Department
for Work &
Pensions

Pensions Bill Impact Assessment

Summary of Impacts

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Introduction

1. The Pensions Bill contains measures to:
   - reform the state pension system through the introduction of a single-tier state pension;
   - manage future changes to the State Pension age including bringing forward the increase in State Pension age to 67;
   - reform the range of benefits associated with bereavement;
   - boost the consolidation of small pension pots;
   - introduce a new statutory objective for the Pensions Regulator; and
   - strengthen existing legislation relating to occupational pensions.
2. Further details of the legislation are contained within the explanatory notes for the Pensions Bill.
3. The Government recognises a responsibility to consider the impact, in terms of costs and benefits, of new regulatory proposals. It also has a statutory duty to consider whether new regulatory proposals have impacts on individuals that differ by the protected characteristics of race, disability and gender.
4. This note summarises the Impact Assessments for the provisions contained in the Bill which have significant costs to the Exchequer and/or impact on business or civil society organisations. Individual Impact Assessments for these proposals are at Annexes A to F. A number of measures do not cause significant cost to the Exchequer or have any impact on business or civil society organisations. Consequently, no Impact Assessment has been conducted for these measures. Those measures are summarised at Annex G.

Background

5. On 4 April 2011, the Government published *A state pension for the 21st Century* (Cm 8053)[1], which consulted on options for reforming the state pension system for future pensioners and also on how future changes to the State Pension age should be managed. The consultation ran until 24 June 2011 and a summary of responses was published on 27 July 2011.

6. The Government's final proposals for state pension reform were set out in *The single-tier pension: a simple foundation for saving* (Cm 8528)[2], which was published on 14 January 2013.

7. A separate public consultation document on Bereavement Benefit reform[3] was published on 12 December 2011 and the consultation ended on 5 March 2012.

8. The Government set out details of the final proposals to reform Bereavement Benefits in *Government response to the public consultation Bereavement Benefit for the 21st Century* (Cm 8371)[4], which was published on 11 July 2012.

9. On 15th December 2011, the Government published a consultation[5] on options for consolidating small pension pots. It outlined high-level policy proposals in its response[6], published on 17 July 2012.

10. The Government published the Command Paper, *Automatic transfers: consolidating pension savings* (Cm 8605)[7] on 23 April 2013. This set out more detail on the proposals relating to automatic transfers.

11. A draft Pensions Bill (Cm 8529)[8] containing measures relating to the single-tier state pension, State Pension age, Bereavement Benefit reform, and some smaller private pension measures was published on 18 January 2013.

12. The Work and Pensions Select Committee undertook pre-legislative scrutiny on Part 1 of the draft Bill (the provisions relating to single tier). The scrutiny began with a call for evidence on 23 January 2013 and the final oral evidence session was held on 11 March 2013.

13. The Select Committee published its report[9] on 4 April 2013 and the Government's response[10] was published alongside the Bill on 10 May 2013.

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[1] Department for Work and Pensions, 2011, *A state pension for the 21st century*, Cm 8053, TSO
[2] Department for Work and Pensions, 2013, *The single-tier pension: a simple foundation for saving*, Cm 8528, TSO
[3] Department for Work and Pensions, 2011, *Bereavement Benefit for the 21st century*, Cm 8221, TSO
[4] Department for Work and Pensions, 2012, *Government response to the public consultation Bereavement Benefit for the 21st Century*, Cm 8371, TSO
[5] Department for Work and Pensions, 2011, *Meeting future workplace pension challenges: improving transfers and dealing with small pension pots*, Cm 8184, TSO
[6] Department for Work and Pensions, 2012, *Government response to the consultation Improving transfers and dealing with small pension pots*, CM 8402, TSO
[7] Department for Work and Pensions, 2013, *Automatic Transfers: consolidating pension savings*, Cm 8605, TSO
[8] Department for Work and Pensions, 2013, *Draft Pensions Bill*, Cm 8529, TSO
[9] House of Commons Work and Pensions Select Committee, *The Single-tier State Pension: Part 1 of the draft Pensions Bill*, HC1000, TSO
[10] Department for Work and Pensions, 2013, *Government Response to the Fifth Report of the House of Commons Work and Pensions Select Committee, Session 2012-13, into Part 1 of the draft Pensions Bill*, Cm 8620, TSO

Reform of the state pension system

14. The Government's intention is to provide a simple state pension system for future pensioners that will provide people with clarity and confidence about the support they can expect from the state in retirement.

15. In January 2013, the Government published the White Paper, *The single-tier pension: a simple foundation for saving*[11]*,* outlining proposals for a single-tier pension.

16. The single-tier pension will be a simple flat-rate pension set above the basic level of means-tested support. It will provide a foundation to enable planning and saving for retirement and reduce means-testing.

17. The proportion of people reaching State Pension age after the implementation of single tier who qualify for Pension Credit will be halved by 2020 compared to the current system. This will help to ensure that those who save for retirement are rewarded for doing so.

18. The reforms will modernise the state pension system to reflect the lives and contributions of today's working age people: the large majority of individuals will build up a sufficient National Insurance record to become entitled to the full single-tier amount in their own right, instead of relying on their spouse's or civil partner's contributions.

State Pension age

19. In his Autumn Statement on 29 November 2011, the Chancellor announced the Government's intention that the State Pension age will now increase to 67 between 2026 and 2028, bringing the increase forward by eight years. This decision was taken in the light of increasing life expectancy and will help keep the cost of the state pension system sustainable. The proposals will mean that people born after 5 April 1960 but before 6 March 1961 will have a State Pension age between 66 and 67 and people born after 5 March 1961 but before 6 April 1977 will have a State Pension age of 67.

20. *The single-tier pension: a simple foundation for saving*[12], published in January 2013, outlined the Government's proposed framework for considering further changes to the State Pension age following the rise to 67.

21. The intention is for a quinquennial review to be conducted by the Secretary of State. The review will receive reports from the Government Actuary's Department and an independently-led body on longevity and wider factors.

[11] Department for Work and Pensions, 2013, *The single-tier pension: a simple foundation for saving*, Cm 8528, TSO
[12] Department for Work and Pensions, 2013, *The single-tier pension: a simple foundation for saving*, Cm 8528, TSO

Bereavement Benefit reform

22. On 12 December 2011, the Government published a consultation document, *Bereavement Benefit for the 21st Century* (Cm 8221)[13], which set out the Government's key principles and proposals for reform of Bereavement Benefits. The Government acknowledges that it has a role to play in providing relief from the financial pressures associated with spousal/civil partner bereavement. However, the Government believes that the financial support provided via bereavement benefits should be short term, designed to aid the process of readjustment, and support those without employment in making a return to work.
23. The Government published its response to the consultation[14] on 11 July 2012, setting out how it planned to reform bereavement benefits through the introduction of the Bereavement Support Payment - a single benefit to support people after bereavement. The reform will significantly simplify the system by moving to a more uniform payment structure and a single contribution condition, irrespective of age and child dependent status.

Automatic pension transfers and short service refunds

24. Automatic enrolment is designed to assist between 6 and 9 million people to save for their retirement for the first time or to begin saving more. However, the benefits of automatic enrolment could be undermined if the barriers to transferring, and the market inefficiencies of administering, small pension pots are not dealt with.
25. The Government's intention is to ensure that individuals do not lose track of money they put into pension saving when they move employers. This is of particular relevance to individuals who build up only a very small pension pot with an employer before moving jobs.
26. On 15 December 2011, the Government published a consultation document[15] seeking views on how to deal with the proliferation of small dormant pots. On 17 July 2012, it published its response[16], setting out its intention to legislate to allow for a system of automatic transfers. This will significantly reduce the administrative burdens on schemes of maintaining small pots, and make it easier for individuals to keep track of and engage with their pension savings.

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[13] Department for Work and Pensions, 2011, *Bereavement Benefit for the 21st century*, Cm 8221, TSO
[14] Department for Work and Pensions, 2012, *Government response to the public consultation Bereavement Benefit for the 21st Century*, Cm 8371, TSO
[15] Department for Work and Pensions, 2011, *Meeting future workplace pension challenges: improving transfers and dealing with small pension pots*, Cm 8184, TSO
[16] Department for Work and Pensions, 2012, *Government response to the consultation Improving transfers and dealing with small pension pots*, CM 8402, TSO

27. The consultation on small pots also included a proposal that the facility to refund employee pension contributions to members who left their money purchase schemes before completing two years of pensionable service (known as short service refunds) be withdrawn.

28. The Command Paper, *Automatic transfers: consolidating pension savings*[17] confirmed the Government's intention to withdraw the facility for making short service refunds in 2014.

Other measures in the Pensions Bill

29. The Bill contains a number of other measures relating to private and workplace pensions, many of which strengthen existing legislation relating to pensions regulation or automatic enrolment.

30. In summary these are:-

- the introduction of a new statutory objective for the Pensions Regulator, which would require them to consider minimising any impact on the sustainable growth of sponsoring employers;
- a range of measures strengthening existing automatic enrolment legislation as contained in the Pensions Act 2008;
- a new power to make regulations to prohibit the offering of incentives to transfer pension scheme rights;
- an increase in the minimum period between scheme returns for micro schemes (4 members or fewer);
- measures relating to the prohibition of corporate trustees and the powers of the Pensions Regulator to issue penalty notices;
- an amendment to the Companies Act 2004 so that a body preparing guidance in relation to pension illustrations may benefit from the exemption from liability for damages (such as financial loss);
- a power to require pension levies to be paid in respect of past periods.

Summary of impacts

Reform of the state pension system

31. The Government proposes to introduce a new state pension system, replacing the current two component arrangement (basic State Pension and additional

[17] Department for Work and Pensions, 2013, *Automatic Transfers: consolidating pension savings*, Cm 8605, TSO

State Pension) with a single-tier pension for individuals reaching their State Pension age after implementation in 2016.

32. The single-tier pension will be a flat-rate payment set above the basic level of means–tested support, uprated by at least the growth in earnings.

33. In steady state, 35 qualifying years of National Insurance contributions or credits will be needed for individuals to receive the full amount. Those with fewer than 35 qualifying years will receive a pro-rated amount. Entitlement to the pro-rated amount will be subject to the individual having a minimum number of qualifying years, which will be set out in regulations, but will be no more than 10 years.

34. The impact of the reform package on individuals' income from the state is 'notional'. Existing recipients of basic and additional State Pension will be unaffected by the reforms. Some groups of people due to receive the new single-tier pension will experience notionally better outcomes from the reforms as they will receive more from the state than they would have done if the current system remained until their State Pension age. Conversely other groups may see notionally lower outcomes under the reforms. No individuals will receive less than the value of their state pension under the current system based on their National Insurance contribution record at the point the single-tier pension is implemented, unless they do not have the required minimum number of qualifying years.

35. The proportion of pensioners with higher notional state pension outcomes peaks in the 2020s before falling in later years. Improved notional outcomes are largely a result of a boost to people who would have reached State Pension age with a lower entitlement to additional State Pension (particularly women and carers) and the extension of coverage to self-employed people, and groups who were contracted out of the additional State Pension (and will benefit from the opportunity to get extra state pension).

36. The removal of Savings Credit for people reaching their State Pension age on or after the date the new system is introduced has an impact on notional outcomes in the first few years. It also contributes to an overall reduction in the number of individuals reliant on means-tested benefits. Under the current system, eligibility for Pension Credit for the single-tier population is expected to be around 16% in 2020 and fall to around 9% by 2060. Under the new state pension, eligibility for Pension Credit is approximately halved in 2020 and ultimately falls to around 5% by 2060.

37. Under the current system, the proportion of women in Great Britain who qualify for a full basic State Pension is not expected to catch up with the proportion of men who qualify until 2020 and it will take a further 30 years for women to catch up with men in respect of additional State Pension. Under the new state pension, the gap between median men's and women's pensions is projected to close 15 years earlier than under the current system (in 2042 rather than 2057).

38. Under the current system, employers and employees receive a National Insurance rebate for employees who are contracted out of the additional State Pension. As the additional State Pension will be closed under the single-tier pension, employees will no longer be able to contract out. As a result, employers and employees will no longer receive the rebate.

39. The loss of the rebate could therefore increase the costs of running a Defined Benefit scheme for sponsoring employers if the terms of those schemes remain unchanged.

40. A time-limited statutory override power is included in the Bill to enable employers to alter the terms of their Defined Benefit schemes without trustee consent. This will allow them to compensate for the increased costs brought about by the end of contracting out. The override cannot be used to alter benefits already accrued, nor will it apply to public sector employers.

41. For the purposes of the Impact Assessment, it is assumed that private sector employers will make these changes to offset the loss of the rebate in full and before implementation, so this cost will fall on individuals. Employers are likely to incur costs associated with making the changes to the schemes (e.g. actuarial and legal costs). These costs are unknown but are likely to be relatively small.

42. The Government consultation on whether this statutory override should extend to certain schemes that are protected by statute - those of former nationalised industries whose benefits are protected under the terms of privatisation - has recently closed. The Government is considering the responses and will set out its position in due course.

43. The future cost of the reformed state pension is broadly in line with the forecast cost of the current system as a proportion of GDP. The relative cost of the reformed system does fall in the longer term as the cost of the single-tier pension will increase at a slower rate compared with the projected rapid growth in additional State Pension expenditure under the current system. The ending of contracting out also brings revenue to the Exchequer through the higher National Insurance paid by employees and employers previously contracted out of the additional State Pension.

44. A full Impact Assessment for the single-tier State Pension can be found at Annex A.

Bringing forward the rise in the State Pension age to 67

45. The Government proposes to bring forward the increase in the State Pension age to 67 to be phased in between 2026 and 2028. This brings forward the increase by eight years but means that those who have had their State Pension age increased due to the Pensions Act 2011 do not face a further rise.

46. The main fiscal benefit of this proposal is delivery of net benefits-related savings of £71.0 billion in real terms, with a further £10.6 billion gain from increased income tax receipts and National Insurance contributions as a result of longer working lives.

47. The proposal is estimated to affect around 8 million people in Great Britain born after 5 April 1960 and before 6 April 1969, who will have their State Pension age delayed. The group born between 6 April 1969 and the 6 April 1977 will also have a State Pension age of 67, however this legislation does not affect them as their State Pension age was increased to 67 under the Pensions Act 2007. No individual would experience an increase in their State Pension age of more than 12 months, relative to the timetable set in 2007.

48. Based on DWP modelling of hypothetical individuals, a rise in the State Pension age of one year is projected to decrease the lifetime pension income of affected men and women by an approximate maximum of between 2 and 4 per cent, in comparison to the baseline of the timetable set in the Pensions Act 2007. Working longer and saving into a private pension would redress part of this loss in lifetime pension income. Working longer could also increase an individual's overall lifetime income.

49. The projected proportion of life after pensionable age for those cohorts of men who reach State Pension age between 2027 and 2035 is expected to be lower than for those men who reach pensionable age in 2013. However, this must be considered in the context of the substantial upwards revisions in projected longevity which have taken place in the last few decades. Between 1981 and 2000, the proportion of adult life after pensionable age grew by 6 percentage points for men (23.7% to 29.6%) and 4 percentage points for women (35.9% to 40.2%).

50. However, the period of life (in years) for those cohorts of men reaching State Pension age between 2026 and 2035 will remain similar to that of a man reaching pensionable age in 2013 - 21.4 years for men and 24.1 years for women on average, compared to 21.4 years and 23.9 years respectively for the first cohorts whose State Pension age will be 67. When the original timetable for the increase from 65 to 68 was set, the expectation was that life expectancy at 66 in 2026 would be around 20.6 years for men and 23 years for women.

51. A full Impact Assessment of bringing forward the increase in the State Pension age to 67 can be found at Annex B.

Bereavement benefit reform

52. Currently, bereavement benefits consist of three elements:

- Bereavement Payment – a one-off tax-free payment of £2,000;

- Bereavement Allowance – a taxable weekly benefit which can be paid to someone for up to 52 weeks from the date of death of their spouse or civil partner;
- Widowed Parent's Allowance – a taxable weekly benefit paid to a bereaved spouse or civil partner who has a child for whom they are in receipt of Child Benefit.

53. The Government proposes to reform this range of benefits, introducing the Bereavement Support Payment which will simplify the payment systems and contribution conditions resulting in a simpler system which takes into account the realities of working-age widowhood in the 21st century.

54. Additional resources will be targeted at bereavement benefits over the short term. This is to ensure that existing recipients are protected and that those who claim the new Bereavement Support Payment get the help that they need when they need it most. As current recipients' claims, which are protected by these reforms, reduce in number over time, savings start to be realised, with a future government having the flexibility to reinvest this money into the system.

55. The new Bereavement Support Payment will consist of a significantly larger tax-free lump sum, supplemented with monthly payments for one year.

56. The main groups of beneficiaries will be:
    - younger childless people who would previously have received Bereavement Allowance and/or the lump sum Bereavement Payment;
    - those with children who would have received the Widowed Parent's Allowance for a short period; and
    - those in receipt of Universal Credit, where the Bereavement Support Payment will be disregarded as either income or capital.

57. The indicative costings to the Exchequer under the reform, calculated between 2016/17 and 2019/20, have a value of £1.76 billion. This includes an additional cash terms investment in the region of £110 million over the period. These figures include tax foregone, the costs of new and legacy systems and the impact on Universal Credit.

58. A full assessment of the impact of the reform to bereavement benefits can be found at Annex C.

Automatic pension transfers

59. The Government proposes to introduce a system of automatic transfers, so that an individual's pension pot will follow them to their new scheme when they change jobs. Pots will be eligible for automatic transfer when the individual moves between money purchase schemes, and the value of their pot is less than £10,000.

60. Although initially increasing costs, by 2050 the automatic transfers system will have generated £6.4 billion in savings for the pensions industry by halving the number of dormant pots that schemes will have to administer.

61. There will be some additional cost from implementing a system to match individuals to their dormant pots. The Government is working with all interested parties to determine which of the available options is most cost effective.

62. The proposals will result in individuals having their savings spread across fewer schemes, and will particularly benefit those who would otherwise accumulate a large number of dormant pots. It is projected that only 3.6% of those retiring between 2050 and 2060 will have 5 or more dormant workplace money purchase pots, compared to 25.8% without change.

63. A fuller assessment of the impact of automatic transfers can be found at Annex D.

Short service refunds

64. The Government intends that pension saving should be the norm and that contributions should remain in schemes and be invested to produce retirement income for members. The practice of making refunds of contributions to members who leave their schemes before completing two years of pensionable service runs counter to this intention. In 2009 money purchase schemes made 20,000 such refunds, and the figure is expected to rise to 100,000 per annum as automatic enrolment becomes the norm.

65. The Government therefore proposes to withdraw the facility to offer short service refunds from money purchase occupational pension schemes with effect from 2014.

66. The impact of this reform will primarily be on individuals. Instead of being refunded, their pension contributions will remain in their former employers' schemes and will continue to be invested on their behalf. Individuals may request to have their 'pots' transferred to their new employers' schemes, and the Government is proposing to introduce an automatic transfer requirement which will, over time, tend to consolidate individuals' pension saving.

67. Employers will no longer receive refunds of contributions when a member leaves their scheme; however, the Government understands that, in practice, employer contributions are often left in the schemes and used towards their general maintenance.

68. A fuller assessment of the impact of short service refunds can be found at Annex E.

Frequency of Scheme Returns

69. The Pensions Act 2004 requires all occupational pension schemes to complete a Scheme Return at least once every three years. Amending the legislation to reduce the frequency of Scheme Return completion for schemes with 4 or fewer members will generate efficiency savings for the Pensions Regulator and reduce the burden on schemes and employers.

70. There are no anticipated costs as a result of amending the legislation. There is the possible risk of an increase in incorrect data being held by the Pensions Regulator due to the reduced frequency of the Scheme Returns.

71. Amending the legislation will generate administrative savings to affected schemes and to the Pensions Regulator.

72. A full Impact Assessment on the above provisions can be found at Annex F.

Other measures

73. The Bill also contains a number of other measures, mainly relating to private pensions, but with a further measure relating to State Pension age. None of these measures introduce significant costs or benefits to the private sector or civil society organisations, or to the public sector over the cost threshold. Therefore individual Impact Assessments of these measures have not been carried out.

74. These measures are summarised in Annex G.

75. As noted above, full discussion of the measures in the Pensions Bill is given in the accompanying explanatory notes.

Summary of impact of measures on key groups

Measures: Introduction of a single-tier State Pension (see Annex A for further details)	
Summary of measures	A single-component contributory pension scheme, currently planned for individuals reaching pensionable age on or after 6 April 2016 and the ending of contracting out of the additional State Pension. The current legislative requirement to increase the basic State Pension at least in line with average growth in earnings will also apply to the new state pension. The reforms will bring an end to outdated additions to the state pension, such as the Category D pension and the Age Addition. The Savings Credit element of Pension Credit will also close to people who reach their State Pension age on or after the date the new system is introduced. Under the new system, 35 qualifying years of National Insurance contributions or credits will be required for the full weekly amount and a minimum number of qualifying years will be required to receive any entitlement. Those with fewer than 35 qualifying years but above the minimum number of qualifying years will receive a pro-rated amount. Transitional arrangements will apply to people with pre-implementation National Insurance records. The new state pension will be based on individual qualification, ending inheritance of, and derived entitlement to, a spouse's or civil partner's pension. There will, however, be transitional arrangements to recognise derived, inherited or shared additional State Pension that would have been available in the current system. Further arrangements will be available for certain women who have paid reduced rate National Insurance contributions. Under the new system, it will still be possible to defer claiming a state pension in return for a higher weekly rate. However, it will no longer be possible to opt for a lump sum deferral reward. The deferral rate will be defined in regulations.
Clauses	1-24

Measures: Introduction of a single-tier State Pension (see Annex A for further details)	
Impact on individuals	Individuals may experience notionally higher or lower outcomes in comparison to those they might have had at pensionable age under the current system. In the 2020s around 75% of people reaching State Pension age experience notional gains to their state pension income – this proportion falls over time. Individuals who are contracted out of the additional State Pension will pay more National Insurance Contributions than before. The majority of those who will pay a higher rate of National Insurance as a result of the ending of contracting out will be able to get extra state pension for years worked or credited after implementation.
Impact on employers	The statutory override means that sponsoring employers of private sector Defined Benefit schemes can adjust their scheme rules to compensate for the loss of the contracting-out rebate – therefore it is assumed that these costs will be passed on to employees. There may be small actuarial and legal costs to sponsors if they choose to make changes to their schemes. It has not been possible to quantify the value of these costs but they are expected to be small.
Impact on Pensions Industry	N/A
Impact on Government	Overall Exchequer spending on state pensions is due to rise as a proportion of GDP from 6.6% of GDP in 2016 to 8.5% by 2060. Single-tier reform reduces 2060 costs to around 8.1% of GDP. The end of contracting out for Defined Benefit schemes will result in an increase in National Insurance revenue for the Exchequer. The estimated costs of implementing single tier are around £390m in current prices. These are best estimates of implementation costs (including IT expenditure and all running costs) for both the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) until 2022/23. Estimates of ongoing administration savings are not available at this stage but it is anticipated that in the longer term simplification of the system may deliver some administrative savings.

Measures: Introduction of a single-tier State Pension (see Annex A for further details)	
Regulatory burden on business and civil society organisations	N/A

Measure: Bringing forward increase in the State Pension age to 67 to 2026-28: (see Annex B for further details)	
Summary of measures	Implement increase in the State Pension age for men and women to 67 between 2026 and 2028.
Clause	25
Impact on individuals	This legislation is estimated to affect around 8 million people in Great Britain born after 5 April 1960 and before 6 April 1969, who will have their State Pension age delayed. No individual would experience an increase in their State Pension age of more than 12 months, relative to the timetable set in Pensions Act 2007.
Impact on employers	Negligible and indirect. Some pension schemes provide an integrated private pension linked to statutory State Pension age, which will be changed by this proposal. However, the measure introduces no new regulatory burden.
Impact on Pensions Industry	Negligible and indirect. Some pension schemes provide an integrated private pension linked to statutory State Pension age, which will be changed by this proposal. However, the measure introduces no new regulatory burden.
Impact on Government	Exchequer benefits from reduced spending on pension-age benefits and increased Income Tax and National Insurance payments The Exchequer will see a modest increase in spending on working-age welfare benefits.
Regulatory burden on business and civil society organisations	Negligible and indirect. Note that the State Pension age is distinct to the Default Retirement Age (abolished in September 2011).

Measure: Bereavement benefit reform (see Annex C for further details)	
Summary of measures	Introduces the new Bereavement Support Payment which simplifies the payment system by moving to a more uniform structure, with support focused on the period immediately following bereavement; and simplifies the contribution conditions, with a single rule irrespective of age and whether an individual has dependent children.
Clauses	27, 28
Impact on individuals	Individuals already in receipt of the current benefit will not be affected by the reform. The largest group of notional losers are those who would have received benefits for many years under the current system. The main group of beneficiaries are younger childless people who would previously have got the Bereavement Allowance and/or the lump sum payment, those with children who would have received Widowed Parent's Allowance for a short time only and those now eligible for other benefits.
Impact on employers	N/A
Impact on Industry	N/A
Impact on Government	The indicative costings to the Exchequer under the reform, calculated between 2016/17 and 2019/20, have a value of £1.76 billion which includes an additional cash terms investment in the region of £110 million over the period. These figures include tax foregone, the costs of new and legacy systems and the impact on Universal Credit.
Regulatory burden on business and civil society organisations	N/A

Measure: Automatic pension transfers (see Annex D for further details)	
Summary of measures	Introduces a system of automatic pension transfers so that an individual's pension pot will follow them to their new scheme when they change jobs. Pots will be eligible for automatic transfer when the individual moves between money purchase schemes, and the value of their pot is less than £10,000.
Clause	29
Impact on individuals	Individuals will see their pension savings spread across fewer schemes. One in thirty of those retiring between 2050 and 2060 will have 5 or more dormant workplace money purchase pots, compared to one in four without change. Individuals may see their pot diminished by charges incurred in the process of transferring pensions, but may benefit from lower ongoing charges on these savings, as individuals can pay higher fees (deferred member penalties) on pots they are no longer contributing to. More generally, individuals may be better or worse off than they would have otherwise been, depending on whether their new scheme has higher or lower charges (or a better or worse performing fund) than their old scheme.
Impact on employers	N/A
Impact on Pensions Industry	In the short-term there will be additional costs from processing more transfers. In the long-run there will be savings from not having to administer as many dormant pots. The net administrative savings are estimated to total £6.4 billion by 2050. There will be additional costs from setting up and running a system which enables members to be matched to their dormant pension pots.
Impact on Government	N/A

Measure: Automatic pension transfers (see Annex D for further details)	
Regulatory burden on business and civil society organisations	The Government is working with interested parties to develop the most viable and cost effective way of implementing the automatic transfers system for schemes and members. A full assessment of the net cost and benefit to business will be provided when the process has been decided.

Measure: Withdrawal of short service refunds (see Annex E for further details)	
Summary of measures	Withdraws facility to make short service refunds of contributions from money purchase occupational pension schemes.
Clause	32
Impact on individuals	Individuals who leave money purchase occupational pension schemes before completing two years' pensionable service will no longer be able to request a refund of contributions ("short service refund"). Instead their pension 'pots' will remain in the scheme and be administered. In 2009, 20,000 such refunds were made, averaging £2,000 each; this figure is expected to rise to 100,000 as automatic enrolment becomes the norm. In the short term there will be a rise in the number of small, dormant pension pots. Individuals will however be able to request to transfer their contributions to another scheme. In addition, the Government is proposing to require small dormant pots to be automatically transferred to former members' new schemes. In the longer term individuals may well benefit from keeping their pension contributions in pension schemes and from having their pension savings spread across fewer schemes.
Impact on employers	N/A
Impact on Pensions Industry	Workplace personal pension schemes, such as Group Personal Pensions, have never had the facility to make short service refunds. Personal pension providers may notice a slight increase in the number of requests for voluntary transfers of pots from money purchase occupational pension schemes, pending the introduction of the automatic transfer requirements.
Impact on Government	N/A

Measure: Withdrawal of short service refunds (see Annex E for further details)	
Regulatory burden on business and civil society organisations	The withdrawal of the facility to make short service refunds should have negligible impact on the overall regulatory burden.

Measure: Frequency of scheme returns (see Annex F for further details)	
Summary of measures	Relaxes the requirement for schemes with 2-4 members to complete a periodic scheme return
Clause	43
Impact on individuals	N/A
Impact on employers	N/A
Impact on Pensions Industry	Generates administrative savings to the Pensions Regulator of £61,000 per annum on average between 2012 and 2020.
Impact on Government	None
Regulatory burden on business and civil society organisations	Generates administrative savings to 2-4 member schemes of an average £336,554 per annum between 2012 and 2020 (in 2012 price terms) across all schemes (£10 per scheme per annum).

Measure: Other measures in the Pensions Bill (see Annex G for further details)	
The measures below have no impact on business or civil society organisations, nor impose costs to the public sector of £5 million or greater.	
Details of measure	Clause
Periodic review of rules about pensionable age	26
Power to prohibit offer of incentives to transfer pension rights	30, 31
Automatic re-enrolment: exceptions where automatic enrolment deferred	33
Automatic enrolment: powers to create general exceptions	34
Qualifying schemes: administration charges	35
Automatic enrolment: transitional period for hybrid schemes	36
Penalty notices under sections 40 and 41 of the Pensions Act 2008, etc.	37
Unpaid scheme contributions	38
Power to require pension levies to be paid in respect of past periods	39
Prohibition and suspension orders: directors of corporate trustees	40
Preparation of guidance for pensions illustrations	41

Measure: Other measures in the Pensions Bill (see Annex G for further details)	
The measures below have no impact on business or civil society organisations, nor impose costs to the public sector of £5 million or greater.	
Details of measure	Clause
Pensions Regulator’s objectives	42