Public Bill Committee

PENSIONS BILL

WRITTEN EVIDENCE

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Written evidence from Clive Walford (PB 01)

This submission is made by Clive Walford, a British Citizen, the Chairman of the e-mail group of British State Pensioners living in retirement in Indonesia and Viet Nam. (P-PiI) Pension-Parity in Indonesia.(uk) (and Asia/Pacific). This group works with the International Consortium of British Pensioners (ICBP) that represents frozen pensioners worldwide.

I lived and worked in the UK until moving to Indonesia in 2006 aged 68. Up until being made redundant at 59 I was never unemployed. I also worked as a retained fireman for 8 years. I was a qualified traffic engineer and paid full N.I contributions for 40+ years.

After redundancy, rather than be “unemployed” I took on part time employment as a sales person and also an office cleaner until retirement at 65.

I consider that in my working life I made substantial contribution to the UK financially and as a result of my work as both a traffic engineer and as a firefighter.

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1. Summary

(**) "The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies".

(a) This submission only refers to that area of the Bill that relates to “Frozen Pensions or pensioners”. It points out the discrimination against some State Pensioners, the misconception of how pensioners are frozen and the inconsistency of how the Government’s Policy of Equality and Fairness is followed.


(c) (**) In their summary the committee said “it was not possible for parliamentary committees to conduct effective scrutiny so close to the deadline”.

How could the committee ever have carried out a full examination of all aspects of the Bill fully in this case including the overall effects of the frozen pension policy?

(d) (**) They also said “We consider it imperative that the Government now carries out a further Impact Assessment of the Single-tier Pension proposals, taking full account of the implications of the changed implementation.

(e) A further assessment certainly should also include the financial impact on frozen pensioners (individuals). The longer term impact will be disastrous for many of those pensioners. (ie stuck on the same pension for 30 years?)

(f) It should also consider the overall financial effects on the total UK budget as pensioners have a major effect on other public bodies such as the National Health Service and of course the treasury etc.

(g) I suggest that the committee failed, (were unable), to fully consider all of the facts surrounding frozen pensions in examining the expenditure affecting the Bill in as much as the overall cost and savings to the Treasury, was not mentioned where frozen pensions are concerned. (rather than just the cost to DWP)

2. Basic State Pension (BSP)

(a) The BSP is, as clearly stated in the House of Commons Library Standard Note SN/BT/2117 updated on 14 July 2010, “an entitlement to which people build entitlement on the basis of their National Insurance record. The current statutory requirement is that the basic State Pension (BSP) must be increased each April at least in line with prices”. It is also quoted in Part 1 of the new Bill Para 2, also in the current Pension Act, that the BSP is the people’s entitlement based of their National Insurance record. The BSP is always therefore the current rate. It is not the rate for year –,plus the following years increases. All pensioners are therefore entitled to the full current rate of the BSP.
4. **Why doesn’t the DWP uprate all pensions to stop the discrimination then?**

(a) For many many years the DWP in answer to questions from pensioners, the public, interested organisations and **Members of both Houses in Parliament have said:**

(1) “We only uprate pensions where we are legally required to such as in the EU or where there is a Reciprocal Agreement, (RA), between the UK and a country.”
Equality or discrimination

NOTE There is an existing misconception that the DWP should clarify now to the public and Members of both houses in Parliament and the press and media. They should make it quite clear that Reciprocal Agreement are not, and never have been, necessary for all frozen pensions to be uprated. They can be uprated by simple Domestic Legislation. There is no need or requirement for any other country to be involved what so ever. (It is only in the last year or so that the DWP, when challenged by a frozen pensioner through his MP, on this statement agreed that RAs are not necessary to uprate all pensions. [The DWP now uses the term “mutual agreement” in correspondence or comments instead of RA]).

The DWP statement fails to follow Parliamentary protocol of providing full information in answering questions in both Houses. It emphasises the intended misconception of how and why pensioners are frozen and surely adds fuel to the argument that discrimination should not be allowed to continue in the new Bill and should also be stopped for existing pensioners. (this cannot be covered in this Bill but as already pointed out it can be done by simple Domestic Legislation).

(2) “It has always been this way so we wont change it. (***) The Minister used these words to the Committee. “It has been this way for decades and decades and decades”. If that is a criteria then SHOULD THE DEATH PENALTY STILL BE IN OPERATION? After all it had not changed “for decades and decades and decades”. Of course it was changed, even after so long. Perhaps not a “nice” simile but that excuse of The Minister is floored by that and many other Laws and Regulations that over the years were reversed or changed. Times have changed, the style of living has change, and travel facilities have changed. Freedom of choice has been opened up to the world so where you chose to live is not a reasonable excuse for discrimination.

(3) “It will cost £650 million to uprate FPs and we cant afford it”. The Minister was asked the cost of uprating and told the committee it was £655 million. The committee failed to question the Minister on the overall financial effects of frozen pensioners to enable them to “examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies”. The Minister again failed to give all relevant information as required by protocol. The relevant information on the overall cost/reduced expenditure clearly shows that in the overall picture frozen pensioners are far less “expensive” than UK living pensioners. The Minister failed to acknowledge:

(a) That in that overall UK budget frozen pensioners save an outlay of around £3 billion. Saved by not using the NHS and claiming other benefits. (Even after allowing for loss of VAT and other taxes). Many frozen pensioners still pay UK income tax on their SP or other UK income). The more overseas pensioners the more the reduction on the overall expenditure. There are hundreds of thousands of workers in the UK that come from overseas, (India, Pakistan, Bangladesh and most of the Caribbean. (two state though do have the UK pension uprated)) that will be entitled to the UK BSP. Many will be put off from returning to their country of birth because of the frozen pension policy.

(b) The Government Actuary Report that includes “— The balance in the National Insurance Fund at 31 March 2014 is estimated at £27.0 billion”. The NIF was set up for the collection and payment and exceptional circumstances relating to the BSP. Money from the NIF is loaned out, (at a low rate of interest), for housing and hospital building. To use £655 million of that £27 billion for the exceptional circumstance of uprating frozen pensions seems a logical step to take so that the existing discrimination does not continue any longer and does not continue in the future .

(c) The fact of bringing forward the introduction of the STP to 2016 from 2017, will bring in an extra £5.5 billion pounds for the government. So in the not so distant future the added income will offset additional payments made to uprate all pensions. Both in the short and medium term uprating is not unaffordable.

(d) That official figures reveal that more than £100 billion will be saved from increasing the State pension age to 67.

(e) Clearly the failure of the Minister and the failure of the committee to refer to and question these 4 areas of finance relating to frozen pensioners and pensions, prevented a full and factual examination of the Bill, particularly towards frozen pensions. Prior to the consultation period commencing it is understood the DWP had stated that frozen pensions would not be an issue to be considered. The points raised in this section 4 certainly suggests that there was no intention of a full and in depth study on the question of frozen pensions.

(f) (***) 138. The Committee said “the frozen pension – is clearly an anomaly”. The Minister agreed and added that “it is an oddity, in some countries but not others”. Instead of getting rid of this discriminatory anomaly, this oddity, he stated that it will continue in the new Bill!

5. Equality or discrimination (see Para 3e for dictionary definition of discrimination)

(a) Equality cannot be achieved if discrimination is allowed. If you have discrimination you cannot achieve equality.

(b) The government states that “equality and fairness” is the principle of their policy.
(c) The Commonwealth Charter that her Majesty the Queen quoted in her speech at the Commonwealth Day celebration on 11th March 2013. “The Commonwealth’s values and commitment to equal rights – opposing all forms of discrimination: – and We are implacably opposed to all forms of discrimination, whether rooted in gender, race, colour, creed, political belief or other grounds.”

(d) The Pension Bill 2013 by virtue of clause 20 goes against both b) and c). So discrimination by clause 20 prevents equality.

(e) Both a) and b) have been used to the full in another Bill that has filled newspapers over many weeks and politicians have quoted in support of that Bill.

(f) Mr Cameron gave his full backing to that Bill saying “I believe in equality”, Mr Clegg said “everyone deserves to live free from discrimination and prejudice,” and “— a landmark for equality in Britain”. Mr Miliband said, “— an important step forward in the fight for equality in Britain.”

(g) We have the Prime Ministers full support for equality and therefore by definition fully against discrimination, but we have the Pension Minister supporting inequality and favouring discrimination. Both Bills are progressing through parliamentary procedure to become Acts. To conform with the ideals of the government policy and the Commonwealth Charter the Pension Bill must be brought in line with the other Bill and exclude clause 20 without question.

(h) The select Committee surely should have compared these two Bills and recommend that clause 20 be removed on the grounds that it goes against both the Government Policy and the implacably opposed to all forms of discrimination, whether rooted in gender, race, colour, creed, political belief or other grounds of the Charter.”

(i) Frozen pensioners in some overseas countries are treated worse than, 1) all other pensioners either in the UK or other countries, and 2) other pensioners in other countries where the pension is not frozen. That is discrimination.

6. Communication

a) (** “The key to the success of this reform is the way in which it is communicated to the public”.

The DWP virtually ignores any opportunity to point out that every worker that will get the new pension will have that pension frozen if they then move to some, but not all, overseas countries. This is an important fact that all workers should be made aware of now. The DWP should in all press releases and media reports state: “The Single-tier State Pension will increase annually for all pensioners, except pensioners living in some overseas countries (but not all). They will be worse off by never getting the revised (uprated) annual pension”

June 2013

Written evidence by Catherine M Kirby (PB 02)

This submission refers primarily to Part 1 of the Pensions Bill (2013) Section 1 State Pension Part (2) A person who reaches pensionable age before 6 April 2016 is not entitled to benefits under this part. The government needs please to include us women born between ’51 to 5.4.1953 in the Bill and make transitional arrangements to provide us with the better of the Pensions options STP or SP as per evidence given at the Select Committee 2013 and has been highlighted in writing and verbally: Amendments to the Pension Bill to include us as above need to be made thank you for the sake of justice and against New and Intentional Decades of Female Discrimination and Injustice and a total unjust cliff-edge which again is unjust and discriminatory due to us being under equalisation

1. When the new flat rate better pension of £145.00 pw set at/above the means test level comes in, women born between ’51 to 1953 will as it stands only get the old £110+ any serps/s2p whilst all men of the same dob’s ’51 to 1953 as these women and some men even younger and older will get the better(DWP) ST which could be near an extra £35 pw over 20 years this equates to up to £35 000 that is if the women live that long, also women 1 one second younger dob’s 6.4.1953 will also get the better for thousands of them STP + will also receive this some 1 One year and ten months BEFORE all the men of their same birthdates so at 6.4.53. 96wksw£145=£13,920 2 years before all the men of their same birthdates 5.4.53 loss £2,480 @ 104wksw£110=11,440
This as above is obviously unjust and wrong not to include 51 to 5.4.1953 birthdate women £110 per week is a small amount to live on per week: for all accommodation utilities, bills, food, clothes and everything. These women affected adversely are dob’s ‘51 to 5.4.1953 men of that exact dob will get £145pw., and the 6.4.1953 women. Us women dob’s ‘51 to 6.4.1953 have/are already having our/the state pension age upped to be equalized with men: due to the Pension Act 1995 +, and in my case by over 2 1/2 years + some of the women by 3 years. Some of us ‘lose’ out on the ‘better’ for 70,000 by up to three years equalisation wait. Women some 1 second younger will get the ‘better/upgrade’ (DWP’s words) STP nearly some nearly two years before the same birth date men. DWP Paper on women dob ‘51 to 5.4.1953 shows that 70,000 of these women will be better off under the STP, and that 105,000 will not be able to defer their pension; total group no. are 700,000 we women are for equalisation. It needs though to be just and not discriminatory as is currently.

2. I put below a simple proposal which could easily be done at a limited cost (for females in the ‘catch’ as it stands ‘51 to 1953) vis-à-vis men of the exact same dob or of a younger age (after the females have already started the equalisation/wait some years (The State single tier is now projected to be less than cost neutral.) Billions were saved from the cost by the 2016 introduction as opposed to 2017 date. We are not after a hand up nor a hand out we do need justice and equality.

3. A simple way to ‘correct’ the anomaly to women born between ‘51 to 5.4 1953 in relation to men and in relation to some women that are one second younger and some of whom had a two month uplift by 2011 Act and when these group of women reach the SP retirement age of men of the same identical dob that they then get the ‘new’ better £145+ flat rate pension as the men would of the exact same dob. Or if the government wanted to be more just is to pay the women when the Pension Act comes into force 2016 the better of the STP or SP and by rightly including us in the Bill as they are doing so for all the rest of post 5.4.53 dob’s. We are all equalising.

4. This would overall be at a limited cost to the Government. These women would likely have some S2P as I do and some also as I will have by then 44+ years of NI contributions and credits for the Contribution Based State Pension. This would also REFLECT POSITIVELY on Parliament in relation to equality and justice. Many of these women would be of lower earnings category and lower socio-economic class, so the additional pounds are a necessity in the on-going daily struggle when one is in a low economic position. I do have some S2P however not to the amount to equate to £145 pw STP rate. Some of us women have no other pension. On low income many of these women would not have other pensions. Life expectancy is also lower for females in a lower socio-economic class. Any of us that may have been aware of (1995 Pension Act) for 2010 commencement of equalisation would not necessarily financially be able to make/provide any improvements to our financial/pension situation/arrangements: particularly the women in lower socio economic situation/employment.

5. I note that Ros Altman ‘Pensions’ highlighted this matter (anomaly) “What to expect...” Re: State Pension re. women already affected by the 1995/Equalization Pension Act: Quote: Might the Government consider a tiered introduction of the new system, rather than a stark cut-off. That might assuage some of the feelings of unfairness that are likely to arise, particularly for women whose pension age has already increased after 2010 under arrangements put in place by the 1995 Pension Act. RA again elaborated the same 11 March 2013 the day after S Webbs’s evidence.” Prof J Ginn gave written evidence in our cohort’s favour: The cliff edge(s) also referred to by others and by Craig Berry to give these women the better of the pensions.

6. Since 1940’s men’s state pension age (SPA) has been 65 years of age: women’s SPA was 60: Since the 2010 commencement it has been steadily increasing by equalisation. Additionally men get winter fuel allowance.
and bus passes at the current SP age as women, so this has been equalized to the woman’s age to assist ALL men (Also though this not the ‘answer’ men that get Pension Minimum Guarantee Cr* (see Page3 Pt. 10) get it at the same SP age as women) so the flat rate £145 needs justly to be equalised to ALL females with the same dob as men, and with that of women 1 second younger.

7. In the Impact Assessment 15.1.2013 to the Pensions Bill 2013 points 81. “Single-Tier will go some way to reducing the current gender inequality” Pt. 84: improve outcomes (as it) “most benefits lower paid and part time workers who are predominately women.” Reliance on means testing Pt.39 “Means tested benefits may not always be the most effective way to ensure that all poorer pensioners receive the minimum available…”

8. From the Document DWP Equality Objectives 2012–2016: Table 1: Customer Focus Objectives: Page 6 item Number 3 states “Address gender inequality of State Pensions by seeking to reform the State Pension System”.

9. DWP Pension model of 2012 for 2015–2017 (D.o.b’s 51–53 constantly shows a <2:1 ratio and above “in favour” of males vs females to have State Pension above £145 (the single tier rate) and as per FOI information.

10. In Hansard 25 June 2012 Steve Webb says: “We are taking a planned budget, simplifying the system, but not treating anyone adversely.” Obviously this is not the case for this group of females and will if passed in government lead to further gender inequality specifically for these women and Decades of New and Intentional Discrimination and injustice for this specific ’51 to 5.4. 1953 group of women, along with a totally unjustifiable and unnecessary cliff-edge.

11. I note any Person with greater S2P than the flat rate will be compensated in the ‘new’ system. I note that these men dob 1951/3+ will be waiting longer; hence the equalisation of these women who are being subject to the Pension Act 1995+ so waiting longer since 2010+. Men will get the better flat rate pension for the whole rest of their lives. As will the women mentioned dob 6.4.1953 (1 sec, younger) for the whole rest of their lives some for one 1 year and 10 months before men of the exact same date of birth as them. Also noted the in Pensions Bill 2013 that 35 years of NI contributions/crs. will be required for STP. Numbers of the women born ’51–53 will have longest years for some of NI conts/crs (44 years for some :the maximum for men then was 44 years and for women 39 years) for the CONTRIBUTORY State Pension

12. For Females subject to Pension Act 1995 this one particular group of people will be treated totally UNJUSTLY AND INEQUITABLY by the proposed plans in 12 ways at least and totally DISCRIMINATED AGAINST in contributory SP vis a vis their male peers and peer group women one second younger in age. Please see 12 points below:

1. This group are all females—so by gender
2. “—so by date of birth which is between ’51 and 6 .4. 1953 only
3. “ will have longest years for some of NI conts/crs (44 years for some :the maximum for men then was 44 years and for women 39 years) for the CONTRIBUTORY State Pension
4. “ will by plans be made the most financially disadvantaged by the Govt.,
5. “ will be financially disadvantaged in relation to all men of the exact same dob (who will get better flat rate) and they will also be permanently disadvantaged against women one second younger
6. “ will be financially disadvantaged in an on-going and permanent way
7. “ will for the rest of their lives be discriminated against by this Government
8. “ will/have already had their state pension age upped by up to ‘years’ to wait by 1995 Pension Act + in force 2010+ Some will have waited up to 3 years equalisation
9. “ In this group of women many will be of the lower socio-economic/caring group that the Government has said that it wants to help.
10. “ If the government said Pension Min Guarantee *it would discriminate against women born between ’51 to 1953 who would be subject to a means test whilst men of exact same dob or older or younger in that period would not, this would be specific gender discrimination against this specific group of females and also be opposite to another of its aims to reduce means testing for the contributory state pension(s)/ers and additionally the women 1 sec younger would not be means tested either and receive their pension earlier than the men the same dob as them.
11. All will have lost out on some pension due to equalisation and some of the cohort will lose up to 3 years of state Pension had they had as pre 2010 their contributory pension at age 60 years.
12. From The National Equality Panel/LSE ..Inequality in the UK 2010 and with permission of the Chair Professor John Hills: Resources in Later Life...(12)) ‘Inequalities are amplified… ..magnified in the resources available for retirement…..through pensions’
RECOMMENDATION:

Thank you for your time and just consideration and tabling an amendment to include us in the Pensions Bill 2013 for just and beneficial pension outcomes that are the most beneficial to ALL of our group born between ’51 to 5.4.1953” giving us the best (monetary amount) of the pension options STP or SP “and for letting me give as a stakeholder and campaigner of our stakeholder group of women oral evidence at the Pension Bill 2013 committee again” thank you.

June 2013

Written evidence from Clive Anthony Evans (PB 03)

Submission to the Public Bill Committee on the Pensions Bill from Clive Anthony Evans, an individual, former UK resident of Cannock Chase District now residing in Thailand since 2008 and in receipt of a UK State Pension.

My previous submission to the House of Commons Select Committee was not passed on to the Committee due to the high volume of submissions regarding Clause 20 — hence my comments regarding Clause 27 were not considered.

THE PENSION BILL 2013

PART 1

Clause 20

1. My main concern is in respect of the proposal to continue to deny up-rating of pensions to pensioners living in certain countries. I have other concerns relating to Bereavement Support Payments which I address towards the end of this submission.

2. Clause 20 provides enabling legislation — 81. For overseas residents, regulations may provide that such a person is not entitled to up-rating. This will enable similar provision to be made as under the current retirement pension system. Regulations under this clause will be made taking into account provision under relevant treaties, such as those in respect of the European Union, and bi-lateral treaties providing for reciprocity in social security matters and which cover up-rating.

3. The House of Commons Library Standard Note SN/BT/1457 states:

16. Reciprocal social security agreements are not entered into solely with a view to paying annual uprating increases to UK pensioners living abroad. They are not strictly necessary for that purpose as uprating can be achieved through UK domestic legislation...

17. The main purpose of reciprocal agreements so far has been to provide a measure of social protection for workers and the immediate members of their families, when moving from one country to another during their working lives. In effect, they generally prevent such workers from having to contribute to both countries’ social security schemes at the same time whilst ensuring they retain benefit cover from either one country or the other. On reaching pensionable age, such workers who have been insured in two or more countries’ schemes can receive a pension from each which reflects the amount of their insurance in each.

4. There is, therefore, no need to differentiate between pensioners residing in different countries by reference to the existence of such reciprocal agreements. This has been recognised by Ministers. The use of enabling legislation provisions could remove this discriminatory treatment of pensioners that has been in use since Clement Atlee introduce it in 1946 on the basis that only rich people could afford to live abroad. In my case I live in Thailand because my wife has a dependent mother and two sons there and it would be both impractical and probably impossible for us to take them to live in the UK. However, I am enquiring about the benefits that would arise were that the case and my UK State Pension was up-rated.
5. In a Standing Committee debate on the Pensions Bill in session 2003/04 the current Pensions Minister proposed:

**New clause 6**

**Indexation of overseas pensions**

'From the date of coming into force of this Act, all state retirement pensions in payment to pensioners living outside the United Kingdom shall be subject to annual uprating by the same percentage rate as is applied to such pensions payable to pensioners living in the United Kingdom.'—[Mr. Webb.]

6. He then stated

(ref www.publications.parliament.uk/pa/cm200304/cmstand/b/st0403/8/am/40318s06.htm)

7. In the Referral (Appeal) to the European Court of Human Rights in the case for up-rating that was found in favour of the UK Government on the basis of 11 for and 6 dissenting, the published views of the Dissenting Judges includes the following statement:

"The pension system of the UK is logically designed to take into account the needs of those residing in the UK, which is presumably the case of the vast majority of pensioners. But that is no justification for subjecting pensioners who choose not to live in the UK to extremely unfavourable and unequal treatment in comparison with those who do. There will of course always be differences in depreciation rates for pensioners residing in other countries, depending on exchange rates, the comparative cost of living and other factors. But these factors do not preclude the accepted fact that, at least based on the experience of a century, the depreciation of UK currency is undeniable and unavoidable, and in the space of a few years such depreciation results in an irreparable deterioration in the real value of pensions paid to persons not residing in the UK. Therefore, the complete denial (as is the case) of any formula for up-rating pensions of pensioners not resident in the UK (whether or not the aforementioned factors are taken into account) represents a disproportionate difference in treatment for which there is no convincing justification".

8. Other views from UK Lords On 25 Oct 2005. Baroness Greengross said “That this House regrets that the Government have not considered up-rating the state pension rights of all United Kingdom citizens living abroad in the Social Security Benefits Up-rating Regulations 2005”, and quoted Lord Carswell’s devastating indictment of the policy. “Once it is accepted that pensions should be paid to contributing pensioners resident abroad, then no justification remains for paying some less than others and less than UK residents”.

Lord Jones of Cheltenham 25 Oct 2005 said the Minister may say that that has been the policy since 1948, but, if the policy is right, why are almost half the pensioners who went abroad not uprated? I know it is about agreements, but this is about fairness. The Government need to consider it seriously. I know that it will be expensive, but it does not mean that it is not the right thing to do.

Workers and employers buy their state pension in a system that the internationally renowned Lord Goddard Q.C. called a virtual contract—you get out pro-rata what you paid in. Therefore frozen pensions break that virtual contract.

9. Let me just comment that National Insurance is a compulsory scheme and, therefore every earner has contributions deducted at source or pays direct if self-employed. The expectation is an index-linked pension on retirement and free health care; other benefits are discretionary and ex-patriot pensioners recognise that they forego these on becoming non-resident.

10. However, following on from the mission statement made by David Cameron on forming the coalition in May 2010 ‘fairness in everything we do’, fairness means all who pay into the club receiving equal benefits with respect to pensions. This is not the case as a pensioner who emigrated in 1982 still receives £29.60 a week compared with the current £107.45.

11. In recent news about the House of Commons debate and its decision on the issue of marriage of gays and lesbians David Cameron was quoted about this matter being “an issue of equality”. I find it incredulous that
equality can be invoked to support the marriage of gays and lesbians but not, so it seems, for indexing pensions for all UK State pension recipients living abroad.

12. Nick Clegg claimed recently that spending £12 billion on foreign aid was ‘morally right’ and ‘the right thing to do’. This is surely the time for Government to do what is morally right for British pensioners as well, simply by treating them all equally. We are British citizens and we have been ‘triple locked’ out! At a time when the UK is paying billions into the EC, an organisation whose accounts have never been signed off by auditors!

13. In the latest January 2013 UK Government Actuary Dept report. The forecast NI account balance at March 2013 is approx £31 billion but it falls quite dramatically over the next few years, due to the assumptions mainly it seems due to low wage and salary growth figures he uses, but the balance never breaches the 1/6th payments balance which the Actuary says is required, so that no Government support [Treasury Grants] for the NI Fund, are required over the 5 year forecast period.

14. In actuality, this balance is arrived at after contributions are made to the NHS and the interest from the fund is used to finance other Government expenditure which might otherwise be funded from other sources, such as the foreign aid budget, the child benefit budget for non-resident dependents of EC ‘citizens’ residing in the UK etc etc.

15. The ‘pro-forma’ response from DWP when challenged on this issue is that we knew the situation when we left the UK. That is just a refusal to accept that the policy is morally wrong. I know the European Court found there was no discrimination involved, even though those receiving up-rating are ‘victims’ of positive discrimination. The UK barristers also claimed we made no contribution to the UK and therefore should suffer; on that basis why does the UK Government up-rate pensions for residents of Israel, USA etc?

16. The Secretary of State has mentioned an estimated cost of £650 million to up-rate all pensions indiscriminately; what he has not taken into account are the cross-sector benefits. This is the cost to DWP but savings are forthcoming to the Exchequer. I, and many other non-resident pensioners, make a contribution to the UK economy. I currently pay UK Income Tax on my occupational pension at the rate of 20%, I pay in excess of £1,800 a year for medical insurance at the age of 71, I save the UK economy around £3,000 p.a. based on savings on benefits offset by no contribution to VAT, Council Tax and other non-income taxes. My income has become depreciated on a year by year basis due to my UK State pension being frozen, the falling exchange rate and the cost of health care increasing.

17. Were my State pension to be uprated in the same way as for those UK pensioners living in the Philippines, Israel, USA or any EC country I might be able to offset the effects of UK Income Tax. As it is I am making enquiries about the benefits I will get if I decide to return to the UK. I am sure it would be more costly to the UK economy if I returned, certainly more than the cost of up-rating my pension.

18. I note that the Medical Insurance (Pensioners Tax Relief) Bill 2012 does not apply to non-UK residents, despite the fact we are saving the UK economy thousands of pounds a year. I know this is outside the remit of this Sub-Committee but mention it as a further reason to support up-rating of our State pensions.

Clauses 7 to 9 incl

19. I now turn to the provisions of the Bill relating to my wife, who is 21 years younger than me. I was advised by The Pensions Service that she would, on my death, receive Bereavement Grant and Bereavement Benefit, later receiving a State Pension on reaching State Pensions age. I note that under Clauses 7–9 of Part 1 there is a ‘back door’ enabling provision to allow a reduction of the Pension in certain cases, in fact the Government has recently announced that foreign spouses will no longer be entitled to a State Pension.

20. This should be addressed alongside the up-rating issue as the two, in the cases of non-UK residents, are basically interrelated.

PART 3

Clause 27

21. Similarly, the change to Bereavement Support Grant and Bereavement Benefit to introduce Bereavement Support Payment in Part 3 Clause 27 (2) suggests the enabling legislation may be discriminatory against widows of non-residents. I’m hoping that this does not mean my widow would be denied the opportunity and the means to dispose of my body and to transit into widowhood. I think there is a need for an ‘avoidance of doubt’ reference here to clarify this. Further clarification is necessary.
Part 5
Clause 37

22. I am aware that any Statutory Instruments specified and arising from these enabling provisions would
not undergo the scrutiny that is afforded to the Bill and would like to know that these points are discussed prior
to any subsequent enactment.

June 2013

Written evidence from British Australian Pensioners Association (BAPA) (PB 04)

1. The author of this submission is President of the British Australian Pensioners Association (BAPA). The
Association’s primary objective is to secure the indexation of the United Kingdom Department of Work and
Pensions age pensions paid to residents of Australia and other “frozen countries”.

2. The problem, and a possible solution, is well explained by a recent Early Day Motion, tabled by Peter
Bottomley and Sponsored by Martin Caton, Paul Flynn, and Alan Meale.

3. Early day motion 259
Session: 2013–14
Date tabled: 17.06.2013

4. That this House believes that the past and present government policy of freezing the state pensions for
people retiring to one of 123 countries abroad is immoral and discriminatory; notes that this policy is a product
of history and not rationality; regrets that pensioners who have paid their national insurance contributions are
denied an equal pension and that in some cases the pensioners are struggling on as little as six pounds a week;
further notes that people retiring abroad to one of the countries in question deliver considerable savings to the
UK economy in terms of unclaimed health and social care costs; is concerned about the effect of this policy
on people of working age and the impact this could have on their retirement; and calls on the Government to
remove Clause 20 from its Pensions Bill which makes provision to continue this bad policy.

5. BAPA has been involved in the campaign to end the frozen pension regime for about 25 years.

6. The question was investigated in 1996 by the Social Security Committee, precursor of the Work and
Pensions Committee, which recommended a vote in prime time. But the then government declined.

7. Hopes were raised when the Carson case seemed to receive a sympathetic hearing in the High Court, but
hopes were dashed when the Court ruled that disbursement of public funds was for the government to decide; it
was a political matter, not a matter for the courts. This decision was endorsed by subsequent courts, stretching
up to the European Court of Human Rights.

8. Several times over the years members have promised to do something about it, but always from opposition.
The promises were never followed up when the member concerned became a member of the government or
even the appropriate minister.

9. Even the current Pensions Minister is on record saying ..“All state retirement pensions in payment to
pensioners living outside the United Kingdom shall be subject to annual uprating by the same percentage rate
as is applied to such pensions payable to pensioners living in the United Kingdom” And in 2007 he signed
EDM 1203, which reads “That this House notes with concern that 520,000 British pensioners living abroad
have their pensions frozen in value and thus not increased when the pensions in the United Kingdom receive
annual increases; believes the practice of freezing these pensions is wholly unfair, discriminatory and irrational
especially when some pensioners living overseas do have their pensions increased annually; believes that all
pensioners living abroad, many of whom have made lifelong mandatory payments to their state pensions, are
deserving of this annual increase; and urges the Government to bring forward proposals to end the evident
unfairness in the current arrangements.”

10. Various tenuous excuses are offered, but always it comes down to cost. Time and again ministers claim
that the country cannot afford to index our pensions, seemingly unaware of the fact that the total of annual
pensions payable from the National Insurance Fund is more than 100 times what it would take to index our
pensions. In 2011 the cost of indexing was somewhere in the range 600—650 million pounds, while the total
cost of pensions was 72,516 million pounds—not to mention the additional cost of social welfare benefits, such
as Winter Fuel Allowance, free TV licences, free bus passes and the National Health Service, which is in part
funded from National Insurance Contributions. Frozen pensioners do not receive any of these benefits.

11. The introduction of the new single-tier pension provides an excellent opportunity to remedy this ancient
wrong.

June 2013.
Written evidence from Brighton Women's Centre (PB 05)

1. Brighton Women's Centre (BWC) is a woman only organisation supporting vulnerable and socially excluded women in Brighton and Hove for over 35 years.

2. This submission is in response to the Government’s State Pension Bill 2013, Part 1, section 1 setting out its plans to introduce a new single-tier State Pension which excludes the 1951–5.4.1953 women who are subject to equalisation. As a woman centred organisation BWC is concerned about the impact on women.

3. Specifically BWC is concerned about the following inequity: When the new flat rate pension of £144.00 p/w set at above the means test level comes in, women born between 1951 to 1953 will get the old rate £110 p/w whilst all men of the same D.O.B as these 1951 to 5.4.1953 women (and some younger men) will get the better flat rate which could be near an extra £36 p/w.

4. £110 is a small amount to live on per week to cover all accommodation utilities, food bills, clothes.

5. The women who are adversely affected by the above have D.O.B’s of 1951 to 5.4.53. Men with these D.O.B’s will receive £144p/w. These women with D.O.B’s between 1951 to 5.4.1953 have/are already having their state pension age increased to be equalized with men: due to the Pension Act 1995 which became effective in 2010.

6. Ros Altman has highlighted this matter “Re: State Pension re. women already affected by the 1995/Equalization Pension Act: Quote: “Might the Government consider a tiered introduction of the new system, rather than a stark cut-off. That might assuage some of the feelings of unfairness that are likely to arise, particularly for women whose pension age has already increased after 2010 under arrangements put in place by the 1995 Pension Act.”

June 2013

Written evidence from Karen Tyler (PB 06)

BEREAVEMENT SUPPORT PAYMENTS

Part 3

I am writing to you to express my concern at the proposed changes to Bereavement Benefits which will hit those hard working contribution paying Families who become struck by tragedy when losing a Husband or Wife whilst raising a young family.

I am alarmed how the proposals will affect such families, having been Widowed young in 2002, when I suddenly became the sole parent of two children aged 8 and 9.

The sudden death of a parent of young children is often sudden and unexpected, research has shown just how difficult the first two years of such a loss effect both the physical and emotional wellbeing of both bereaved partner and children.

Considering a one off payment at the beginning of the changed circumstances when poor financial decisions are often made and not considering the impact for younger children in respect of different periods and rates would be a huge mistake.

The existing Widowed Parents Allowance gives breathing space with financial support over a longer period of time, when it is invaluable, to enable these families to raise their children as well as they can possibly do.

In addition it also recognises the hard work and contributions of those who died leaving a positive legacy to their memory.

The cost of the loss of often the higher wage earner also effects the lifestyle of these families, usually there is a mortgage which if covered by life assurance also means that a large enough single salary has to be earned to remain in the same property.

The existing benefits (which are contribution based) do help families to remain in their homes, which has a positive impact on children and also helps the sole parent to try and established a pattern of work which they are capable of doing whilst raising a family on their own.

Remember that over 70% of these current families were in employment before tragedy struck, they work hard, contribute to society and deserve both respect/empathy and support from a civilised society, please do not allow Society to stop recognising their unique and difficult circumstances in which they live.

Changing for changing sake is not always the best policy.

Saving money, no it won’t, it will force some families into hardship and ultimately result in them needing additional emotional and financial support thus losing any proposed savings in the longer term.
This is not just a personal opinion, I have been a member of Roadpeace and Widowed and Young and seen the difference the financial situation helps these families and the positive image of the late parent the benefit represents

June 2013

Written evidence from Peter Wells (PB 07)

Summary

Clause 20 of the draft bill seeks to perpetuate a policy that has been in place since the start of the National Insurance Scheme. The policy impacts on UK pensioners who seek to retire abroad in so many ways, yet it is not justified on economic or humanitarian grounds. Moreover, denying uprated pensions in any one Commonwealth country leads to gross disparities in pension payments that could be seen as age discrimination.

Personal Information

My name is Peter Wells, a UK pensioner for 5 years, now resident in Ontario, Canada, and I have an interest in matters affecting my UK pensions, including the state pension.

Submission regarding Clause 20 ‘Overseas Residents’ and frozen pensions

1. The frozen pension policy had validity when it was first introduced 65 years ago, when UK pensioners abroad had made only a small contribution to the new National Insurance scheme. But, just because no Government since has seen fit to change it, does not mean it is the right policy to adopt for a new ‘State Pension for the 21st Century.’ Derived pensions were instituted 65 years ago as well, but these will be history under the changes being introduced in this Bill.

2. The EU legislated that UK residents in the EU should receive the same (uprated) pension that they would have received in the UK, and this somewhat enlightened approach would be the morally correct policy for all countries where the pension is presently frozen.

3. On economic grounds HM Treasury benefits from every pensioner who goes abroad in retirement or decides to stay abroad, if already employed there. The full annual pension under the single-tier regime (£144 per week) is £7,500 in 2012/13 terms, and the cost of uprating this in the first year is about £190, assuming a 2.5% increase under the triple-lock. Compare this cost with the savings to HM Treasury of an estimated £3,800 per annum net of taxes when this person emigrates (Oxford Economics March 2011).

3.1 Even after 15 years the cost of uprating (£3,400 per annum) is less than the net savings, now £5,500 per annum after allowing for 15 years’ inflation at 2.5% per annum.

4. At the Second Reading of the Bill on 17th June 2013 Dame Anne Begg asked “that the anomaly be changed for those who reach pension age after April 2016?” The Secretary of State for Work and Pensions, Iain Duncan Smith, replied that “these things cost significant amounts of money,” implying that it was unaffordable. (See Appendix 1)

4.1 The savings under the single-tier pension for all new pensioners abroad in 2016/17, when the full pension increases from £107.45 to £144 per week (in 2012/13 terms), is estimated to be £30 million. This amount allows for the elimination of derived pensions in that year. The savings in the following year are £60 million for the 2016 cohort, and another £30 million for the 2017 cohort.

4.2 At the start of 2017, the cost of uprating the pensions of those living in a frozen country is estimated to be 2.5% of the total cost (£208 million) for the 2016 cohort, which is £2.35 million. That uprating cost is just 3.3% of the savings that accrue in the first year. (See Appendix 1)

5. In October 2012 the age discrimination provisions of the 2010 Equality Act came into force. Under this legislation the Government is required to formulate policy in such a way as to minimize inequalities of outcome. Yet the draft Clause 20 has been written into the draft Bill without addressing the inequalities that stem directly from pensions being frozen.

5.1 In the space of one year, frozen pensioners living in the same country have a 2.5% difference in pensions, all other things apart from age being equal. Over 10 years the disparity widens, so that the 75 year-old pensioner gets 78% of what the 65 year-old receives, assuming the same 2.5% per annum increases. After 20 years the older pensioner gets just 64% of what the 65 year-old receives.

6. The Commonwealth Charter signed by HM the Queen earlier this year seeks to eliminate all form of discrimination, including age-discrimination, reinforcing the values established by the Equality Act.

7. In 2010 the European Court of Human Rights ruled that the difference in treatment of frozen and unfrozen pensioners is justified simply because they are not in relevantly similar situations. The unequal treatment of frozen pensioners living in the same country was not considered by the Court, as in 2010 there was no relevant age-discrimination legislation in the UK.
8. The only reason given for not uprating existing pensions is cost, which is estimated at £655 million per annum, or less than 1% of the pension budget. But the Supreme Court has reiterated the ECJ ruling that a discriminatory practice cannot be justified on the basis of cost alone. (O’Brien v Ministry of Justice [2013] UKSC 6). The freezing of pensions inadvertently results in age-discrimination, and this is an opportune time to resolve this bad policy going forward.


10. Frozen pensioners have already suffered an extended period of austerity. They are not seeking back-payments, just fairness and equality going forward.

**APPENDIX 1**

**The cost of uprating pension under the Single Tier regime**

Calculations based on 2012/13 data: a basic state pension of £107.45 and a single-tier pension of £144.

Caseload and pension costs for different categories are from the DWP Tabulation Tool for November 2012.

1. *In 2012/13 based on a full state pension of £107.45 per week for 30 years’ contributions*

   - 45,881 Cat A pensioners received an average pension of £68.90 per week, for a total cost of £164 million
   - Effective pension record = 68.90/107.45 x 30 = 19.27 years
   - Also 26,230 pensioners with derived pensions averaging £41.90 per week, for a total cost of £52 million
   - Total pension cost for 2012/13 cohort = £164 million + £52 million = £216 million

2. *If 2012/13 had been paid at single tier rate of £144 per week for 35 years’ contributions*

   - 45,881 Cat A pensioners would receive an average pension of 19.27/35 x 144 = £79.28 per week
   - Total cost = 45,881 x 79.28 x 52 = £189 million
   - Cost saving in under single-tier = £216 million - £189 million = £27 million per annum based on 2012/13 data

   Saving for 2016 cohort in 2016/17* = 27 x 110% = **£30 million under single-tier**

   Saving for 2016 & 2017 cohort in 2017/18* = 2 x £30 million + £30 million = **£90 million**

   And so on ….

3. *Uprating costs for pensioners abroad starting in 2017 (for the 2016 cohort)*

   - Total cost of single tier pensions in 2016/17* = £189 million x 110% = £208 million
   - Uprating cost in 2017/18 assuming 2.5% increase under single-tier = 2.5% x £208 million = £5.2 million
   - Frozen pensioners account for about 45% of the total = **£2.3 million for uprating the 2016 cohort.**

   *As the numbers are based on 2012/2013 data, a 10% increase might be expected by 2016/2017.

   **June 2013**

**Written evidence from the Canadian Alliance of British Pensioners (PB 08)**

My name is Sheila Telford: I am the Chairman of the Canadian Alliance of British Pensioners an organization advocating on behalf of over 150,000 British state pensioners living in Canada and others throughout the world.

**EXECUTIVE SUMMARY**

The Pensions Bill Committee will be considering the impact of all aspects of the Bill. We would urge them to consider in detail the removal Clause 20, thus allowing for the indexation of pensions for pensioners who are "frozen" just because of where they live in retirement.

The all volunteer organisation, the Canadian Alliance of British Pensioners advocates on behalf of 150,000 British pensioners in Canada and around the world. We are supported by the Government of Canada in our advocacy.

Clause 20 legislates for the continuation of the current situation regarding the freezing of pensions for approximately half of the British pensioners who are overseas residents. We believe that there are very strong arguments for removing this Clause and outline them below.
1. We, the Canadian Alliance of British Pensioners, believe that this Pensions Bill provides the opportunity to right what is not just an “anomaly” but a long standing and discriminatory injustice suffered by British state pensioners who live in certain countries in their retirement.

2. By living outside the United Kingdom, it is estimated that each and every one of these pensioners saves the British Treasury some £3800 a year (National Health Service and elderly care costs), far more than it would cost to uprate their pensions to the correct level.

3. Uprating pensions for pensioners after 2016 would be completely cost neutral. The Bill provides for a new single tier pension of £144 for all new pensioners after 2016. The additional cost of removing Clause 20 would be zero in 2016 and we estimate only £2.3 million the following year if these pensioners were treated as if they still lived in the UK or one of the other countries where pensions are uprated annually. To continue to freeze these pensions is pure opportunism on the part of the Government: a chance to deny a certain pensioners a portion of their pension which they should rightfully receive just because of an irrational history. The pension system is being made fit for the 21st Century. This issue must be addressed.

4. Pensions are paid from the National Insurance Fund, funded by mandatory contributions. This fund according to the Government actuary (GAD) currently has a surplus of £32 billion at the end of the most recent fiscal year, and is expected to be above the recommended minimum surplus through 2018. The cost of uprating all frozen pensioners is only 2% of the existing surplus in the NI Fund. This is money set aside for pensions, and therefore will not negatively impact general government revenues and expenditures.

6. The reasons given by the Government for not uprating pensions in the past can be easily challenged:
   — Indexed pensions are only paid where there is a reciprocal agreement or treaty: the Government has confirmed in writing that no reciprocal agreements or treaties are necessary to unfreeze pensions.
   — Previous Governments have also kept the policy in place: the policy is wrong, and because it is long standing it is even more wrong. Perpetuating the situation compounds the injustice. Steve Webb, the Pensions Minster himself supported the unfreezing of pensions in the past and wrote during the time of the 2004 Pensions Bill debate: “As you may be aware, there is currently a Pension Bill passing through Parliament. I will take this opportunity to table an amendment, seeking to unfreeze the frozen pensions of expatriates.”
   — It would be too costly: in fact it would cost less than 1% of the pension budget to uprate all frozen pensioners and as has been demonstrated above. In 2016, for new pensioners it would cost absolutely nothing.

7. This issue must be addressed: it will not go away and it is harming British–Canadian relations. It is a permanent irritant to the Canadian Government that the Canadian economy suffers because the British Government defaults on its obligation to pay indexed state pensions to its pensioners who live in Canada.

We thank the Pensions Bill Committee for their work on this important Bill and call on them to ensure that the noxious Clause 20 is removed from the Bill.

June 2013

Written evidence from Joy Palmer (PB 09)

Having worked for almost 40 years, full time, taking no time off for children and paying full National Insurance Contributions for over 35 years, I was dismayed when I found out that I had missed being paid my state pension at the age of 60 years by just a few months. I thought this new system was going to come into play in instalments, gradually by age. This is not the case, I was excluded and there is no phased in period going to take place. I then was even more disappointed, enraged even, when I recently received a letter from the DWP, telling me that I will now not receive my pension until I am 66 years old, again no phasing in gradually to this date, just not being paid until I am 66.

As you can imagine, I find this more than unfair. My concern now is with the new ‘flat rate’ system. Under the old rules, at my pension age I would receive both the State Pension and also the Additional State Pension. I have an on-line quote from the DWP dated September 2011, which quotes that my pension, with the payable additional pension forecast shows that I would receive approximately £176.77 at my retirement pension date of August 2020.

I realise that now my pension date will be August 2021, but can you assure me that I will be paid it at the full rate of approx £177 rather than the flat rate of £144? I feel I am entitled to this having paid in full to the system, without a break, for so many years.

As you can imagine, I find this more than unfair. My concern now is with the new ‘flat rate’ system. Under the old rules, at my pension age I would receive both the State Pension and also the Additional State Pension. I have an on-line quote from the DWP dated September 2011, which quotes that my pension, with the payable additional pension forecast shows that I would receive approximately £176.77 at my retirement pension date of August 2020.

I realise that now my pension date will be August 2021, but can you assure me that I will be paid it at the full rate of approx £177 rather than the flat rate of £144? I feel I am entitled to this having paid in full to the system, without a break, for so many years.

The Minister for work and pensions, Steve Webb, did say during a debate on ‘Women’s Hour’, that ‘if the old rules would have given you more, then you will be paid that amount, not less’.

Am I correct in believing that this means I will get paid the higher amount?
As you can imagine, I am very unhappy anyway, firstly looking forward to receiving my pension at the age of 60, then being told it would be phased in to when I was 65, then that not happening, then being told now that I won’t get my pension until I am 66. I really hope that I am now not going to be penalised for working full time for so long and paying into the system for so long, by being paid at a reduced rate of £144.

I would welcome your comments and hope you will bring this issue up in any discussions you may have with members of the government when women’s pensions are being discussed. There must be thousands of other women in the same position as myself.

June 2013

Written evidence from Eileen Brown (PB 10)

Summary

Plea from a woman who will soon reach SPA to be given proper information as to the effects of the bill on her pension preparations.

Submission

1. I am a woman who was born in 1953 and so I am going to be affected by the new Pension Bill.
2. I have never been able to save for a pension other than my State Pension.
3. I was made redundant in the year 2000 and have tried to make up my NI contributions since then and now have 30 years of contributions. I have therefore thought my state pension was safe.
4. I have to use 9 years of my ex-husband’s contributions to reach my full 30 years.
5. Because of the change in Qualifying Years to 35 and, as far as I can see, the other change which means I can no longer use my ex-husband’s contributions, I am in a total quandary as to
   (a) How many Qualifying Years I now have and
   (b) How to make up my Qualifying Years to 35 which I now, suddenly, need.
6. I beg the Scrutiny Unit to make sure there is provision for women in my position so that we have a clear understanding of what we need to do to qualify for the full flat rate pension.
7. I would like to point out that I have been worried sick ever since I learnt that my ex-husband’s contributions would no longer be of use to me and that, being so near State Pension Age (indeed, having spent most of my adult life looking forward to receiving my pension at age 60), I feel it is incredibly unfair to people in my position not to be told exactly how the changes apply to us. I have read and reread the draft bill and cannot make head nor tail of the parts that apply to me and do not know to whom to turn for advice.

June 2013

Written evidence from Philip Hampson (PB 11)

What concerns me is that there is only just over 2yrs before this is implemented. Giving people who will be affected by the changes little time to amend. After working very hard for twenty years I decided to retire with my wife when she reached sixty. She only receives a part pension based on her NI contributions but was always told that this would increase when I retired. This will not happen and there is nothing we can do.

In my case I retired I had 30yrs NI contributions. Now with such a short time I am supposed to make up 5yrs contribution but since my wife won’t get the expected increase it is not worth it. I feel that for women who were always told they would get this increase on their husband’s retirement it is against their human rights. Yes changes have to be made and everybody is aware but such dramatic changes have to be phased in and immediately the age of retirement age is slowly being phased in. So why can’t the law affecting married women?

June 2013

Written evidence from Thelma Brown (PB 12)

My submissions relate to the position of women, such as myself, born between April 1952 and March 1953 who will be entitled to a basic state pension but not to a secondary additional one. All such women will have had the age at which they are able to claim a state pension extended although the exact date of eligibility will vary in accordance with their dates of birth.
Under the provisions in the Pensions Bill women in the above category will have their state pension restricted permanently to the present rate of £109 per week, setting aside index linking, rather than the proposed new rate of £144. As a consequence, by way of example, a woman born in March 1953 who received her state pension for 20 years would receive £113,360 whereas a woman born in April 1953 would receive £149,760. Index linking would exacerbate this disparity.

I accept that any change to major fiscal provisions is bound to produce some anomalies but the above scenario is both unjust and unnecessary. It can be avoided if the women I describe in my opening paragraph are allowed to choose either to claim their state pensions when they are entitled to do so or to delay claiming them until April 2016, when the new rate becomes operational, and at that time receive the enhanced payment. The existing deferment provisions would not have sufficient impact.

I suggest that it is not sensible to introduce provisions which would have identifiable and avoidable flaws and which would become the subject of increasing criticism once their impact is understood.

June 2013

Written evidence from Lorraine Hart (PB 13)

1. In view of the recent changes announced in favour of the 80,000 cohort, what now of the remaining women whose retirement date was put back, but who still will not benefit from the flat rate pension (those, I believe, who were born between 6th April 1952 and 5th July 1953). I was born in March 1953, and had expected to retire at the age of 60, but now have to wait until I am very nearly 63, whilst also not seeing any of the benefits of the new flat rate plans.

2. This seems to be very unfair. Surely an exceptional case should be made for the women in this group, and entitlement to the flat rate pension be made available to us. We remain the victims of a double whammy.

3. I have an idea to help iron out the unfairness of us being affected twice. The government could allow this particular group of women to defer their pension, and make the deferral date their date of retirement, so that they can access the flat rate pension. At the moment, of course, you can defer, but your official retirement age remains the same.

4. If a woman cannot do this (because she has no savings), then she could top up with pension credits on the old system, and receive almost the same pension as the Flat Pension. For those women who cannot top up with pension credit because they have savings, they could defer their pension until the flat rate pension comes in, live off their savings, and then take a lump sum when they start getting their pension, so that they can reinstate their savings.

June 2013

Written evidence from Dr. Lawrence Renaudon Smith (PB 14)

Summary

1. As a man reaching retirement age in March, 2017, I find I am adversely affected by the change of the number of qualifying years required to receive the full basic pension from 30 to 35 years without giving 5 years notice or allowing extra years of voluntary payments. Allowing the payment of an extra 5 voluntary payments to cover gaps in my payment record would correct this unfairness cause by “moving the goalposts during the game”.

Submission

2. I am a man living in Spain. I am paying voluntary national insurance contributions and have carefully followed the instructions of the Pensions Dept. to complete my contribution record. The Pensions Dept. is very insistent that you should be careful not to make too many voluntary contributions because you cannot reclaim them afterwards.

3. The change from 30 years to 35 years contributions required for a full basic pension means that me and others like myself do not have the possibility to achieve the 35 payments because there are not enough years left to make the 5 extra years payments. I cannot make any extra back payments under the current system because you are only allowed to go back 6 years and those payments are already made. If I had known at the time I would have made more payments, but of course, this change to 35 years of national insurance contributions was only announced in the Queen’s Speech in May, 2013. The extension of time allowed to pay 2006-15 is of no use to me as the earlier payment of that period have already been made.

4. I most certainly do not expect something for nothing, but I believe that to correct this unfairness to people like myself who have followed the advice given by the Pensions Dept. itself back payment of another 5 years of voluntary payments going back further than the current 6 year limit should be allowed, to allow people in this situation to make the extra payments they did not know would be required.
5. This would not be a novel change, as at present people retiring before 2015 are allowed to make an extra 6 voluntary payments going back as far as to 1975.

6. I have no statistics for how many other people like myself are affected, but I think there must be a considerable number, especially of women. Basically, a simple change to allow an extra 5 voluntary payments for those close to retirement age seems a fair solution for this group that includes myself.

June 2013

Written evidence from Gina Loxam (PB 15)

1. When I first started work in the 1970s I was given the option of paying a full or half a National Insurance Stamp. If I paid a full stamp I could retire at 60 on a full pension. I opted to pay a full stamp.

2. As far as I am concerned it matters not which Party was in power then or now. I made a Contract with the Government to retire at 60 on a full state pension. This Contract has been breached and laws must be put in place to protect people to stop them changing the rules. I discovered that if I had worked 30 years or more I could not retire until I was 65 on a full pension.

3. Now, to receive a full pension I have got to work until I am 66 with 35 qualifying years of working.

4. It is morally wrong to punish a working person by adding a sentence of 6 years to their working life before they are entitled to retire on a State Pension. What is my crime? I have worked all my life. Trusted the Government to let me retire at 60 on a full state pension and now they keep moving the goal posts. If the Government has mis-managed the Pension Pot they should be held to account and not to continue punishing hard working people by making them work till they drop.

5. They should be allowed to change eligibly for new workers but not totally disregard a contract made by me and them back in the 70s.

June 2013

Written evidence from The National Union of Rail, Maritime and Transport Workers (PB 16)

1. Introduction

1.1 The National Union of Rail, Maritime and Transport Workers (RMT) welcomes the opportunity to contribute to the Works and Pensions Select Committee call for written evidence following the Governments publication of the White Paper setting out its plans to introduce a new Single Tier State Pension. The RMT organises around 80,000 workers in all sectors of the transport industry and negotiates, on behalf of our members, with some 150 employers. With over 44,000 members employed on the railways, RMT is the largest of the rail unions.

2. Executive Summary

2.1 Following the Department for Works and Pensions consultation paper, “Abolition of Contracting Out – Consultation on a Statutory Override for Protected Persons Regulations”, the RMT would like to take this opportunity to raise with the House of Commons Public Bill Committee our concerns, and more importantly our total rejection, of these proposals which are no more than an attack on the promises made by government prior to privatisation of the railways and parts of London Underground (LUL).

2.2 The government’s proposal to introduce statutory legislation to override Protected Persons Regulations so that employers can increase contributions or/and change benefits of those employees with protection status would be to the detriment of promises made prior to privatisation. Let us not forget that it was government policy which dictated the privatisation of the railways and parts of London Underground (LUL) which went against the wishes of those employed in these formally nationalised industries. Many of these workers would have made life changing decisions based on the promises given to them by Parliament and it would be totally wrong to now break this confidence.

2.3 It is also important that we highlight a number of technical points in relation to the rules of the Railways Pension Scheme which will see members’ future pension benefits significantly reduced as a result of the introduction of the Single Tier State Pension and the abolition of Contracting Out.

2.4 The White Paper confirms the previous announcement that the State Pension Age (SPA) will increase to age 67 between 2026 and 2028. The RMT is totally opposed to the increase in the State Pension Age (SPA).
3. Power to amend schemes to reflect abolition of contracting-out

SCHEDULE 14 (Clause 21)

The power overrides other legislation

3.1 The Government's proposal to introduce statutory legislation to override Protected Persons Regulations so that employers can increase contributions or/and change benefits of those employees with protection status would be to the detriment of promises made prior to privatisation of the railway industry and parts of London Underground.

3.2 For those former British Rail employees this commitment of pension protection is enshrined within the Railways Act 1993 and parliamentary order known as The Railways Pensions (Protection and Designation of Schemes) Order 1994 ("the Order") which offers the following protection:

"The Order requires that your pension rights in respect of future employment must be at least as favorable as the rights which the BR Pension Scheme provided on 31 May 1994" (Your Protected Rights, see attached One).

3.3 Any changes would also be contrary to the direct assurances given to rail unions by the Secretary of State for Transport, Justin Greening MP when he met the TUC and trade unions, on 7th December 2011 that the Railways Pension Scheme would not be affected in any way as a consequence of the Red Tape Challenge.

3.4 The promise of protection for those LUL workers whose employment switched under Public-Private Partnership Agreements (PPP) is contained under the London Transport Pension Arrangement Order 2000 that:

"5 (3) if the scheme provided by the employer is the LRT Pension Fund, the appropriate provision is provision under which the pension rights which accrue to or in respect of the protected person under the scheme in respect of his service after his relevant transaction are overall material at least as good as the pension rights accruing to or in respect of him under the LRT Pension Fund in respect of service immediately before that transaction" (Statutory Instrument 200 No.3368, The London Transport Pension Arrangements Order 2000, see attachment Two).

3.5 This promise is further endorsed by the then Deputy Prime Minister:

"The LRT Pension Fund will be structured to guarantee your rights to remain within the fund, while retaining a single board of trustees and a common governance" (Letter to LUL employees from John Prescott MP, 15 June 1999, see attachment three).

3.6 The RMT and other railway union wrote to the Department of Transport on 19th April 2013 and highlighting our concerns on these proposals. The letter was also sent to the Minister of State for Pensions and a response was received from Steve Webb MP on 11th May 2013.

3.7 While the letter states that the government is undecided on this issue it does not rule out the possibility of introducing overriding legislation. While the Minister wants to hear from all ‘stakeholders’ this does not change the fact that promises were made prior to privatization and these promises should be honored.

4. Implications to the railways pension scheme as a result of the introduction of the single tier state pension

Offset

4.1 It is essential that the House of Commons Public Bill Committee fully understand the implications of the single tier state pension on schemes with a state pension offset and shared cost arrangement.

4.2 The Railways Pension Scheme has built into the rules of the fund a one and half times Basic State Pension offset. The offset is used to reduce members headline salary which subsequently results in a members pensionable pay. Presently this offset in the Railways Pension Scheme is approximately £8,580.10 and increases annually in line with the Basic State Pension.

4.3 We are concerned about the possibility that if the Basic State Pension is replaced from 2016 by the Single Tier State Pension this offset could increase from £8,580.10 to £11,232.00. This would result in members pensionable pay being significantly reduced going forward and the true value of their occupational retirement benefits also being significantly reduced.

4.4 While this may be a matter for the Trust Deed and Rules of a particular scheme, an increase in the offset and allowing employers to unilaterally alter benefits or/and contributions has the potential of members receiving a ‘double whammy’ in respect of reduced benefits. Any increase in state pension benefits would be wiped out by the above scenario. Whether a member is protected or not by the legislation referred to above, this applies to both sets of workers.

4.5 It also needs to be remembered that any reduction in pensionable pay going forward would result in employers making further savings and making a profit at the expense of pension scheme members. Why should these already profitable companies make further financial gains at the expense of workers future retirement benefits.
4.6 The RMT demand a binding assurance that the introduction of the Single Tier State Pension will be structured in such a way so that the Railways Pension Scheme offset will continue to be linked to the existing value of the Basic State Pension and only increased in line with current practice.

Shared Cost Contribution Arrangement

4.7 While many schemes have a Balance of Cost arrangement, the Railways Pension Scheme contribution rate is Shared Cost. Therefore any deficit or future service contribution rate is shared between the employer and the member on a 60/40 basis.

4.8 This arrangement is extremely popular amongst sponsoring employers and any variation is likely to be met with hostility by rail companies. However, as a result of this arrangement member’s contribution rates are on average throughout the Railways Pension Scheme in excess of 12%. Any further increases in contributions, whether the Shared Cost arrangement is broken or not, could ultimately result in members leaving the scheme regardless of whether they are protected or not.

4.9 If employers are allowed to change benefits in a Shared Cost scheme then this is also likely to have a knock on affect in regards to the principle of sharing the pension cost and the level of benefit being reduced by the employer.

4.10 Under the government’s proposal the option of increasing member contribution is unlikely as the employers share would have to increase, unless the Shared Cost arrangement was broken. It is therefore likely that benefit changes would be the preferred option of employers.

4.11 Some employers have already reacted to the increased costs of the Railways Pension Scheme by making changes for post-privatisation members: closing their section to new entrants, introducing a waiting period, changing the elements of pay which are counted as pensionable, changing early retirement factors, and changing the contribution ratio. All of this adds to complexity and fragmentation. Clearly these changes have been made as a result of consultation with the trustees and relevant trade union, not by introducing unpopular government legislation.

4.12 However, any benefit changes would flow into the Shared Cost Contribution Rate for future service with both sides of this arrangement receiving a reduction in contribution. Therefore for the employers NIC rebate to be recovered in full the benefits changes would have to be excess of 3.4%. Such an undertaking would see all pension scheme members’ future benefits reduced to such an extent that any gain in state pension provision would once again be eliminated and would see workers worse off.

5. Power to amend schemes to reflect abolition of contracting-out

SCHEDULE 14 (Clause 21)

5.1 The RMT are very concerned that the government should even consider allowing employers the right to bypass trustees consent as a result of their own policy.

5.2 We reject the view made by some employers that trustee consent is a hindrance and that making changes to scheme rules is often problematic. It is the experience of the RMT that Member Nominated Trustees play a valuable role in the everyday running of Railways Pension Scheme and Transport for London Pension Fund. Those employers who feel that somehow trustees are a problem when making decision should be reminded that when they decided to enter those former nationalised industries they did so knowing the commercial risk.

5.3 Furthermore this proposal is contrary to the principles of the Pensions Act 1995, (Part One, 16) requirement for Member Nominated Trustee on trustee boards. The very fact that employer representatives in the majority instances are involved in the decision making process on a relevant trustee boards can only lead one to believe that this proposal is aimed at excluding Member Nominated Trustees from the decision making progress.

5.4 This proposal is nothing more than disingenuous to Member Nominated Trustees who work alongside employers within the rail industry for the benefit of all beneficiaries. Excluding Member Nominated Trustees from the decision making process would undermine the very fabric of the member involvement.

5.5 Make no mistake many rail companies have been waiting for this opportunity to ride ‘roughshod’ over protections and trustee consent for a very long time. This is illustrated by the recent decision by management to cease future accrual in the Balfour Beatty Pension Fund. This particular pension scheme does not have protected persons and as a result management are taking the opportunity to close this Defined Benefit scheme and offer members an inferior Defined Contribution arrangement.

5.6 If the government’s proposal was accepted this type of ‘macho management’ behavior would be repeated throughout rail and LUL. This would lead to only one conclusion that future cooperation could be put at risk which would result in industrial unrest.

5.7 It also needs to be pointed out that this element of the government’s proposal not only snubs the role of the trustee but threatens to disturb the principles of collective bargaining which is used throughout rail and LUL.
when discussing pensions. This collective bargaining machinery has been extremely successful in the past and should not be bypassed because employers want to railroad through detrimental pension changes.

5.8 An illustration of effective industrial relations policy is highlighted by the conclusions reached by the final Railways Commission Report in 2008. The report makes a number of recommendations which not only protected scheme members future pension entitlements but propose to keep the Railways Pension Scheme affordable for rail employers. Without the proactive and positive contributions made by trade unions through the compiling of this report the findings would have been difficult to conclude.

5.9 This view is endorsed by the McNulty Value for Money review which makes the following statement:

“Changes to the Railways Pension Scheme (RPS) are a matter of discussion between employers and members’ representatives, and will be subject to the agreement of the trustees of the RPS” (McNulty Value for Money Review; May 2011).

5.10 One can conclude from the above statement that the McNulty agrees that the tried and tested collective bargaining structure is an adequate method in dealing and resolving pension issues. This was the message that trade unions received during the discussions with the McNulty review team.

5.11 If the government insists on going ahead with their proposals to override protective legislation and bypass trustee consent this will fly in the face of past negotiations and will be to the detriment of future trade union cooperation.

5.12 We would request that you urgently give reassurances that the promises given by Justin Greening MP in 2011 that the Railways Pension Scheme will not be interfered with as a result of government policy are reconfirmed.

5.13 We would further add that these promises are also given to those protected person within LUL who were also received the same assurance in 1999 from the then Deputy Prime Minister, John Prescott MP.

6. Increase in the pensionable age

6.1 The RMT is totally opposed to the increase in the SPA which is clearly an attack on the poorest in society to make them work longer and to pay for economic crisis they did not cause.

6.2 The claim by the Government that the need to increase SPA is essential to create a fair framework for future retirement provision is in the view of the RMT more to do with ‘balancing the books’. Many workers the RMT represent work long hours and carryout physically demanding jobs and the effect of increasing the SPA is likely only to reduce the amount of time they will enjoy in retirement.

6.3 The logic of increasing the SPA is clearly flawed as the later people work the more this reduces the opportunity for younger workers to find employment, which will only increase the burden on the state. RMT policy, along with the wider trade union movement, is to reduce the amount of time people spend at work before retirement, and to increase the amount of time in retirement.

June 2013

Written evidence from National Pensioners Convention (PB 17)

Introduction

The Pensions Bill proposes the introduction of a single-tier state pension from April 2016, created by combining the existing basic and second state pensions, and set above the level of the means-tested Pension Credit. The bill also seeks to increase the number of years required to qualify for a full state pension, offers private sector employers the right to alter their occupational pension schemes and suggests future increases in the state pension age.

Successive governments have tinkered with our pension system – reluctant to grasp the need for substantial reform of the state pension, whilst being overly optimistic as to the ability of private occupational pensions to deliver prosperity for all. Whilst these new proposals might therefore change the basic structure of the state pension system, they are far from radical enough to tackle the serious problem of pensioner poverty and hardship facing millions of both current and future pensioners.

Since coming to power in June 2010, the government has weakened the UK pensions system as a result of its decision to alter the indexation arrangements of the basic and second state pensions, all public sector pensions and as many as 60% of private occupational schemes. The move from using the Retail Price Index (RPI) as the accepted measure of inflation, to the usually lower Consumer Price Index (CPI) has already started to reduce the retirement income of millions of pensioners, and even the welcome decision to restore the link between the basic state pension and earnings is seriously undermined by the change to CPI, the failure to raise substantially the level of the basic state pension and the current near-zero increases in wages.

Much of the rationale behind the bill is also based on a number of flawed assumptions.
Contrary to the government’s view, the complexity of the current state pension system is less of a barrier to saving than the lack of spare capital which individuals can put aside for their retirement and the risks associated with defined contribution occupational pensions which are wholly reliant on the performance of the financial market. Life expectancy projections and the capability to continue working well beyond 65 have also been grossly over exaggerated, and bear little relation to actual experience. Therefore, if the UK’s pension system really is at a crossroads, the proposals in the bill as they currently stand simply do not go anywhere near far enough to address these fundamental concerns.

**KEY ISSUES IN THE PENSIONS BILL**

1. **Level of the single-tier state pension**

   Whilst it has been hailed as a radical reform of the UK state pension system, the bill does not address the current injustices and unfairness experienced by existing pensioners. In particular, the current basic state pension remains completely inadequate – as demonstrated by the need to provide additional support through the means-tested Pension Credit. The bill will not put a single additional penny into the pockets of existing pensioners despite 1 in 5 older people still living below the official poverty level. Even £144 is still over £30 a week less than the poverty level for older people (estimated as £178 a week before housing costs in 2012).

   It also needs to be recognised that the suggested level of the single-tier state pension (STSP) is lower than the existing system would provide based on 30 years’ worth of national insurance contributions into a basic and second state pension. Under these circumstances, someone could retire today with a combined state pension of around £150 a week – £6 higher than the current proposed level of the STSP.

   **Recommendation:** The existing basic state pension and any single-tier state pension must be raised substantially to the official poverty level and paid to all existing and future pensioners.

2. **Uprating of the single-tier state pension**

   After April 2016 the first £144 of the single-tier state pension will be uprated annually in line with at least earnings and anything above that figure will be linked to the Consumer Price Index (CPI). However, those on the existing state pension are likely to have an earnings or ‘triple lock’ link only on the first £110 and a CPI link on any state second pension above that level. Over time, the gap between the two pensions will therefore increase, further disadvantaging existing pensioners. This disparity in indexation will be seen as unfair and unsustainable.

   **Recommendation:** Government should adopt a quadruple lock made up of the higher of RPI, CPI, earnings or 2.5% and apply that to all state pension income (basic, second and single-tier).

3. **Effect of changes on existing pensioners**

   Anyone who has already drawn their state pension prior to April 2016 will not be included in the new proposals. Whilst there will be a number of existing pensioners who receive more than £144 a week through their basic and second state pensions (such as SERPS), many older women in particular do not.

   The introduction of a cut-off date in April 2016 for the new pension scheme will therefore create a two-tier system. As a result, some will be getting simplified state pensions whilst others will be left to survive on a mix of low state pension and complicated means-tested benefits. Already millions of existing pensioners have missed out on the reduction in national insurance which now only requires 30 years of contributions to get a full state pension, whereas many of them retired when the rules were 39 years for a woman and 44 for a man. Perpetuating such differences in the pension schemes across different generations of pensioners is simply unfair.

   **Recommendation:** Those existing pensioners who currently have a state pension income of less than £144 a week should be entitled to receive the higher amount offered under the single-tier state pension.

4. **The future of means-testing**

   Those currently in receipt of means-tested Pension Credit will continue to do so after the new system comes into force. Likewise, it is assumed that anyone retiring after April 2016 that doesn’t get a state pension of £144 a week because they lack the 35 years’ worth of national insurance contributions or credits needed will also be entitled to a means-tested top-up (but the exact details of this are unclear from the bill).

   Under the bill, Savings Credit will be abolished and for those who would have previously been entitled to Housing and Council Tax benefit, there will be a five year transitional arrangement to allow them to get extra help with these costs. However, the details of this have yet to be explained.

   There also appears to be a lack of acknowledgment as to the nature of Pension Credit being a ‘passported benefit’ that entitles the recipients to additional help with housing costs. Any attempt to alter the terms of this additional support that pensioners receive will therefore be of great concern.

   **Recommendation:** Government should publish the details of any transitional arrangements to explain how Pension Credit, Housing and Council Tax benefit will be administered in the future to ensure that no-one currently in receipt of those benefits will be financially disadvantaged by the changes.
5. The abolition of the state second pension and contracting-out

As the state second pension is being abolished and merged with the basic state pension, employees in defined benefit (final salary) occupational pension schemes in both the public and private sector will no longer be able to contract-out of paying full national insurance. After April 2016, employees will be expected to pay an additional 1.4% and their employers 3.4% in national insurance.

The bill recognises that some employers may wish to make changes to their pension schemes as a way of off-setting the requirement to pay the additional National Insurance contributions. The government proposes to therefore give private sector employers powers for a five year period to change scheme rules without the consent of the scheme’s trustees. This is a major departure from existing pension fund regulations and will mean either reducing future pension rates or increasing employee contributions. In the public sector, the employer will not be able to pass on the cost of their additional 3.4% contributions through reductions in future pension rates or increased employee contributions – but will still be expected by the Treasury to fund the extra costs through other measures (eg. wage freezes or reductions in staffing).

For the NPC, more significant is the abolition of the state second pension, which is of great benefit to low paid workers, and helps to raise their overall level of state pension by assuming higher income levels. We do not support its abolition.

Recommendation: The State Second Pension (S2P) should be retained as a good earnings-related pension for all workers, maintaining the higher replacement rate for the low paid. This would be paid to everyone with a minimum of 7 years and a maximum of 50 years’ contributions or credits. Contracting-out would therefore remain.

6. Transitional arrangements from existing state pension system to single-tier state pension

The current details outlined in the bill show quite clearly that for those currently contracted-out of the state second pension will receive favourable transitional arrangements when moving over to the new single-tier state pension, compared to their counterparts who remain contracted-in. This gives an unfair advantage to those occupational pensioners that are already likely in many respects to have more generous occupational pensions.

Recommendation: If contracting-out is to be abolished, those retiring after April 2016 who have spent the majority of their working life contracted-in to the state second pension should receive transitional arrangements of equal value to those who were contracted-out.

7. Impact of changes on women born between April 1951 and 1953

The bill also proposes further reforms to the pension system, before existing reforms have been put in place. The equalisation of the State Pension Age for men and women will not be finalised until 2018 – but introducing the single-tier pension in 2016 means that 350,000 women born between April 1952 and 1953 will retire on the old system just before the new proposals come into force, whereas a man born on the same day will retire slightly later, but receive a pension under the new arrangements. Such haste only adds to the unfairness and complexity that already exists.

Recommendation: This cohort of women must not find themselves further penalised by the plan to introduce further changes to the state pension system before existing changes have yet to finish being introduced. Consideration must therefore be given to prevent this from happening such as by delaying introduction until after 2018.

8. Derived benefits

The bill proposes ending any special rules for people who are married, bereaved or divorced in relation to their pension entitlement. Under the existing rules it is possible for one member of a couple to use the contribution record of their partner to receive a state pension or increase the amount they receive in their own pension. This is of particular benefit to women. Whilst the bill offers some transitional arrangements for those who paid reduced rate contributions, there will still be a number of women (estimated at around 30,000) who will retire after 2016 and be expecting to receive either a married woman’s pension or a full pension if widowed. These individuals will not have sufficient time in which to build up their own individual entitlement before they reach state pension age.

Recommendation: Those individuals affected by these changes should be allowed to receive their expected derived entitlements. The government should therefore produce further detail as to how this could be achieved.

9. Changes to the state pension age and contribution years

The bill proposes automatically linking the state pension age to life expectancy, without any acknowledgement that longevity is affected by profession, income, region and other factors. Whilst as a society we are able to keep people alive for longer now, that does not in itself mean that people are able to work longer. In addition, there are serious concerns as to the health of future generations and the urgent need to enable younger people to get into the workplace. None of this can therefore be addressed by simply raising the retirement age.
In addition, the bill seeks to roll back a tremendous advance that was previously made in the Pensions Act 2010; namely the reduction in the number of qualifying years needed to receive a state pension from 30 to 35 years. This will create an unacceptable anomaly for those women who retired prior to 2010. In essence, a woman retiring in 2009 needed 39 years of national insurance contributions or credits to receive a full state pension – but for example only had 35 years. Following the 2010 Act, even though she had 5 years more than the required number, she was still not entitled to a full state pension. Now under this new proposal, she will have the correct number of years’ worth of contributions, but will still not be entitled to a full state pension. This is completely unacceptable.

Recommendation: The number of contribution or credit years required to qualify for a full state pension should remain at 30 and be applied retrospectively to those who retired prior to April 2010. In addition, the state pension age should remain at 65 for men and women.

10. Overseas pensioners

For many years, annual increases in the UK state pension have been denied to around 500,000 expats living in 150 countries – despite them having paid towards and been entitled to receive such a pension. These “frozen pensioners” made a contribution to the UK during their working lives and now feel abandoned by successive UK governments who have failed to address this unfairness. It should be recognised that these older people do not make any demands on the UK in terms of benefits or health services, and feel the issue parity is now overwhelming.

Recommendation: All UK pensioners, regardless of their country of residence should receive the annual uprating of the state pension.

11. Summary of the existing state pension and the single-tier state pension

<table>
<thead>
<tr>
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<th>Existing state pension system</th>
<th>White Paper proposals</th>
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<tbody>
<tr>
<td>Calculation of state pensions</td>
<td>Employees get £3.58 a week basic state pension for every year of National Insurance contributions and £1.46 a week second state pension. This gives a full basic state pension of £107 and a second pension of £43 – equal to £150 a week</td>
<td>Employees will get £4.10 a week single-tier state pension for every year of National Insurance contributions. This will give a full pension of £144 a week</td>
</tr>
<tr>
<td>Number of qualifying years</td>
<td>Since April 2010, new retirees require 30 years of National Insurance contributions or credits to gain a full state pension. There is no minimum number of years that employees have to pay to receive a state pension</td>
<td>From April 2016, new retirees will require 35 years of National Insurance contributions or credits to gain a full state pension. The minimum number of years employees will have to pay National Insurance will be 7-10 years</td>
</tr>
<tr>
<td>Indexation</td>
<td>The basic state pension is ‘triple locked’ to the higher of wages, CPI or 2.5%. The second state pension is linked to CPI</td>
<td>£144 will be linked at least to wages, but it has yet to be decided if it will also be ‘triple locked’. Any pension above £144 will be linked to CPI</td>
</tr>
<tr>
<td>Means-tested benefits</td>
<td>Pensioners with less than £142.70 a week can claim Pension Credit to take them up to that level. Those with modest savings can also apply for additional Savings Credit to a maximum of £18.54 (single) and £23.93 (couple). Pension Credit is a ‘passport’ benefit which also automatically entitles recipients to Council Tax and Housing benefit</td>
<td>The Pension Credit for new retirees will be unnecessary providing they have £144 a week state pension. If they have less than this amount, there will continue to be some form of means-tested support. Savings Credit will be abolished. There will be five years of transitional arrangements for those who would have got Council Tax and Housing benefit under the old scheme, but as yet there are no details as to how this will apply</td>
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## Existing state pension system | White Paper proposals
---|---
Credits for carers and others | There will be a system of credits for carers and others, but as yet there are no details as to how this will apply
Relationship to occupational pensions | Contracting-out will cease. Employees in private and public sector final salary schemes will have to start paying 1.4% extra in National Insurance. Employers will also have to pay 3.4% extra National Insurance contributions, but those in the private sector will be able to unilaterally change their pension rules to either force employees to pay more to cover the cost or receive lower pensions. Public sector employers will not be able to do this, but will still be expected to find savings to pay for the additional 3.4% National Insurance bill
State Pension Age | Introduce a review of the state pension age every five years beginning no later than May 2017, linked to life expectancy (more details to be published in due course)
Other aspects of state pension system | The Category D pension and the 25p Age Addition at 80 will be abolished
Cost of scheme | 8.5% of GDP in 2060
Impact on existing pensioners | All those drawing their state pension after April 2017 will be affected by the changes. The first person to retire solely on a pension under the new rules is likely to do so around 2085

June 2013

### Written evidence from the International Consortium of British Pensioners (PB 18)

**Executive Summary**

1. The International Consortium of British Pensioners (ICBP) campaigns for the up-rating of frozen pensions for over half a million pensioners worldwide.
   - The ICBP is calling for the removal of Clause 20 which continues the policy of freezing pensions for people who retire overseas to one of 123 countries.
   - This policy will affect everyone who is working towards a state pension

**The ICBP**

The ICBP is a worldwide consortium formed by interested groups in Australia and Canada with active support from groups in South Africa, Indonesia and Thailand. It represents the interests of some 560,000
recipients of the UK Basic State Pension (BSP) worldwide who have their BSP frozen at the level at which they first started to draw the said pension in their country of residence. The ICBP campaigns for these pensioners to have their pensions up-rated in line with inflation.

THE FROZEN PENSION POLICY ANOMALY

(3) All recipients have at some point in their working lives paid mandatory National Insurance contributions, in the expectation that these payments would entitle them to BSP (or proportion thereof dependent on how long they worked). The anomaly arises from the fact that there are 4 classes of recipient of BSP:

1. Those resident in the UK who receive annual up-rating of their BSP plus all benefits.
2. Those resident within the EU, who receive annual up-rating of their BSP and some but not all benefits
3. Those resident in one of the 16 Countries that have signed a Reciprocal Agreement with the UK on State Pensions, who receive annual up-rating of their BSP but no benefits.
4. Those who live elsewhere in the world, who receive their BSP at the level at which they first draw it in their country of residence. They receive no up-rating and no benefits.

The Work & Pensions Select Committee report on the draft Pensions Bill noted that the policy of freezing overseas pensions is “clearly an anomaly”.

ADDRESSING THE ANOMALY

(4) The ICBP is calling for the removal of Clause 20 from the Pensions Bill. This clause provides for the continuity of the anomalistic freezing of certain recipients of BSP dependent on where they reside. This anomaly is purely historical and not rational, as observed by a Cabinet Minister.

(5) Clause 20 by continuing the practice of freezing the BSP, dependent on where a recipient resides, has a negative impact on the recipient’s right to be free to choose his place of residence under the Human Rights Act. This will provide a negative impact on all current workers, when they reach pensionable age.

THE COST OF UP-RATING

(6) The Government has indicated that were Clause 20 removed, it would cost the economy and harm the cost neutrality of the Pensions Bill. It is contended that this is a wholly false assumption. All pensioners after April 2016 will receive the new single tier pension. Removing Clause 20 will be fairer and significantly more equitable overall and will have no impact on the economy, or on cost neutrality, as it would allow for the payment of unfrozen pensions only for those reaching retirement age in 2016 and going forward. This is estimated to be zero in 2016, and an inconsequential amount in subsequent years.

FINANCIAL BENEFITS TO UP-RATING

(7) Independent research from Oxford Economics has shown that each individual pensioner who emigrates provides significant long-term savings to the UK economy:

— Savings to the NHS budget and age related benefits amount to £7,700 per capita per year. These savings begin immediately upon the emigration of each pensioner.
— After taking into consideration additional costs to the Treasury (ie lost tax revenues) each person emigrating from the UK saves the UK economy £3,800 per year.

SOCIETAL PRESSURES

(8) As the proportion of Britain’s ageing population increases, so too does the number of people who will be affected by this freeze should they wish to consider emigrating. The legislation freezing pensions causes great hardship on those affected, with some individuals prevented and separated from family and friends (Attachment A: Case study Rita Young).

(9) A survey by Opinium of UK adults aged 45–65 showed that a significant number were considering retirement abroad, and that 22% of them would be very likely to change their mind if their pension was to be frozen.

CONCLUSION

(10) It is recommended that Clause 20 be removed.

June 2013

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2 Oxford Economics Report (March 2011) Uprating frozen rate pension, pg 5
Written evidence from the Civil Service Pensioners’ Alliance (PB 19)

A B O U T  T H E  C I V I L  S E R V I C E  P E N S I O N E R S ’  A L L I A N C E  ( C S P A )

1. The Civil Service Pensioners’ Alliance (CSPA) campaigns on behalf of the 500,000 civil service pensioners in the UK. The CSPA has approximately 60,000 members organised into 100 local groups with membership drawn from all grades and all Departments of the Civil Service and related bodies. The CSPA is recognised by the Cabinet Office as the representative organisation for retired civil servants.

2. As well as pensions, the CSPA lobbies and campaigns on a wide range of issues of concern to older people, including health, social care, transport and social inclusion and works closely with other organisations that represent older people.

3. We would be delighted to provide further information to the Committee if appropriate.

1. Introduction

1.1 On 14 January 2013 the Government published a White Paper setting out its plans to introduce a new single-tier State Pension. Shortly after, on 18th January 2013, a Draft Pensions Bill was published setting out the legislative changes which would be needed to implement the reforms. The Work and Pensions Select Committee conducted pre-legislative scrutiny of the single-tier State Pension elements in the draft Bill, publishing its report on 4 April 2013.

1.2 The Government published the Pensions Bill 2013/14 on 10th May 2013. It will reform the State Pension system (the single-tier pension) affecting new pensioners from April 2016 at the earliest.

2. Summary

2.1 The Alliance believes that the introduction of a single tier state pension provides a solid basis for reform. These changes should make it easier for people to plan for their retirement by providing greater clarity about the level of support people can expect to receive from the state.

2.2 However despite our broad support for the Bill we are concerned about the exclusion of existing pensioners from the Bill. We accept that there are considerable practical barriers to assimilating the current arrangements for existing pensioners into this new single-tier system; however, there is great concern amongst current pensioners that the Government has, by excluding them from this new legislation, ruled out future improvements in the existing State Pension arrangements.

2.3 We also have concerns around:

— The Level of the Single-Tier State Pension—Part 1
— Changes to State Pension age—Part 2, Clause 25

The Level of the Single-Tier State Pension

2.4 Part 1 of the Bill will create a “new flat rate pension set above the basic means test to replace the current two-tier system of basic State Pension and earnings-related additional State Pension, to be implemented from April 2016”.

2.5 Whilst this is a welcome simplification, we believe that the level the single-tier pension has been set at, approximately £144 per week for a single person, is too low. This is just above the current Pension Credit or Minimum Income Guarantee of £142.70pw.

2.6 The Alliance believes that the target for the flat rate basic state pension should be set at approximately £176 per week, based upon the Joseph Rowntree Foundation’s calculation of 60% of the Minimum Income Standard (MIS). The Minimum Income Standard (MIS) is the income that people need in order to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think.3

Changes to State Pension Age

2.7 We have concerns about the provisions in the Bill to bring forward by 8 years the increase in the State Pension age of 67. This will now take place between 2026 and 2028 (Part 2, Clause 25). Previously, the state pension age was due to increase to 67 between 2034 and 2036.

2.8 Whilst the CSPA supports periodic reviews of the pensionable age (Part 2 Clause 26), we are concerned that these proposals fail to reflect the good practice guidance of the 2005 Turner Commission. Turner recommended that those affected by any future increases in the state pension age should be given a minimum of seven years notice to allow them to adequately prepare for their future.

2.9 We urge the Government to reconsider the timetable for these changes to reflect the needs for those approaching retirement, and enable them to adequately plan their future.

3. **Wider Policy Implications**

**Abolition of Pension Credit**

3.1 A key corollary of the introduction of the new single tier state pension will be the abolition of Pension Credit. Whilst this simplification of pensions is to be welcomed, the Alliance is concerned about how the passported benefits that currently accompany a claim for Pension Credit (such as Housing Benefit and Council Tax Benefit) will be made available to recipients of the new single-tier pension. We are keen to ensure that this process is clarified to ensure that new pensioners do not lose out on the benefits of automatic pass-porting which currently exist in the pensions system.

3.2 With the abolition of Pension Credit and other means tested benefits from 2017, it is clear that the means-testing framework for current pensioners will need to be re-designed to deal with the decreasing number of pensioners using these services and the likelihood that their circumstances are more complex than ever. The CSPA urges the Government to ensure that a suitable administrative function is retained beyond the introduction of the new single-tier pension in 2017 for current pensioners who will continue to claim means tested benefits.

*June 2013*

**Written evidence from the Association of Consulting Actuaries (PB 20)**

1. **INTRODUCTION**

   1.1 The Association of Consulting Actuaries (ACA) welcomes the key measure in the 2013 *Pensions Bill*—the introduction of a single-tier State pension, a measure the ACA has supported for well over a decade. However, as a consequence, the Bill enacts the ending of contracting out of Defined Benefit (DB) pensions (contracting out of Defined Contribution (DC) pensions ended in 2012). Sponsors of contracted-out DB schemes are likely to have approximately two years to plan for this change—as the Government has brought forward the implementation date by a year to 6 April 2016.

   1.2 The ACA’s 1,750 members provide advice to thousands of sponsors of UK pension schemes, including most of the country’s largest schemes. ACA members are also scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA’s evidence below largely concentrates on the impact of the *Pensions Bill* on these DB schemes, their members and employers’ pension strategies as a result of the ending of DB contracting-out and issues raised by the Bill’s content (or absence of content).

2. **EXECUTIVE SUMMARY**

2.1 **Contracting out and the statutory override for employers:** Changes to State pensions will affect DB schemes—schemes that are already under threat of closure and are being replaced by DC schemes. Under the single-tier State pension DB contracting out of the current additional State pension will end. **One difficulty is that many schemes had the statutory requirements “baked in” to their rules when they contracted out**—so they will not automatically change to reflect the few relaxations proposed in the Bill. Trustees will need to be given overriding modification powers to bring schemes into line (as was given for equivalent problems on the previous abolition of the money purchase contracting-out regime).

2.2 The *Pensions Bill* includes a statutory override to support employers in making changes to their scheme benefits to recover the loss of the NI rebate, in consultation with employees in their schemes. The details of the statutory override will appear in secondary legislation and it is important that the Government shares these details as soon as possible. The time available for employers and schemes to make the necessary changes is already extremely tight and a formal consultation on the draft regulations will be required.

2.3 **Conversion of Guaranteed Minimum Pensions (GMPs):** The *Pensions Bill* contains a new power for the Secretary of State to issue “guidance” on GMP conversion, but does not include a regulation-making power to adjust the regime itself. **However, “guidance” as a form of quasi-legislation is apt only to affect the way a statutory authority conducts itself and does not alter the law as it affects scheme trustees or the approach of the judiciary to that duty. Trustees could find themselves still unable to use the regime effectively. A new regulation-making power is essential to allow the DWP to adapt the regime to make it workable.**

2.4 **Changing State (and private) pension ages for the future:** The current system of increasing state pension age lacks transparency. In the *Pensions Bill* the Government proposes to review State Pension Age every six years or less, receiving advice from the Government Actuary’s Department and an independent body. **The Government should define the terms, expectations and powers of this independent body in regulations. The regulations should also clearly set out the number of years of advance notice to be provided to those affected by changes in State Pension Age so that they can prepare and make decisions on their pension investments and retirement income accordingly.**

2.5 **Auto-enrolment:** The Bill contains provisions that tweak auto-enrolment rules and procedures. **Many of the tweaks are sensible. However, some require further consideration, including the rules around auto-enrolment in hybrid schemes. There is also a missed opportunity to simplify the transition for contracted-out schemes which places unnecessary burdens on these schemes.**
2.6 **The Pensions Regulator:** The Pensions Regulator has been given a new objective, adding to its existing five objectives. The new objective is to ‘minimise any adverse impact on the sustainable growth of the employer’. Though welcome, the Government needs to ensure more transparency on the effects of this objective and how it will be implemented.

2.7 **Single tier State Pension:** A number of DB schemes have within their benefit design an explicit interaction with the current State Pension system. Such references may deliver perverse results after 2016 unless the DWP puts in place sufficient legislation to allow schemes to react appropriately.

3. **CONTRACTING-OUT AND THE STATUTORY OVERRIDE**

Clause 24 and Schedules 13 and 14

3.1 As a necessary consequence of the introduction of the single tier State pension all occupational pension schemes contracted out of the State Second Pension on 5 April 2016 will be immediately contracted back in. The Pensions Bill adjusts the current contracting out legislation within the Pension Schemes Act 1993, but with the intention of removing only those few parts that cease to have any relevance (such as provision of contracting out certificates) and ensuring that, for other aspects, the language works and does not lead to administratively more complex outcomes in the new world of formerly contracted-out schemes.

3.2 **One difficulty is that many schemes had the statutory requirements “baked in” to their rules when they contracted out—so they will not automatically change to reflect the few relaxations proposed in the Bill. Trustees will need to be given overriding modification powers to bring schemes into line (as was given for equivalent problems on the previous abolition of the money purchase contracting-out regime).**

3.3 There appear to be two potential drafting flaws which ought to be examined closely given their potential impact on private sector schemes. The first concerns the amended revaluation rule (in paragraph 16 of Schedule 13). It seems that when this provision is commenced on 6 April 2016 the law will change not only for schemes that are forced to contract back in on this date, but also for all schemes that contracted back in before then. The second concerns the proposed change to the definition of “cessation date” (in paragraph 38 of Schedule 13). As with revaluation the change of definition seems to apply to all schemes that were contracted out before 6 April 2016 which if true would mean that schemes that ceased to contract out prior to 6 April 2016 but remained open to accrual would have their members’ cessation dates redefined as when the individual subsequently left pensionable service. This will mean that all anti-franking calculations carried out in respect of such individuals will need to be revisited which we assume cannot be intended, especially for those whose benefits have since commenced. In both cases we were expecting to see drafting that limited the change to schemes that were forced to contract back in on 6 April 2016.

3.4 Since the beginning of the discussion on reforming the State pension, we have recognised that the introduction of a single-tier State pension would result in the end of contracting out of the State Second Pension and the NIC rebate. The statutory override for employers in the Pensions Bill seeks to ensure that employers and schemes are able to administer these changes and the transition to a new system in the most cost effective manner, avoiding where possible placing additional burdens on those employers still offering a DB scheme to their workers.

3.5 The employer override is a unique power which enables employers to amend scheme rules to offset their increase in NICs, regardless of any restrictions imposed by scheme rules. The provision is welcome and there is ample regulation-making power included to provide member protection but potential issues exist including:

3.5.1 **The timetable for making the changes:** taking into account the number of affected schemes, the availability of actuarial advice, the large number of key details which are being left to regulations, the usual timetable for regulations, the member consultation process and the need, in practice, for employers to work closely with trustees and their advisers, we had originally concluded that formal consultation on full draft regulations would need to start in October 2013 for a 2017 start date. With now a 2016 start date, the timetable is very tight to achieve the policy objective of allowing employers to avoid a net increase in costs. Smaller employers, less able to command immediate attention from the limited pool of advisers, are likely to be affected most, unable to make changes for the start date, but only later after NIC costs have already risen. The DWP’s preparation of the regulations needs to be prioritised.

3.5.2 The conditions in which employers can access the provision and the limited flexibility given to employers who wish to make rule changes.

3.5.3 The override does not apply when restrictions to rule changes are provided for in regulations (specifically, this could include protected persons).

3.5.4 Some scheme structures make it difficult for employers to take advantage, or get the intended relief, from the override—for example, large multi-employer schemes, where employers are all associated and shared cost schemes.

3.5.5 Restricting the change to individuals who are already members of the scheme at the date of change, meaning that employers cannot use the power to change the rules in the same way for future members. To deliver on the policy to allow employers to reshape their offering so that it is not
dependent on NIC savings the drafting needs to extend to individuals admitted to membership in the future.

4. **Solving the GMP Inequality Conundrum through Conversion**

Paragraph 20 of Schedule 13

4.1 Guaranteed Minimum Pensions (GMPs), the product of DB contracting-out up to 1997, are required by statute to be unequal as between the sexes, despite sex equality requirements applying from 1990. Whether and, if so, how that statutory inequality should be corrected by schemes paying compensatory uplifts to scheme benefits is a hotly debated topic. The DWP plans simply to impose scheme equalisation by regulation shortly, but recognises the administrative complexity entailed. The policy hope now is that an existing statutory facility for conversion of GMPs into conventional benefit entitlements could provide a partial simplification of the new obligation. However, this Pensions Act 2007 regime has rarely (if ever) been used, primarily due to the sex equality question, but also because of flaws in its construction which are now becoming apparent through dialogue with the DWP.

4.2 The *Pensions Bill* contains a new power for the Secretary of State to issue “guidance” on GMP conversion, but does not include a regulation-making power to adjust the regime itself. However, “guidance” as a form of quasi-legislation is apt only to affect the way a statutory authority conducts itself and does not alter the law as it affects scheme trustees or the approach of the judiciary to that duty. Trustees could find themselves still unable to use the regime effectively. A new regulation-making power is essential to allow the DWP to adapt the regime to make it workable.

4.3 Before a scheme can address the GMP inequality issue it will need to reconcile its records of GMPs with those held by HMRC. At the current time there is insufficient resource made available by HMRC for this purpose and the processes employed are cumbersome. A far more efficient way of working along with resourcing up will be necessary, not only so that schemes can address the GMP inequality issue, but also for the step change in HMRC’s workload that will accompany DB schemes contracting back in on 2016, when they all will have to carry out a GMP reconciliation exercise.

5. **Starting to Put State Pension Age Increases on a Firmer Footing**

Clauses 25–26

5.1 The life expectancy of future pensioners continues to increase, with latest figures suggesting that men who turn 65 in 2013 can expect to live to 86 while women of the same age can expect to live to 89 years of age on average.

5.2 The current system of increasing State Pension Age lacks transparency. In the *Pensions Bill*, the Government proposes to review State Pension Age every six years or less, receiving advice from the Government Actuary’s Department and an independent body. The Government should define the terms, expectations and powers of this independent body in regulations. The regulations should also clearly set out the number of years of advance notice to be provided to those affected by changes in State Pension Age so that they can prepare and make decisions on their pension investments and retirement income accordingly.

6. **Tweaking Automatic Enrolment**

Clauses 33–38

6.1 A significant loophole in the Pensions Act 2008 allows employers to put off auto-enrolment until 1 October 2017 by offering membership of the DC only section of an otherwise mixed (ie hybrid) scheme. The *Bill limits this “transitional period” so that for hybrid schemes it does not apply to “money purchase members”. But this exclusion might not be wide enough to save individuals whose primary benefit is DC but with some minor defined benefit such as life cover. The DWP needs to rethink the definitions.

6.2 A related issue is that it seems that DC sections of hybrid schemes cannot phase in minimum contributions, unlike pure DC schemes. If so, this will need to be fixed.

6.3 There are a number of outstanding technical issues in relation to auto-enrolment that need to be addressed to assist scheme sponsors. The July 2012 DWP guidance designed to enable employers and actuaries carry out their certification duties needs urgent revision. And since the Pensions Bill removes the automatic qualification of contracted-out schemes for auto-enrolment, employers will suddenly have to test schemes which currently are considered perfectly apt for auto-enrolment against the alternative test scheme standard, regardless of whether they have changed or not. This is an unnecessary burden and needs to be revisited by the DWP.

6.4 Some contracted-in schemes with risk-sharing aspects are finding it difficult to meet the conditions laid down to be treated as a qualifying scheme for auto-enrolment, despite their being of good quality. This is because there may not be a “test scheme” that closely mirrors their risk-sharing design. An example is a scheme that operates on a with-profit deferred annuity basis. The DWP may need to introduce further adjustments to the auto-enrolment legislation to facilitate the admission of risk-sharing schemes.
7. THE PENSION REGULATOR’S NEW OBJECTIVE

Clause 42

7.1 The Pensions Regulator has five statutory objectives under the Pensions Act 2004 and the Pensions Bill will impose another. The proposed wording of this new objective, which has been included in the Pensions Bill, is for the Regulator to ‘minimise any adverse impact on the sustainable growth of the employer’.

7.2 For this new objective to materially influence the Regulator’s behaviour, in a way that meets the Government’s intentions, there needs to be more clarity over how the Regulator’s existing statutory objectives affect its regulatory actions, and what changes it is expected to make due to the new objective. For example, this could include consideration of whether the Regulator’s objectives require it to consider only accrued rights, which appears to drive its current behaviour, or whether they include an obligation to promote ongoing, good quality, employer sponsored pension saving, which the Government stated (for example, in its recent Green Paper) was one of its objectives.

7.3 There is also uncertainty about how, as currently drafted, it will apply to employers (such as charities and other not-for-profit organisations) who are not pursuing a growth or profit objective but for whom the on-going viability of the employer is critical to the future prospects of the DB scheme.

8. INTERACTION WITH STATE PENSIONS

No provision in the Bill

8.1. Occupational pension schemes quite often make references to a ‘state retirement pension’ (or similar wording) in their rules (typically meaning the Basic State Pension)—for example, when providing a temporary pension to bridge the period from retirement until State Pension Age or defining an offset to pensionable salary or benefits. Such references may no longer be appropriate in 2016 and could, unless altered, have quite perverse results, including reducing the scheme benefits that have accrued. It will be most important for the DWP to ensure that sufficient legislation is in place in order that schemes can react appropriately to this fundamental change in state pension provision.

9. THE PENSIONS BILL AND ‘DEFINED AMBITION’

For a future Bill?

9.1 As vital as the new single-tier pension is in ensuring everyone has a solid State pension, it is even more important that private pensions are in a position to deliver an increasing overall proportion of retirement income for millions of pensioners in the coming years. More needs to be done alongside the changes to State pension and auto-enrolment to secure this.

9.2 The Pensions Minister has made it clear that he sees new ‘Defined Ambition’ pensions which share risks as a game changer. Defined Ambition pensions will seek to give greater certainty for members about the emerging retirement income than a current DC pension provides, and much less cost volatility for employers than a current DB pension.

9.3 Ending DB contracting-out in 2016 means most of those remaining employers with open DB schemes will have to review their schemes. Some will utilise the employer override and will continue to meet the cost of running such a scheme. However, without new pension design choices that fall within the law, research by both the ACA and NAPF suggests many other employers will feel driven to take the opportunity to close their DB schemes. As the shift towards DC schemes continues, many more employees than at present will have to rely on pension arrangements where pension risks are met predominantly by those employees themselves. Research suggests the vast majority of employees do not want this outcome, nor do substantial numbers of employers.

9.4 There may be a number of different types of Defined Ambition schemes that emerge from the current DWP discussions with industry, employers and consumers, but, given the 2016 reforms, it is essential that the Government paper due later this summer flags up the need to act quickly, with provisions included in legislation, to make sure new pension design options are available for employers to use no later than 2015.

About the Association of Consulting Actuaries (ACA)  
The Association of Consulting Actuaries (ACA) is the representative body for consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body. The ACA has 1,750 members working in around 75 firms. ACA Members are all qualified actuaries and all actuarial advice given by members is subject to the Actuaries’ Code. The ACA forms the largest national grouping of consulting actuaries in the world.

June 2013
Written evidence from Bette Baldwin (PB 21)

DETAILS OF SUBMISSION:

The changes proposed by the Pension Bill will be unreasonably unfair in my situation which is described below:

— I am a woman and currently 61 years and 7 month old
— I ensured that I worked to achieve the 39 qualifying years of pension contributions required to deliver my state pension at age 60
— Due to the gender equalisation changes I do not qualify for my state pension until age 62 and 10 months
— I have worked and contributed many years in excess of the proposed changes in qualifying years (whether that becomes 30 or 35 years)
— I will finally receive my state pension prior to the proposed implementation dates for the Pension Bill changes and will therefore not be eligible for the proposed £144/week standard pension
— As a consequence, I will be approximately £30 a week less well off than those who begin receiving their state pension after the critical date
— This represents a loss of income in excess of £1,500 per year

I submit that the pension situation I find myself in, as a consequence of the proposed changes in the Pensions Bill, is unreasonable and unjust and should be addressed and accounted for in the final decisions on how to apply the proposed changes to women falling into my age band.

SUMMARY:

As a female born in December 1951 I committed to the government’s state pension scheme which involved me building up 39 qualifying years for a pension at age 60. Due to the gender equalisation arrangements I have already lost out on this arrangement. I will, if the Pension Bill is implemented in its current form, lose out once again. I will have worked longer, paid in more contributions and waited longer for my pension to start but will receive less state pension than someone who will have worked and contributed less and who will start receiving their pension just a few months after me. This is unfair and unjust and an abuse of my trust in putting my savings and contributions into the government pension scheme.

June 2013

Written evidence from The Convention of Scottish Local Authorities (COSLA) (PB 22)

INTRODUCTION

1. The Convention of Scottish Local Authorities (COSLA) is the national voice for local government in Scotland. There are 32 unitary local authorities in Scotland, employing over 280,000 people, and COSLA promotes the position of local government as the legitimate tier of governance closest to the people of Scotland.

SUMMARY

2. COSLA is concerned over the impacts of the proposed introduction of the single tier pension scheme contained within the Pensions Bill. In particular, COSLA finds the proposed arrangements for ending of the current ‘contracting out’ measures as unacceptable due an increased annual cost of £125m in National Insurance (NI) contributions that will be paid by local government in Scotland. In addition, we have concern about the significant negative impact on local government employees who will also experience increases in NI contributions, as well as the longer-term sustainability of the scheme and the indirect effect of the changes as currently proposed.

BACKGROUND

3. The Pensions Bill contains provisions to reform the state pension system by introducing a single tier state pension. A major consequence of moving to a single tier state pension is that there will be no second state pension and ‘contracting out’ from that second state pension will cease. At present, for those people who are members of the public service schemes, both the employers and employees pay a reduced rate of NI contribution. The result of ending ‘contracting out’ will be in increase the NI contribution rate for both employers and employees.

KEY ISSUES

4. The key issues for local government in Scotland cover the scale of the impact on the workforce, direct costs to employers and employees and the indirect impacts of the proposals.
Workforce impacts

5. Local government in Scotland employs over 280,000 people, with the vast majority of the local government workforce contracted out of the second state pension. As such both local government as employers and a large number of our employees will be significantly impacted financially. These issues are not, of course, restricted to local government and a wide range of other public and private sector organisations will also be impacted.

6. This proposed change would be happening at a time of other significant pension reform as a result of the Public Service Pensions Act 2013. The proposed changes would be coming into force just a year after these significant reforms are introduced, so any changes in terms of members opting out could affect the long term sustainability of the schemes before the changes made by the reforms have had time to take effect.

Employer costs

7. Employers in the public service schemes will face an additional financial burden of 3.4% of payroll as a result of the ceasing of the NI rebate amount. Through work with the Directors of Finance of Scotland’s councils we have estimated that the change in employer NI contribution rate will bring an additional cost of £125m per annum to Scottish local government. There is no identified funding for this additional cost and the Bill does not allow the increased costs incurred by public sector employers to be passed on to the members of the pension scheme. This level of additional cost cannot be absorbed by local government without impacting frontline services and it is vital that this unintended consequence of introducing a single tier state pension is addressed as a priority. COSLA is of the expectation that UK Government lead discussions take place with all affected parties with a view to introduce a mechanism that mitigates against the additional cost to local government of the ending of the current contracting out arrangements.

Employee costs

8. Employees in the public service schemes will see the rate of NI contributions rise by 1.4%. The Scottish local government workforce is already facing significant pressures as a result of pay freezes, rising inflation and increases in their public pension contribution rates. The current policy direction is to encourage more people to prepare and save for their retirement, yet the continued drain on individual’s resources is unsustainable and may force our workforce to simply opt out of future investment in the pension schemes, thus impacting the longer term viability of such schemes. The proposals on ending ‘contracting out’ may have an adverse effect and encourage more reliance in the future on the state pension scheme. COSLA has concerns that this is likely to impact disproportionality on the lowest paid.

Indirect effects

9. As well as direct costs, there are indirect impacts of the proposals. These include an expectation that there will be an increased demand on local government services from people impacted by these changes, for example, there is concern that the poorest pensioners will be forced to fall back on local government services. There are also the potential significant impacts on the sustainability of the public service pension schemes going forward if there is an increase in member opt-out rates.

Conclusion

10. Solutions need to be explored by the UK Government with both employers and employees impacted by the ending of ‘contracting out’ that allow for the introduction of a changed state pension system without the unintentional consequence of undermining the sustainability of public service pension schemes.

June 2013

Written evidence from British Pensions in Australia Inc (PB 23)

SUMMARY

1. British Pensions in Australia Inc [BPiA] is a non profit volunteer association of over 11,300 British expatriate pensioners, dedicated to achieve universal UK State pension uprating, and bring the UK into line with every other OECD nation, so that every one in receipt of a UK State pension is treated equally, fairly and even-handedly. There are strong economic reasons for making this change to the treatment of all UK pensioners, for such a change would most likely encourage many thousands of retirees and many more approaching pension age, who still live in the UK, to leave Britain and thus save the British economy £billions over the next decade or so. These net savings would be achieved because the pensioners who emigrate will no longer require Britain’s National health services, free prescriptions, free pensioner bus passes, TV licences for over 75’s and winter power subsidies. By not indexing the UK pensions for all UK pensioners retired overseas, especially those living in 47 of the 54 Commonwealth nations, is incompatible with the current Commonwealth Charter in which it is clearly stated, “we are implacably opposed to all forms of discrimination”. We are mindful that the British Government claims the Courts, including the European Court of Human Rights, have found its pension payment regulations are in the British Government’s favour. We however would counter that
their is a case of legalised discrimination, which is one of “all forms” which therefore fail to comply with the Commonwealth Charter and its values, a test of honour, morality, ethics, equality and fairness. These are Commonwealth values included in the Singapore Declaration 1971 and the Harare Declaration of 1991. BPiA as a consequence requests the omission of Clause 20 from the Pensions Bill now being debated in Committee.

**PERSONAL AND PROFESSIONAL BACKGROUND**

2. I’m Honorary Chairman of BPiA. I’m in receipt of a part UK pension for the 25 years contributions I paid to the UK Government, 10 of which were paid for, from Australia, by voluntary contributions, during the negotiations for which, no mention was ever made in any correspondence sent me from Inland Revenue NI Contributions Office in Newcastle of the freezing of my UK State pension once it had commenced in Australia.

My secondary education was received at Latymer Upper School, London W6, following which I studied at the University of Wales, Aberystwyth and graduated with a 2 (1) honours degree. I received a commission for 3 years in the Royal Navy as an Instructor Lieutenant. I then worked in the Midlands and Scotland for GKN while I studied and passed the exams to become a Chartered Secretary, followed by graduating as a Chartered Management Accountant. In 1965 I joined as Management Accountant, Scot Meat Products Bletchley Bucks, in 1968 Cooper Bros and Co as a Consultant Management Accountant, 1970 Financial Controller, Mixconcrete Holdings Ltd, Great Billing, Northants. In September 1971 I migrated to Australia to join a partial subsidiary of GKN, John Lysaght Australia Ltd [JLA], I qualified as an Australian Certified Practicing Accountant. I completed my career as National Finance Manager of a subsidiary of BHP Steel, which had taken over JLA in 1979.

3. As BPiA’s Honorary Chairman, I receive no payments for the considerable efforts I expend to right this palpable and dishonourable UK Government wrong of freezing 550,000 British expats’ State pensions [BSPs]. BPiA represents the desires of 252,000 BSP recipients, for fair pension treatment. There are many more in Australia approaching pension age, hundreds of whom we assist in understanding and applying for their UK State pensions, most of whom we assist live in Australia.

**SUBMISSION**

4. All people who work in the UK pay mandatory National Insurance [NI] contributions which are deducted from their gross pay. The employers pay a NI contribution too on behalf of their employees. These contributions entitle the payees to a British State Pension [BSP] at a specified age. Generally today it is 65 for men, while women received a pension at 60 until April 2010 since when the pension age has gradually moved towards 65, which will be reached after April 2016. The amount of pension paid is related to the number of years one has paid contributions. Hence some who have emigrated earlier than at age 65 will be paid a lesser BSP. Some of us have been invited by the UK Department of Revenue and Customs to pay voluntary contributions from overseas to add to the pension we paid for while working in the UK.

5. However although everyone paid their contributions according to the same rules, when BSP payments are considered, an anomaly arises, as was noted by the Work and Pensions Select Committee in its report on the draft Pensions Bill.

6. This anomaly is that some recipients of the BSP are paid in a different manner. This difference relates to the payment in the UK and in about 50 selected countries in which an annual uprating adjustment to compensate for inflation is paid. There is no logic in the countries selected viz.—*Hansard* 13th November 2000 House of Commons;

— Mr. Rooker: I have already said that I am not prepared to defend the logic of the present situation. It is illogical. There is no consistent pattern. It does not matter whether a country is in the Commonwealth or outside it. We have arrangements with some Commonwealth countries and not with other. Indeed, there are differences among Caribbean countries. This is an historical issue and the situation has existed for years. It would cost some £300 million to change the policy for all concerned.

*We must also consider that as the European Union expands—pension upratings are, naturally, paid in the EU—the issue will not go away. I accept that.*

This anomaly was identified by the UK’s Black and Ethnic Minority [BME] population and mentioned in *Hansard*, during a Commons committee debate, 18th March 2004, a comment is included below from the late Piara Khabra, previous Labour MP for Southall, where many Sikhs and other Indians live, that—

— “There is definitely an anomaly in the law because some people are deprived of the right to uprate their pensions while others are not. Many ethnic minority pensioners from India, Pakistan and other Commonwealth countries have lived in this country for 40 to 50 years. They have worked hard and they are entitled to pensions when they retire. Some would like to spend their last years in their country of origin and they are bitter about the current law which deprives them of the opportunity to uprate their pensions, while making it available to people in other countries.” “I make this point on behalf of the ethnic minority communities in particular. I know that people living in other parts of the world are also deprived of the right to uprating but the issue is particularly relevant to ethnic minority communities.”
7. Moreover many arguments made against uprating the BSP and which are still aired in current discussions about this issue were mentioned in this 2004 March 18th Committee debate. Steve Webb refuted some;—

(a) “the purpose of my new clause is the pensions of those who now live abroad should be annually uprated where-ever they live.”...“In the case of countries like Australia there seems to have been an oversight in the reciprocal agreements the payment of pensions was covered but uprating wasn’t” “We are now in an extraordinary situation.”...“British citizens who have paid their national insurance all their life, accrued entitlements to a state pension and committed the misdemeanour, as it were, of moving to Australia, New Zealand, or Canada instead of the United States do not receive an uprated pension”...“Some of the principal agreements were signed in the 1950s when our culture as regards inflation was different”...“Inflation was so low when the levels could be left for a few years before introducing an ad hoc uprating”...“The consequences of not uprating can be quite severe”

(b) There are those who have argued that the issue is just making a noise for the rich few who can afford to live in sunny climes and that frankly they can look after themselves. Some of those people are well off –I cannot deny that– but some are not. Some have ceased to be well off because they have been retired for a long time on frozen pension. We are not talking of feathering the nest of the favoured few, but justice. It is said that they knew what they were doing. Probably some did and some did not, but it is known that pensions are frozen if one goes to certain countries. I have met overseas pensioners who say that was far from clear at the time.

(c) “The British Government are free riding on the welfare states of countries that British citizens are moving to”...“We are asking other countries taxpayers to support our pensioners”...“The composition of the list of countries where one does have uprating and the list of those where one does not is pretty odd”...“It hard to understand the logic”...“The entire pattern was arbitrary.” “There is no logic to it and it is hard to justify the situation we are in.” “The question relates to cost but sorting out unfairness does have a cost”......“We are not feathering the nest of the favoured few, but justice”...“The question is moral rather than legal”...“The moral claim rests on the fact that we have a contributory pension system. We ask people to make contributions all their life to accrue an entitlement. Why should that accrued entitlement vary according to where they choose to live?”...“That doesn’t sit well with the idea of a contributory system”...“Different Caribbean countries have different rules which seem crazy.” “None the less the provisions seem odd.” The world has moved on and peoples’ lives are more global; people are more likely to work overseas and their parents may want to go to live with them in retirement. Should we penalise those who retire overseas to be with their children or should we say “You’ve worked hard and paid hard. It’s your pensions take it with our blessing?”

7. This anomaly has not gone away. It is proposed that it be maintained in Clause 20 in the Pensions Bill now subject to committee review. It causes the freezing of the BSP in over 120 countries but it is especially noticeable in 47 of the 54 Commonwealth countries, in which over 90 % of the “frozen” BSP recipients reside.

8. Recently the Queen signed the new Commonwealth Charter. At Page 1 and Page 2 in sections 1 and 2 of that Charter it states;—

— We the people of the Commonwealth, reaffirm the core values and principles of the Commonwealth as declared by this Charter.

— We support the role of the Commonwealth Ministerial Action Group [CMAG] to address promptly and effectively all instances of persistent violations of Commonwealth values without fear or favour.

— We are committed to equality and respect for the protection and promotion of civil, political economic, social and cultural rights including the right to development for all without discrimination on any grounds as the foundations of peaceful just and stable societies. We note these rights are universal indivisible, interdependent and interrelated and cannot be implemented selectively.

— We are implacably opposed to all forms of discrimination whether rooted in gender, race, colour, creed, political belief, or other grounds.

Having regard to these Commonwealth principles and values and the potential role of the CMAG, one has to question the continuation of the anomaly within Clause 20.

9. Emigration by the thousands still retired in the UK, many of whom have expressed a desire to retire overseas to join their families there, would probably result in £billions being saved in the medium to long term in other areas of Britain’s budget, because of fewer pensioners remaining in Britain and therefore a lesser need for National Health services, free prescriptions, winter power subsidies, free bus travel, free TV licences for over 75s etc. These benefits to the total economy have been identified in an Oxford Economics Study “Uprating Frozen Rate Pensions”. A figure of a net saving per migrating pensioner approximating £3800/year has been identified. A copy of this Oxford Economics Report is attached as an annexure

10. We understand the Government’s reluctance to remove Clause 20 from the Pensions Bill, for the Government is of the view this would cost the Pension budget over £650 million per annum. However there are contrary views;—
(a) that this approach is ring-fencing the pension budget without full consideration of the adverse consequences of such an approach; for if the BSP was to be universally up-rated there would most likely be a gradual emigration of thousands of UK based pensioners to their original overseas homelands, as identified in a recent study by Opinium Research. [see Oxford Economics Report page 5]

(b) In a February 2013 UK Supreme Court case, UK SC 6, O’Brien v The Minister of Justice O’Brien won his case on the basis that a discriminatory practice can only be justified by a legitimate aim other than by the simple saving of cost. : http://www.bailii.org/uk/cases/UKSC/2013/6.html (Clauses 65–75 in particular) Date: 6th Feb 2013.

**CONCLUSION**

10. It is requested that Clause 20 of the Pensions Bill, which continues the existing system whereby some recipients of the BSP, most of whom live now in Commonwealth countries, will continue with their BSP being frozen, be removed from the Pensions Bill.

11. This is requested so that the BSP is eventually universally uprated each year and the British Government’s approach to BSP payments becomes compatible with the Commonwealth Charter, which calls for the Commonwealth’s affirmation of its core values of equality, fairness and “an implacable opposition to all forms of discrimination”.

12. The current practice of uprating the BSP in some countries but not other appears to be in conflict with the requirements of the UK’s 2010 Equality Act. http://www.legislation.gov.uk/ukpga/2010/15/contents

July 2013

**Written evidence submitted by Ray Smith (PB 24)**

Ray Smith Current Pensioner, retired 2009 with 46 years National Insurance Contributions. Submitted a written statement for original green paper, “A state pension for the 21st century”, followed by a submission to First Pensions Select Committee Draft Bill. An individual voice for all Pensioners who are unaware of this assault on pensioners retiring before April 2016. Campaigner for fair deal for all pensioners, on Twitter, Ray Smith@BasicPensionUK

1. **Summary** EXPLANATORY notes to the Bill, prepared by the Department for Work and Pensions, are published separately as Bill 6—EN

**EUROPEAN CONVENTION ON HUMAN RIGHTS** Secretary Iain Duncan Smith has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

& In my view the provisions of the Pensions Bill are compatible with the Convention rights

2. The explanatory notes above refer to the European Convention on Human Rights (ECHR), but in particular Bill 6-EN makes reference to stages and various situations regarding age of retirement, women in particular, and the response from the Secretary which is standard, refers to this.

3. Bearing in mind the ECHR have recently reversed a decision whereby current pensioners abroad had been denied future winter fuel allowances, it could well support existing pensioners who are been refused the same basic pension due to an unfair date of birth lottery, despite having to make more contributions before acceptance.

4. It is unlikely to be accepted that the same basic pension cannot be afforded, because this Government, has reduced the minimum contributions for acceptance down from 45 years to 30, and now 35 from 2016, resulting in more people qualifying for the new Single Tier Pension (STP) with additional costs. The obvious answer is to increase the qualifying years to 40, or reduce the STP basic pension together with Pension Credit, thus making it available to all according to qualifying contributions.

5. **Basic State Pension**

6. DWP published a Green Paper in April 2011 entitled “A state pension for the 21st century” A new pension which would not be available to existing pensioners. It would be set above the basic level of the Pension Credit Standard Minimum Guarantee On the responses paper published to the above, many pension/insurance companies, as well as industry experts and current pensioners, said the same basic pension should be available to all pensioners. This advice was ignored because it was not one of the questions asked, because it had been made clear it was not available to existing recipients. It is noted that many Institutions and people in the Pensions and Insurance Industry, had already had meetings with the Pension Minister, prior to its publication.

7. In the draft pensions bill introduction it said “This draft Pensions Bill contains provisions to introduce a single-tier pension which will, for future pensioners, replace the current two-component State Pension (basic State Pension and additional State Pension) with a single component flat-rate pension that is set above the basic level of means-tested support”
8. Under this draft Pensions Bill the Pension Minister told us that the STP was “the perfect complement to the automatic enrolment policy” and that “we see the two as twin policies”. He emphasised that the amount that people will receive under the STP should be assessed in conjunction with the additional amount that many people will receive from their private pension as a result of auto-enrolment.

9. The previous comparison is no different to the Current system of Basic State Pension plus contracted out Private/Work pension.

10. Alternatively there was also the Basic State Pension plus additional State Pension (State second Pension and its predecessor State Earnings-Related Pension (SERPS), funded through extra N.I. Contributions on an Earnings Related pay-as-you-go basis, collected by workers Employers, by way of N.I. contributions)

11. Government White Paper, and draft bill published on 14 January 2013, stated that the Single Tier Pension (STP) would be introduced “in April 2017 at the earliest”. (However, on 18 March 2013, they announced that implementation would be brought forward to April 2016.) Basic State Pension (BSP) is a contributory, flat-rate benefit. The new STP will be set above the basic level of the Pension Credit Standard Minimum Guarantee, currently £142.70 per week for a single person. The level of a full BSP in 2012/13 is £107.45 a week. Due to various delays and changes to the new amount, actual comparisons have not been made, but the difference in Basic Pensions is believed to be around £36.00 per week, per person, for everyone with full N.I. Contribution requirements. (Currently 30 years, going up to 35 years from April 2016, but prior to 2010 was 45 years, which the majority of existing pensioners calculations have been based)

12. All this is amazing, especially when existing pensioners are excluded from the same basic pension amount, with many, many pensioners not aware of this fact even now, despite the glib comment under the Executive Summary of the original Green Paper “A state pension for the 21st century” we have • fairness—ensuring an adequate level of support for the most vulnerable, ensuring everyone with a full contribution record should be entitled to a state pension above the standard level of means tested support, and ensuring all groups are treated fairly.

13. Conclusion We must have the same basic pension amount for all, otherwise we will have a similar situation to the Postcode Lottery in the NHS, but this time called the Birth Date Pension Lottery. Failing this, Human Rights implications will surely be instigated, together with costs involved, which could have gone towards pensions.

June 2013

Written evidence from Aubrey Derrick Prance (PB 25)

Whereas the Secretary of State DWP declared:

“In my view the provisions of the Pensions Bill are compatible with the Convention Rights” (section 19(1)(a) of the Human Rights Act 1998.

1. I, Aubrey Derrick Prance submit that the UDHR (Universal Declaration of Human Rights (1948) to which the United Kingdom is still a signatory, preceding the 1998 Bill, does say in article 17 of the act

(1) Everyone has the right to own property alone as well as in association with others

(2) No one shall be arbitrarily deprived of his property.

2. The DWP has conceded and agreed that the SERP is a property right, and I challenge the Department of Work & Pensions, accusing it of misuse of revenue gathered by “freezing” both the SERP & GRB (Graduated Retirement Benefit) for purposes other than its original intention. By the time that I had left England for Australia I had received five (5) increases to my SERP thus establishing a property right.

3. The DWP, introduced the SERP in 1978, adding the proviso that it would be frozen should the contributor move to, say Australia or Canada for instance, breaks the code of conduct illustrated clearly under article 17 of the UDHR.

Article 17 uses the word “Arbitrarily” deprived of his property

Chambers Dictionary shows it to mean “Capricious” “Whimsical” “Dictatorial” “Authoritarian” and “High handed”.

The Department refuses to recognize that they are merely the Trustees to the fund and should be seen to distribute the fund equally among its contributors. Its highhandedness in refusing to recognize this does it no credit. And is in fact illegal!

June 2013
Supplementary written evidence from Catherine M Kirby (PB 26)

1. The Pension Bill 2013 Submission: written by C Kirby on behalf of the '51 to 5.4.53 date of birth women/700 000 .Ref: Part 1 Section 1 Point 2. A person born before 6.4.2016 is not entitled to the ST. Pension. Pension Bill: in Response to S Webb, Pension Minister’s Evidence at PB Committee Session 4 the last oral evidence which was by the Minister for Pensions** Steve Webb MP.

2. Page 108, Q 236: Gregg McClymont; MP... asks re “significant and unfair losers?” Referring here to S Webb’s (MP) response of 5 paragraphs 1 to 5 about our group: Our factual response re; Paragraph 2.

3. In 2010 the NI conts./requirement went from 39 years down to 30 years thereby helping other women more for which we are delighted. It did not specifically help our group dob 51 to 53 as we were already ages 58 and 59 so had already been in the employment age/workforce group for up to 41–42 years as stated at evidence: additionally as Mr Webb’s select committee evidence stated and is FACT that we were NOT informed (by the Conservative government Pension Act 1995) that in/from 2010 that we would be subject to equalisation some tens of thousands of our group by periods of up to three years wait and with up to three years loss of contributory state pension FACT We are for equalisation however it does need to be just in its processes.

4. Reference paragraph 3: Mr Webb (re 70 000) now says “analysis ‘suggests’ we would get £6 less” without ST option. The women who are in our cohort for some who have kindly provided their contributory details which show by how much they would be better off are all above the £6 figure numbers of the women have no other pension and due to low pay and other circumstances would not have had the opportunity to do so FACT plus 105 000 cannot defer FACT.

5. Mr Webb put to me a Question about fictional sisters, with respect to his position I will talk factually He also talked to me (after) about women born in 1949. These women were not subject to equalisation. The majority of our group '51 to 5.4.53 are still waiting to receive out contributory pension thousands of our group will be up to 63yrs of age born up to April '53 for the SP, as will be numbers of women of the ‘80 000’ group also born in April 1953 age ‘just’ 63 also and who will get the ‘better’ DWP ST 22 months before men of their same birth date and will be paid more pension than our group with 24 months “we” less of up to £2,480.00 in today’s figures and then the worse SP for the rest of our lives FACT.

6. Reference para’s 3,4,5: Again with respect to the Minister we are a unique group that is a FACT subject to equalisation being treated differently to men younger older and the same age and the one second difference aged women to us by not getting the ST option when the men/women in our cohort age range will. We are being treated adversely with adverse effects and an unnecessary and severe cliff edge, please see above and the submission (Numbered 2) of C M Kirby and the evidence we gave and this factual response Ref para 5 No one did inform us FACT that we would not have a retirement age of 60. The triple lock amount announced in 2012 increased the cont. SP from £107.45 for 2013 by £2.70 to £110.15 pence per week as it is currently. Mr Webb told the FT 17/6/2013 that he would NOT guarantee the triple lock beyond 2015. Again with respect to the Minister in reference to us it is totally not correct to say we will get better pensions than if this government never existed. FACT we will get a worse contributory pension (than ST) and discrimination as well.

7. I request please the Minister and Committee to include us by transitional arrangements in the ST with whatever will be the better of the pension options ST or SP. If the government does not do so it will be introducing New and Intentional Discrimination and Injustice to women born ’51 to 5.4.1953. Thank you to the committee again for allowing us to give evidence.

June 2013

Written evidence from Towers Watson (PB 27)

1. ABOUT TOWERS WATSON

1.1. Towers Watson is a leading global professional services company that helps organisations improve performance through effective people, risk and financial management. The company offers solutions in the areas of benefits, talent management, rewards, and risk and capital management. Towers Watson has 14,000 associates around the world. In the UK, Towers Watson advises a large number of occupational pension schemes and their sponsors [including 37% of the FTSE 350 group of companies and 77% of the FTSE 100].

1.2. We are pleased to submit our evidence to the House of Commons Public Bill Committee in relation to the progression of the Pensions Bill 2013 through Parliament. We have prepared this document for the sole purpose of informing the Committee and we accept no responsibility for its use by any party in any other context or for any other purpose.

2. EXECUTIVE SUMMARY

— The transitional provisions for the new single-tier pension are extremely favourable to many workers who have been contracted out of SERPS/S2P and may be considered to treat other workers who have not been contracted out inequitably.
5. Clause 25—Increase State Pension Age to 67 between 2026 and 2028

5.1. The mechanism by which the State Pension Age is to be increased is slightly different from that used in earlier legislation that has increased the State Pension Age by one year over the course of two years. For example, everyone born between 6 April 1960 and 5 May 1960 will have a State Pension Age of 66 years and one month. If the mechanism used elsewhere had been copied across, they would all reach State Pension Age on 6 May 2026. In that case, their State Pension Age would vary between 66 years and one day and 66 years and one month. If the mechanism used elsewhere had been copied across, they would all reach State Pension Age on 6 May 2026. In that case, their State Pension Age would vary between 66 years and one day and 66 years and one month, and would be 66 years and half a month on average. As well as being easier to communicate, the new mechanism should therefore lead to the affected individuals receiving their State Pensions (and taxpayers meeting the cost) for a couple of weeks less on average.
5.2. Bringing this increase forward by eight years means that it will happen just in time to affect people who are part of a population bulge. There were more UK live births between 1963 and 1966 than in any other four-year period since the First World War.

6. **Clause 26—Periodic reviews of State Pension Age**

6.1. At each review, the Secretary of State would specify a target proportion of adult life that people reaching State Pension Age within a specified period should on average expect to spend in retirement. The Government Actuary would advise on what changes to the rules on State Pension Age might help bring this about.

**Sensitivity to the target**

6.2. Whatever is assumed about life expectancy, the outcome of each review will be highly sensitive to the precise target set by the Secretary of State. The Prime Minister has said that he thinks the target should be “about a third”\(^4\). Based on the life expectancy assumptions underpinning the ONS’s 2010-based population projections (which include an allowance for future improvements in mortality rates), a target of 33.3% would not require the State Pension Age to reach 68 until 2048—slightly later than under existing legislation. However, if the target were set at 30%, this would imply a State Pension Age of 70 by 2041\(^5\).

**Sensitivity to life expectancy assumptions:**

6.3. The Government Actuary will know what mortality rates have been observed in the recent past but how they will change in future is inherently uncertain. The assumptions made will affect how the State Pension Age would have to rise to meet any given target. For example, the latest ONS projections imply that a man born in 1963 who survives to 67 will on average live for a further 21.7 years. This number would be 17.3 years if mortality rates were assumed to stop improving now (but not worsen). On the other hand, it would be 25.1 years if the long-term rate of improvement were assumed to be 3% at most ages (i.e. similar to, but not faster than, the improvements seen in some recent years). In practice, the Secretary of State would need to know what assumptions are likely to be made before confirming the target.

6.4. The younger that people are when their State Pension Ages are fixed, the greater the likelihood that, by the time they reach State Pension Age, views on how long they are expected to live will have changed significantly.

**Is there a drafting error?**

The White Paper said that the reviews would be “based around the principle of maintaining a given proportion of adult life in receipt of state pension”. However, the Bill refers to the proportion of adult life “in retirement”. If this rewording is deliberate, the Government Actuary will also have to make assumptions about when people will choose to stop work and how they would change their plans in response to a higher/lower State Pension Age.

7. **Clause 30—Transfer incentives**

7.1. This clause provides a power for the Secretary of State to prohibit the offering of an incentive to make a pensions transfer.

7.2. One increasingly common practice is for members approaching retirement to be offered the option of transferring the value of their benefits from a defined benefits scheme to a defined contribution arrangement at retirement to allow them to buy an annuity from an insurer. The member is then able to choose the level of dependant’s pension and increases in payment which he/she considers appropriate to his/her circumstances. The member would often be offered free (or subsidised) financial advice to help him/her make an appropriate choice.

7.3. It would seem worthwhile to clarify whether the Government intends that, if regulations are eventually introduced under this power, this provision of advice would be prohibited. If that is not the intention, it would seem helpful to clarify the legislation.

8. **Clause 32—End of short service refunds in occupational money purchase schemes**

8.1. Clause 32 removes the facility for occupational money purchase schemes to refund contributions to members who leave service within two years.

**Does this clause create an unintended discrepancy between trust-based schemes and workplace personal pensions?**

8.2. The committee could usefully probe the Government’s intentions in the specific case where an employer uses an occupational defined contribution scheme to discharge its duties under the Pensions Act 2008 and

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\(^4\) ITV Daybreak, 14 January 2013

\(^5\) Calculations use the Government’s definition of “adult life”, which begins at 20. They are based on an average of the percentage of adult life above State Pension Age for men and for women; female life expectancy is higher, so women would be expected to spend a slightly higher proportion of their lives receiving State Pensions and men a slightly lower proportion.
enrols workers under their contracts of employment (so-called “contractual enrolment”) rather than under the statutory provisions. Some employers use contractual enrolment because they wish to automatically enrol a broader category of employees than those they are empowered to enrol under the Pensions Act 2008.

8.3. We are concerned that the clause may prevent workers in this situation from receiving a refund of their own contributions even where they opt out at the earliest opportunity. This would distinguish them from workers who are automatically enrolled into any type of scheme under the Pensions Act 2008 procedures (who have a statutory right to a refund if they opt out within one month) and from workers who are contractually enrolled into a workplace personal pension (who can receive a refund of contributions if they cancel their contract with the pension provider within 30 days). Unless the Bill is amended to allow the scheme to refund contributions to people who leave with less than one month of pensionable service, some employers could have to choose between enrolling fewer workers, dropping trust-based provision, and denying employees any refund facility.

8.4. In workplaces where contractual enrolment is not used, the same anomaly would exist where an “entitled worker” (someone earning less than the bottom of the qualifying earnings band—£5,668 in 2013/14) exercises their right under s9 of the Pensions Act 2008 to join a scheme and then quickly changes their mind. Such individuals would be able to get their money back if they had joined a workplace personal pension scheme but not if they had joined a trust-based defined contribution scheme.

8.5. The interaction of this clause with existing legislation is complicated and we are not lawyers. The above concerns assume that the effect of the clause is to preclude all refunds paid from the scheme, and not only those paid where the member has between three months’ and two years’ service.

Timing of abolition

8.6. In his foreword to the December 2011 consultation paper on small pots (Cm 8184), the Minister of State for Pensions said that: “We aim to abolish these rules at the earliest legislative opportunity and expect the rule change to happen as soon as 2014, provided we are able to implement an accompanying solution for small pot transfers at the same time.”

8.7. Few believed that a small pots solution would be operational as early as 2014. The Government therefore gave employers reason to believe that short service refunds would survive for a little while longer. Decoupling these reforms at such short notice—it was only announced in April 2013 —means that some employers’ costs will be higher than they had budgeted for (where employee contributions are refunded, the employer can recoup its contributions).

9. CLAUSE 35—QUALIFYING SCHEMES: ADMINISTRATION CHARGES

9.1. The Government has said that this clause would enable it to extend the proposed imminent ban on consultancy charging in automatic enrolment schemes to qualifying schemes. Without this, it appears that it may have been possible for consultancy charges to continue to be levied indefinitely where members had joined a scheme prior to the first ban coming in.

9.2. The regulations that will implement these bans have not yet been published but we understand that “consultancy charges” are a narrower category of charges than a common-sense reading of the term might imply. For example, a ban on “consultancy charging” would not prevent advisers from receiving fresh commission payments where automatic enrolment brings additional members into schemes advised on before 31 December 2012, or where existing members increase contributions. The charges paid by members will, in part, reflect the provider’s need to recoup these costs.

9.3. We believe the Committee should seek confirmation that the ability to ban charges of “a prescribed class or description” would also preclude schemes/providers from starting to charge members more once they stop contributing. Existing legislation allows the Government to cap charges for active members and for deferred members but not to insist that these charges are the same.

10. CLAUSE 42—the PENSIONS REGULATOR’S OBJECTIVES

10.1. This clause introduces a new objective for the Pensions Regulator. At the moment, views differ as to the effect this new objective is intended to have. It may be meant to be subservient to the existing objectives to protect members’ benefits and to reduce risk to the Pension Protection Fund, so that the Regulator merely has to seek to minimise any adverse impact on sustainable growth to the extent that the actions it takes are still fully consistent with meeting the ‘higher’ objectives. Alternatively, the new objective may be deliberately intended to create a tension with the existing objectives, with the Regulator being required to balance them all in the way that seems best. We believe this point should be debated, with the wording of the legislation clarified if necessary.

10.2. For example, is the verb “minimise” appropriate? This appears to create a significantly stronger obligation than, say, being required to “have regard to” or “take into account” the impact on the employer, and may create greater difficulty for the Regulator in balancing its objectives than would alternative, less strong, wording.
10.3. A further point worth clarifying is whether the new objective covers the Regulator’s Codes of Practice, including the one that specifically relates to scheme funding. The technical point at issue here is that these Codes fall under Part 1 (rather than Part 3) of the Pensions Act 2004. If the Code on scheme funding is excluded from the new objective, the impact of the objective is potentially significantly lower than it otherwise would be.

11. **NOT A CLAUSE (YET?)—‘WELFARE CAP’ AND PENSION CREDIT**

11.1. One of the Spending Review announcements was a cap on a subset of Annually Managed Expenditure that will exclude the State Pension but will include “pensioner benefits”. If the Pension Credit standard minimum guarantee is within the scope of this cap, we wonder whether the Government intends to use the Bill to amend the current provisions of the Administration Act, which require the Secretary of State to lay a draft uprating order based on his estimate of the increase in the general level of earnings.

*July 2013*

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**Written evidence submitted by UNITE (PB 28)**

**PENSIONS BILL (2013)**

**EVIDENCE FROM UNITE THE UNION TO THE HOUSE OF COMMONS PUBLIC BILL COMMITTEE**

**Introduction**

1. Unite is the UK’s largest trades union with 1.5 million members spread across the private and public sectors. The Union’s members work in a range of industries including manufacturing, financial services, print, media, construction and local government, education, health and the not for profit sectors.

2. The pension provisions of our members cover a wide range of situation extending from those who depend entirely on state pension provision right through to those who also benefit from high quality defined benefit pension schemes.

3. Unite’s general policy on state pensions is to support a higher level of Basic State Pension as would take people out of means-tested benefits and the continued provision of an earnings-related addition to the Basic Pension to provide a defined benefit foundation which private pension can build on. A rapidly increasing proportion of our members are in defined contribution company pension schemes which guarantee no level of benefit outcome and for them the future shape of the state pension is of critical importance.

4. This evidence explains why this Bill’s provisions are bad for the majority of the workforce and then goes on to argue for specific changes in respect of the 35 year qualifying period and the transitional provisions before suggesting that the ‘over-ride’ and state pension age provisions should be withdrawn from the Bill

**Why there are more losers than winners from the Bill**

5. This Bill’s main purpose is to redistribute a smaller state pension cake and so inevitably it will result in the number of people who lose being much greater than the numbers who gain.

6. The Government has proposed, but not committed itself, to an initial level of the Single State Pension of about £144 a week. This is clearly higher than the current level of the Basic State Pension.

7. What is not generally appreciated is that under the current system a state benefit of £144 would be achieved by anyone who had 30 years of qualifying contributions or credits for the Basic State Pension and 22 years of qualifying contributions and credits for the State Second Pension even if those were all at the minimum level (the Lower Earnings Threshold). Anyone who would have achieved more than 22 years of qualifying contributions or credits for State Second Pension will lose out from this reform (as well as some with less years but higher earnings).

8. For those retiring in the early years after 2016 there are some large groups who will gain from the reform ie the self-employed (who were excluded from S2P), those who have been contracted-out for substantial periods and those who have had long spells out of the workforce (typically women). The main losers will be another large group ie those who have already or would by the time they retired have achieved a higher S2P entitlement that the difference between the Single Tier Pension and the Basic State Pension.

9. As time goes on the self employed will continue to benefit but the other groups of gainers in the short-term will contract rapidly and the group of losers will expand rapidly. This effect means that taking all people of working age now a substantial majority will receive a lower state pension as a result of this reform.

10. While people contracted-out for substantial periods may be gainers in terms of State Pension proposals in the Bill to allow private sector employers to make compensating reductions in company schemes could cancel out their gains. For those in the public sectors gains could be cancelled out for some if the Government does not fund the higher NI contributions that public sector employers will have to pay and there is a resultant consequence in terms of lower pay and reduced employment.
11. The Bill does not change the position of those who will have reached State Pension Age by 2016 and so leaves untouched the estimated one third of poorer pensioners who currently have incomes below the Guarantee Credit level for Pension Credit but who do not receive that benefit to which they are entitled. The long term reform ignores what should be a short term priority in terms of improving the state pension system.

The requirement for 35 years contributions instead of 30

12. The requirement for 35 years of contributions or credits to gain a full Single State Pension is a retrograde step. The establishment of the 30 year qualification period for Basic State pension was a big step forward which has accelerated the progress towards a higher proportion of women qualifying for the full benefit.

13. The Government has argued that 35 years is excusable as the reduced Single State Pension for a person with 30 years of credits will be better than a full Basic Pension. This argument ignores the fact that most people will also have established some entitlement to State Second Pension in addition to Basic State Pension.

The unfairness of transitional provisions

14. In 1978 the State Earnings Related Pension was established to try and help the half of the then working population whose employers did not provide a pension ie the pension-poor part of the workforce. Over the following decades SERPS was cut back and finally it was evolved into State Second Pension and was planned to evolve gradually to a flat-rate benefit in future decades.

15. The Single State Pension proposal has accelerated this process and in doing so will cause great unfairness to those who have been contracted-in for the main part of their working lives. The transitional provisions accompanying the introduction of Single State Pension are hugely unfair to these people, who are the least well-served by private pension provisions, both in absolute terms and relative to how people who have been long-term contracted-out are treated (a group of people which is likely to include a large proportion of MPs).

16. Many people who have largely relied on State Second Pension and SERPS will either already have established an entitlement to State Second Pension which will lift their total state pension entitlement above £144 and many more would have done so before they reached State Pension Age.

17. Those who already have a state entitlement above £144 will be stopped from earning any additional state benefit from their NI contribution paid after 2016. Any excess they have earned above £144 will be indexed only by CPI inflation and not in line with average earnings as it would have done had State Second Pension continued. This is to all intents and purposes a retrospective cut in benefits.

18. Those who would have exceeded £144 under the current system by their State Pension Age will see their state pension arbitrarily capped at £144 despite their continuing contributions.

19. It is the contributions from these members that will be redirected to pay for the higher state benefits of those who will gain from the change. This reform has been argued for on the basis of simplicity but it is a huge irony that it is the complexity of the current system which is allowing this redistribution from the pension-poor to the pension-poorer groups in society. If the current system were simple and transparent the Government would not get away with this robbery of the long-term contracted-in section of the workforce.

20. The position of this group can be compared to the position of those who have been long-term contracted-out, generally because they have had the benefit of being members of an employer defined benefit pension scheme. People in this group will generally not have established an entitlement to state pension much above the level of the Basic State Pension. However, they will as part of their contracted-out pensions have built up rights in their company schemes equivalent to what they would have had if they had been contracted-in.

21. The Bill ends contracting-out and under transitional provision the future NI contributions these people will make will add to their Single State Pension and increase it until it reaches the standard level of Single State Pension. What this means is that their total state entitlement which in reality is their state entitlement plus the State Second Pension replacement element of their company pension will continue to increase after 2016 and they will be able to establish increased total state entitlements considerably in excess of the level of the Single State Pension.

22. Appended to this evidence is an illustration which compares the position of two people who have earned average earnings over a full career which will end at their state pension age in 2027. One of them has been wholly contracted-out and the other has been wholly contracted-in.

23. The total state pension entitlement they have acquired as at 2017 are equal and would remain equal under the current system. As a result of these proposals the contracted-in person will experience a reduction in their expected total state pension entitlements of £23.60. This compares with the contracted-out person who will see a gain of £17.03

24. Unite believes that the transitional terms should be amended to address the injustice to those who have been long term contracted-in. This might be done by making two particular amendments to the Bill.

25. First, provision should be made for contracted-in people to be able to build up a limited amount of Single State Pension additional to what they have established rights to at the inception of Single State Pension in 2016. This might reasonably be an amount to an additional nine years accrual of State Second Pension as
would match the potential addition to their state pension which a contracted-out person can make (broadly the
difference in amount between the Basic State pension and the Single State Pension).

26. Second, any excess amount of state pension they have established an entitlement to as at April 2016
should be revalued in the period before payment in line with earnings rather than prices to maintain its value as
it would have been had State Second Pension continued.

27. An alternative and better (and as a result more expensive amendment) change would be to raise the
initial level of the Single State Pension to a level which minimised losses from the change. Under the present
system a person who had 40 qualifying years of contributions or credits at the minimum earnings level for State
Second Pension calculation would achieve an entitlement about £40 a week higher than the projected level of
£144. A Single State Pension set at this level would mean the new pension had real value in practice rather than
as now being an idea whose advantages in principle are not realised by in its practical application.

The case against an over-ride in private sector DB schemes

28. Unite considers that the proposed over-ride power for private sector employers to impose changes in
their defined benefit schemes is an interference in established private contractual and trust arrangements which
is not justified or fair. The provision should be removed from the Bill.

29. In all cases restrictions on employer powers to modify their pension schemes have at some point in the
past been accepted by employers. The restrictions were explicitly designed to protect members of their pension
schemes. In accepting these restrictions employers knowingly took on a commercial risk.

30. While the consequences of the end of contracting-out may be brought about by a change in government
policy that does not mean that government is entitled to interfere in these arrangements to favour employers
over scheme members. If the Government argues that this flexibility is in members’ interests then it should
recognise that if that were the case then members might be prepared through due processes to agree to changes,
through due process.

31. Even if employers find themselves unable to secure agreement to changes which they feel are justified
they have access to alternative means to effect savings outside the rules of pension schemes which can either
be employed directly or used as a bargaining ploy to achieve agreement to scheme members for change. The
most obvious example of this being a restriction on the growth of pay which is pensionable in a defined benefit
scheme.

32. This over-ride would allow employers to render meaningless discussions with both trustees and trade
unions and to ignore member concerns. It sets aside provisions in legislation and trust rules, in different
contexts, and will undermine industrial relations and due process of consultation.

33. The pension schemes concerned have been evolving through a prolonged period of financial difficulty
under their existing balance of powers and there is no reason to believe they will not continue to evolve if left
alone to deal with this issue. An increase in employer cost, due to the ending of contracting-out, of typically
something less than 3% of the DB scheme members’ pensionable pay is not exceptional in relation to other
risks employers and schemes have been dealing with. It is dwarfed for example by the effect of interest rate
fluctuations on scheme costs and employer contributions.

34. Aside from being objectionable in principle the power would result in huge unfairness in terms of its
practical application.

35. The main restriction which the Bill places on the exercise of the over-ride power is that the changes
made to recoup cost using the power must be certified by the Scheme Actuary as not saving more than the
amount represented by the employer’s increased NI cost. This is a token and inadequate measure which will
fail in its nominal objective of producing a fair outcome, as a number of scenarios can readily illustrate.

36. The test is applied at an aggregate level for the Scheme. This means there is no correspondence between
what an individual member might gain from the Single State Pension and what they might stand to lose in
respect of their company pension. Even with the best will in the world it would be impossible to achieve a fair
outcome.

37. The test is applied at a point in time and this allows for a change to be made which saves the same
amount of cost at the point of application but which in future years may save a lot more in the company scheme
than the employer cost of NI. For example, many of these schemes are closed and the cost of benefits is rising
as members age. A change which saves the amount at a point in time, say by a change in the accrual rate, will
save greater amounts in future years.

38. The test means that an employer whose pension is funded on a more cautious basis will be able to get
certified a smaller change in the scheme than an employer whose scheme is funded on a less prudent basis.

The need to think again on State Pension Age

39. Unite is opposed to any across the board increase in what is an inflexible State Pension Age given the
large differences in life expectancy faced by different sections of the older working population and the
unacceptably high level of unemployment amongst the younger element of the working population.
40. It is argued that a rise is justified because life expectancy is rising amongst all social groups. However, the logic behind this argument breaks down as if all social groups had the life expectancy of the least advantaged then there would be no case for a rise at all.

41. Increasingly the State Pension age is being recognised as a powerful tool to regulate public expenditure and this will be compounded by the reformed public service scheme’s pension ages being linked to State Pension Age. Other considerations are becoming less and less material.

42. The Bill proposes a mechanism which will allow State Pension Age to be increased on the basis of an interpretation of uncertain projections of increased average life expectancy. At best it admits into consideration wider qualitative issues about the different effects on differing social groups amongst the elderly population but only at the Government’s discretion.

43. A wider debate is needed before we embark on a policy of effectively pressuring people to work longer. This needs to encompass economic and labour market policies and their effect across the whole age range. Does it make sense to force people to continue working beyond the natural bounds of their capabilities whilst young people’s abilities and energies are left unused.

APPENDIX

ILLUSTRATION OF THE UNFAIRNESS OF THE TRANSITIONAL TERMS (REFERENCE PARAGRAPHS 22&23)

The Table below compares the effect of the Bill on the State Pension of an employee with a full working life on average earnings who retires in 2027 depending on whether their career has involved them being contracted-in or contracted-out of State Second Pension

<table>
<thead>
<tr>
<th></th>
<th>Accrued in 2016</th>
<th>Current System</th>
<th>Proposed System</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>C/In</td>
<td>C/Out</td>
<td>C/In</td>
</tr>
<tr>
<td>Basic State Pension</td>
<td>£107.45</td>
<td>£107.45</td>
<td>£107.45</td>
</tr>
<tr>
<td>State Second Pension</td>
<td>£53.95</td>
<td>£73.47</td>
<td>£53.95</td>
</tr>
<tr>
<td>Rebate Derived Amount</td>
<td>£53.95</td>
<td>£73.47</td>
<td>£53.95</td>
</tr>
<tr>
<td>STP—Foundation</td>
<td></td>
<td>£144</td>
<td>£107.45</td>
</tr>
<tr>
<td>STP—Additional</td>
<td></td>
<td>£36.55</td>
<td></td>
</tr>
<tr>
<td>Protected Pension</td>
<td></td>
<td>£13.32</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£161.40</strong></td>
<td><strong>£180.92</strong></td>
<td><strong>£157.32</strong></td>
</tr>
</tbody>
</table>

Notes and Definitions

All monetary amounts are expressed in 2012 earnings terms

‘Rebate Derived Amount’ is the amount of State Second Pension replacement benefit accrued in the contracted-out member’s occupational pension scheme

‘STP—Foundation’ is the amount of Single State Pension the member has qualified for by 2016

‘STP Additional’ is the additional amount of Single Tier Pension a member earns by qualifying years after 2016

‘Protected Pension’ is the value of extra benefit the contracted-in member had qualified for in 2016 on the basis of pre-2016 rules

Calculations provided by Bryn Davies FIA of Union Pension Services

July 2013

Written evidence submitted by NAPF (PB 29)

KEY POINTS

— The NAPF supports the Government’s proposal to reform the State Pension system, welcoming the move to a single-tier State Pension. The transition, however, will not be easy.

— The end of contracting out of the additional State Pension will have extensive cost implications for Defined Benefit pension schemes that will lose their National Insurance rebate as a result. The Government’s statutory override must support employers and schemes that need to make changes to pension benefits.

— The Government’s proposals for a ‘pot follows member’ system of automatic transfers could damage consumers’ savings. The Government should not legislate in this area until it fully understands the impact of its proposals.
— The early introduction of auto-enrolment has gone well, but it needs to be as flexible as possible for employers. The NAPF broadly supports the powers that the Government is taking.

— The NAPF welcomes the new objective for the Pensions Regulator, though the proposed wording may be problematic for not-for-profit organisations

State Pension reform

The NAPF supports the Government’s proposals for a single-tier State Pension.

The UK’s State Pension system is one of the most complicated in the world. A simpler State Pension will give people certainty about what they can expect to receive from the state and ensures a more stable foundation on which people can build private pension savings. The NAPF has been calling for a single-tier State Pension for a number of years and welcomes the proposals in the Pensions Bill.

The transition to the new system, however, will be difficult. There will be winners and losers; some will not get the full single-tier amount as soon as the new system is implemented (the DWP estimates that by the mid-2030s over 80% of pensioners will qualify for the single-tier amount). There are also implications for private sector pension savers and their schemes, especially where these have been contracted out of the current additional State Pension and are receiving a National Insurance rebate as a result.

Key facts

— 60% of future pensioners would save more for their retirement if they knew that they would receive a State Pension of £140 a week in today’s money. [source: NAPF]

— In 2010, the average additional State Pension for men was £36 while mean ASP for women was £19.

Contracting out

Currently, DB pension schemes are able to contract out of the additional state pension if they meet certain standards and agree to provide scheme members with pension benefits in lieu of this part of State Pension. This means that employers and employees receive a National Insurance rebate of 3.4% and 1.4% respectively. As the single-tier State Pension is introduced, contracting out will be abolished as additional state pension will cease to exist.

Key facts

— There are 1.6m contracted out active members of DB private sector pension schemes.

— The end of contracting out will cost employers £0.8bn in 2016 as a result of higher National Insurance contributions. There will also be substantial legal, actuarial, administrative and communication costs arising from the changes.

But abolishing contracting out is complicated. Pension schemes will need to redesign their benefit structure if they want to recover the loss of their National Insurance rebate. The statutory override in the Pension Bill allows employers to make changes to pension benefits without trustee or employee consent, though it includes a requirement for employers to at least consult with scheme members. If changes to pension benefits are not made in time for when contracting out ends, the loss of the rebate alone could cost the private sector £2.2m every day.

The timescale is tight; the Government has brought forward the implementation date for the new State Pension, and consequently the end of contracting out, to 6 April 2016. This means that pension schemes and employers have just a few years to make the necessary changes. The NAPF is concerned that there may be insufficient capacity in the actuarial, scheme administrator and advice markets to cope with the change.

The NAPF welcomes provisions in the Pensions Bill for a statutory override for employers looking to recover the loss of their National Insurance rebate. It is however currently not clear how the statutory override will work and the Government needs to come out with details as soon as possible in order for the support available to employers to be effective.

Pension schemes are waiting for the Government to make a decision on whether the statutory override can be applied to ‘protected persons.’ The NAPF believes that it is important that employers have the option to use the statutory override where Protected Persons Regulations may apply. But the statutory override is not a one size fits all solution. Some schemes, including multi-employer schemes, may require exemptions from some of the provisions that have been made available.

The abolition of contracting out will also impact on the Local Government Pension Scheme (LGPS) and its constituent local authority pension funds. Local authorities will not be able to alter scheme benefits to take account of the loss of the employer rebate. This is likely to add up to between £800m and £1bn for employers in the LGPS. The Government should, at the very least, be mindful of this additional commitment when it considers the local government funding settlement from 2016.

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6 Between the Lower Earnings Limit of £5,668 and the Upper Accrual Point of £40,040
The threat of DB scheme closures is very real and the Government needs to avoid placing additional burdens on schemes that could encourage further closures. The ONS estimates that only 28% of employees had a DB pension in 2012—compared to 46% just 15 years ago. 1 in 5 NAPF members with DB schemes have said that they will close their scheme to current members and switch to a Trust or Contract based DC scheme instead.

**Automatic transfers**

Auto-enrolment is expected to bring between 5–8 million people into pension saving. Many of these new savers will be low paid workers, or workers who frequently change jobs. There is a risk that these workers could build up lots of small pension pots, which are then left behind in their old schemes.

The Government proposes a ‘pot follows member’ system to automatically transfer small pension pots as members move jobs. However, the NAPF has very grave concerns about this policy. Pot follows member risks transferring members’ pots from well managed schemes, with low charges, into high charge schemes with bad governance. Figures from the OECD show that if these pots are saved in schemes with annual charges of 1% or more, they could lose 20% of their value over an individual’s working life.

**Key facts**

- If we do nothing, the Government estimates there will be 50 million dormant pension pots by 2050.
- The Government’s ‘pot follows member’ proposals could see individuals losing up to 25% of their savings by being transferred into lower quality schemes. [source: NAPF]

The NAPF’s modelling suggests that, in a worst case scenario, members could lose up to 25% of their savings by being shunted from good schemes into bad ones. The NAPF conducted research showing that 59% of consumers wanted their savings kept in a scheme that meets certain standards and has low charges.

The Government appears to be rushing into primary legislation before the impact of its proposals are properly understood. The NAPF urges the Government to seriously consider the impact of its proposals before they are put on the statute book.

The pensions industry is currently going through a period of rapid change. Auto-enrolment was introduced less than a year ago. The industry is also preparing for the new State Pension and the end of contracting out. There is a growing consensus across the industry, including employers, providers, employee benefit consultants and consumer groups, that this policy should be delayed.

In the long term, the NAPF would like small pots to be consolidated in ‘aggregator schemes’. These aggregator schemes could be licensed to ensure that they meet high standards. The aggregator solution is much easier for the pensions industry to implement, so the regulatory burden and costs for savers are lessened.

**Auto-enrolment**

The new workplace pensions rules, auto-enrolment, came into effect from October 2012. These mean that eventually all employers will have to offer their workforce a pension scheme. The NAPF strongly supports auto-enrolment, which we believe is a fundamental part of the solution to the pensions savings crisis in the UK.

Auto-enrolment rules need to be as flexible as possible to ease the burden on businesses. We welcome, therefore, the DWP’s proposals to simplify auto-enrolment. The general powers that the DWP is taking in the Pensions Bill are sensible.

**Key facts**

- The NAPF’s April 2013 Workplace Pensions Survey found that of the 40% of respondents who had been auto-enrolled into a workplace pension scheme, only 15% chose to opt-out. Nine in ten of 25 – 34 year olds stayed in their scheme.
- The NAPF’s 2012 Annual Survey found that 53% of employers would be contributing more than the minimum of 3% for all employees.

Currently, employers are required to auto-enrol some workers for whom pension saving is highly inappropriate. For example, workers who have fixed or enhanced tax protection. If they save another penny into a pension scheme they could be hit by a large tax bill on their entire savings. It is right that the Government exempts these categories of workers from auto-enrolment.

Changes to support the implementation of auto-enrolment are welcome. But if the Government uses its power to exclude large groups of workers, such as those who work for small businesses, it could undermine the objectives of auto-enrolment.

**The Pensions Regulator’s new objective**

The Pensions Regulator is currently charged with five objectives. The Government proposes to add another objective: ‘to minimise any adverse impact on the sustainable growth of the employer.’
The NAPF welcomes the new objective for the Pensions Regulator. There is, however, an outstanding issue around how the current draft will apply to employers who are not pursuing a growth or profit objective. For example, charities or other not-for-profit organisations. The ongoing viability of the employer will be critical to the future prospects of their defined benefit pension schemes, but the wording of the objective may prevent them benefitting from it.

The NAPF recommends that the objective be amended to reflect the circumstances of all employers. The new objective could instead be: ‘minimise any adverse impact on the sustainable growth or ongoing financial viability of the employer.’

July 2013

Written evidence submitted by the Local Government Association (PB 30)

ABOUT THE LOCAL GOVERNMENT ASSOCIATION

1. The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

SUMMARY OF EVIDENCE

2. Whilst the aim of the Bill to provide a useful degree of simplicity via a single tier state pension scheme is to be supported, we are concerned that there will be unintended consequences for public service pension schemes should the removal of contracting out for occupational schemes take place.

3. The removal of contracting out from April 2016 will have significant financial implications to both scheme members and public service employers.

4. Public service pension scheme members will see an increase cost of 1.4% in National Insurance Contributions (NICs), with no facility to take account of this additional cost. Across the Local Government Pension Scheme (LGPS) based on a £30 billion total pay bill and 1.6 million members the value of the NI rebate to employees is in the region of £300 million per annum.

5. For lower paid workers this could result in pressure to opt-out of their public service pension scheme as a result of additional NICs and therefore lead to a reduced pension provision at retirement as well as a removal of associated benefits.

6. For employers, the abolition of contracting out will result in an increased cost of 3.4% with the removal of NIC rebate for contracted-out members. Across the LGPS based on a £30 billion total pay bill and 1.6 million members the value of the NI rebate to employers is in the region of £700 million per annum.

7. For public sector employers this places on them an additional and unsustainable financial burden at a time when budgets are under pressure which could lead to cuts in front line services.

8. For private and third sector employers in the public service schemes, of which there are thousands, this additional burden may lead to severe financial difficulties and potentially see them withdrawing from the provision of public services.

9. The additional costs resulting from the end of contracting out could put at risk the efficiency agenda being pursued by councils in line with Cabinet Office policy.

10. We are concerned about the impact that these provisions could have on the reformed public service schemes before they are even bedded in and urge government to talk to employers and employees to find a solution.

BACKGROUND

11. The Pensions Bill contains provisions to reform the state pension system, introducing a single tier pension as a result. As part of these reforms, the Bill will abolish contracting out for occupational pension schemes.

12. Whilst the aim of simplifying pension provision via the introduction of a single tier state pension is one to be supported although with some reservations given that there will be winners and losers, there are important unintended consequences for public service pension schemes and in particular the LGPS given its funded nature should the removal of contracting out take place.

13. Contracting out allowed occupational pension schemes to promise to provide a pension at least as good as State Earnings-Related Pension Scheme (SERPS) or the State Second Pension in return for a reduction in both employee and employer NICs. This arrangement provided for a simple combination of a basic state pension
plus an occupational pension scheme providing at least as much as any of the various forms of additional state pension would have provided.

14. There is a danger that the removal of contracting out, whilst providing for a single tier state pension incorporating at least an element of the previous additional state pension, will result in an overlap between the state and occupational arrangements.

15. The principle in the Bill is that in future an occupational pension is a ‘top-up’ to the provisions of a single tier state pension. This is a perfectly sensible approach but only if reasonable and workable adjustments to the current system can be made through discussions between scheme stakeholders to ensure a fair outcome for both scheme members and employers.

16. The method proposed in the Bill to deal with the overlap for private sector pension schemes (Clause 24 and Schedules 13 and 14) is to allow an ‘employer override’ to adjust scheme rules without members consent. This is a blunt instrument and could, if not used carefully, result in a further erosion of occupational pension scheme membership in the private sector.

17. Public service pension schemes cannot be changed as a result of this Bill.

**Impact on employees who are members of the public service schemes**

18. The result is that public service scheme members will continue to pay both their full public service pension contributions and an additional 1.4% in NICs. The simplification which the introduction of single-tier state pensions sought will be lost for those who are also members of public service pension schemes including the LGPS.

19. Across the LGPS based on a £30 billion total pay bill and 1.6 million members the value of the NI rebate to employees is in the region of £300 million per annum.

20. For an employee on average earnings of £27,000 per annum the increase will be almost £25 per month at a time when they are already facing below inflation pay increases and rising living costs.

21. In the case of lower paid workers this could lead to an increased pressure to opt-out of their public service pension scheme to afford the additional NICs. This could therefore lead to an overall reduced pension provision at retirement as well as the removal of important auxiliary benefits associated with scheme membership such as life cover.

**Increases across pay ranges**

<table>
<thead>
<tr>
<th>Pay</th>
<th>£10,000</th>
<th>£15,000</th>
<th>£25,000</th>
<th>£40,000</th>
<th>£75,000</th>
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</thead>
<tbody>
<tr>
<td>Value of NI rebate</td>
<td>£60.65</td>
<td>£130.65</td>
<td>£270.65</td>
<td>£480.65</td>
<td>£481.21</td>
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<td>Increase per month</td>
<td>£5.05</td>
<td>£10.89</td>
<td>£22.55</td>
<td>£40.05</td>
<td>£40.10</td>
<td>£40.10</td>
</tr>
</tbody>
</table>

22. The table above show the impact across the pay ranges and in particular that the effect is capped in the higher pay ranges.

23. In the case of the LGPS these changes could also lead to many more members seeking to move into the 50/50 section of the scheme and for longer periods when it was originally designed to be a short term option. This in turn could destabilise future cashflows into the scheme.

**Impact on employers**

24. Employers in public service schemes will face an additional financial burden of 3.4% of payroll. The Bill provides no method to alleviate that additional burden and simply assumes that employers will shoulder it.

25. This impact will be an additional cost to the employers of approximately £730 per annum for an employee on average pay. Put another way an extra £34,000 for each £1 million of pay between the lower and upper earnings limits for each employee.

26. Across the LGPS based on a £30b total pay bill and 1.6 million members the value of the NI rebate to employers is in the region of £700 million per annum.

**Impact on councils**

27. For a small Welsh council (90,000 residents) the extra cost will be the equivalent of an additional £33 on council tax.

28. For a northern metropolitan district council the extra cost will be £2.5 million per annum for council services and £2.3 million per annum for schools which would require over 100 front line jobs to be cut.

29. A south west county council will see the cuts it needs to make in 2016–17 increase from £15 million to £17 million putting at risk further front line services.
30. Public service employers may be able to seek additional funding however that would seem difficult in a time when all budgets are under severe pressure. The result could well be a reduction in front line services to meet the additional costs.

31. However public service schemes contain a myriad of employers who are not centrally funded and have nowhere else to seek additional monies from. For example of the 8,000 employers in the LGPS, fewer than 500 are local authorities. Across all the public service schemes, thousands of third and private sector employers will suffer the full impact of the increase of 3.4% in cost with no possibility of mitigation. Many will be placed in serious financial difficulties while many others will be forced to consider withdrawing from the provision of public services.

**Impact on other employers**

32. Across the Higher Education sector the additional employer costs are estimated at £200 million per annum equivalent to the fee income from 26,000 students.

33. Across the academies sector the total cost is estimated at £150 million per annum.

34. For a large inner city academy the increase in costs would be approximately £115,000 per annum the equivalent of 3 teachers or 29 students.

**Impact on the reformed schemes**

35. Finally concern also surrounds the impact that the Bill could have on the reformed public service schemes and especially the important work done on the LGPS by the trade unions, the LGA representing employers and the Government.

36. These schemes which come into effect in 2014 and 2015 will have had barely any time to bed in before the ceasing of contracting out in 2016. The resulting ‘shock’ in terms of members opting out and employers seeking to withdraw will could seriously affect the long term sustainability of those schemes before the changes made by reform have had time to take effect.

37. Furthermore the resulting ‘overlap’ in arrangements may well distort replacement rates (total state plus occupational pension as a percentage of final pay) particularly at the lower end of the payscales.

38. Replacement Rates (RR) after 20 years’ service*.

<table>
<thead>
<tr>
<th>Final Pay</th>
<th>Current RR</th>
<th>New RR</th>
</tr>
</thead>
<tbody>
<tr>
<td>£15,000</td>
<td>59%</td>
<td>63%</td>
</tr>
<tr>
<td>£25,000</td>
<td>44%</td>
<td>46%</td>
</tr>
<tr>
<td>£40,000</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td>£75,000</td>
<td>28%</td>
<td>29%</td>
</tr>
</tbody>
</table>

*assumes a smooth increase in pay over the career with no inflation taken into account

**Impact on the efficiency agenda**

39. The additional costs resulting from the end of contacting out could put at risk the efficiency agenda being pursued by councils in line with Cabinet Office policy for the following reasons.

39.1 The advantages given to contractors by the ‘pass through’ provisions of Fair Deal will be negated by the increased costs resulting from the ending of contracting out.

39.2 For existing contracts, either contractors will have to bear the additional costs or seek to pass them back to councils adding to the problems already identified. Either way there will be difficult discussions that will detract from the real objectives of the agenda.

39.3 The altered cost envelope may discourage new entrants to the contacted out services market. It could also prevent smaller organisations from effectively competing on price as they would have to include all these costs rather than absorb some or all of them as existing larger players may choose to do.

**Potential solution**

40. There will be solutions that allow for the sensible introduction of simplicity via single tier pensions without the unintended consequence of undermining the sustainability of public service pension schemes. We urge the Government to sit down with employers and employees in these schemes to discuss how such solutions can be found.

41. In the first instance, consideration should be given to extending or phasing contracting out beyond 2016 for the public service schemes for a limited time until a more permanent solution to the issues raised above can be found.
42. The new arrangements proposed in the Bill already contain a methodology for dealing with contracted out service prior to 2016 by the use of the Rebate Derived Amount (RDA). When calculating the new single tier pension the amount accrued each year (£4.11) is reduced by the RDA for contracted service.

43. This methodology could be continued post 2016 for members of public service pension schemes without adding much complexity to the calculation. Furthermore as the rebate would continue the employee and employer would be left in the same situation as now in that the public sector pension sits on top of a ‘basic’ state pension.

July 2013

Written evidence from GMB (PB 31)

SUMMARY

1. GMB welcomes reforms to simplify the state pension system and to move away from the system of means tested pensioner benefits. However we have a number of concerns about the content of the Bill which will be set out in the submission.

2. We are deeply concerned at the impact of the end of contracting out and believe that this system could be retained in some format. We are equally concerned at the consequential moves to over-ride protections and allow employers to implement change without recognition of these.

3. GMB continues to reject changes that will see the state pension age increase from its current level until policies are introduced to redress the imbalances in life expectancies that persist in society. This inequality should be considered as part of the proposed review, along with a number of other measures that are set out in paragraph 21.

4. GMB believes that reforms predicated on no extra spending on old age benefits cannot be supported as the pension system is in need of a cash boost from public finances. The fact that long term expenditure savings are predicted along with extra revenue from a potentially greater National Insurance yield means that the provisional level of single tier pension should be increased. Current pensioners are also in need of a cash boost to their state pension income.

INTRODUCTION

5. GMB is the UK’s third largest union representing 620,000 members. Our members work in both public and private sectors and are covered by the full range of occupational pension arrangements. We also have an active section of retired members many of whom are currently in receipt of a state pension.

6. GMB policies are formulated at our annual member led Congress. Our recent Congress, at the beginning of June 2013, saw a number of motions and speakers raising concerns with the proposed state pension reforms.

THE INTERACTION WITH OCCUPATIONAL PENSIONS

7. GMB recognises that the Government’s proposal for simplification of state pension provision includes the abolition of the second tier (State Second Pension). A major consequence of this abolition is the ending of contracting out (Clause 24 and Schedule 13) and the rebate of National Insurance for both employees and employers of contracted out, defined benefit pension schemes.

8. GMB would question whether such a move is completely necessary, and believes that a form of contracting out (or reduced accrual) under the single tier proposals could be developed. This might include building up a proportion of the single tier pension for years of contracted out service, in exchange for a rebate of National Insurance contributions.

9. The principle of retaining some ability to contract out (or equivalent) is, in GMB’s view, vital for the continued provision of quality defined benefit provision.

10. The ending of the current rebate will result in additional expenditure for both employees and employers—1.4% of banded earnings for employees and 3.4% for employers. This increase in National Insurance will cost about £6bn pa, with the majority of this having to be found by public sector employers and employees. We are deeply concerned about the ability of employees and employers to fund these increases following a period of protracted wage stagnation, increasing occupational pension costs and with severe restrictions being placed on public spending.

11. Chapter 3 of the White Paper covers this and introduces the Government’s intention to ease the mechanisms applying to some employers seeking to apply detrimental changes to pension schemes. These easement powers are outlined in Schedule 14 of the Bill.

12. In many occupational pension schemes, employers have the sole power to enforce changes to pension terms (for future accrual). In other such schemes employers will have to obtain the agreement of scheme trustees. Some schemes will require the collective consent of a proportion of active scheme members to bring about such changes, as a consequence of protections that were negotiated at the time of privatisation of various
industries. Finally, members of some privatised industries are covered by “Protected Persons” status, the legislation which DWP has also launched a separate consultation on.

13. The powers outlined in Schedule 14 seek to diminish any requirements to obtain consent for changes. GMB strongly rejects such a move, and cannot understand the rationale for applying this. The protections relating to member consent and Protected Persons were given as long term assurances to those who have sought to take responsibility for their retirement savings and were accepted by employers operating in the relevant industries at that time.

14. A view may exist that such protections offer too much control for pension provision to employees. GMB has experience in recent years of a number of instances of detrimental changes being agreed where members who are subject of either Protected Persons legislation or who are required to consent to rule changes. Conversely we are not aware of any situations whereby an employer seeking to make changes has been blocked from doing so by these protections. Rather these employers have sought to enter into a reasoned dialogue with staff and negotiate change with representatives. GMB would wish to see this approach maintained and no carte-blanche given to employers to enforce change without meaningful dialogue. Given that the costs associated with the abolition of contracting out will not fall solely on employers, it is likely that employees will also seek to re-examine the deductions made from their take home pay. This is particularly true in areas which have seen protracted wage stagnation and increasing costs of pensions to members.

15. The ultimate rationale for seeking to apply this over-ride is due to an increase in National Insurance, through the loss of the rebate. GMB is mindful that no such powers were considered necessary when National Insurance rates were raised in 2011 or 2003; or in 1999 when the system of employers’ National Insurance was reformed. As such we can not accept the rationale for an over-riding power now.

16. In any event, the focus on restricting these powers is on the extent to which an employer may seek to reduce its costs by more than the potential increase in National Insurance costs. The perceived expectation is that any loss in occupational scheme benefit permitted by the proposed over-ride, would be at least offset by an increase in state pension income. GMB has not seen any evidence to reassure us that members would be better off if these reforms were allowed. If the powers were to prevail, we would suggest that the restrictions outlined in Clause (2) of Schedule 14 should be extended to ensure that members should not face a reduction in total income from their normal pension age.

17. GMB would ideally like to see the reform proposals adjusted to allow for a continued system of contracting out/reduced accrual in exchange for the retention of the National Insurance rebate. Consequently Clause 24 and Schedules 13 & 14 should be deleted. In any event Schedule 14 should be deleted.

STATE PENSION AGE

18. GMB has consistently rejected previous proposals to raise the state pension age, including that outlined in Clause 25: and we will continue to do so in the presence of significant variations in life expectancy. Details of inequalities in life expectancy are highlighted in the ONS Pensions Trends document “Life Expectancy and Healthy Ageing”. This document highlights the range of life expectancies across regions (see Table 3.7) and social class (see Pages 6 & 7).

19. With regard to Clause 26, we welcome the apparent move to consider a report into “other specified factors” (other than life expectancy). However GMB feels that the remit of the person or persons conducting any review should be extended to ensuring that the least well-off in society, who will be most reliant on state pension income, are given greatest regard in assessing the impact of state pension ages.

20. The wording of clause 26 allows for significant deviation from what would otherwise be an important principle in considering the impact of longevity increases. Government has specified that a proportion of adult life approach as a first basis for setting state pension age is appropriate. However no indication of what an appropriate proportion is has been given. Furthermore no explicit definition of when a person reaches the specified age for entering “adult life” has been given. Clarity and debate on these issues is much needed to lend any credence to the Government’s proposal.

21. We oppose the increase set out in Clause 25 and would wish to see this deleted, but would rather favour the principle of informed reviews that are alluded to in Clause 26. In this clause GMB would propose a number of new sub-clauses to clarify and enhance the review mechanism:

   — [line 34, page 13] delete the word “specified” from sub-paragraph 26(5)
   — [line 36, page 13] insert new clause 26(6): “The factors relevant to the review include:

   (a) The range of life expectancies persisting across the UK averaged by gender, socio-economic class and region

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(b) The change in life expectancies experienced by the decile of the population with the lowest life expectancies,
(c) Analysis of the reliance on state pension income of that group compared with other sources of income,
(d) Whether flexibility of early access to an actuarially reduced level state pension should be introduced,
(e) The minimum period of notice that should be offered to individuals of changes to their State Pension Age
(f) The economic impact of extending the labour market, and
(g) Other factors specified by the Secretary of State as relevant to the review.

EXPENDITURE

22. Although not a direct feature of the Bill (but rather a matter for Regulations to determine), it is appropriate to comment on the level of state pension that is being proposed under reform. At present, 6.9% of GDP is spent on pensioner benefits, compared with an average 8.4% across the OECD. Under the present system this expenditure was due to rise to 8.5% in the UK by 2060 (compared to 11%+ averaged across OECD countries). However these reforms, rather than being expenditure neutral, will see long term expenditure decrease to 8.1% by 2060.

23. This low level of expenditure remains a matter of great concern to GMB for both today’s pensioners and those retiring under the proposed new system. Despite current economic constraints it is imperative that more is done to raise both the level of the Basic State Pension today and the indicative level of Single Tier State Pension.

24. For many low earners today, the reforms which are already being implemented to the State Second Pension would be likely to offer an improved level of benefit than the indicative Single Tier State Pension level of £144 pw. It is important that this level of benefit should be somehow replicated.

25. Clause 3(1) indicates that the actual level of Single Tier State Pension should be specified in regulations. GMB proposes that this clause is supplemented by saying that the level should not be less than the entitlement under the present system, for an individual earning in line with the Lower Earnings Threshold, to Basic and State Second Pension for a person with at least 35 qualifying years.

TRANSITIONAL IMPACT—REDUCTION IN S2P/SEPRS REVALUATION

26. Schedule 1 of the Bill covers how transitional pension arrangements are to be treated. The White Paper indicates that individuals will have a Foundation Amount calculated on the basis of their National Insurance record prior to implementation. This will be compared to the equivalent single tier amount. Anyone with a Foundation Amount exceeding the full single tier level will have the excess treated as a Protected Payment.

27. This Protected Payment is to be revalued between implementation and retirement in line with a prices index (Clause 6(5) of Schedule 1).

28. Prices based revaluation represents a significant detriment to members with substantial SERPS or State Second Pension built up with the assumption that these benefits would be revalued in line with earnings increases (assuming the long term position of earnings increases exceeding price increases is resumed). GMB can see no reason why the Protected Payments should not be subject to the same level of increases as the single tier level over the period between implementation and retirement.

29. Clause 6 of Schedule 1 introduces this provision and the unfairness outlined above could be eradicated by:
   — [line 25, page 28] in sub-paragraph (2), insert the words “more than,” immediately before the word “equal”
   — [line 28, page 28] delete sub-paragraph (3)
   — [line 36, page 28] in sub-paragraph (4), delete the words “and 3(a)”
   — [line 42, page 28] delete sub-paragraph (5)

PRIVATE PENSIONS

30. Clause 34 introduces the potential for the Automatic Enrolment duties to be further weakened. The consensus position previously reached on implementing Automatic Enrolment into workplace pensions has been diluted, both prior to, and since this policy has come into force. The impact has been a decrease in the number of people saving and the amounts that are being saved. As we would not wish to see the beneficial impact for individuals being eroded further GMB would not support this Clause.

31. Clause 29 and Schedule 16 outline the requirements to allow for automatic transfers of pension benefits. Whilst GMB can see merit in this policy in respect of benefits which are defined contribution in nature

Written evidence submitted by Legal and General (PB 32)

1. **Summary.** Clause 34 of the Bill, which gives Secretary of State power to make exclusions from the auto-enrolment duty by Regulation, has been drafted too widely. It would permit Government to exclude small employers from auto-enrolment to the detriment of their staff. The clause should be tempered by a requirement that regulations made under that power shall apply to all employers and shall not carry reference to the size of employer.

2. **The author.** This submission is made by Adrian Boulding, Pensions Strategy Director of Legal & General, an insurer that has auto-enrolled around one third of a million employees so far. The author was also a member of The Making Auto-Enrolment Work Review commissioned by the Coalition Government in 2010.

3. **The issue in detail.**

4. Automatic enrolment is a major intervention by Government in the provision of pensions for ordinary UK workers. It ensures that all workers, within carefully defined parameters, will be put in a pension scheme and receive contributions from their employer.

5. The importance of workplace pensions has been heightened by the changes to State Pension where a flat single tier pension replaces the old Second State Pension and its pre-cursor SERPS. With no earnings related component remaining in the State Pension, middle and above average earnings workers will be at serious risk of under-shooting their retirement aspirations if they do not save in a workplace pension to top up the State Pension.

6. The existing provisions for automatic enrolment are a carefully crafted compromise, into which all political parties and all Stakeholders have been brought into through prolonged debate. The universality of including all employers is an important part of the agreement.

7. Government have given NEST a subsidy of around £600m to enable them to create an infrastructure that will ensure that all employers, even the smallest, have access to a pension scheme that is easy for the employer to administer and provides good value to employees. Many employers will also find good value commercial pension schemes available as an attractive alternative to NEST.

8. Despite this, pressure continues to be brought by various lobby groups to exclude small employers from auto-enrolment. Government have already delayed the staging date for small employers with 50 or fewer staff to the other side of the next General Election.

9. The Making Auto-Enrolment Work Review found that excluding small employers could exclude 1.5 million people on a basis not related to the value to themselves of pension saving. And that it would have a significant gender disparity, with 71% of the excluded group being male.

10. I believe the provision of workplace pensions to the employees of small firms is so important that any changes that exclude small employers should be fully debated both within Parliament and the wider community and not just passed under Regulation.

11. Clause 34 of the Pensions Bill, as currently drafted, would empower Secretary of State to make a regulation excluding employees where the total number of employees in a firm was lower than a number chosen by Secretary of State.

12. I recommend that this clause should be tightened. It should include a clause that the regulations made under that power shall apply to all employers and shall not carry reference to the size of employer.

*July 2013*
3. The Draft Pensions Bill provides for reforms to the State Pension system (the single-tier pension) which will affect new pensioners from 2017 at the earliest. As an organisation that represents only existing pensioners, our remarks on the Draft Bill will be largely limited to those areas of the legislation which impact upon existing pensioners.

4. NFOP is pleased that the DWP Select Committee will be undertaking pre-legislative scrutiny of the Draft Bill and welcomes the opportunity to comment on the Government’s proposals. We would be delighted to provide further evidence to the Committee if appropriate.

SUMMARY

5. NFOP broadly welcomes the provisions in the Pensions Bill for future pensioners, but recommends that a number of issues in the following areas are carefully examined by the Public Bill Committee:

   — Part 1 (State Pension), Clause 2 (Entitlement to State Pension at full or reduced rate)
   — Part 1 (State Pension), Clause 24 (Abolition of contracting-out for salary related schemes etc) – Also Schedule 13 Abolition of contracting-out for salary related schemes & Schedule 14 Power to amend schemes to reflect abolition of contracting-out
   — Schedule 13 Abolition of contracting-out for salary related schemes
   — Schedule 14 Power to amend schemes to reflect abolition of contracting-out
   — Part 2 (Pensionable Age), Clause 26 (Periodic review of rules about pensionable age)

Part 1 (State Pension), Clause 2 – Entitlement to State Pension at full or reduced rate

6. Clause 2 of the Pensions Bill amends existing pension legislation to increase the qualifying period for a full state pension from 30 to 35 qualifying years.

7. NFOP are concerned about the transition arrangements that will be provided to those individuals who, despite not having reached state retirement age, will have made “life decisions” and chosen to leave paid employment in the knowledge that they currently qualify for a full state pension (having accrued 30+ qualifying years).

8. NFOP believes that provisions should be included in the Bill to ensure that all individuals with 30 qualifying years are advised of their projected pension under the revised scheme (30/35th of £144pw) and given the opportunity to “buy” additional qualifying years to enable them to maximise their state pension.

Part 1 (State Pension), Clause 24 – Abolition of contracting-out for salary related schemes etc.

9. Clause 24 of the Pensions Bill abolishes contracting-out under salary-related occupational pension schemes. This will result in such individuals paying more national insurance because there will no longer be a lower rate for people who were contracted-out.

10. NFOP is concerned that the abolition of the contracted National Insurance Contributions (NICs) will force current members of occupational pension schemes, both private and public, to contribute more to their pensions to remain in those schemes. We are concerned that increased NICs in such schemes will force up the cost of personal contributions to these schemes, and may discouraging saving for future retirement.

11. Government must ensure that the end of contracting out is not taken by employers as an opportunity to justify the closure of Defined Benefit Schemes.

12. To facilitate and encourage savings, we believe that any change in the arrangement of pension schemes following the abolition of contracting out should encourage the employee to increase contributions to maintain their existing level of pension rather than be forced to accept a reduction of the benefit.

Part 2 (Pensionable Age), Clause 26 (Periodic review of rules about pensionable age)

13. Clause 26 of the Pensions Bill will require the Secretary of State to review whether the rules about pensionable age are appropriate, with regard to life expectancy and other relevant factors, in a report published every five years. These reviews will take into account analysis provided by the Government Actuary on increases required to the State Pension age in order to ensure individuals maintain a specified proportion of adult life in retirement.

14. Whilst NFOP welcomes the commitment to periodic reviews of the pensionable age, we are concerned that the Draft Bill as currently drafted does not explicitly reflect the statement made in Paragraph 153 of the Governments Pensions White Paper The Transition To The Single-Tier Pension that “Should a future Government decide to raise the State Pension age following a review, this Government believes that a ten year notice period will be sufficient notice for individuals affected to prepare for the change.”

15. NFOP suggests that provisions are made within the Pension Bill to ensure that individuals approaching retirement are given this ten year notice period, to ensure that there is adequate time for an individual to make the necessary adjustments in their financial planning.
**WIDER POLICY IMPLICATIONS**

**Abolition of Pension Credit**

16. A key corollary of the introduction of the new single tier state pension will be the abolition of Pension Credit. Whilst this simplification of pensions is to be welcomed, NFOP is concerned about how the passported benefits that currently accompany a claim for Pension Credit (such as Housing Benefit and Council Tax Benefit) will be made available to recipients of the new single-tier pension.

17. NFOP are keen to ensure that this process is made clear to ensure that new pensioners do not lose out on the benefits of automatic pass-porting which currently exists in the pensions system.

18. With the abolition of Pension Credit from 2017 it is clear that over time the number of eligible individuals will reduce, delivering an administrative saving for the Government. Nevertheless, we believe that it is vitally important that the existing administrative provision for claiming Pension Credit is retained throughout the transition to the new system to ensure that current pensioners, whether they are already in receipt of Pension Credit or become eligible through a change in circumstances (for example if a spouse or civil partner dies) can obtain the necessary support they are entitled to.

*July 2013*

**Written evidence from Mercer Ltd (PB 34)**

1. **EXECUTIVE SUMMARY**

1.1 Our specific comments on the Bill relate to how well it meets its purpose. We consider that, overall, the measures in the Bill are consistent with the policy that has been discussed in previous consultations. However, the objective of some specific clauses is unclear and, in some cases, they are not fit for purpose.

2. **INTRODUCTION**

2.1 Mercer has been fully involved in the DWP consultations on pension reform, including the Call for Evidence—Pensions and Growth in March 2013. We also responded to the Work and Pensions Committee in February 2013 in relation to the draft Pensions Bill. We have repeatedly highlighted the difficulties our clients are experiencing with the funding regime, and the adverse consequences to them the abolition of contracting-out would lead to. We were pleased to see many of our suggestions have been taken up, which will be welcomed by many of our clients—both trustees and employers. We will be working with our clients to help them implement the requirements of the Bill in the best way for their pension schemes.

2.2 We continue to correspond with the DWP in relation to the technical detail of the current Bill and the still-to-come regulations. We do not intend to repeat our past submissions in detail here but would like to ask the Committee to bear in mind that there is further information to support the “headline” points below, when conducting their scrutiny.

3. **PENSIONS REGULATOR’S OBJECTIVES (CLAUSE 42)**

3.1 The current regime is felt by many trustees and corporate sponsors to be unsatisfactory because the Regulator is perceived as pursuing an objective of continual risk reduction via the statutory funding framework, effectively limiting the flexibility the legislative regime allows trustees and employers when negotiating funding settlements. This strategy has been pursued despite many employers being under financial constraints. The Regulator appears to regard its stance of reducing risk as improving member outcomes but we think ultimately its approach could result in more longer-term risk to scheme members (and also the Pension Protection Fund) and a decline in adequate occupational pension provision.

3.2 A more flexible regulatory regime is likely to be helpful to employers seeking investment. The proposed new objective might facilitate this, but the actual effect that is intended to follow from Clause 42 (“to minimise any adverse impact on the sustainable growth of an employer”) seems unclear. Our view is that, for there to be a material change in how the Regulator regulates, there needs to be specific direction about how the Regulator’s actions might be measured against its objectives.

3.3 In particular, the Regulator should be required to review its regulatory stance from time to time, including making a statement about how it interprets its statutory objectives that:

— Affirms that its statutory objectives require it to take a sponsor’s solvency and financial position into account when setting its regulatory policy;

— Rebalances its treatment of the interests of sponsoring employers and trustees so that trustees have the necessary flexibility to adapt to the challenges faced by the employer as well as those faced by the pension scheme;

— Reconsiders its statements on the level of risk it believes the system can maintain, so that it is clear that trustees can agree with employers to fund schemes without targeting winding up (or an equivalent measure);
— Confirms the extent to, and the way in which the Regulator considers ongoing pension provision to be important to its objectives, rather than just historical, entitlements.

3.4 As a result, all affected parties would be clearer about how the Regulator’s objectives influence the way it approaches scheme funding and other aspects of the regulatory regime. It would help trustees understand the extent to which they can take the employer’s situation into account. To support this, employers should be prepared to share their business objectives and rationale for retaining cash in the company to enable trustees to make informed decisions about the degree of risk it is reasonable for them to take. Then, if trustees could see that their actions were acting as a unreasonable constraint on the employer, for example because the pressure of funding makes banks reluctant to lend, that might be a strong justification for them to ease their funding demands.

3.5 We are also concerned that the proposed objective does not translate well across all sponsoring employers. For example:

3.5.1 There are many ways to ‘minimise adverse impact’, including enabling trustees to achieve a more balanced solution with the employer, as well as enabling the Regulator to negotiate employer restructuring in a way that floats the pension scheme into the PPF. Some direction as to where the balance should lie would likely be helpful;

3.5.2 Not all employers have ‘sustainable growth’: for example, some employers are in mature industries where there is not much opportunity for growth, but there is the chance of continued profitable existence; other employers are in charitable or not for profit sectors, where ‘growth’ might be interpreted differently.

3.6 However the new objective is expressed it is, as we contended above, the regulatory behaviour in practice that is most important. It would be a missed opportunity if the additional objective was merely “symbolic” and didn’t achieve any material relief for employers.

4. **STATE PENSION TRANSITION (SCHEDULE 1, PARAGRAPH 5)**

4.1 Schedule 1 deals with the transition to the new single tier pension and includes measures to ensure that state pension rights accrued by virtue of national insurance contributions paid before the implementation date are appropriately protected.

4.2 Step 2 of Schedule 1 calculates a pension based on the new system, with an adjustment for rebates received for any period of contracting-out. In our view the current wording does not achieve the Government’s intention and, if implemented, would miscalculate the state pension benefits people start with under the new system and lead to nonsensical results for anyone who has post 5 April 2002 National Insurance Contributions. It is important to note that we think the calculation also leads to unintended adjustments for people who have never been contracted-out which is clearly not the Government’s intention.

4.3 The confusion stems, we believe, from the inherent complexity of the current state pension system, which (necessarily) feeds into the new system under its transitional provisions. Although this is an apparently short section of the Bill it operates a lot of “machinery” behind the scenes and it does not result in the outcome the DWP has said it will. We have already discussed our concerns directly with the DWP. Since it is extremely complicated we will not go into the detail again here, but is clearly very important that a calculation so fundamental to many people’s eventual state pensions is correct from the outset and clearly understandable.

5. **POWER TO REMOVE RESTRICTIONS ON FORMER CONTRACTED-OUT BENEFITS (CLAUSE 24 AND SCHEDULE 13, PARAGRAPH 25)**

5.1 Schedule 13 introduces a new section 37A into the Act, which allows for regulations to be made to impose restrictions on the transfer of former contracted-out rights and on the payment of such rights as a lump sum. We also understand that a large part of the existing Regulations that apply to salary related contracted-out pension schemes would remain in force. If this is the case, then, since they impose a cost on schemes and employers but, in our view, no material benefit for members, the purpose of retaining the Regulations should be made clear. If no material benefit can be proven, then the Regulations should be repealed.

5.2 For example, retaining restrictions for transferring former contracted-out rights is likely to mean that contracted-out benefits cannot be paid in the same manner as ordinary scheme rights, which in some cases have the effect of restricting ordinary rights.

5.3 We cannot see the rationale for this, since the protections provided by the contracting out regulations are duplicated by regulations that apply to non contracted-out rights. Our view is that, once contracting-out has been ended, members and schemes should have the same options over (and equally be subject to the same restrictions on) their contracted-out rights as they do over their ordinary pension rights. As a precedent, the previous laws and regulations applying to protected rights fell away on the abolition of contracting-out by the money purchase method, so that they could be dealt with in the same way as other scheme benefits. This simplified matters considerably for former contracted-out money purchase schemes and we recommend a similar approach is taken with former contracted-out salary-related schemes.
5.4 Where the law imposes (or might be interpreted to impose) restrictions on non-contracted out rights in a scheme that was or is contracted-out these restrictions should be removed (or clarified). We have already provided detailed examples of these restrictions to the DWP. The Bill should be clear that the Government has the power by regulation to remove unnecessary restrictions.

6. Statutory power to amend schemes (Clause 24 and Schedule 14)

6.1 It is important that the statutory power of amendment is flexible enough for employers to be able to make practical use of it. In our view, there are some practical considerations that need to be further considered.

6.2 The power should make it clear that the test is an aggregate test, and not to be carried out on a member-by-member basis (which would not result in a practical scheme design). This could be made clearer in either Schedule 14 or subsequent regulations.

6.3 A possible interpretation of Clause 24 of the draft Bill, and Schedule 14, is that it enables employers to use the amendment power to amend all members’ benefits, including any who are not contracted out (but who are members of the contracted-out section of the scheme).

6.4 However, Clause 24(2) says the purpose of the amendment power is “…to take account of increases in the employer’s national insurance contributions in respect of those members…”. This introduces the possibility that the power is only exercisable in respect of those members who are contracted out and/or where National Insurance contributions are affected. We suggest that the intention is clarified. Our view is that, for administrative practicality and consistency among members, from an employer’s perspective, it would be desirable if the modification could apply to all members (of the contracted-out section), and not just those who are contracted out at the implementation date. Examples of members who might not be contracted out or whose National Insurance contributions will not be affected are listed below:

— Members over State Pension Age still in active service.
— Members paid less than the Lower Earnings Limit.
— Members temporarily working abroad.

6.5 In each of the above three groups it can be argued that these members are fundamentally part of the same affected ‘group’ of employees, yet the abolition of contracting-out would not actually result in a change to the employer’s National Insurance bill in respect of them.

6.6 We suggest that the power should be exercisable in respect of all members eligible for benefits on the same basis as the contracted-out members of the scheme, regardless of the technicalities referred to in 6.4 above. Although this could result in lower benefits for some members, there will also be winners and losers within the group of contracted-out members. Employers do not need to take advantage of the power, but if the power were restricted the outcome could be that members whose circumstances temporarily took them outside the contracting-out framework would remain entitled to higher benefits than their peers, which would be hard to defend.

7. GMP equalisation Schedule 13 Para 20

7.1 We are not sure that this proposal will meet the intended objective.

7.2 The Government intends to amend legislation to compel trustees to equalise scheme benefits to reflect inequalities in the GMP formula. It is expected that trustees will use GMP conversion to do this and the suggestion is that, by publishing guidance, the Secretary of State will facilitate this. However, the legislation that enables GMP conversion is poor and most lawyers would advise trustees that it cannot be relied on, and guidance published by the Secretary of State would give them no legislative comfort.

7.3 We expect that, for trustees to be able to use GMP conversion the primary legislation will need to be amended and the Pensions Bill would be better used for this purpose.

July 2013

Written evidence from SPC (PB 35)

Introduction to SPC

1. SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC’s Members’ profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest—body or group.
2. Many thousands of individuals and pension funds use the services of one or more of SPC’s Members, including the overwhelming majority of the 500 largest UK pension funds. SPC’s growing membership collectively employs some 15,000 people providing pension-related advice and services.

3. This submission is a collaboration between members of the SPC Actuarial Committee.

THE POINT WHICH WE WISH TO HAVE CONSIDERED

4. We have examined the transitional rate of state pension provisions set out in Schedule 1 of the 2013/14 Pensions Bill. We are not clear on the detail of how the transitional rate calculations are intended to operate, or whether the Bill will achieve that effect.

5. The key points where clarification is needed are as follows:

6. We are concerned at how the crucial “amount to reflect contracting-out under the old system” will work.

7. Paragraph 5 appears to calculate the difference between

   — (A) the accrued additional state benefit under the current system; and
   — (B) the additional state benefit an individual would have accrued under the current system if
     — the SERPS system had continued from 2002 onwards in the place of S2P; and
     — any contracting-out adjustments were ignored.

8. In other words, actual S2P (if any) compared with notional SERPS for everyone’s earnings (calculated as if they were contracted-in, even if they weren’t) from 2002/03 onwards. We find the SERPS/S2P switch particularly confusing as:

   — We would expect an individual who was contracted-in to receive a deduction of “amount to reflect contracting-out under the old system” of zero. However, based on the pensions bill, it appears that a hypothetical member whose earnings were between the LEL and the UET would receive a non-zero amount in respect of contracted-in service from 2002 onwards. This is because their S2P accrual was higher in that period than the replaced SERPS. Similarly, some periods of contracted-in service could sometimes offset an adjustment for other periods of contracted-out service.

   — Where members whose earnings were between the LEL and UET were contracted-out from 2002 onwards, they will receive a deduction equal to notional SERPS accrual less the sum of (S2P less SERPS). We do not understand the reason for this as the result does not correspond to the SERPS-based rebate their pension scheme received.

9. It is not clear what the intended result of the Bill is, however, we understood it was meant to capture the value of the additional state pension otherwise foregone by contracted-out employees in exchange for their National Insurance rebates. We do not think this part of the Bill, as currently drafted, achieves that outcome.

10. A solution would be to simply remove 5(b)(i) and 5(b)(ii) from Schedule 1, leaving the deduction as the difference between an individual’s contracted out benefits and the contracted in equivalent.

July 2013

Written evidence from Aviva (PB 36)

1. INTRODUCTION AND SUMMARY POINTS

   1.1 Aviva is one of the world’s largest insurance groups with over 53 million customers worldwide and 45,000 employees. In the UK we manage pensions for over 2 million people as well as over 5,000 company pension schemes.

   1.2 Overall, Aviva is very supportive of the changes in the Pensions Bill, helping savers build their pension pots, and be supported in the unfortunate circumstance of the death of a relative.

   1.3 We would like to use this opportunity to comment on specific topics, primarily the automatic transfer of pension benefits (pot follows member) and reform of the bereavement support payment. We believe pot follows member can work within the wording of the Bill, but would like to propose an alternative method to that which has been discussed in public already. Whilst the Bereavement Support Payment reform will help individuals at a difficult time, we have concerns that this will imply the amounts offered are enough and personal provision may not also be beneficial.

2. AUTOMATIC TRANSFERS OF PENSION BENEFITS

   2.1 Aviva agrees with the principle of making sure employees have the opportunity to build a significant sized pension pot. This makes it both easier to track and also become more engaged with, as experience from Australia’s Superannuation scheme has shown. We also agree that due to the inertia-based automatic enrolment system, an inertia-based system of transfer of pension benefits would enable these larger pots to be built up over time.
2.2 We agree with the general powers in the Pensions Bill and clause detail to enable the consolidation of pension benefits. The wording does not need to be amended from its current form.

2.3 However, we would like to offer an alternative to the way a pot follows member system could operate underneath the Bill. Currently, two options have emerged, the centralised database with pull-style transfers, and the pensions P45.

2.4 Existing plans limit the pot that follows the member to £10,000, so cannot be said to create ‘one big fat pot’. In practice, a landscape of small-medium sized and larger pots will emerge. Although the limit may be revised upwards, this could face commercial resistance.

2.5 The pensions P45 idea, where a separate paper-based slip is given to the worker on leaving is open to apathy, and pensions liberators who would almost certainly be able to abuse this system to significant potential customer detriment.

2.6 The centralised database approach also faces significant headwinds as highlighted by analysis done by IBM on behalf on nine insurers:

   - The member can lose through investment market timing or loss of guarantees.
   - Complex legislation is needed to reduce adverse member impacts.
   - Employers and providers/schemes are concerned about being held accountable for member financial loss and requesting ‘safe harbour’ legislation.
   - It is expensive to build and, being new and untested IT, faces implementation risk.
   - It will require significant process and systems work at individual provider and scheme level in order to authenticate members and make transfers that are correct 100% of the time. On-going operational expenses and transfer costs will be significant, acting against driving down pension charges.
   - There is no agreed funding or ownership model and regardless of who builds the systems and processes, members will pay a high price when costs are re-charged via their management charges.
   - Already there is talk of exempting large sections of the trust-based market as a result of these difficulties, creating level playing field concerns.

2.7 **An alternative system for transfers—the Aviva view**

2.8 Rather than develop a new system to facilitate risky and costly transfers, an alternative approach would simply allow the employee to keep the pot that they have.

2.9 When the employee arrives at their new employer, they would be required to tell their new employer what their pension account reference number and who their provider/scheme is. This information might be added to the P45 form containing income, tax and NI deductions in the previous employment, which employees should hand to their new employer. In this respect, this solution has some parallels with the envisaged pensions P45, but does not involve physical transfers of money.

2.10 If the employee does not have a pre-existing account, for example is new into the workforce or is reaching age 22 or a migrant worker, or does not supply a new account number/P45, the employer would simply auto-enrol them into their existing automatic enrolment scheme.

2.11 The employer would then be required to pay into the various pensions of their employees.

2.12 Whilst requiring employers to pay into multiple pension schemes/providers for each of their employees may have created an administration burden in the past, this is no longer the case.

2.13 Software developed to assist employers assess their workforce for automatic enrolment and provide a compliant automatic enrolment communication process is now capable of facilitating employer payments to multiple schemes without creating any additional payroll administration. This software was developed to help employers who have multiple schemes/providers usually as a result of mergers or acquisitions.

2.14 This software is already tested and working. Although further incremental modifications may be necessary, the cost of this would be a small fraction of the build cost required for the centralised database solution.

2.15 This approach also addresses two other concerns of the existing system. Firstly, the worry that has already been publicly raised that employees could find their pot moving from a ‘good’ scheme to a ‘poor’ scheme. If the pot is aligned to the individual, rather than their employer, it puts control back in the hands of the employee—if they are unhappy with the terms or performance of their current pot, then they are free to transfer the whole pot to another qualifying scheme. This may also help in starting to raise engagement levels in the pension, rather than waiting until people need to take their money and then expect them to make complex decisions.

2.16 Secondly, this also ensures that people are able to hold their pension pot in funds which reflect their own needs and wants. Ethical investors and those investing in Sharia funds are two examples. The current proposed system would mean that these individuals would potentially have no option other than to opt-out if they found...
their pot was transferred to an employer’s scheme without these options. Instead, the new system would again put control with the employee to allow them to move their pot to where their needs can be satisfied.

2.17 How could implementation of this alternative model work?

2.18 Each employer would stage as planned to 2018, establishing their own new scheme if they do not have an existing qualifying scheme. All employees who do not opt-out will then be members of qualifying workplace schemes.

2.19 When a member moves employer after 2018, they take their pot with them by telling their employer their existing account number and provider/scheme or including this detail on their P45. Employers build this into their recruitment process.

2.20 Each employer would be required to maintain a qualifying automatic enrolment scheme for new members and re-enrolments. New firms would be required to establish a qualifying automatic enrolment scheme.

2.21 Only qualifying schemes would be allowed to join the system and receive contributions. Control of minimum standards would therefore be dictated by government and apply to contributions, default funds, charges and governance.

2.22 Employers with their own schemes could be allowed to prohibit former employees from remaining in their scheme. This would obviously be the case in DB schemes but also in schemes where employers have unbundled DC and pay directly for the administration costs. Membership of such schemes is declining and employees moving away from these schemes could be encouraged to make a physical transfer to their new employer’s scheme. The bulk of schemes which are either GPP or master-trust, including Nest, would however wish to retain the member via their new employer.

2.23 All employers would have access to the new clearing technology which takes a bulk employer payment from their payroll system and accounts, but splits this according to the account number and scheme/provider supplied by each employee.

2.24 Employers would be free to also work with their payroll providers to establish similar multi-scheme clearing solutions.

2.25 Ultimately, this solution can work whether the scheme is a legacy/traditional group personal pension, an occupational pension scheme, or a more modern style group personal pension.

3. Bereavement Payment reform

3.1 We welcome the Government’s recognition of the financial impact of spousal bereavement and the value of financial support during this difficult time. We support the initiative to make bereavement benefits easier to understand and claim. Consolidating three benefits into one, simplifying entitlement conditions and promoting this benefit to the bereaved should enable more people to understand and receive this valuable support.

3.2 It should be noted that the bereavement payment, although very welcome, is not likely to be enough to ease any but the most immediate financial need. A lump sum of the figures suggested (£3,000–£10,000) would cover the cost of a funeral with minimal left over. An average basic funeral currently costs around £3,284* not including optional extras such as flowers or memorials. The cost of dying including probate, headstones and flowers in addition to the basic cost of a funeral stood at £7,114 in 2012. With increasing scarcity of burial plots and very high funeral inflation in recent years—costs have risen 71% since 2004—this is only projected to increase in future. While these figures mask a wide disparity in regional costs they show that even a payment on the more generous side of the proposed scale leaves little leftover to cushion against financial readjustment post bereavement for example reduced household income or increased childcare.

3.3 While a supported return to work system might benefit the bereaved spouse economically and socially, the household income is unlikely to return to pre-bereavement levels. With 1 in 29 children under 16 in UK experiencing the death of parent, there are a lot of UK families at real financial risk. Without significant financial protection, a two-income family reduced to one earner might struggle to retain their previous standard of living and commitments, potentially meaning a forced move to a new home and consequent disruption to school, friends and social support networks.

3.4 While benefits of the full amount required for most households would be unaffordable for the state to provide, there is a real risk of misinterpretation of this benefit as ‘enough’. In most cases it simply will not be and the intention that the benefit is a short term measure only may not be fully understood. This could be exacerbated by positive news coverage showing an increase in bereavement payment. Behavioural economics teaches that people are anchored to defaults such as the state provided benefit. They may view the chosen benefit amount as all that they would require as the Government have determined this is all that is necessary. We are concerned that people will see this reform as ‘the state will provide’ relieving them of individual responsibility to plan for their own families future, and the benefits of doing so.

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* Sun Life Direct 2012 report [http://www.sunlifedirect.co.uk/About-Sun-Life-Direct/Press-Office/Press-Releases/Funeral-costs-continue-to-rise/]
3.5 The debate around this benefit provides an opportunity to prompt a discussion about protection above and beyond the basic needs that are met through bereavement benefit. Encouragement to consider and understand the financial implications of death or long term inability to work would lead to more families avoiding financial struggles should the worst happen.

3.6 We would suggest that this reform presents an appropriate opportunity for the Government to promote financial awareness of the impact of bereavement, critical illness and long term disability. A successful engagement campaign could support people to make informed decisions about their family’s needs. This should encourage people to plan for the events that are not nice to think about, so that it becomes normal for people to discuss what would happen in the event of illness and death with their family. Families should understand what provision is in place and take the proposed bereavement benefit into account when considering if they need additional provision. The Money Advice Service could assist with this campaign, providing an unbiased collection of information about the financial pressures of death and critical illness.

3.7 Co-habiting families face the same needs and pressures as those who have legally registered their partnership. If the benefit is not to be extended to these families additional information around the risks and choices should be provided. Choosing to purchase individual life insurance would be an option for these families and support for this choice should be considered by the Government.

4. Comments on specific clauses

4.1 Schedule 16: Part 2: Merger of Pension accounts

4.1.1 Aviva would be keen to see included a definition of dormancy—to avoid the risk of an automatic transfer being triggered, only to discover that the employee was merely taking a break from contributions whilst they moved roles.

4.1.2 In a world of multiple employments (particularly common amongst part time workers), it is possible that the employee could be auto-enrolled into more than one scheme. In this instance, a mechanism needs to exist to identify which is the employee’s ‘primary’/main pot—in other words, which pot should any others be transferred into.

4.2 Clause 34: Automatic enrolment: powers to create general exceptions

We support the concept of general exceptions, especially in the circumstances of guarantees and non-UK resident workers of UK-based companies. In this instance specifically, we would suggest automatic enrolment does not take place unless it is clear that the individual should reasonably be expected to benefit from such enrolment. If the individual will suffer detriment, via direct or indirect taxation, then the whole underlying basis for auto-enrolment is in doubt. Loading the responsibility onto the individual, by expecting them to opt-out if detriment is probable, is not the way forward. Only people subject to the UK’s income tax rules should be auto-enrolled as it is only in these circumstances that the probable outcome for them is favourable. We also have not seen evidence that it is even permissible to automatically enrol people who are resident outside the territory of the UK, and are concerned that this could break EU law. We are currently finding difficulties with this for schemes who have already staged.

4.2.1 We would also suggest that the general exception clause be written as widely as possible to take account of any future groups who could be found to not benefit, or be disadvantaged from automatic enrolment. The terminally ill or those at risk of redundancy could fall into this category.

4.3 Clause 35: Qualifying schemes: administration charges

4.3.1 Whilst we accept the ban on consultancy charging which would fall under this clause, we are keen to see that it does not become a blunt instrument, or that this results in the view that cost is the only measure of quality.

4.3.2 We would note that pronouncements made by the Secretary of State have been enough to change market behaviour (consultancy charging is no longer offered, despite the power to ban not yet being in place). We would suggest that pronouncements, not regulation, may be sufficient in the future as well.

4.4 Clause 38: Unpaid scheme contributions

4.4.1 We would hope that any groups of employees identified under the general exemption clause would also be excluded from clause 38.

4.5 Clause 41: Preparation of guidance for pensions illustrations

4.5.1 If the relevant body creating the TM1 guidance and data for Statutory Money Purchase Illustration (SMPI) is to be exempt from liability for damages for inaccuracies, we would be keen to see the following:

— Longer period of time from consultation to implementation of TM1 guidance into SMPI’s (currently circa six months);
— If any inaccuracies are identified, then revisions to the TM1 needs to be made more speedily (currently circa one year);
— If SMPI inaccuracies are as a result of the TM1, then liability should not be placed on people using this data;
— Irrespective of this, we would be much happier moving to a more widely drafted TM1, or principles-based regime, with ‘clear, fair and not-misleading’ at its heart. The SMPI is intended to give the customer a rough idea of what they will get back to aid their planning today; however the calculations are spuriously accurate, and don’t necessarily talk in a way in which the customer understands.

Aviva would be happy to discuss any of these points with Committee Members.

July 2013

Written evidence from John Read (PB 37)

The objections to the bill are mainly twofold:
— The Bill is a retrograde step which will not meet its aims and intentions and effectively will result in the abolition of the State Contributory Pension.
— Recent Population studies indicate that the retired population is not living appreciably longer and delays to retirement on this basis are not justified.

State Contributory Pension—some 30 million people in work in the UK are dependent on the scheme, less than a third belong to private schemes and the majority of these are Public Sector workers. The new Nest scheme will take some 40 years to establish, but is based on the outdated defined contributions and annuities, which lose money in real terms (DWP report), giving poor returns of 1.8 times contributions.

In their present form they will not provide a secure adequate pension future and will therefore not be popular, leaving the working population still dependent on the State scheme.

Present demographic changes in which the 65+ population is expected to double, whilst those in work remain relatively constant, result in a major change in dependency ratio from the current 3:1 to 2:1 or even 3:2 or less. The working population will not be able to sustain pension payments on the present “pay as you go” system and the proposals represent an extremely short term cost cutting exercise, which could make the position worse.

This Bill effectively destroys the State Contributory Pension scheme replacing it with a universal welfare pension for all at the same level as Pension Credit, currently £142.70 per week, without the side benefits of Housing and Council Tax benefit, free dental care and prescriptions, extra fuel payments etc.

The individual is therefore better off not working and not paying NI, which is contrary to stated policies to make work worthwhile.

It will destroy any incentive to save for old age and the abolition of SERPS will affect private pension scheme outcomes and increase contributions. This and S2R were at least some measure of the contributory scheme and without these will further diminish pension savings, essential for the future of the UK.

In effect it repeals or replaces the National Insurance legislation and is of questionable legality; certainly there is no electoral mandate to do so. Most of the original intentions have been eroded or are outdated, for example medical care is now universal, as is unemployment benefit, although it should not be, but pensions remain.

Population Considerations—There has been very little reported work or study on the over 65 population. The 2010 based ONS projections show UK population increasing from 10.5mn in 2011 to 20.9mn in 2058, the under 80 mortality has been the lowest ever recorded and the over 80 the highest. Mortality rates at 65 in 2011 were 60% of 1991 values, which led to the obvious conclusion of greatly increased longevity from 65 on.

A study just completed, which was initiated by the author, but continued jointly with CCSR of Manchester University (Read, Nazroo and Marshall, in press) considered the effects of population flow on the 65+ population. This study shows conclusively that people over 65 are not living significantly longer, with at least 90% of population rises being attributed to flow.

The study indicates that increased longevity plays only a minor part in the 65+ population increase and initial results indicate values of 0.5% per year, which is fairly close to the latter part of the previous Century. This proportionally increases the number surviving to higher ages, but is not due to increased longevity but instead attributed to greater survival.

National Insurance Contributions—a recent Parliamentary report considered this in relation to a unified tax regime. NI was set up in a protected Fund separate from the Treasury as a basic Contributory scheme and since 1990 have been in surplus with a value of £50.6bn in 2009.
The money was borrowed by the Treasury, presumably replaced by Gilts or Bonds and its value has reduced to £39bn due to the recession. The 2013–14 figures are given as £107bn income divided between pensions at £86bn and NHS at £21bn. There is no reason given to justify NHS payments or market investments.

Pension payments have been dealt with by DWP and treated as benefit rather than contributory rights. It has steadily degraded to the present “pay as you go” system and as a result reduced to a poverty subsistence level, now unsustainable.

Discrepancies arise on pensioner numbers, DWP 2012 spend on state pensions is £79bn for 12.8million, roughly £6,100 each; after deducting abroad and under 65 numbers, this reduces to 10.3 million, virtually equal to the latest 65+ UK population. Therefore every pensioner is apparently drawing a state pension, in spite of only 75% of the working population being in work and paying NI.

The whole system appears wrong, running without linkage between contributions and earned payments and of questionable legality. The Bill now effectively removes any last vestige of a contributory scheme, giving a single payment regardless of contributions made, if any.

The DWP 2012 forward budget projections show State Pension costs rising from £90bn to £392bn by 2060 in real terms, after changes in retirement age and before welfare benefit costs. These can only be affected by population changes, but from 2020, rise at over twice the level of ONS population projections which would give £158bn in 2060 and suggest actual not real values, plus a high start value. These values are presumably the unsound basis for the Bill

**Delayed Retirement**—The change in retirement age is another concern, it is based on increased life expectancy which has not been fully justified, “live longer, work longer” and results in panic from the WWII baby boom numbers now reaching retirement. Any increased longevity is likely to be short lived in the generation now retiring, changes in lifestyle, obesity, drink, drugs, smoking etc. are likely to reverse the present trend.

In relation to the upset caused, the savings are small, a delay in payment of two years, yet the effects are large, the 2010 mortality figures show that some over 2 years 15,000 will be deprived of any retirement at all, after paying contributions for over 40 years. Average age is given at 80 and health age at 68.7, therefore the majority retiring will lose out on the best and potential retirement years.

This cynically is where the main savings occur by default on paying pension at all and cannot be acceptable on human rights principles alone. Retirement should be by personal choice once a sufficient savings term has been reached or better still when adequate funds are reached in a good funded scheme.

**Overall**—The Bill does not address any of the fundamental problems facing pension provision in the UK, which are basically 65+ population based, with increases due to flow the obvious solution is that each individual takes a pension fund into retirement adequate to meet his pension and care needs, ie self-sufficiency.

This would mean a transfer to fully funded well managed pension schemes and the overall advantages would be large, reducing costs, increased security and the State relieved of all pension liability in 20 to 40 years.

This is where the effort and legislation should be directed; transition to a funded State pension scheme is possible in a cost neutral fashion over a period of 20 years. There is only a short window of opportunity to do this, before being overwhelmed by the rising tide of dependent pensioners.

**Proposed Alternative**—National Insurance should return to original purpose of serving its member’s only, with the man emphasis on Pension and elderly care provision, through a good contributory scheme.

The basis is there for a body independent of State finances or interference with income in the protected fund, pension payments need to be brought together in this Fund.

The main problem is the existing pension liability, put at £3,200bn, but financial instruments are available within the State to meet these, eg Bonds, quantitative easing, Bank bailout measures etc. Liability is a high figure, the present pension cost in a cut off state (existing pensioners) could be met by a Bond of £1,200bn yielding 4% actual, 2.5% inflation proofed and meet present population projections

The proposal is for a contribution or NI rebate, with the 25–44 age eligible increasing to 64 over the 20 years, which allows time for fund build up before pensions become due, with 25 being a good established work starting point. The State retains liability for existing pensioners and the 45–64 pensions as they become due, although supplementary payments may be needed for the initial 25–44 liability in 20 to 30 years, depending on population growth projections.

The primary aim will be to provide a basic primary level pension, supplemented by other schemes, with a minimum yield/replacement value of 3 or 4 and once established take up between 50–60% (maximum 78%) of NI income. The scheme would be based on group continuity through work and retirement. A base factor which just meets inflation is 2.4.

The pension will be based on the proposed minimum of £144 pw to all members involving a degree of wealth distribution or contribution make up within the scheme, retirement age of 65 will be retained, with some form of contribution related second pension.
Rebate, based on 80% population eligibility, builds up to £60bn in real terms, but is dependent on payment method and fund growth. Payment could be by Bond issue initially or a mixture of Bond and actual. Another alternative would be to issue a Bond for existing pension Liability, which would need to run in conjunction with say Nest to release money for actual rebate and adjusted for population change.

If the NI rebate was linked to a modified Nest, then saving for retirement would increase rapidly. The invested contributions would boost the economic recovery and create growth.

A similar scheme could be applied to the transition of Public Sector pensions.

*July 2013*

**Written evidence by the POP Group (PB 38)**

**INTRODUCTION**

This submission is presented by The POP Group. “POP” stands for Parity or Poverty, and we are a worldwide Email discussion group. It consists of British expat state pensioners, who are striving to end the hardships caused by the ‘frozen’ UK state pension. To this end, we are determined to achieve this by urging the Government through online communication and other media, to change its policy with regard to UK ex-patriot state pensioners. My name is Jeff Chipps, and I’m very proud to be the Moderator of The POP Group.

**SUMMARY**

The submission, therefore, relates in the main to only one part of the Bill, and that is the provisions of Clause 20. It is, perhaps, relevant to briefly give a little background as to how the current situation of Frozen Pensions has come about.

1. Up until 1955, when pensions became payable worldwide, they were not only paid within the UK but in a limited number of overseas countries. So-called reciprocal agreements existed between these countries and the UK under which pensioners received the periodic uprating. Further countries were subsequently included, the total is just 19. (Such bilateral agreements, the DWP has confirmed, are not a necessary requirement for uprating). Pensioners living in countries within the European Economic Area also similarly now benefit.

In the remaining countries worldwide, however, only the basic level of pension was, and still is, being paid and increases in line with the cost of living were, and still are, denied—thus the frozen pensioner and the frozen pension policy was born.

As Oliver Letwin MP, Minister of State at the Cabinet Office, eloquently expressed –

“It (the frozen pension policy) is a product of history not rationality”.

We submit it is, by the inclusion of Clause 20, a history lesson that has not been learned and an irrationality not to be further condoned.

2. It is well known that the Government is urgently trying to reduce costs associated with its welfare budget, and in particular state pensions, which as of January 2013 made up 47% of total UK welfare spending.

3. We submit that Clause 20 is, in effect, nothing more than a reiteration of the existing Regulation 3 of the Social Security and Welfare Order, and accordingly we submit that there is no legal justification for not uprating pensions worldwide. If there was then pensioners in such countries as the USA, the Philippines and Macedonia would not be entitled nor in receipt.

4. Pensioners who will be affected by the inclusion of Clause 20 contributed during their working lives to the National insurance Scheme on the same terms and conditions as everybody else. We submit that it is morally wrong not to honour them with the same conditions and terms as everybody else in withdrawing from the National Insurance Fund in their retirement.

5. We submit that, in presenting the Second Reading of the Bill, that in his reply to Sir Peter Bottomley who sought the removal of Clause 20, the Secretary of State was in error when he said, “that, that would cost a sum knocking on the door of between £650 and £700 million a year”. The cost would in fact be nil in the first year as it would only apply to those reaching state pension age on or after the bill became operative in 2016. Uprating for these pensioners would only take effect in 2017 and be negligible; the cost would increase but, we submit, within perfectly manageable and reasonable levels over time.

6. Current government policy however, discourages older UK citizens from relocating to countries where their state pension would be frozen. This Pension Reform Bill, and in particular Clause 20, would add even more weight to the argument against such relocation which, according to numerous studies carried out in the UK itself, could save the exchequer a great deal of money.

7. We contend therefore that the removal of Clause 20 would encourage the resettlement of older UK citizens in their country of choice, thereby reducing the significant costs of valuable services and benefits, also freeing up much needed housing; all of which as you know is under severe duress and demand at this time. With some councils (eg Harrow) under such pressure that they are considering offering up to £20,000 to persuade tenants
to “retire” abroad, (Report for: Tenants, Leaseholders and Residents 27 Feb 2013) removing Clause 20 and the obstacle of a frozen state pension, would surely help Britain’s very urgent housing needs. According to very recent report (1 July 2013) from the BBC “Impact of housing changes ‘worse than feared’.” The National Housing Federation has said that “Rent arrears have soared in some areas while larger houses are lying empty as people refuse to move into them.”

The UK urgently needs one and two bedroom properties, and many pensioners presently occupying these properties would like to join family abroad, but the prospect of a frozen pension (via Clause 20) is haunting them. The cure and the consequences of ignoring it should be patently obvious.

8. We strongly believe the Pension Reform Bill, and in particular the contents of Clause 20, will unnecessarily penalize UK citizens as a whole if the Bill is passed in its present form, in that it will continue to discourage emigration of UK citizens in the older age group, especially to our Commonwealth family of countries with whom we have a long standing and fruitful relationship.

9. By implementing Clause 20 of the Pension Bill, British citizens will be in effect restricted, and denied the freedom of choice to retire to whichever country they wish, and to obtain the increases against inflation in their state pensions that they are entitled to after paying their mandatory qualifying contributions.

10. Whether to be with previously emigrated family or other loved ones, to return to the country of their birth, or for other personal reasons. Clause 20 will severely limit British citizens of every colour in their personal choice of country of retirement. A very large number of foreign born British citizens, at present living and working in the UK, who will have met the full requirements for a fully indexed UK state pension will be severely and adversely affected by Clause 20 and its implications.

11. We submit that removing clause 20 would reduce the administrative costs; pensions are already paid worldwide, some are uprated some are not and it stands to reason that to operate one system is cheaper than two. Currently, UK pensioners living in a frozen country are entitled to have their pension uprated for time spent visiting the UK or most unfrozen ones. The administrative costs would be nullified by the removal of clause 20; so, too, would be the cost of fraud investigation into what is believed to be a current practice of some in using accommodation addresses in the UK while actually living abroad.

12. We earnestly believe that Clause 20 and the limitations it places on very many UK citizens will be discriminatory. It will limit personal choice and thereby freedom of movement due to a citizen’s desire of abode. Its effect will be to continually reduce the ‘real’ value of an already contributed to and payable UK state pension, entirely due to increases to that pension being payable in a certain county or not.

13. Committee and Government should seriously consider the well-researched economic benefits, much wider moral associations, and future long term domestic and international advantages of removing Clause 20. This, as opposed to any extremely doubtful short term gain it might possibly provide.

14. The lack of justification given in paragraphs 2, 3, 4 and 5, has, of course, been leveled at the policy affecting current pensioners but it is no less relevant to those who would be affected by Clause 20. Indeed the only “argument” offered by the government is that it cannot be afforded. Setting aside the £25 billion surplus in the NI Fund we submit that the findings of the Advocate General in the European Courts of Justice, Juliane Kokott, who stated, “It must be realized that budgetary considerations cannot justify discrimination”, should not be dismissed. That this policy as contained in Clause 20 is discriminatory is clear; that it is unjustifiably discriminatory cannot be denied.

15. The severe hardships caused by the Government’s ‘frozen’ pension policy are widely documented, widely despised and also widely condemned, and the benefits of removing Clause 20 should be explored fully before going ahead with what will undoubtedly be very controversial and certainly uneconomic legislation.

16. Great Britain was once a land where fair treatment was guaranteed, where the downtrodden were helped back on their feet, and where legislation was designed to improve the lifestyle of its honest citizens. Very sadly that is obviously no longer the case. In spite of a court judgment that might say otherwise, worldwide opinion acknowledges that perpetuation of a policy that Clause 20 permits is wrong, fraudulent and discriminatory. For the UK to try to regain its previously renowned high standing for the fair treatment of its citizens, it should start by removing Clause 20 from this flawed Bill.

17. We think that in near conclusion we should allow some words to be spoken by a British MP of some standing.

(a) This from the 2004 Pensions Bill. Standing Committee B. 18 Mar 2004, when that MP proposed a new Clause 6 to the Pensions Bill which stated the following....

(b) “From the date of coming into force of this Act, all state retirement pensions in payment to pensioners living outside the United Kingdom shall be subject to annual uprating by the same percentage rate as is applied to such pensions payable to pensioners living in the United Kingdom.”

(c) In support of his proposal the eloquent MP said the following....

(d) “The purpose of the new clause is to provide that the pensions of those who now live overseas should be annually uprated, wherever they live. The moral claim rests on the fact that we have a contributory pension system. We ask people to make contributions all their life to accrue an entitlement. Why
should that accrued entitlement vary according to where they choose to live? Much of the Bill concerns choices, flexibility, and people gaining new sorts of retirement, but the system arbitrarily says that one’s entitlement is greatly reduced if one chooses to live in such places, rather than a few miles down the road. The world has moved on, and people’s lives are much more global. People are more likely to work overseas, and their parents may want to go and live with them in retirement. Should we penalise those who retire overseas to be with their children, or should we say, You’ve worked hard and paid hard. It’s your pension take it with our blessing? The British Government are essentially free riding on the welfare states of countries that British citizens are moving to. The pensions of British citizens go down and down in real terms, and they fall into the net of the welfare state in those countries. We are asking other countries’ taxpayers to support our pensioners. New clause 6 is trying to correct an injustice.”

(e) This from EDM 856 that the same MP signed on 18 April 2007.
(f) “That this House notes with concern that 520,000 British pensioners living abroad have their pensions frozen in value and thus not increased when the pensions in the United Kingdom receive annual increases; believes the practice of freezing these pensions is wholly unfair, discriminatory and irrational especially when some pensioners living overseas do have their pensions increased annually; believes that all pensioners living abroad, many of whom have made lifelong mandatory payments to their state pensions, are deserving of this annual increase; and urges the Government to bring forward proposals to end the evident unfairness in the current arrangements.”

(g) This from EDM 1203 that the same MP signed on 15 May 2007.
(h) “That this House asks the Social Security Advisory Committee to consider Statutory Instrument 2007 No. 775, the Social Security Benefits Up-rating Regulations 2007; calls on the Government to provide a remedy to the unjustified and unjustifiable discrimination against the 50% of overseas UK state pensioners in certain countries including Australia, Canada, South Africa and New Zealand; and requires the Government to present any future Instrument, Regulation or Order that purports to continue the application of disqualification in respect of inflation or other uprating of benefit as an independent Instrument, Regulation or Order instead of tucking it away in Clause 3 of a Regulation misleadingly titled Uprising.”

18. The British MP who stated his passionate beliefs so eloquently and so publicly to uprate UK expat state pensioner’s frozen pensions was Steve Webb, the current Minister of State for Pensions.

19. We must therefore ask how it is possible, when faced with all the overwhelming evidence that has been, and is being presented to the UK Government, for Clause 20 to remain in this Bill? How is it possible for the ‘frozen’ pension to be justified, when evidence shows that continuing it is so uneconomic? Finally, how is it possible for the UK to say that it is aspiring to abide by the Charter of the Commonwealth, which Her Majesty The Queen recently graciously signed, when an obviously discriminatory regulation remains on the statute book?

July 2013

Written evidence from The Trustee Directors of the UK Power Networks Group of the Electricity Supply Pension Scheme (PB 39)

1. The Trustee Directors (“we”) of the UK Power Networks Group of the Electricity Supply Pension Scheme (“the UKPN Scheme”) welcome this opportunity to make a written submission to the House of Commons Public Bill Committee that is considering the government’s Pensions Bill.

2. Earlier this year, the Department of Work and Pensions (DWP) ran a public consultation on a proposal to introduce into the Pensions Bill a statutory override of some of the provisions of the Protected Persons Regulations (PPRs) with respect to the legacy pension schemes (including the UKPN Scheme) of the former nationalised electricity supply industry.

3. The PPRs are the legislation that was enacted at the time of the privatisation of the industry in 1990 in order to implement certain promises given by the government of the day to the industry’s workforce. The legislation places strict obligations on the successor employers of the nationalised industry (ie today’s electricity companies) to fund both the accrued and the future pension rights of the protected persons (whether employees, pensioners, or beneficiaries) who comprise the great majority of the industry scheme’s 195,000 members. As a consequence of this, the rights of most members of the scheme are very strongly insulated against any adverse or detrimental changes to the relevant scheme rules that govern those rights.

4. The question raised by the DWP’s consultation was whether it would be fair and appropriate for the government to legislate under the Pensions Bill to allow employers to override the PPRs in order to change scheme benefits for active scheme members who are protected persons, thereby enabling the employers to offset the cost of the additional National Insurance that they will face as a result of the end of defined benefit contracting-out in 2016. In our response, and having regard to the fact that such an override would be a serious step without precedent in the 22 years since the PPRs came into force, we advised the DWP that, should it decide to proceed with the proposal, we would feel that we had no choice but to oppose the relevant legislation
unless it contained certain safeguards. We described these, and said that we regarded them as the minimum necessary to enable us to discharge our duties as trustees to the UKPN Scheme and its members.

5. Our response to the DWP was dated 5 March 2013. As far as we are aware, at the time of writing the DWP has not issued any formal public decision concerning its intentions following the consultation exercise. Meanwhile, however, the Pensions Bill, in the form that was brought to Parliament for second reading on 17 June, contains precisely the measures that so concerned us with respect to an override of the PPRs, unaccompanied by any offsetting safeguards of the kind we had requested. The relevant provisions are section 24(2) and Schedule 14 of the Bill, which, taken together, provide a power for sponsoring employers to amend their scheme rules unilaterally to decrease scheme costs in order to offset higher National Insurance contributions—for example, by reducing scheme benefits for future accruals—"despite anything in any other enactment to the contrary" (paragraph 11 of Schedule 14).

6. As we stated to the DWP, we think it essential that a sponsoring employer’s use of a statutory override of the PPRs to facilitate unilateral rule amendments for schemes such as ours should be subject to certain constraints. We note that Schedule 14 to the Bill is tightly drafted so that the amendment power can only be used once, within a specified time period, and then only for the narrow policy purpose of changing scheme rules in order to reduce scheme costs to the extent necessary to offset the increase in National Insurance. In our opinion, while those limitations and restrictions are welcome, they do not go far enough.

7. We believe that there is a strong case for requiring employer consultation with the scheme trustees prior to any exercise of the power, not least because the trustees will be responsible for administering whatever changes flow from such an exercise and, more importantly, because in the final analysis the members of pension schemes look to the trustees to protect their interests. We ask the Public Bill Committee to agree with us that such a requirement should apply, on the face of the Bill, whether or not the employees in question have statutory protection.

8. We also believe that, if consultation with trustees is to be meaningful, it must precede the consultation process that an employer proposing to exercise the amendment power would need to undertake with affected scheme members by virtue of secondary legislation already in place under the Pensions Act 2004 (in our case, this would be the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006).

9. We therefore recommend to the Public Bill Committee that the provisions of Schedule 14 to the Bill should be amended so as to put in place effectively a two-stage consultative process, the first part of which would require the employer:

— to notify the scheme trustees (including, where applicable, any Independent Trustee) of the employer’s proposal to exercise the unilateral amendment power in relation to the scheme rules;

— to inform the trustees of the details of the employer’s proposal, including the nature of the rule amendments, the extent of the scheme redesign to which the proposal would give effect, and the quantified impacts on affected members;

— to specify the date from which the exercise of the power would become effective;

— to allow the trustees a period of at least 60 days in which to comment and advise the employer about the proposal;

— to produce a full and accurate summary of the comments and advice received from the trustees and an explanation of how and to what extent (if any) the employer has taken account of them; and then

— to include that summary and explanation in the information given by the employer to affected members for the purposes of the necessary statutory consultation with employees.

10. We would also recommend that if the employer’s proposal on which the affected members are to be consulted requires higher member contributions, then this should need to be approved by two-thirds of those members who choose to vote, with the default position being reduced future accruals. This would mean that members would have a real role in the process, rather than simply a right to be consulted (but with the employer ultimately being able to achieve the cost savings in one way or another), and might be more palatable, in particular, to those of the affected members who have lost their previous statutory protection.

11. We hope that this submission will assist the Public Bill Committee’s review of the Pensions Bill, especially with respect to some of the difficult issues likely to arise from a future abolition of contracting-out. In particular, we urge the Committee to endorse our view that it will not be fair and reasonable to allow the Bill to enable a statutory override of the PPRs for industries such as ours without the safeguard of statutory controls. These must include employer consultation with trustees about the application and exercise of the new power.

July 2013

Written evidence from Neil Howett (PB 40)

Having a two tier Old Age pension to those that are not getting the new £144 a week is discrimination. For example I retire in 2014 and have paid 44 years National Insurance Contributions whereby the New pension
only requires 35 years NI contributions. Because my company opted out of SERPS I will not receive the second pension and I’m not eligible for Pension credit. Just the £107 or the today’s rate of £110

I have never taken anything out of the system. I left school at 15 and joined the Royal Navy serving the country and after that I worked two jobs most of my life working full time in the day and in the evening at different periods as a barman, part time auxiliary Nurse and a Youth Worker to enable me to get and pay for a mortgage but I was also paying NI contributions on each job.

It’s not right why should another pensioner get £37 a week or £1,924 a year more for less NI contributions? It’s discrimination big time!

Would you please consider the above as I’m sure there is lots like me who are in the same situation.

Many thanks for your help in this matter.

July 2013

Written evidence from National Association of Pension Funds (PB 41)

Annex

THE NAPF’S RESPONSE TO AMENDMENT ON STATUTORY OVERRIDE

Statutory Override

Currently, contracted out employers receive a National Insurance rebate for providing pension benefits in lieu of additional state pension to their employees saving in to a Defined Benefit (DB) pension scheme. Additional state pension will cease to exist when the single-tier state pension is introduced, resulting in the end of the National Insurance rebate. The NAPF welcomes provisions in the Pensions Bill for a statutory override that supports employers in making changes to scheme benefits to recover the loss of their National Insurance rebate as a result of Government policy.

A number of DB schemes across the country are now closed to new members and, in some cases, to future accrual as well. There is a real danger that if employers are unable to recover the loss of the rebate they may end up having to close their DB scheme to avoid the increase in cost to their business.

The purpose of the statutory override is to support eligible private sector employers in making changes to scheme benefits as soon as possible, particularly given the extremely tight time between Royal Assent and implementation. Failure to make the changes on time would lead to an additional cost of £2.2 million per day in lost rebate. Employers that choose to use the override will be in a position to make changes to pension benefits in a shorter period of time as trustee and member consent for the changes would not be required—though consultation will still need to be undertaken. Details of how this override will work and the actuarial valuations and certification that will be required need to be finalised in regulations as soon as possible if this provision is to be effective.

It is important to note that not all employers will chose to use the override. Some may choose to pursue trustee and employee consent while others may choose to absorb the additional costs in other areas of their business.

Multiple Employer Schemes

One area where the statutory override will not be as effective which be schemes that are sponsored by multiple employers. The Government should consider bringing forward an exemption to the statutory override for multiple employer schemes, instead putting in place provisions that place a duty on scheme trustees to put forward solutions for employers in these schemes seeking to recover the loss of the National Insurance rebate.

July 2013

Written evidence from Alf Russo (PB 42)

Dear Chairperson,

I have 34 years’ service with an electricity company and am a contributing member of their ESPS pension scheme which has Protected Persons Regulation (PPR) status.

I am also a branch executive member for Prospect representing professional Engineers mainly in the London area.

After listening to my constituents I forward my conclusions based on their views.
1. SUMMARY

1.1 Colleagues agree with the general principals of the Pension Bill insofar that it will be beneficial to have a unified state pension scheme that will be a lot easier to administer in the future, even though some colleagues will not directly benefit from the changes.

1.2 However, most colleagues are perturbed at the way the override facility of the PPR is being sought by the Bill fearing unintended consequences on the rights of protected DB pension schemes such as the ESPS and those of other ex-nationalised industries.

1.3 Explained below are some of the reasons why colleagues would like to see the following amendments to the Pensions Bill;

(a) There is no logical reason why the Protected Persons Regulation cannot be directly amended by the legislation itself to compel PPR pension scheme members to make up for the loss in the NI rebate—without any sponsoring company involvement.

OR

(b) The Trustees alone should be compelled by the legislation to make the necessary changes to recoup for the loss in NI rebate. Remembering the fact that sponsoring companies are also heavily represented on the board of Trustees.

OR

(c) As the Government will be making up for the NI rebate shortfall in Civil Service pension schemes (because of the 25 year no-change promises made to those schemes) it is only right and moral that the same promises made at privatisation are honoured to ex-nationalised schemes with PPR status. Not to do so would make a mockery of Government promises.

The sponsoring companies should shoulder these modest costs and not pass them on to their consumers.

Explanation

2. PROTECTED PERSONS REGULATION

2.1 The PPR regulation was brought in by a Tory Government at the time of privatisation to protect employees’ pensions from private sector owners maximising their profits at the expense of their employees. And what a good decision that was!

Without exception, every DB scheme in this sector was closed to new entrants soon after privatisation.

Yet company after company still sought these “cash cows” despite the inherited pension costs with all the implication on deficits, increased survival rates etc.

For example, the recent acquisition in 2010 by China’s Cheung Kong Industries’ takeover of EDF’s electricity distribution business in which due diligence and awareness of pension deficits did not deter CKI from paying £1.3Bn over the odds to achieve control.

2.2 The majority of the Electricity Distribution Network Operators are foreign owned, making substantial profits with some employing dubious—but yet legal—accounting systems to avoid paying their fair share of UK taxes with their profits repatriated to foreign lands.

2.3 The DWP consultation on the abolition of PPR cites that these companies are adamant that they will not bear the costs for the loss of the NI rebate and costs would have to be passed on to scheme members or the consumer. Is this fair to this country’s citizens who’ve seen company after company strip assets, deliver poor service at ever rising prices? Or the employees whose numbers and conditions of employment have been decimated over the years?

Considering the Governments’ inability to control these fiddles, would it not be sensible to revoke the proposed changes as any monies spent by the companies on NI contributions would be recycled into the British economy through spending on goods & services? (ie if you can’t stop the abuses then use the opportunity to just tax them a little more.)

2.4 The Companies also say that paying the extra NI costs would create industrial unrest and unfairness amongst employees. Yet these same companies were not bothered about that when they shut the DB schemes to new entrants.

2.5 It is worth noting that if an individual joined the pension scheme at time of privatization in 1990 he would have 23 years in the pension scheme already so the additional NI costs—at worse—would be shouldered for around 17 years with all other members completing their service before well before then.

(ie it is a diminishing cost over 17 years that companies can well afford)
3. DWP Consultation on Statutory Override for Protected Persons Regulation

3.1 At Chapter 3 the consultation document proposes a facility to enable companies to recoup for the loss NI rebates by overriding the employees and pension scheme Trustees “to adjust accruals or employee contributions or to make changes going forward”.

The idea of bypassing Trustees is unheard of in the UK and the consequences “to make changes going forward” are dangerous and could be seized upon by employers to alter scheme benefits to their advantage.

This can already be seen by a recent National Grid presentation to their employees based on a document dated 30th April 2013.

In the presentation, on the affordability of BD pension schemes, they mention “the Government proposing an override facility to ensure scheme benefits can be reduced to offset the increase in employer costs”.

What is notable is that there is no mention that the same could be achieved by an increase in members’ contributions as this option is obviously not as attractive to the company as reducing the benefits.

This is an early example of the dangers with the proposed legislation.

3.2 The National Grid presentation was somewhat premature in that National Grid knows full well that no changes can be made to certain pension schemes until PPR status is removed and this will inevitably lead to speculation of collusion between electricity companies, OFGEM, and the DWP.

4. The Electricity Industry

4.1 The companies owning the initial 14 Distribution Network Operators (DNO’s) & 4 generating companies were whittled down by mergers and acquisition to around six major distributors regulated by OFGEM.

The result of this was less competition, leading to both consumer bills and company profits rising exponentially.

4.2 The owners of the industry have benefited by sale of the assets, a good regulatory return on investment and higher productivity by workforce reduction/recruitment restrictions.

This policy has led to a “high age profile” workforce and worrying “skill shortages”.

5. OFGEM

For the first time the industry is faced with a real threat of both power and severe skill shortages to the extent that OFGEM had made an allowance of £210m available to DNO’s to expand and renew their workforce over the 5 years of DPCR5.

However, the sponsoring companies are not making full use of the allowance and because the workforce is largely “target driven” the ambition to pass on knowledge and experience are unlikely to materialize.

Recently, OFGEM announced the UK is set to lose 20% of its’ generating capacity by 2020, partly due to EU carbon emission targets.

6. Conclusions

6.1 successive Governments have failed to get to grips with the renewal of ageing power station plant made worse by imposed coal fired power station shutdowns leading OFGEM to recently announce a shortfall in future spare capacity with plans to cut down consumption by compensating heavy users to avoid black outs. OFGEM recons the chances of this would increase to 1 in 12 years by 2015 with spare capacity falling from the current 14% to 2%.

6.2 The industry is very much dependent on an ageing workforce and any changes to the pension schemes are likely to lead to early retirements exacerbating the problem.

6.3 The Electricity companies are still sought after despite pension costs

6.4 Legal tax avoidance is rife and profits are not benefiting the UK economy.

6.5 Cooperation from staff is crucial in view of the state on the industry.

6.6 The proposed Pensions Bill—if not amended—is likely to unite both Professional and Industrial staff in this and other affected industries in opposing such measures, with calls for Trade Unions to refer the matter to the European Courts.

6.7 If the Government intends to honour its’ pledge to Civil Service pensions then its’ immoral to break its’ promises—secured by statute—to ex nationalised industry staff.

Government integrity is crucial in our free and democratic society.
I sincerely hope the Committee will give due consideration to these thought provoking views that come from dedicated people meeting everyday challenges to keep our lights on and homes warm.

July 2013

Written evidence from The Association of British Insurers (PB 43)

Summary

1. We support the Government’s proposals on the Single Tier State Pension and on State Pension Age, though we continue to seek clarity on the deduction for periods spent contracted out. The implementation date of 2016 is welcome and should be seen alongside the introduction of the new system for funding social care.

2. We support the Government’s policy decision to introduce a pot follows member system. The timing of implementation is a further important decision because of the significant work and cost involved.

3. We support the inclusion of clause 34(2); however we have some the concerns about the breadth of the exemption. It is imperative that automatic enrolment helps all employees with no pension to start saving as soon as possible.

The State Pension (Part 1)

4. We support the Government’s proposals and agree that the single tier is the approach most likely to achieve the Government’s intended outcomes of the reform: clarity, reduced means-testing, equalisation between men and women, and sustainability and affordability. We are encouraged by the Government’s commitment to communications about the changes.

5. In its pre-legislative scrutiny report the Work & Pensions Select Committee said that the ‘rebate-derived amount’ deducted for periods of contracted out should be calculated in a fair and transparent way. We agree, and have argued that the ‘rebate-derived amount’ should be based on the rebates actually received, not the amount of Additional State Pension that people have given up. This does not need to be a change to the Bill, but clarity is sought from Government on how it will be done in practice. From 2002 we argued that the rebates should be higher, because they set unrealistically high assumptions about investment returns; and annuity rates were assumed to be at a higher rate than they turned out to be.

6. Whether someone benefits or loses out will depend on their individual circumstances. The Government have helpfully provided more examples, but each individual should have the opportunity to understand their own situation and review their own pension provision as a result. We recognise the important safety net of the ‘foundation amount’ being the higher of the entitlement under the current system and under the Single Tier system.

7. The Single Tier introduces a fairer system sooner and we support its introduction in 2016. Importantly, the Government has said the introduction of the new system of social care funding, also from 2016, will be funded from the revenue available because the Government no longer needs to pay NI rebates. Social care is another long-term policy issue of national significance, with cross-party support for its principles, and should be seen as complementary to the Single Tier.

State Pension Age (Part 2)

8. We support the changes to the State Pension Age (SPA) and the process for reviewing SPA periodically, and see it as inevitable when average life expectancy continues to increase. It makes sense for this to take a wide range of other factors into account—especially healthy life expectancy, and inequalities in life expectancy.

Automatic Transfers (Part 4—Clause 29 and Schedule 16)

9. It is important that automatically enrolled pension savers are helped to merge their small pension pots up to a certain size. However, we must think about the timing of the policy development and implementation in this area. It should not be taken forward at the expense of ensuring that automatic enrolment is a success.

10. We support the Government’s policy decision to introduce a pot follows member system. Our consumer research confirms this is by far people’s preferred choice—58% of respondents told us that they want their pension pot to follow them automatically to a new job.

11. Our members have already undertaken some work to explore how a central database model could work, if that is the chosen implementation model. This found that there would be significant work and cost in implementing the model, in particular:

   — Consumer interests must be protected; therefore high standards are needed for all players in the automatic transfer market. Schemes must be of an appropriate quality and capability to accept small pot transfers.

   — Data quality is critical to ensure that the right pot is sent to the right scheme at the right time. This is about being able to authenticate, validate and authorise all parties in the process. For example,
the employer will need to correctly establish the identity of their staff (name spelling, date of birth, national insurance number and address) at the time they hire staff.

12. It is also vital that the automatic transfer process and system is cost effective to run; the on-going transfer administration costs must be kept to a minimum.

13. Implementation of automatic transfers will be a significant project and should not be done at the expense of automatic enrolment. The timing is important—the most important priority at this stage is to make automatic enrolment a success; we must focus on supporting employers and getting people to start saving, and save more for their retirement.

**Automatic Enrolment Exemptions (Part 4—Clause 34)**

14. We support the inclusion of clause 34(2) because automatic enrolment will not be right for everyone; however, we have some the concerns about the breadth of the exemption. It is imperative that automatic enrolment helps all employees with no pension to start saving as soon as we possibly can. Therefore it is critical that this clause does not give the Secretary of State the power to exempt small and micro employers from the duty to automatically enrol employees. Automatic enrolment is a critical policy to address the retirement savings gap in the UK and presents a unique opportunity to put in place an affordable and sustainable pension system for millions of people working in the UK.

**Written evidence from the Childhood Bereavement Network (PB 44)**

1. The Childhood Bereavement Network is the national hub for those supporting bereaved children and young people. We underpin our members’ work with essential support and representation.

2. We have convened a group of organisations that are concerned about the impact of clauses 27 and 28 (Bereavement Support Payment) of the Pensions Bill on **widowed parents with children**. These organisations include Child Bereavement UK, Cruse Bereavement Care, Gingerbread, Low Incomes Tax Reform Group, WAY Widowed and Young, Winston’s Wish.

**Summary**

3. Under current proposals (to be determined by regulations) the suggested duration of the new Bereavement Support Payment (BSP) for most families (96% [1]) is shorter than for the existing Widowed Parents Allowance (WPA), and too short to address families’ needs.

4. As a result of this shorter duration of payments, 75% of new claimants with children would be worse off (88% of those in work, 57% of those out of work). Claimants with younger children will be disproportionately badly affected.

5. Widowed parents needing to claim Universal Credit will be subject to conditionality requirements 6 months after the death, which is too soon.

6. The tax status of the payments is unclear, making it difficult to anticipate the reform’s full impact.

7. Unmarried partners will be ineligible for BSP, denying many families support—the impact of which will be felt by children who have no control over their parents’ marital status.

8. We believe that adjusting the proposals for BSP could bring about a system that is simple for families to understand and underpins the crucial support they provide to their grieving children.

**Introduction**

9. The proposals represent a fundamental repurposing of support to bereaved families with children. The government intends to ‘concertina the support into a substantially increased grant, death grant, or lump sum, consisting of several thousand pounds more than the current figure. Monthly payments will then be paid over the following 12 months; those are essentially a broken-down bit of that first lump sum. Essentially, that replaces an ongoing weekly pension that can go on for the best part of two decades, in extreme cases, with very substantial help in the first part of the period’. [2].

10. We are disappointed that regulations—which will set out the rate of the benefit, the period for which it is payable, and how these may vary for those with children—have not yet been published and made available for scrutiny.

11. In the absence of published regulations, we understand that the reforms are anticipated to follow the approach taken in the Government’s response to the public consultation [3], which underpins its Impact Assessment [4].
12. We welcome certain aspects of the reform proposals, including the disregard of BSP as income for calculating Universal Credit and the benefits cap, the indication that BSP will not be taxed, the removal of the disentitlement on cohabitation/remarriage, and the simplified contribution conditions.

13. However, we have some serious concerns about the wider proposals to repurpose the support. The current system of WPA provides flexible help to widowed parents, enabling them to provide stability and support to their children over time in a way that is consistent with the lessons from research. We are concerned that the reform proposals will severely undermine this.

**Net effect on groups of widowed parents**

**Lump sum vs monthly instalments**

14. The consultation asked respondents for views on two options: a single lump sum (option 1), or a smaller lump sum plus monthly instalments to be paid over a year (option 2). Of these, many respondents preferred option 2 as this would reduce the risk of the total payment being swallowed up by funeral expenses and other immediate demands or pressures.

15. However, these responses must not be taken out of context as unmitigated acceptance of option 2: responses from the Childhood Bereavement Network, St Christopher’s Hospice, Royal British Legion and Gingerbread all said that, while preferable to option 1, option 2 did not offer long enough duration of payments for those with children, and the Social Policy Research Unit said that it did not see firm evidence for limiting the time period to 12 months.

**Does the increased lump sum offset the shorter duration of payment?**

16. The government’s assessment of the net impact of the reform compares the amount a claimant would get under current arrangements with what they would get under the reform, to work out what proportions of claimants would get more or less. This type of calculation assumes that the increased lump sum (from £2,000 to £5,000) goes some way to offsetting the reduction in duration of monthly payments.

17. However, many organisations and individuals have raised concerns that the lump sum will be swallowed up by increased funeral costs and other immediate demands, and that claimants will find it difficult to ‘eke it out’ in the way which the calculation assumes. The average cost of dying in the UK in 2012 was £7,114—including non-discretionary funeral costs, discretionary funeral costs, and estate administration costs [5]. Over the last eight years, funeral costs have risen faster than the rate of inflation: last year, funeral costs rose by 6.2% while the retail price index rose by 3.5%. The cost of a basic funeral in 2012 was £3,284, up 71% since 2004.

18. If claimants are not able to eke out the lump sum, then conclusions drawn about net gains or losses must be treated with caution. The total amount may be more, but the ‘concertina’ effect may make it feel like less support.

**Those in work**

19. DWP estimates that on average, proposals will provide more money for those who would have made a claim of two years or shorter, and less for those who would have made a claim for three year or longer [4]. 88% of new claimants who are in work will be worse off under the proposed reforms (96% of those in the top three income quartiles and 64% of those in the bottom income quartile).

**Those out of work**

20. DWP estimates that on average, proposals will provide more money for those who would have made a claim of three years or shorter, and less for those who would have made a claim for four years or longer [4]. 57% of claimants will be worse off (96% of those above the median income and 34% of those in the second income quartile).

**How much worse off will people be?**

21. Government figures only show the impact on families making a claim of up to 12 years [4]—this is because Widowed Parents Allowance has only been in existence for 12 years. However, if the youngest child continues to be eligible for child benefit, WPA can be claimed for up to 20 years. Thus, the impact of changes on families who could currently make the longest claim (ie whose children were youngest when their parent died) is not known, but will be more serious than the changes already projected.

22. There has been some confusion over the length of the current median claim. The Minister said ‘the typical length of time that people spend on widowed parent’s allowance is currently in the order of four years’ [2]. Using the government’s new figures [4], we estimate the median claim to be between five and six years.

23. Families who could make this median claim of five to six years currently would be up to £16,800 worse off (average loss for working families £12,000, average loss for non-working families £6,600) (see tables 1 and 2).
24. The changes are worse for families with younger children, who can currently claim for longer. A family with younger children, currently able to claim for nine to ten years, would be up to £31,000 worse off (average loss for working families £23,500; average loss for non-working families £14,900).

THE SUGGESTED DURATION OF BEREAVEMENT SUPPORT PAYMENTS IS MUCH TOO SHORT TO ADDRESS FAMILIES’ NEEDS

25. WPA is currently paid until the youngest child leaves full time education. The Government proposes to reduce this drastically, paying BSP to widowed parents for just one year. Current data suggests that only 1 in 28 parents claim for less than one year [1] so most people will receive payments for a very much shorter time than they would under current arrangements, especially those whose children are younger.

26. In most families, the current weekly payments of WPA are put towards general living expenses, with many finding these essential to meet their basic living costs. For some families where the person who died was the main breadwinner, WPA goes some way to replacing their income, allowing some continuity with the arrangements for looking after the children that were in place before the death. For others, it allows the surviving parent more flexibility to work fewer hours or to change jobs or even sector to fit with their new responsibilities as sole carer of their child.

I wanted to be with my daughter all the time; she had just lost her daddie; I didn’t want her to feel she’d lost her mummy too [6]

27. The Government proposes meeting the longer-term support needs of those who are not working—around 40% of claimants—through Universal Credit (UC). We do not believe this is an adequate response to the needs that emerge for families as a result of bereavement: conditionality requirements will be imposed and this will not provide support to those who are earning above a certain threshold, but still need the flexibility to meet their children’s emerging needs. Further, it is likely to draw more claimants into the UC system.

28. We do not believe that the current proposals meet the government’s own principle of giving recipients the flexibility they need to regain control following bereavement—nor do they meet the needs of families.

29. We believe the government should differentiate its approach for those with children, both in the amount of BSP paid (in recognition of the additional costs they bring) but also in the duration of instalments, given that children can make it more difficult for a widowed parent to adjust to a death and move into self-support. Surviving spouses living alone with dependent children report more distress than those without children [7]. They have a range of additional demands:

30. Managing their own grief while supporting their children—how they continue to function in the face of their own pain, loss and grief is critical in determining their children’s outcome [8].

31. Responding to their children’s emerging needs over time—Most children will experience significant distress and confront the surviving parent or caregiver with major parenting challenges [9]. These challenges can grow and change over time, with significant new differences between bereaved children and their non-bereaved peers emerging by two years after the death, including higher levels of emotional and behavioural difficulties, suggesting a ‘late effect’ of bereavement [8]. In clinical practice with families where a parent died of cancer, families sometimes report significant problems in their children three years later, despite a relatively mild initial reaction [10]. When a parent dies suddenly, mothers describe their children (regardless of the age at which they were bereaved) as experiencing an exacerbation or revisiting of grief responses as they mature cognitively and emotionally [10]. Many families report that the second and subsequent years following bereavement are even harder than the first, as the reality of their new circumstances sinks in.

32. Providing stability and continuity to their children. Children and young people need as much continuity as possible following the death of a parent. Stressful changes and disruptions which accompany or follow a death (such as moving house or school, changed household routines and childcare arrangements) are associated with worse mental health [11]. The longer these changes persist, the greater the detrimental effect on children and young people’s emotions and behavior [8]. Studies suggest that a drop in income and associated lifestyle changes are more predictive of mental health difficulties than the level of income per se [7].

33. Adjusting to life as the sole carer and earner. Widowed parents have to make a new role for themselves as a single parent—a role which they have not chosen. Children’s need for stability makes it vital for parents to be able to respond flexibly to them. They may need to change their working hours, return to work after a period of caregiving, or give up work entirely. Childcare and access to flexible working can be a significant barrier to returning to work—both for those who had been working prior to their bereavement, and for those who had been stay-at-home primary carers until their bereavement. Longitudinal studies have found that children’s adjustment to the death of a parent is closely associated with the capacity of their surviving parent to care for them, including being physically available to them [8].

34. Stopping payments after one year will have a significant impact on grieving families’ finances. This may force widowed parents to increase their working hours to replace the income, before their children are ready for them to be less available. It may necessitate moving house—and school. If these additional changes and stresses have the negative impact on children’s outcomes that the evidence base suggests we could expect, then we may see greater costs to the family and society in terms of worse mental health and educational outcomes.
35. We believe that the duration of monthly instalments should be increased to address families' needs more adequately.

CONDITIONALITY REQUIREMENTS FOR WIDOWS AND WIDOWERS WHO ARE CLAIMING UNIVERSAL CREDIT WILL BE APPLIED TOO QUICKLY

36. To meet the conditions for claiming Universal Credit, widows and widowers whose youngest child is three or four will have to be preparing for work, and by the time the child is five, they will have to be actively seeking and available for work. The Department for Work and Pensions suggests that these requirements would be relaxed for the first six months following the death of a husband or wife [4], but this still means that the Government will be expecting parents of bereaved children to be looking for work just six months after the child’s mother or father has died.

37. This is in contrast to the situation for kinship carers, who will be exempt from full work-search requirements for a year after a child comes to live with them, to allow the child to settle [12]. This could lead to the perverse situation where a father caring for his daughter after his wife’s death would have to be seeking work within six months, whereas if the child went to live with a great-aunt, that relative would have a full year to dedicate to helping her adjust.

38. Subjecting widows and widowers to full conditionality at this early stage in their child’s grief—and that of their own—may be counterproductive by increasing stress and anxiety, which in turn may lengthen time away from work.

39. The Minister suggested that families may be able to delay the start of their Universal Credit claim (and thus their requirement to search for work) by eking out the lump sum and monthly instalments [2]. We expect that many more families would do worse under the reform proposals than in current estimates [1] if they delayed their claim in this way. We do not think it fair that families should face a choice between claiming UC and being with their children. We believe that full conditionality should be relaxed for at least a year following the death of a partner and that this should be reflected in the Universal Credit Regulations.

THE TAX STATUS OF BSP IS UNCLEAR

40. The Minister indicated that if BSP is paid for just one year, it ‘looks like a death grant and quacks like a death grant’ [2] and therefore is easier to argue that it should be exempt from tax. The proposals state that ‘the tax status of Bereavement Benefits is a matter for HM Treasury’ [3], and that the indication is that the lump sum would not attract income tax. The status of the monthly payments is less clear, although the Impact Statements prepared by the Department for Work and Pensions rest on the assumption that these payments are also tax-free [4]. Clarification from HM Treasury is urgently needed, so that the overall impact of BSP can be predicted accurately.

41. Depending on the date of introduction of BSP (anticipated to be 2017) as against the final transition of tax credits to Universal Credit (anticipated to be 2018), there could also be tax credits implications if the treatment of BSP as income for tax credits follows the tax status.

42. As a central aim of reform is to simplify the system, we believe that both the lump sum and the monthly payments should be tax free, however long the monthly payments last.

UNMARRIED PARTNERS WITH CHILDREN WILL BE INELIGIBLE FOR BSP

43. Widowed parents who were living with—but not married to—the person who died will not qualify for BSP, just as they currently do not qualify for WPA.

44. We believe that this is profoundly unfair: the higher rate of bereavement benefit currently paid to those with children is in recognition of the costs—emotional, practical and financial—of bringing up children when a partner has died. Children themselves have no influence over whether their parents are married or not, so it seems extremely harsh to deprive some of financial support following a parent’s death based on their parents’ marital status. In 2011, 31% of babies were born to cohabiting—but unmarried—couples [13]. None of these families would qualify for BSP if one of the parents died.

45. This is contrary to current understandings of what constitutes a ‘family’ and differs from how cohabitation is interpreted in other Government legislation: for example tax credits and Universal Credit are assessed on a household basis looking at cohabiting couples regardless of marital status. The Armed Forces Pensions Authority successfully uses a definition of ‘eligible partner’ which could be used as the basis of determining eligibility to BSP.

46. The Minister raised the practical difficulty determining eligibility, describing how uncomfortable it would be to ask intrusive questions about the nature of a relationship, shortly after the person had died. However, many of the administrative procedures around a death could be seen as intrusive, but we believe they are recognised as being necessary, and do not accept that determining eligibility for BSP would be any different.

47. We believe that eligibility for BSP should be extended to unmarried, recognised partners who have children with the person who died.
**Annex 1**

**IN-YEAR AND CUMULATIVE NOTIONAL GAINS AND LOSSES**

**Table 1: Out of work**—WPA group net gain or loss in thousands of £, 2012/13 prices, difference between current and proposed schemes, by income quartiles (Q1 is lowest quartile).

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<tr>
<th>Number of years of the claim</th>
<th>Q1 In-year</th>
<th>Cum ul.</th>
<th>Q2 In-year</th>
<th>Cum ul.</th>
<th>Q3 In-year</th>
<th>Cum ul.</th>
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**Table 2: In work**—WPA group net gain or loss in thousands of £, 2012/13 prices, difference between current and proposed schemes, by income quartiles (Q1 is lowest quartile)

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**Notes**


Figures in **italics** are our calculations.

**References**


I am writing to request your support for the women who will be discriminated against by the new flat rate pension. I am one of the thousands of women who will not be eligible to receive this new flat rate because of my date of birth yet males born on the same day as me will receive it. I was born in 1952 so I am already having to wait almost three years to receive my pension which will be at the amount it currently stands, almost £40 a week less than males will receive. Surely we deserve to be either given the new flat rate or, at least, the option of being able to defer receiving our pension until the same date as males so that we too can benefit from the higher amount. I am already having to wait almost 3 years after my 60th birthday before I can take my pension because of the equalisation process so I have a 3 year pension loss already. I appreciate that males of my age do not become eligible until they are 65 but that is only 15 months later. Therefore I will have received £6000 before they begin to take theirs but they will recoup that amount within 3 years of receiving their pension, leaving them receiving approximately £2000 per annum more than females born on the same day. Should I live until 85, that amounts to a difference of £40,000. I am struggling to understand how the law allows such blatant discrimination. I have worked all my life and have paid almost forty years of national insurance contributions. I had understood that one of the aims of the new pensions bill was to help women by reducing the differential between males and females, I would be living the last twenty or so years of my life receiving almost forty pounds a week less than my male counterparts yet have paid just as many qualifying contributions so I will be sentenced to an old age of poverty and misery while my male peers will be substantially better off.

While I agree with equalisation, it should be arranged in a just and fair way. It seems that women are being intentionally discriminated against as well as being treated unjustly. There are many thousands of us in the same position who are extremely worried about our financial future and are anxious to get support to have this injustice rectified.

I understand that one way to resolve this disparity would be for there to be an amendment to the Bill for transitional arrangements to be made. I hope you feel able to support this idea.

July 2013
Written evidence from EEF (PB 46)

1. EEF, the manufacturers’ organisation, is the voice of manufacturing in the UK, representing all aspects of the manufacturing sector including engineering, aviation, defence, oil and gas, food and chemicals. With 6,000 members employing almost 1 million workers, EEF members operate in the UK, Europe and throughout the world in a dynamic and highly competitive environment.

2. The UK’s manufacturers have an extensive history of supporting workplace pensions. Pension provision is a long-established element in the reward package provided by manufacturers which has historically been based on a Defined Benefit, (DB) model. Demographic change and greater life expectancy has over recent years placed great pressure upon employers who provide DB pension schemes. A 2011 EEF survey of its members revealed a marked change in pension provision in the sector. Whilst 28% of manufacturers operate a DB scheme, the number of DB schemes open to all new members had fallen to 14%, and there was continued growth in Defined Contribution, (DC) provision. 84% of manufacturers operate at least one type of DC scheme and we expect this trend to continue and possibly accelerate following the introduction of auto-enrolment as many of the qualifying schemes chosen by employers will be DC based.

3. Between April and October 2011, the default retirement age of 65 was abolished. This change largely prevents employers from compulsorily retiring workers at the age of 65, and so paves the way for workers to continue to work past their 65th birthday. Recent figures from the Office of National Statistics shows that of a total UK workforce of 29.76m, for the first time there are now over 1 million workers over the age of 65. We expect this trend to continue within manufacturing. The sector is experiencing an acute skills shortage and employers are likely to want to retain older workers for longer whilst they find that they cannot easily replace them with younger workers with equivalent skills.

PART 1—STATE PENSION REFORM

4. The current arrangements for entitlement to the various elements of the state pension are in urgent need of reform. Many employers and workers alike are unable to easily, or at all, decipher what their entitlements are, or with any certainty predict what their likely state pension will be upon retirement. We are therefore supportive of the principle of providing greater clarity and consistency, which will allow everyone to know what they will receive in retirement.

5. Reform of the state pension will we believe have a positive impact upon the level of workers choosing to opt-out of a workplace pension under the still new auto-enrolment provisions, minimising the number of workers who are not enrolled in an occupational pension. To date, most workers have been unable to easily predict what they will receive from the state in retirement. Some may have unrealistic expectations. Transparency as to the level of the state pension makes it clear for all that the state pension will not provide the income replacement which many will expect, and will support no more than a very basic standard of living. If therefore workers aspire to a greater level of income past their retirement, they will need to ensure that they themselves provide for this. We believe that in time pension saving will become normalised to the extent that it is currently not, however, the amounts workers are required to save are modest and many may be disappointed by the income replacement which minimum auto-enrolment contributions will support.

6. We recognise that in settling the level of the single tier state pension, Government has to balance a number of conflicting and competing priorities. The changing demographic profile of the UK, better healthcare, and longer life expectancy all place pressures on state pension provision as they do upon occupational DB pension schemes. Equally, Government must also ensure that the state pension provides a sufficient income level for retirees to discharge their living costs without relying on means tested benefits. Finally, the new single tier pension will be based on individual contribution, requiring 35 years, or more, qualifying national insurance contributions. Setting the level of the new single tier state pension is therefore a complex task, and Government has indicated that in today’s terms, the new single tier pension will be worth £144 per week. This, however, is only very marginally above the current rate of £142.70 which those in retirement and in receipt of benefits receive. The new single tier state pension will therefore only support a basic level of subsistence, and provides a strong incentive for individual saving. In discussions with our members, some believe that workers will question whether this very marginal benefit of £1.30 each week sufficiently reflects 35 years’ of national insurance contributions, or whether this differential will undermine further confidence in the state pension and pensions in general.

CLAUSE 24: ABOLITION OF CONTRACTING-OUT FOR SALARY RELATED SCHEMES

7. The creation of the single tier state pension, and the end of contracting out of the second state pension, S2P, will negatively impact upon employers providing DB pension schemes. Currently, providing that such pension schemes meet statutory requirements, employers pay a reduced national insurance contribution—the reduction is 3.4%. Employees national insurance contributions are also reduced by 1.4%. The introduction of the single tier pension will have the effect of increasing an employer’s national insurance contributions by the amount the current reduction—3.4%. For many employers, this will be a significant additional cost and could call into question their continued support for their DB pension schemes.

8. Employers who continue to provide DB pension schemes are in the minority. Such schemes are costly for employers to support and provide amongst the best retirement outcomes for workers. The financial cost of supporting such schemes has already led many employers to close their schemes. Those employers who continue to support DB schemes must we believe be encouraged and supported to do so. We therefore strongly support the inclusion within the Bill of Clause 24 and the two related schedules, 13 and 14. Taken together, the provisions will enable employers sponsoring DB schemes to find a means to continue to support a final salary pension at a time when their national insurance contributions will rise. The provisions will allow employers to effect changes to pension scheme rules to adjust scheme members’ future accruals and/or pension contributions to compensate for the loss of the national insurance rebate. After consulting with our members, we believe that without the inclusion of Clause 24, the number of DB pensions schemes will fall as employers are unable to continue to support them.

**PART 2: PENSIONABLE AGE**

9. We support both the already announced increase in the state retirement age and the proposal for the provision of a periodic review. Increased life expectancy must we believe be reflected in longer working lives if workers and the state are to provide adequate complimentary pension provision. There are a range of options available to Government in order to encourage longer working, and we believe that varying the retirement age and keeping this under review achieves both the aim and a balance. There are other alternatives which other member states of the European Union use to achieve the same outcome of a longer working life, some of which were explored by the European Commission last year. The potential various options include increasing the contributions which are required before a worker is entitled to a state pension, linking entitlement (and therefore the likely retirement age) to gains in life expectancy, and some link pension benefits to the financial size of the pension scheme. We do not favour any of these options, which all introduce either a degree of uncertainty for workers or amount to a numerical lock-in which may then fail to take in account social or economic factors. The proposal in the Bill, whilst considering life-expectancy and the proportion of this spend at work, also enabling a wider review to take place and relies less on a formulaic approach.

**PART 4: PRIVATE PENSIONS**

10. The introduction of auto-enrolment will lead to a number of relatively modest pension pots belonging to workers who may move between employers frequently. We recognise that this will deliver poorer outcomes for workers, and that a single larger fund would perform better than a multiple of smaller funds. In addition, a single fund would provide greater clarity and transparency, allowing a scheme member to easily see how their pension was performing. We therefore welcome the attention that Government has given to this issue.

11. The solution contained within the Bill is one known as “pot-follows-member”, where a small pension pot in a money purchase scheme, which Government initially has indicated would be less than £10,000, would transfer to the scheme in which the workers was an active member. EEF does not support this model for the reasons set out below.

12. The administration which will be needed to surround the model will be complex and considerable. There will be quality standards for automatic transfer schemes to meet, scheme managers will be required to find out if a member has transferable benefits in another scheme, prescribed information will need to be provided to members, members will have the right to opt out and there will need to be an assessment of whether the transfer is in the interests of the member. This last point is the most critical, as an automatic transfer will not always be in the best interests of the worker.

13. EEF recognises the problems that small pension pots will create, but we believe that the model contained within the Bill is likely to be administratively complex without providing a clear benefit to pension scheme members. Our preferred model is one of a default option, where small pension pots are aggregated together in a single fund, thereby gaining the advantages of scale and return. We believe that the National Employment Savings Trust (NEST), would be a suitable platform for such an aggregation scheme. NEST has a public service obligation, and must accept any pension scheme irrespective of size. It has low charges and is clear and transparent for members and employers to use. However, as it is currently formulated, NEST cannot accept transfers into it. Government has consulted upon lifting these and other restrictions, and has yet to announce its view. If the ban on transfers into NEST was lifted, then NEST would be well placed to provide a solution to the problem of a multitude of small pension pots.

_July 2013_

Written evidence from Pauline Walker (PB 47)

1. I was born in 1953 after your new cut off date. I have not worked since 1981 when we moved to another EU country, (returning to the UK five years ago). We were advised by the DHSS to start making voluntary payments towards pensions, but as we were young could only afford to make payments for either myself or my husband. We were advised to make payments for him, as ‘I’ would be covered.

13 http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1194&furtherNews=yes
2. Under old rules, at the age of 63 and a few months I would be entitled to a pension of £66 per week. Under the new rules I will be entitled to £52.16 per week. If you had not moved the cut off date by one year, I would come under the old rules.

3. If my husband dies first, once we are both over pension age, then under the old rules, I would have been entitled to £116.27 per week (including half my husband’s graduated pension). I was told this, yet again by the DWP in January 2013. Under the new rules I would be entitled to £52.16 per week.

4. As you have brought forward the date for the changes by one full year, I shall NEVER be able to make up enough years to get a full pension, EVER! The DWP is unable to tell me exactly how much I would have to pay in the interim to make my pension bigger, it could be as much as £6k or £7k, a lot of money for us, and even then under the new rules, I would only get £97 per week.

5. Remember, even in January 2013 the DWP were telling me that I would be covered by my husband’s contributions.

6. You have left it too late for me to ever sort my affairs out and as I have said, we have been offered bad advice since the late 80’s by the DHSS and subsequently, the DWP. We could just as easily have been paying my voluntary contributions all this time, but on YOUR civil servants advice, did not! Over the years I have suggested that we should have been paying my, rather than his, voluntary contributions, but the answer was always a resounding NO!

7. I could be left with £52.16 to live on.

8. DO NOT imagine that if I was widowed, the extra money, that I have been told I would have the right to claim, if £52.16 was my only income, would be a proper benefit. It would not. There is a great deal of difference between having to fill in a form or see a civil servant and beg, because once a civil servant tells you that they even need to know how much money one has, down to exactly what is in your purse, is on quite another level from getting a pension paid every week, which is a ‘NO QUESTIONS ASKED RIGHT’. Of course there are many ‘no questions asked rights’ child benefit and even MP’s expenses. Where as requiring to know every last penny someone has in their pocket, reduces them to being a beggar, from the verb ‘to beg’ and requiring charity.

9. I find myself in a situation that is of great worry to me. I have had bad advice over many years and now you have given me no time to sort my pension out and become other than a beggar, unless there is some clause showing common sense and fairness, in the new bill to cover women such as myself.

July 2013

Written evidence from Elaine Calvert (PB 48)

1. I am a married woman born in 1956. I am an expat living in the EU and I am alarmed about alterations to the married couple’s pension in the proposed Pensions Bill. My state pension based on derived rights is in jeopardy.

2. Through the Category B pension, a spouse was provided for by the couple’s joint national insurance contributions. It is discriminatory and exclusive to only allow this provision for those within 10 years of retiring. The ministers have not explained how 35 years contributions are to be paid in such a short timescale for those outside the 10 year limit, especially by those on low incomes. Pension credit will presumably be their alternative income source, but details are vague.

3. I have a broken contribution record due to chronic illness. The pension minister has indicated that had I claimed invalidity, I would have received credits and therefore secured a state pension. It is immoral to be penalised for trying to support myself.

4. The retirement age is presumably going to be reassessed every 5 years, eroding the 10 year limit. As an expat living in the EU, I cannot apply for pension credit, sign on unemployed, gain employment or pay voluntary contributions from a small joint income. My husband has paid 40 years contributions and even if he could pay more, the constantly changing entitlement conditions are not reassuring. If I cannot claim a state pension because I fall outside the limit (my state pension age is 66 in 2022), I would have to return to the UK and claim pension credit. This is against the principles of the Bill.

Summary

People who were entitled to a state pension can now become excluded under the new conditions. These restrictions will lead to challenges under the Human Rights Act and the EU Freedom of Movement Act. Entitlement conditions need to be rethought through without the over optimistic and unrealistic political assumptions, eg ability to gain employment over 50 years old, pay voluntary contributions and apply for benefits.

July 2013
Supplementary written evidence from Catherine M Kirby (PB 49)

Submission as below Reference PB/Pensions 2013 Committee+ 2/7/2013: Females born ’51 to 5.4.53

Ref Pension Bill Part 1, Clause 1(2) 2 & 3 It is necessary please to include by transitional arrangements women born ’51 to 5.4.1953 and subject to equalisation/wait in the Single tier 2016 by the best of the options ST or SP as per TUC, others@evidences’+along lines “to include” Prof. Ginn, R. Altmann

1. The Minister of Pensions S Webb on 2.7.2013 at Public Bill Committee/Pensions Bill 2013 col:134–9 “Let us look ..at 2 other groups: 1. Women* SPA before 2010. 2. 700 000 ‘s (’51 to5.4.1953 dob)** 3. ‘after April 2016.*** Let us look at 1. SPA/Age 2.+no. of years(NI)conts. 3.+ in…ST or not’(?)

<table>
<thead>
<tr>
<th>Date of Birth</th>
<th>SPA</th>
<th>No of NI Conts.</th>
<th>In Single Tier</th>
<th>Equalisation/Y/ No</th>
<th>Before Men</th>
<th>Men dob in ST</th>
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<tbody>
<tr>
<td>All of 1949*</td>
<td>60(2009)</td>
<td>39</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>5 years</td>
</tr>
<tr>
<td>@5.4.1950*</td>
<td>60(2010)</td>
<td>39</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>5 years</td>
</tr>
<tr>
<td>Group 3. Post 6.4.1953 to 5.7.1953 the ‘80 000 ‘campaign’ used along with group2 at Select Cmte and by DWP government ‘analysis ’1st 6.4.1952* to 5.7.1953 then 2nd 6.4.51 to 5.4.53</td>
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<th>Before Men</th>
<th>Men dob in ST</th>
</tr>
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<tbody>
<tr>
<td>3.6.5.53***</td>
<td>63yrs 2mths</td>
<td>35(+can buy)</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>1 yr10mths/ Men in ST too</td>
</tr>
<tr>
<td>3.6.4.53</td>
<td>63yrs 3mths</td>
<td>35</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>1yr 9mths/ Men in ST too</td>
</tr>
</tbody>
</table>

Group 2 Born ’51 to 5.4.1953 known as 700 000/Previously 430 000 to 10.3.2013 Minister at Sel. Cmte then chancellor/Minister? made the ‘amazed’change on 17.3.2013 to expand to 700000 70000 have less SP 105 000 cannot defer. The inclusion cost would still be in <cost neutral budget

<table>
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<tr>
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<th>No of NI Conts.</th>
<th>In Single Tier</th>
<th>Equalisation/Y/ No</th>
<th>Before Men</th>
<th>Men dob in ST</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. 6.9.52**</td>
<td>62yrs 6mths</td>
<td>39all/30+some</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>2yrs 6mths/ Men dob in ST</td>
</tr>
<tr>
<td>2.5.4.53</td>
<td>63yrs/3yrwait</td>
<td>39all/30+some</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>2years Men same dob in ST</td>
</tr>
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</table>

2. It is patently and VERY clearly obvious that we the ’51 to 5.4.1953 are the most disadvantaged/it is not ‘anger(SW)’ it is totally and complete discrimination vis a vis ALL men younger same age and older in ST. Men’s SPA since 1940’s 65. Women pre 2010 SPA NOT subject to equalisation: Women(+)* post 6.4.53 subject to equalisation get the ST, some some one year and 10months before men same dob.** Women born ’51 to 5.4.53 subject to equalisation wait up to 3 years therefore 3 years loss of CONTRIBUTORY SP at age 63 and we were NOT notified of equalisation ‘assumed’ therefore 60 SPA. These women numbers have 39 NI+ at 2010 were ages 57 58 59yrs. £6 (quid to S Webb) is significant on a low income, and we will get the LOWER amount for the whole rest of our lives. SW says savings credit this does not start till age 65, can be 50p (Hansard). He talks about being widowed the next day and once you start giving ‘women’ choices it is complicated. Mr Webb has tried to twist toss turn and fictionalise his cards, and he asks others to put their cards on the table. Mr Webb we have always done so. We have not changed from the fact that you are introducing Discrimination and Injustice willingly. Mr Webb admit that you are doing so as that is the FACT that you are doing so because you can and in doing so making us even more disadvantaged the group of women ’51 to 5.4.53 and you have not here a jot of an aim of gender (M/F(+)* equality justice or reducing means testing and(your word) “fairness”’. Your modus operandi/aim is the total opposite. We are unique.

July 2013

Supplementary written evidence from NAPF (PB 50)

** KEY POINTS **
— Auto-enrolment is expected to result in lots of small pension pots. The Government is right to automatically consolidate each saver’s small pots in one place.
— But the Government’s proposed method to do this—‘pot follows member’—is risky for savers and expensive for pension schemes.
— The Government should not rush ahead with primary legislation before it fully understands the impact of its policy.

What is the problem?
Automatic enrolment is expected to bring between 5–8 million people into pension saving. Many of these new savers will be low paid workers, or workers who frequently change jobs. There is a risk that these workers could build up lots of small pension pots, which are then left behind in their old schemes.

It can be difficult and expensive to turn these small pension pots into a retirement income by purchasing an annuity. There is also a danger that these pots could become stranded when members leave them behind. Members may not know how to find their old pots when they come to retire. Indeed, around one in six employees in the UK have lost track of their pension funds after changing jobs.

The Department for Work and Pensions estimates that if we do nothing, there could be 50 million pension pots left dormant by 2050. 12 million of them would have a value of under £2,000.

What does the Government propose?
The Government proposes a ‘pot follows member’ system to automatically transfer small pension pots as members move jobs. When a member joins their new workplace scheme, any old small pots would be transferred into their new scheme.

The Government believes that such a scheme would be popular amongst consumers, and has quoted evidence from the Association of British Insurers showing that 58% of respondents would prefer their pot to move with them as they change jobs. The Government also believes that this is an efficient system for consolidating savers’ small pension pots.

At the same time the Government is proposing abolish Short Service Refunds for defined contribution (DC) schemes. These are refunds for individuals who have been contributing to their pension for less than two years.

The Government’s ‘pot follows member’ proposal includes the following features:
— Automatic transfers will take place between DC schemes only;
— A pot will be eligible for automatic transfer either once all contributions have ceased and the individual has left employment or once all contributions have ceased for a certain period;
— A pot will be eligible for automatic transfer as long as the pot was created after a certain date;
— There would be a pot size limit of £10,000 with a requirement for the Government to review the limit and revise it if appropriate;
— There will be an option for members to opt out and leave their pension pots in their previous employer’s scheme, and a right to transfer their pot to an alternative pension arrangement;
— The Government may prescribe minimum standards for automatic transfer schemes;
— There would be a transfer process based on either a pot-matching solution involving an IT system or a member-driven approach using a ‘Pensions Transfer Information Document’; and,
— The Pensions Regulator (TPR) will be the main enforcement body for the automatic transfer process.

Why is the NAPF concerned?
The NAPF agrees that there must be a system for consolidating small pension pots. However, the Government’s proposals risk causing consumer detriment and increasing the regulatory burden on employers and pension schemes.

Consumer detriment
Pot follows member risks transferring members’ pots from well managed schemes, with low charges, into high charge schemes with bad governance. Figures from the OECD show that if these pots are saved in schemes with annual charges of 1% or more, they could lose 20% of their value over an individual’s working life.

NAPF modeling suggests that, in a worst case scenario, members could lose up to 25% of their savings by being shunted from good schemes into bad ones.

What’s wrong with pot follows member?
— Savers could lose up to 25% of their savings if they move from a good scheme to a bad one.
— Members’ entire savings are exposed to investment risks during the transfer.
— Large new regulatory burden on employers and pension schemes, including funding an IT database.
The Government has announced that it will explore minimum quality standards for DC pension schemes, but so far there is not enough detail to know whether this will do anything to address our concerns around consumer detriment.

Pot follows member also involves inherent risks to consumers which are not necessarily related to scheme quality. The regular investment and divestment of members’ entire savings as they change jobs, for example, carries considerable risk where markets are volatile. It also risks stifling investment innovation if schemes opt to invest members’ savings in assets which have high liquidity but low growth prospects as the money may need to be accessed quickly in order to disinvest.

The Government’s belief that its proposals are popular is misguided. The NAPF conducted consumer research which came to precisely the opposite conclusions. Our research showed that 59% of consumers would prefer their savings kept in a scheme that meets certain standards and has low charges.

**New regulation**

The Government’s proposals appear to involve a substantial regulatory burden on the pensions industry, with pension schemes apparently expected to fund the architecture for automatic transfers, such as a database and transfer mechanism. Just as the Government is trying to cut red tape for businesses, this policy imposes a large new regulatory burden on employers and pension schemes.

The Government is rushing ahead with legislation, but with no accompanying impact assessment. The most recent impact assessment was produced over a year ago and before much of the detail of the proposals emerged. The impact assessment does not, for example, consider the costs of a database for tracking small pots. The NAPF urges the Government to seriously consider the impact of its proposals before they are put on the statute book. The danger is that this new system will be very expensive, and that those new costs will be passed onto savers.

Bizarrely, the Government is going to abolish Short Service Refunds far earlier than a system for transferring small pension pots can be implemented. There is a possibility that a new generation of small pots will be created in the interim. The NAPF would prefer that short service refunds were abolished at the same time as a new system for automatically transferring small pots is introduced.

Short Service Refunds are also used to fund pension schemes. This is because only employee contributions are refunded, while the employer’s contributions remain in the scheme and can be used to fund scheme management or advice for members. This means that abolishing Short Service Refunds could result in higher charges for members.

These proposals come at a period of rapid change for pension schemes. Auto-enrolment was introduced less than a year ago and continues to be rolled out. Schemes are also preparing for the new State Pension and the end of contracting out. There is a growing consensus across the industry, including employers, schemes, providers, employee benefit consultants and consumer groups, that this policy should be delayed.

**What is the solution?**

**How would aggregator schemes work?**

- A **small number of large pension schemes** into which small pots are transferred.

- Aggregator schemes could be licensed to ensure that they meet **high standards**. This would ensure value for savers.

- There would be a reduced regulatory burden on employers and pension schemes.

There is much evidence to show that pensions are better delivered at scale. Large schemes can benefit from economies of scale and are likely to have the purchasing power to access high performing assets. Where scale is combined with good governance, in Super Trusts, the NAPF estimates that members’ outcomes could be up to 28% better.

The NAPF would prefer to see small pension pots consolidated together in these large schemes. These aggregator schemes could be licensed to ensure that they meet high standards. As only a proportion of members’ savings are transferred when they change jobs, this also reduces the investment risks for members. The aggregator solution is much easier for the pensions industry to implement, so the regulatory burden and costs for members are lessened.

There is no reason why a system of aggregators cannot achieve the same, or similar, levels of consolidation than the pot follows member system.
The graph above shows how, according to the Government’s figures, there is little difference between the levels of aggregation achieved by the two systems. For a person starting to save for a pension today as a result of auto-enrolment, the number of pots that they have at retirement is likely to be the same regardless of whether the aggregator or pot follows members system is used.

Crucially, though, the aggregator system allows just a small number of large, very high quality schemes to consolidate small pots. This means that members are exposed to less risk. While they may have the same number of pots, our modelling shows that they are likely to be bigger, giving individuals a better income in retirement.

**Recommendations**

- The Government’s proposals could be risky for consumers and expensive for pension schemes. The Government should rethink its plans and delay primary legislation.
- The Government should produce an up to date impact assessment so that we can fully understand the costs and risks.
- The Government’s proposals are inflexible. The Government should be open to alternative methods of consolidating small pots, such as the aggregator model.

*July 2013*

**Written evidence from Jay Ginn (PB 51)**

In the context of debate on the Pensions Bill, I would like to comment on behalf of older women (50+).

They have had a raw deal from a pension system originally designed by and for men. Although there have been great improvements for women in state pensions since then, many older women were born too early to benefit from the full effects of HRP and care credits, or indeed from the Equality legislation of the 1970s that helped narrow the gender gaps in pay and occupational status.

It would go some way to recompense women for this legacy if they were allowed to opt in to the new STP from 2016 once they are over SPA (irrespective of their date of reaching SPA). This would have several advantages:

1. It would avoid the ‘cliff edge’ affecting several hundred thousand women who reach SPA just ahead of April 2016 and who feel they have lost out badly by this.
2. It would reduce pensioner women’s disproportionate reliance on means testing and their excess share of poverty in old age. As is well-known, a large proportion of older women eligible for means tested benefits do not receive them.
3. Automatic eligibility for older women to receive STP instead of their usually partial existing NI pensions could greatly reduce the complexity and cost of administering Pension Credit and passported benefits.

*July 2013*
Written evidence from Katherine Worsfold (PB 52)

This submission refers to Part 1, Section 1 (2) A person who reaches pensionable age before 6th April 2016 is not entitled to benefits under this part.

Whilst in principle the STSP within the Pensions Bill is a welcome development for women, in order to follow its spirit of fairness for women, it does need to include the group of women, of which I am one, born between 6th April 1951 and 5th April 1953.

1. When I look at my primary school class photo with regard to pensions I think it is unique. It must be only one of two class years historically (51/52 and 52/53) where all pupils do not come under the same state pension rulings. I was born March 1953 and will remain on the current system (my pensions estimate is £118.70) whilst all the boys in my class and girls born after 6th April (20 days after me) will be under the single tier, eligible for £144 per week.

2. When I look at the same photo, the girls looking out would all expect for most of their working lives to get their pension at 60 (I will be 11 days off 63 when I get mine). Those same girls are now contemplating their retirement and face a double disadvantage of being affected by the steep process of equalisation and ineligibility for the new single tier pension.

3. Growing up in the 50s was so different culturally to now and we women were generally slotted into traditional roles so that career expectations and saving for the future were relatively low on our priority list. Now aged about 60 we are a group very much reliant on the state pension for our incomes, generally having done low paid work and VERY much having taken on and still doing the great bulk of unpaid work in our caring roles looking after our families—our children as they grew up and often now ageing parents and grandchildren as well as running households.

4. I do hope the government will finally do the right thing and allow us to be included in the Pensions Bill. According to DWP statistics not many of our group will be better off under the STSP so under transitional arrangements (which allows the higher amount of current or new STSP estimate), it really shouldn’t cost the government very much to do the decent thing.

July 2013

Written evidence from Hogan Lovells International LLP (PB 53)

Request to Amend Clause 39 of the Pensions Bill 2013/14 [HC Bill 6]

We act for BT Pension Scheme Trustees Limited (the “Trustee”), the sole trustee of the BT Pension Scheme (the “Scheme”), and are writing on behalf of both the Trustee and the Scheme’s principal employer, British Telecommunications plc (“BT”). BT and the Trustee wish to express their concerns regarding clause 39 of the Pensions Bill 2013/14 [HC Bill 6] (“Clause 39”) and are therefore writing to request an amendment to that clause.

1. Background

1.1 Clause 39 relates to the obligation to pay levies to the Board of the Pension Protection Fund (the “PPF”) under sections 117, 174 and 175 of the Pensions Act 2004 (the “Levies”) by occupational pension schemes where some or all of their pension liabilities are guaranteed by a “relevant public authority”14. Such a guarantee is known as a “Crown Guarantee”.

1.2 Before 8 March 2010, schemes with a Crown Guarantee were not eligible schemes15 (as defined in section 126 of the Pensions Act 2004) and so were exempt from paying the Levies to the PPF. Where a scheme was partially guaranteed, the legislation effected a notional segregation, so that the “unsecured part” was an eligible scheme, but the “secured part” was not16. Following the decision by the European Commission on 11 February 200917 that the non-payment of Levies in respect of the “secured part” amounted to unlawful state aid (the “State Aid Decision”), regulations were brought into force18 to require payment of the Levies where the exclusion from this requirement amounted to unlawful state aid (the “2010 Regulations”). The 2010 Regulations came into effect on and from 8 March 2010.

1.3 Clause 39 introduces a power permitting the Secretary of State to make regulations which provide for the 2010 Regulations to have retrospective effect to when the Pensions Act 2004 itself first took effect. This will allow the PPF to recover Levies for the period before March 2010, as the State Aid Decision requires the PPF...

18 Regulations 2, 3 and 8 of the Pension Protection Fund and Occupational Pension Schemes (Miscellaneous Amendments) Regulations 2010 (SI 2010/196), and regulation 2 of the Occupational Pension Schemes (Levies) (Amendment) Regulations 2010 (SI 2010/1930).
to recover all Levies that would have been due if the whole Scheme had always been an eligible scheme, and not just those Levies payable subsequent to the publication of the State Aid Decision.

2. The Escrow Agreement

2.1 In light of the European Commission’s “Recovery Notice”, BT, the Trustee, the PPF and The Law Debenture Trust Corporation p.l.c. (the “Escrow Agent”) entered into an escrow deed dated 29 March 2007 as subsequently amended (the “Escrow Agreement”), according to which the full amounts of the Levies that would have been due (disregarding the Crown Guarantee) had to be paid into an escrow account administered by the Escrow Agent (the “Escrow Account”) until the earlier of:

(a) the conclusion of the proceedings brought by BT and the Trustee in the General Court of the Court of Justice of the European Union (formerly called the Court of First Instance of the European Communities) seeking annulment of the State Aid Decision, and any subsequent appeal of those proceedings (the “Annulment Proceedings”); and

(b) the implementation of an alternative means of complying with the State Aid Decision, subject to certain conditions.

2.2 In essence, the Escrow Agreement operates so that if BT and the Trustee were successful in the Annulment Proceedings, the monies in the Escrow Account would be returned to the Scheme, whereas if they were unsuccessful the monies in the Escrow Account would be paid to the PPF.

2.3 Following amendment to the Escrow Agreement in 2009 and in light of the 2010 Regulations, no further amounts were paid under the Escrow Agreement after 2009. Levies for the years 2009/10 and subsequently have been paid in full to the PPF.

3. BT’s and the Trustee’s concerns regarding Clause 39

3.1 BT and the Trustee are concerned by the wide regulation-making powers in Clause 39. Although apparently motivated by the administration levy under section 117 of the Pensions Act 2004, the regulation-making power in Clause 39 expressly applies to the Levies under sections 174 and 175 as well\(^\text{19}\). BT and the Trustee are therefore concerned that the power could be used to make regulations for the recovery of the Levies for PPF levy years 2008/9 and earlier, which could include either terminating the Escrow Agreement (and paying the monies in the Escrow Account to the PPF) or demanding the Scheme pay the balance of the Levies to the Escrow Account immediately, notwithstanding that amounts equal to those Levies have been paid to the Escrow Account (ie double recovery). BT and the Trustee believe that there would be no justification for this whatsoever, as it was recognised by all parties (the PPF, Her Majesty’s Government and even the European Commission itself\(^\text{20}\)) that the Escrow Agreement was an appropriate interim remedy for resolution of any issues of unlawful state aid whilst the Annulment Proceedings were ongoing. It is not appropriate for the Secretary of State to seek regulation-making powers which are so wide that he could enact legislation in respect of an agreement which all relevant parties have agreed is an appropriate interim remedy.

3.2 BT and the Trustee have therefore asked us to write to Her Majesty’s Government to petition for an amendment to Clause 39 to ensure that, where binding arrangements, such as the Escrow Agreement, are already in place to provide for full payment of the Levies (once the Annulment Proceedings have concluded), the Secretary of State’s regulation-making powers should be restricted.

4. Suggested amendment to Clause 39

4.1 To address BT’s and the Trustee’s concerns regarding arrangements already in place to provide for payment of the Levies, we suggest that Clause 39(2) is amended by the deletion of the full stop at the end of (b), by replacing it with a comma, and then by inserting the following at the end of Clause 39(2):

“provided that, where an occupational pension scheme has in place alternative arrangements with the Board from time to time for payment of any pension levy, the Secretary of State may not by regulations make provision for payment of so much of any pension levy as is covered by those arrangements.”

4.2 If Clause 39(2) is amended as suggested, the following definitions should also be added in Clause 39(3):

“‘the Board’ has the same meaning as in Chapter 1 of Part 2 of the Pensions Act 2004;”

“‘occupational pension scheme’ has the same meaning as in Part 1 of the Pension Schemes Act 1993;”

4.3 For ease of reference, a mark-up of the draft Clause 39 is attached as an annex to this letter. Please let us know if you require any further information.

\(^{19}\) See the definition of “pension levy” in Clause 39(3).

\(^{20}\) See paragraphs 107 and 108 of the State Aid Decision.
CLAUSE 39 OF THE PENSIONS BILL 2013/14 [HC BILL 6]

MARK-UP SHOWING SUGGESTED AMENDMENTS

39 Power to require pension levies to be paid in respect of past periods

(1) The Secretary of State may by regulations provide for the Pensions Act 2004, and regulations made under it, to have effect, so far as relating to the requirement to pay pension levy, as if the amendments made by the 2010 regulations had always had effect.

(2) Regulations under this section may in particular—

(a) modify the application of the Pensions Act 2004, or regulations made under it, in relation to amounts of pension levy required to be paid because of regulations under this section;

(b) provide for interest to be charged at a specified rate on such amounts (including in respect of periods before the coming into force of regulations under this section);

provided that, where an occupational pension scheme has in place alternative arrangements with the Board from time to time for payment of any pension levy, the Secretary of State may not by regulations make provision for payment of so much of any pension levy as is covered by those arrangements.

(3) In this section—

“the 2010 regulations” means –

(a) regulations 2, 3 and 8 of the Pension Protection Fund and Occupational Pension Schemes (Miscellaneous Amendments) Regulations 2010 (S.I. 2010/196), and

(b) regulation 2 of the Occupational Pension Schemes (Levies) (Amendment) Regulations 2010 (S.I. 2010/1930);

“the Board” has the same meaning as in Chapter 1 of Part 2 of the Pensions Act 2004;

“occupational pension scheme” has the same meaning as in Part 1 of the Pension Schemes Act 1993;

“pension levy” means –

(a) a levy under regulations made under section 117 of the Pensions Act 2004 (administration levy),

(b) a levy under regulations made under section 174 of that Act (initial levy), or

(c) a levy under section 175 of that Act (pension protection levies).

July 2013

Written evidence from Hazel Douglas (PB 54)

SINGLE TIER PENSION—Clause 1 of the Pension Bill

I am writing to ask you, when considering the Pensions Bill currently being debated and amended, to take a few moments to consider the group of 350,000 women born between 6 April 1952 and 6 April 1953, many of whom are going to be excluded from the proposed Single Tier Pension when it comes into being in April 2016.

As it stands, many women in this small group (and I am one) are facing a seriously unequal situation in their retirement benefits. Men born within that short time-window will benefit from an increased basic state pension whilst women born on the same dates are to be excluded.

By reverting to an April 2016 introduction date, Steve Webb has brought into the STP a sub-group of 80,000 women who saw their retirement dates changed twice and who were similarly going to have their pension set at the current, lower rates. Whilst I’m pleased that this sub-group has been successful in helping persuade the Minister for Pensions to include them in the STP, it has done nothing to address the wholly unfair situation of the rest of us who will see men born on the same day receiving a state pension some 34% higher—for the rest of our lives—a gap which will widen with each passing year.

Like the women in the sub-group, we have seen our planned retirement dates pushed back and although in our case it’s only been postponed by 2 to 3 years instead of the 4 to 5 years for the sub-group, we are facing exactly the same reduced-pension situation that they faced.

Like many others in this group, I will have worked for over 40 years by the time I reach my planned retirement date. It’s truly iniquitous that we have worked all our lives, only to be trapped in a completely unfair situation—with potentially huge financial implications—simply because the year of our birth falls within that tiny one-year window.

This group of women were at the vanguard of striving for equal pay for women. Many of us courageously battled for recognition for the equal status of women, often suffering at work as a result. Many of us are in large part responsible for the progress made over the last 40 years regarding equal pay for women. You can imagine,
therefore, how galling it is for us now to face, for the rest of our lives, a completely unequal situation regarding our pension—unequal to the tune of 34%, with the gap rising each year.

Successive governments have worked towards gender equality. This current government purports to support gender equality and, indeed, it’s one of their stated aims for the STP. Where is the equality which forces women born in that one year to be so severely financially worse off in their retirement years than men born in the same year?

As it stands, women born before 6 April 1952 will have pension-parity with men born on the same date. Equally, women born after 6 April 1953 will have parity with men born on the same date. But women born in that one-year window will NEVER be on pension-parity with men of exactly the same age. It beggars belief that this glaring inequality is going to be allowed to happen!

Yes, it’s true that women born from 6 April 1952 will have been in receipt of the state pension earlier than men of the same age, but it only takes three years for the difference to be made up.

The DWP would have us believe that we won’t lose out financially from this. I quote below from the DWP Single Tier Pension Fact Sheet. One of the questions it poses—which is the critical question—is as follows:

Q: I reach State Pension age before 6 April 2016. My pension is less than £144. Why am I missing out?

The ‘answer’ provided by the DWP is:

A: You are not missing out. The changes will not result in spending more money on future pensioners: we will spend no more overall than if the existing system was to continue.

This, frankly insulting answer clearly doesn’t address the vital question raised. “What about my pension?” not the total pension bill. It’s obvious that the DWP realises that the group of women born between 6 April 52 and 6 April 53 are individually going to ‘miss out’.... to the tune of over £1,900 per year, every year, for the rest of their lives.

Steve Webb himself is trying to disguise the financial impact by ‘assuring us’ that: “People can be reassured that while [the] Single Tier [pension] is a different system, it is no more generous overall than the one it replaces.” Perhaps not for the pensions budget as a whole... but for individual women, it is! But not us.

I suggest that there is a simple solution to this problem.

Provide women born in that 12-month period with the option of either taking their pension on their due retirement date, at current levels, OR allow them to defer their pension until they are 65, at which point they benefit from the STP, in equal and fair treatment with men born in the same period.

Each woman can then work out whether it is financially better, or otherwise preferable, for them to stay on the current scheme and defer their pension, thus benefiting from an increased pension entitlement, or to wait until they are 65 and be included in the STP.

This would remove the anomaly and would be a fair outcome for this group.

Now that the sub-group of 80,000 have been brought back into the STP, I fear that the remaining 350,000 have ‘lost their voice’.

Please help us to push for the rights of the 350,000 women (approximately 500 per constituency) who are facing entirely unfair and unequal treatment in their retired years simply because they fall into that one-year ‘trap’.

July 2013

Written evidence from B&CE (PB 55)

For the past 30 years, B&CE has been providing workplace pensions to employers with transient, low-to-moderate earning workforces, both large and small. We have also been operating a form of semi-automatic enrolment for over 10 years through our stakeholder product. Today we take care of over 1.6 million pension pots, with an average size of under £2,000. Our administration systems, developed and built in-house, were specifically designed to cater for small pots in a highly transient arena. We are unrivalled in this experience.

Since we launched The People’s Pension in 2011, which is open to any employer of any size, we have evolved to become one of the UK’s leading automatic enrolment pension providers. With our background and experience, we offer a unique perspective on current topical issues in pensions, particularly the problems of small pension pots.

Summary of B&CE’s Submission

Amongst other things, the Pensions Bill 2013 includes a high level framework for the automatic transfer of smaller pension benefits. We are concerned that legislation for a specific Pot Follows Member (PFM) system is
being formed without due consideration for the detail (see below). We also believe further and careful analysis of all other possible options is needed before the legislation is implemented (also see below).

Rather than introduce PFM now, we would recommend an amendment to Schedule 16 of the Bill. This would involve at least the postponement of an automatic transfers system to address the small pots issue until after the completed role out of automatic enrolment in 2018. This would allow the full analysis of the transfer process and ensure the other vital building blocks are put in place first, such as the total inclusivity of all employers and scheme quality standards. As the Bill sensibly allows the back dating of benefits accrued (sub-section 4e, paragraph 1, Schedule 16), any dormant small pots created by automatic enrolment could be swept up later. We would also recommend that the Bill does not preclude other alternatives to PFM.

1. **Key details that need to be considered**—these are issues around PFM that we believe have not been adequately addressed.

2. **Alternatives to PFM that should be considered in more detail.**

3. **Removal of NEST’s restrictions**—not without full consideration.

1. **Key details that need to be considered**

   — **Increased charges for members**
     Schemes such as The People’s Pension and NEST, which mainly deal with transient and lower paid workers in the UK, are likely to be transferring the vast majority of pension pots. Given the high turnover of the workforces we are dealing with, it is also likely that a large percentage of members/employees will come back to us at some point in the future. Even if we are able to reduce the costs of processing a transfer down significantly, to say just £5 per individual transfer, we estimate our administration costs will at least double, and as a not-for-profit provider these costs will be passed onto members. A recent joint study with nine other leading providers indicated there are huge data and security issues to overcome with PFM.

   — **How will PFM work with other policy initiatives?**
     There are a number of reforms underway in the pensions market at present. Transparency of charges, provider capacity, an overall Code of Conduct and Quality Standards, pension liberation fraud and ‘defined ambition’ are all valid issues. However, we would urge the DWP to look at the detail of all of these reforms in conjunction with others, identify in which order they will be addressed and how they can work together.

   — **Impact of automatic enrolment and capacity strain**
     Automatic enrolment is a huge change for the industry and 2014 is going to be a crunch year. The volume of employers needing to find a pension scheme will place unprecedented strain on the industry. Given that not all employers will have staged and phased until 2018, the fact that NEST’s transfer restrictions are in place until then and the proposed Pensions Bill allows back dating of accrued benefits back to the commencement of automatic enrolment anyway, we don’t think it is sensible to consider implementing any new system until 2018. There may well be the natural consolidation of providers, which may go some way to solving some of these problems and will at least make implementation easier.

   — **Investment of members’ pots under £10,000**
     If all pots under £10,000 are to be moved at the same time, providers and Trustees will likely place a member’s accumulated pot in cash (or very liquid assets) which may not be the most appropriate investment vehicle for them. The transfer process also presents the issue of out-of-market exposure (when a member’s pot is disinvested) and related transaction costs (caused by bid/offer spreads, for example).

   — **Member detriment**
     It is vital, before we implement a system of small pots passing automatically from one scheme to another, that there are certain quality standards in place to ensure that member detriment is minimised. Implementing and enforcing these standards is not without complication, given the complex framework of trust and contract based schemes, and will take some time to implement.

2. **Alternatives to PFM**

   Here we set out how we would address some of the issues raised above. These suggestions need to be explored fully and we would be happy to work with policy makers to take any, or all, of these forward.

Pension register

A pension register would be the first step in ensuring PFM is a success. It would allow individuals to log on to a central database and have sight of all of their pension pots in one place. Starting with the new auto-enrolment schemes, a web-based record of everyone’s pension benefits could then be extended to legacy schemes at a later date. Central registers have worked successfully in other European countries, such as Sweden and Holland (which launched its own register in 2010).
‘One member, one pot’ approach

This is where an employee would inform their new employer of their pension account reference number and the name of their provider, which could be added to the employee’s P45 form. Those without a pre-existing account could be automatically enrolled into the employer’s scheme. This type of approach could have significant benefits in terms of minimal transfer transaction costs, reduced risk of pension liberation fraud and improved security. We believe this approach should be fully considered before any decision is made.

Appoint a limited number of schemes to act as aggregator funds

With only a handful of low cost providers (such as The People’s Pension and NEST) willing to serve the low-to-moderate earning market, it is likely that we will see a small number of high volume aggregators. As a result it would seem natural to allow for a relaxation in the regulations for small pots to pass automatically to these providers. This would undoubtedly create a more efficient system and lower charges for PFM. However, the long-term market impacts need to be carefully considered.

3. Removal of NEST’s restrictions

The Bill proposes that regulations should override scheme rules, as required, and force all schemes to accept transfers. However, it does not directly address the lifting of transfer restrictions on NEST, which we are aware has been discussed in the Bill’s early stages.

NEST was created to focus on a specific target market. If the restrictions are removed, its Public Service Obligation (PSO)—and subsequent funding—together with promotion by the Government and other organisations, will put it at an advantage over other providers working in the same space. NEST’s operation must continue to be consistent with European legislation on competition and State aid. We must ensure any changes do not favour a State-based provider.

Going forward, we would recommend that an independent body with a market focus should be responsible for ensuring NEST is meeting its objectives. This might include restrictions on NEST’s ability to alter its charges, extend its loan terms or diversify into other areas—such as bulk transfers—in order to generate additional income.

Conclusion

We welcome sight of the automatic transfer process, set out in the Pensions Bill. However, automatic transfers is a complicated area and the detail of how the transfer process will work needs careful analysis before it is implemented. We recommend an amendment to Schedule 16 of the Bill. This would involve the postponement of the implementation of PFM until after the completed role out of automatic enrolment in 2018.

July 2013

Written evidence from CBI (PB 56)

When I gave oral evidence to the committee last week, I said I would send a follow-up note on our views as regards clause 34. This issue was also discussed in DWP’s recent consultation, Technical Changes to Automatic Enrolment Regulations and a briefing note has been subsequently published this week by DWP on this clause.

There are some circumstances when auto-enrolment or pensions saving may not be appropriate, for example when an individual has given notice of retirement during a deferral period. Under current regulations, businesses are still required to auto-enrol such individuals, which is inconsequential because the employee will soon leave employment. There is a case for exceptions for auto-enrolment to be established so that situations like this can be avoided and resources effectively targeted elsewhere in the auto-enrolment process.

In principle, therefore, the CBI supports the intention of the clause. It is, however, too broadly drafted. As written, the provisions for exemptions will be framed by categories or descriptions of workers, or in some other way which will be at the discretion of the Secretary of State for Work and Pensions. The inclusion of “in some other way” would provide too broad a power to government to change the scope of automatic enrolment at any time it saw fit. For instance, it would provide the Secretary of State with a secondary legislation power to exempt some businesses. This is a move the CBI could not support, as it undermines the consensus that was reached on pensions reform by giving exempted firms a cost advantage over those within the regime. We believe, therefore, that the Government should remove the term “in some other way” to address this.

I have copied this letter to the minister and the shadow minister. Should you have any further questions, do not hesitate to get in touch with myself or Lena Tochtermann who leads the CBI’s pensions team.

July 2013
Written evidence from William Harry Plant (PB 57)

1. I represent a small but significant group of ‘expats’ with connections to Cebu in the ‘social security agreement country’ of The Philippines. We believe we represent the ‘tip of the iceberg’ for expats throughout the world.

SUMMARY:

We are most alarmed by proposals in the Pension Bill to unfairly terminate UK Pension rights for the wives of many UK citizens living overseas.

We seek to demonstrate that these proposals would create devastating financial hardship for their families who have long planned their lives abroad.

Furthermore, we are particularly alarmed, angry, hurt, insulted and incensed by the callous propaganda purported to come from Nigel Mills and Steve Webb referring to ‘Thai brides’ and ‘Free-wheeling foreigners who seek only to benefit at the expense of British taxpayers’!

2. Rather than produce long-winded arguments, I provide below a few ‘Case Histories’ and ‘Comments’ by a genuine cross-section of our members. They speak volumes!

Please read them.

Empathise with them.

Recognise how your decisions impact upon their lives

... and please help them!

These are not ‘Thai bride’ marriages of convenience but genuine, loving, caring, loyal, devoted and responsible couples who wish to stay together .... looking after husbands, wives, children, parents.

These are husbands who invested for years, relying on their NI Contributions to provide financial security for their wives.

Their wives have a legitimate expectation that they would be entitled to their promised pensions.

3. Nigel Mills would have us believe that “it is not right to provide pensions” to the wives of UK citizens abroad. We absolutely disagree!

IT IS RIGHT and reasonable that valid Married Women’s Pensions should be paid!

Living abroad, they have no opportunity to pay or make up the necessary contributions. So, they should be made an ‘Exception To The Rule’ ... ‘A Special Case’.....

Otherwise they face undeserved destitution in their old age!!!!

A means could be set up, for future years, whereby they could be given ‘Pension Credits’ to take into account their roles as Carers/Mothers just as if they had resided in the UK.

4. In CONCLUSION, we respectfully request that the Bill be Amended to provide Transitional Protection for this group of women whereby they will receive the Pension they would have had under the previous rules.

CASE HISTORY, 1

Guy T. Age 59

Born and raised Norfolk.
Married Filipina wife (Age 56) 1993 (full relationship from 1988), one son dual nationality (Brit/Filipino) (Aged18).

Wife and son have visited UK on numerous occasions as tourists. Considered settling in UK in 1989, again in 2004 but residency requirements for my wife to obtain UK citizenship were simply too onerous. My work is in development and UK employment is not feasible with my background and experience.


I paid full NI Contributions for the duration of UK employment, and subsequently Voluntary Class 3 since 1980 in order to protect my pension benefits on the advice of an accountant and local tax office. This became an increasingly important consideration following my marriage, the birth of our son and the move to Philippines for permanent residence and settlement in 2004.

My employment opportunities have become less in recent years and the UK pension INCLUDING wife allowance is (AND ALWAYS HAS BEEN) a vital element in our retirement planning.
It is vital in order to supplement savings in order to provide a minimum standard of living for my family in the event of my early demise.

My son is a UK citizen but considered an ‘international applicant’ by British universities. Thus, fees are triple what we would pay as UK residents. ‘Onerous Visa Restrictions’ prevent us from returning to the UK so we are obliged to send him to University in the Philippines.

Cutting my wife’s pension entitlement would be a ‘double whammy’ making life very difficult for us

I consider the proposals currently being discussed to be downright theft, and if formalised will constitute a totally illegal denial of the pension rights that I have paid for in a formal contract with the UK government. The fact that my wife has not lived in the UK is a total irrelevance to this issue, and was in fact brought about due to the excessively punitive restrictions imposed by the UK government.

CASE HISTORY, 2
Andy P. Aged 59
Married to Filipino wife Age(37) for 8 years
Lived: RAF for 26 years also served tours in NI and Falklands. Oman 2 years. Kuwait 5 years, Cebu 5 years
Children 2 Twins, Ages 6
Presently living Cebu Philippines.
Paid contributions to NI since the age of 15. Assuming my family would be covered and taken care of should anything happen to me.

Living on a Sgt’s Military pension which is £961 per month, at present I do not meet the financial criteria to return with my wife to the UK.

I have Diabetes, Angina, Hypertension and suffered a heart attack 3 years ago. Out of my pension every month I pay P9000 (£100+) in medication and can claim nothing from the UK.

I served Queen and country for 26 years in the Royal Air Force. I want to know what provision my children would have if anything happened to me tomorrow. Under the new penny pinching scheme the government wants to fleece everyone apart from every blood sucking EU member that just turns up and expects housing, benefits, education and medical.

My family and I claim nothing. and you’re going to penalize my family for not living in the UK, I am not a drain on the system at all. Here in the Philippines I pay for everything as I am not entitled to a penny.... This is something that our British Government should take on board to every free loader turning up on our shores expecting handouts.

This hair brained idea that you’re trying to push through, means cutting my wife off without a pension and cutting adrift my 2 children who are British passport holders. Tell me what provision do you have for them?

CASE HISTORY, 3
Malcolm F. Age 62
Married—21st May 2012 in Angeles City
Filipino wife aged 29, Daughter 9 her child, not adopted by me, but have plans to sometime in future if and when I can afford it. Came here to Angeles City, Pampanga, Dec 2012—but have rented an apartment here for past 5 years.
With 40 years NI Contributions, I have done a state pension calculation online, and I qualify for £110+ basic pension on *13th June 2016. 
I have 2 small pensions from the Electricity Board and Manchester Council as I took early retirement on health grounds in approx 1998.
My wife has never been to UK
My wife has no income, and isn’t allowed any pension herself, but receives a small portion of my small private pensions on my death. (approx 50%)

I relocated to the Philippines due not being able to afford to bring my wife to the UK due to the new minimum earnings threshold. Also, for better quality of life regarding my pain being eased by the climate.

The fact that my wife and daughter will be left high and dry through not receiving my pension entitlement is wrong, especially when she will have born the mental and physical cost of my care, saving the NHS thousands of pounds.
I urge the government to think again.

*If the new proposals are implemented on 6 April 2016, this man will miss out big time!*

**CASE HISTORY, 4**

John M. Age 56. (with ‘reduced life expectancy’)

Married to Filipino (dual British and Philippine nationality) for 24 years.

We lived together in Leicester for nine years, where my wife worked for Leicester City Council and was my registered carer.

As such she has less than 7 years NI Contributions.

I worked in the UK for 23 years before having to take ill health retirement.

We moved to Balingiga, Philippines where I received Disability Living Allowance for the first six months in recognition that **we moved here to benefit my health**.

I paid 9 years Voluntary NI Contributions **purely to provide a pension for my wife,** considering my **reduced life expectancy**.

In my case the government's new policy is pure theft.

If we were forced to return home, my life expectancy would be substantially reduced and we would be a substantial cost to the tax payer. You are welcome to use my details to campaign against this iniquitous government policy.

**CASE HISTORY, 5**

David W. Aged 58

30 years NI Contributions

Started work age 16—MOD Engineering Apprentice

Worked for various International Companies

Currently teaching English in China

Met S.... (now aged 51) in 1998 while working in Hong Kong in telecom industry (Netrix) but made redundant.

**I did NOT return to UK to 'sponge' off free NHS, DOLE/Job Seekers, Rent Allowance.**

I tried a ‘Start-up Company’ Congruent International (HKG) Ltd

**I paid NI Contributions on understanding my future wife would benefit.**

In May 2001, S... and myself moved to Cebu. She promised to look after me, find me somewhere to live and make sure I never went hungry.

We were married on 16th June 2002 and lived with her daughter by her previous marriage (her husband was killed in an accident).

In **March 2005**, myself and my wife visited Family in the UK, celebrating my **50th Birthday**

In **May 2008** I suffered a **Heart Attack.**

I had already spent **Php1M+ in February 2008** after my wife’s mother had a stroke, heart attack. She needed Kidney Dialysis twice a week.

I also have an Umbelical Hernia in need of Surgery

**Even after my heart attack, I stayed in the Philippines, as I knew my wife would not be granted a Spouse Visa .. no accommodation, no Job. I stayed with my wife in the Philippines and she supported and comforted me, and stood by me.**

My wife’s daughter now works in Hong Kong while we look after her own young child.

In a **UK Pension Forecast** (1997?) I was informed I was entitled to 60% UK State Pension as I did not have the requisite 44 Qualifying Years. Also that my wife would receive 60% of whatever my pension was.

The online Pension Calculator **now says I am entitled to Full Pension and my wife to 60% of that.**

I have been compelled to find teaching work in China in order to provide for our family.

It **would be most unjust if our financial hopes for the future were taken away by withdrawing my wife's promised pension!**
COMMENTS, 1
Paul D. .... flagrantly breaking contracts with British Citizens as though they never existed. A sad day!

COMMENTS, 2
John N. Batangas. Philippines

My experience is that I have had to retire here, as I am physically disabled, my ex wife was not bothered and did not want the trouble, and so I now have a partner, who does everything for me, from washing me, pushing my wheelchair, and looking after me 150%. Where can I get that help in the UK.

I will marry her once my UK divorce has gone through hopefully in 3 years.

I am renting a bungalow as its wheelchair friendly, but if I die where will she go, how will she live after looking after me? I only have a quarter of my private pension which I commuted to be able to buy a house and land here, my ex took everything, and kicked me out.

As you say, she (my future wife) will be destitute when I pop my clogs.

COMMENTS, 3
John T.

Sorry I’ve been out of touch and have only just discovered the issue over pension theft.

I think much to be stirred here. (European court of human rights etc).

Regarding the government theft of our pension rights. Does this even affect wives from the Philippines who are UK citizens? Presumably the government are running short of money to pay all the immigrants their dole money and benefits. The way this has been done is blatant theft.

Fair enough, if they are going to cut pensions in this way, it needs to be done in such a way that everybody is aware of the situation when they start their working lives ......NOT AFTER THEY HAVE PAID INTO THE GOV’T POT ALL THEIR LIVES.

This amounts to grand theft and a gross breach of contract.

PS: The British government considers itself the only institution in the world where it is ok to move the goalposts once the game has started.

Whatever game you’re playing, it’s called cheating!

COMMENTS, 4
Ron H. .... Disgusting Pension Pillage!

COMMENTS, 5
Ian R. Aged 57
London and Cagayan de Oro, Philippines

Married to Filipino, Aged 39, since April 2008

While a few years off of retirement these proposed changes are an outrage for those of us married to non EU spouses who have already paid the full qualifying NI contributions from our own earnings, they cannot simply change the terms of contract, under any other legal entity this would be a flagrant breach of contract.

I am already a victim of this regime, I am back in UK working six days out of seven to provide for my spouse in the Philippines, separated from the one I love because I do not meet the spousal visa requirements, unable to afford the extortionate visa application expenses. I suppose I should be grateful to see my wife and family once a year for a month!! It’s reassuring though to see so many EU citizens that are able to live in the UK and come and go freely, simply because UK (cannot) stand up to Brussels but it has the audacity to continually pick on its own citizens and spell out what we can and cannot do.

I was proposing .... after I retire/until such time I die, leaving my company pension lump sum to my spouse for her future years knowing she would be able to avail of the spouse pension based on my NI contributions in addition to my company widows pension which would be sufficient to continue for her to live there.

This I thought was a safe bet, she would be taken care of through what I thought was a provision I have already paid in for over thirty five years. In making sensible provision that was a fall back for potential problems in later life for both of us.

Removing the spouse pension will mean that this will no longer be possible. I now have to look to finance somehow either building or buying a small lot for us whilst I am still working ......for her to have a roof over her head it. Not only does this unjust proposal cause further distress and complications and unnecessary
expense this will have to be done while I am working, just how remains to be seen, costs will rise but income does not.

This proposal also fails to take account that the vast majority of Philippine spouses are a good few years younger than their British husbands unlike in UK where partner ages are comparable (in my case 17 years) and as responsible husbands we have taken reasonable care to plan for later life without recourse to UK public funds despite having more right than most.

This spouse pension cost is peanuts compared to what we will save the UK treasury in terms of cost in our old age and benefits claimed if we remained in the UK, and perhaps they should be reminded of the fact that, through our own choice to retire to a far flung corner of the world we are actually a very cost effective minority!

I strongly object to the implication that our spouses are seen “as Thai-brides” as some kind of comic episode with no commercial value, was not the NHS desperate a few years ago busy recruiting nurses from the Philippines? Short memories does government have not to mention double standards !

Our loyal spouses are wonderful loving caring hard working human beings and put up with a lot of hardship that is unimaginable in the UK and do not and should not deserve to be treated in such a shameful and disgraceful manner.

Where did that great British tradition of fairness and equality go?

Just to reinforce the point we have been happily married since April 2008 and have known each other since 2004. In that time we have actually managed to share just 30 months in total actually being together. The rest of that time we are apart and rely on telephone and skype on a daily basis to stay in contact.

I am sure I am not alone in this situation, but does my wife complain, no not at all, she is a rock and understands the situation for what it is, a prime example of a loyal loving spouse in a genuine marriage!

Further reason that these proposals must be stopped !!

Why is the Philippines so welcoming to us yet the UK is not, it makes you wonder why anybody even wants to bother trying to get into Britain in the first place !!

There follows an Appendix 1 showing the names of 40 supporters of this Submission.

For security reasons, the names of those who have provided Case Histories and Comments have been anonymised on the advice of the Scrutiny Unit.

APPENDIX 1

SUPPORTING SIGNATORIES.

Ronald H., Louth, Lincs, UK and Davao, Philippines
John N., Batangas, Philippines
David W., Cebu, Philippines
S. P.W., Cebu, Philippines
Andy P., Cebu, Philippines
Albert Edward Clayton, Cebu, Philippines
John Hughes, Birmingham, U.K.
Sheila James, Birmingham, UK
Anthony Turvey, Birmingham, U.K.
Margaret Turvey, Birmingham, U.K.
Keith Sandleford, Angeles City, Philippines
Peter Meldrum, Glasgow, UK
Paul D., Cebu, Philippines
Guy T., Cebu, Philippines
Brian Daly, Iloilo, Philippines
Gerald Riordan, Newbury, Berkshire, UK
Trevor Featherstone, Boracay Island, Philippines
Denis Franks, Sto Thomas, Batangas, Philippines
Trevor Jones, Sto Thomas, Batangas, Philippines
Peter Leach, Sto. Thomas, Batangas, Philippines
Brian Fentiman, Sto Thomas, Batangas, Philippines
Malcolm F., Angeles City, Pampanga, Philippines
Ron Davenport, Poynton, Cheshire, UK
Keith Hughes, Naga, Cebu, Philippines
Delores Hughes, Naga, Cebu, Philippines
David Charles Langman Foster, Laoag City, Ilocos Norte, Philippines
Charles Richard Plucker, Hudderfield, West Yorkshire, UK
Written evidence from Ms Constance M Turner (PB 58)

TO: THE PENSION BILL COMMITTEE

RE: The Proposed Pension Bill

**Part 1: Clause 1.** This Clause is discriminatory and unjust as it excludes approximately 700,000 women from the Pension Bill AND consequently from the NEW HIGHER PENSION. Particularly DISADVANTAGED are the COHORT OF WOMEN born between APRIL 1951 and APRIL 1953. These women could lose up to £33 a week for life, while men born the same day would receive it. Totally unjust even allowing for an earlier retirement, women on the lower original pension will be losers.

**PART 2:** In order to create male/female pension equality and the aim of the Single Tier State Pension, TRANSITIONAL ARRANGEMENTS need to be put in place (as was originally suggested!)

My birthdate is May 1952. I have 41 years of National Insurance contributions and my pension forecast is the basic £107.45 + £4.74 graduated pension.

After taking A levels at Grammar school I served in the Women’s Royal Naval Service as an Air Mechanic in the Fleet-air-arm. Prior to my leaving the forces I served alongside the Royal Marines and on the staff of FOCAS—Flag Officer Carriers and Amphibious Ships. On leaving the Navy I went to University as a mature student gaining a Bed. (Hons). Then I joined the teaching profession. For most of my 22 years teaching career I was a full time class teacher together with responsibly as the Science Co-ordinator and Special Needs Education throughout the school. During this period I was twice appointed Acting Deputy Head. Then, unfortunately the combined pressures of work, a tragic family bereavement together with Ofsted Inspections resulted in my taking Early Retirement. Consequently, I have lost 10% of my Teacher’s Pension!

In conclusion, I cannot afford to be subjected to such financial discrimination, which is purely due to my gender and date of birth. I appeal to you as you are in a position to redress this injustice.

July 2013

Written evidence from George Morley (PB 59)

This submission is made by George Morley now living in Ontario Canada.

I joined the RAF as an Apprentice at the age of 16 and pursued a career as a Radio Fitter servicing Wireless and radar equipments on multiple types of aircraft in many parts of the world from home bases and Europe to the Middle and Far East over a period of 26 years. I had to leave through a health issue and took up employment with Rumblebows as manager their Midland Service Dept stores at Melton Mowbray. Following redundancy, I joined W. Pauley Fruit & Veg suppliers as their maintenance engineer and they are now part of Brakes group. I am a member of the Royal British Legion and The Royal Canadian Legion as well as being a life member of the Royal Air Forces Association.

Yes, I have earned a service pension due to my long service and that pension is not frozen thank God. My first wife died of cancer and I remarried a couple of years later before retiring and moved to Canada where my wife had 3 children and families.

On reaching pensionable age I found that I was frozen, hence my submission here.

1. I would submit that a citizen moving abroad will get the value of pension that he has paid for which depends on the number of years that he has contributed and therefore the statement about the length of time since they left is irrelevant, except that they can still pay into the fund while abroad which many apparently do. Whatever other pension they build up could be a private pension with a British company or a pension in the
host country and whatever it maybe is totally irrelevant and of no consequence in respect of his state pension. It is also of no consequence where a person, pensioner or not decides to spend their money, it is not government money. The proportion of those who moved as pensioners was given as 2% by the minister and is again a meaningless statement and has no bearing on the validity of any uprating claim but a diversion to waste time and prevent valid questions it seems.

2. A figure of 695 million a year was quoted by Mr Webb recently and a short time later he said, but at a cost of £700 million, with a possible knock-on into billions if backdating was pursued. I submit that there has not been any claim by any pensioner group to ask for backdating but just equality through indexing all pensions now and this would appear to be another scaremongering attempt to persuade the committee that any uprating is out of the question which is a rather deceitful argument.

3. Following para 2 above, will the minister tell the committee just how many requests that he has had to pay the backdating of the pension in addition to the uprating?

4. Gregg McClymont said that he was struck by the Minister’s comments on the Oxford Economics report that the study’s assumptions are not credible enough for the Government to base policy on them. Given that this was not answered I would ask the Minister what effort has been made to establish the overall saving to the government when a pensioners emigrates that would deny the study given by the Oxford Economics report. If this was done and the resultant gain to the government after uprating was taken into account then it must be obvious that should a profit be found to be the result then to further deny the indexing would be irresponsible and financially stupid.

5. Taken in isolation and just looking at the NI fund alone and the current surplus plus the use to which that surplus has been put should be addressed as it is obvious that if there were only the pensions to worry about then there is sufficient to enable pension parity worldwide like every other country with a similar pension scheme. To do otherwise is to confuse the pension cost including uprating and bundle it in with the governments overall financial position which is caused it seems by other departments not doing their job and keeping within their budget, financing unnecessary quango’s which produce nothing but put money down the drain, giving too much away in aid or just plain mismanagement of the finances generally which should not be done on the backs of pensioners who have paid their way.

6. The UK has one of the lowest pensions in the EU and even Ireland can pay its pensioners the uprating plus other benefits worldwide and this begs the question why? After they were supposedly broke and the UK taxpayer propped up the Irish economy with at least £20bn in bail-outs in 2008–09 by the Labour government makes one wonder if the current government is doing anything similar elsewhere.

7. The Prime Minister is always talking of ‘fairness’ for all pensioners but, and there is always a but isn’t there, I have paid my contributions for 47 years whilst the members of parliament qualify after just 15 years I believe and they receive an extremely handsome pension for doing less than a third of this time. I spent time in her Majesty’s armed forces and was parted from family while in Aden and Malaya with a possibility of not returning due to doing the government’s bidding. My brother did not come home and I wonder what he would have thought of being cheated out of an indexed pension had he survived because the fact is that he died in a ‘frozen’ country and like me was never was advised whilst paying in for an indexed pension that it wouldn’t have thought of being cheated out of an indexed pension had he survived because the fact is that he died in a ‘frozen’ country and like me was never was advised whilst paying in for an indexed pension that it wouldn’t be ‘allowed’ in Malaya or many other countries. Emotive yes ! True—Yes. Unfair—Yes. Discriminatory and unnecessary—definitely!

8. I would submit that the majority of pensioners that are affected by the freezing policy are ex-servicemen or women as they had to do a two year National Service which was mandatory like the pension contributions plus many were regular servicemen like myself would make up a significant number compared to those who did not get called. I gather that all male British subjects between 18 to 51, as well as all females 20 to 30 years old resident in Britain, were liable to be called and it ended in December 1960. Only a few categories were exempted. I saw a comment recently by one conscript who is also a frozen ex-pat who said: “We had to lose two years away from home and now get robbed in retirement it just is not fair”. My service was voluntary but I cannot but agree with his viewpoint.

9. Let’s look at the Human Rights issue here and see a couple of examples for comparison:

(a) Theresa May (Home Secretary) made a statement on the deportation of Abu Qatada and said “We did not ignore court judgments we did not like. We did not act outside the law. We did what was right. And for a civilized nation, that is something of which we should be immensely proud.” That’s good isn’t it?

(b) International Bill of Human Rights says: It is imperative that the members of the international community fulfill their solemn obligations to promote and encourage respect for human rights and fundamental freedoms for all without distinctions of any kind such as race, colour, sex, language, religion, political or other opinions;

(c) The Universal Declaration of Human Rights states a common understanding, of the peoples of the world concerning the inalienable and inviolable rights of all members of the human family and constitutes an obligation for the members of the international community.
(d) Recently part time judges in the UK were awarded a pension that could cost (worst case) £2 billion. Paul Epstein QC representing the plaintiff said, “The court decided in the end that all those reasons came down to cost, and that cost can never objectively justify discrimination”

10. A look at the cost. The future pensioners, not to mention the current pensioners, are looking for pension up rating, which would cost just £650 million if the recently upped figure above by the Minister is ignored. A very low amount by comparison to the amount quoted in paragraph 10 for the part-time judges.

In defending the frozen pension policy, William Hague has said: “so there is no prospect of us (UK) being able to take on a major new area of expenditure.” I say to him that this is NOT a new area of expenditure Mr. Hague as you should know that it has been around for over 60 years and the government should put this abnormal, irrational, divisive, undemocratic and discriminative anomaly in the waste bin where it belongs as it has no place in a truly honest parliamentary document.

11. In conclusion I would like to look at the moral aspect of clause 20 and ask the committee to ask themselves if they think that to continue this freezing policy is morally justified. If your answer is yes then read on because had your answer had been no then you would have had no option but to remove clause 20. Conversely you would be lying to yourself and the rest of the committee.

Your choice—our future and yours may depend on it!

July 2013

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Written evidence from the Group Trustees of the Manweb Group of the Electricity Supply Pension Scheme (PB 60)

Public Bill Committee—Pensions Bill: submission on proposed statutory override for protected persons regulations

I write on behalf of the Group Trustees of the Manweb Group of the Electricity Supply Pension Scheme (the “Scheme”) to set out our formal submission to the Public Bill Committee in relation to the Pensions Bill and, in particular, on its potential impact on Protected Persons (those members of the Electricity Supply Pension Scheme who are entitled to additional pension protection following privatisation under the under the Electricity (Protected Persons) (England and Wales) Pension Regulations (SI 1990/346)).

By way of background, as at 30 September 2012, the Scheme had assets of £883m and a membership of 6,628, comprising 4,343 pensioners, 1,154 deferred members and 1,131 active members. Of the active members, 955 were Protected Persons, and 176 were non-protected.

Submission

This submission is made specifically in relation to clause 24(2) and Schedule 14 of the Bill, which would enable sponsoring employers of contracted-out pension schemes to change the rules of those schemes to adjust members’ future pension accrual or contributions, in order to take into account the loss of an employer’s rebated National Insurance contributions upon the abolition of contracting-out. Clause 24(3) of the Bill contains a regulation-making power, however, which would allow the exclusion of certain descriptions of scheme from the power.

The Trustees’ very strong view is that there should not be a statutory employer override to the Protected Persons Regulations, for the reasons set out below, and that the Government should ensure that this is reflected either by amendment to the Bill or by a commitment to use the regulation-making power accordingly.

Legitimate expectations

Clause 41(2) (d) of the Electricity Supply Pension Scheme (“ESPS”) provides that in relation to any Group, any amendment to the ESPS shall be void to the extent that it would otherwise increase the contributions of, or reduce the prospective benefits available to, any Protected Person, unless the change is approved by at least two-thirds of such members. This provision reflects the requirements of the Regulations.

As was stated in Parliament during the progress of the Bill that became the Electricity Act 1989, the Protected Persons provisions followed a Government White Paper commitment that privatisation would not affect the benefits payable to members of the industry’s pension schemes, and a principle that can be traced back to the “no worsenment” provisions of the Electricity Act 1947. The relevant extract from Hansard goes on to explain how the drafting of the Protected Persons provisions followed “long and detailed consultations with the industry and trade unions”.

Any change to allow a statutory override in relation to Protected Persons would therefore involve overriding fundamental and well-established provisions. We do not consider that a sufficient case has been made for

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22 As introduced 10 May 2013.
24 Baroness Hooper, quoted in Hansard, Electricity Bill HL Deb 26 June 1989, vol 509 (from col 515).
changing such a crucial protection under the ESPS and the privatisation legislation. Protected members will have planned for the future on the basis of the existing statutory protections to their contributions and benefits. To override the Protected Persons regime in this way would defeat the legitimate expectations of a large number of members and, we submit, be wholly disproportionate (the specific impact on members and employers is considered further below).

In addition, such a change would suggest that changes to the taxation or national insurance regimes can, in principle, be regarded as justification for allowing employers to unilaterally amend Protected Persons’ pension contributions or benefits. This would be inconsistent with the reasons behind protection having been granted, and with individual members’ longstanding reliance on those provisions.

THE RELATIVE IMPACT ON MEMBERS AND EMPLOYERS

Paragraph 13 of the Impact Assessment to the recent DWP consultation on a statutory override for Protected Persons acknowledged that if a statutory override is introduced, then any changes made “are likely to be detrimental to members’ workplace pension income”. The illustrative outcomes in Annex D to that consultation, suggesting potential accrual rate reduction from $1/60 \text{th}$ to $1/70 \text{th}$ or increases in member contributions of approximately 2.7\% of pensionable pay, would on any measure be significant for the individuals affected.

In contrast, the Trustees consider that in the context of the electricity industry as a whole, the potential additional cost to employers, namely 3.4\% of affected employee earnings between the Secondary Threshold and the Upper Accrual Point, is reasonable and affordable. The industry is, and can be expected to remain, cash-generative, and of course has access to revenues from electricity consumers. Any impact on employer cost as a result of increased scheme liabilities should also be seen in context: as the Impact Assessment to the DWP consultation suggested, routine movements in bond yields can cause a much bigger change to a pension scheme’s financial position than the loss of contracted-out rebates would.

It is also important to emphasise that Protected Person costs will, by their nature, diminish over time. In the Manweb Group of the ESPS, the number of Protected Persons fell from 1,190 to 955 between 30 September 2009 and 30 September 2012, and this attrition rate can be expected to continue. Given that the abolition of contracting-out is not planned to take effect until April 2016, the impact on employers at that stage (which needs to be weighed against the significant impact on individual Protected Persons who remain) should not be overstated.

EMPLOYEE RELATIONS CONCERNS

We note the argument, canvassed by DWP and others, that there would be employee relations issues if no statutory override is granted. This is based on the premise that protected and non-protected members could be subject to different outcomes as a result of the abolition of contracting-out rebates.

However, both within the Manweb Group and the ESPS as a whole, the co-existence of members with and without protected rights has been a feature of the regulatory framework since 1990. The concerns attributed to employers around communicating or managing different rights, and the suggestion in the DWP materials that not overriding Protected Persons rules would “raise an issue for those employers of... sectionalised schemes with different benefit structures for different groups of employees”, would seem to be misplaced. Nor do we agree with the assumption, made at paragraph 49 of DWP’s Impact Assessment and said to be derived from discussions with potentially affected employers, that “employers would not have a differential treatment for protected and non-protected persons.”

Lastly, there is an assumption in some quarters (see eg paragraph 18 of the DWP consultation) that Protected Persons are a minority of employees and that if there was no override, there would be difficult issues in communicating with the ‘majority’ of employees who would then face an increase in workplace pension costs. However, such an assumption is not borne out in relation to the Manweb Group. As we stated at the beginning of this letter, at 30 September 2012, the Scheme had 1,131 active members, of whom 955 (or 84\%) were Protected Persons.

Given that the vast majority of active members are themselves protected, we would argue that the existence of a statutory override, rather than the absence of one, would be more likely to trigger difficult communications issues with the majority of employees.

NON PROTECTED PERSONS

In this submission we have concentrated on the position of those members who are Protected Persons, as they comprise the vast majority of the remaining active members of the Scheme. However, the non-protected members have the same expectations and aspirations as their protected colleagues.

Clause 41(2) (e) of the ESPS contains an identical provision to that of Clause 41(2) (d), but for non protected members. So, in relation to any Group, any amendment to the ESPS is void to the extent that it would otherwise

26 See paragraph 58.
27 Paragraph 18 of the Impact Assessment.
increase the contributions of, or reduce the prospective benefits available to, any member who is not a Protected Person, unless the change is approved by at least two-thirds of such members.

We would submit that if any change in the law were to permit the employer to either increase contributions or reduce the benefits of these members, there is no justification for it to override the mechanism which the ESPS already provides for dealing with proposals of this nature. We therefore consider that it would be appropriate for an amendment to the Bill, or drafting under the regulation-making power, to reflect this.

SUMMARY

We note that in the eighth sitting of the Committee on 4th July, the Minister confirmed that the Government is still to finalise its position on the extension of the statutory override to Protected Persons. He also confirmed that Committee’s acceptance of the general power would not preclude regulations from dealing with the issue, following the conclusion of the Government’s deliberations.

Our view is that it is neither fair nor appropriate for legislation to be introduced which would allow employers to override the Protected Persons Regulations to change scheme benefits for members who are Protected Persons. The Trustees are not persuaded of any compelling reason to abandon the essential principles behind the Protected Persons regime. We submit that the actual rights and expectations of all parties would be best preserved by fully maintaining the existing protection.

The pension schemes carried forward from the publicly owned electricity industry in 1990 were, and are, contributory schemes supported by real assets. The current schemes are the successors of the schemes provided on the creation of the electricity boards on nationalisation and for much of their existence, participation for many staff, including protected persons, was a compulsory condition of employment.

We therefore submit to the Committee that it is unacceptable for the present Government to override a promise given in statutory form by a previous government as part of the discussions and negotiations held in the last 1980s prior to the enactment of the Electricity Act 1989 and its coming into effect in April 1990.

July 2013

Written evidence from Mike Goodall (PB 61)

DEAR UK MP’S,

In the recent debate in the Pensions Bill Committee (4th July 2013 Afternoon) the Honourable Steve Webb made several statements which are skewed in favour of his position as Pensions Minister, the current administrations viewpoint and some that are factually untrue.

1. He informed the Committee that “He was confident that people were told that their UK State Pensions would not be uprated if they go to certain countries”.

However that is the current position. Years ago when many of us were leaving the UK the only mention that your UK State Pension would be frozen was in the latter pages of a long pension booklet and was in small print. Yes things are now different but at that time hardly anyone was aware their UK State Pensions would be frozen until they actually wrote to the International Pensions Centre to claim their pension or they used a Migration Agent who ‘knew the facts’. In fact I talk with many UK Expats in Western Australia and beside many of them not being aware that they are entitled to receive a UK State Pension nearly all of them are not aware that once they claim a UK State Pension it will be frozen for the rest of their life.

It is OK for people who are intimately involved with a subject to ‘know the rules’ but when the ordinary working person is moving to the other side of the world their UK State pension is ‘not at the forefront of their mind’. The Government is taking advantage of the ordinary person’s ignorance ‘of the system’.

Hardly any of the UK expats I talk with receive ‘the claim pack’ supposedly issued four months before people reach state pension age. I know that I didn’t even though I had been in touch with the International Pensions Centre and given them my full address and contact details. I had to be proactive and also talk to a senior manager to achieve my full entitlement as the three people who I had previously spoken to were not correctly trained. It is fine for the Honourable Member to quote the official procedure but the practice is not always as written down or on the web sites. Don’t forget that many older people do not have internet or computer access.

One thing that wasn’t mentioned in any documents up to several years ago was that your Serps or S2P would also be frozen. This is a pension that you have willingly contributed to like an occupational scheme and SERPs has been defined by the DWP’s legal team as a ‘property right’ owned solely by the contributor. Yet this is also frozen. My wife and I have moved to live in Australia on a 410 Retirement Visa. As part of the condition of this Visa we are not allowed a pathway to Permanent Residency and are therefore unable to claim any benefits from the Australian Social Security System including pensions.

We are liable to pay tax in the UK on any UK earnings and tax in Australia on any Australian earnings. We are not allowed a Vote in Australia and are only allowed to vote in the UK for 15 years after we left. We are still
UK Voters and will be voting in the next General Election. What is so wrong is that in 9 years time we will be totally disenfranchised as even as UK Citizens we will still not be allowed a vote in the UK.


I can only quote about Australia as that is where I live. In Australia you are not entitled to receive a State Pension until you have been a Permanent Resident for 10 years and the waiting list for some visas to become a Permanent Resident is itself 10 years. Therefore some Visa holders would have to wait 20 years before they become eligible to receive any State pension in Australia. The point raised about saving the Australian Government Exchequer money is a ‘red herring’ as we have paid our National Insurance contributions just like everyone else and surely we should have the right to receive the same payment no matter where we live? See also note 4 about costs to the exchequer,

However there is a class of Visa Holder in Australia ‘410 Retirement Visa Holders’ who will never be allowed a pathway to Permanent Residency and are unable to claim any benefits from the Australian government including a pension. They are therefore dependant on their UK State Pension and even though they are UK Tax payers are still denied uprating.

My wife and I like many 410 Retirement Visa Holders (there were 3547 410 visa holders from the UK as at 30th June 2012) moved to live in Australia to be close to family in our late 50’s/early 60’s and in our case had paid the maximum number of years (44) of National Insurance Contributions. Since I reached State Pension age in early 2010 we are already losing over £22 per week from our “expected full pensions” and this will further deteriorate in future years. Additionally our £8,000 per year UK State Pension has fallen in Australia Dollar terms from $20,000 per year to $13,300 per year and that is following a recent 10% devaluation of the AUDollar. The extra £22 per week we are losing ($36.50 per week) is already making a significant effect on our standard of living.

We are still liable to pay tax in the UK on our UK earnings/pensions and tax in Australia on our AU earnings. So even as UK Taxpayers we are denied uprating.

The number of 410 Visa holders from the UK living in Australia has been reducing year on year as many have had to return to live in the UK as they can no longer afford to live on their deteriorating UK State Pensions. It will be interesting to see the figures as at 30th June 2013 as we know many who have had to return to the UK to live this last year. These returnees are then costing the UK large amounts of money in healthcare, pensions, and other social benefits and allowances, money that the UK cannot afford.

The Honourable Member states ‘there would be British Citizens whose incomes would be above the level at which they qualify for the means-tested benefits in Australia’. He is in effect then imposing means testing himself on their entitlement which does not however apply in the UK to those who are ‘wealthy’.

What is so wrong is that if we had retired to Miami, Istanbul or Tel Aviv our pensions would have been uprated every year.

3. The Cost of Uprating.

It has been made clear by all expat pension groups that there will not be any claims made for payment of uprating for previous years and that the uprating demand is from the point of agreement. The figure quoted of £695 million a year is 0.7% of the UK Total pension budget, less than 1 penny in the pound. Yet you are prepared to see Old Soldiers who fought in WW2 suffer their frozen pension in their old age. It is these older people who are really suffering financial hardship. If the unfreezing were done in stages starting with those over 80 years of age the cost increase to the UK exchequer would hardly be noticed.

The Honourable Member stated that around £3 Billion a year is paid outside the UK so why are those pensioners in non frozen countries more equal than those living in Australia and Canada as most countries where this is paid also have social security systems?


Due to the financial problems in the UK following the Global Financial Crisis (GFC) large numbers of UK citizens have emigrated to live in Australia for work bringing their wives and families with them. From the Government’s figures how many people have emigrated to Australia over the last 5 years and how much is that saving the UK exchequer in terms of unemployment benefits, NHS costs etc?. Their Healthcare cost is now being paid by the Australian Government so to claim that the Australian Government would be a net gainer in terms of costs to the exchequer if UK Pension were uprated for UK State Pensioners in Australia is probably incorrect as the benefit to the Australian pension system would only less than £100 million per year as compared to the health costs of thousands of UK expats. Over 20% of the population of Perth alone (1.4 million) are expats from the UK and more are arriving every day.

These new expats could also have parents living in the UK who are close to retirement age and there is a high probability that these seniors would wish to move to live with their families which could save the UK Government even more over years to come.
In light of the above ‘points of order’ I would ask you all to reconsider and raise an amendment to have Clause 20 completely written out of the Pensions Bill and the discriminatory policy that has continued for so many years removed from the UK statutes forever.

I look forward to your thoughts and comments.

July 2013

Written evidence from Sarah Pennells of SavvyWoman.co.uk (PB 62)

SavvyWoman is a free to use financial information website for women, which was launched in the autumn of 2009. It covers a wide range of finance-related subjects, including pensions and retirement. The state pension section is consistently one of the most visited parts of the website.

Summary:

The aim of the Pensions Bill, to make the state pension easier to understand and fairer, is one I support. However, in its current form, the Bill could cause financial hardship for those women who were expecting to receive a pension based on their husband’s contributions. It will also mean that women and men born the same day will receive a different level of state pension for the rest of their lives.

The government should include a transition period for women expecting a pension based on ‘derived rights’ and should consider whether women born between April 6th 1951 and April 5th 1953 could be given the option of taking the single tier pension, if it leaves them better off.

The Bill also includes scope for regular reviews of state pension age. It should ensure that these do not penalise individuals living in areas where life expectancy is low, at a time when ONS figures show that the gap between individuals’ life expectancy in these areas, compared to areas where life expectancy is at its highest, is increasing.

1. Introduction

The Pensions Bill contains a number of measures which are to be welcomed. I support the over-arching aim of the government to make the state pension system less complicated, fairer and easier to understand. However, there are a number of measures contained in the Bill, relating to the single tier pension, which I believe will penalise a number of women and which cause me concern.

2. The ‘lost 700,000’

There are approximately 700,000 women who were born between April 6th 1951 and April 5th 1953 who will not receive the single tier state pension, whereas men born during this period will. I am aware that not all women will receive a higher weekly state pension from the single tier pension than they would under the current rules and that they will receive their pension at an earlier age. However, I still believe the current proposals are unsatisfactory.

2.1 Figures from the Department for Work and Pensions show that the average difference between current entitlement to a state pension and entitlement under the single tier regime is £6 a week\(^\text{28}\). However, for many women the figure will be considerably higher.

2.2 The Pensions Minister is on record as saying that if these women were to be treated as men—namely to receive the single tier pension at the current state pension age for men of 65, 85% would be worse off\(^\text{29}\). However, I do not believe that this is an entirely fair comparison.

2.3 Men’s state pension age has remained at 65 for many decades, whereas the state pension age for women has been rising since 2010. The rise from 60 to 65 is not in itself unfair. I believe that state pension ages should be equalised between men and women. However, many women whose pension age is rising have not been given adequate warning of the fact.

2.4 Even though legislation was agreed in 1995 to gradually equalise the state pension ages of men and women at 65, I am regularly contacted by women in their early sixties who have only found out a year or so before they retire that they will not be receiving a state pension when they expected to. It is the lack of information about the equalisation of state pension ages, and therefore the lack of opportunity for these women to make alternative arrangements, which—I believe—means women in this age group should be treated as a special case.


\(^{29}\) Work and Pensions Committee 11th March 2013 http://www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/1000/130311.htm
2.5 Under the current plans for the single tier pension, those men and women who reach state pension age after it is introduced will be able to retire on the single tier pension (if that is the same or greater than the entitlement they have built up under the current system) or will be able to keep their entitlement under the current system if it is more than the proposed level of £144 a week in today’s money. I believe that women born between April 6th 1951 and April 5th 1953 should be given a similar choice when they reach state pension age.  

2.6 It is true that these women will receive their state pension earlier than men born on the same day, but I do believe the lack of information from the DWP about the equalisation of state pension ages (and the lack of interest in the subject from much of the media until comparatively recently) means that these women should not lose out a second time because of state pension changes, however welcome the overall changes are.

3. Transitions arrangements for ‘derived rights’ and inherited state pension

I was pleased to see that the Pensions Bill includes measures to ensure that women who have paid the ‘married women’s stamp’ will be able to receive a category B pension after the introduction of the single tier state pension. However, I do not believe this goes far enough. I have been contacted by a number of women who have not paid the married women’s stamp, but who are due to receive a state pension worth less than 60% of the full basic state pension, and who will not reach state pension age until after April 6th 2016.

3.1 They have told me they are variously dismayed and furious that they will not now be able to receive the state pension they believed they would be entitled to. In some cases they have not been able to work—or have chosen not to work—and have not claimed state benefits. In other cases these women have acted as carers but have not been able to qualify for home responsibilities protection or carer’s credits.

3.2 I understand that the state pension is designed to be a contributory pension. Nonetheless, this—contributory—state pension system has enabled women to claim a state pension based on their husband’s National Insurance record, to claim one on the relevant part of their ex husband’s NI record or to inherit a state pension based on their late husband’s NI record, for many years.

3.3 Many women have factored this into their retirement planning and, while being able to receive a state pension based on your husband’s NI contributions may seem anachronistic, it is not something that I believe should be available to women one day and disappear the next.

3.4 Instead, I echo the Pensions Select Committee’s findings that there should be a 15 year transitional arrangement so that women who have built up a state pension worth less than 60% of the basic state pension can receive a category B pension if they reach state pension age after April 6th 2016.

4. Women and poverty in retirement

4.1 There is no shortage of research showing that women are far more likely to be dependent on the state pension when they retire and that they are likely to retire on less than men. Research by Prudential found that women are three times more likely than men to retire on a state pension alone (23% for women compared to 8% for men), with the state pension accounting for 43% of women’s retirement income in 2013, compared to 30% for men.

4.2 The Wealth and Assets Survey carried out by the ONS shows the median private pensions wealth for men and women of all ages between 2008–10 (including those with no private pension) was £18,500 for men and £2,400 for women. Once those who have no pension wealth are excluded, the median figure is £79,000 for men and £51,200 for women.

5. Future rises in state pension age

The state pension age should reflect increases in longevity in the UK population. However, any rise in state pension age must be introduced both with a realistic timetable for people to make alternative arrangements and with a programme of relevant and targeted information that will directly reach those who will be affected. It should also ensure that changes are not introduced every few years without giving men and women any certainty about their retirement entitlement from the state.

5.1 I would also hope that the government would ensure that people who have carried out physically and mentally demanding work throughout their lives and/or who live in areas with below average life expectancy will not be unduly penalised by future rises in state pension age.

5.2 Figures from the ONS covering the periods of 2004–6 and 2008–10, show that while average longevity in the UK population is increasing, the gap between the lowest and highest life expectancy at both birth and age 65 has grown. Individuals living in the London borough of Kensington and Chelsea can expect to live significantly longer than someone born in, for example, Glasgow and Clyde.

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31 Prudential http://www.pru.co.uk/pdf/presscentre/1_in_7_will_retire_with_no_pension.pdf
33 ONS longevity statistics http://www.ons.gov.uk/ons/dcp171778_238743.pdf
5.3 ONS data shows that between 2004–6 and 2008–10, the gap in average life expectancy of a man aged 65 living in Glasgow and Clyde compared to a man living in Kensington and Chelsea increased by 1.9 years from 8.2 to 10.1 years, while for a woman the gap increased by 2.2 years from 7.5 to 9.7 years.

5.4 At age 65, a man living in Glasgow and Clyde can expect to live for 14.3 years (to age 79.3), compared to 24.4 years in Kensington and Chelsea (to age 89.4). At age 65, a woman living in Glasgow and Clyde can expect to live for another 17.8 years (to age 82.8) compared to 27.5 years for a woman living in Kensington and Chelsea (bringing life expectancy to 92.5 years).

5.5 I do believe the introduction of the single tier pension will remove some of the worst of the complexity of the current state pension system. However, I believe that care needs to be taken to make sure that certain groups of—principally, but not exclusively women—are not unfairly penalised.

July 2013

Written evidence from Neil Watson (PB 63)

I declare an interest by virtue of my age now at 64 and still working, possibly continuing to work until after 2016.

In an era of ‘shifting sands’ there is nothing more unfair to approach pensionable age to see all the expectations dashed and a changed pension not applying to me and thousands like me.

I have contributed to my state pension since age 16 which will total 49 years.

The contribution test was altered to 30 years not too long ago to be increased up a little to 35 years under the single tier pension. Yet, to the many like me who have paid in for 49 years we are going to be denied the new enhanced rate purely because of an arbitrary choice of date set by government (and this date was changed and brought forward only recently).

It is admirable to combine the existing two tiers (basic and S2) into a single tier. The change achieves long awaited simplification and produces clarity and fairness but there will still be two tiers of pensioner going forward. The pensioners with the enhanced basic pension from 2016 and pensioners with the pension paid at the former much lower rate.

It is incomprehensible to me why the clarity and fairness parliament seeks could not embrace all pensioners, past and future. There is no good reason why the new pension could not be phased in gently just as the qualifying pensionable age is being gradually altered over time.

July 2013

Written evidence from Aljosa Popovski (PB 64)

1. The new Pensions Bill is a considerable improvement in term of “individualisation”. People should build up their own record and not depend on the record of a spouse and the Bill makes good provisions for this.

2. Less appealing, in terms of fairness, is the legal retroactivity (ex post facto) of certain provisions. For example, the minimum number of qualifying years for a state pension is to change drastically. People, who at the time of passage of the Bill have built up a certain number of qualifying years, however small, should see their rights protected, because often they were making voluntary contributions on the assumption that the current rules would last. Proper transitional arrangements should take this into account, ie protect “acquired rights”, otherwise the problem of legal retroactivity is not solved.

3. Increasing the minimum number of qualifying years will make people less willing to work legally (in terms of paying contributions). Often people accept to apply for and use the NI number because they know that “every qualifying year counts”. People who will just work for a year or two or three will simply try to drop out of the system, ie work illegally.

July 2013

Written evidence from ShareAction (PB 65)

Summary

As set out below, ShareAction is particularly interested in the provisions of the Pensions Bill relating to powers for the Government to impose quality requirements/standards on a sub-set of private pensions. Whilst we welcome the inclusion of these powers, we wish to highlight: (1) the need for the Bill to signpost the important features of good governance and (2) our view that the Bill is not as clear as it could be on how the standards will apply to auto-enrolment schemes.
ABOUT SHAREACTION

1. ShareAction (formerly FairPensions) is a registered charity established to promote responsible investment practices by pension funds and other institutional investors. In particular, we work to encourage active stewardship of listed companies through the informed exercise of shareholder rights. ShareAction also champions greater transparency and accountability to the millions of pension savers whose long-term savings are entrusted to the capital markets.

2. We are a member organisation and count amongst our members a growing number of globally recognised NGOs and trade unions, as well as over 8,000 individual supporters. We help our individual supporters to engage with their pension providers about investment policies and practices. We also conduct research and benchmarking exercises using publicly available information about institutional investors’ policies and practices, in order to inform the market and to promote best practice.

THE IMPORTANCE OF QUALITY REQUIREMENTS/STANDARDS AND GOOD GOVERNANCE

3. ShareAction welcomes the provisions in the Bill allowing the Government to impose quality requirements relating to the governance and administration of defined contribution (DC) workplace pension schemes into which a person’s pension may be automatically transferred if they change jobs34. If the imposed quality standards are robust, people should not see their pension transferred from a “good” to a “bad” scheme simply because they have moved jobs.

4. Quality requirements are particularly important in the context of auto-enrolment: auto-enrolment will only succeed if the schemes into which people are enrolled are well run and invest people’s savings responsibly. This is particularly vital in DC schemes, where savers bear the investment risk of complex decisions made without their knowledge or input. It cannot be left to the market to raise these standards because the pensions market is not truly competitive: auto-enrolled savers do not choose their pension provider; there is no repeat business; and poor performance may not be evident until it is too late. Quality standards are particularly important in contract-based DC pension schemes, where it is not clear that anyone in the investment chain has the incentive or obligation to protect savers’ best interests.

5. However, the issue of what counts as a well governed scheme needs to be addressed. The current requirements for schemes to meet in order to qualify as auto-enrolment schemes are minimal and we believe that any quality requirements set for automatic transfer schemes must go far beyond these. As a minimum, good governance should include the following mechanisms:

(a) Independent structures to embed policyholders’ interests into decision-making, such as boards with duties to act in savers’ interests (as in the Australian system). We welcome the Government’s positive response to the Work and Pensions Committee’s recommendation for ‘governance committees’ to be set up at employer level to oversee contract-based pension schemes35. However, this does not preclude the need for governance structures at provider level to ensure savers’ interests are protected.

(b) Improved communication between pension schemes and savers, with clear and relevant information being disclosed to savers as well as mechanisms for them to easily obtain information about their savings. We welcome the Government’s acknowledgement of the importance of “good communications and well-presented information” to improve savers’ engagement with their pension savings36. It is important not only that comprehensive, information is disclosed, but that it is presented in a manner which is clear for the average saver. We believe that, as well as empowering individuals, increased transparency between savers and their pension fund serves as a disincentive for practices which take advantage of the asymmetry of information in the system.

(c) Investment strategies focussed on securing sustainable long-term returns, and not simply on maximising profits on a quarterly basis. Schemes should be required to:

— comply with the UK Stewardship Code37 on engagement with investee companies;

— have—and report on the implementation of—clear policies on environmental, social and governance issues; and

— disclose how they vote as shareholders at company AGMs, thus promoting better oversight of investee companies and improved accountability to savers.

(d) Fiduciary-like duties to be applicable consistently across the market to all those exercising discretion over other people’s money, thus ensuring that savers’ best interests are promoted and conflicts of interest are avoided.

6. In terms of the scope of the proposed quality standards, we believe it is extremely important that these cover all schemes into which people may be auto-enrolled. We note that the Government’s response to the Work

34 Sch. 16, Part 1, para. 12
36 http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/485/48504.htm
37 The UK Stewardship Code sets out good practice on engagement with investee companies by institutional investors. The Code is overseen by the Financial Reporting Council and operates on a ‘comply or explain’ basis. The FSA/FCA requires UK authorised asset managers to report on whether or not they apply the Code, but the Code is voluntary for asset owners like pension funds.
and Pension’s Committee states that the quality requirements in the Pensions Bill will “apply to all workplace DC schemes. This means that someone who is automatically enrolled into a DC scheme will receive the same protection as someone who is automatically transferred into one”38. This assurance is welcome, but this should be made clearer in the Bill. It is also unclear how the powers in the Bill will interact with the Government’s proposed review of auto-enrolment39. If this review recommends changes to the quality standards for auto-enrolment schemes then the Government must ensure that this does not lead to loopholes or undue complexity in the regulation of pension schemes, especially if some schemes will end up being governed by multiple sets of rules. We believe it would be simpler if the quality standards in the Pensions Bill were specifically stated to apply to all auto-enrolment schemes.

July 2013

Written evidence from Dr Pauline Worrall (PB 66)

This evidence relates to Part 1, Section 1 (2) of the Pensions Bill 2013 -14

1. There are 700,000 women, born between 6 April 1951 and 5 April 1953 who will not receive the Single Tier Pension (STP) because they will have started drawing their State Pension prior to its introduction in April 2016.

2. According to the DWP, around 70,000 of them (10%) will be worse off on the basic state pension than they would be if they were to receive the Single Tier Pension.

3. All 700,000 have all had their State Pension Age (SPA) deferred as part of the pension age equalisation process (which they support) and consequently, they must wait up to 3 years longer to receive their state pension than they had expected to do for the majority of their working lives.

4. Men born on the same dates as them will receive the STP when they reach SPA. This Bill claims to be about fairness but as it currently stands, it discriminates against this group of women by excluding them from the STP.

5. The DWP and the Pensions Minister have claimed that over their pensionable lifetimes, the women in this cohort will be better off than men their age because they will start receiving their pensions earlier and are likely to draw them for longer.

6. This is not a justifiable argument for several reasons:

   (i) Women in this cohort did not set the historical pension ages for men and women and should not be punished for the difference.

   (ii) Some women in this cohort may live longer than men their age but many will not. Recent figures show that the life expectancy of men and women is rapidly converging.

   (iii) The amount of pension that women in this group will have to live on each week is a far more relevant figure than their potential lifetime receipts, since no one knows how long they will live.

   (iv) Many of these women have fragmented employment records due to caring responsibilities which adversely affected their career prospects and National Insurance (NI) contribution records. As a result, many have worked for years in relatively low paid employment with very low or no occupational pensions. This is in stark contrast to many men their age who have enjoyed unbroken employment and full NI contribution records, giving them generous occupational pensions which enable many of them to retire well before their SPA.

7. I am one of the women in this cohort and offer myself as a typical example. I was 15 when I left school and started work. In 1995, 28 years later, at the age of 43, I learned that I would not be eligible for my State Pension until I was 62 years and 4 months old (November 2014). I will qualify for a full basic State Pension which, at current rates, is £110.15, plus approximately £9 per week in SERPS, giving me a weekly state pension of approximately £120. If I were to receive the STP at the present rate, I would be eligible for £144 per week. Consequently, at current rates I will be £24 per week worse off on the basic state pension + SERPS, than if I received the STP. That amount would make a crucial difference to me, enabling me to pay my fuel bills in old age.

8. Many of the 70,000 women who, as the DWP has acknowledged, will be worse off on the basic state pension than they would be on the STP are in a similar or worse position. This is manifestly unfair.

9. If this Bill is about ensuring fairness to women, then it should start by being fair to those who are approaching their SPA, not only those who will do so in the decades to come.

10. The DWP has cited ‘cost’ and ‘complexity’ as the reasons for excluding the women who would be better off on the STP. These can be effectively challenged on several grounds.

38 ibid
39 ShareAction understands that the auto-enrolment process will be reviewed in 2017.
(i) As pointed out by several contributors at the Parliamentary Scrutiny and Evidence committees, any additional costs incurred by giving these women the better of the two pensions, can be met from the additional NI contributions that the government will accrue following the ending of ‘contracting out’.

(ii) According to the DWP’s own figures, only 70,000 of the 700,000 women would be better off on the STP, so the DWP estimates of additional costs should reflect that rather than being based on the costs of including the whole 700,000 cohort in the STP.

(iii) It will not be unduly complex to include these women and giving them the option to transfer will be straightforward. They will already be drawing their state pensions in April 2016 when the STP is introduced, so they will know exactly how much they are receiving each week. The DWP has their contribution records and could either automatically send them a STP pension forecast at that time, or the women could apply for a STP forecast if that is what the government prefers. This will show women what they would get if they transferred to the STP. A simple comparison with what they are already receiving will enable them to decide whether to transfer or not.

(iv) The Explanatory Notes to the Bill show that it already contains some very complex transitional arrangements. These are designed to ensure that several groups of people who would otherwise be worse off under the new arrangements will not lose out. It is not legitimate therefore, for the DWP to justify excluding this cohort of women on the grounds of complexity. This would further discriminate against them in comparison with other groups who are already included in complex transitional arrangements.

Recommendation

The Bill should be amended to include a transitional arrangement enabling those 70,000 women (as identified by the DWP) who would be better off on the Single Tier Pension, to transfer to it from April 2016.

July 2013

Written evidence from Ian Pottle (PB 67)

I am writing about my concerns over the Pensions Bill, which I understand has received its second reading in the House of Commons on 17 June.

The Pensions Bill includes clauses which will speed up the increase of the state pension age to 67 and introduce a review system which will lead to further increases in state pension age.

The UK state pension age will rise to 68 by 2050, making it one of the highest in the OECD. By 2050 the UK state pension age will have risen further than the state pension age in the USA, Canada, Australia and most of Europe.

While life expectancy has risen, health inequalities in the UK mean that improvements aren’t distributed evenly. People on lower incomes and in deprived areas of the UK have lower life expectancies and lower healthy life expectancies.

There is no justification for further increases or speeding up the increases in the state pension age in the UK. I urge you to oppose the increase to the state pension age and the automatic review mechanism in the Pensions Bill, and would be grateful if you’d let me know your stance on this important issue.

July 2013

Written evidence from NASUWT (PB 68)

The NASUWT is pleased to have the opportunity to submit evidence to the Pensions Bill Committee.

The NASUWT is the largest teachers’ union in the UK and represents serving and retired teachers in all phases of education.

The evidence draws upon the extensive experience the Union has of teachers’ pension provision and retirement expectations.

General Concerns

1. The NASUWT has no principled objection to the simplification of state pension provision, provided the combined benefits of the state and occupational pension provide adequate and sustainable retirement pensions in the long term. The Union does have a track record of constructive engagement with the previous Government on the teachers’ pension reforms agreed in 2006, including measures to protect the taxpayer through a cap-and-share arrangement for contributions.

2. However, it is only right to acknowledge at the outset that the NASUWT is opposed to the Coalition Government’s current programme of proposed reforms for public sector pensions, which the Union believes
represents an unnecessary and unfair attack on public sector pensions in general and on teachers’ pensions in particular. The NASUWT has not signed up to the proposals outlined by the Department for Education’s (DfE’s) **Proposed Final Agreement** on changes to the Teachers’ Pension Scheme (TPS). In fact, unions representing over 90% of all teachers are opposed to the proposed changes to teachers’ pensions.

3. The NASUWT is opposed to aspects of the current Pensions Bill which it believes will further impact adversely on the teaching profession and, therefore, on education standards and education for future generations. Notwithstanding its rejection of the DfE’s **Proposed Final Agreement** on changes to the TPS, the Union objects to certain provisions in the Bill that fail to reflect even those inadequate proposals.

**Specific Concerns**

**Clause 24—Abolition of contracting out for salary-related schemes etc.**

4. The provision in Clause 24 for the abolition of contracting out for salary-related pension schemes will result in a significant increase in National Insurance (NI) contributions for individual members of contracted out salary related occupational pension schemes, equal to 1.4% of the members’ relevant earnings at current NI rates.

5. This increase represents a further significant reduction in pay for teachers and other public service employees, on top of the incremental increases in pension contributions to the TPS already introduced by the Coalition Government between April 2012 and April 2014.

6. These pension contribution increases have been introduced in the form of earnings-related contributions and phased in over three years, with the first phase taking effect from April 2012. The increase in contributions to date have averaged 2.4% of salary and have ranged from 0.6% of salary for those earning less than £26,000 per annum to 4.8% for the highest-paid school leaders.

7. The third and final contribution increase for 2014–15 has yet to be determined but will bring the average increase over three years to 3.2% of salary and as much as 6% of salary for the highest paid. The precise level of contributions to be paid by each individual beyond 2015, when the reformed TPS is due to commence, has yet to be determined but will initially average 9.6% of salary.

8. By the time the third phase of increases is applied in April 2014, the total increase in member contributions will average 3.2% of the members’ total pensionable earnings—an average increase of 50% above the previous contribution rate of 6.4% of salary.

9. The NASUWT is appalled that after paying these higher contributions, further major reforms to public service pensions, including the proposed reform of the TPS from 2015, will result in teachers receiving benefits a third lower on average, as confirmed by the recent analysis of the public sector pension reforms by the Pensions Policy Institute.\(^{30}\)

10. All these increases in pension contributions have taken place over a period of severe pay restraint for public service workers, during which teachers have been subject to a two-year pay freeze from September 2010, with the prospect of increases of only 1% per annum over the next three years. The only other increase in pay that teachers will have received during this time to offset price increases and the increase in contributions will be due to normal career progression, promotion or a change in job.

11. With effect from September this year, the draconian changes introduced by the Coalition Government to teachers’ statutory pay and conditions will have the potential to remove even these means of progression. The changes to the School Teachers’ Pay and Conditions Document mean that, where schools choose to adopt the Secretary of State’s preferred method of pay determination, any pay increase for individual teachers will be entirely at the discretion of the headteacher.

12. The NASUWT deeply regrets, therefore, that the proposals in the Bill entailing increases in NI contributions as a result of the abolition of contracting out will only compound the considerable real loss of income for teachers due to years of continuing price inflation, pay restraint and unjustified increases in their occupational pension contributions. The proposed increase in employee NI contributions should be withdrawn.

13. In a recent NASUWT survey of over 14,000 teachers, almost half (47.6%) said they already find it difficult to meet the increased cost of pension contributions and over three quarters (75.5%) said they could not currently afford to pay more for their pension. With the further contribution increases in April 2014, and the prospect of an increase in the NI contributions from April 2016, the Union is concerned that increasing numbers of teachers will ‘opt out’ of the TPS altogether, thus damaging their own retirement prospects and jeopardising the long-term sustainability of the occupational scheme itself.

14. The NASUWT is relieved to note the exclusion of public sector employers from the provisions in Clause 24 that would otherwise allow them to further increase members’ pension contributions or reduce their pension benefits to offset the increase in the employers’ NI contributions. The Union remains concerned, however, at the alternative measures employers may seek in order to offset these additional costs.

\(^{30}\) The implications of the Coalition Government’s public service pension reforms, PPI, May 2013
15. The increase in employers’ NI contributions is not being funded by the Government and will have to be borne from school budgets which have already been cut significantly in real terms during the lifetime of this Government. The NASUWT is profoundly concerned that the increase in employers’ contributions will be unaffordable to schools without the prospect of cuts to educational provision and job loss for teachers and support staff.

16. The NASUWT considers that the increase in employers’ NI contributions is simply not sustainable for schools. The increase should either be withdrawn or schools should be fully funded to meet the cost of it.

Clause 25—Increase in pensionable age to 67

17. The Union rejects the need for increases in the state pension age (SPA) and objects to the provisions in Clause 25 to bring forward the increase in the SPA to 67 by eight years from 2034–36 to 2026–28. The acceleration of the increase in the SPA to 67 not only makes it difficult for individuals to organise their lives and careers or to make sensible financial plans for their retirement, but will directly impact on teachers’ occupational pension rights under the provisions of the Public Service Pensions Act 2013. The effect of the statutory automatic link of the teacher’s normal retirement age with the SPA will be to substantially raise the normal pension age (NPA) at which members of the TPS can take their teachers’ pension benefits in full, without actuarial reduction for ‘early’ payment, thus further reducing the value of teachers’ occupational pensions.

18. The provisions in the Public Service Pensions Act 2013, linking the NPA to the member’s SPA, has already provoked considerable anger and consternation among teachers, alongside other aspects of the proposed reforms to the TPS. Under the terms of the Public Service Pensions Act 2013, a teacher’s NPA is equal to their SPA.

19. In the matter of the equalisation of a teacher’s NPA and their SPA, teachers are treated far less favourably than members of the uniformed services pension schemes, who have an NPA of 60, irrespective of their SPA. The NASUWT considers that the Government should carry out an Equality Impact Assessment (EIA) into the differences in the normal pension age across the public service pension schemes. The only reasonable conclusion would be that all public service pension schemes should have an NPA of 60.

20. The NASUWT accepts that the DfE states that it has carried out an EIA. The NASUWT does not regard this assessment as fit for purpose. The data was lacking at the time and will continue to be lacking for the foreseeable future. Furthermore, the DfE EIA accepts that over 59% of teachers (those under 50 on 1st April 2012) will see an increase in their NPA and over 14% of these teachers will see an increase in the NPA of eight years to 68. Despite this clear discrimination against younger teachers, the Government decided to proceed with the reforms to teachers’ pensions.

21. Teaching is a predominantly female profession, with 70.3% of TPS members being female, and the uniformed services are predominantly male professions. The NASUWT considers that the reforms to the public service pension schemes, including the TPS, have a very high likelihood of being discriminatory on grounds of sex as well as on grounds of age.

22. Teaching is an extremely demanding profession and teachers have planned their working lives, family and financial commitments so that they are consistent with the NPAs of the schemes of which they are members. Many teachers now face the prospect of having to work for far longer to receive an adequate and sufficient pension.

23. For this reason, the Government admits in its Proposed Final Agreement that, up until 2023, its assumption is that teachers will retire at the same ages they do now (Costing and Behavioural assumptions). The NASUWT believes that this will also tend to be the case after 2023, because of the highly demanding nature of teaching. In effect, therefore, most teachers will not draw a full pension under the reformed scheme, leading to potential teacher pensioner poverty for some teachers.

24. Teachers with protected accrued service in the scheme with an NPA of 60 are likely to take all of their pension at 60, including in the reformed scheme. Many teachers with an NPA which equals their SPA will lose around a third of reformed Teachers’ Pension Scheme benefits through actuarial reduction, to enable them to take their pension at 60.

25. For those teachers who wish to retire before their NPA of 60, both their accrued pension under the current scheme and their service in the reformed scheme, will be actuarially reduced, with a reduction for a teacher taking a pension at age 55 of at least a fifth of their accrued pension (NPA 60) and a reduction of at least half of their reformed scheme pension. The teachers’ pension reforms therefore give many teachers financial uncertainty after they have finished teaching, for the remainder of their lives.

26. In addition to this, the NASUWT finds it completely unacceptable that, if the pension age is raised above 68, all of the pension earned in the new scheme before the change will become payable at the new, higher pension age. Teachers will not be able to take the pension they have accrued at the pension age which pertained at the time of that accrual unless they accept an actuarial reduction in their pension benefits. Any Government can, in the future, worsen teachers’ pensions further to meet the cost of other Government expenditure. The NASUWT finds this scandalous.
27. In its design of the TPS the DfE has added ‘flexibilities’, which teachers can purchase to give an adequate pension. However, women teachers, disabled teachers, and black and minority ethnic (BME) teachers will be discriminated against, or at a serious disadvantage, as a result of the teachers’ pension changes and the Government’s pension flexibilities will not mitigate this. These teachers tend to be the lowest paid members of the profession and the flexibilities which the DfE has built into the TPS will be unaffordable. Furthermore, the age profile of women and BME teachers is younger than the generality of teachers and the Government’s pension reforms impact most detrimentally on younger teachers.

28. The NASUWT has analysed in detail the DfE’s EIA of the TPS reforms and makes the following specific comments about the equality impact of the reforms.

A pension scheme based on career average

29. The NASUWT notes with concern the DfE’s approach to the conduct of the EIA which is restricted to available TPS data (for age/gender) and school workforce census/General Teaching Council for Wales (GTCW) data (for ethnicity). The use of a ‘proportionate’ approach to the EIA suggests that the DfE takes the view that the impact on other protected groups is of marginal concern, despite having no data to substantiate that point of view. The NASUWT does not agree that the ‘proportionate’ approach adopted by the DfE is appropriate or proportionate. We are concerned that by not taking equal and proper account of the implications for the range of teachers with protected characteristics, the DfE risks pursuing a discriminatory approach to pension scheme reform.

30. The NASUWT is also concerned as to the adequacy of the data on which the DfE has based its analysis. For example, data in respect of ethnicity is sourced from non-TPS records. It is also clear that data in respect of ethnicity is constrained by the absence of data on all teachers (many teachers refuse to provide such data) and many data records reflect third party/management classifications made of a teacher’s ethnic group. The NASUWT has invited the DfE to confirm the extent of missing ethnicity records within the school workforce census/GTCW data sources and the extent of use of non-third party classified ethnicity data held by each of these sources. To date, this data has not been provided by the DfE.

31. Furthermore, it cannot be assumed that the profile of the workforce will match the profile of the membership of the TPS. It would be helpful to know what actions the DfE has taken to verify the relevance of workforce census and GTCW data for decisions on the future of the TPS.

32. The NASUWT notes that the DfE is undertaking work with the Teachers’ Pensions Agency to survey members of the scheme. However, despite repeated requests by the Union, the DfE has failed to provide details of how this work is being progressed. It is also clear that this work is continuing to fall short of expectations regarding equality impact since data on a range of members with protected characteristics continues to be missing.

33. The NASUWT is concerned that the three key tests have not been applied in the DfE’s analyses provided to date, namely: eliminating discrimination, harassment and victimisation; advancing equality of opportunity; and fostering good relations.

34. The NASUWT does not share the view put forward by the DfE that lowering the pension benefits payable to men (as a result of the move to CARE) will provide any positive impact for women per se.

35. The proposed pension changes will produce substantially inferior benefits for women as well as for men. As the cost of a pension increases for all teachers, it is likely that those who earn less (disproportionately women) will lose most as a result of being forced to opt out of the pension scheme. Indeed, the evidence submitted previously by the NASUWT to the DfE suggests that men will be less likely to opt out and are more likely to benefit from the protections and additional flexibilities within the proposed reformed scheme.

36. The same argumentation applies in respect of the DfE’s claims about the positive impact of CARE on older and younger teachers. The DfE’s assessment seems to assume a system in a steady state, where the CARE arrangements apply in full to all teachers. However, as the system is undergoing a major transition, it is essential that the DfE assesses the impact during this period of transition. For example, in the transition from final salary to CARE, the DfE needs to examine the extent to which teachers within ten years of retirement (eg those currently aged between 50–59 years) will lose out as a result of the proposed pension scheme changes and the extent of the loss to be experienced by other groups of teachers (eg those currently aged between 40–49 years, 30–39 years and 20–29 years), and then to assess whether and to what extent, these losses appear to be proportionate and justifiable.

37. The DfE needs to show how, and to what extent, the income gap in retirement for women and men and for older and younger teachers is expected to be affected as a result of the proposed pension scheme changes, and again to assess whether, and to what extent, any losses appear to be proportionate and justifiable.

38. The arguments made above in respect of the impact by gender apply also in relation to ethnicity impact. The NASUWT does not accept the view advanced by the DfE that, “teachers from minority ethnic backgrounds will benefit to a greater degree”. The DfE would do well to recognise that minority ethnic group teachers are likely to be discriminated against when seeking access to promotion and are disproportionately represented on the lowest pay scales. The DfE needs to provide a like for like comparison of all classroom
teachers, which would confirm that minority ethnic group teachers and white teachers are to suffer detriment as a consequence of the proposed pension scheme reforms. The DfE must also recognise that the reforms do nothing to advance equality for minority ethnic teachers whose pensions in retirement will be lower and who will have less opportunity to boost the value of their pensions as a result of lower pay levels whilst in service. Further, minority ethnic teachers are also less likely to benefit from any transitional protections in the proposed reformed scheme.

An accrual rate of 1/57th of pensionable earnings each year
Revaluation of active members’ benefits in line with CPI +1.6%

39. In addition to the concerns cited above, the NASUWT challenges the DfE’s claim that the proposed accrual rate and revaluation factor ‘provide the fairest balance for the majority of the membership’. The NASUWT is disappointed that the DfE has failed to provide empirical data in support of this claim.

40. The NASUWT is concerned that the changes to accrual rates and revaluation must be seen in the context of actual earnings and the flexibilities available to teachers to secure a decent pension in retirement. With an extended pay freeze for teachers and proposals by the Secretary of State to increase pay flexibilities for headteachers, and also as the salaries of senior school leaders are continuing to increase year on year, it is clear that the proposed reforms will be profoundly unfair to the majority of TPS members.

41. The NASUWT has previously requested the DfE to set out the justification for limiting protection from the proposed scheme changes to teachers within ten years of their NPA and to provide data on the respective impact on the TPS changes on teachers with transitional protection (ie where the current accrual rate and revaluation factor applies) and for other non-protected age groups (ie where the new accrual rate and revaluation factor will apply).

NPA equal to SPA, which applies to active members and deferred members
Actuarially fair early/late retirement factors on a cost neutral basis except for those with an NPA above age 65 who will have early retirement factors of 3% per year for a maximum of 3 years in respect of the period from age 65 to their NPA

42. The DfE’s analysis indicates that around 30% of the TPS membership population will see no change to their NPA as a result of the proposed scheme protections. However, it is important that the DfE understands fully who will benefit from protection of their NPA.

43. Obviously, younger teachers and those in mid career will not benefit from this protection. But it is also evident from the DfE’s analysis that women are more likely to be adversely affected by this change by a margin of around 10%. Furthermore, the analysis suggests that white teachers are twice as likely to benefit from the proposed transitional protection compared to minority ethnic teachers where only around 16% are expected to benefit.

44. Thus, even on the basis of the limited equalities data the DfE has available to examine, the indicators are that a main element of the proposed TPS reform is discriminatory, and disproportionately so.

45. The DfE has not offered any meaningful mitigation in respect of the change to the NPA. To argue, as the DfE’s impact assessment does, that the increase in the NPA will disadvantage men because men’s life expectancy is shorter than women’s, will provide no comfort or mitigation for teachers who are affected by these changes, and displays a deep contempt for teachers who have committed a lifetime to the service of children, young people and society at large.

46. The DfE’s analysis needs to set out the impact of the change to the actuarial reduction factors. Coupled with the flexibilities on offer within the proposed reformed scheme for teachers to buy more pension (a facility that is likely to appeal only to those on higher incomes), the claimed improvements offered by the changes to the actuarial reduction factors will be meaningless in practice for the majority of teachers. For those teachers who are unable to continue to teach due to limiting long-term illness or disability (often as a result of the debilitating physical and mental demands of the job), the increase to the NPA will erode any protection these teachers may otherwise have had as a result of changes to early retirement. The fact is, that under the proposed changes, these teachers will be significantly worse off through no fault of their own.

Pensions in payment to increase in line with Prices Index (currently CPI)
Benefits earned in deferment to increase in line with CPI

47. The NASUWT rejects the claim made by the DfE that CPI provision represents ‘no change’. Whilst the switch from RPI to CPI is now in place, it does nevertheless represent a major change to the TPS which, on average, will reduce pension in payment by around 15%. The NASUWT has opposed, and continues to oppose, this imposed change, which has been made without consultation and without any evidence of assessment of its impact on serving and retired teachers with protected characteristics.

Average member contributions of 9.6%, with some protection for the lowest paid

48. The NASUWT believes that given the failure to conclude the TPS EIA, it is wholly inappropriate for this or any aspect of the scheme reforms to be implemented on 1 April 2012. The NASUWT must insist that the
49. The NASUWT notes the statement made by the DfE that the change to the policy on pension contributions was imposed unilaterally by the Treasury without consultation. The damaging impact of the change is compounded by the failure of the DfE to provide a current valuation of the scheme, and is therefore in breach of the current TPS arrangements and requirements.

50. The NASUWT does not accept that the EIA published by the DfE in respect of changes to employee contributions is satisfactory or robust, or that it satisfies the expectations arising from case law and existing good practice guidance. In particular, the DfE undertook no consultation on this critical change to the TPS and, as the current EIA exercise confirms, the DfE has acted without access to the relevant equalities data, thereby preventing a comprehensive assessment of the impact of this change across all protected characteristics, prior to the implementation of this change to the pension scheme.

51. The NASUWT has provided previously to the DfE detailed evidence on the potential impact of the change to employee pension contributions in terms of opt out levels, but we have received no response from the DfE.

52. The Union notes that despite the intention of the DfE to impose further (as yet undefined) increases to employee pension contributions as part of the proposed TPS reform package, the document provided to Stakeholders provides no assessment on actual or potential equality impacts of contribution increases in 2013/14 and 2014/15. The NASUWT is concerned that the DfE is about to once again move to determining further changes to contributions rates and structures without, as the law requires, taking into account in advance the potential equalities implications of any such changes. The NASUWT reiterates that it is simply not acceptable for the DfE to make policy changes in this manner and that the duty of ‘due regard’ requires that the equalities matters are considered at the outset and not after the event. The Union does not believe that it is appropriate for the DfE to confirm an average increase to pension contributions of 9.6% within the architecture of the reformed TPS, without having first undertaken a thorough assessment of the potential equality impact of that change.

Members who leave the scheme and return within 5 years will have their accrued service in the current NPA60/65 scheme linked to their final salary at retirement

53. The NASUWT notes the assertion by the DfE that it is right ‘to be fair to people who have built an expectation of a certain pension income’ and the acceptance that appropriate safeguards are needed for teachers ‘who have less opportunity to adjust to any change before they retire’. However, it is disturbing that the DfE adopts an arbitrary approach to delivering such protection in practice. Many teachers in their mid careers, for example, are unable to make adjustments and, having been members of the TPS for many years, will have built an expectation of their pension in retirement. For the majority of these teachers, these rights are to be denied. The NASUWT does not regard this as acceptable or proportionate.

54. The NASUWT once again questions the DfE’s analysis of teachers affected by breaks in service and the claim that ‘the impact of this provision is not likely to be disproportionate on either males or females’. It is unclear whether an appropriate baseline has been used for the DfE’s analysis here. The proportion of men and of women who take breaks in service as well as the proportion of men and of women who return within two or five years must both be considered in the analysis.

Transitional protection for those within 13.5 years of their NPA on 1 April 2012

55. The NASUWT believes that given the failure to conclude the TPS EIA, it is wholly inappropriate for this or any aspect of the scheme reforms to be implemented. The NASUWT must insist that the implementation date for any and all provisions of the reformed scheme must be deferred until completion of the EIA process or, preferably, the date for implementation of the revised TPS—ie 2015.

56. The NASUWT has made a number of observations on the issue of transition protection above and the fact that the DfE’s evidence confirms that the arrangements as they stand currently are discriminatory.

57. The NASUWT does not accept the argument advanced by the DfE that ‘it is necessary to draw a line somewhere or reform would not be possible at all’. The NASUWT must insist that drawing an arbitrary line is discriminatory and that any protection must pay due regard to the differential impact on teachers with different protected characteristics. The NASUWT is appalled that the DfE has provided no empirical data in this regard.

Members who leave the scheme and return within 5 years will have their benefits increased by CPI +1.6%; members who leave the scheme for longer than 5 years and return will have their benefits increased by CPI

58. The NASUWT notes that ‘the majority of those who leave the scheme and do not return (ie deferred members) are female’, but the Union is not clear from the DfE analysis that this reflects the profile of the teacher workforce. Thus, whilst the majority of teachers are female, is there any evidence that women are more likely than their male counterparts to leave the scheme?

59. The NASUWT notes with concern the claim by the DfE that ‘the number of deferred members clearly increases with age, which is perhaps evidence of teachers leaving the profession for other careers’. However,
this statement appears to contradict the argumentation used by the DfE to justify protecting accrued rights of older teachers—namely, that ‘older people are closer to retirement and have less opportunity to adjust to any change before they retire’. Either way, the DfE appears to apply an inappropriate justification for less favourable treatment of younger teachers.

60. The NASUWT notes again the incomplete data available for the EIA; for example, the absence of data in respect of ethnicity and breaks in service.

**Ill-health benefits**

61. The NASUWT disputes the claim that there is no change in ill-health benefits, given that these benefits will be devalued as a result of the proposed changes to the TPS and, in particular, given the increased actuarial impact arising from the increase to the NPA. It is again unacceptable that the DfE has failed to provide any data on the impact of the proposed changes to the scheme on disabled teachers.

**Flexibilities to purchase additional pension**

62. The NASUWT notes that the DfE justifies flexibilities on the grounds that it will benefit older teachers (often those teachers on the highest salaries). This benefit is in addition to the 10 year protection, 3.5 years tapering and other changes which the DfE claims are ostensibly to support older teachers. However, there are no equivalent provisions which mitigate the impact of the proposed scheme changes on younger teachers who will be forced to pay more, work considerably longer and receive less.

63. The DfE claim that the flexibility to purchase additional pension ‘doesn’t impose differential equality of opportunity on men and women’ is simply false. The DfE’s own data confirms that it is men rather than women who are more likely to earn the highest salaries and it is likely that it is these teachers who are more likely to benefit from this additional flexibility.

**ADDITIONAL COMMENTS**

**Analysis covering:** Disability; Marriage/Civil Partnership; Sexual Orientation/Gender Reassignment; Pregnancy and Maternity; Religion or Belief

64. The NASUWT reiterates its concern that the DfE has failed to give ‘due regard’ to the impact of the proposed TPS reforms as required under section 149 of the Equality Act 2010. The NASUWT does not believe that the DfE’s proposal to delay the collection of missing data is a sufficient or appropriate response on a matter of such profound significance to teachers and for the future of the teaching profession. The NASUWT must insist that the DfE either secure a delay to the commencement of the legislative process to enable the proper completion of EIA process, or, preferably, it should abandon the proposed scheme reforms.

**Disability**

65. The NASUWT notes that the DfE has adopted a numbers-game approach to the EIA process. Whilst only 1% of teachers have positively identified themselves as disabled, the DfE must recognise that this is likely to reflect significant under-reporting of disability within the profession. Many teachers are unwilling to declare that they have a disability because of the perceived risk of being discriminated against at work.

66. The NASUWT notes that the DfE has no data on TPS members who are disabled and around half of the school workforce census records are incomplete.

67. The NASUWT is concerned that the DfE has failed to appreciate the impact of the association between disabled teachers and teachers working on a part-time basis. With around 30% of disabled teachers working part-time, the DfE must address how the proposed scheme changes will impact on part-time teachers and the potential for opt out from the pension scheme.

68. In the absence of data to the contrary, the NASUWT rejects the claim by the DfE that the scheme reforms do not discriminate or that the reforms will meet the duty to advance equality of opportunity for this group of teachers.

**Marriage/Civil Partnership**

69. The NASUWT notes that the DfE has no relevant data on this characteristic for TPS members or members of the school workforce in general.

70. In the absence of data to the contrary, the NASUWT rejects the claim by the DfE that the scheme reforms do not discriminate or that the reforms will meet the duty to advance equality of opportunity for this group of teachers.

**Sexual orientation, gender reassignment (including transgender)**

71. The NASUWT notes that the DfE has no relevant data on this characteristic for TPS members or members of the school workforce in general.
72. In the absence of data to the contrary, the NASUWT rejects the claim by the DfE that the scheme reforms do not discriminate or that the reforms will meet the duty to advance equality of opportunity for this group of teachers.

**Pregnancy and maternity (and careers)**

73. The NASUWT notes that the DfE has no relevant data on this characteristic for TPS members or members of the school workforce in general.

74. In the absence of data to the contrary, the NASUWT rejects the claim by the DfE that the scheme reforms do not discriminate or that the reforms will meet the duty to advance equality of opportunity for this group of teachers.

**Religion or belief**

75. The NASUWT notes that the DfE has no relevant data on this characteristic for TPS members or members of the school workforce in general.

76. In the absence of data to the contrary, the NASUWT rejects the claim by the DfE that the scheme reforms do not discriminate or that the reforms will meet the duty to advance equality of opportunity for this group of teachers.

**Data Collection—Future Arrangements**

77. The Union’s response above confirms that the proposed data collection arrangements are regarded as wholly unsatisfactory and that it is our view that the proposed process will not enable the DfE to satisfy its due regard duty under the Equality Act 2010.

78. The NASUWT is appalled by the disproportionate concern of the DfE for the burdens on employers with regard to data collection, when similar concerns do not appear to be evident in respect of employees who will be impacted substantially and adversely as a result of these profound changes to their pensions.

79. The DfE and employers have failed over many years to secure appropriate workforce data. Despite efforts to improve workforce data quality, it appears that since 2010 the problems have worsened as a result of deliberate decisions by Ministers and by the message emanating from the DfE on the need to cut ‘red tape’. The NASUWT believes that these decisions have directly impeded the completion of a satisfactory TPS EIA.

80. The NASUWT must remind the DfE that the due regard duty cannot be delegated to third parties. Therefore, the NASUWT does not regard the proposal by the Teachers’ Pensions Agency to be relevant to the DfE’s EIA and neither does it provide sufficient mitigation for the failure by the Department to conduct a thorough assessment of equalities impact of its proposed reforms. Furthermore, any such survey data is not assured and would not be available in any case until after the commencement of the Pensions Bill legislative process. It is shameful that the Public Service Pensions Act has been passed without a robust and comprehensive impact assessment having been completed.

81. It is understandable therefore that an indication of the low level of morale amongst teachers can be seen from the results of the recent NASUWT survey of over 14,000 teachers, which revealed that almost two thirds (64.5%) have seriously considered leaving their job in the last 12 months and over half (53.6%) have seriously considered leaving teaching.

82. The prospect of further increases to NPA, following so soon after the increase to age 65 under the reforms introduced in 2007, raises genuine concerns as to the reasonableness, practicality and sustainability of the provisions, given the high physical and mental demands associated with teaching, which is widely recognised, both nationally and internationally, as one of the most stressful of all occupations.41

**Clause 26—Periodic review of rules about pensionable age**

83. The prospect of accelerated increases in pension age under the Bill’s provisions for periodic review of the SPA will only increase the levels of consternation and even despair amongst teachers faced with further increases in their NPA.

84. These concerns are compounded by the provision in Section 10(4) of the Public Service Pensions Act 2013 which requires that future changes to the NPA ‘must ... apply in relation to all the benefits (including benefits already accrued under the scheme)’.

85. The NASUWT believes the combination of the provisions for periodic review in the current Bill, coupled with the obligation to apply any increase to all post-2015 benefits, constitutes a clear breach of the commitment given in the Coalition Government’s programme for government to protect accrued pension rights. It also

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contradicts the view of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton that ‘protecting accrued rights is a prerequisite for reform both to build trust and confidence and to protect current workers from a sudden change in their pension benefits or pension age’.

86. The NASUWT has always had serious reservations about the Government’s 25-year guarantee of no further changes to public service pensions as set out in the Proposed Final Agreement on reform of teachers’ pensions. There is very little practical protection for scheme members in the 2013 Public Service Pensions Act to validate this guarantee. As a result, members of public service pension schemes have less protection than members of equivalent private sector schemes, where benefits can only be changed if the alternatives provided are actuarially equivalent.

87. The NASUWT believes that the Bill should be amended in order to better protect the accrued rights and entitlements of teachers and other public service workers. Specifically, the NASUWT believes it should include provisions to preclude future changes to the NPA being introduced in public sector pension schemes as a result of a periodic review of the SPA under the proposed Pensions Act, without agreement with the representatives of the scheme members likely to be affected.

88. As an absolute minimum, the NASUWT believes that any provision for a periodic review of the SPA must fully encompass the principle that ‘the link between the State Pension Age and Normal Pension Age should be regularly reviewed, to make sure it is still appropriate’ (our emphasis) as recommended by the IPSPC and reiterated in the Proposed Final Agreement on the TPS.

89. To be absolutely clear, the NASUWT is opposed to any increase in the existing NPA and opposed to the link to the SPA in the Public Service Pensions Act 2013. The proposals in the current Bill to bring forward the increase to age 67 and for periodic reviews of the state pension can only have a detrimental impact on teachers’ incomes and retirement pensions, and could further weaken the confidence of teachers and other public service employees in the value of public service pension schemes.

July 2013

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Written evidence from Ms Cynthia A Morton (PB 69)

1. This clause is discriminatory and unjust as it excludes approx. 700,000 women from the Pension Bill and the new higher pension
2. Particularly disadvantaged are the women born between April 1951-April 1953.
3. My date of birth is July 1952.
4. These women could lose £33 a week for life while men born the same day will receive it.

Part 2

5. In order to create male/female pension equality and the aim of Single Tier state Pension there needs to be a transitional arrangement put in place and the disadvantaged 1951/1953 should be given the option to choose the better pension
6. I cannot afford to be subject to discrimination due to my gender and particularly my date of birth
7. I urge The pension bill committee to address this anomaly

July 2013

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Written evidence from Helen Lewis (PB 70)

The Pensions Bill

Summary

The Pensions Bill in its present form will cause unfair hardship to those women who have been led to expect all their married lives that they will be entitled to a reduced basic pension based on their husband’s contributions and a widow’s pension should he die before her. The abolition of pension rights with no adequate lead in period is unprecedented.

Argument

1. The Government’s basic proposition, that all pensions should in the future be based on the individual’s contribution, is not in question. However, the Government is determined to bring in the new pension arrangements without a proper lead in period. The Committee for Work and Pensions has asked for a 15 year
lead in period, which would mean that women currently in their 50s would be entitled to a 60% basic pension and a widow’s pension. The Government has refused this, and has not bothered to cost it.

2. Women currently in their 50s simply cannot build up a personal pension at this stage in their lives. In other cases, eg Public service pensions, the Government recognises that a lead in period is a fair way of making the transition to different arrangements. The conclusion must be that the Government believes that it can abandon fairness in the case of these women because they have no voice or power; they are vulnerable and can therefore be ignored.

3. The Government claims that there is a “comprehensive system of crediting” in place to enable people to build entitlement to a state pension. It is far from comprehensive: I have a sister who has worked unstintingly in the social programme for her local church, but has no NI credits for this. Another sister, though not an official carer, has literally kept her ailing husband in work. Both these women, 59 years old, have worked for the Big Society, and the Government intends to kick both in the teeth.

4. The Government claims that:

   Any continuation of this facility...would ...involve a continuation of the current system in tandem with the new system. Administratively this would be complex, and more importantly it would mean that the new system would not result in the clarity of outcome which is central to the reform package.

This is utter nonsense. The current basic pension will run alongside the new pension; the current couples’ pension will continue to be enjoyed by couples currently claiming it; this is administratively possible and also clear. The Government is scraping the barrel for excuses for something which is indefensible.

5. The pension rules currently prevent people from buying more than 7 extra years pension. If there is no change in the rules to allow women in their 50s to buy a state pension at reasonable rates so that they can provide for their old age, and the Government continues on its course of denying them the pension they could reasonably have expected, there may be a legal challenge under the Human Rights Act.

*July 2013*

**Written evidence from Prospect (PB 71)**

**INTRODUCTION**

1. Prospect is an independent trade union representing over 120,000 professional, managerial, technical and scientific staff across the private and public sectors. Our members work in a range of jobs in a variety of different areas including in agriculture, defence, energy, environment, telecommunications, heritage and scientific research.

2. The Pensions Bill contains provisions which will have a significant impact on the vast majority of Prospect members regardless of the role they carry out or the sector they work in. We welcome the opportunity to contribute written evidence to the committee and we would be happy to discuss any of the points raised in more detail. The views in this submission reflect Prospect policy as well as the comments and views of elected officials and members received since the White Paper was published.

3. The key points and issues for clarification raised are summarised in the section below. Detailed comments are provided in later sections.

**SUMMARY OF KEY POINTS AND ISSUES FOR CLARIFICATION**

4. The Government is right to seek to improve the state pension system. Despite significant reforms introduced over the past number of years the current system still leaves too many pensioners in poverty and acts as a disincentive to save for millions of workers. A better designed system is possible.

5. However Prospect is not convinced that the Government has made the case for its proposed single-tier reforms. The committee should investigate the justification for the option chosen in the White Paper and subsequent Bill in great detail. The rationale for such a significant reform should be exposed to much greater scrutiny than has been the case to date.

6. The measures in the Bill, while producing a fairly complex pattern of winners and losers, will reduce overall expenditure on state pensions. Many of the proposals appear to derive from the desire to ensure that the state pension system is sustainable in the long-run. However there does not appear to be any satisfactory definition of sustainability in the Bill or any of the associated documents. The committee should take some time to consider what level of spending on state pension is sustainable as this will inform many issues that arise in relation to the Bill.

7. The issue of the level of the single-tier pension is obviously very important. While the Bill leaves this for regulations, the Committee should consider whether the proposed rate is appropriate and whether there should be any amendments to Clause 3 of the Bill to provide for a higher rate or for a higher underpin to the rate.
8. The statutory override powers provided for under Clause 24 of the Bill are unjustified and will lead to unfair outcomes. The committee should support an amendment to remove the statutory override from the Bill. Should the statutory override remain it will be necessary to enshrine protections for those members given specific commitments that pension benefits could not be reduced without their consent at the time of privatisation of formerly nationalised industries. 24 (3) should be amended to list those protections that cannot be overridden rather than to provide a power to regulate for these protections at a future date. The committee should seek assurances that public services will not be cut back due to the requirement for public sector employers to find funds to pay higher National Insurance contributions.

9. Prospect is disappointed that the Bill contains no measures to alleviate current pensioner poverty. This issue should be a priority and the committee should consider whether aspects of the reforms could improve the position of today’s poorest pensioners.

10. There is a concern that the increased generosity of the reformed state pension arrangements for the self-employed will result in higher National Insurance contributions for this group. The committee should explicitly consider pension outcomes for this group and the case for reforming self-employed National Insurance contributions in the context of the overall reforms.

11. The group most disadvantaged by the proposals for a single-tier pension are those who would otherwise qualify for more state pension through a combination of the existing state pension benefits: the Basic State Pension and the State Second Pension. The notional losses involved are extremely significant—today total state pension entitlement for this group can be up to £270 per week, as changes to the State Second Pension mature the level of entitlement will fall but could still potentially reach close to £200 for many people. While the present system is significantly earnings related and hence the reform will initially be quite redistributive it should be remembered that it is intended that the present system would have become flat-rate in the future (immediately under the alternative proposal presented in the Green Paper). Hence, in the long run, there is no element of redistribution from higher earners to lower earners in the proposals. There will be redistribution from people with long contribution/credits records to people with shorter working/caring lives and, significantly, from people with poor occupational pension provision (i.e., those in defined contribution or no pension scheme) to those with good quality defined benefit pension schemes. It seems perverse for the Government to advance reforms that reduce state pension entitlement for those with the greatest need for it while boosting state pension entitlement for those with better occupational pension provision to rely on. The Government has not given a convincing justification for the pursuing a policy with redistributive effects as described; Parliament must press Ministers on these impacts of the measures in the Bill. The transitional protections for people with a foundation amount that is higher than the level of the single-tier pension are not acceptable; paragraph 4 of Schedule 2 should be amended to allow for the protected amount to be revalued in line with earnings until State Pension Age.

12. The revised approach to transitional arrangements for workers with periods of contracted-out service outlined in the White Paper is better than the approach envisaged in the Green Paper.

13. The Work and Pensions Select Committee’s recommendation that people within 10 years of State Pension Age should retain entitlement to a pension based on a spouse’s contribution record should be accepted.

14. The approximately 700,000 women born between April 1951 and April 1953 should be allowed to choose to be treated under all the rules for state pensions as either men or women born on their date of birth.

15. Prospect is opposed to bringing forward the increase in State Pension Age to 67 by 8 years. This measure unfairly penalises those groups who have lower life expectancy. The committee should consider options such as retaining a lower qualifying age for Pension Credit or a full state pension payable after an appropriate number of qualifying years.

16. Prospect would like to see amendments to Clause 26 that (1) specified some of the factors (besides longevity) that the Secretary of State must consider in reviewing State Pension Age and (2) provided for a minimum number of years from State Pension Age within which State Pension Age cannot be further increased.

BACKGROUND

17. Much of the overall pension system in the UK today is based on the recommendations of the independent Pensions Commission. The Commission investigated the principle of a single-tier state pension in great detail and concluded that a two-tier approach was preferable. While some of the circumstances have changed and, in particular, the approach to transition outlined in the White Paper deals with some of the issues raised by the Pensions Commission we believe it is important for the committee to explicitly consider the overall case for a single-tier state pension.

18. It is particularly important to rigorously assess the overall case for a single-tier state pension in the light of the lack of detailed rationale for this in either the White Paper or associated documents such as the Pensions Bill impact assessment.

19. The single-tier impact assessment states that concern around the sustainability of the pension system is a key reason for moving away from the current system. Comments from the Pensions Minister and others in the debate on second reading of the Bill reinforced this sentiment. However this argument is disingenuous. In the same debate the Pensions Minister and others lauded the triple lock policy. However the OBR’s fiscal sustainability report shows that the triple lock adds more to the long-term cost of state pensions (0.6% of GDP in 2061–62) than the change to a single-tier state pension would save in the same year. When the triple lock was first announced to Parliament no Minister or other spokesperson stated that they were acting irresponsibly and making the state pension system unsustainable. Yet now that same level of projected spending on state pensions is said to be unsustainable and requiring the radical reform of a move to a single-tier system. The Government would appear to be using entirely conflicting rationales to suit its purposes at different times and this hugely undermines its case for the single-tier state pension.

20. The single-tier system is also claimed to reduce complexity and to provide a clear foundation for private saving. However the numbers actually lifted out of the means-tested benefits net are very limited and it will remain difficult for lower earners especially to calculate their effective marginal deduction rate with any degree of certainty.

21. The case for rejecting the option for faster flat rating of additional State Pension can be found in Annex 2 of the White Paper and Annex C of the January version of the impact assessment of the Bill. As noted above these analyses came to the opposite conclusion to that of the Pensions Commission.

22. The reasons given for rejecting this option include the argument that it would not support people to take greater responsibility for saving for their retirement. In fact a service-related benefit such as a flat-rate State Second Pension would surely encourage people to work longer and hence enable them to save more for their retirement.

23. Another argument is that this option would not provide clarity or certainty to people. However a system that provided a known, flat-rate benefit for every extra year of contribution or credits would be very clear and would provide as much certainty as any other service-related benefit.

24. The most significant point against the option for faster flat-rating of the State Second Pension cited in the impact assessment is that it would retain much greater variation in outcomes. However this has to be put into some context. Some of the variation in outcomes is because of the differences in the contribution system. The self-employed are exempted from paying contributions towards the State Second Pension and as a result have lower outcomes. More significantly variation in outcomes between those who are contracted out of and contracted in to the State Second Pension is surely to be welcomed. Members of contracted out schemes are building up generous occupational pension benefits and have less need for higher state pension benefits. Members of defined contribution pension schemes or workers who are in no pension schemes clearly need higher state pension benefits. Seeking to eliminate this source of variation is surely counterproductive.

25. It is difficult to avoid the conclusion that one of the main reasons that the outcome of the analyses of these options has changed since the Pensions Commission looked at it is because the Treasury has been impressed with the significant short-term and long-term savings that would accrue.

IMPACT OF SINGLE-TIER PENSION ON THE EXCHEQUER

26. The Government’s initial guiding principle was that any reforms must be cost neutral in each and every year. While this form of words obviously implied cost savings over the long-term (except in the extremely unlikely circumstance that reforms could be exactly cost neutral in every year) the scale of the cost savings that have emerged are more significant than most commentators would have expected.

27. The committee may want to probe the nature of the discussions between DWP and HMT in the extended hiatus between the publication of the Green Paper and the much delayed White Paper.

28. A key issue that does not appear to have been analysed or debated in any depth is what represents a sustainable level of expenditure on state pensions in the long-term. Key policy decisions are being made on the basis of needing to ensure that state pension spending is sustainable in the long-run but with no clear indication of what this might actually mean. The Government should explain what its view of sustainability is in relation to state pension spending and the committee should test this.

29. The key short-term exchequer impact is the initial savings on contracted-out rebates arising from the abolition of the State Second Pension. This is covered in more detail in the section on contracting-out below.

30. The long-term benefit savings are outlined in Annex C of the May version of the impact assessment. Initially the main savings are on means-tested benefits and savings from these benefits even cancel out relatively small increases in expenditure on state pension in the medium term. As savings on means-tested benefits fall (as the baseline cost of these benefits was falling anyway so the potential for savings reduces) the long-term savings from the new state pension regime kick in.

31. The overall impact on the exchequer hides a complex pattern of winners and losers and these are analysed in more detail in a later section.

45 http://cdn.budgetresponsibility.independent.gov.uk/FSR2012WEB.pdf
32. Clause 3 of the Bill provides for the full rate of the single-tier pension to be set in regulations. Schedule 12 (14) provides for the full-rate to be increased in line with the general level of earnings.

33. Clearly the full-rate of the single-tier pension will directly impact projected expenditure on state pensions. Hence any debate on the level of this benefit must take into account what level of spending on state pensions is thought to be sustainable.

34. However there must also be an analysis of whether the level of single-tier pension is sufficient, along with other benefits and forms of saving, to enable people to enjoy a comfortable standard of living in retirement.

35. The level of the single-tier pension underpinning the projections undertaken for the impact assessment (£144 per week in 2012/13 earnings terms) is not sufficient in itself to keep people out of poverty in retirement. It should also be noted that even someone with as many as 34 years contributions or credits will earn a pension of less than the guarantee part of the Pension Credit at this rate. As a consequence the committee must consider whether there is a case for the single-tier pension to be set at a higher rate and whether any amendments to Clause 3 that provided for a higher rate would be appropriate.

36. Annex B of the May version of the impact assessment acts on the Work and Pensions Select Committee recommendation that the DWP provide further information about the expenditure implications of changing the starting rate for the single-tier pension. This analysis indicates that even a rate of £145 per week in 2012/13 earnings terms might compromise the aim of cost neutrality in every year of the projections. However this ignores the savings that accrue due to the abolition of contracted-out rebates. The requirement to be cost neutral in each and every year is far too restrictive in any case. The short and long term savings are more than enough to cover a few years in the 2020s and 2030s when costs may be slightly higher. In any case the entire process would be built on incredibly weak foundations if a proposed change in the rate of just £1 per week would fatally undermine the reforms.

37. The projections underpinning the impact assessment of the proposals in the Bill assume that the triple lock applies for uprating the single-tier pension. The Bill provides for earnings uprating only. Unless and until a long-term sustainable level of spending on state pension is explicitly debated by Parliament and decided upon there can be little confidence in the level of uprating that will apply in practice. If the level of expenditure forecast in impact assessment is considered to be unsustainable then there is little doubt that the triple lock will be abandoned by a future Government. It would be more open and honest (and useful to people planning for retirement) for these issues to be fully discussed as the Bill progresses through Parliament.

**Abolition of Contracting Out**

38. The introduction of the single-tier state pension means the State Second Pension would close and, by implication, the option to contract out of it would end. Clause 24 of the Bill provides for the ending of contracting out. Schedules 13 and 14 provide for a statutory override and for contracted-out rights to be protected.

39. The Government has taken the view (supported by some submissions on the Bill to date) that the abolition of contracting out will have no impact on the level of defined benefit pension provision in the private sector because employers will be able to make changes that recoup the higher National Insurance costs. Prospect cannot agree. The abolition of contracting out will result in every private sector defined benefit scheme being reviewed. An inevitable result will be the closure of some schemes, even if this is only bringing forward closures that would have otherwise happened in due course anyway.

40. Prospect opposes the general statutory override provided for in Clause 24. Changes to pension schemes’ trust deeds and rules should be made in compliance with the provisions of those deeds and rules. There is ample evidence that the normal processes of consultation and negotiation with members’ representatives and trustees has shown all the flexibility required to manage any increases in costs that will arise from the abolition of contracting out. There is no justification for the Government to interfere in the process in this manner. While Prospect hopes that the vast majority of schemes will enact any changes that are deemed necessary through the normal processes described here, the existence of the statutory override significantly reduces the incentive for employers to engage meaningfully in such discussions. The consequence of this could be increased industrial relations problems and outcomes that are unfair to members.

41. 24 (3) provides for exceptions to the statutory override. 24 (3) (b) in particular allows for regulations to specify schemes to be exempted. Presumably this is to allow for schemes in formerly nationalised industries with members covered by various protected persons regulations to be exempted. These schemes were the subject of a separate consultation which the Government has not responded to at the time of writing. It is important that this issue is specifically debated in committee and at later stages as otherwise the Government’s consultation response could be released after scrutiny of the Bill has been completed without any proper airing of these issues. Prospect responded to the consultation and has very strong views that these schemes should be exempted from any statutory override should Parliament retain one. Failing to exempt these schemes from a...
general statutory override provision would contradict assurances given to these members at privatisation. The DWP’s own figures show that significant numbers of protected persons would be worse off as a result of having an override applied to them. Past assurances that were provided in order to ensure that the process of privatisation in formerly nationalised industries ran smoothly and successfully cannot be invalidated retrospectively by this proposed legislation currently being considered by the committee. It is unclear to Prospect that listing pension schemes in regulations as proposed is a practical way of exempting members covered by these regulations from any statutory override. This is because members covered by protected persons regulations have carried those protections into a large number of different pension schemes and tracking all of these would be difficult. Instead Prospect believes 24(3) should be replaced by a provision specifically listing those protections that are not overridden by Clause 24.

42. 24 (3) also provides for public service pension schemes to be exempt from any statutory override in line with previous commitments given during negotiations on public service pension reform. However the commitment to protect public service pension benefits will be completely hollow if higher employer national insurance costs are simply passed on to scheme members in the form of lower pay instead. Public services must be reimbursed for the higher national insurance costs they incur. The Budget 2013 policy costings document states that the yield from abolishing contracting out is £5.4 billion in cash terms in 2017–18. However about £3.3 billion is raised from public services through higher National Insurance costs for public service employers. This leaves a net yield of about £2.1 billion in real new money. The Budget 2013 also stated that the yield from the abolition of contracting out would pay for an employment allowance of £2,000 for employer National Insurance contributions. The yield will also pay for the Government’s proposed cap on social care costs (together with a freeze in the inheritance tax threshold). The policy costings document indicates that the cost of the former measure will be £1.7bn in 2017–18. The press release announcing the cap in social care costs indicates that this will cost £1 billion by the end of the next parliament. The yield from freezing the inheritance tax threshold in 2017–18 is £0.2 billion. Hence the actual new money yielded by the abolition of contracting out has already been over committed by the Government to policies that cost more than the anticipated yield. The implication is that public services will suffer further cuts as a result of these changes. The committee should seek commitments from Ministers that public services will be reimbursed for higher costs incurred as a result of the policy so that the Bill is not an instrument for achieving further public service cuts through the back door.

IMPACT OF SINGLE-TIER PENSION ON INDIVIDUALS

43. It is impossible to fully capture the impact of the proposals in the Bill on every group, but it is important that the likely gainers and losers are clearly described and understood by Parliament when it deliberates on the reforms. The following sections give a brief outline of the impact on different groups and Prospect’s views on steps that should be taken to mitigate certain issues.

Current pensioners

44. One in seven pensioners live in poverty in the UK according to the latest available statistics. 9% of pensioners are classified as being materially deprived. We know that older pensioners are more likely to be on lower incomes. It is extremely disappointing that the Bill contains no measures to tackle issues of poverty amongst current pensioners. While there may be practical or other difficulties in extending the proposals for reform to everyone there is also a real concern that what will become the legacy state pension system for current pensioners will be overlooked in the future. Tackling pensioner poverty should remain a top priority for any Government and this can only happen by considering improvements for people already over State Pension Age, particularly for our oldest pensioners.

Self-employed

45. While the Bill includes proposals that have a significant impact on the state pension entitlement of the self-employed there is very little data provided to support the rationale for these changes. It is surely difficult for Parliament to deliberate on this aspect of the reforms without information on the current position of people who spend time in self-employment and their pension outcomes. Even the specific note provided by the DWP on this topic fails to cover this point.

46. Those with significant periods of self-employment are likely to be significant winners from the proposed reforms as they currently only accrue entitlement to the Basic State Pension and not State Second Pension. Prospect has many self-employed people in membership. To the extent that low earning self-employed people may secure better outcomes and be encouraged to save more towards retirement the proposed reforms are welcome.

47. However the Bill is silent about the potential impact of the reforms on the National Insurance contributions payable by the self-employed. In debate and in committee much has been made about the fact that low earning self-employed people pay higher National Insurance contributions than employees on the
same level of earnings. However, overall, the National Insurance system is already more generous to the self-employed than employees even before the improvements under the Bill are considered. Previously an estimate of the “subsidy” to the self-employed under the National Insurance system was published in the documentation accompanying the Budget. While this practice appears to have been discontinued the latest available estimate, at £1.95 billion\(^2\), indicated that the “subsidy” is substantial. In these circumstances it will be difficult to resist pressure to increase National Insurance contributions for the self-employed. Any change in contributions arising from improved state pension entitlement for the self-employed under this Bill should be debated by Parliament as the Bill progresses.

48. Basing entitlement to the single-tier pension entirely on Class 2 National Insurance contributions would seem to open the system up to potential abuse on a number of fronts. Any reform of the contribution structure for the self-employed should consider the risks inherent in retaining the link to Class 2 National Insurance contributions.

Workers with poor occupational pension provision

49. In this section workers with poor occupational pension provision are taken to be employees who are members of defined contribution pension schemes or of no pension scheme and are therefore contracted-in to the State Second Pension. While it is of course a generalisation to say that all such workers have poor pension provision it is a simplification that enables us to make some relevant points that the committee should consider.

50. This group is one of the most significant losers from the reforms in the Bill. Currently workers in this group can accrue a maximum of £273.15 per week in state pension benefits (£110.15 per week Basic State Pension and a maximum of £163 per week State Second Pension). This amount is partly a legacy of old rules for additional pension which are more generous overall and particularly to higher earners. Eventually the State Second Pension will be reformed to be less generous and flat-rate. If the Government had opted for moving to a flat-rate State Second Pension immediately workers in this group who started in the system after April 2016 and had very long qualifying service or credits could still accrue nearly £200 per week in total state pension. Clearly a reform that would limit state pension entitlement to £144 per week will be very detrimental to long servers who do not have access to the best occupational pension schemes.

51. The Government states that this group has been protected by the transitional arrangements proposed in the Bill. Prospect cannot agree with this assertion.

52. The proposals for protections for this category amount to a calculation of a foundation amount representing entitlement under the current system at the start of the new regime. Any excess of the foundation amount over the rate of the single-tier pension will be deemed to be a protected payment. However, instead of revaluing this protected amount in line with average earnings until State Pension Age, a conscious decision has been taken to limit the revaluation to inflation only. This approach, in contrast to the improvement in the transitional arrangements for members of contracted-out schemes between the Green Paper and White Paper simply adds insult to the injury of the overall proposals for this group of workers. At a minimum paragraph (4) of Schedule 2 should be amended to allow for earnings revaluation of the protected payment.

53. This group is also disadvantaged through being unable to accrue further state pension from National Insurance contributions made under the new system. Instead their contributions will help to pay for higher state pension benefits for workers who have been mainly contracted out over their careers. However, almost by definition, this group will enjoy much better occupational pension provision so it would seem perverse to boost their state pension entitlement at the expense of those with poorer occupational pension provision or none at all.

54. Workers in this group are also disadvantaged if they have shorter service. This is because of the increase in the minimum number of qualifying years required to accrue a full state pension. Contracted-in workers with 30 qualifying years would accrue an appreciably higher state pension from the Basic State Pension and State Second Pension than is offered by the single-tier regime.

Workers with good occupational pension provision

55. In this section workers with good occupational pension provision are taken to be employees who are members of defined benefit pension schemes that are contracted-out of the State Second Pension.

56. Prospect welcomes the change to transitional arrangements for the single-tier pension for this group between the approach outlined in the Green Paper and that outlined in the White Paper. However the improvement in transitional arrangements for this group stands in stark contrast to the lack of proposals to improve the position of other groups such as existing pensioners or workers who have been contracted-in to the State Second Pension.

Pension based on spouse’s record

57. A small group of people who will lose out significantly as a result of the reforms are those who would have been entitled to a pension of 60% of the rate of the Basic State Pension based on the contribution record

\(^{52}\) http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/bud09_completereport_2520.pdf

Table A3.1
of their spouse. It is unfair to make such significant changes to state pension entitlement for this group with such little warning. In the debate on second reading of the Bill the Pensions Minister stated that there has to be “a balance between moving to a new system and protecting people as we move, and not setting in aspic every single corner of the old system”. We agree that there is a balance here but that failing to give protection to this group when it is given to others cannot be justified. We agree with the recommendation of the Work and Pensions Select Committee to grant people within 10 years of State Pension Age the right to continue to receive this benefit.

58. It should also be noted that the single-tier pension will not be inheritable in the same way that the State Second Pension is. This means that surviving spouses who lose out as a result of the overall changes will be further disadvantaged on the death of their spouse.

Women born between April 1951 and April 1953

59. There has been much debate about the case of the approximately 700,000 women who were born between April 1951 and April 1953. Prospect agrees with the Work and Pensions Committee that the issues involved here are more complex than they may at first seem. The fairest outcome would seem to be to allow these women to choose to be treated under the all rules as they apply to either men or women born on their date of birth.

Pensionable Age

60. Part 2 of the Bill includes provisions to bring forward the increase in State Pension Age to 67 and to have periodic reviews to consider future increases in State Pension Age.

61. Clause 25 provides for the increase in State Pension Age to 67 to be brought forward. Around 8 million people born between April 1960 and April 1969 will be affected. The policy is projected to save £81.6 billion net between 2026/27 and 2035/36.

62. The impact assessment for this aspect of the Bill’s reforms mainly considers the effect in aggregate only, though it does supply some data for very high level groups (ie the countries of Great Britain and broad socio-economic categories). The conclusions that can be drawn from the impact assessment are necessarily limited as a result. A measure of this importance should be supported by a more detailed analysis of the potentially differential impact on different groups. If insurance companies and pension funds can analyse longevity data by postcode Government should be able to do better than provide Parliament with an analysis by country.

63. Prospect is opposed to the bringing forward of an across the board increase in State Pension Age of the kind allowed for in the Bill.

64. If an across the board increase is to be implemented there should be appropriate mitigating measures for those most impacted by the change. Keeping the qualifying age for Pension Credit at 65 or allowing people with an appropriate number of qualifying years to draw pension earlier are two options that the committee should consider.

65. Clause 26 makes provision for a periodic review of State Pension Age. Prospect supports the approach of a wide ranging review of a number of relevant factors in setting State Pension Age rather than the more formulaic alternative discussed in the Green Paper.

66. However Clause 26 contains little detail on the specifics of the reviews and no safeguards against potentially dramatic increases in State Pension Age. Prospect would like to see more detail on the types of other factors (besides longevity) that the Secretary of State must consider in these reviews. Prospect would also like a minimum number of years from State Pension Age within which further increases cannot be imposed inserted into Clause 26.

Private Pensions

67. Clause 29 introduces Schedule 16 which provides for a system of automatic transfers of accrued workplace pension rights to another scheme that of which that person is a member. The proposed system will be of the “pot follows member” type. For reasons given in previous consultations Prospect would prefer for the Government to adopt the “aggregator” rather than the “pot follows member” approach.

68. Prospect welcomes the powers under Clause 30 to make regulations to prohibit financial or similar incentives to participate in enhanced transfer value exercises.

69. Prospect also welcomes the provisions to abolish short service refunds for money purchase schemes under Clause 32.

70. For the reasons set out in our consultation response on the issue Prospect opposes the new objective for The Pensions Regulator provided for under Clause 42.

July 2013

54 http://library.prospect.org.uk/id/2013/00293
Introduction
1. The Association was formed in 1994 to represent the interests of pensioners and contributors to the Electricity Supply Pension Scheme (ESPS).

2. The ESPS is an industry-wide defined benefit pension scheme in which the participating employers are the companies formed on the privatisation of the electricity supply industry (ESI) in 1990 and their successors—the Principal Employers. The Scheme is a two-tier scheme; there are 23 actuarially independent sections or Groups. Each group is managed by a trustee the directors of which are 50% appointed by the Principal Employer and 50% elected by contributing members and pensioners. All groups are now closed to new contributors. There are separate trusts covering the two former Scottish schemes.

3. Some companies now offer defined contribution schemes within the ESPS umbrella.

Comment on the Bill
4. The Association welcomes the proposed single-tier State Pension for future pensioners eliminating the complexity of the basic State Pension and State Second Pension.

5. The timing for receipt of pension, the additional costs involved and how these are to be borne, the eventual value and adequacy of such pensions and the extremely complicated transition from the present arrangements lack clarity and will confuse many potential beneficiaries.

6. It is clear that current contributing members to the ESPS defined benefit arrangements will be required to meet additional costs as a result of the removal of contracting out but only in line with other similar employees nationally.

7. The loss of contracting out will also increase employers’ NI costs. The Bill seeks to ameliorate this particular cost by giving all employers sponsoring defined benefit schemes a right (Schedule 14) to increase the employee contributions of the relevant scheme members and or to alter the future accrual of benefits for or in respect of the members. This seems to be a very selective benefit to certain companies just because they operate a live, but almost certainly closed to new members, defined benefit scheme. It certainly creates an undue commercial advantage against competitors not sponsoring a live defined benefit scheme.

8. More specifically we have a major concern relating to this section of the Bill as it will require amendment to, or suspension of, rights conferred on members of the ESPS and the equivalent Scottish schemes by Regulations made under the Electricity Act 1989. These Regulations (the “Protection Regulations”) guaranteed the protection of pension rights and benefits for our Scheme members in the electricity supply industry creating “Protected Members”.

9. The Protection Regulations made under the Electricity Act 1989 were:
   — The Electricity (Protected Persons) (England and Wales) Pension Regulations 1990 No. 346
   — The Electricity (Protected Persons) (Scotland) Pension Regulations 1990 No. 510

   Both Regulations came into force on 31 March 1990.

10. We are aware that similar rights were also accorded to members of the pensions schemes in other state owned industries when they were privatised.

11. It must be stressed that the rights conferred at electricity privatisation were not one off rights but a restatement of a series of rights for the protection of pension benefits going back well into the first half of the 20th Century.

12. There is a firmly entrenched Clause of the ESPS, Clause 41, applying to all Groups within the ESPS. This Clause prohibits the scheme employers from making detrimental changes to the benefits or contributions of employees without the consent of the majority of the contributors (“Members”). It requires, both in the context of protected and non-protected members, a two-thirds majority of those voting to alter the benefits payable or prospectively payable. This vote would be at an extraordinary general meeting and all members would be entitled to a proxy vote.

13. Obviously, our long standing members have had good reason to rely upon Government promises and have done so for the 24 years since privatisation without fear that the Government—especially a part Conservative administration which had made the promises in the first place—would seek to renounce or vary such promises years later.

14. The Association has great concern that the Bill will authorise a suspension of the Protection Regulations for the purpose of permitting employers to recover their additional National Insurance costs made necessary by the proposed single tier national pension. Our concerns would be that this may only be the first of such suspensions.
15. National insurance is effectively a national tax provision. We fail to understand why a provision in the Bill should permit a select group of employers to offset their national insurance costs whilst at the same time their employees are to be faced with additional costs.

16. The Chancellor is free at any time to adjust either, or both, employee’s and employer’s NI contributions when he frames the Budget. Such increases would then form part of the normal employee costs and employer incurred working/business expenses as opposed to being recovered from pension contributions or benefits. The provision in the Bill for certain employers to recover their NI costs via employees pensions contributions or future pension benefits seems singularly inappropriate on competition grounds.

17. The Committee may also like to consider the effect of any suspension of the Protection Regulations leading to employer imposed additional costs on employees on the employee-employer relationships in the ESI that will be operating with very tight production margins. The electricity supply industry is vital to the national economic recovery and a government endorsement that it will stand-by the long secured protected rights of employees could be a sensible strategy for the time period over which the pension changes will be implemented.

18. We are aware of a detailed argument by the Electricity Supply Pension Scheme Trustee that documents the history of the ESI pension rights and also argues that removal or suspension of the Protection Regulations would be undesirable. We see no point in reiterating the comments made by the Scheme Trustee.

**Summary**

19. We believe that the proposal by the Government, which would lead to the removal of statutory protections of ESI pensions, to be a very serious matter. The members of the ESPS, and indeed their trustees generally, had an expectation that the safeguards enacted in 1990 were permanent. It is recognised that what Government is trying to achieve is a once in a generation change to the provision of state funded retirement benefits. However the Association sees no reason why this should affect adversely the privately funded pension arrangements of any members of our now closed defined benefit schemes.

**Publication of the this Submission**

20. The Association is aware that the Committee will publish this submission. We request that the private address at the top of this correspondence and the signature be removed prior to publication.

21. We look forward to hearing the result of the Committee’s deliberations in the near future.

*July 2013*

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**Written evidence from Andrew Robertson-Fox (PB 73)**

**Introduction**

I am a retired UK citizen and now live with my Thai wife and our son in her country. We have been married for twenty one years but because the English climatic conditions exacerbated her health problems she spent most of the early years of our marriage in Thailand while I continued to live and work in the UK; holidaying together when opportunity and finances allowed. On ceasing work at age 60 years and having the full 44 qualifying years I was able to join her, only to subsequently discover the iniquitous frozen pension policy practiced by the UK government.

**Summary**

This submission relates only to Clause 20.

Having read the submissions made by, among others, the International Consortium of British Pensioners, Canadian Alliance of British Pensioners, British Pensioners in Australia and Parity or Poverty it was not my intention to make a personal submission; the evidence for the withdrawal of Clause 20 being overwhelming.

It would appear from the record of the debate thus far that the government is intent on not only making a very simple and straightforward issue complicated but to persevere with including this Clause into the Bill.

The purpose of this submission is to bring to the attention of the Scrutiny Committee the errors and inaccuracies reflected in their deliberations.

1. I submit that the country in which the retired person resides is irrelevant; the level of pension payment is determined by the number of qualifying years accrued by virtue of making NI Contributions. It is morally wrong to deny those who have contributed to the NI Scheme on the same terms and conditions as everybody else during their working lives, the right to withdraw on the same terms and conditions as everybody else in retirement.

2. The Minister states that to uprate in, for example, Canada and Australia would be to benefit the Exchequers of those countries at the expense of the UK taxpayer. This premise is totally wrong. Uprating would put into the pockets and purses of UK citizens where it rightly belongs the pensions to which they are actually entitled by
virtue of their contribution qualifications. This would put them on a par with those in the UK, EEA and some other countries and where it is clearly not the concern of the UK government as to its disposal.

3. I submit that the comment made by the Minister in response to Oliver Colville regarding the possibilities of the retired individual having personal pensions or savings is out of order. Personal pensions and savings are just as likely to be the prerogative of an individual living in the UK, EEA or that select group as they are for those living in frozen countries.

4. The Minister makes great play on the length of time the individual pensioner has actually lived abroad, for example did they emigrate after retiring or many years prior? Quite simply, I submit that yet again the Minister is seeking to cloud the matter—it is the accrued qualifying contributions that are the determining factor not where the person was living at the time, be it Yarra Yarra, Ypres or even Yate.

5. Similarly, of course, the irrelevance of whether the individual has qualified for a pension in addition in host country has no place in a discussion about the discriminatory practices of the UK government.

6. While the fiscal environment now is not the same as when the Minister pledged his support for the frozen pensioner in an Early Day motion—the ring fenced National Insurance Fund was in surplus then and remains so today—at £25 Billion. I submit the funding is there, Minister, but it requires responsible budgeting and not being hived off to support some government whim.

7. The Minister suggests that to uprate would, in some cases, simply not benefit those for whom it was intended. The uprating would go to those who have by dint of their qualifying years of contributions earned it and such an argument is, in my view, totally illogical.

8. The Minister suggests that by uprating it would perhaps open the door to claims for backdating! This is a monumental red herring! Firstly I submit that at no stage in the European Court of Human Rights case Carson and others v the UK government did the appellants raise this as a possibility; it was the government defence who sought to confuse the issue. Secondly, what evidence does the minister have that this is an objective of the ICBP? It is there stated aim to only pursue uprating to the current levels. I would further submit that it is not beyond the powers of a competent Minister to make an unfreezing ruling non-retrospective.

9. The Minister denounces the Oxford Economic Report as making “heroic assumptions”. He does not, however, bring to the table any evidence to support his disbelief and I submit that the Pension Reform Bill is equally littered with “heroic assumptions”—but, in respect of Clause 20 lacking the credibility of the Oxford Report.

10. Oliver Colville intimated that exchange rates, inflation and “other things” (he did not specify what other things!) were involved. I submit that exchange rates and inflation play no role whatsoever in this issue. They do not affect the uprating for pensioners living in the EEA or that select group of countries as the annual increase is governed by the triple lock and the exchange rates apply whatever.

11. Colville also introduced the erroneous Winter Fuel Allowance. I can only assume from this and indeed, the items covered in paragraph 10 that he has very little knowledge of the frozen pension policy issues at his disposal; WFA is not funded from the NI Fund it is an allowance or benefit while pensions are contributory towards qualification.

12. Richard Graham posed the idea that it was a question of making best use of the taxpayer’s money but overlooks the basic qualification that the best use is to treat all those who have contributed, as I pointed out earlier, on the same conditions when working fairly, justly and equally now in retirement. Clause 20 does not do this.

13. Oliver Colville questioned the use of the NHS by pensioners returning for treatment—totally overlooking the fact that once an individual is deemed to be a “non UK resident” one is only entitled to visit a GP or A&E for sudden illness or accident. Treatment is sufficient to enable the pensioner to travel back to the country in which he or she resides and, should a visit result in hospitalization, the patient is charged accordingly. I submit that the numbers of pensioners returning to the UK for this purpose to be negligible in the full picture.

14. The Minister went to considerable lengths in stating that the DWP “seek to provide information quite extensively” to tell people about uprating and yet he must be aware of the strength of feeling about how pensioners have been and are being let down by the covering up of the frozen pension policy. Such was his concern that he cited that the pension estimate, the pension pack and leaflet DWP40 advised of this discrimination—he later withdrew the inclusion of DWP40. This may, and I stress the may, be the situation now but it is of little comfort to those who were advised, as I was, that my pension was payable world wide only to find out at the eleventh hour about freezing. For fifteen years before I reached retirement age I was in correspondence with the International Pensions Section, HMRC and the DWP (or whatever name it was masquerading under at the time) concerning the implications for paying NI contributions and living abroad and pensions when retired abroad. This was both before and after I emigrated and included three pension estimates. Nothing I received mentioned frozen pensions. I did not receive a Pension Pack and the first official notification of the policy came with my entitlement notice which I received two weeks after the first payment was credited to my account. The truth is that no right minded person who is aware that the State Retirement Pension is payable world wide would ever credit any UK government with being so morally corrupt as to not uprate equally, justly, fairly and universally. I submit that seeking to provide information quite extensively will not
resolve this problem for those who would like to heed the government’s advice on pension planning. Removal of Clause 20 would.

15. I stated at the outset that the question of uprating was basically a very simple one but that successive governments have sought to make it far more complicated that it really is. The submissions put forward by the pensioner organizations have clearly demonstrated what an indictment of those governments the freezing pension policy is. I submit that the Scrutiny Committee should actually read and understand these submissions and the implications of the frozen pension policy—something which the report of the debate suggests that many do not. Clause 20 should be withdrawn from the Bill; it has no place in a civilized society.

July 2013

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Written evidence from PCS (PB 74)

SUMMARY

1. PCS represents over 260,000 members in the civil and public services including core civil service, those in public bodies and staff in private companies delivering public services. Some of those members have been the subject of a transfer to private employers and have a defined benefit (DB) private pension with the majority of members in the Principal Civil Service Pension Scheme.

2. The Bill confirms the previously announced bringing forward of the increases to state pension age (SPA). It announces an end to ‘contracting out’ and the introduction of a single tier state pension.

3. PCS has submitted evidence to express concerns over these changes in particular the state pension age and the terms of review, as well as the effect of the end of contracting out on DB pension schemes, which we are concerned will accelerate the race to the bottom over pensions.

4. It is our view that pensions are deferred pay. Occupational pensions form a vital part of retirement planning and for many the state pension is the main source of income in old age. This Bill strikes at expectations of both; pension from the state with the introduction of the single tier, and changes to contracting out and its consequential effect on DB schemes in the private sector.

KEY ISSUES

Clause 24 Abolition of contracting out for salary related schemes.

5. Currently, UK workers in both public and private sectors can ‘contract out’ of the Second State Pension by joining an approved DB public or private occupational pension scheme. However, the Bill will abolish contracting out from the Second State Pension. This will affect members of DB pension schemes including members of the Principal Civil Service Pension Scheme and those in public service ‘broadly comparable’ schemes run by private employers. They will pay 1.4% more in National Insurance Contributions (NICs) and employers will pay 3.4% more in NICs. Affordability is therefore an important factor—and we are concerned that this could have a wider impact on job creation by increasing costs.

6. Civil servants have faced a difficult few years with pay freezes or 1% rises. The occupational pension is a valuable part of the pay package in the public services and parts of the private sector. The declining relative value of this package threatens the recruitment, retention and morale of dedicated public servants. While the extra NICs may provide a better state pension, the cost is already too high for many ordinary workers who find it difficult to make ends meet and pay their occupational pension contribution increases. This means that to pay the national insurance increase, they may have to opt out of the occupational scheme.

7. While we welcome the statement that public service pension schemes will not be able to take the money for the employer NICs directly from employees through extra pension contributions or the watering down of benefits, this does raise concerns about where this money will be found—and we would welcome clarification from ministers on this point.

8. In private sector schemes, where the Bill will allow trustee consent and scheme rules to be overridden to help employers claw back the extra cost, a heavy burden will be placed on low paid workers. Indeed, we are concerned that this is the death knell for private sector DB schemes, which covered one-third of private sector workers in 1997 and now cover only one in ten. The abolition of contracting out (and associated national insurance rebates for employers), may lead to the closure of DB schemes in the private sector, meaning salary-related occupational pensions will be less available in the future. People may not be able to afford increased occupational scheme contributions and do not trust a defined contribution alternative, so they may come to rely only on the state pension. This goes against the incentive to save.

9. On a related point, we are concerned that the abolition of contracting out moves the current responsibility on employers to make provision for staff in retirement (through deferred wages), straight through to the state. That is to say, it lets companies off the hook and places the burden of support for the elderly solely at the door of the taxpayer.
Clause 25: Increasing the State Pension Age

10. PCS policy—fully supported by members—is opposed to increases in the SPA—including the proposed increase to 67 by 2026. Recent data from the Organisation for Economic Co-operation and Development (OECD)\(^{55}\) showed that the UK will have one of the highest pension ages across the 34 OECD countries following this timetable. The raising of the pension age, expanding the labour force, is unrealistic in an economy where unemployment is a problem across the age groups.

11. Today, over 50% of workers near SPA are not in work and this is often a situation over which the worker has had no choice. Office of National Statistics (ONS) research shows that longevity\(^ {56}\) is not clear cut as health and social factors are integral. Proposed increases in the state pension age have a disproportionate impact among low income workers—who cannot afford to retire early, and who have lower life expectancy.

12. This increase in the SPA has an impact on groups with lower life expectancies. The workers affected live all over the UK. The government has failed to offer any proposals to address these differences.

Clause 26: Periodic review of rules about pensionable age

13. The review mechanism by which future changes to SPA will be made is also a source of major concern as it could simply become a process of automatic increase in the retirement age based on selective longevity statistics. If we are to get people to plan for retirement then they need certainty. PCS would prefer a review when required (not simply based on an arbitrary frequency). If any review is required, then it should be independent, transparent, involve trade union representatives, and take into account the link between SPA and public sector pension ages.

14. The criteria for any required review would need to be carried out openly and take account of occupational and health differences. Good health is vital to keep working, but poor health is not the only reason people have to stop. Caring responsibilities and lack of jobs are also factors. There is also the intergenerational impact with youth unemployment to be considered.

CONCLUSION

15. The timing of this Bill and the impact on workers in all sectors is crucial; it has come at the wrong time. When we surveyed workers in 2012 we heard about many experiences of poverty due to the government’s policy of pay freezes. It is a deterrent to saving for old age. 70% said they were worse off on average by £100 per month.

16. We believe that under the proposed system, individuals towards the beginning of their working life can expect to receive lower overall outcomes than under the existing system. This is because the assumption that this group will benefit from automatic enrolment into a private pension may be erroneous. Labour market policy and employer practice need to adequately reflect this new system. Trade unions represent the workers that this Bill is intended to provide for, but the lack of consideration by government of practical issues raised by the movement such as health, access to jobs, and the impact of contracting out on occupational schemes, show in fundamental flaws within the Bill’s provisions. The Bill is an opportunity missed to protect older people in the UK already struggling under the current system.

July 2013

Written evidence from Partnership Assurance (PB 75)

ABOUT PARTNERSHIP

1.1 Partnership is a long established UK insurer specialising in the design and manufacture of financial products for people whose health and lifestyle means that their life expectancy is likely to be reduced. Partnership aims to offer higher retirement incomes than traditional providers through undertaking a detailed assessment of people’s health and lifestyle conditions.

1.2 Partnership has a broad offering in the retirement sector and offers a full range of Enhanced Annuity solutions, from clients who smoke or have minor health impairments, through to serious conditions such as cancer. Partnership is also the largest provider of annuities for Long Term Care funding in the UK. It also offers specialist protection solutions for clients who have been declined cover from standard providers and entered the equity release market in 2011 with an Enhanced Lifetime Mortgage.

1.3 Partnership believes an efficient and transparent annuity market is one of the essential building blocks required to enable UK pensioners to meet their financial needs in retirement and that increased transparency will help create a more efficient market from which customers, distributors and providers will all benefit. Partnership is a member of the ABI, represented on the board of the Pensions Income Choice Association and has been active in sponsoring research and broad industry initiatives with the Pensions Policy Institute.

\(^{55}\) OECD Pensions Outlook 2012

International Longevity Centre and others to determine solutions to current challenges in the retirement income market.

1.4 Partnership feels it can best add value to the debate by considering the accumulation of funds which are ultimately used to purchase an annuity to provide lifetime income. Our submission to the Pensions Bill Committee is therefore focused on the discussion about small pots and automatic transfers.

**Small Pots and Automatic Transfers**

**Summary**

Partnership welcomes measures to consolidate pension funds held by job changers on a rolling basis. We believe the option for the funds following the member is most likely to achieve the objective of helping scheme members attain worthwhile pension funds and envisage the transfer becoming a routine element of a recruitment process.

We think it is important that members can opt out of a transfer and do not believe it would be appropriate to transfer in or out of defined benefit pension schemes automatically.

2.1 Partnership provides retirement annuities and, while alternative options exist for drawing an income from retirement funds, an annuity is the most common means for people with a typical value fund. As such, we recognise problems retirees may have achieving value for money from a small retirement fund. Specifically, retirees have the following 2 problems:

(a) A fixed transactional cost creates a disproportionate charge on the funds; and

(b) The amount of funds cannot support the cost of advice or intermediation so that the annuity can be selected on the open market—The Open Market Option (OMO)—or establishing whether an annuity is the most appropriate option to meet an individual’s needs.

2.2 We support the consolidation of multiple funds into a single annuity purchase to mitigate these problems. Nonetheless, consolidation at the time of retirement requires that multiple funds are held and maintained throughout a working life and fixed cost product expenses may erode smaller funds disproportionately.

2.3 To the extent that providers do not apply fixed cost charges, the providers’ costs will be increased by the maintenance of multiple small value policies. This inefficiency ultimately increases the charges for all policy holders, particularly when some providers refuse to administer small pots so that the burden is spread across a smaller pool of savers.

2.4 Partnership supports the abolition of short service refunds as the refund of several small pots could prevent a total pot of reasonable value. However, we consider that the current position is undesirable and will worsen when auto-enrolment is widespread. We agree with the Department of Work and Pensions (DWP)\(^{57}\) that the administration costs could restrict the value of retained small pots in a pension scheme and would further add that the inconvenience to scheme members retaining records for multiple pots is a burden. For the stated Policy Objectives of supporting low cost savings provision to be achieved, we believe it is vital that a mechanism for rolling consolidation of small pots is established. We therefore consider Policy Options 1\(^{58}\) and 4\(^{59}\) to be unsatisfactory.

2.5 As stated in Partnership’s response to the DWP consultation\(^{60}\) we believe that automatic transfer has the potential to meet the stated Policy Objectives although both options have pros and cons. An aggregator scheme as proposed in Policy Option 3\(^{61}\) may achieve the stated Policy Objective but it is a major product and infrastructure development and we agree that the set up costs would be significant. Establishing the required profitability for the private sector to operate the scheme would take many years and the administration cost, particularly in the early years, could result in members experiencing charges that result in little saving from holding multiple pots.

2.6 Partnership considers that Option 2\(^{62}\) is most likely to achieve the stated Policy Objectives. We consider that, in an environment where all employers operate a pension scheme or NEST it will be possible to transfer funds and bringing past accrual to a new employer’s scheme will become a routine part of the employment process. As stated in our response to the small pot consultation, we believe it is important that members can opt-out of automatic transfers so that member engagement from the process is not discouraged.

2.7 However, we believe an automatic transfer is only feasible between money purchase pension schemes. Schedule 16 of the Bill includes reference to “a pension scheme of a prescribed description” being subject to the automatic transfer Regulations. Transfers out of defined benefit scheme are notoriously risky as evidenced by the FSA response to the pensions mis-selling scandal of the late 1980s and early 1990s. The switch of investment risk from the Trustees of a defined benefit scheme to the member of a money purchase scheme is critical but, in all likelihood, would not be appreciated by the majority of transferees. We consider that the

\(^{57}\) Small Pots and Automatic Transfers Impact Assessment, 21 May 2013, page 8 (para 7)

\(^{58}\) Small Pots and Automatic Transfers Impact Assessment, 21 May 2013, Policy Option 1 Description: Do nothing.

\(^{59}\) Policy Option 4 Description: Virtual consolidation

\(^{60}\) Meeting future workplace challenges: improving transfers and dealing with small pots

\(^{61}\) Policy Option 3 Description: Pension automatically transferred to an aggregator scheme

\(^{62}\) Policy Option 2 Description: Pensions move with people from job to job
automatic exchange of a guaranteed future income for an unpredictable outcome would be unsatisfactory and result in unwelcome commentary. For similar reasons we consider that schemes offering a guarantee annuity rate should be exempt from an automatic transfer.

2.8 Partnership has concerns that the administration costs of the transfers could reduce or eliminate any savings made from not maintaining multiple posts. This concern is increased by the possibility that some employers’ scheme will be administered without government support whereas employers using NEST may be supported. Partnership would like to see a level playing field for schemes, and therefore scheme members, and request that the Secretary of State includes some support for transfer facilities in the Regulations.

2.9 Finally, Partnership recognises that any additional pension funds accrued by members as a result of the proposals could be eliminated if an uncompetitive annuity is purchased with the funds. The ABI has acknowledged that one third of retirees do not shop around to purchase their annuity and it is thought to be a higher proportion for members of occupational schemes. The NAPF estimates that the variation between a good annuity rate and bad rate can be up to 20%, and it could be considerably more if the member has medical or lifestyle conditions resulting in a lower life expectancy. Partnership would support a measure in the Bill that encourages administrators of occupational DC scheme to promote “shopping around” by the membership.

OTHER OBJECTIVES

3.1 Partnership recognises that the Bill contains many other measures about pensions which indirectly connect with the Partnership business of providing income in retirement. We state above that we support the abolition of short service refunds. However, we have no comment on the other impacts which we consider to be matters of public policy beyond our influence.

July 2013

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63 Association of British Insurers. March 2013. Consumers in the Retirement Income Market

64 NAPF and Pensions Institute. February 2012. Treating DC scheme members fairly in retirement