Security in retirement:
towards a new pensions system

Summary of responses to the consultation

October 2006

Department for Work and Pensions

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Presented to Parliament by
the Secretary of State for Work and Pensions
by Command of Her Majesty
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Contents

Foreword

Our White Paper, *Security in retirement: towards a new pensions system*, set out a bold new structure for the long-term future of the UK pensions system. A new system of personal accounts that will make it easier for more people to save; a simpler and more generous State Pension, but one that continues to target resources on those most in need; a modern contributory principle that delivers fairer outcomes, especially for women and carers; a streamlined regulatory environment; and a higher State Pension age that keeps the proportion of life spent receiving the State Pension stable for each generation and helps to secure the long-term financial stability and sustainability of the state pension system.

It is a comprehensive, integrated package of reform. But it involves difficult decisions – whether for government, business, individuals or the pensions industry. That our reforms have been widely endorsed by all of these groups is in no small way a significant tribute to the work of the Pensions Commission in establishing the principles behind these reforms – and to the progress made during our National Pensions Debate.

But, as this *Summary of responses* shows, we have further to go if we are now to deepen this consensus around the detail of our reforms. The debate around the delivery model for personal accounts is particularly important and we will be setting out our more detailed thinking in a separate White Paper later this year.

I am grateful to all of those who submitted responses to this consultation – nearly 350 organisations and individuals – many of whom have commented in considerable detail. I very much look forward to working with you over the coming months as we continue to forge this national consensus around a sustainable, affordable and trusted pensions settlement which will meet the challenges of social and demographic change and enable both this and future generations to work and save for a long and healthy retirement.

The Rt Hon John Hutton MP

Introduction

Background to the pensions reform White Paper

1. The pensions reform White Paper, *Security in retirement: towards a new pensions system*, was published on 25 May 2006. It set out a bold, long-term solution to the pensions challenge that the country faces.

2. Publication of the package of reforms was met with widespread support, a trend that has largely been continued in the responses we have received as part of the consultation process.

3. The White Paper aimed to provide a foundation for a long-lasting consensus and, since its publication, we have continued to engage with stakeholders and members of the public, listening to their ideas and answering their questions.

> **Quotes from the day of publication:**
>
> "We welcome this progressive White Paper. Ministers can be proud of a document that looks like it can be the foundation of a new pensions settlement."
> **Brendan Barber, General Secretary of the Trades Union Congress**
>
> "The White Paper points pensions policy firmly in the right direction. Today's decisions provide a solid platform for creating a new savings culture in Britain."
> **Stephen Hadrill, Director General of the Association of British Insurers**

4. The Government continues to believe that the proposals in the White Paper meet the five tests that we set for reform: promoting personal responsibility, affordability, simplicity, sustainability and fairness. They strike the right balance between the responsibilities of the state, the individual and the employer. They aim to give everyone the opportunity to save easily while ensuring that the poorest pensioners will continue to be protected by the state.

5. We have made clear throughout the debate on reform to the pensions system that we regard a broad consensus around the shape of reform as crucial to the success of future pensions policy. The responses to the White Paper that we received have included a lot of interesting comments on the detail of our policies. Importantly, while many individuals and organisations have voiced concerns over specific elements and details of some aspects of the proposals, the overall package of reform has commanded wide-ranging support. The Government believes that this provides us with a basis for successfully addressing the pensions challenge.

6. The process of building this consensus began well before publication of the White Paper. In 2002, the Government announced the establishment of the independent Pensions Commission, headed by Adair Turner. The Commission's recommendations provided the foundations for our proposals and were broadly accepted by politicians, the public and employers alike.

7. After the Commission reported its findings, we conducted a programme of national debate, which involved thousands of people, to give both stakeholders and members of the public the chance to contribute their views and gain a better understanding of the issues we are dealing with. This approach has been a success. For example, there has been a gradual but significant shift in public opinion in areas such as increasing State Pension age and introducing automatic enrolment. We have continued to try and increase people's understanding of the challenges that we face as a country on the pensions issue since publication, with the use of the Pensions Forum which can be found at www.dwp.gov.uk/pensionsreform/forum and regional roadshows for example.

What this report does

8. This report outlines how we are going to take forward the proposals set out in the White Paper. It captures the key issues that were raised by respondents during the consultation period and shows how the comments we received have impacted on our proposals. The final proposals for reform are summarised in the box below.

9. The report also includes some further explanation of why we have taken the decisions that we have. We received nearly 350 responses from individuals and organisations during the consultation period and we have not been able to include every point raised. However, we have read and considered every response to ensure that this report provides a fair representation of the comments that we received.

Summary of proposals for reform

Our first priority is to make it easier for more people to save more for their retirement. To achieve this, in 2012 we will introduce the following:

A new scheme of personal accounts, which will provide a straightforward opportunity to contribute to a high-quality, low-cost savings vehicle. The scheme will have the following key features:

- Employees will contribute 4 per cent of a band of earnings of between around £5,000 and £33,000 a year.
- Employers will make minimum matching contributions of 3 per cent on the same band of earnings.
- A further 1 per cent will be contributed in the form of normal tax relief.
- There will be support for all employers during the introduction of minimum employer contributions:
  - their contributions will be phased in. The Government's preferred option, pending further analysis, remains phasing in over three years at a rate of 1 per cent each year;
  - the contribution rate will be set out in primary legislation to create stability;
  - the priority is to design the scheme and the transition phase so that burdens on employers are minimised. We will continue to work with employers on designing the scheme to achieve this aim.
- Automatic enrolment for employees into either the new personal accounts scheme or their own employer's occupational scheme providing it meets a minimum standard; employees will be able to opt out of this provision, in which case the employer would not contribute.

A number of key decisions on the detail of personal accounts are yet to be taken. We have concluded that, as a first step towards introducing personal accounts, we will establish a Delivery Authority drawing on expertise from the financial services industry. We are looking at the possibility of taking powers to establish this Delivery Authority in the forthcoming Pensions Bill, subject to any announcement in The Queen's speech.

In the White Paper, we proposed two possible approaches to the delivery model for personal accounts. It has become clear from our consultation on this issue that in fact there is a range of possible models, with features in common with both of the approaches that we described in *Security in retirement*. As set out in *Security in retirement*, we intend to outline our more detailed thinking in a White Paper in December dealing specifically with personal accounts.

Summary of proposals for reform *(continued)*

Secondly, in order to make the system of personal accounts effective, we will provide a solid foundation on which people can save. To achieve this, we will reform state pensions so that they are simpler and more generous, and will ensure that pensioners share in rising national prosperity.

We will link the basic State Pension to rises in average earnings. Our objective, subject to affordability and the fiscal position, is to do this in 2012, but in any event at the latest by the end of the Parliament. We will make a statement on the precise date at the beginning of the next Parliament.

We will also:

- make radical changes to the structure of the State Second Pension to make it more transparent and to ensure that contributors understand its value;
- lock in poverty improvements for current and future generations of pensioners by uprating the Pension Credit standard minimum guarantee in line with earnings over the long term; and
- continue to reward people who make provision for their retirement by uprating the lower threshold of the Savings Credit by earnings, and from 2015 freezing the maximum Savings Credit in real terms.

Thirdly, from 2010, we will make the State Pension fairer and more widely available.

We will radically reform the contributory principle, by recognising contributions to society while retaining the link between rights and responsibilities. This will be achieved by the following measures:

- streamlining the contribution conditions to the basic State Pension by reducing the number of years needed to qualify to 30;
- replacing Home Responsibilities Protection with a new weekly credit for those caring for children;
- introducing a new contributory credit for those caring for severely disabled people for 20 hours or more per week;

Summary of proposals for reform *(continued)*

- abolishing the initial contribution conditions to the basic State Pension, so that caring for children or the severely disabled will build entitlement to the basic State Pension, without having to make a minimum level of contributions; and
- making a number of other simplifications to the rules for entitlement to the basic and State Second Pension, and abolishing a number of complicated and outdated provisions such as adult dependency increases and autocredits.

The current system is unfair to those with caring responsibilities, who tend to be women, and this means that their social contributions are not fully recognised by the state pension system. This modernised contributory system will better reflect the different ways in which people contribute to society and will ensure that carers have improved opportunities to build State Pension entitlement.

Fourthly, we will support and encourage extended working lives.

We will:

- gradually raise the State Pension age in line with gains in average life expectancy. The State Pension age for women is already due to rise from 60 to 65 between 2010 and 2020, to equalise with men's State Pension age. There will be a subsequent rise for both men and women which will follow the same approach, beginning with a rise from 65 to 66 over a two-year period from 2024, then again by one year over a two-year period from 2034 and from 2044; and
- take measures to support longer working, as set out in *A new deal for welfare: Empowering people to work*, and consider greater flexibility around, and communication of, State Pension deferral.

We will periodically commission reviews, drawing on a range of independent expert advice in the light of emerging evidence on demographic change.

The increased State Pension age will broadly maintain the time spent in work and time spent in retirement, and it will secure the financial stability and sustainability of the state pension system for the long term.

Summary of proposals for reform *(continued)*

Finally, we will streamline the regulatory environment.

We will do this by:

- abolishing contracting out for defined contribution schemes at the same time as linking the basic State Pension to rises in average earnings;
- reducing burdens on schemes by bringing forward legislation to allow schemes to convert Guaranteed Minimum Pension rights into scheme benefits;
- introducing a rolling deregulatory review of pension regulation, in light of the Pensions Act 2004; and
- re-examining the existing regulatory landscape.

Any such simplifications will be aimed at easing the regulatory burden on employers that provide good occupational pensions, while always ensuring that employees are adequately protected. These measures, and others in the proposed reform package, will be taken forward with regard to the Government's wider agenda to promote better regulation and reduce the administrative burden on business.

Consultation summary

10. The formal consultation period ran from 25 May to 11 September. As well as the approximately 350 responses that we received, we engaged with stakeholders and members of the public in a range of other ways to widen the debate and increase people's understanding of the issues.

Online Pensions Forum

11. The consultation was supported by an online Pensions Forum (www.dwp.gov.uk/pensionsreform/forum) on the Department for Work and Pensions website. This provided a forum for online debates and webchats with Ministers, and updated the public on the meetings Ministers were having through a blog.

12. The forum featured a weekly key issue relating to pension reform and invited e-mails from the public on the issue, to which Ministers responded. In the week where pensioner poverty was the key issue being looked at, the Minister for Pension Reform James Purnell, Age Concern and Help the Aged hosted a joint live webchat with members of the public.

13. A number of factsheets explaining key issues in more detail to increase understanding were also published on the forum. In total, over 450 people participated in the Pensions Forum. More detail on the forum can be found in Chapter 6.

Seminars and discussions

14. The Department held an employers' seminar and a carers' seminar where specific issues relevant to those attending were discussed. Ministers also attended a number of regional roadshows to meet regional stakeholders and members of the public.

15. An important part of working to achieve broad consensus and maintaining long-term support for pension reform is to involve the opposition parties in the debate. Ministers have had a number of meetings with opposition spokesmen to talk through the reform issues, and civil servants have been available to answer their questions on key issues of policy design. Opposition spokesmen have also been invited to, and attended, the July summit on personal accounts and subsequent seminars on aspects of personal accounts, so that they have been directly involved in the development process. We have also shared a range of modelling tools with the opposition to help them understand how we produced our cost estimates and to enable them to do their own modelling.

16. The Department has engaged with a number of stakeholders, specifically on personal accounts, via a programme of seminars, summit meetings and one-to-one discussions. The aim of this process has been to explore in detail the proposals on the key issues surrounding policy design and implementation. These issues have included:

- the organisation and structure of personal accounts;
- the investment options in personal accounts;
- how individuals will be able to access their pension in retirement;
- qualifying existing workplace pension provision that will be eligible for exemption from personal accounts;
- what contributions individuals should be allowed to make into personal accounts;
- how personal accounts can co-exist alongside existing arrangements for pension provision, and that existing provision is not adversely affected; and
- the interaction between personal accounts and state pension provision.

17. We will publish a White Paper in December setting out our proposals for policies in these areas and we will be inviting comments through a formal consultation process on those areas on which we have not yet announced our proposals, prior to introducing legislation.

Other correspondence

18. As well as formal responses to the White Paper consultation, the Department for Work and Pensions received a number of other letters from members of the public relating to pension reform in the period from May to September.

19. We received around 800 letters relating to the White Paper on state pensions issues. Some were concerned about the lack of provision in the White Paper for current pensioners but others gave positive feedback on the extra coverage for women and carers.

20. We received around 100 letters relating to the White Paper on private pensions issues, which covered a wide range of subjects including deferral arrangements and pension transfers.

White Paper distribution

21. The pensions reform White Paper was available in a variety of formats, as was the accompanying Regulatory Impact Assessment. We distributed over 2,000 copies, in addition to those that people may have downloaded directly from our website at: www.dwp.gov.uk/pensionsreform

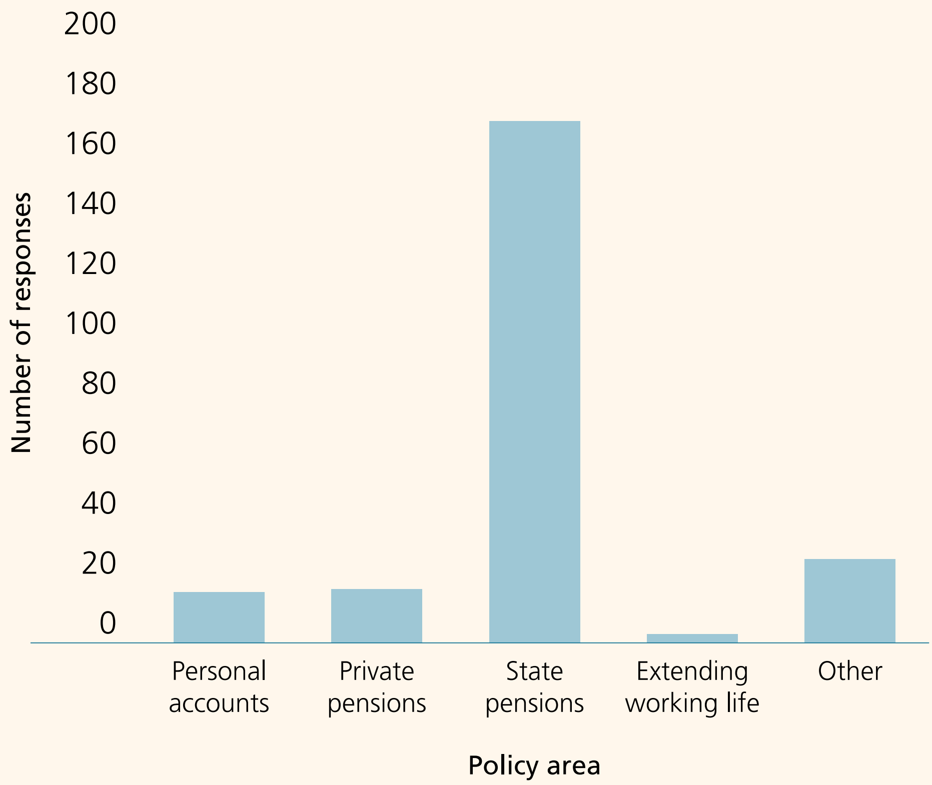
Consultation analysis

Individuals

22. Responses made by individual members of the public were received by e-mail and post and accounted for 62 per cent of all responses. A total of 215 individual comments were received. As many of these responses focused on more than one issue, the data in the figures will not necessarily add up to 215.

23. Of the 215 individual responses that we received, the most comments (174) were on state pensions. Figure 1 illustrates how many individuals responded to each chapter of the White Paper: Chapter 1 on personal accounts, Chapter 2 on simplifying private pensions, Chapter 3 on reforming state pensions and Chapter 4 on extending working life.

Figure 1: Responses received in the four key policy areas



24. These data cover all responses that we received from individuals. Included within the data are letters that we received as part of letter-writing campaigns. These campaigns highlighted positives within the reforms, including in particular around proposals to increase coverage of state pensions. They also highlighted some concerns, focused largely on the timing of the earnings link (which is dealt with in more detail in Chapter 4) and the level of the age addition to the basic State Pension for those

over 80 years of age. As both of these issues relate to state pensions, these campaigns are partly responsible for the high percentage of responses that fell in this area.

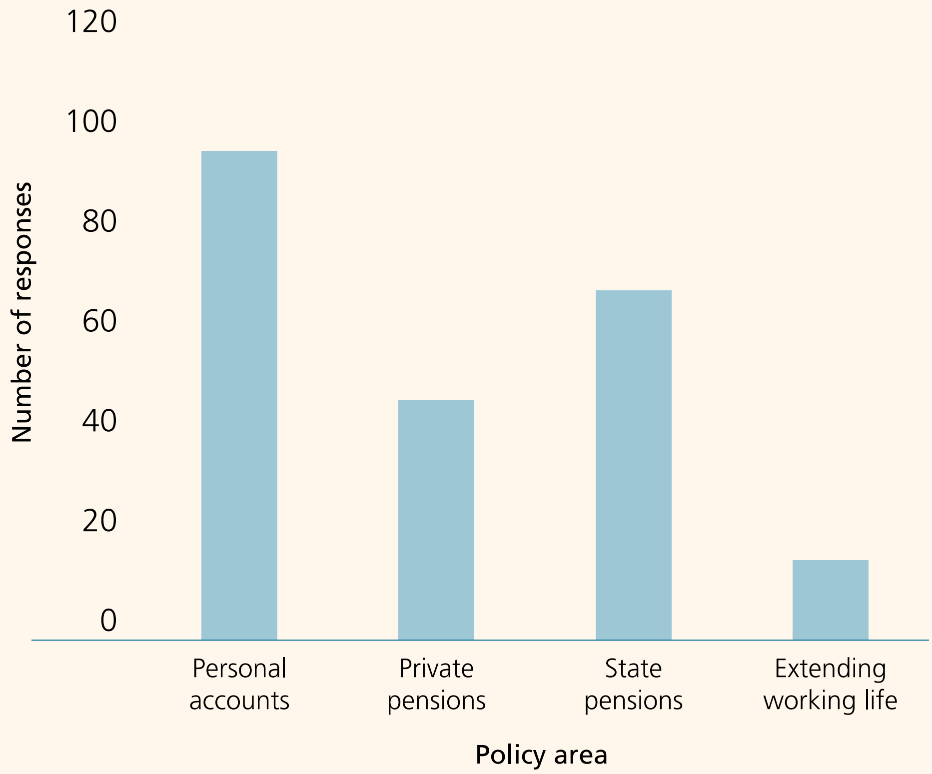
25. As well as letter-writing campaigns, we also received two petitions. These focused on the concerns of pensioners that the commitment to uprate the basic State Pension in line with earnings should begin before 2012, and on the 25p a week age addition at 80. In total, these petitions accounted for around 100 signatures. These data do not appear in Figure 1.

Organisations

26. Responses made by organisations were received by e-mail and post and accounted for 38 per cent of all responses. A total of 128 organisations submitted comments. As many of these responses focused on more than one issue, the data in the figures will not necessarily add up to 128.

27. Of the 128 organisations, most comments were on the personal accounts chapter of the White Paper, on which we received responses from 98 of the organisations. Sixteen organisations commented on our extending working life policies. Figure 2 illustrates how many organisations responded to each chapter.

Figure 2: Number of responses from organisations



Chapter 1: Reform package

1. The consultation responses suggest that the reform package outlined in the White Paper is the right one to tackle the pensions challenge that we face. It has been met with support from stakeholders, members of the public and politicians from across party lines and will now be taken forward to ensure the sustainability of the pension system in the long term.

2. The package represents a new settlement for pensions policy, aiming to put in place an affordable and sustainable pension system which meets the needs of generations to come and encourages people to save for their retirement. This chapter summarises the responses as they refer to the overall package, rather than specific aspects of the policies.

What you said

3. Since publication, agreement on the broad direction of travel and the core principles of the package has been given by most parties. There are some differences of opinion on the detail of the policy, but there is nonetheless a broad consensus on the ultimate outcomes that must be realised: a simpler, sustainable and fairer pension system for the UK. One of the most encouraging aspects of the consultation process has been the propensity to accept trade-offs and compromises from all sides which will be needed to reach a consensus.

4. There was widespread welcome for the package of reforms that the White Paper proposed.

"The TUC welcomes many of the White Paper's proposals. We recognise that they have been presented as a package and we fully support the fundamental objective of promoting private saving while improving the state system. We recognise the need to lay the foundations for a sustainable and affordable pensions system into the future." (Trades Union Congress)

"The NAPF supports the framework for pension reform set out in the pensions White Paper. The reforms, especially the use of auto-enrolment and compulsory employer contributions, have the potential to benefit millions of working people and reverse the long-term decline in UK pensions saving." (National Association of Pension Funds)

"EEF supports the comprehensive and inter-related package of reforms in the White Paper." (Engineering Employers' Federation)

"This White Paper represents a significant step forward in public policy on pensions … The public perception of pension instability and uncertainty requires bold measures and this White Paper, hopefully, is the herald of new thinking and new strategies." (Help the Aged)

"With the publishing of the pensions White Paper, Security in retirement: towards a new pensions system*, in May this year, the Government has mapped out a strong path to reform."* (*Which?*)

Current pensioners

5. Some respondents commented that the White Paper proposals did not do enough for current pensioners. Since 1997, the Government has made considerable progress for current pensioners. This has included:

- introducing Pension Credit, ensuring that pensioners receive a minimum level of income. Both this and its predecessor, the standard Minimum Income Guarantee, have risen in line with average earnings growth since 1999. These gains we have made in tackling pensioner poverty will be secure into the future as we announced our intention to uprate the Pension Credit standard minimum guarantee in line with earnings over the long term from 2008;

- introducing the Savings Credit, ensuring that those who had made modest provision for their retirement benefited from their thrift;

- measures to ensure that greater numbers of people are able to build a meaningful second pension, including crediting low earners and carers in the State Second Pension as if they were earning £12,500 per year;

- the establishment of Winter Fuel Payments and real-terms increases in the basic State Pension;
- the restoration of free eye tests for all pensioners;
- free bus passes entitling all pensioners to at least half price fares and, from 2008, free national bus travel for every pensioner; and
- the introduction of free TV licences for over-75s.

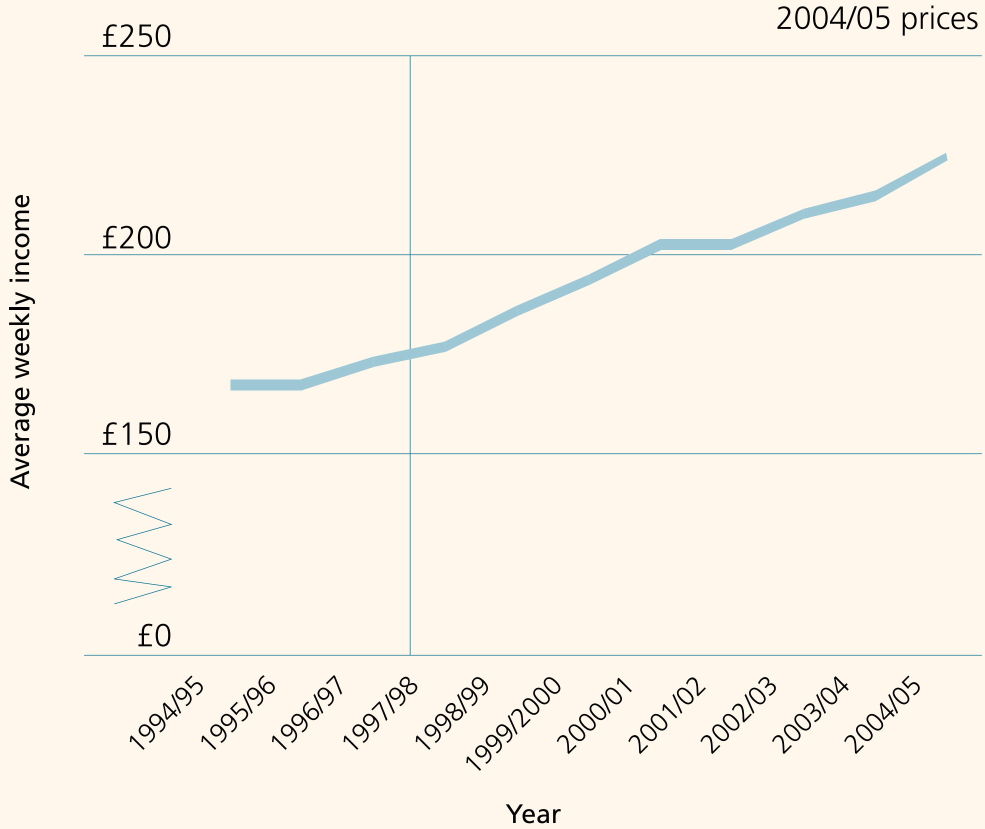
6. The Government has also recognised the concerns people have following high-profile pension scheme closures. We have acted to restore confidence in pension saving in general, and in particular to help those near to retirement who have been hardest hit by scheme failures, through:

   - the introduction of the Pensions Protection Fund and the Pensions Regulator; and
   - action to compensate those who had already lost out from the collapse of their sponsoring employers through the Financial Assistance Scheme, which we have recently extended.

7. We have also increased the age-related tax allowances so that currently around half of pensioners pay no income tax. No pensioner aged 65 or over is required to pay tax on income of less than £140 a week in 2006/07. As a result of personal tax and benefit reform since 1997, in real terms by 2006/07, pensioner households will be, on average, £1,400 a year better off. Reforms to pensioner tax and benefits since 1997 have meant that, on average, pensioners are £26 a week better off.

8. Figure 3 shows how average pensioner incomes have increased since 1997.

Figure 3: Average gross income for a single pensioner



9. Overall, we now spend £10.5 billion per year more on pensioners than if we had continued the policies inherited in 1997, and more than would have been the case had the basic State Pension been uprated in line with earnings growth throughout that period. As a result of the tax and benefit measures we have introduced, the poorest third of pensioner households will be on average £2,000 a year, or around £38 a week, better off.

10. Our pensions policies overall have done a great deal for the position of current pensioners. Pensioners are now less likely to be in relative poverty than other groups in society – a massive achievement. We have helped lift over 1 million pensioners out of relative poverty and increased the average weekly income of a pensioner by a third in real terms.

11. But we have made clear all along that this set of reforms is about addressing a different set of problems. We must act now to arrest and reverse the decline in pension saving among generations of future pensioners so that people are clear in their expectations for retirement and therefore do not face a legacy of pensioner poverty.

Challenges to consensus

12. There appear to be three, more specific areas where we remain further from consensus than on the other elements of the package. These areas concern:

- whether the objectives of the state pension system would be better served by moving to a single-tier flat-rate State Pension at the level of the Pension Credit standard minimum guarantee, often referred to as a Citizens' Pension;
- the extent to which the new state pension system will make it 'pay to save' for people in personal accounts, or whether future interactions with income-related benefits would result in an opt-out rate higher than in the Government's central estimates; and
- whether the schedule outlined for future increases in the State Pension age was sustainable in the face of the uneven distribution of increases in life expectancy across different income groups.

Single-tier pensions

13. Some people have argued that providing a flat-rate State Pension should entail a move to a single-tier State Pension, perhaps at the level of the Pension Credit standard minimum guarantee – often referred to as a Citizens' Pension. The Government recognises the merits of simplifying the State Pension. In theory, single-tier pensions could be simpler by providing a flat-rate foundation income direct from the state. This matches our view, and that of the Pensions Commission, that the Government should in future focus on its role in providing a flat-rate pension on which people take personal responsibility for building further incomes through saving. Over time, the proposals in *Security in retirement* would see the Government withdrawing from direct earnings-related provision.

14. Proposals for single-tier pensions in theory perform well against three key objectives: by giving almost everybody a State Pension entitlement at the level of the Pension Credit standard minimum guarantee, they perform well against pensioner poverty; in so doing, they considerably reduce the number of people entitled to Pension Credit and may help incentives to save;[1] and as a single flat-rate entitlement they appear to be very simple.

15. But the Government is not convinced that the arguments in favour of a single-tier pension outweigh the problems: we set out the reasons why below, but the core reason is that, in practice, introducing a single-tier pension would either be too complex or prohibitively expensive.

[1] Although incentive effects will vary between groups, with income effects potentially reducing incentives to save for others.

16. First, there are important positive benefits in a two-tier system. A single-tier pension is a relatively blunt instrument. The proposals in *Security in retirement* would balance the need for a degree of universality in the system with the objective of rewarding people for their contributions to society. This remains an important objective for state pensions, reflecting the importance of personal responsibility and fairness. Under the White Paper proposals therefore, someone reaching State Pension age in 2053 who worked or cared for 43 years would be entitled to almost £135 a week on retirement, whereas a person working or caring for 30 years would be entitled to close to £115 a week on retirement. This compares with a Citizens' Pension, where both would get the same amount.

17. Secondly, there are also significant problems with single-tier pensions, first and foremost among them, their affordability. On the simplest model of a Citizens' Pension, we would move to a single headline rate of £114 a week, uprated by earnings and with people's past accrued rights above this paid out in addition. The Pensions Commission's analysis suggested that this approach would cost around £30 billion more a year by the middle of the next decade – a rise in spending of nearly 2 per cent of Gross Domestic Product, more than £20 billion more than our proposed reforms.[2]

18. The Government has made it clear that any proposals for pension reform must be affordable. Long-term economic stability has been a key achievement of our policies to date. It has benefited pensioners both by ensuring that more people, through high employment rates, have been in a position to save for retirement, and by ensuring that there has been no return to a situation where the value of savings has been eroded by high inflation. To put this stability at risk to move to a single-tier pension in this way would be counter-productive.

19. Proponents of a single-tier pension have proposed ways of making this approach less expensive. Moving to a single-tier pension would involve ceasing future accruals to the State Second Pension, which in turn would mean the abolition of contracted-out rebates. Some have suggested that the resultant increase in revenue could be used to fund the move to a single-tier pension. The Government recognises the Pensions Commission's view that any savings from the contracting out rebate should be used to increase saving, not current consumption. Furthermore, we have made clear that we do not believe immediate abolition of the rebate for defined benefit schemes to be a viable proposition given the potential impact on these schemes.

20. The other main way of making single-tier pensions less expensive has been to make use of an 'offset' approach to people's accrued rights. This, however,

[2] The figures shown are on the same basis as the figures in Figure 9 of *Security in retirement,* which show costs assuming that the Guarantee Credit would otherwise have been uprated in line with prices from 2008.

also fails to meet the affordability test, costing around £15 billion a year by the middle of the next decade compared with current projections. And, crucially, it is also unpalatable on grounds of fairness and complexity because of the need for complex transitional arrangements.[3]

21. The proposed benefit of a single-tier pension is its simplicity compared with other approaches. But, for example, to ensure preserved rights are honoured, we would have to pay contributors who have already built up a State Pension of over £114 a week their full entitlement. We would also have to offset the amount of private pension which has accrued through the National Insurance contracted-out rebate. We could achieve this offset by using existing National Insurance records. However, the offset may not match the actual income of the pensioner – the investment return on the amount rebated may be more or less than our estimate, leaving some pensioners with an overall income below £114.

22. So, for many years following the introduction of a single tier through the offset method, higher earners might be disappointed as they would not get the State Second Pension they had anticipated, and there would be no simple single rate of State Pension for all, with people receiving both more and less than the headline £114. It is difficult to see how this could be seen to be either simple and transparent or fair and equitable.

23. For these reasons, the Government is clear that, while it accepts there is a perceived simplicity benefit from single-tier pensions, this policy fails to meet the basic test of affordability and to deliver on the simplification that it promises. The two-tier approach outlined in *Security in retirement* is similar to a single-tier pension in that it performs well against pensioner poverty and provides an improved foundation for private saving through moving over time to a flat-rate system. But it does so within a cost envelope that is sustainable, while retaining greater flexibility and rewarding more generously those who contribute to society for a greater proportion of their adult lives.

24. We do, however, accept that people feel strongly that we could have gone further with these proposed reforms to tackle complexity in the state pension system. Those reforms did, in our view, already make substantial gains in this area, not least through the considerable simplification that arises from almost everyone being able to expect a full basic State Pension. But we have continued to look at whether we could do any more. Chapter 4 of this paper outlines proposals that we are considering for more radical changes to the structure of the State Second Pension than those outlined in *Security in retirement*. These proposals could enable us to move immediately on implementation to a single State Pension with a foundation element and a weekly top-up for years spent working or caring.

[3] See footnote 2.

The case for saving post-reform

25. Some of the responses that we have received have suggested that, for some sections of the personal accounts target group, saving will not be worthwhile due to relatively low contributions and interaction with means-tested benefits, such as the Pension Credit, when they retire.

26. Clearly it is not possible to say with certainty that, come retirement, all people will benefit from having saved in a personal account. Individual circumstances such as prior savings behaviour and levels of personal debt will impact upon people's savings decisions, and rightly so.

27. What is clear is that the purely voluntarist approach to pension saving has not worked. *Security in retirement* outlined the barriers to saving faced today, including inertia, cost and uncertainty about the impact on benefit entitlement. Automatic enrolment into personal accounts is fundamental to our response to the problem of undersaving for retirement and the Government believes that, to be confident in enrolling people into a pension, there must be a higher general test for the suitability of saving than might be the case under the previous approach.

28. We believe that the combination of policies in our package of reforms means that the vast majority of people will be better off in retirement. On that basis, we remain confident that automatic enrolment is the right approach. As can be seen in Chapter 2, the majority of our stakeholders that mentioned automatic enrolment were supportive of the policy. The key points are as follows:

- As the figures in the White Paper made clear, by 2050 we expect around one-third of pensioners to be entitled to Pension Credit following state pension reforms, with only around 6 per cent on the Pension Credit standard minimum guarantee alone (and some of these not in that position until later in their retirement). Almost everyone[4] not on the Guarantee Credit only (94 per cent of pensioners) will benefit from having saved. Even a single-tier State Pension at £114 per week would still leave a small proportion of pensioners eligible for Guarantee Credit.

- Most of those pensioners entitled to Pension Credit will be on the Savings Credit. Anyone on the Savings Credit will be in receipt of a top-up to their savings, ensuring that they have a higher income than if they hadn't saved. Those in receipt of Savings Credit who have saved over their working life can expect to see a return of around £2 for each £1 that they save in personal accounts.

- Our reforms of the state system mean that, by 2050, someone would have to have worked and cared for less than 24 years – and not have saved at all – in

[4] If an individual qualifies for a higher Guarantee Credit amount to cover additional needs and their income is between the standard minimum guarantee and this higher amount, they may still see 100 per cent withdrawal rates

order to be on the Pension Credit standard minimum guarantee only at retirement. Our analysis indicates that only about 6 per cent of all pensioners in 2050 would be in this position, and therefore have private income fully taken into account. Typically, many of these people would not have been automatically enrolled for long periods of their working life. These people are likely to get a very high replacement rate solely from their income from the state.

- Trivial commutation will continue to ensure that those who had managed to build up a small pension pot could take it as a lump sum, and might therefore avoid 100 per cent withdrawal rates.[5]

- The case for saving is strengthened considerably by other aspects of the policy on personal accounts. The presence of an employer contribution in addition to tax relief means that, for someone saving at the default level in personal accounts, their contributions will now be doubled by matching contributions from elsewhere. And the lower charges in personal accounts compared with those in personal pensions today could mean people receiving pots up to 25 per cent higher at retirement.

29. Our state pension reforms will reduce the number of people reliant on means-tested benefits in future, enabling those with a reasonably full life of working or caring to retire on a State Pension that is well clear of the level of the Pension Credit. And our private pensions policies will help to ensure that people are able to build up higher private pension incomes than they can today. Combined, these policies mean that most people will be better off remaining in a personal account or qualifying occupational scheme.

30. Of course, as highlighted above, there will be individuals for whom this is not the best choice – this is part of the reason why the system of personal accounts that we are proposing remains voluntary, with people allowed to opt out if they wish based on their own circumstances. It will be important that the information products that support personal accounts are able to help people in recognising whether this is the best approach for them. But the fact that we are able to say that saving will be worthwhile for most people means that we are confident that our state pension reforms provide the right basis on which we can build personal accounts and be confident in automatically enrolling people into them.

31. This is clearly an important issue. It is one that we have considered in detail and carried out a great deal of analysis on, and we are content that our policies are the right ones. We are publishing the full analysis supporting our decisions in this area later this year.

Increases in the State Pension age

32. *Security in retirement* outlined our planned schedule for increasing the State Pension age in line with future increases in life expectancy. While we have received support

[5] Under existing rules, the first £6,000 of a person's (or couple's) capital has no effect on their entitlement to means-tested benefits.

for this proposal from a number of sources, there have also been a number of specific objections raised, focused largely on:

- the inherent instability in the data on future life expectancy: some people have argued that it makes little sense to set a schedule for increases now that continues until 2046, as it is clear from revisions in recent years that even at a general level the projections are susceptible to change, while there are no official projections of life expectancy by socio-economic group;
- the potentially disproportionate impact that such an approach might have on certain socio-economic groups: this argument suggests that while average life expectancy is increasing for those in certain regions and more generally for those in lower socio-economic groups, life expectancies are lower now and increases in future are likely to be less rapid than for other groups;
- the relationship between increases in life expectancy and increases in healthy life expectancy: there is a concern that, if the additional years that someone can expect to live post-65 are not healthy years, this would damage the justification for the policy, which is intended to keep constant the length of time that someone might expect to spend in retirement; and
- the availability of suitable employment for older workers: this centres on the capacity of people in certain forms of employment, particularly manual work, to carry on working in that type of work, and access to suitable training for those who are unable to do so.

Uncertainty of future projections

33. It is clear that, on average, life expectancy at 65 has risen significantly and is projected to continue to increase. For men, it has nearly doubled compared with half a century ago, from 11 years in 1951 to 20 years today. Over the same period, on average life expectancy for women has increased from 15 to 23 years. By 2050, current projections indicate that men will live to 89 – a further 4 years of life after 65 compared with today, while women will live to 92 – another 3.75 years.

34. Our proposed increases will, if projections remain stable, broadly maintain the proportion of male adult life spent post-State Pension age at around 30 per cent (representing an increase in overall life expectancy beyond State Pension age from 20.1 years today to 21 years in 2046).

35. The Government does accept that there can be no certainty at present around the pace of future changes in life expectancy. Only after the event could we be certain as to whether the projections of life expectancy are right. But it is a key principle of these reforms that people are able to plan with confidence for their retirement. We have to balance this need for confidence in future policy with the uncertainty that exists about future trends. Past trends have in fact persistently outpaced past projections with regard to life expectancy – the 1994-based population projections for life expectancy for someone reaching 65 this year have since been revised upwards by 3 years, or nearly 18 per cent, from 17 to 20.

36. On this basis, the Government believes that it is the prudent course of action to lay out a schedule of increases now on the basis of current data. With life expectancy increasing as it has, the pressures on the pension system are considerable. Part of the response to this has to lie in people working longer and drawing their state pensions for a broadly consistent proportion of their adult lives.

37. To protect the future sustainability of the system, we cannot ignore the realities of demographic change and greater life expectancy. Raising the State Pension age will ensure the affordability of other key reforms, allowing us to link the basic State Pension to rises in average earnings and make pensions fair for women. Linking the basic State Pension to earnings will ensure that, in future, pensioners receive a broadly constant share of national wealth each year from their State Pension. But if pensioners are living ever-longer, and the number of pensioners is therefore rising, this would place a growing and unsustainable pressure on the cost of the state pension system if State Pension age remains unchanged. The alternative is to accept that the State Pension should continue to decline in value in relation to average earnings. As we have already made clear, this is not an option that we are willing to consider.

38. Clearly, it will be important to keep in view the changing data on future life expectancy. As we announced in *Security in retirement*, we intend to periodically commission reviews to provide advice to Government on whether the timetable for increasing State Pension age – as set out in legislation – remains appropriate.

Differences in life expectancy for different socio-economic groups

39. We recognise that, as has always been the case, the same minimum State Pension age for all means that some will not receive the State Pension for as long as others.

40. It is, however, also important to acknowledge that increases in longevity have been experienced by all groups in society. While those who survived to reach State Pension age in 1950 represented less than half of their generation, the current first-time recipients of state pensions constitute more than three-quarters of their generation. Moreover, nearly 90 per cent of all those born in 1982 are projected to survive to reach State Pension age in 2050, despite it being raised to 68.

41. Data from the Office for National Statistics Longitudinal Study show that life expectancy for men at 67 in social class V in 2001 was higher than life expectancy for men at 65 in the same social class 20 years previously. Life expectancy at 65 for men in social class V increased by 1.5 years, from 11.8 to 13.3 years during the decade to 2001, based on the period measure of calculating life expectancy. If these figures are approximated to a cohort measure (which allows for known or projected changes in mortality rates in later years), it suggests that a 65-year-old man in social class V today could expect to live until age 81.

42. The Office for National Statistics does not compile projections of life expectancy by social class. But if the rate of increase seen in the last two decades persisted, men in the lowest socio-economic group would not experience any reduction in the length of life after State Pension age following the increase to 68.

43. The causes of health inequalities are complex and there are links with people's social, economic and demographic circumstances in such diverse areas as education, occupational health and safety, type of occupation, housing, regional differences, lifestyle choices, material deprivation and access to health services. Introducing differential pension ages would not solve the problem and would add considerable complexity, thus failing one of the key tests of our pension reform. It would also be very prescriptive.

44. Lower socio-economic groups will also have additional security in the future because of our state pension reforms to uprate the Pension Credit standard minimum guarantee in line with earnings over the long term, to link the value of the basic State Pension to rises in average earnings, and through our measures to increase coverage of State Second Pension. All these reforms will improve quality of life for pensioners in retirement.

Healthy life expectancy

45. To date, evidence would suggest that increased life expectancy is also resulting in people staying healthier for longer, although there is no general consensus on how trends will develop in the future.

46. As with life expectancy data more generally, it is of course vital that we continue to monitor developments. This is an area where periodic review could provide the necessary detailed analysis of disparities in life expectancy between different social classes and the relative effects on different social groups of increases to the State Pension age. Annex 1 explains in more detail how we are improving our evidence base.

Availability of suitable employment for older workers

47. As a number of commentators have observed, and as we have acknowledged in the White Paper, raising the State Pension age must be accompanied by measures to dismantle barriers to longer working and provide support to those who wish to extend their working life. We have already put in place a range of packages aimed at improving opportunities for people to work up to age 65 and beyond, and increased flexibility and choice within the state pension scheme to provide improved incentives to work beyond State Pension age.

48. Legislation to tackle age discrimination in the workplace is now in force, and the regulations already provide for a review of the default retirement age of 65 in 2011 to assess whether it is still considered necessary to retain it or make compulsory retirement ages generally unlawful. The appointment of Dame Carol Black as the Government's first ever National Director for Health and Work underlines our commitment to support all those facing barriers to remaining in employment. She will spearhead initiatives promoting and improving health in the workplace, ensuring that those with health conditions and disabilities are supported to enter, return to and continue in work.

49. However, those who are unable to work up to State Pension age will continue to receive support through Incapacity Benefit or, subject to the passage of the Welfare Reform Bill, the proposed Employment Support Allowance.

50. Raising the State Pension age ensures that these pension reforms meet our five tests for reform. It will ensure the affordability and sustainability of a pensions package which will provide a more generous State Pension to more people enjoying the benefits of increasing longevity. Raising State Pension age promotes the need for all to take personal responsibility for making provision for their own retirement in the face of increasing longevity and sends a clear signal to all, including employers, of the need for our labour force to better reflect our ageing society.

51. We propose to legislate for changes that will take place over the next 40 years. This will provide clarity for those planning for their retirement. We recognise the importance of carrying out reviews to ensure that our proposals continue to meet the challenge of increasing longevity. The remit and timing of future reviews is dependent both on the timetable for changes to the State Pension age and on when the relevant demographic analysis is available – much of which is drawn from census data.

52. It is also important for successive governments to retain the flexibility to include within the remit of future reviews other areas where independent advice would be beneficial.

53. Although some aspects of the reforms will be introduced from 2010, personal accounts, one of the key elements of our proposed reforms, is not planned to commence until 2012. We will be monitoring the impact of the reforms from the outset. We think it appropriate to carry out a post-implementation review when personal accounts have had a chance to bed down, after a few years.

Chapter 2: Encouraging and enabling private pension saving

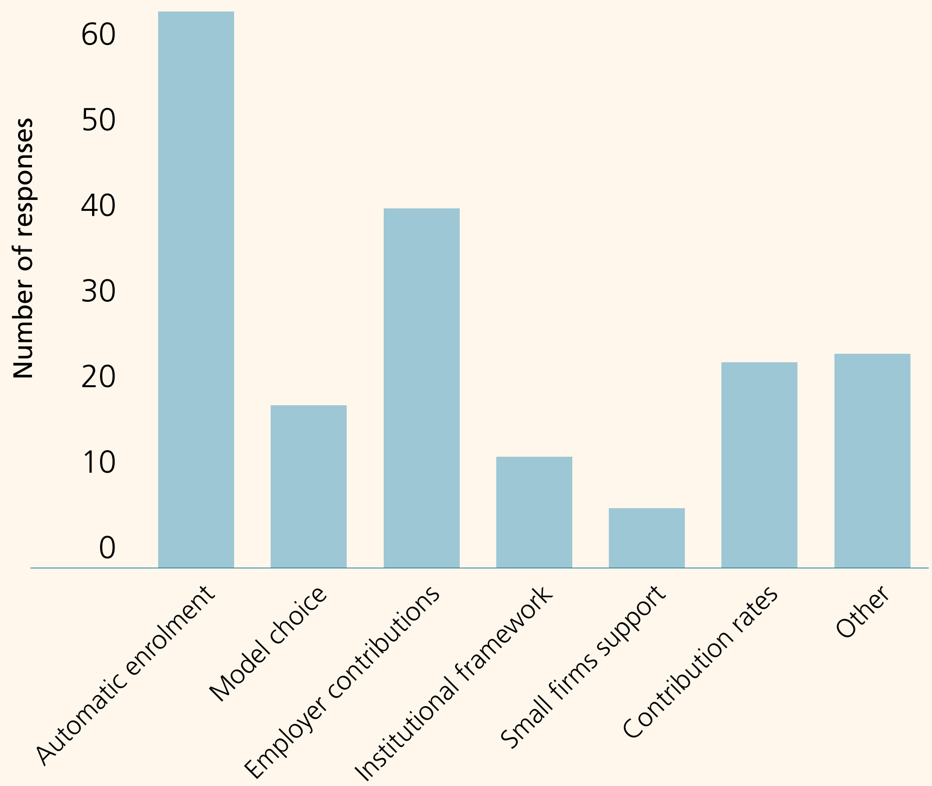
What *Security in retirement* proposed

- Introducing a new pension saving scheme of low-cost, portable personal accounts.
- Introducing automatic enrolment into a private pension for all employees.
- Setting up a national minimum employer contribution of 3 per cent between earnings of around £5,000 and £33,000 a year.
- Setting a minimum overall level of contribution of 8 per cent for the personal accounts of employees and encouraging additional contributions from employees.

Analysis of responses

Seventy-seven per cent of organisations (98) commented on this chapter. Figure 4 illustrates the number of comments received on the specific personal accounts proposals. About two-thirds of organisations (65) commented on automatic enrolment and just under half of organisations (42) commented on employer contributions.

Figure 4: Analysis of personal accounts responses



Low-cost, portable personal accounts

What you said

Among the responses that mentioned personal accounts, the vast majority welcomed the idea of a low-cost, portable personal account scheme.

"ABI research shows that there is wide public support for personal accounts. Support is particularly strong for a mandatory employer contribution and for auto-enrolment, both of which will stimulate saving throughout the workforce and be a stepping stone to further saving (either in personal accounts or elsewhere) as individuals' income rises." (Association of British Insurers (ABI))

"The NAPF fully supports the thinking behind personal accounts." (National Association of Pension Funds)

"Norwich Union believes the combination of auto-enrolment, compulsory employer contributions and portability within personal accounts… will provide financial security in retirement for future generations of pensioners." (Norwich Union)

"We welcome the concept of the NPSS." (Prudential)

"Personal accounts offer a real opportunity." (Scottish Widows)

"We particularly welcome proposals to establish a national scheme of personal accounts with compulsory employer contributions." (Trades Union Congress)

"Which? welcomes wholeheartedly the consumer-focused personal accounts proposals." (Which?)

"Members have welcomed the proposal to introduce a new system of low-cost personal accounts." (Confederation of British Industry)

"We support the aspiration by the White Paper to provide a solid foundation on which people can save." (Investment Management Association)

"We strongly welcome the proposal for an NPSS to enable low cost saving for all." (Equal Opportunities Commission)

1. The White Paper outlined two approaches to administering personal accounts. The Pensions Commission approach, the National Pension Savings Scheme (NPSS), in which all personal accounts were provided by a single organisation, and an alternative approach using branded providers. Initial evidence suggested that the best delivery option was that proposed by the Pensions Commission. However, the Government committed to conducting further analysis and consulting on the administration of personal accounts.

2. During the consultation, a number of organisations proposed alternative approaches to administering personal accounts, which were variants of the approach set out in the White Paper. Most of the approaches retained the same core functions of automatic enrolment, central collection of contributions and portability of accounts between employers. Some of the variants proposed are described below.

Provider choice – outlined in the White Paper. The saver has a choice (with a limited number of providers) of who administers their account. For non-choosers, the allocation is made on a carousel basis (or into their employer's selection, if it exists).

ABI model – similar to the provider choice model, except there is no limit on the number of providers, and employers can choose to select a default provider for individuals who do not choose an administrator.

The Aegon model – a variant of the ABI approach where there is no choice of funds – each provider offers a single variant. Providers have to offer the default to be able to participate in the carousel.

Norwich Union model – similar to the NPSS approach but the account administration is by branded pension providers, and funds are common across all providers.

Fidelity model – a hybrid of the NPSS and provider choice models. Anyone not choosing an administrator would go into the NPSS with a common range of investment choices, and those making a choice would go to the branded administrator of their choice.

NPSS/**Which?** ***model*** – essentially the NPSS model with a strong emphasis on independent governance.

How the Government will take this forward

3. In *Security in retirement* we committed to publishing a document later in the year setting out the approach we intend to take on the operation of personal accounts. The Government intends to publish a personal accounts White Paper in December 2006. This publication will set out further detail on our policy proposals for personal accounts, and will include the proposed organisational design. We felt that we needed to publish a separate White Paper on personal accounts, as it is such an important reform and there is a massive range of views on how they should operate. It is also imperative that we get the design of personal accounts right so that they encourage greater private saving among those groups who, at the minute, do not save.

4. In the period since we published *Security in retirement*, we have completed a lot more analysis on organisational design and have sought to make sure that we know the impact that personal accounts will have on the wider financial services sector. We have also taken the opportunity to build greater consensus and to consult more widely among stakeholders via a programme of seminars, summit meetings and one-to-one discussions on the specific detail surrounding policy design and implementation. More detail can be found in Chapter 6.

5. The Government also committed in *Security in retirement* to publishing a technical paper setting out its policy on drawing an income from a pension in retirement, and the supporting evidence base. We will publish this paper later in the year. It will respond to the Pensions Commission recommendations in this area, highlight latest developments in the market and will act as a detailed response to recent challenges to this long-standing policy.

Automatic enrolment

What you said

6. There was very strong support for automatic enrolment from those responses to the consultation which mentioned it.

> *"Auto-enrolment is a strong force that will increase levels of private savings."* (AXA)
>
> *"Auto-enrolment will overcome the inertia many consumers demonstrate by not tackling the need to save for their retirement, and reduces the costs of acquiring business. Research[6] conducted for Norwich Union shows 80 per cent of consumers support personal accounts operating through auto-enrolment with an opt-out option"*. (Norwich Union)
>
> *"We welcome the proposal for personal accounts supported by auto-enrolment, which will provide many lower earners with a realistic opportunity to provide for retirement that they do not currently have."* (Zurich Assurance)
>
> *"We fully support auto-enrolment into existing schemes and the NPSS. There is a high level of inertia among individuals and auto-enrolment would help overcome this."* (National Association of Pension Funds)
>
> *"EEF supports auto-enrolment into the new pensions savings scheme."* (Engineering Employers' Federation)
>
> *"We fully support auto-enrolment into existing schemes and the NPSS."* (Federation of Small Businesses)
>
> *"We believe the 'soft compulsion' of auto-enrolment represents the right balance between encouraging and forcing saving."* (Age Concern)
>
> *"In particular, we are enthusiastic about the potential for the new personal accounts, supported by auto-enrolment and a mandatory employer contribution, to increase saving for retirement."* (Association of British Insurers)

[6] Research carried out by BRMB in May/June 2006. Quantitative interview with 769 consumers of working age and 724 employers, supported by qualitative research with consumers and employers.

7. However, a small number of respondents thought that we should go further and make it compulsory for individuals to save in a personal account.

> *"The TUC would have preferred the NPSS to be fully compulsory with no ability for individuals to opt out."* (Trades Union Congress)

How the Government will take this forward

8. Compulsory saving would force everyone to provide for their retirement in the same way. But individuals' personal circumstances vary widely and not everyone will want to contribute to a pension; for example, some people may already have made other arrangements for their retirement. That is why we are proposing automatic enrolment. With automatic enrolment, although there is a presumption that people will save, they have the freedom to opt out of the scheme if they want to. This will increase the number of people with some pension provision, and ensure that inertia does not result in people not saving for retirement. The expected effect of this automatic enrolment means that the Government is not planning to make saving into personal accounts compulsory.

National minimum employer contribution

9. The White Paper explained that the Pensions Commission made a strong case for the need for an employer contribution to pensions. We proposed that employees will have access to contributions from their employer if they are saving in a qualifying workplace scheme or a personal account. This will give a new group of employees a real incentive to save and will mean that millions of people, for the first time, will have access to a minimum employer contribution to supplement their own savings.

10. Department for Work and Pensions research[7] into employer attitudes to the Pensions Commission proposals found that 65 per cent of employers said they thought a minimum employer contribution level of 3 per cent was about right, or too little.

[7] Bolling K, Grant C and Fitzpatrick A, forthcoming in 2006, *Employer attitudes to personal accounts: Report of a quantitative survey,* research by BRMB for DWP.

What you said

11. We received mixed responses, with most supporting the idea of a minimum employer contribution. The majority of views suggest that 3 per cent of a band of earnings is about right. Some respondents, including some unions, suggested higher employer contributions, while others, including small employers, opposed the proposal for an employer contribution. We are pleased that many have accepted the principle of compulsory employer contributions.

> *"The CBI has consulted widely with members on whether to accept the Pensions Commission's recommendation that employers be compelled to contribute to pensions where an employee chooses not to opt out of the new national savings scheme. Many CBI members, including the vast majority of smaller firms, continue to oppose the proposal, but we accept that the Government is committed to taking forward this policy."* (Confederation of British Industry)
>
> *"We welcome the proposal for a national minimum employer contribution of 3 per cent between earnings of £5,000 and £33,000. This will be crucial for low earners, the majority of whom are women."* (Fawcett Society)
>
> *"The proposed minimum compulsory contributions by employees and employers … are set at the appropriate level."* (Engineering Employers' Federation)
>
> *"We know the value that having an employer contribution can make."* (Equal Opportunities Commission)

12. Some respondents suggested that the contribution rate should be placed in primary legislation.

> *"[Small and medium-sized enterprises should be supported by] reassuring employers that costs will not be ratcheted up over time as a result of trade union pressure through ensuring the 3 per cent contribution is placed in primary legislation."* (Confederation of British Industry)

13. Some responses suggested that the minimum employer contribution ought to be higher than 3 per cent on a band of earnings between £5,000 and £33,000. Others felt that the band of earnings should start at a lower level than £5,000.

"In our view, a 3 per cent employer contribution is insufficient to provide a reasonable level of pensions, but it is a start. We would wish to see a higher percentage employer contribution rate, with scope for the amount to be increased either annually, or through an agreed mechanism." (Union of Shop, Distributive and Allied Workers)

"Connect's policy is that the employer should contribute two-thirds of contributions into a pension scheme, with individuals contributing the remaining one-third. Consequently, over a specified timescale, we would like to see the employer's contribution evenly and gradually increased until it reaches such a level." (Connect)

14. A very few responses objected to the principle of an employer contribution.

"The FSB continues to strongly oppose compulsory employer contributions." (Federation of Small Businesses)

How the Government will take this forward

15. The Government has considered the level of the employer contribution and considers that as a minimum contribution, 3 per cent on a band of earnings for employers is appropriate, as it strikes a balance between affordability for employers and providing an incentive to save for employees. We also looked closely at what the band of earnings should be, and whether £5,000 is about the right figure for the lowest band.

16. We believe it is, because those earning below that figure will not see a big income drop in retirement and may well see an income increase. We have chosen around £5,000 as the appropriate cut-off because we think it will be worthwhile to save for most people earning above this level. Since other elements of the state system – the basic State Pension and the Pension Credit standard minimum guarantee – will rise in line with earnings, it is sensible that the cut-off point will increase in line with earnings too.

17. The Government proposes to take forward the minimum employer contribution as outlined in the White Paper.

Minimising the burden on employers

18. The White Paper explained that we have developed a package of measures to help employers manage the transitional impacts of minimum contributions.

- The level of the national minimum employer contribution will be set out in legislation, so that employers can have confidence in the stability of this level over time.
- The minimum employer contribution (and the employee contribution) will be phased in over a period of three years, at a rate of 1 per cent each year.
- Employers will be given due notice of the rate and timing of the introduction of the scheme.

The White Paper also explained that we would prioritise minimising the burdens on employers in designing the scheme, and that we would consult on whether a longer phasing period was needed.

What you said

19. Although responses to the consultation were broadly in favour of this package, the Confederation of British Industry, Federation of Small Businesses and Engineering Employers' Federation remain concerned that small employers will need some form of financial support.

20. Formal consultation responses and feedback at consultation events has been mixed on the length and time of the phasing period.

> *"CBI members support phasing in contributions over at least three years – although five years may be necessary in the absence of a financial support package – to help employers absorb increased costs."* (Confederation of British Industry)
>
> *"We believe that employer contributions should be phased in over five years, rather than three years as has been suggested."* (Federation of Small Businesses)
>
> *"The EEF welcomes the assistance that the Government states in the White Paper it will be providing for employers, particularly having the minimum employer contribution into the new pensions saving scheme set out in primary legislation and the phasing in of both employer and employee contributions over three years."* (Engineering Employers' Federation)

How the Government will take this forward

21. The priority remains to design the personal accounts scheme and the transition phase so that burdens on employers are minimised. We will continue to work with employers on designing the scheme to achieve this aim. However, details of any transitional support for the smallest businesses will not be decided until the likely administrative costs are known.

Contribution levels

What you said

22. Of those responses that mentioned contribution levels, the majority supported the proposed level of the contribution and the band of earnings.

> *"The 8 per cent default contribution in general appears about right. However, it will not necessarily provide an adequate income for everyone when combined with state provision – particularly for those who have periods out of the labour market. It is important that the scheme allows and encourages employees and employers to make additional provision."* (Age Concern)

How the Government will take this forward

23. Although some respondents suggested that 8 per cent contributions on a band of earnings are too low, the Government, as outlined in the White Paper, proposes to take 8 per cent forward as the minimum contribution to personal accounts. Some employers and employees will wish to supplement this by making additional contributions, and we see this as a key component of personal accounts.

Impact on existing employer pension provision

What you said

24. Personal accounts are designed to complement, rather than replace, existing employer provision. However, a number of responses expressed concern about the possible impact of personal accounts on existing employer pension provision.

> *"Government must, when setting terms and conditions, minimise the risk that there will be a significant amount of levelling down of employer resource spent on pension arrangements."* (Association of Consulting Actuaries)
>
> *"The threat of levelling down is a serious one, which Government may be underestimating."* (Confederation of British Industry)

How the Government will take this forward

25. The Government takes the issue of 'levelling down' very seriously and will continue to work with stakeholders to minimise the potential impacts on existing provision. Research for the Department for Work and Pensions[8] suggests that the extent of 'levelling down' is likely to be limited. The following themes emerged from the research:

- Employers who currently make a pension offering consider it an important part of the employee benefits package, and we believe they will continue to do so in 2012 and beyond.

- Employers contributing more than 3 per cent said that they view their pension scheme as an important recruitment and retention tool that they want to keep.

26. The Government plans to support employers to manage the cost increase associated with the minimum employer contribution by phasing it in. The priority is to design the scheme and the transition phase so that burdens on employers are minimised. The Government intends to publish a personal accounts White Paper in December 2006. This publication will set out further details of our policy proposals for personal accounts, including an analysis of how personal accounts will co-exist alongside the existing private and occupational pension sectors.

The importance of information

What you said

27. In the White Paper we explained that we endorsed the Pensions Commission's view that it is vital that communication with members of the new scheme enables them, as well as possible, to make informed decisions about their saving.

[8] Bolling K, Grant C and Fitzpatrick A, forthcoming in 2006, *Employer attitudes to personal accounts: Report of a quantitative survey*, research by BRMB for DWP. And Marshal H and Thomas A, 2006, *Employer attitudes to personal accounts: Report of a qualitative study,* research by BRMB for DWP.

28. The position was endorsed by a number of the responses to the consultation, which emphasised the importance of information for members.

"We need to take the opportunity to build a generation of financially-capable consumers – personal accounts will not be a lasting success if consumers lack the financial skills to maximise the benefits created by them. As recent research commissioned by Norwich Union concludes, 'there is a two-way relationship between people's interest in improving financial capability and their financial behaviour: greater engagement leads to greater capability, but having a greater stake in financial products can also lead naturally to greater interest in improving financial capability.'"[9] (Norwich Union)

"We would recommend that communications and branding experts are brought in now so that their insights can if necessary inform and influence the direction of pension reform, so that [the new scheme] is able to deliver on its stated aims." (Age Concern)

"Under either approach, at the outset individuals would need a layman's guide to the various types of investment, spelling out the risks and possible rewards under each approach." (John Lewis Partnership)

"The Government will need to produce literature giving generic advice (as it did for stakeholder pensions), possibly in the form of a decision tree and guidance notes. This could be administered by The Pensions Regulator. Specific advice would need to be paid for." (Investment & Life Assurance Group)

How the Government will take this forward

29. We will be developing an evidence-based information strategy in support of personal accounts. Underpinning pensions information, we are continuing to work on improving overall financial capability. The Government will publish its ten-year strategy for financial capability this autumn. This will set out an analysis of the issues and current practice and consider what more the Government could do. The strategy will include an update on the 'Informed Choice' programme, and the current thinking about the information required to support personal accounts.

[9] IPPR, 2006, *Rethinking Financial Capability*.

Waiting periods

What you said

30. A number of responses mentioned the issue of a waiting period before employees are automatically enrolled into either a personal account or a qualifying workplace scheme. Some responses suggested that a waiting period would reduce costs for employers.

> *"[There should be] a six-month waiting period before being required to auto-enrol employees into a company scheme or personal accounts."* (Confederation of British Industry)
>
> *"The waiting period before an employer is required to make a contribution towards an employee's pension should be six months."* (Federation of Small Businesses)
>
> *"We feel that a new employee should not necessarily be auto-enrolled as soon as they start work. Our advice to Government would be that this should be a one-year enrolment."* (Small Business Council)

31. Other responses were opposed to the concept of a waiting period.

> *"Employees should have to be auto-enrolled into the new pensions saving scheme as soon as they join the company."* (Engineering Employers' Federation)
>
> *"There should be no 'waiting period' on commencement of a new job before payments to personal accounts are made. This would disproportionately penalise women."* (Fawcett Society)
>
> *"Individuals should be [automatically enrolled] into NPSS on joining a new employer."* (Equal Opportunities Commission)
>
> *"Deduction of contributions should start as soon as an employee is paid. Any delay could make it less likely an employee will remain in the scheme, as they will have become accustomed to a higher wage. It would also penalise those who change jobs frequently. Employees could be given information about personal accounts as soon as they start a job, which would enable them to opt out straightaway if they choose to."* (Age Concern)

How the Government will take this forward

32. We intend to publish a personal accounts White Paper in December. This publication will set out further details of our policy proposals for personal accounts, including when employees are automatically enrolled into either a personal account or a qualifying workplace scheme, on which we will consult further.

Other responses on personal accounts

What you said

33. Many responses went into much more detail on the best design for personal accounts, going well beyond the high-level principles set out in the White Paper. Some responses mentioned specific concerns, for example the age for automatic enrolment into personal accounts and lower contribution thresholds.

"If employees earning below £5,000, the majority of whom are women, choose to opt into the personal accounts, they should receive employer contributions." (Fawcett Society)

"[There should be] no … minimum age or minimum earnings criteria." (Engineering Employers' Federation)

"Amicus suggests that the Government look again at the case for abolishing or reducing this minimum age of entry. An alternative approach might be to lower the age of automatic enrolment but then allow a phased introduction of the employee contribution, for example in 1 per cent steps starting at age 18." (Amicus)

"We also believe that all employees from the age of 18 should be required to contribute. We can see no benefit in allowing younger workers, and their employers, to avoid contributing from the outset of their careers. Indeed we believe it would re-enforce the need for all to make contributions from the beginning of their working lives to do just that – start contributing from the outset." (Connect)

How the Government will take this forward

34. We intend to publish a personal accounts White Paper in December. This publication will set out further details of policy proposals for personal accounts, including when employees are automatically enrolled into either a personal account or a qualifying workplace scheme, on which we will consult further.

Delivery Authority

35. To help with our commitment to bring in a robust system of personal accounts from 2012, we are proposing to establish a Delivery Authority. The Delivery Authority will be an independent body set up to take forward work on developing the structure of the personal accounts scheme and managing the contracting process for providers of outsourced services as soon as the scheme is established in legislation. By creating a Delivery Authority we will be able to use the experience and skills of the private sector to deliver the scheme – and provide a degree of autonomy in operational decision making.

36. We are looking at the possibility of taking powers to establish this Delivery Authority in the forthcoming Pensions Bill, subject to any announcement in The Queen's speech. The Government would specify the role of the authority and would hold it to account for delivery of its objectives. These will be set out in more detail in the personal accounts White Paper in December 2006.

Chapter 3: Strengthening existing provision

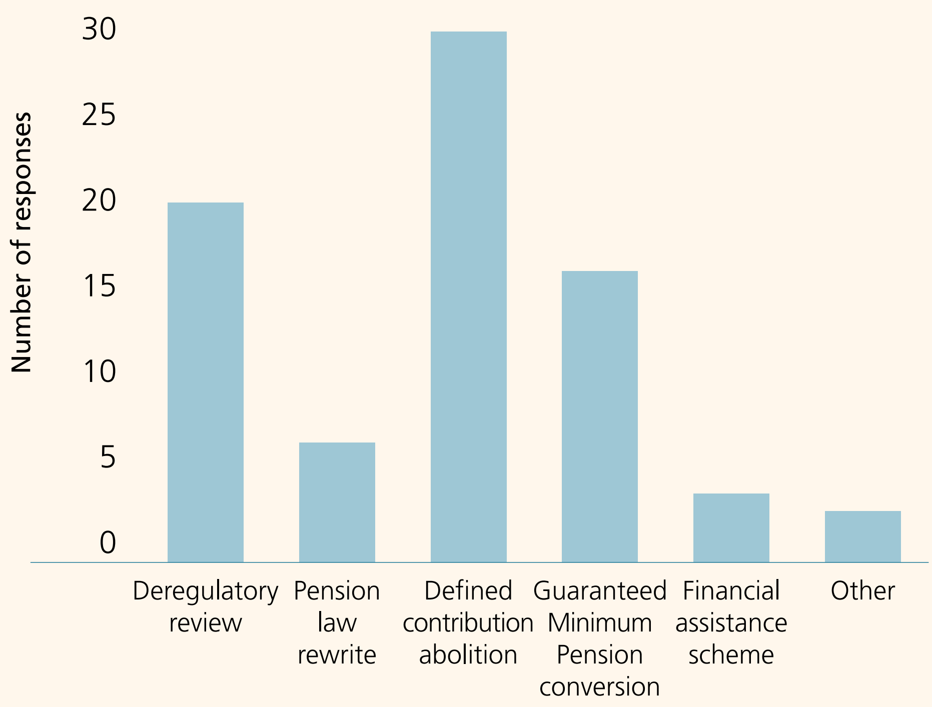
What *Security in retirement* proposed

- Abolishing contracting out for defined contribution schemes
- Establishing a rolling deregulatory review
- Allowing occupational schemes to convert Guaranteed Minimum Pension rights into scheme benefits
- Piloting a Pension Law Rewrite Project
- Establishing a review of organisations established through the Pensions Act 2004
- Extending the Financial Assistance Scheme
- Commissioning periodic reviews drawing on a range of independent expert advice in the light of emerging evidence on demographic change

Analysis of responses

Thirty-eight per cent of organisations (48) commented on this chapter. Figure 5 illustrates the number of comments received on the specific private pensions policy areas. The abolition of contracting out for defined contribution schemes attracted the highest number of comments, with 31 out of the 48 organisations commenting.

Figure 5: Analysis of private pensions responses



Contracting out

What you said

1. There was a mostly positive reaction to the proposal to abolish contracting out for defined contribution schemes.

"We are pleased that the Government has recognised the additional complexity contracting out poses to schemes and that it can act as a barrier to saving. We therefore welcome the Government decision to abolish contracting out for defined contribution schemes from 2012." (National Association of Pension Funds)

"The TUC fully supports the proposals to end contracting out for defined contribution schemes. Few people understand the complexities, and ending the contracting out will give defined contribution scheme members a clearer understanding of the structure of their pension as a whole and their likely income in retirement." (Trades Union Congress)

2. Some respondents felt that we should go further and also abolish contracting out for defined benefit schemes.

> *"We would welcome the chance to abolish contracting out for defined benefit schemes at the same time as for defined contribution schemes. It is clearly not successful now, especially as it is debatable as to whether the rebates offer any value for money. It also increases the administrative burden for many schemes and is difficult to communicate to members."* (Punter Southall and Co)

3. However, others welcomed the retention of contracting out for defined benefit schemes.

> *"We welcome the maintenance of contracting-out arrangements for defined benefit provision. Amicus believes that bringing it into question now could accelerate the demise of occupational defined benefit schemes."* (Amicus)
>
> *"We welcome the retention of contracting out for defined benefit schemes, as this forms an integral part of the benefits package for many employees. However, we are concerned that the intended ongoing review may fuel uncertainty in this area, which could further undermine the remaining defined benefit schemes."* (Legal and General)

4. There was a mostly positive reaction to allowing occupational schemes to convert Guaranteed Minimum Pension rights into scheme benefits, although some respondents thought our proposals too complex.

How the Government will take this forward

5. A consultation paper on the abolition of contracting out for defined contribution schemes and the administrative implications was issued on 13 September for comment by 13 October. The consultation paper sought views on the removal of the conditions that currently apply to protected rights. It also asked for views on the operational arrangements to be adopted to achieve a smooth abolition. We will publish a summary of the responses we receive separately to this document later this year, which will outline in further detail the approach that we plan to take on abolishing contracting out for defined contribution schemes.

Deregulatory review

What you said

6. The deregulatory review was widely welcomed by respondents.

"We support the Government's intention to conduct a rolling regulatory review of pensions legislation. In addition to those areas listed in paragraph 2.42 of the White Paper, we recommend that the Government also carry out cost benefit analyses of the legislation relating to employer debt and Normal Pension Age and examine how best to modify legislation to more closely fit modern risk-sharing pension scheme designs. We would be very happy to assist the DWP in this review."
(Watson Wyatt Ltd)

"We welcome proposals for a rolling deregulatory review of pensions legislation … it must focus on those issues that will have biggest impact on simplifying the pensions framework, giving schemes some flexibility and reducing schemes' running costs." (National Association of Pension Funds)

7. Although there was support for a deregulatory review, there were two general areas of concern raised by respondents. Some respondents stated that the review was only worthwhile if measures that had a significant impact resulted from it, and were concerned about whether the Government would be determined enough to implement measures that could attract opposition. Other respondents wanted to ensure the protection of members' benefits and were concerned that the review could recommend measures that could adversely affect members' benefits. These views represent the two sides of the debate.

8. Generally, respondents were either keen that particular policy areas were considered or apprehensive that they might be. Of particular concern to several respondents was the area of accrued rights, including allowing retrospective increases to pension scheme ages. There were strong representations on both points of view.

How the Government will take this forward

9. The Government welcomes the positive reaction to the proposal for a review and is grateful for respondents' suggestions of areas to consider and those to avoid.

10. The deregulatory review will examine regulation of private pensions with the aim of simplifying and reducing the burden of legislation on employers and pension schemes governing private pensions, drawing on proposals from stakeholders and taking account of the balance between member protection and encouraging employer provision of pensions; and having regard to appropriate legal and other constraints.

11. Although it will be difficult, the Government's view is that it is important that the review aims to build a consensus on the issues of concern to schemes and the appropriate solutions. The Government recognises that occupational pension schemes face significant challenges. The review will seek to establish agreement among key stakeholders about those challenges, the options available to schemes to cope with them and the recommendations that should be made.

12. An advisory group has already been established and is supported by a team from within the Department for Work and Pensions. The advisory group consists of external stakeholders and it has representatives from the Association of British Insurers, Association of Consulting Actuaries, Association of Pension Lawyers, Confederation of British Industry, Faculty and Institute of Actuaries, Investment Management Association, National Association of Pension Funds, Society of Pension Consultants and Trades Union Congress. The group has met three times and has begun to develop proposals for consideration.

13. In two areas identified by stakeholders, the Government has already taken action. It has decided not to proceed with a series of amending regulations on disclosure, proposing instead to conduct a zero-based review of disclosure principles in both occupational and personal pensions. On payments to employers where the scheme is in surplus, the Government has launched an informal consultation process, with a view to developing proposals to reduce the regulatory burden in this area.

Timescale

14. The review will report to Ministers in the first half of 2007, having undertaken analysis and consulted upon emerging conclusions. The review will have an important role to play in generating debate on the key issues to be tackled and the best approach to use.

Institutional review

What you said

15. There was support from organisations that commented on the institutional review.

> *"We welcome the review of organisations established through the Pensions Act 2004."*
> (Trades Union Congress)

How the Government will take this forward

16. The Government will proceed to review the organisations involved in the regulation and protection of work-based pensions, to consider how the functions of those bodies fit with the Government's pension reform proposals, and to make recommendations about the most effective and efficient way to configure those functions to deliver Government policy going forward.

17. In particular, we will examine how the functions of the organisations established through the Pensions Act 2004 – the Pension Protection Fund and The Pensions Regulator – fit with the Government's pension reform proposals.

18. We will also examine how the functions of other bodies fit with the reform proposals. This extends to those involved in:

- regulation of work-based pensions; or
- provision of advice, mediation or dispute resolution for pensions, in particular The Pensions Advisory Service, Pensions Ombudsman, Pension Protection Fund Ombudsman, Financial Ombudsman Service (in a pensions role) and Pensions Regulator Tribunal.

19. Where appropriate and necessary, the review will address the regulatory boundaries between the Financial Services Authority and the pension institutions. In particular, the scope for regulatory arbitrage between pension schemes backed by regulatory capital and those backed by employer covenant may require clarification. The regulation of defined contribution occupational pensions and personal accounts should also be in scope.

20. The aim of the review will be to encourage debate and build consensus, consulting on emerging proposals for any changes in the way the functions are best configured between organisations.

21. The review will develop preliminary views and commence consultation in December 2006 or January 2007, ending consultation by February 2007. We plan to complete the review, reporting with reasoned recommendations to Ministers, by April 2007.

Pension Law Rewrite Project

What you said

22. There were mixed responses to the piloting of the Pension Law Rewrite Project. During the consultation period we also sought the views of key stakeholders about a pilot, and their views were similarly mixed.

23. Some respondents, such as the Trades Union Congress, were positive.

> *"The TUC supports the idea to run a pilot for re-writing areas of pensions law making it easier to understand and removing some of the barriers that have caused compliance issues for pensions schemes … However, we do not see this as a priority area for pensions reform and would not want this to divert resources from more urgent areas of reform."* (Trades Union Congress)

24. Other respondents questioned whether the project was likely to prove worthy of the resources devoted to it.

> *"[We] do not think it ought to figure in the Government's current list of priorities. We need to concentrate upon that which is vital."* (Re-connect Retired Members Association)

25. Other respondents, such as the Confederation of British Industry, Association of Chartered Certified Accountants and National Association of Pension Funds, were more definitely against the proposal.

> *"A pensions law rewrite would add little value to the overall deregulatory review. The majority of CBI members are sceptical of the Government's ability to make changes in this area and many feel attempts to rewrite pensions law will only lead to increased complexity in the long term."* (Confederation of British Industry)
>
> *"We are not convinced though, in the light of our experience of the conduct of the Tax Law Re-Write Project, that a pensions equivalent would achieve better or more effective results."* (Association of Chartered Certified Accountants)
>
> *"The Pension Law Rewrite Project should be postponed in favour of a concerted effort to reduce the regulatory and cost burden faced by the scheme."* (National Association of Pension Funds)

26. In general, respondents expressed the view that it was policy changes that mattered rather than the drafting of legislation. They were concerned that redrafting of current legislation would divert resources from consideration of the underlying policies.

How the Government will take this forward

27. In the light of these comments, the Government has decided not to proceed with this pilot project. Separately, work is already in progress on a long-term project to consolidate primary legislation that deals with private pensions, which currently is contained in five Acts of Parliament.

Extension of the Financial Assistance Scheme

What you said

28. Most respondents welcomed the extension of the Financial Assistance Scheme. However, there were calls for it to be extended further.

> *"We welcome the improvements announced to the FAS but believe that the proposals could go further, for example increasing the level of benefits to the same as the [Pension Protection Fund] level. We would also like to see the FAS becoming more efficient and make significant progress towards paying out the benefits to the members it was set up to help."* (Punter Southall and Co)
>
> *"Amicus believes that those who have lost pensions following the winding-up of final salary schemes, either on account of employer insolvency or because the law has allowed solvent employers to escape from their obligation, should be fully compensated."* (Amicus)

How the Government will take this forward

29. In the White Paper we announced that the Financial Assistance Scheme would be extended so as to assist eligible people who were within 15 years of their scheme pension age on or before 14 May 2004. Draft regulations to effect this and other, more technical, changes were published on 24 July and – subject to Parliamentary approval – will be in place by the end of the year.

30. We recognise the concerns that respondents had about pension scheme losses, and the Government will respond in more detail on this in its response to the Public Administration Select Committee's report later this year.

Periodic reviews

What you said

31. There was a mixed response to the commissioning of periodic reviews in the light of emerging evidence on demographic change. Some respondents favoured a permanent commission.

"We believe there is a middle way: the creation of a small highly focused body – the pension monitoring body (PMB) – which would monitor the adequacy and sustainability of the pension system and provide a triennial report to government on developments, and any implications for pension policy." (National Association of Pension Funds)

"Age Concern supports the idea of an ongoing pension commission which could increase the likelihood of long-term settlements and consensus. There needs to be independent analysis to look at the advantages and disadvantages of different models for an ongoing commission and periodic reviews … Government would still be responsible for pension policy but would have the benefits of the expert advice and recommendations from the commission." (Age Concern)

"The BCC would support the establishment of an independent pensions commission that acted much in the way of the Bank of England in guiding interest rate policy for inflation targets." (British Chambers of Commerce)

32. Others, such as the Equal Opportunities Commission and Engineering Employers' Federation, supported the periodic reviews as outlined in the White Paper.

How the Government will take this forward

33. We do not agree that a standing commission to monitor developments in demographic and other relevant trends and reporting to Parliament every three to four years is the right way to proceed. A standing commission might create policy instability by creating a vehicle for permanent re-examination of the pension reform framework and policy.

34. The Government believes that the proposals as set out in the White Paper form the basis of a new consensus around pension provision – a consensus which it proposes to maintain by carrying out periodic reviews of the available evidence to confirm the effectiveness of these simple and sustainable reforms. These reviews will provide an opportunity for the Government to seek independent advice on the impact of the pension reforms, maintaining the consensus around the main elements of reform.

35. Although some aspects of our reforms will be introduced from 2008, personal accounts – one of the key elements of our proposed reforms – are not planned to commence until 2012. The Department for Work and Pensions will be monitoring the impact of the reforms from the outset. We think it appropriate to carry out a post-implementation review when personal accounts have had a chance to bed down, after a few years.

36. The Government proposes to legislate for changes for the next 40 years in order to provide clarity for those planning for their retirement. The Government recognises the importance of carrying out reviews to ensure that our proposals continue to meet the challenge of increasing longevity. The remit and timing of future reviews depend both on the timetable for changes to the State Pension age and on when the relevant demographic analysis is available – much of which is drawn from census data.

37. It is also important for successive Governments to retain the flexibility to include within the remit of future reviews other areas where independent advice would be beneficial.

Chapter 4: Providing a foundation for private saving

What *Security in retirement* proposed

A simpler, flat-rate system

- Uprating the Pension Credit standard minimum guarantee in line with earnings over the long term
- Linking the basic State Pension's value to rises in average earnings
- Raising the State Pension age from its level in 2024 of 65 for both men and women, in line with the growth in average life expectancy
- Reforming the State Second Pension so that it becomes a simple, flat-rate weekly top-up to the basic State Pension
- Uprating the lower threshold of the Savings Credit in line with earnings from 2008 and freezing the maximum Savings Credit in real terms from 2015

A modernised contributory principle

- Reducing the number of qualifying years needed for a full basic State Pension from 44 for men and 39 for women to 30 for all those reaching State Pension age from 2010
- Converting Home Responsibilities Protection into a positive weekly credit, aligning the rules for when it is available between the basic State Pension and the State Second Pension so that those caring for children aged under 12 are eligible
- Aligning credits for foster carers across the basic State Pension and the State Second Pension
- Moving from a system of annual credits in the State Second Pension to weekly credits, enabling people to combine credited and paid contributions in order to accrue a year of entitlement to the State Second Pension
- Establishing a new carer's credit for those undertaking care of severely disabled people for 20 hours or more a week

An up-to-date and simpler system

- Abolishing the minimum contribution conditions in the basic State Pension and the Labour Market Attachment Test in the State Second Pension

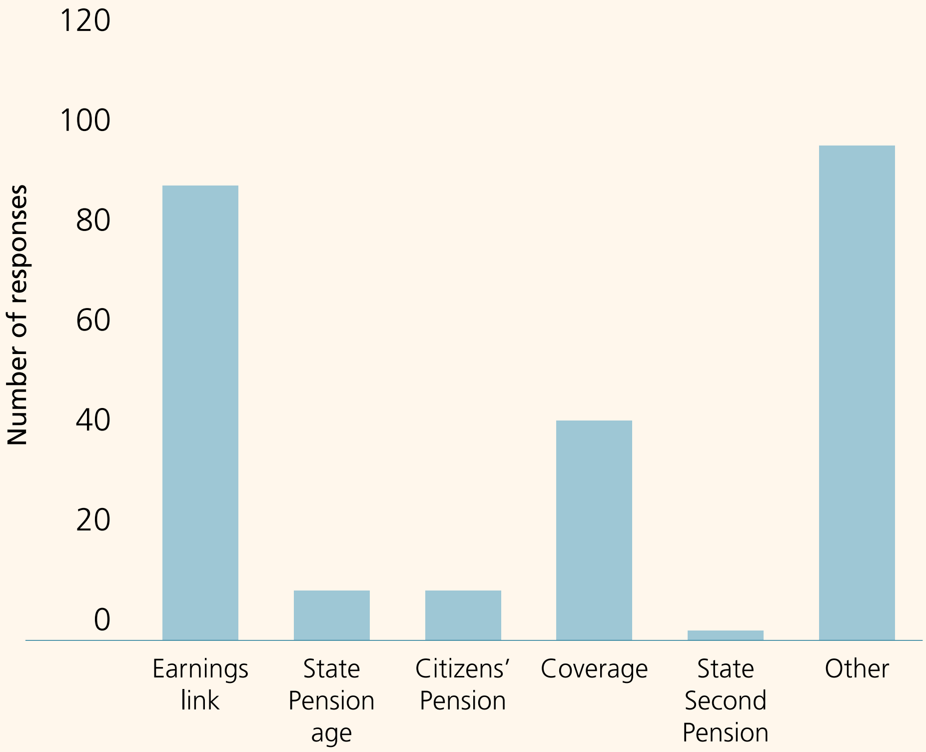
- Abolishing adult dependency increases and National Insurance autocredits

Analysis of responses

Individuals' responses

A total of 174 individuals commented on the state pension proposals. Figure 6 illustrates how individuals responded to the state pension key proposals on the earnings link, the increase in the State Pension, the Citizens' Pension, coverage and the State Second Pension. The two highest numbers of comments were on 'Other' and the restoration of the earnings link, on which, respectively, 99 and 91 comments were received. The number of comments in the 'Other' category is high as there was a substantial number of comments on the 25p a week age addition.

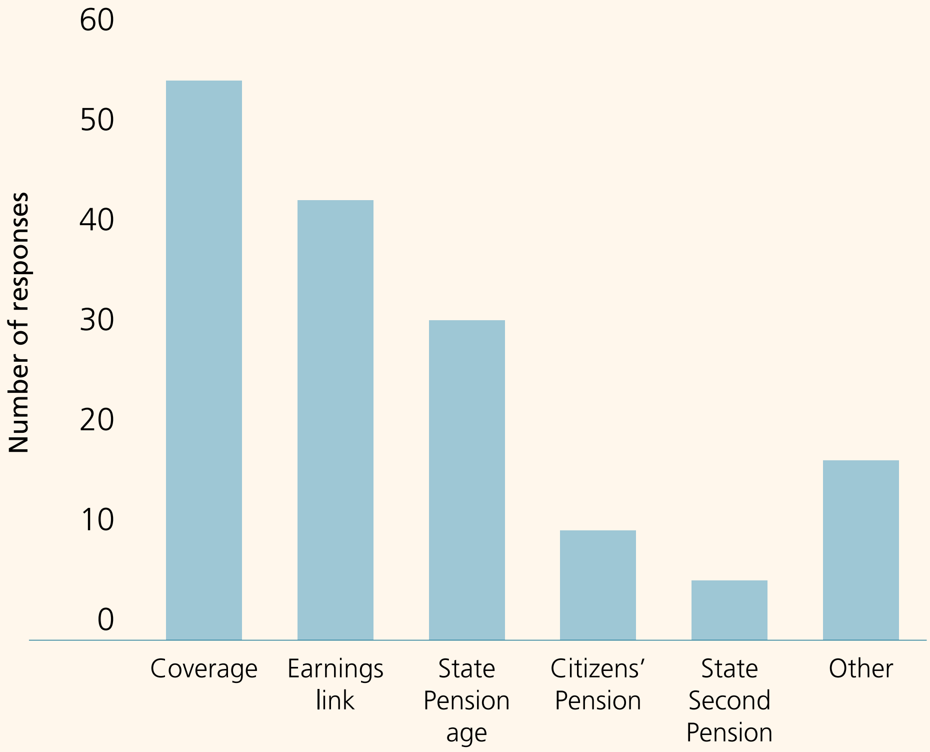
Figure 6: Analysis of state pensions responses from individuals



Organisations' responses

Fifty-five per cent of organisations (70) commented on this chapter. Figure 7 illustrates the number of comments received on the specific state pension proposals. The issue of coverage, which includes the reduction of the number of qualifying years to 30 and improved credits for women and carers, received the highest number of comments at 56.

Figure 7: Analysis of state pension responses from organisations



Continuing to tackle pensioner poverty

1. *Security in retirement* aimed to address the longer-term challenges faced by the pensions system but also aimed to maintain the gains in tackling pensioner poverty that have been made since 1997.

What you said

2. Of the responses that mentioned our state pension reforms, the vast majority welcomed the proposals, seeing them as generous and sustainable in the future. The Government welcomes the positive reaction to the proposals.

> *"Age Concern strongly welcomes the White Paper which sets out the basis for a settlement around income in later life and should provide greater security for planning and saving for retirement."* (Age Concern)
>
> *"We support the concept of a higher State Pension – with less reliance on means testing – and an increase in the State Pension age to reflect rising longevity."* (British Chambers of Commerce)
>
> *"The NAPF supports the broad thrust of the state pension reforms proposed in the White Paper."* (National Association of Pension Funds)

3. There was some concern among current pensioners and groups representing them that the reforms did nothing for them.

4. As explained in Chapter 1, the White Paper reforms aim to tackle the pensions challenge for future pensioners, alongside our existing measures to combat poverty and promote well-being among today's older people.

5. The actions we have taken since 1997 have helped lift 1 million people out of relative poverty. We announced in *Security in retirement* that we would continue to tackle pensioner poverty by uprating the Pension Credit standard minimum guarantee in line with earnings over the long term. The announcement was widely welcomed.

> *"The TUC welcomes the Government's commitment to uprate the Guarantee Credit in line with earnings from 2008."* (Trades Union Congress)
>
> *"The Pension Credit Guarantee Credit level's earnings link is strongly welcomed."* (Equal Opportunities Commission)

How the Government will take this forward

6. Uprating the Pension Credit standard minimum guarantee by earnings will ensure that the gains we have made against pensioner poverty are secure into the future. The Guarantee Credit will continue to provide a guaranteed minimum level of income in retirement for those unable to provide adequately for their own retirement.

7. Our other reforms of the state pension system are aimed at ensuring that future generations of pensioners do not have to live in poverty.

Increased coverage

8 Our reforms aimed at increasing coverage will mean that by 2025 over 90 per cent of women and men reaching State Pension age are expected to get full basic State Pension entitlements.

What you said

9. There was strong support for the increased coverage of the basic State Pension and the State Second Pension.

> *"We are extremely pleased to see the focus on improving the system for women and carers."* (Age Concern)
>
> *"We are delighted that it is now possible to build up a full entitlement to the basic State Pension through (unpaid) caring work alone."* (Fawcett Society)
>
> *"Working Families welcomes the new pensions settlement as a significant step towards valuing the caring commitments within families, particularly for women and carers of disabled people."* (Working Families)
>
> *"The Women's Budget Group welcomes the reduction in the number of qualifying years from 39 to 30 to be entitled to the basic State Pension. This will be particularly helpful for women who have gaps in their careers due to caring commitments."* (Women's Budget Group)
>
> (continued on next page)

"The proposed changes to State Second Pension are welcome, and the changes to Home Responsibilities Protection would considerably improve the position of those women who spend many years raising families or caring for elderly relatives. Adoption of a 30-year contribution period, as proposed in the White Paper, would make a significant difference both to carers and to others with an interrupted work record, but will not ensure complete pensions coverage. Individualised benefits will also considerably improve the financial autonomy of retired black and ethnic minority women in future, by providing them with an independent source of income." (The Runnymede Trust)

10. However, some respondents were concerned that the reforms to increase coverage would not be brought in until 2010 with no transition period or felt that the measures to increase coverage should be retrospective.

"We would like to see the 30 years qualifying period and abolition of the 25 per cent rule introduced retrospectively so that older women also benefit." (Age Concern)

"The proposal to reduce to 30 the number of years' National Insurance contributions which both men and women require before they are entitled to a full state pension … is very unfair for those who have ensured they have paid voluntary contributions when choosing not to be in employment and not in receipt of benefits." (Individual response)

11. There were a few respondents who wanted to see a residency-based state pension system rather than a contributory system.

"The first-tier state pension should be paid to all men and women, based on suitable residency criteria, regardless of any other income they have secured." (National Pensioners Convention)

12. However, many others were supportive of the proposal to reform the contributory principle.

> *"Amicus supports the White Paper's approach in reforming the contributory principle to enable more women and carers to establish greater rights to state pensions rather than abandoning the contributory principle in favour of a citizen's pension."* (Amicus)
>
> *"We welcome the proposals to reform the contributory principle, to recognise the contribution to society by carers."* (Civil Service Pensioners' Alliance)

How the Government will take this forward

13. The Government welcomes the positive response to the reforms that will increase coverage within the state pension system.

14. We are committed to the contributory principle. Our contributory system-based reforms will deliver improved state pension outcomes much more quickly than a residency-based scheme.

15. It is not simple to move to a residency-based state pension system. There is no established system for recording residence retrospectively outside those under the existing tax and benefit systems, and these systems do not cover all members of the population. If we set up systems to record residency from now on, some 40 years would have to pass before anyone would be entitled to a full basic State Pension based on such a scheme. Furthermore, such systems would not help those who are already resident in the UK who are contributing to our society by working and caring.

16. Many people – women in particular and some of the critical cohort aged now between 45 and 55 who may have missed out on past improvements to recognise caring in the contributory system, such as the introduction of Home Responsibilities Protection – will gain even from 2010 when the reforms are first introduced.

17. The proposed reforms of State Pension coverage will not apply to those women born before April 1950. It is important to recognise, however, that they will keep the State Pension entitlement they have been expecting during their working lives. People reaching pension age before 2010 – men born before April 1945 and women born before April 1950 – will do so in a pension system that is based on different State Pension ages. This allows women to draw their State Pension at age 60 (five years earlier than men), and the age at which people become eligible for Pension Credit is 60. It would be unfair for people to gain from both these existing rules and the proposed changes. Many pensioners will gain when we introduce our proposal to uprate the basic State Pension in line with average earnings, with the poorest also gaining from the rise in the Pension Credit standard minimum guarantee in line with earnings.

18. Normally changes to the contributory pension system are introduced gradually and take a full working life before they have effect. Moving to a single 30-year contribution condition in basic State Pension for those people reaching pension age from April 2010 builds on past improvements, improving outcomes for women much more quickly than a gradual change. It is particularly beneficial for those women aged around 45 or over today, the very women for whom reform is most needed. The Government believes that women's lower state pensions must be addressed as soon as possible, and our proposals mean that 70 per cent of women reaching pensionable age in 2010 will achieve a full basic State Pension, compared with just 50 per cent without reform.

19. Bringing forward the date from 2010 could compromise the delivery of several elements of the reform package that depend on a range of complex and technical changes across government.

20. Currently, people need to have a set number of qualifying years to get a full basic State Pension. The White Paper proposes that the number of qualifying years needed for a full basic State Pension be reduced to 30 for all those who would reach State Pension age on or after 6 April 2010. Our assessment of all the issues led us to conclude that the change should apply to all those reaching State Pension age at a future date but not to those who reached State Pension age before that future date.

21. Our proposals will mean greater opportunity for all to build a full basic State Pension, as a solid foundation for private saving. As now, National Insurance contributions will give entitlement to a range of contributory benefits – not just state pensions – and contributions continue to pay for benefits for when people are sick or unemployed. A proportion of contributions will continue to provide funding for the NHS. Even after 30 years of work or caring, more years in work will mean more State Second Pension – a top-up to the basic State Pension that will help keep many people off means-tested benefits in retirement.

22. We received some responses from individuals who were concerned that the voluntary contributions that they had paid to get themselves a full basic State Pension would be wasted.

23. The National Insurance scheme is a pay-as-you-go scheme that ensures that today's workers fund contributory benefits, of which the State Pension is the biggest element of expenditure. Those who have paid voluntary contributions have done so primarily to obtain a higher basic State Pension in accordance with the current rules, and a proportion of those contributions goes directly towards funding for the NHS. It should also be noted that voluntary Class 3 contributions count for bereavement benefits. The proposals to improve entitlement and coverage to the basic State Pension come as a package, and any refund of contributions could jeopardise our ability to deliver affordable changes. We have started to provide additional information to those who seek pension forecasts to make them aware of the proposed change and their options. Her Majesty's

Revenue & Customs is also providing similar information to those people who receive deficiency notices and those who are currently paying voluntary contributions. However, it would be for individuals reaching State Pension age on or after 6 April 2010 to decide whether to wait until the change becomes law before deciding whether or not to pay voluntary contributions. There are time limits for doing so and the contribution may be payable at a slightly higher rate.

Carer's credit

24. We will, in particular, take steps to increase coverage among carers. The new carer's credit could mean that approximately 70,000 people a year gain a credit for basic State Pension, and approximately 160,000 more people could be accruing entitlements to State Second Pension.

What you said

25. The proposal to recognise carers better in the state pension system, by replacing Home Responsibilities Protection with simpler crediting arrangements to recognise parenting and care of severely disabled people, was met with a positive response.

> *"Help the Aged welcomes the increased recognition for carers which is proposed in the White Paper."* (Help the Aged)
>
> *"We consider that [the White Paper] sets out a bold new vision in which more carers will be supported to build up pension entitlement."* (Carers UK)

26. The emphasis that the White Paper put on the value of caring was welcomed. However, some comments, received in response to the Government's consultation on delivering the carer's credit, suggested ways to increase the coverage of the carer's credit to more people.

27. They included:

- recognising care of persons receiving benefits other than the middle or higher rate of Disability Living Allowance and Attendance Allowance, such as the lower rate of Disability Living Allowance or Incapacity Benefit;
- involving a GP or health and social services representative to confirm that the carer is eligible for the new carer's credit;
- re-examining the number of hours recognised; and

- suggestions to help us develop effective communications to ensure that people are made aware of the new carer's credit.

"As a minimum the carer's credit should be extended to people providing 20 hours a week care for someone receiving the lower care level of Disability Living Allowance." (Age Concern)

"We are concerned that the overall package for carers will still not be sufficient because not all carers caring for over 20 hours per week are covered." (Equal Opportunities Commission)

"Carers UK warmly welcomes the carer's credit, and its recognition of the importance of carers and their right to decent pension provision … However, we are concerned that the current definition of the carer's credit as being limited to people caring for those with severe disabilities is too narrow." (Carers UK)

How the Government will take this forward

28. We have examined the issues raised above in some detail, but at this stage we do not think it is appropriate to extend further the coverage of the carer's credit.

29. The coverage package that we have introduced strikes a good balance between providing flexibility and ensuring that those who have significant caring responsibilities are rewarded. By allowing a reduction of the qualifying years needed to get entitlement to the basic State Pension, we do not have to credit every single worthwhile activity.

30. We believe that focusing entitlement to the carer's credit on those caring for severely disabled people who have demonstrated – through entitlement to Attendance Allowance, or the equivalent rates of the Disability Living Allowance care component or Constant Attendance Allowance – that they need regular and substantial personal care will ensure that the credit is awarded to carers who undertake a level of caring that makes it difficult for them to move into or stay in work.

31. Caring for people receiving these benefits is already used as the basis for entitlement to carer's benefits such as Carer's Allowance, the Carer Premium in the income-related benefits and the Carer's Additional Amount in Pension Credit. Using this same link for entitlement to the carer's credit will maintain a consistent basis for the provision of help to carers which will be easier for them to understand and easier for our staff to administer.

32. We have considered extending the carer's credit to those caring for people receiving other benefits, such as the lowest rate of the Disability Living Allowance care component or Incapacity Benefit, and have concluded that this would not be consistent with the objectives of the credit. This is because:

    - the lowest rate of the Disability Living Allowance care component is specifically focused on disabled people who either have a relatively low level of personal care needs – an hour a day or thereabouts – or do not have personal care needs but lack the functional ability to prepare a cooked main meal for themselves if they have the ingredients; and

    - entitlement to Incapacity Benefit does not take account of personal care needs – although some Incapacity Benefit recipients have these needs and qualify for the Disability Living Allowance care component or Constant Attendance Allowance.

33. Some responses suggested that GPs, other health professionals or social services should be asked to confirm whether or not individual carers are entitled to the carer's credit. We have not pursued this suggestion because it would impose a new and unnecessary regulatory burden on GPs, other health professionals and social services.

34. Furthermore, it would be necessary to introduce a new set of criteria that would define 'care' so that a decision-making process could be undertaken by health professionals, adding an extra layer of complexity in the determining eligibility for the carer's credit. It would sit alongside an established system where the assessment of care is linked to the receipt of severe disability benefits, in which health professionals are already involved in providing evidence and information. This would only be confusing for the carer.

35. Other responses asked for re-examination of the minimum number of hours of caring per week needed to qualify for the credit. The available data indicate that 20 hours of caring per week is the point at which caring affects a person's ability to move into or stay in work and other aspects of their lives.

36. We will continue to work with interested stakeholders to ensure we maximise take-up of the new carer's credit by making people aware of it.

Linking the basic State Pension to rises in average earnings

37. As well as increasing coverage of the basic State Pension we will also make it more generous.

What you said

38. There was strong support for the proposal to link the basic State Pension with earnings.

> *"The restoration of the earnings link for the basic State Pension will help to prevent pensioners from having the value of their basic State Pension income eroded relative to the incomes of the rest of the population. This is a positive change and will help to alleviate poverty for older pensioners, who are disproportionately affected by rising prices."* (Pensions Policy Institute)
>
> *"Help the Aged strongly welcomes the linking of the basic State Pension to increases in earnings."* (Help the Aged)

39. But some thought that we should link the basic State Pension to earnings earlier rather than later, for example by 2012 rather than a later date.

> *"We welcome the commitment to reinstate the earnings link to the basic State Pension. But by waiting until 2012, the value of the basic State Pension will fall a further £10 a week in relation to earnings (assuming current rates of inflation)."* (Fawcett Society)
>
> *"We welcome the restoration of the link with earnings and express the hope that this can be put into effect at the earliest possible opportunity (i.e. 2012 and not 2015)."* (The Pensions Advisory Service)

40. There was also concern expressed by some, such as the Equal Opportunities Commission, that the State Second Pension should also be linked to earnings in payment, once it becomes flat-rate.

How the Government will take this forward

41. We will link the basic State Pension to rises in average earnings. Our objective, subject to affordability and the fiscal position, is to do this in 2012 but in any event at the latest by the end of the next Parliament.

42. In reaching this conclusion, we have had to balance a number of competing objectives. Introducing the link with earnings earlier than 2012 would clearly mean that people would start to benefit sooner from this measure. But it would also add to both the long-term and short-term costs of reform.

43. Uprating the basic State Pension in line with earnings during the next Parliament will roughly double the value of the basic State Pension by 2050, compared with current policies. The Pensions Commission's analysis suggested that a short delay beyond its recommended implementation date of 2010 would not seriously undermine the overall direction of the proposed reform. Linking the basic State Pension to earnings in the next Parliament will ensure that the state pension system serves as a foundation for private saving and provides the right environment for the introduction of personal accounts.

Creating a simpler State Second Pension

44. We will make the State Second Pension more transparent and ensure that contributors understand its value.

What you said

45. There was support for reform of the State Second Pension to create a simpler, flat-rate system.

> *"The TUC has been a firm supporter of the State Second Pension and the Government's role in providing an earnings-related top-up to the basic State Pension. However, we also recognise that the system is complicated and few people understand it or know what it will deliver when they retire. Therefore we agree that it needs to be simpler and fairer."* (Trades Union Congress)

46. However, some respondents argued for a single-tier system now or at some point in the future.

> *"While we welcome the proposals to uprate the state pension and link this to earnings we still view a universal pension at a level equivalent to the current minimum guarantee as being the most equitable solution."* (Scottish Trades Union Congress)
>
> (continued on next page)

"The Government should commit to reviewing whether two flat-rate state pensions should be merged into a simple single-tier pension. This review should take place in 2022." (National Association of Pension Funds)

"Whilst it is appreciated that moving to a single flat-rate pension system is not straightforward, EEF considers that a more simplified approach for state pensions should be a long-term objective of the Government." (Engineering Employers' Federation)

47. There were others who were concerned that reforms of the State Second Pension should not be made too early.

"We believe the Government should be cautious about moving to flat-rate State Second Pension too quickly. We think that basing the proposed reform on an assumption that the NPSS will provide the majority of workers with additional pensions may be premature." (Trades Union Congress)

48. Others were disappointed that the State Second Pension did not become flat rate earlier.

"The proposed reforms to the State Second Pension have our support although we are disappointed with the long timescales involved before the top-up becomes flat-rate." (The Pensions Advisory Service)

How the Government will take this forward

Simplifying the state pension system

49. Achieving a simple and transparent state pension system is an essential element of our reforms. Such a system, in which people know what to expect from their state pension, will help to underpin personal accounts by helping people to plan for their retirement.

50. Chapter 1 of this document outlined our reasons for not moving to a single-tier pension at the level of the Pension Credit standard minimum guarantee – such an approach is unaffordable, and can be made less so only by sacrificing the simplicity that is the main attraction claimed for such an approach.

51. But the Government recognises the view that came through from the consultation responses that the changes proposed in *Security in retirement* could have gone further in simplifying the state pensions offering. We are therefore considering whether we could do more in this area in response.

52. We are exploring whether it would be possible to replace the accruals-based flat-rate element of the State Second Pension with a flat rate and fixed amount immediately at the same time as we link the basic State Pension to rises in average earnings. This would mean that for most people the system would effectively operate as a single state pension, which for all pensioners would be more valuable than the current scheme rolled forward.

53. Under the system going forward, a growing number of people – over 90 per cent by 2050 – will receive the full basic element of State Pension linked to earnings. Under this further simplification measure, most people would then accrue a weekly top-up when they retire for all the time that they have contributed to society through working or caring. For example, the top-up could be set initially at £1.40 a week for every qualifying year, and would then be re-valued each year by earnings in accrual.

54. Once in payment this element of the pension would continue to be uprated by prices, meaning that the total pension in payment will rise by a level between prices and earnings.

55. Compared with a single-tier pension, this approach would allow us to get more money to more people in the early years of retirement when their spending needs tend to be greater – indeed, we know from the type of annuities that pensioners buy that this is the way pensioners themselves tend to prefer to organise their finances.

56. This policy, which rewards social contributions, also rewards people financially as the vast majority will be better off under our reformed system than they would have been under the old system.

57. By 2050, 80 per cent of people reaching retirement will have a state pension of at least £114 a week – the level of the Citizens' Pension recommended by some. The median value of State Pension for pensioners reaching State Pension age in 2050 will be £135, and any one with a good working or caring life will be entitled to around this amount.

58. We are also flat-rating the State Second Pension so people now have a much clearer idea of what they can expect in retirement – a single, simpler and more generous state pension. Under this proposal, we would continue to gradually withdraw the residual earnings-related element of the State Second Pension as described in the

White Paper, while further simplifying the system in the meantime by ending the complex transitional measures built into the system in the transition from the State Earnings-Related Pension Scheme to the State Second Pension.

59. A simpler state pension package, made up of a basic element and an additional element, would give a clear foundation for saving, which will be made easier to do in our new system of personal accounts. We are continuing to explore this option in advance of the Pensions Bill.

Raising the State Pension age

60. In order to make these reforms affordable, we will increase the State Pension age from 2024.

What you said

61. There was a general recognition and acceptance that the State Pension age should increase with life expectancy and that the balance between time spent working and in retirement should be maintained.

"Raising State Pension age over the medium term will ensure that older workers are not adversely affected by these changes and will help reinforce other policy measures to increase participation rates amongst older workers."
(Confederation of British Industry)

"Any debate should be about how we raise the State Pension age, not whether it is raised." (National Association of Pension Funds)

"The Government's White Paper proposals to increase the State Pension age appear reasonable given the most recent projections of life expectancy."
(Pensions Policy Institute)

"Help the Aged acknowledges the basic case for raising the State Pension age in the face of increasing life expectancy, but believes a number of specific concerns have yet to be addressed." (Help the Aged)

62. Help the Aged and some other respondents were concerned that the increase would affect those on lower incomes most.

> *"In evidence to the Pensions Commission the TUC showed that differences in life expectancy mean that an across-the-board increase in the pension age would affect the poor the most."* (Trades Union Congress)

63. The trade unions that responded were also generally opposed to the increase in State Pension age.

> *"The GMB fundamentally disagrees with the Government's assessment of the State Pension age as a trade-off for better state pension provisions."* (GMB)

64. Respondents also questioned how the estimates of life expectancy would be kept under review.

How the Government will take this forward

65. Our detailed response to the comments that we received is outlined in Chapter 1. In summary we recognise that it is vital to monitor developments in life expectancy data. This is an area where periodic review could provide the necessary detailed analysis of disparities in life expectancy between different social classes and the relative effects on different social groups of increases in the State Pension age.

66. We have a range of policies designed to increase average retirement ages, and in the White Paper we announced further plans to assist and encourage longer working. As life expectancy increases people should expect to keep the same proportion of life in retirement and in work – this is what our proposals on State Pension age achieve.

67. The Trades Union Congress is concerned about raising the State Pension age but supports the idea that people could be protected by, for example, receiving the Guarantee Credit from the age of 65.

68. We think this is an issue that must be considered nearer the relevant time in the light of the available evidence about inequalities in life expectancy and trends in working among older people.

Pension Credit

69. We will reduce the proportion of people whose entitlements will be means tested.

What you said

70. Respondents were mainly positive on the need to focus the Pension Credit on those who needed it most.

71. However, there was criticism that means testing was not being eradicated altogether or that it was not being done faster.

> *"The BCC would encourage the Government to reduce reliance on means-tested benefits of a large part of the pensioner population at a faster rate than is suggested in the White Paper."* (British Chambers of Commerce)

72. There was concern from the Warwickshire Welfare Rights Advice Service that removing so many pensioners from the Pension Credit would mean they lose access to passported benefits.

How the Government will take this forward

73. The package of reform measures for State provision is forecast to reduce the proportion of pensioner households likely to be entitled to Pension Credit from an estimated 70 per cent in 2050, if current uprating policies were projected forward, to around a third. This estimate does not include the effect that personal accounts may have, so the proportion could be further reduced. Personal accounts and their key features of automatic enrolment and a minimum employer contribution will encourage higher private saving and hence higher incomes in retirement which will have an effect on the level of means testing.

74. A factsheet will be published on our website shortly (www.dwp.gov.uk/pensionsreform) which looks in more detail at the projected proportion of pensioners entitled to Pension Credit in the future.

75. Our reforms overall will provide a strong State foundation, ensuring that individuals have clearer incentives to save for their retirement. Under the White Paper proposals someone who had worked or cared for 43 years would get almost £135 on retirement, whereas a person working or caring for 30 years would get close to £115 on retirement. As the State system will be fairer and simpler, an individual will have a clearer idea of what they will receive and fewer people will be dependent on income-related benefits.

Chapter 5: Extending working life in an ageing society

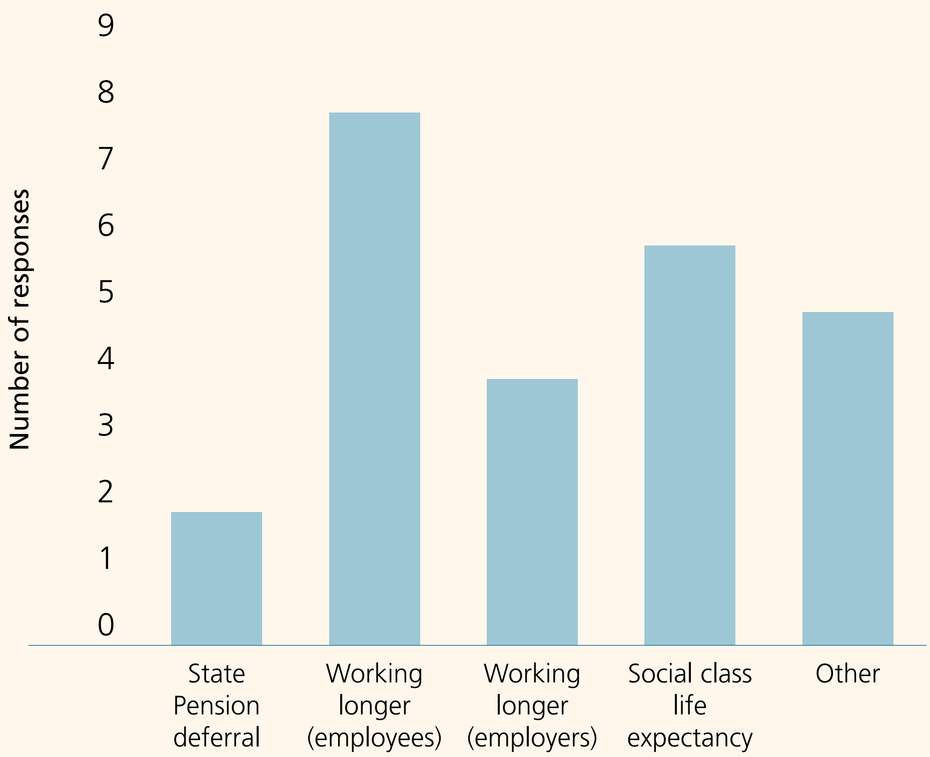
What *Security in retirement* proposed

- Enabling greater flexibility to allow people to choose a phased approach to retirement
- Providing improved communications and information in support of longer working
- Working in partnership with employers to encourage them to retain older workers, and to offer them greater flexibility around retirement

Analysis of responses

Figure 8 illustrates the number of comments received from organisations in the specific extended working life policy areas. Extending working life attracted the smallest number of responses, with 16 organisations commenting. Eight of these organisations commented on the issue from an employee's perspective.

Figure 8: Analysis of extending working life responses



Extending working life

What you said

1. There was a positive reaction to our plans to help enable more people over 50 to work and a recognition of the importance of the Government's extending working life policies as an underpin to raising the State Pension age.

"Extending working lives must be a key element of any attempt to address the pensions challenge facing the UK. CBI members believe that the priority should be to increase participation rates among those aged 50–64." (Confederation of British Industry)

"For working longer to be viable there will need to be a significant increase in training opportunities for older people, more flexible employment packages and a revolution in the way businesses employ and manage staff." (Help the Aged)

"Increased State Pension age will need to go hand-in-hand with measures to encourage and enable extending working lives." (Equal Opportunities Commission)

2. Age discrimination legislation came into force on 1 October this year. The legislation means that, except in particular circumstances, no employee can be discriminated against on the grounds of age. Among other things, the regulations introduce a default retirement age of 65, unless individual employers can objectively justify a lower age. This means that, for the first time, employers will not generally be able to require an employee to retire below the age of 65. In addition, the regulations have introduced a right for individuals to ask to go on working after the default retirement age, and employers now have a duty to consider such requests.

3. The effects of the default retirement age will be monitored, and reviewed five years after implementation. Our aim over time is to move to a position where there is no compulsory retirement unless it can be justified by individual employers. We intend to remove the default age as soon as we can show that it is no longer necessary or appropriate.

4. Responses were positive about age discrimination legislation. Respondents recognised the importance of the legislation in relation to overcoming discrimination and helping people to work longer.

> *"The new legislation coming into force in October on age discrimination in the workplace has a vital role to play and it is important that it succeeds."* (Association of Chartered Certified Accountants)
>
> *"For some working longer may be advantageous, particularly in part-time roles. And in this respect we welcome the Government's proposals to outlaw age discrimination from October 2006."* (Alliance for Finance)
>
> *"Amicus has welcomed the new regulations outlawing discrimination on grounds of age and recognises the part that these will play in increasing participation of older people in the employment market."* (Amicus)

5. Responses were supportive of increasing flexibility in retirement but felt that there needed to be cross-government working on this issue.

> *"Gissings welcome the proposals to enable greater flexibility to allow people to choose a phased approach to retirement, together with the retention of older workers and a greater flexibility around retirement."* (Gissings)
>
> *"Help the Aged has welcomed the plans for deferral of state pensions and the plans to allow employees to work for and claim pension from an employer at the same time."* (Help the Aged)

6. Our proposal for improved communications and information in support of working longer received a positive response.

"There will be a clear need, with the proposed reforms for private pensions, for there to be more information and guidance available for employees on pension decisions." (UnumProvident)

7. There was support for our employer engagement programme, but some respondents said that we could be doing more, particularly on challenging stereotypes around older people and health issues, and put forward their own suggestions for good age management policies.

"ACCA is a member of the Age Partnership Group which has been campaigning to promote employer awareness of the new regulations and of the business case for the adoption of age-diverse policies. The legal changes are, however, only one part of this agenda and there will continue to be a need to spell out to employers the implications for employment of the changing demographic landscape." (Association of Chartered Certified Accountants)

"Extending working life is an important issue in an ageing society. However, the fundamental problem in achieving this is the extensive age discrimination prevalent throughout businesses in the UK". (Occupational Pensioners' Allliance)

"There is a growing recognition of the inaccuracy of the stereotypes about older workers. This, together with the international spread of anti-discrimination legislation and the implications of demographic change, is leading to the emergence of what is increasingly known as 'age management' – policies that aim at 'supporting employability and keeping the workforce skilled, motivated and able-bodied'. The social partners can play a vital role in spreading the implementation of age management (the Government's Age Positive website,[10] is a very useful source of practical advice)." (Trades Union Congress)

8. The Trades Union Congress suggested that Jobcentre Plus could help by assessing people's needs quickly, giving continuing help after someone has got a job, helping older workers find good jobs and emphasising early intervention. There was support for our proposals around boosting support and information for older people returning to work in *A new deal for welfare: Empowering people to work*.

[10] www.agepositive.gov.uk

> *"We welcome the proposals to provide more support and guidance to unemployed older people to enable them to get back into work. It will be vital that alongside employment advice, training and education is available to enable older workers to reskill for the workplace."* (Help the Aged)

How the Government will take this forward

9. We welcome the suggestions put forward and will ensure that stakeholders are involved in future policy development. We will bring forward further measures to address the key barriers which prevent people staying in work for longer, and to encourage more people to work up to and beyond State Pension age, while continuing to keep this policy area under review:

- We will actively consider how state pension deferral might in the future be made more flexible in terms of both the amount that can be drawn and the number of times it can be deferred, to benefit people on lower incomes who want to continue to work, as recommended by the Pensions Commission.

- We will improve communications on the issue of working longer in order to raise awareness and assist decision making in planning for later life, as part of a long-term, strategic approach to communication with future pensioners.

- We will continue to work in partnership with employers and their representative groups to encourage them to retain older workers and offer flexibility around retirement.

- Promoting the public sector as an exemplar is a key area for development for government, and we are linking with relevant areas of government to pursue excellence in the public sector. This includes committing to good practice as an employer of older workers, in the areas of recruitment, retention, retirement, occupational health and education and training. Furthermore, the Department for Work and Pensions has removed the default retirement age for its employees other than members of the Senior Civil Service.

- Our research shows that a range of employers from different sectors have found real business benefits in offering flexible approaches to work and retirement to help retain their skilled older workers longer. We remain committed to removing the 'cliff edge' of retirement and enabling a gradual progression to retirement through choice and flexibility in work.

- Research found that, among 50–69-year-olds, many of those who are retired would have liked to have worked for longer if there had been part-time or flexible work options available.[11] Indeed 23.7 per cent of employed people aged between 50 and State Pension age are already working part-time.

- We are continuing to work with employers through our Age Positive and Be Ready campaigns, with the active support of business-led organisations. In August we published new research including *Flexible Retirement: A Snapshot of Employer Practices 2006* and nine sector-specific reports on employers' policies, practices and preferences related to age, the findings from which are attracting considerable business media interest.

- The Trades Union Congress suggested early intervention from Jobcentre Plus for older workers. At present there are no plans to specifically allow early entry to people just because they are over 50. Future developments using age as an eligibility criterion for early access would require careful scrutiny to ensure that they complied with the new age discrimination legislation. New Deal 50+ is currently voluntarily accessible to those aged over 50 after six months claiming an eligible benefit. Pension Credit is a qualifying benefit for most currently available back-to-work programmes and services.

- The Trades Union Congress also suggested further investment in training for older people. The important issue of skills, training and employment will be further considered as part of the Government's response to the Leitch Review of Skills report which is due later this year.

A strategic approach to an ageing society

10. In the White Paper we said that we would take action to:

- launch the LinkAge Plus pilots in eight areas, from July 2006, to test the most effective way of delivering holistic services for older people;

- track progress;

- put together a cross-government approach to the needs of older people and an ageing society for the 2007 Comprehensive Spending Review;

[11] Centre for Research into the Older Workforce, 2005, *Do employers need older workers*, Briefing Paper 5, Centre for Research into the Older Workforce at the University of Surrey.

- consider the scope for setting up an Office for Ageing and Older People to promote the ageing agenda, together with an Observatory to improve the co-ordination and dissemination of information about ageing; and
- promote active ageing and tackle health inequalities, particularly focusing on the most socially excluded.

Progress to date

11. The LinkAge Plus pilot programme went live in July, with the launch of the first pilot. All the pilots have now launched and are expected to run for up to two years. The eight local authority-based pilot areas are Devon, Gateshead, Gloucestershire, Lancaster, Leeds, Nottinghamshire, Salford and Tower Hamlets.

12. Although each pilot is different in emphasis, there are common themes that have emerged across the programme. These include, for example, a service navigation function, either using volunteers or paid 'mentors' to support vulnerable people in accessing and negotiating their way around available services; outreach activity to take services out to people who would not otherwise access services they need; and 'drop-in' resource centres providing a single access point to multiple services. Underpinning the design of the pilot is an aspiration for 'no door to be the wrong door' for access to the range of services required by an individual.

13. In *Security in retirement* we published brief details of indicators against which we can measure progress in promoting older people's health and well-being. Full details of the indicators to be used have now been made available on our website at www.dwp.gov.uk/opportunity_age/indicators/indicators_table.asp.

14. A baseline report on the indicators, giving data from which to assess progress in promoting older people's well-being and independence, was published on 19 October and is available at www.dwp.gov.uk/publications/dwp/2006/opportunity_age/indicators_baseline_report.pdf.

15. The summary of responses to the Opportunity Age consultation is available at www.dwp.gov.uk/opportunity_age/consultation_response.asp.

16. We are reviewing performance measures and services across government that affect older people. At the same time, work is under way to consider how best to organise resources inside and beyond the Department for Work and Pensions in order to transform the way government is organised and interacts with older people, and how to improve the co-ordination and dissemination of information about ageing.

17. The Healthy Ageing programme has been established within the Department of Health to promote active ageing. First steps in this programme have included the use of social marketing techniques to promote health messages to people aged 50 and over, generating articles in the popular press and on radio. This has been in addition to the Department of Health's extensive continuing programme of work (including the pilot programmes Individual Budgets and Partnerships for Older People) aimed at promoting the provision of person-centred and integrated care for older people and encouraging investment in preventive approaches that lead to better health and greater well-being and independence.

Chapter 6: Next steps

Legislative process

1. Most of the proposals in the White Paper require primary legislation (that is, legislation which needs to be covered in a Bill agreed by Parliament). Planning for retirement is naturally a long-term process and we need to ensure that people have as much time as possible to prepare. Subject to any announcement in The Queen's speech, it is therefore our intention to introduce a Pensions Bill in the next Parliamentary Session (beginning on 15 November) to start legislating for these reforms. As discussed in Chapter 1, we are continuing to work with stakeholders to develop the detailed arrangements for personal accounts and it is likely that a second Bill will be needed to legislate for this.

Working with stakeholders

2. We believe there is consensus around our underlying principles for reform. All of our key stakeholders support the overall package of proposals put forward in the White Paper. To ensure that our proposals work and provide a long-lasting solution, we have continued, and will continue to work with experts, the pensions industry, employers and unions to get the detail right.

3. Since publication of the White Paper, Ministers have engaged and will continue to engage through meetings with key stakeholders. In addition Department for Work and Pensions Ministers held a seminar with Age Concern, the Association of British Insurers, the British Chambers of Commerce, the Confederation of British Industry, the Engineering Employers' Federation, the Equal Opportunities Commission, the Federation of Small Businesses, Help the Aged, the Investment Management Association, the National Association of Pension Funds, the Pensions Policy Institute, the Small Business Council, the Trades Union Congress and Which? to discuss the White Paper proposals and listen to their reactions.

4. External stakeholders also have a key role to play in the development of our proposal to establish personal accounts for people who do not have access to a pension scheme via their employer. Recognising the importance of this, Ministers held a summit on personal accounts on 17 July. The event provided the opportunity for a range of stakeholders to put forward their views on the alternative models proposed in the White Paper. The summit was attended by Department for Work and Pensions Ministers, MPs, Peers, regulators and representatives of employers, consumers, employees, the financial sector and government departments.

5. In addition to the summit on 17 July, the Department has engaged with a number of stakeholders via a programme of seminars and one-to-one discussions to explore in detail the proposals on the key issues surrounding policy design and implementation for personal accounts. These issues have included:

   - the organisation and structure of personal accounts;
   - the investment options in personal accounts;
   - how individuals will be able to access their pension in retirement;
   - qualifying existing workplace pension provision that will be eligible for exemption from personal accounts;
   - what contributions individuals should be allowed to make into personal accounts;
   - how personal accounts can co-exist with existing arrangements for pension provision, while ensuring that existing provision is not adversely affected; and
   - the interaction between personal accounts and state pension provision.

6. We have also engaged with external stakeholders in developing the detail of our proposals for state pension reform. For example, the Minister for Pensions Reform attended a seminar hosted by the Equal Opportunities Commission to discuss the issues for women and carers and how best to implement the new carer's credit. We welcomed the report of the Work and Pensions Select Committee on pension reform which raised a number of important issues and made a number of recommendations to the Government. Our response to their report is published alongside this document.

Broader public and stakeholder engagement

7. In addition to working with stakeholders, Department for Work and Pensions Ministers have undertaken a number of initiatives and events to help broader understanding and discussion of our reform proposals. These have included:

   - an online Pensions Forum;
   - the Pensions Roadshow; and
   - other events.

Online Pensions Forum

8. The online Pensions Forum has been running since the end of July and has included online debates and webchats with Ministers. The Minister for Pensions Reform has used a blog to update the public on the meetings Ministers have been having.

9. Members of the public were able to send in comments to the forum either by responding to the Minister's latest blog entry or by taking part in a talking point debate.

10. The Forum hosted a number of talking points. Each debate looked at a key issue relating to pension reform and invited comments from the public that the Minister has responded to. Talking points have included:

- ending ageism;
- women and carers;
- tackling pensioner poverty; and
- personal accounts.

11. In some instances the talking points have also included additional activities. For example, for the tackling pensioner poverty talking point the Minister for Pensions Reform, Age Concern and Help the Aged jointly hosted a webchat with members of the public, and for the women and carers talking point additional factsheets were published to help understanding and discussion.

12. The forum has received over 450 comments. The most popular subject was women and carers, which accounted for an estimated 30 per cent of all comments.

Pensions Roadshow

13. In addition to the forum, the Minister for Pensions Reform has made a number of visits around the country as part of the Pensions Roadshow. The roadshow provided the opportunity for regional stakeholders and members of the public to meet the Minister and discuss the Government's proposals for reform. The locations visited as part of the roadshow include:

- Norfolk;
- Edinburgh;
- Newcastle;
- Brighton;

- Leeds;
- West Midlands
- Manchester;
- Leicester;
- Hull;
- York;
- Bristol;
- Liverpool;
- Warrington;
- Cambridge; and
- Stoke-on-Trent.

Other events

14. In addition, Ministers have accepted invitations to address a number of conferences and events, participate in discussions and debates on pensions reform with a wide range of organisations and people and undertake national and regional media engagements to ensure that as wide a range of people as possible are aware of the Government’s proposals and given the opportunity to comment.

Annex 1: Improving the evidence base

Introduction

1. The Pensions Commission's second report[12] included a review of developments since 2004 in data sources and analyses. The Commission welcomed a number of changes that will improve data and analyses in the areas of pensions, savings, health and longevity, and made recommendations for some further improvements.

2. The Pensions White Paper[13] published in May set out the evidence contributing to the development of the Government's pension reform proposals and stated that *"we will publish details of our plans and research activities to improve the quality of the evidence base later this year"*. These plans and research activities are set out below.

3. The new developments noted by the Pensions Commission included:

   - the establishment of a Pensions Analysis Unit at the Office for National Statistics (ONS);
   - a major new survey of household assets and a survey of attitudes to pensions;
   - enhancements to existing surveys such as the Family Resources Survey, the Annual Survey of Hours and Earnings, and the Occupational Pension Schemes Survey[14] that will deliver improved data on pension provision;
   - data, including financial information, on pension schemes with two or more members that will be available from The Pensions Regulator's statutory returns; and
   - proposals for collaborative research on healthy ageing.

4. In its first report, the Pensions Commission raised concerns over the Office for National Statistics' methods for calculating aggregated national data on pension contributions.[15] The Pensions Commission's second report noted that the Office for National Statistics had published articles setting out methodological improvements to surveys of pension funds and insurance companies, and that since 2005 these improvements had been incorporated into the national accounts. In addition, the

[12] Pensions Commission, 2005, *A New Pensions Settlement for the Twenty-first Century Appendices*, TSO.

[13] Department for Work and Pensions, 2006, Annex F to *Security in retirement: towards a new pensions system,* TSO. (Available online at www.dwp.gov.uk/pensionsreform/pdfs/annexes.pdf).

[14] Formerly conducted by the Government Actuary's Department but now the responsibility of the Office for National Statistics.

[15] Pensions Commission, 2004, *Challenges and Choices*, TSO.

Office for National Statistics has recognised the need to improve the quality of the source data. Several changes have therefore been made to questionnaires to improve the quality of survey responses on which the aggregate national data is based. The majority of these changes have improved results, but there remains a problem with one of the key questions. Companies have been unable to provide information of sufficient quality on the value of their business that results from transfers from other areas. Further work is being done to improve the quality of transfer information for use in the national accounts. The Office for National Statistics will be publishing annual updates to the article on methodological improvements to surveys and private pension contributions referred to above. The next update, planned for the end of this year, will contain a review of progress so far.

Identifying evidence requirements at the Department for Work and Pensions

5. Each year a planning process identifies short- and longer-term evidence requirements for the Department's policies and operations. The 2006/07 programme of analysis and research for pensions, working and saving for retirement and older people's circumstances and needs has been agreed by Ministers. Further details are described in paragraphs 21–32 of this annex.

6. The Department also draws on external policy, academic and social research to contribute evidence to developing policy.

7. The Department for Work and Pensions commissioned and published a wide range of research contributing to a robust evidence base for the pensions White Paper, *Security in retirement*. The research and analysis provided evidence in a number of areas, including public attitudes to pensions and pension reform, extending working life, employer pension provision and the Informed Choice agenda. Details of this evidence were set out in Annex F of *Security in retirement*.

8. *Security in retirement* also listed six pieces of research due to be published later in 2006 as part of an ongoing commitment to evidence-based policy making. The findings from all of these projects have now been published. Details are listed at the end of this annex.[16]

The key themes

9. In *Security in retirement,* we made a commitment to undertake further work in a number of areas where evidence is incomplete. We place particular emphasis

[16] Two of the projects dealt with public attitudes to pension reform and savings. The remainder covered public and employer attitudes to personal accounts, and a review of research to assess the impact of personal accounts on household saving.

on clarifying the concept of undersaving, improving our estimates of the extent of undersaving and the factors affecting it and clarifying whether increased life expectancy is linked to people staying healthier for longer. We are also taking steps to ensure that existing surveys continue to provide information that will enable us to monitor and evaluate pension reform. We are working with the Office for National Statistics and other government departments to achieve this. The Office for National Statistics-led Pensions Statistics Advisory Group continues to co-ordinate pensions data issues across government.

Undersaving – the evidence from major surveys

10. The English Longitudinal Study of Ageing is an important source of information for estimating the extent of undersaving. The Department for Work and Pensions is a key funder of the study, which provides longitudinal data on individual and household pensions and savings, incomes, and labour market participation and transitions for people aged 50 and over. The second report from the study was published in July 2006, and further analysis of the second wave of findings will commence later this year. This will improve the depth of the evidence on the extent of undersaving for retirement, and our understanding of the factors that influence undersaving.

11. We have also developed the Household Assets Survey in collaboration with the Office for National Statistics and other government departments. This longitudinal study is now in the field and will provide comprehensive and powerful new data on the accumulation of pension rights and other savings and assets for adults of all ages, delivering valuable new information on patterns of lifetime saving and decumulation among a large sample of (32,000) households. Together with evidence from the survey of attitudes to pensions noted in paragraph 3 above, the Household Assets Survey will provide evidence on how people expect to fund retirement, what income they expect to obtain and whether they consider it will be sufficient for their aspirations and expectations. Taken together with the evidence on their actual asset position, we will be able to assess how far people's expectations for retirement income are, or are not, likely to be met.

Healthy life expectancy

12. The Department considered the available evidence on differences in life expectancy for the pension reform White Paper. The Longitudinal Study Unit of the Office for National Statistics was commissioned to simulate the effect on different social classes of an increase in the State Pension age, and detailed life tables by constituent country of the UK were obtained from the Government Actuary's Department. These data were used to assess the impact of the proposed changes in State Pension age on individuals living in different parts of the UK.

13. The Department for Work and Pensions will continue to review evidence on differences in life expectancy. The English Longitudinal Study of Ageing (see paragraph 10 above) collects detailed information at two-yearly intervals on individuals' health (both objective and subjective measures). The reports from the first and second waves of the survey[17] provide baselines for future analyses of the determinants of healthy ageing. The Department plans to commission further work from the Office for National Statistics, such as an analysis of life expectancy at 65 by local authority. We are liaising with the Office for National Statistics about its research agenda on general and healthy life expectancy, and in particular with the Pensions Analysis Unit about the pensions aspects of this research.

14. The Department has established a new demography unit within the Strategic Analysis Unit. This will provide a new, dedicated source of information that will improve our understanding of whether increased life expectancy is also resulting in people staying healthier for longer. More widely, we are also examining the best ways of bringing together analytical and research resources across and outside government to meet the commitment made in *Opportunity Age*[18] to make better use of information on ageing by establishing an Observatory on Ageing within the Department. We have undertaken an informal consultation exercise and are currently discussing with our partners the functions that an observatory would fulfil. In broad terms, we are considering three functions for an observatory: an evidence, analysis and intelligence function, drawing on evidence from a range of sources to monitor and inform the Opportunity Age strategy; an information, knowledge and dissemination function, to allow access to key web resources and actively disseminate information – for example on best practice; and a research and stakeholder network function, engaging with and developing existing science and research networks in order to share information.

15. The Pensions Commission's second report[19] recommended that the Department for Work and Pensions and the Office for National Statistics investigate whether administrative data sources could provide supplementary measures of longevity to complement the Office for National Statistics longitudinal study. As part of a commitment made in the pensions White Paper on future reviews, we will consider the feasibility of using retirement pension records for this purpose.

[17] Marmot M *et al*, 2003, *Health, wealth and lifestyles of the older population in England: The 2002 English Longitudinal Study of Ageing*, IFS; Banks J, Breeze E, Lessof C *et al*, 2006, *Retirement, health and relationships of the older population in England: The 2004 English Longitudinal Study of Ageing, IFS*.

[18] Department for Work and Pensions, 2005, *Opportunity Age: meeting the challenges of ageing in the 21st century*.

[19] Pensions Commission, 2005, *A New Pensions Settlement for the Twenty-First Century*, Appendices, TSO.

Regular surveys and data collection – future developments

16. We are working with the Office for National Statistics to develop the content of future surveys and to ensure that these reflect the introduction of personal accounts. This includes the Annual Survey of Hours and Earnings and the new Integrated Household Survey, which will contain a module of pension provision questions formerly included in the General Household Survey. These surveys will provide regular annual data, enabling the impact of pension reform to be monitored and evaluated. A review of the Department's Employers' Pension Provision Survey series is underway, to ensure that future surveys will meet information needs after pension reform.

17. Administrative data is the term used for information collected by the Government in the course of its work with the public and with organisations. Linking administrative data from different sources to each other and to data collected in surveys has the potential to provide more accurate information and to strengthen the evidence on which policy is developed. The Government has published an information-sharing vision statement setting out a vision for 'better, more customer-focused services supported by greater information sharing, which will protect and support individuals and society as a whole'.[20] As an example of data linking, the Department for Work and Pensions is investigating the possibility of enhancing analyses by linking responses (where respondents give permission) from the Family Resources Survey to the Work and Pensions Longitudinal Study. Subject to a successful pilot, this data linking may offer powerful new analytical possibilities.

18. The Pensions Commission recommended[21] that the Office for National Statistics National Statistics Centre for Demography, in conjunction with relevant government policy-makers and analysts, undertake a feasibility study to investigate issues of migration in relation to pension reform. In May 2006, the Office for National Statistics set up an inter-departmental task force on migration statistics to identify and recommend improvements that can be made over the next two years to statistics on international migrants.

Modelling

19. The Pensions Commission also recommended that the Department for Work and Pensions publish a paper describing the capabilities and limitations of Pensim2, a model designed to assess the likely effects of different policies on pensioners' incomes in the longer term. The Commission also suggested that the Department investigates the best way to provide access to Pensim2 for specialist external analysts. We are currently consulting with stakeholders on the most appropriate way of responding to these recommendations.

20. Further uses of modelling are discussed in paragraph 24 in the context of evidence for personal accounts.

[20] www.dca.gov.uk/foi/sharing/information-sharing.pdf

[21] Pensions Commission, 2005, *A New Pensions Settlement for the Twenty-First Century*, Appendices, TSO.

Specific research – current and future

21. The Department's 2006/07 research programme supports the pension reform agenda. It will gather evidence to inform future policy development, and will build on earlier work carried out to support the pension reform proposals in the White Paper. The programme will improve our capacity to assess gender impacts, the welfare benefits flowing from reforms, attitudinal changes and behavioural responses. The programme contains six strands of research relating to pensions and extending working life. These are listed below.

Pension reform and personal accounts

22. This strand will examine the attitudes of individuals and employers to pension reform options, including proposals for automatic enrolment into personal accounts. The Department will continue to monitor public reactions to pension reform as policies are implemented.

23. The personal accounts research will help to further understand how individuals and employers are likely to respond to personal accounts, contribute to detailed policy development on the design and implementation of personal accounts, and help to understand developments in the transition to personal accounts. Work is also underway to ensure that the appropriate administrative and management data will be in place to assess the impact of personal accounts.

24. A programme of internal analysis and externally commissioned research will include quantitative surveys with the target group for personal accounts and with employers, and a block of work on individuals' attitudes to personal accounts, investment choices and their risk preferences, including an experimental economics study examining individuals' attitudes to investment risk by simulating individual choices under a personal accounts regime. Further internal modelling and analysis will explore the implications and feasibility of alternative ways of financing personal accounts costs, and will consider the pros and cons of alternative ways of charging members – through an annual management charge or other approaches. We are also undertaking an appraisal of different delivery models for personal accounts, drawing together social and economic research covering each of the 11 criteria for choosing between models (outlined in the May 2006 White Paper). There is also research to develop the information and communication strategy needed for personal accounts, to understand developments in the transition to personal accounts, and to develop an investment strategy and the optimum design elements for personal accounts.

25. The Department is undertaking further analysis using administrative data and survey data, and is developing new primary research to examine in more detail the characteristics of individuals who may not receive a full basic State Pension after reform.

Planning and personal responsibility

26. We want to support individuals in making provision for their retirement and ensure that they have the right information to enable them to make appropriate pensions and saving decisions. As well as the Department's survey monitoring knowledge of, and attitudes to, pensions among working-age people (see paragraph 3 above), we are commissioning specific qualitative research on young people's attitudes to saving. Findings will be available in spring 2007. We will also be looking at what information tools people want and need to enable them to plan for their retirement, as well as considering the best way of getting pensions messages across to individuals in the longer term.

Individual incentives and undersaving for retirement, and employer provision

27. This strand aims to establish how we can better understand people's savings behaviour and improve incentives to save. Forthcoming analysis, which we will be publishing later this year, will examine the effects of saving on retirement income and the financial incentives for different types of people to save. The Household Assets Survey and the English Longitudinal Study of Ageing described above will provide key evidence on the characteristics and circumstances of people who are, and are not, saving at different stages in their lives, and what factors are correlated with savings behaviour. We will also undertake a feasibility study using the Household Assets Survey to examine the characteristics of employees who are eligible to join good employer pension schemes but do not do so. Findings are expected in mid-2007.

28. We will examine whether there are ways for the Government to help the pensions market to be more efficient. We will shortly commission a study using data from pension schemes and key informant interviews to provide information on the costs of regulation to pension schemes. The research will contribute to our rolling deregulatory review.

Extending working life

29. The Department will continue its programme of research to improve the evidence relating to the extending working life agenda. This strand aims to understand the personal, structural and cultural barriers to working longer, and the support required to extend working life. To fill gaps in an already substantial body of evidence, research on work, savings and retirement among ethnic minorities has recently been completed and will be published shortly. Research on age discrimination and the recruitment of a mixed-age workforce is underway and due to be published early in 2007. We have just commissioned research on encouraging labour market activity among 60–64-year-olds and, in November, plan to commission work using longitudinal life course analysis to examine how events throughout a person's life affect their labour market participation after the age of 50. Both of these projects will report in 2007.

Improving older people's material well-being

30. We plan to improve our understanding of pensioner poverty, and whether improvements need to be made to the pensions system to further alleviate poverty. We recently published three reports on different aspects of measuring pensioner poverty. These looked at existing data on material deprivation measures,[22] pensioners' attitudes to budgeting and material deprivation questions,[23] and data on pensioner spending.[24] The reports highlighted a number of issues with measuring pensioner poverty, including difficulties in using material deprivation measures for older people – especially in comparisons between age groups because of their different expectations and wants. The Department will consider these issues, and the need for further research, as we go forward. The 'Improving older people's material well-being' strand also includes developing work on State Pension deferral and research on the customer experience of, and satisfaction with, The Pension Service.

Monitoring older people's well-being and independence

31. In the pensions White Paper we published the list of statistical indicators, drawn from existing sources, that we intend to use to monitor developments in older people's independence and well-being and to assess the impact of the Government's wider ageing strategy Opportunity Age.[25] This brings together wide-ranging measures that include not only healthy life expectancy, and material well-being and savings patterns as referred to above, but also reflect other important contributors to well-being such as the ease with which older people can access services, participation in leisure activities and volunteering, social networks, and fear and experience of crime.

32. There are some gaps and imperfections in the indicators currently available, and we are intending to remedy these by:

- commissioning questions on older people's access to information – to be included in the NatCen Omnibus survey (data should be available from 2007/08);

- working with the Department for Trade and Industry and the Commission for Equality and Human Rights to agree a measure of age discrimination in the workforce – agreement is expected to be reached shortly;

[22] Berthoud R, Blekesaune M and Hancock R, 2006, *Are poor pensioners deprived?* Department for Work and Pensions Research Report No. 364, TSO.

[23] Dominy N and Kempson E, 2006, *Understanding older people's experiences of poverty and material deprivation*, Department for Work and Pensions Research Report No. 363, TSO.

[24] Finch N and Kemp P, 2006, *Which pensioners don't spend their income and why?* Department for Work and Pensions Research Report No. 334, TSO.

[25] Department for Work and Pensions, 2005, *Opportunity Age: meeting the challenges of ageing in the 21st century*.

- linking up with the Department of Health in the development of healthy active living measures;
- linking up with research being conducted elsewhere in the Department for Work and Pensions into pensioner poverty and material deprivation measures for older people; and
- conducting ongoing work with the Whitehall well-being group, led by the Department for Environment, Food and Rural Affairs – reports referred to in the White Paper *Security in retirement* and published since May 2006.

Reports referred to in *Security in retirement* and published since May 2006

Bolling K, Grant C and Fitzpatrick A, forthcoming, *Employer attitudes to personal accounts: Report of a quantitative survey,* DWP Research Report No. 397, TSO.

Bunt K, Adams L, Koroglu Z and O'Donnell E, 2006, *Pensions and pension reform*, DWP Research Report No. 357, TSO.

Hall S, Pettigrew N and Harvey P, 2006, *Public attitudes to personal accounts: Report of a qualitative study,* DWP Research Report No. 370, TSO.

Hawksworth J (Pricewaterhouse Coopers), 2006, *Review of research relevant to assessing the impact of the proposed National Pension Savings Scheme on household saving,* DWP Research Report No. 373, TSO.

Kelly M, 2006, *Public attitudes to pension reform,* DWP Research Summary.

Marshall H and Thomas A, 2006, *Employer attitudes to personal accounts: Report of a qualitative survey,* DWP Research Report No. 371, TSO.

Annex 2: List of organisations that responded to the White Paper consultation

Advice NI
Aegon
Age Concern
Alliance for Finance
Amicus
Association of British Insurers (ABI)
Association of Chartered Certified Accountants (ACCA)
Association of Consulting Actuaries (ACA)
Association of Convenience Stores (ACS)
Atos Consulting
Axa
B&CE Benefit Schemes
Barnett Waddingham, Actuaries and Consultants
Birmingham Chamber of Commerce and Industry
Brethren Christian Fellowship
British Chamber of Commerce (BCC)
Business Service Plus Ltd (BSP)
Carbonflame Ltd
Carers UK
Chartered Institute of Personnel and Development (CIPD)
Citizens Advice Bureau
Civil Service Pensioners' Alliance
Connect – the union of professionals in communications
Council for Older People, Hackney
Depositary and Trustee Association (DATA)
Devon Pensioners Action Forum
Dumfries & Galloway Elderly Forum
Dundee Trades Union Council
Dunstable and District Association of Senior Citizens
Enfield Council, The Labour Group
Engineering Employers' Federation (EEF)
Equal Opportunities Commission (EOC)
Fairpensions

Fawcett Society
Federation of Small Businesses (FSB)
Fidelity International
Financial Services Authority (FSA)
Financial Services Consumer Panel
First Actuarial Actuaries & Consultants
GISSINGS
GMB
Greater Manchester Chamber of Commerce
Hargreaves Lansdown
HBOS
Help the Aged
Hewitt Bacon & Woodrow Ltd
Higham Dunnett Shaw plc (HDS)
HSBC
Hymans Robertson LLP
Independent Pensions Research Group, Northern Pensions Resource Group
Independent Risk Monitoring Ltd
Institute of Chartered Accountants in England & Wales (ICAEW)
Institute of Payroll Professionals
International Financial Data Services
Investment & Life Assurance Group
Investment Management Association
John Lewis Partnership
JPMorgan Chase & Co
JR Consultancy
Legal & General
London Chamber of Commerce and Industry
Mercer Human Resource Consulting
Merseyside Pension Fund
Navy, Army and Air Forces Institutes (NAAFI)
National Association of Schoolmasters Union of Women Teachers (NASUWT)
National Assembly of Women
National Association of Pension Funds (NAPF)
National Association of Widows
National Housing Federation
National Pensioners Convention
Nationalgrid
Nationwide Life Ltd

North East Chamber of Commerce
North Staffs Pensioners Convention
Norwich Union
NTL Pension Associates
Occupational Pensioners' Alliance
Openwork Ltd
Paymaster
Pensions Policy Institute (PPI)
PEP & ISA Managers Association (PIMA)
Policy Research Institute on Ageing & Ethnicity (PRIAE)
Prison Reform Trust
Prudential plc
Public Service Pensioners' Council
Punter Southall & Co
Re-connect Retired Members Association
Resolution Foundation
Retail Financial Services Group
Royal London
Runnymede Trust
Scottish Trade Union Congress
Scottish Widows plc
Small Business Council (SBC)
Social Security Advisory Committee
Soroptimist International of Central Birmingham
Southampton & Fareham Chamber of Commerce
Standard Life Assurance Company
State Street Corporation
Support Women Against Pensioner Poverty (SWAPP)
Tesco
The Actuarial Profession
The Confederation of British Industry (CBI)
The National Group on Homeworking
The Pensions Advisory Service
The Pensions Management Institute
The Pensions Regulator
The Pensions Trust
The Society of Pension Consultants (SPC)
Tomorrow's Company
TOR Financial Consulting Ltd

Trades Union Congress (TUC)
Transport Salaried Staffs' Association (tssa)
UK Social Investment Forum
Union of Construction, Allied Trades & Technicians (UCATT)
Union of Shop, Distributive and Allied Workers (Usdaw)
UNISON – the Cornwall County Branch
UNITE
UnumProvident
Virgin Money
Warwickshire Welfare Rights Advice Service
Watson Wyatt Ltd
West Norfolk Women and Carers' Pensions Network
Which?
Women Support Network
Women's Budget Group
Working Families
Zurich Assurance

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