefully, we can get one more question in from Gregg McClymont on automatic transfers.

Gregg McClymont: I raised with Dominic the issue of automatic transfers and the powers in the Bill more widely. Can I ask anyone who wants to take the question about clause 34 specifically? As I understand it, clause 34 gives the Secretary of State wide powers to exempt employers from auto-enrolment. Dominic, has Which? looked at that clause and does it have any concerns about the fact that it is conceivable under that power that a Secretary of State could exempt any employer under any circumstance from auto-enrolment?

Dominic Lindley: I think perhaps the best thing I could do is review it again and write to you about it. One point to make is that the changes that have been made, certainly in terms of the permitted deferral period for automatic enrolment, have already exempted some workers from the potential to be automatically enrolled, particularly part-time and seasonal workers. I think that we are going to need to review the overall impact of auto-enrolment to see what the impact is on those workers, so perhaps the best thing I could do would be to write to you on that.

Neil Carberry: Our understanding of clause 34 would be that a Secretary of State choosing to exercise it would choose classes of employees that they would carve out. In that case, there are classes of employees for which it would be detrimental to auto-enrol, for instance, if you have already handed in your notice or if you have given notice of your retirement. There are a number of different statuses where it might make sense to use a power like that contained in clause 34.

Q144 Gregg McClymont: Is it too widely drawn?

Neil Carberry: We would have to look in greater depth at the wording of the Bill, but I can let you have a note.

The Chair: That brings us to the end of the time allotted for the Committee to ask questions of the witnesses. I thank you very much on behalf of the Committee for your evidence.

We will now hear oral evidence from the 700,000 Group.

Examination of Witnesses

Catherine Kirby and Marion Rees gave evidence.

12.30 pm

Q145 The Chair: I welcome you to our Committee. I appreciate that you are perhaps not as used to appearing in this sort of forum as some of our other
You touched briefly on the changes that have already been made to pensions; we obviously have the triple-lock increases of pensions and of course the change to the age range came in under the previous Government as well. So some of those things are existing pensions policy, separate from this Bill. However, could you just set out more broadly why you feel you are not in a good place as far as this Bill is concerned?

**Marion Rees:** With your permission, I will ask Cath to answer. She has much more detailed knowledge of the finer points of all of these issues.

**Catherine Kirby:** I am not so sure I do, but I will give it a go. I was looking at Steve Webb's evidence last night at the Select Committee. I was not sure myself, but Mr Webb said that we were not notified in about 1995 that we would have to be equalised in 2010, and we are currently in the equalisation process. Apparently, no letters were sent out; I personally do not know if there were any. So, at very short notice, this single tier has come in. Some of us have lost three years at the end of our group pension and, as Marion rightly says, you live from week to week; it is not a lump sum that we can put in the bank and say, “I’ve got £10,000 or £15,000.” Men of the same date of birth are getting the single-tier pension, and men’s pensions anyway are greater.

What I believe are the fundamental flaws in this aspect of the Bill are, one, that we are not included in it and, two, that the Bill has been introduced while the equalisation process has been going on—for it is slap-bang in the middle. We cannot change our position. If we were a few years earlier, if we needed to—although many of our women have got 39 years, because in our day we were told that we needed 39 years’ national insurance, so we could not actually buy any more if we wanted to. Additionally, because of our cohort age group, we would not be in a position to, as we are so at the 12th hour of our pension stage. So we are losing out on everything that we have done. We are not asking for a hand-up or a handout, but we are being treated discriminatorily and unjustly at this point in time by the Bill. We have worked, we have paid our contributions, and all we ask is that we are treated fairly and equitably to enable us to receive the pension that is right for us. This pension is not a benefit. It is something to which we have contributed all our working lives. To say that we should have planned for our retirement. How many did just that, only to find that poor financial management by those professionals to whom we entrusted our savings has now rendered those investments worth considerably less than expected?

We have worked. We have paid our contributions, and all we ask is that we are treated fairly and equitably to enable us to receive the pension that is right for us. This pension is not a benefit. It is something to which we have contributed all our working lives. To say that we will, over the course of our pensionable lifetime, be many thousands of pounds better off is spurious. Who knows how long each of us is going to live?

For the majority of people, a pension is not about how much they will receive over a period of 20 years or so, but how much money they have to live on that week. Our energy provider is not interested in what level of pension we receive. The supermarket cashier is not interested in what level of pension we receive. The energy will cost the same as it will cost those on the STP. The offer of being able to buy the necessary additional contributions to make up the shortfall is for many women not feasible. Nor is the suggestion that 85% of those women can defer their pension until the age of 65 in order to receive the single-tier pension. It is unlikely that the women will have a convenient pot of money at their disposal to subsidise the wait. It has been said that we should have planned for our retirement. How many did just that, only to find that poor financial management by those professionals to whom we entrusted our savings has now rendered those investments worth considerably less than expected?

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Catherine Kirby: We are talking about the year we are in, are we not?

Andrew Selous: So the increase of this year is on top of that.

Q148 Steve Webb: I am grateful to you for coming in. In a sense, I can understand the point you make: that you perceive that you are missing out on something that other people are getting, and clearly you are—you are missing out on the single tier, which on average would be about £6 a week more for the group of women in the group you were born in. So, although you contrast £110 with £144, the average experience of your group would be about £6 a week more.

Can I ask you to compare yourself with two other groups? You have compared yourself with a man born on the same day, who, as you say, gets single tier but has to wait a lot longer for it than you would have to. Can I ask you to compare yourself with two other groups—a fictional older sister and a fictional younger sister? Your fictional older sister, who was born in 1949, had to work—as you have just said—39 years for a full basic pension. You only have to work 30 years. Your fictional younger sister will not get a pension until she is 65 or 66; your group will get a pension at 61, 62 or 63. So, if we had received oral evidence from your fictional older sister and your fictional younger sister, would they have agreed with you that you are uniquely prejudiced against?

Catherine Kirby: I would not be able to speak for somebody else; I can only speak for the group I am in and from my understanding from the women who have contacted me. Did you say about 30 years? I always thought that when I started out and left school in 1969 that, whenever it came in, it was 39 years. I think it changed in 2007. Many of us who would have been going for the 39 years would be close to having had it anyway. Is it correct that it changed only in 2007?

Q149 Steve Webb: The point is that lots of women did not get 39 years. Lots of women perhaps had 30 or fewer. So the reduction from 39 to 30 was a big boost to women's state pensions, which you have benefited from but your fictional older sister did not. Is it not that each group comes one side of a line? Some things you have benefited from—such as 30 years—and some things you will not benefit from.

Catherine Kirby: No, because I have got 41 years. Many of the people who have contacted me have got 39, 40, 41 years; 42 years is I think the maximum. You said about a younger person.

Steve Webb: So many of your younger sisters will—

Catherine Kirby: They will be in the single tier. Anyone who is one second younger than our cohort will be getting the single-tier option.

Q150 Steve Webb: But they have to wait until they are 65 or 66, or eventually 67, for a pension.

Catherine Kirby: Except for the 80,000 who were brought in by, I believe, the Treasury override after your evidence. On the Sunday—you gave evidence on the Monday, then the other cohort was brought in. At the end of our cohort there is a one second age difference. They will get their single-tier state pension—one year and 10 months, one third of those, men as well? When they get that amount it will work out greater. It is about £13,000, because they would be on £145. If you use our lower rate, it would be about £11,000, even though we would get it for two years. But then, of course, 70,000 of us would be getting the worst pension for the rest of our lives.

The Chair: Thank you. We now need to move on to the next subject, which is eligibility for the single-tier state pension.

Q151 Christopher Pincher: Thank you for giving up your time to come in. I want to ask some hypothetical questions about eligibility for the STP, not your particular circumstances. As you will know, the 35-year requirement for a full single-tier pension and a 10-year minimum qualifying rule are quite significant changes to what has recently gone before. You may have heard evidence from the Pensions Policy Institute—or you can read it shortly—saying that it will have pretty minimal effect on most people who qualify for the STP. Do you think there are any particular groups that will be fully eligible for the STP that will be disadvantaged by its introduction?

Catherine Kirby: I do not know. Today we have been kindly allowed and invited to speak about our particular group, which is 51 to 53. I cannot give a wider answer, other than that some of the people may be married or bereaved, for example, within that group. I can speak only for our group. If you are talking about disadvantage, people say the median is £6 difference in relation to our cohort. It is not always the case. People have kindly given me personal information and I have not yet come across anybody where it is £6. It is a median, and that is not always quite the case. I worked out that you could take three pensions at £145, £135 and £115 and calculate a median of £125 or £130. That is greatly different from the person at the bottom. It has been said to me that six quid is important each week for a person on a low income. Every pound does count, and I believe our group will be disadvantaged by not having the option of either the single-tier or state pension.

Q152 Christopher Pincher: I accept the point you make, but I think you will also agree that the current system is rather—

Catherine Kirby: Excuse me, but I am finding it quite hard to hear you—I do not know whether it is my ears.

Q153 Christopher Pincher: Everyone seems to be having that problem today. I shall enunciate much more clearly, and hold my chin up as well.

There is an acceptance that the present arrangements are quite complex. Do you think that the STP will be a much more simple-to-understand set of arrangements?

Catherine Kirby: In theory, yes, because it is a single tier. That is my understanding because of course it cannot apply to us or to enrolment. I actually think that the concept is probably a good idea, but I guess the devil is always in the detail, or not, and only time will tell. The idea that people have a foundation amount is good, yes.

Q154 Christopher Pincher: For those who have inherited or derived rights to a pension, do you think that the arrangements, particularly the transitional arrangements, are appropriate?
Catherine Kirby: Again, that is slightly out of my remit. In fact, I think it is quite considerably out of my remit, if not totally.

Q155 Christopher Pincher: I am sure that you have a view.

Do you have a view on the starting level for the STP? You may have heard or read Age UK’s evidence from Tuesday. It said that it would like to see a 5% uplift on the pension credit standard minimum guarantee, which is £145.40, so we are talking somewhere north of £150. Do you think that the Government’s starting figure is reasonable, or do you think that it should be higher?

Catherine Kirby: The answer to the second one is definitely that everyone thinks something should be higher, but we are in the age of austerity—we are where we are—and it is supposed to be above the pension minimum guarantee level. I guess that the difference would be in how much it is, but I would think that that would incline more people. They would know where they are—one of the aims is less means-testing—and people would have a foundation for another pension, if they are able to. But with auto-enrolment, that would help people—even some low-ish paid people—into another pension.

Q156 Christopher Pincher: If the starting figure were to be significantly higher—north of £144, and north of £144 plus 5%—do you think that the end to means-testing would pay for that increase, or would the funding have to be found from elsewhere?

Catherine Kirby: That is in the impact assessment, which I believe was working on a figure of £144 or £145, so then it would be greater. Currently, over time it will be less. Is it 0.5% in GDP—8.05% to 8.5%? There would then be less administrative costs, so there is some slack in the budget at the moment.

The Chair: It is appropriate that we now move on to the interaction with means-tested benefits.

Q157 Gregg McClymont: The last time we discussed this issue, the pensions Minister put a figure of around £4 billion on the cost of bringing the 700,000 women into the new state pension. Do you recognise that figure, or do you have your own costing?

Catherine Kirby: No, I do not. We did it on the way up—we did not have a calculator, so it was a bit on the tricky side—and I believe it to be £21,840,000 per annum, so I do not know where the billions came from. I had to write it out because I am not used to those sorts of figures. For the cohort group, which was written later, it seems to be talking about £6, so I guess they are working on that. But then the Treasury made quite a substantial amount of money by bringing in the tier six days after the evidence was given, saying that it would beginning in 2016 rather than 2017. There has been a windfall to the Treasury.

Q158 Gregg McClymont: Is it the group’s view that a little of that billions of pounds of windfall to the Treasury every year should be used?

Catherine Kirby: That is my understanding, because that was the figure that was in the papers and it was also mentioned on Second Reading. I can only assume that that figure is correct.

Q159 Gregg McClymont: There are 700,000 women and the calculation is that 70,000 in that group will be disadvantaged by an average of £6 a week. You started to explain that the average hides some of the bigger losses for some people. Can you say a little more about that?

Catherine Kirby: Yes. I am not a researcher, but I gather that that is correct. There was a 1% sample and my understanding of sampling is that half a per cent can always be a mistake. Of the people who have come to me, nobody has only £6 less; it is a greater amount. Doing a calculation for the 70,000 within the 700,000 might make it £6—I don’t know—but £6 is important, anyway. Additionally, within that, there are 105,000 who do not have an option. They do not have a choice to defer. They have stopped working for caring, health or other reasons.

Q160 Gregg McClymont: Just to clarify, within the 700,000 there are 105,000 who do not have the option to defer, because they have stopped working or—

Catherine Kirby: Or it could be because of other factors. It might be for caring reasons, part-time working, voluntary work and a whole host of things.

Q161 Gregg McClymont: The view of the group is that for a significant section of the 700,000, buying back in is very difficult or impossible. They cannot do that and they cannot defer.

Catherine Kirby: That is right. You cannot buy back in. We are at the twelfth hour of our pension age, so there is nothing to buy back into. You have not got the years. Some of the people—it is in the DWP information—have already retired, and, as the months go by, the clock has ticked. You cannot do it because we are at the Government-dictated state pension age. There is not an option to do so.

Q162 Gregg McClymont: Finally, in your view, this problem of the cliff edge arises because the new state pension is going ahead in the midst of the equalisation of state pension age. Can you clarify that?

Catherine Kirby: I think that that is the flaw. If it had not been introduced at the time of the equalisation, this situation would not have arisen. However, because the Department has chosen to bring it in slap bang in the middle of the equalisation, this is what has caused the cliff edge.

The Chair: We are wandering away from what is actually in the Bill. We will now move on to state pension age.

Q163 Andrew Griffiths: Thank you, Catherine and Marion, for coming to give evidence today. Can we talk about the timetable for the pension age increases? Do you think the Bill gives people sufficient time to make arrangements? If not, how long do you think the time should be?

Catherine Kirby: Again, I do not know whether I understand correctly, but the Bill—if this is what you are referring to—was originally for 2017. I remember the Minister saying he would be astonished if it changed, and it was discussed at the Select Committee. Then, six
days later, after the evidence, it changed to 2016. That must mean that they are able to do it quickly, because there was concern about dealing with it.

But you are talking about the pension age increase. I guess it depends on what socioeconomic class and occupation you are in. We do not have a system designed to deal with that. Some people could work well into their sixties. Equally, from a female point of view—the women’s perspective—they are more likely to be carers or to have family. By that time, you might have aged parents, so it is difficult to be able to keep working all the time. I think I heard either Age UK or Ros Altmann say about our age—the age it is currently—that about a third of people are not in full-time employment. That is for a whole host of reasons. However, if you have increasing life expectancy, there is the dilemma of how pensions are going to be paid for. That is for a whole host of reasons. However, if you have increasing life expectancy, there is the dilemma of how pensions are going to be paid for. That is for a whole host of reasons. However, if you have increasing life expectancy, there is the dilemma of how pensions are going to be paid for.

**Q164 Andrew Griffiths:** Looking at your situation, how much notice do you feel you should have been given? What would have been a fair amount of notice to give you, and women in your situation, to adapt?

**Catherine Kirby:** I do not know about it being a “should have”; there is a great unawareness of it. To answer slightly differently, I use the analogy that if you are on a low income and in that position, it is like you are tied to the train track and the train is coming: even if you get six months’ notice of it, when you are chained there you cannot get away. Some people are not able to do anything. That is where auto-enrolment is a good idea: it gives people on a fairly low income the chance to get some extra pension. Of course, that does not apply to our group.

**Q165 Andrew Griffiths:** If we are talking about the moment that the sword falls, as it were, you are saying that the cliff edge appears too early for your particular case, so you have not been able to adapt and change. If we move it from you, where should we move it to—how much further away should we move the cliff edge?

**Catherine Kirby:** I do not think that there needs to be a cliff edge. It is not an intrinsic law of nature; it has just been designed by this policy. There is no necessity for a cliff edge. I do not see that.

**Q166 Andrew Griffiths:** So what is your solution to it?

**Catherine Kirby:** In relation to our group, it is to give us whatever is the better of the options. The numbers of people affected are 70,000 and 105,000; we are so much at the 12th hour that it is possible that by the time the Bill goes through the vast majority of us will be at the dictated state pension age, so the solution would be whatever the better option is. As somebody said to me, it is not complicated: by then, both the DWP and ourselves will know that, and I would not have thought that anybody would voluntarily take the worse of the two options. We have already alluded to the cost.

**Q167 Andrew Griffiths:** The Bill—indeed, the whole initiative—is supposed to be cost neutral. If we make changes to your particular case, what would be your solution to maintaining that cost-neutral scenario, so that it does not cost any more?

**Catherine Kirby:** The money that the Treasury gained by changing the inception from 2017 to 2016 was, I think, £5.5 billion—somebody can correct me, but it was certainly in the billions. The money could be taken out of that. Once the Bill is in situ, administratively the system should in practice cost less, because, administratively, it is all going to be the same. There is the separation of auto-enrolment, so you are not having to deal with S2P and SERPS. Over an admittedly much longer period, it is, I think, going to be 0.045% less in GDP terms.

**The Chair:** We are running out of time but I am going to try to squeeze in one more question on bereavement support.

**Q168 Andrew Selous:** I do not know whether you have focused on this part of the Bill, but there are changes to bereavement support. Do you have any comments on those changes? You may well be aware, but we are going to increase the lump sum from £2,000 to £5,000 for families with children and pay a monthly figure of £400 for a year. Is that an area of the Bill that you have focused on at all?

**Catherine Kirby:** I personally have not had anybody in that position—although obviously what has been told to me is confidential. If there was somebody affected within our group, that would have been a much longer period of time ago. I am not able to comment on that, I am afraid.

**The Chair:** Order. I am afraid that effectively that brings us to the end of the time allotted to the Committee to question this panel. On behalf of the Committee, I thank you very much.

Ordered, That further consideration be now adjourned. (Karen Bradley.)

1 pm

Adjourned till this day at Two o’clock.