



House of Commons
Work and Pensions Committee

**Communication of the
new state pension:
Government Response
to the Committee's
Eighth Report of
Session 2015–16**

**First Special Report of Session
2016–17**

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Work and Pensions Committee

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

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Publication

Committee reports are published on the [publications page](#) of the Committee's website and in print by Order of the House.

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Committee staff

The current staff of the Committee are Adam Mellows-Facer (Clerk), Margaret McKinnon (Second Clerk), Rod McInnes (Committee Specialist), Rachael Savage (Committee Specialist), Libby McEnhill (Committee Specialist), Andrew Wallace (Senior Committee Assistant), Alison Pickard (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

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First Special Report

The Work and Pensions Committee published its Eighth Report of Session 2015–16, on the *Communication of the new state pension*, ([HC 926](#)) on 27 March 2016. The Government's response was received on 1 June 2016 and is appended to this report.

In the Government response, the Committee's recommendations appear in *italicised text* and the Government's responses are in plain text.

Appendix: Government response

Introduction

1. The Government welcomes the Work and Pensions Select Committee's report on Communication of the new State Pension. The Government's changes to the State Pension radically reform a complicated State Pension system into something that will be much simpler for everybody in the future.
2. The Committee's report recognises that the new State Pension is a fairer and simpler system than the one it has replaced, and that the Government's communications regarding the new State Pension are essential in ensuring people understand the changes and can plan for their future accordingly.
3. The report also recognises that the Government has expanded its efforts to explain the changes to the State Pension system and has made clear progress in establishing an online system that provides personalised information to help people plan financially for retirement – called Check your State Pension.
4. Our 'Know the Facts' campaign was launched in November 2014, and has been aimed at raising awareness and understanding of the State Pension changes. The campaign messages were clear: if you are already claiming the State Pension, your State Pension won't be affected; the State Pension is changing for people reaching State Pension age on or after 6 April 2016; it will still be based on your National Insurance record; make sure you know the facts by visiting [GOV.UK/yourstatepension](#) and if you are aged 55 or over (aged 50 or over since February 2016) request a personalised State Pension statement or check online.
5. The digital Check your State Pension service launched this year provides considerable benefits to customers over the previous paper based service. The service can be used at the customer's convenience, it provides a forecast of potential State Pension they may get at their State Pension age (which the paper based service does not), and it flags up any tax years where the payment of voluntary National Insurance contributions are possible. Both the paper based and digital Check your State Pension services are now available to everybody, not just those aged 50 or over. The Department has issued over 850,000 new State Pension paper statements between September 2014 – April 2016, giving personalised information to individuals, predominately to those reaching their State Pension age in the next 10 years. There have also been over 300,000 unique visits to the online Check your State Pension beta service between 12 February 2016, when it was introduced, and 30 April 2016.

6. These core messages were carried in national and regional press, radio and online advertising. More detailed messages about contracting-out, how to increase your State Pension through National Insurance credits, voluntary contributions or deferral, and information about the State Pension top up scheme (for people already claiming the State Pension) ran in advertorials placed in targeted consumer and regional media. Our campaign pages on GOV.UK contain links to detailed information about contracting-out, derived pension arrangements and changes the new system brings.

7. A direct mail approach was tested in February 2015, as part of an integrated campaign trial. On its own, the direct communications did not significantly result in increased actions taken by customers, and recall of the letter was low. From August 2015, the campaign has focused on using a multi-media approach to raise awareness and urge people to engage and find out more.

8. Detailed information has always been available on GOV.UK, and linked to from our campaign materials. We have increased efforts to engage the public in this complex information, such as contracting-out, by creating new material including videos and graphics. We continue to review and improve our content using customer insight and research and working with experts in partner organisations.

9. The campaign encourages those closest to State Pension age, those who are aged 50 and over, to get a new State Pension statement or check online. Tracker survey data provided by Ipsos MORI show that for individuals who are 10 years from State Pension age (baseline figures in brackets):

- 71% (from 57%) say they have specifically heard of the new State Pension replacing the current basic and additional State Pensions
- 84% (from 74%) know about the minimum number of years of National Insurance record needed to receive State Pension
- 65% (from 37%) are aware that contracting-out is ending

10. Whilst acknowledging the progress of the new State Pension campaign in raising general awareness, the report outlines concerns that the period of moving to a simpler system will be long and complex and confusion exists about its implications. It further concluded that the campaign should focus on identifying the individuals affected, assessing the potential losses and communicating with them.

11. The report recommends that the Department for Work and Pensions should contact directly some groups to explain their individual circumstances, namely those affected by the minimum qualifying period, those who may receive a lower State Pension than they would have derived from a spouse's contributions under the existing system, those with gaps in their contribution record and those who built up a Guaranteed Minimum Pension (GMP) during the period 1978 to 1988. The report also recommends offering a telephone hotline to discuss the most appropriate strategy for increasing State Pension entitlement and sending annual automatic State Pension statements to all people aged 50 and over.

The Government's response to the recommendations

Direct Communication

Committee Recommendations

12. We recommend that, as a matter of urgency, the Department write to people it projects will reach pension age with:

- i) fewer than 10 qualifying years; or
- ii) lower State Pensions than they would have derived from a spouse's contributions under the existing system; or
- iii) gaps in their contribution record.

These letters should clearly explain the person's circumstances and set out both projected entitlements and means of improving them. Though some letters will go astray, the benefits of this approach exceed any risks. We further recommend the Department work with pension providers to write similarly to individuals who built up a guaranteed minimum pension during the period 1978 to 1988. If the Department has any doubts regarding the lawfulness of such letters under the Data Protection Act 1998 it should seek the advance approval of the Information Commissioner.

Government response:

13. To support people to plan for the future, we recognise that we need to make personalised information available on what they can expect from their State Pension. Our approach is to ask people to find out from us what their State Pension situation is. As well as enabling us to provide wholly personalised information, this should prove both cost-effective and encourage people to engage with pensions.

14. We will continue with our current awareness campaign due to run until 2019. We are already directing people to the online Check your State Pension service which gives, amongst other things, the individual's forecast State Pension. Our approach is to provide a first class, on demand service, that people will find easy to use and understand. Our communications will encourage all people of working age to use it regularly.

15. We acknowledge that we cannot rely solely on the general awareness campaign and that is why we are taking a cost-effective multi-channel but digital first approach, embedding 'Check your State Pension' throughout an individual's working life. We are working with employers who are enabling their employees to link directly to the Check your State Pension service. We will also improve the customer journey for pensions information by bringing information together on a specific area of GOV.UK dedicated to State Pensions information. This will link to information about private and workplace pensions.

16. We have considered the use of direct mail as a communications tool, but we have concerns around the effectiveness of such an approach. We know that direct mail is not effective when the audience is wide and difficult to target; the message is generic and there is no specific call to action. In three of the four recommendation areas for direct

mail, it is not possible to identify accurately the individuals who may be affected. This significantly limits the effectiveness of an approach of writing to people, as the messages and individuals cannot be accurately targeted.

17. Evidence has shown us that previous direct mail exercises have led to low response rates from customers. For example:

- Independent analysis (Ipsos MORI) of the 2012 State Pension age direct mailing showed that only 33% remembered that they received a direct mail.
- Only 4% of people responded to HMRC's deficiency notices in 2012.

To increase its effectiveness as a strategy, any direct mail initiatives which are considered to be essential, should be part of a wider, integrated awareness campaign.

18. **Minimum Qualifying Periods.** By later in 2016, if awareness continues to increase, some direct mail exercises may have specific roles as part of an overall communications strategy. In particular we agree there is value in exploring whether we can reach those who may not be eligible for any new State Pension as a result of the new minimum qualifying period. We have established that it is possible to identify individuals who are now within 9 years of State Pension age and whose National Insurance record suggests that they will not have 10 qualifying years of National Insurance contributions when they reach their State Pension age.

19. Subject to normal testing, we propose writing to this group as a one off exercise, integrated into the overall awareness campaign. This will test whether direct mail is more effective for this group given we can identify them and we believe it is possible to formulate a clear message and call to action. We estimate that in the UK there are over 100,000 people within this group. We will evaluate this exercise to gauge its efficacy.

20. **Derived Pensions.** We understand the Committee's views in relation to communicating with those who may have lower State Pensions than they would previously have derived from a spouse's contributions under the previous system. Some of these people will also be among those who may not meet the Minimum Qualifying Period. They will therefore receive a direct communication as part of the exercise described in paras 18 and 19 above.

21. We recognise that the rules around deriving and inheriting State Pension are complex. In order to raise awareness and help affected individuals understand the changes, we have worked with stakeholders such as Age UK to develop comprehensive fact sheets - available in the stakeholder toolkit on Gov.uk. We have also specifically placed information in media likely to be accessed by the affected groups - women's magazines and social media advertising. Furthermore, there is an interactive tool on derived pension impacts on the Gov.uk website. This tool guides people through the changes and provides them with factual information.

22. Unfortunately, we have concluded that an effective, targeted direct mail approach to all those who may be affected is not available. This is because it is not possible to identify who all the affected people may be. One of the key reasons for this is because someone may only be affected by the changes to derived State Pension if they are widowed at some time in the future – an event which can not be predicted. We also do not have accurate information about a person's marital status and the extent to which they could have

benefitted from their spouse or civil partner's National Insurance contributions to boost their State Pension. As an alternative we have considered writing to a wider group, based simply on the number of qualifying years they have on their National Insurance record. However, we estimate this would involve contacting around 2 million people to target the approximately 260,000 who could potentially fall into the group affected by these changes, by 2030. We do not want to create uncertainty and concern among those not directly affected, which could occur through poorly targeted mailing.

23. We have therefore concluded that we should supplement the existing approach of encouraging people to seek personalised information on their state pension through awareness raising and working with stakeholders, with the direct mail exercise for those at risk of having fewer than ten qualifying years on their National Insurance record.

24. **Guaranteed Minimum Pensions (GMPs).** The majority of those who built up a GMP during the period 1978 to 1988 will not be disadvantaged by the changes, because of the interaction with other parts of the pension reforms. Evidence from our latest impact assessment is that by 2020, 75% of people with a pre-1988 GMP will gain from the new State Pension (with an average gain of £4 a week) and around 25% of people will lose (with an average loss of £2 a week).

25. Given the current evidence on the ineffectiveness of direct mail as a communications tool, we believe that our strategy should continue to direct people to the detailed information on GOV.UK and the Check your State Pension service. The Check your State Pension service allows people to see a forecast of their new State Pension at State Pension age – assuming future qualifying years count towards the individual's new State Pension. The service also shows information on any gap years, where the individual may be able to pay voluntary National Insurance contributions to improve their new State Pension position.

Provision of telephone hotline service

Committee Recommendations

26. *We recommend the Government provide a new State Pension telephone hotline service for the recipients of these letters. This service should enable claimants to discuss with an expert a strategy for increasing State Pension entitlement that is most appropriate for their individual circumstances. This service might be provided by an existing pensions guidance service.*

Government response:

27. We currently offer a telephony service (as well as postal) Monday to Friday 8:00am to 6:00pm, to customers both in the UK and abroad who cannot or do not wish to engage with us via the online service. We have a number of pension service telephony lines including the State Pension Claims; State Pension changes; Future Pensions Centre and International Pension Enquiries. The Future Pension Centre service provides access to a paper statement through the post; discussion on how payment of voluntary National Insurance might improve their State Pension position. Where the customer would like to take advantage of this option it also signposts them to HMRC who already provide a

service to customers who want to make voluntary National Insurance contributions. All our Pension Service telephony services are subject to continuous improvement to improve our service delivery.

28. The Check your State Pension service enhances these facilities and our strategy will be to continue to enhance the online service by adding further functionality and improvements in light of customer feedback we receive about the service. The Check your State Pension online service also allows customers to check their National Insurance record and they can view an up-to-date State Pension forecast at a time they prefer – such as at key life events or each year. This service is also available outside of the telephony service opening times. In addition, digital service pilots providing two way interactions between customers and DWP/HMRC will be further investigated.

29. We are exploring through investigating customer needs, whether the Check your State Pension online service should be enhanced to give additional personalised information to help people consider if it is appropriate for them to make voluntary National Insurance contributions, and, if appropriate, pay for these contributions online. Our stakeholders are working with us to test our online services and we continue to work with them to promote the Check your State Pension service.

30. Our digital services include, but are not limited to, online advice, email, HMRC personal tax account and word chat, all of which will over time take the place of a telephony hotline.

31. We do not currently believe that a new hotline specifically for new State Pension is required. The telephone and written channels will remain in place to service those who either cannot (or who choose not to) engage digitally.

Automatic pension statements

Committee Recommendations

32. *We recommend the Government sends automatic State Pension statements to all people aged 50 and over. These should be issued annually, in line with the private sector. Individuals should be able to choose to receive their statement by email or opt out on the digital statement system. Such individuals should still be informed by post of any major policy changes that affect them.*

Government response:

33. Issuing regular automated State Pension statements would require IT changes for both DWP and HMRC systems. Issuing unprompted personalised letters such as this would be very expensive and may raise data protection risks of detailed financial information not being sent to the correct recipient. An estimated cost would be considerably in excess of £10m per year and could not provide the additional interactive functionality of Check your State Pension – for instance the ability to check gaps in National Insurance contributions. Over a seventeen year period (between a starting age of 50 and State Pension age of 67), the aggregate cost of writing to that cohort each year would be well over £100 million.

34. As an alternative to an additional specific letter, we are exploring the possibilities of adding messages to existing customer correspondence to direct people to the Check your State Pension service. DWP and HMRC currently contact groups of working age customers annually to inform them of changes in their benefit entitlements or tax positions. We are investigating using these letters to provide customers with information about State Pension age and the new State Pension. HMRC currently sends a tax summary to 20 million people annually and DWP sends uprating letters to over 4 million working age customers in receipt of certain benefits.

35. In summary, our intention is to maximise existing contacts and communications products to encourage people to find out about their own position. The online Check your State Pension service and assisted digital service will continue to be enhanced, including looking at allowing people to understand any actions they may be able to take and where appropriate to conduct those transactions online. We will additionally write to people who will have fewer than 10 qualifying years on their National Insurance record at their State Pension age and will evaluate the effectiveness of the exercise. This will inform future communications strategies.