Pensions reform: The Pensions Commission (2002-6)

Starting point

In the early 2000s, the future of occupational pensions appeared in the balance: final salary schemes were closing and there was a rising concern about default risk. The Prime Minister, Tony Blair, felt this was an issue where the government needed to act. But the Chancellor, Gordon Brown, was reluctant to open up pensions issues to wider examination. He had focussed on improving the lot of the poorest pensioners through increasing the means tested pensions credit, as the relative value of the state pension, which had been linked to prices not earnings, continued to decline. The costs of both public and private pensions were rising as life expectancy increased and the system which had been reformed incrementally had become, in the words of the *Daily Telegraph*, *"astonishingly complicated."*[1] In this case study, we look at how the work of the Pensions Commission charted a new direction in UK pensions policy and gained widespread agreement to changes that, at the time of the establishment of the Commission, were regarded as unthinkable.

Policy background

In 1948, the Labour government established a simple state pension based on flat-rate contributions and benefits, and a separate safety net for those unable to contribute. The state pension was broadly linked to earnings growth, but increasing numbers of people had access to separate occupational pensions. Before the Second World War, 1.8 million people had occupational pensions and, by 1975, this number had risen to around 12 million.[2] That year, to improve the pensions prospects for ordinary workers and provide better pensions for women, the Labour government passed the Social Security Act which introduced an additional 'second-tier' State Earnings Related Pension Scheme (SERPS). This pension was funded by earnings related National Insurance contributions and paid benefits equivalent to 25% of an employee's average earnings in the best twenty years of their career. One of the first acts of the new Conservative government in 1979 was to link the state pension to prices, not earnings, and a series of reforms during the 1980s made SERPS less generous.

New Labour made two main reforms to the state pension provision that aimed to help poorer pensioners. The first was to replace SERPS with the State Second Pension, which was tilted in

[1] Liz Dolan, 'The pitfalls of Pickering', *The Telegraph* (17 July 2002), available at: http://www.telegraph.co.uk/finance/personalfinance/pensions/2768152/The-pitfalls-of-Pickering.html

[2] Pensions Commission, *Pensions: Challenges and Choices. The First Report of the Pensions Commission* (2004); available at: http://image.guardian.co.uk/sys-files/Money/documents/2005/05/17/fullreport.pdf

favour of lower earners who had contributed, and the second was the introduction of the pension credit which succeeded in lifting nearly two million pensioners out of poverty.[3]

Initiation

The Prime Minister, Tony Blair, became concerned with the collapse of final salary pension schemes in the summer of 2002 and, after a series of meetings with DWP and the Treasury in the autumn, became convinced that this was an area in which he needed to get closely involved.[4] By late November, the Treasury had come round to Blair's idea of a commission to look at the issue from the ground up but still wanted the review to be Treasury dominated.

On 17 December 2002, the government published a Pensions Green Paper following the Pickering Commission report on the simplification of the pension system. The green paper reaffirmed the government's commitment to what it called the *"voluntarist approach"*, but also announced the establishment of another commission to keep this under review.[5] Although the Prime Minister would have preferred a wider remit, looking at the entirety of pension provision, the Treasury was only prepared to agree to the Commission on the basis of a restricted remit which excluded the state pension – though it secured the right to look at *"the impact of the state pension on private savings."*[6] The negotiations over the remit went on for so long that in the end they were only inserted at the printers once the final draft of the green paper had been signed off.[7] At the Chancellor's behest, the Commission was given an unusually long timetable with its final report not due until well after the 2005 election – seen as a way of *"kicking the issue into the long grass"*.[8]

The final purpose of the commission was settled as being:

> *To keep under review the regime for UK private pensions and long-term savings, taking into account the proposals in the Green Paper, assessing the information needed to monitor progress and looking in particular at current and projected trends in:*
>
> - *the level of occupational pension provision:*
>   - *trends in employer and employee contributions;*
>   - *trends in coverage of occupational pension;*
> - *the level of personal pension savings, including:*
>   - *take-up of stakeholder and personal pensions;*
>   - *contributions to stakeholder and personal pensions; and*

[3] Nicholas Barr, 'Turner gets it right on pensions', *Prospect* (22 January 2006); available at: http://www.prospectmagazine.co.uk/2006/01/turnergetsitrightonpensions/

[4] See Anthony Seldon, *Blair Unbound,* (London, Simon and Schuster, 2007), pp. 129-31.

[5] See *Simplicity, Security and Choice: Working and Saving for Retirement* (DWP, 2002).

[6] Institute for Government, Policy Reunion on the Pensions Commission (9 December 2010); details available at: http://www.instituteforgovernment.org.uk/our-events/77/policy-reunion-pensions-commission

[7] Seldon, *Blair Unbound,* p. 130.

[8] IfG Policy Reunion.

- *the levels of other saving:*
    - *financial assets, for example Individual Savings Accounts, housing, businesses, savings, and other assets of partners.*

On the basis of this assessment of how effectively the current voluntarist approach is developing over time, to make recommendations to the Secretary of State for Work and Pensions on whether there is a case for moving beyond the current voluntarist approach.[9]

There were some disputes over the composition of the Commission. Originally it was proposed that it have just a single commissioner; the Treasury, however, wanted many commissioners and it was eventually settled that there would be three: one nominated by the Prime Minister (Adair Turner), one by the Chancellor (Jeannie Drake) and one by the Secretary of State for Work and Pensions, Andrew Smith (John Hills).

Members of the Pensions Commission
Adair Turner (Chairman)
Adair Turner was Vice-Chairman at Merrill Lynch at the time. Turner had taught economics at Cambridge and the LSE, worked at McKinsey and Company from 1982 to 1995 and had been Director General of the CBI from 1995 to 1999.

Jeannie Drake
Jeannie Drake was the Deputy General Secretary for the Communication Workers Union and President of the Trades Union Congress and is a Labour life peer.

John Hills
John Hills was, and still is, Professor of Social Policy and Director of the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics.

The Commission's secretariat was largely drawn from the lead department, the Department of Work and Pensions (DWP). The first Secretary of the Commission remained in his role as head of analytic services at DWP, for example, and firewalls had to be established to make the arrangement work. The secretariat remained very small with only 6 analysts in total. The department established its own parallel internal team to advise ministers on the work of the commission.

The working style very much reflected Adair Turner's McKinsey heritage, with a strong emphasis on going back to original data, building models from scratch and drawing in international expertise (e.g. on the macroeconomics of pensions). John Hills described another distinctive feature of the approach, Turner's *"laser-beam focus on the key assumptions underlying particular projections, and so*

[9] Pensions Commission, *Independent Pensions Commission Workplan* (2003); available at: http://www.webarchive.org.uk/wayback/archive/20070801230000/http://www.pensionscommission.org.uk/publications/2003/pc-workplan.pdf

on – several times prompting the response, 'I've always been a bit worried about that…'."[10] The Commission became expert in issues such as population dynamics and they built up data in areas which had not been previously analysed like pension provision among ethnic minorities. The officials supporting the team were impressed by the readiness of the Commissioners to engage with the data.

At our policy reunion, the members of the Commission commented on how the small size of the official group allowed them to quickly build close relationships with each other. The three members of the Commission would take it in turns to have the other two members over to their house for dinner to discuss progress and ask themselves *"what do we now believe?"* on the questions they were grappling with. This allowed a shared sense of trust to develop between the Commissioners that allowed them to focus on the problem solving and analysis required to unpick the pension problem rather than manoeuvring to try and steer the committee in one direction or another.

Options

The Commission knew that pension policy was a highly charged political issue. As such, they set about their work with a strategy for building consensus and depoliticising the debate. Early on, the Commission made a conscious decision to split their work into two reports. The first would try to establish the relevant facts in order to forge a consensus on the analysis of the state of UK pensions and what needed to be taken into account in adapting policy. In the words of Adair Turner:

> *I think if you look at the first report of the Pensions Commission… what you find is a voluminous fact base… we were trying to make sure that people could not disagree on this analysis… I think it's very useful in these processes… to see if everybody agrees on the prognosis of what will happen if policy does not change.*[11]

The first report of the Commission, published in October 2004, was a formidable piece of analysis. The Pensions Commission were the first large scale users of the PENSIM 2 model, still used by DWP today, and original datasets were created. The report was 346 pages long and contained more than 250 graphs, tables and diagrams. The need for in-depth analysis became clearer with time as the Commission discovered that their analysis seemed to overturn some of the received wisdom, for example, on life expectancy projections.

The Pensions Commission's first report painted a stark picture of the problems of the pensions system. Traditionally, the UK had relied on a highly developed private pensions system offsetting a relatively ungenerous public system. The proportion of men in occupational pensions, however, had declined from a high of 58% 1958 to 34% in 1995.[12] Relatively generous Defined Benefit (DB)[13]

[10] Personal correspondence with author (September 2011).

[11] IfG Policy Reunion.

[12] Pensions Commission, *Pensions: Challenges and Choices* (2004); available at: http://image.guardian.co.uk/sys-files/Money/documents/2005/05/17/fullreport.pdf

private pensions had survived until the late nineties on the unsound foundations of a stock market boom and inaccurate forecasts of life expectancy increases.[14] Between 1995 and 2004, the Commission estimated that there had been a 60% reduction in the number of active members in private sector DB schemes, with further reductions predicted.[15] There had also been a shift to less generous Defined Contribution schemes (DC).[16]

millions of employees (United Kingdom)

	Private	**Public**	**Proportion of employees with**	
	Total	Total	DB	DC
1975	6.0	5.4	48%	1%
1979	6.1	5.5	49%	1%
1983	5.8	5.3	51%	2%
1987	5.8	4.8	47%	2%
1991	6.5	4.2	44%	4%
1995	6.2	4.1	42%	5%
2000	5.7	4.4	37%	4%
2004	4.8	5.0	35%	5%
2006	4.4	5.1	34%	4%

DB = Defined Benefit; DC = Defined Contribution.

It is assumed that all public sector schemes are DB

Government Actuary's Dept Surveys of Occupational Pension Schemes 1975 to 2005 (2005 Private sector only)

ONS First Release *Occupational pension schemes survey 2006* 10 July 2007

Source: adapted from House of Commons library Research Paper 07/94, p. 10; available at: http://www.parliament.uk/documents/commons/lib/research/rp2007/rp07-094.pdf

Due to increasing life expectancy and a low predicted birth rate, the Commission predicted that the percentage of the population aged over 65 would double by 2050, putting further strain on the pension system. However, perhaps the most shocking finding was that 60%, a clear majority, of employees over 35 were on course to have inadequate pensions.[17]

[13] A type of pensions scheme distinguished by the fact that it promises a given monthly benefit on retirement, usually determined by a formula based on some feature of the employees earning history, e.g. final-salary.

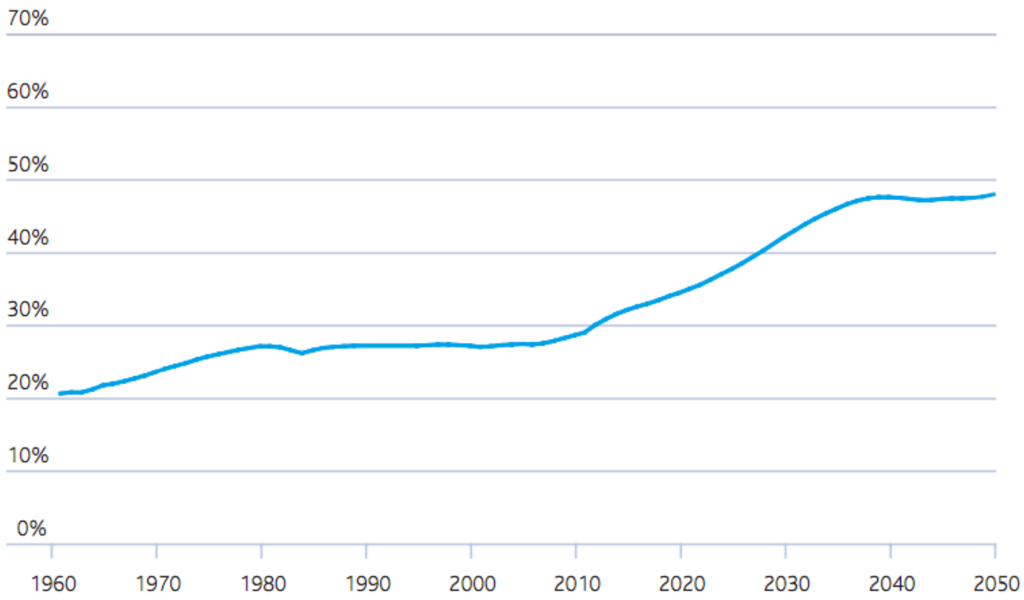
[14] In 2005, the Government Actuary's Department projected that life expectancy for women reaching 65 in 2050 would be a further 25.9 years. In 2001, the projection was 21.9 years.

[15] In 2006, the average employer contribution by employers to open DB schemes was 14.2% and to DC schemes was 5.8%; see ONS, *Occupational Pension Schemes Survey 2006* (2007).

[16] A type of pension scheme that specifies a particular monthly contribution to a pension pot. The monthly benefit on retirement is then determined by the amount saved and the return on those savings.

[17] Pension Commission, *Pensions: Challenges and Choices*, p. 160.

Figure 1.6 Old-Age Dependency Ratio: All 65+: 20-64, UK



Source: GAD 2002-based principal population projection, UK
ONS Population estimates unit, UK

Source: Reproduced from *Pensions: Challenges and Choices: The First Report of the Pensions Commission* (2004), p. 7.

Private savings were not responding on anything near the scale required to offset these developments and were, in any case, highly unequally distributed. The combined result of all this was that, on a business as usual path, pension accrual was *"both deficient in total and increasingly unequal."*[18]

The report established what Adair Turner referred to as three *"killer facts."*[19] The first of these was that the proportion of UK private sector workers relying entirely on the state sector pension was 46% in 1995 and had risen to 54% by 2004. This powerfully illustrated the failure of private sector pensions and the weight of responsibility under which the state pension was labouring. The second 'killer fact' was that only about 0.5% of people make pension saving decisions on a rational basis of the type economists use to model and predict behaviour, taking into account interest rates, discount rates and the net present value of their assets. Rather, they enter into pension arrangements if they are compulsorily enrolled by the state, if they are automatically entered into a scheme as a by-product of employment or if a pension provider goes to them direct to sell them a pension. The third fact was that it was impossible for small and medium sized enterprises to offer

[18] Ibid, p. xi.
[19] IfG Policy Reunion.

occupational pensions without administrative fees so high that they ended up consuming a punitive proportion of the employee's contributions. The cost of a pension scheme for a small employer was 1.5-2.0% a year – compared to 0.1% for a Unilever – that ate up 30% of the potential pensions entitlement for an employee.

The central thrust of the first report was to make it quite clear that the nation faced an unavoidable choice between four possible options: stick with the business as usual option and allow pensioners to become poorer relative to the rest of society; increase the amount of tax revenue devoted to pensions; increase private savings; or raise the average retirement age. The report argued that the first option seemed unattractive and, given that the proportion of GDP transferred to pensioners would have to rise from 10% to 15% to maintain pensioner's living standards, none of the other options would be able to shoulder the load on their own. This analysis helped define the problem in a very different way to the government's initial intent – from being an issue of the divide between those with defined benefit versus defined contribution, the Commission's analysis showed that the real cliff edge was between those in the private sector enrolled in an occupational scheme of any sort and those with no provision at all. The analytic base in the first report provided a powerful case for the need for reform. The *Economist* wrote that *"Denial is government's first response when pensions policy goes wrong… But a landmark report this week from the government-appointed Pensions Commission has made denial impossible."*[20] Before the Pensions Commission report came out, the state pension age was unmentionable, but the evidence in the report made discussion of it unavoidable. Including the pension age in the policy mix opened up the option of a better pension at a later age.

Consensus building and depoliticising of the issue were still at the forefront of the Commission's strategy. Though the team had become clear on the overall direction of travel by the summer of 2004, a little over a year after its establishment, they stuck to the two stage process.[21] The Commission wanted to build proposals which, in the words of Jeannie Drake, *"would hold"* in the long term.[22] The Commission was careful to avoid pointing the finger at anyone in particular for the current state of private sector pension policy, instead stressing the cumulative effects of past policies. But their analysis meant that the state pension had to come into play to prevent spreading means testing becoming too strong a disincentive to private savings. It also meant that new approaches were needed to change the default on private pensions provision and the Commission's *"big idea"* was to use the insights of behavioural economics to understand why people saved so little and to frame proposals for auto-enrolment in employer schemes, *"the last piece in the jigsaw"*.[23]

The Commission spent a lot of time and effort on high risk strategies to build consensus on the way forward. The Commission organised a large meeting at the Excel centre with ninety of the major stakeholders, including industry bodies and the relevant NGOs, divided into one and a half hour

[20] 'Harsh Choices', *The Economist* (14 October 2004), available at: http://www.economist.com/node/3291534?story_id=E1_PNJTVPQ

[21] IfG Policy Reunion.

[22] IfG Policy Reunion.

[23] IfG Policy Reunion.

slots to take people through the analysis and the options. DWP held events across the UK, each attended by around 300 people, testing citizen's responses to the report's findings. Even the DWP Permanent Secretary participated in one. Significantly, pre-polling showed that 80% of participants were averse to raising the state retirement age at the start of the day; whereas, at the end of the day, having been taken through the analysis, attitudes were *"fundamentally different."* The department found it *"fascinating"* to see how people reacted to the proposals.[24]

The Commission were careful to consult with the Shadow Cabinet Minister for Work and Pensions, David Willetts, as well as the Liberal Democrats, the CBI and TUC. The Commission also had a very effective media strategy – particularly engaging Nick Timmins on the FT who followed the work of the Commission very closely – to head off ill-informed or adverse press comment.

Decision

The Commission's second report, published in November 2005, made recommendations for reform that went well beyond its initial limited remit.[25] The first recommendation was the creation of a low cost, nationally funded pensions saving scheme which individuals would all automatically be enrolled onto, with the option of opting out. This would help overcome the problem of inertia and the inefficiency of small and medium enterprises provided occupational pensions. The second was to make the system less means tested, in order to minimise disincentives to saving, financed partly by an increase in taxes devoted to pensions. Lastly, the Commission recommended re-linking the basic state pension to average earnings growth financed in part by a steady increase in the state pension age designed to keep the proportion of life spent in retirement constant. In 2005, John Hills delivered the Beveridge memorial lecture to the Royal Statistical Society. In his conclusion, Hills warned:

> *There may have been queues round the Stationery office when Beveridge's report was published… But the queues were probably longer for the film 'Casablanca' that was released a week earlier. Those who have seen it will remember the moment when Humphrey Bogart explains to Ingrid Bergman why she must get on the plane with the dull but important Victor Lazlo, rather than staying with him. We are in the same position on pensions reform. As Bogart might have put it, if we miss the opportunity we have now to construct a way forward, we shall regret it… for the rest of our (hopefully lengthening) lives.*[26]

The participants at our policy reunion paid tribute to the representative bodies who recognised the importance of pensions reform and supported a policy which was likely to antagonise many of their members. In Adair Turner's words, *"We had tremendous leadership from a lot of stakeholders really*

[24] IfG Policy Reunion.

[25] Pensions Commission, *A New Pensions Settlement for the 21st Century* (2005).

[26] Lecture published as John Hills, 'From Beveridge to Turner: Demography, Distribution and the Future of Pensions in the UK', *Journal of the Royal Statistical Society*, vol. 169:4 (2006), pp. 663-679

putting their necks on the block to bring their groups along."[27] Getting approval from the TUC was likely helped by having Jeannie Drake on the committee, but sacrificing the sacred cow of increasing the retirement age still proved very controversial. James Purnell described their support as *"very brave"*, pointing out that their members passed several resolutions against the proposals at the TUC conference that year.[28] The CBI objected to the Commission's recommendation, in the second report, that employers should be made to contribute to the new funded pensions, but largely welcomed the report. Sir Digby Jones, then Director of the CBI, commented: *"The CBI has supported the Pensions Commission's analysis of the UK's pensions system, which marks a watershed in the public's understanding of the looming pensions crisis and the need for long-term reform."*[29] Other organisations, such as the Engineering Employers' Federation, representing smaller employers were also cooperative and James Purnell noted the helpful role of the Women's Pensions Network in characterising women's pensions entitlement as a moral issue.

The Pensions Commission also created space for measures that had previously been seen as unthinkable – like raising the state pension age. At the policy reunion, James Purnell noted that:

> *Raising the state pension age is one of things which you kind of think 'Oh my god, if you say this everybody is going to go crazy.' But you said it lots and lots of times in a series of controlled explosions and it went from page one of the paper, to page three to page five. And by the end it was 'Oh yeah, everybody knows they're raising the retirement age.'*[30]

However much external consensus the Pensions Commission succeeded in creating, there were still difficult divisions within government to be overcome. As Adair Turner noted at our policy reunion, an independent commission can only take issues so far – it can set out problems and depoliticise them, but final decisions have to be for ministers. The Commission had deliberately ensured its independence by keeping drafts from ministers until they went to the printers.

In the run up to the publication of the commission's second report a letter from Gordon Brown to Adair Turner was leaked to the FT in which the Chancellor suggested he would not be able to implement Turner's proposals, specifically the recommendation for linking pension payments to earnings, for reasons of cost. According to the Bagehot column in *The Economist*: *"The letter's purpose was to cast doubt on Lord Turner's sums. As everyone in Westminster knows, Mr Brown has been quietly denigrating the commission for more than a year."*[31] The Treasury produced an alternative state pension plan which Brown wanted to announce in the Budget just 9 days later. There followed a series of intense bilateral meetings between the key players which have been widely documented.[32] The Treasury won some concessions, but the Pensions Commission proposals survived broadly intact, which participants at our policy reunions attributed to the time and effort

[27] IfG Policy Reunion.
[28] IfG Policy Reunion.
[29] CBI, 'Turner Report "most serious proposal for pensions reform yet"' (30 November 2005)
[30] IfG Policy Reunion.
[31] 'Gordon's Way', *The Economist* (1 December 2005); available at: http://www.economist.com/research/articlesBySubject/PrinterFriendly.cfm?story_id=5246691
[32] See Seldon, *Blair Unbound*, pp. 401-4, 461-5.

the Prime Minister was willing to devote to the subject and the steadfastness of the new Works and Pensions Secretary, John Hutton, as well as the political skills of Adair Turner and the fact that the Commission were prepared to be flexible. At our policy reunion James Purnell explained what he thought distinguished the work of the Pensions Commission:

> *In pensions, we had lots of initiatives and not many solutions, we had had stakeholder pensions, publicity campaigns, we had been going to companies to try and persuade them to get more people to take up pensions, we had initiative after initiative after initiative. But the combination here of being clear what the problem was, what the evidence was and then having a solution, makes this very hard to unpick.*[33]

Implementation

In May 2006, the government published *Security in Retirement: Towards a New Pensions System.* The report signalled the government's commitment to the Commission's proposals and set the stage for two pieces of legislation to make them law.

Issue	Turner Report	White Paper
State Pension Age	Rising to 67-69 by 2050	Rising from 68 from 2044
State Pension	Linked to earnings by 2010	Linked to earnings, probably by 2012
National Pension Savings Scheme	Automatic enrolment if no work scheme	Automatic enrolment from 2012, but workers can opt out
Default Contributions	3% employers, 4% workers, 1% government	3% employers, 4% workers, 1% government
Help for Women	Full state pension to all over 75 based on residency not NI contributions	NI contributions reduced to 30 years
System of Regular Review	Successor body presenting a report every 3-4 years	No system of regular review

The 2007 Pensions Act was the first stage of the changes and included restoring the earnings link, raising the pensions age, reducing contributions requirements and ending the opportunity to opt out of the additional state pension. A second Act in 2008 put in place measures to address the lack of pension provision in the private sector including the creation of new low cost savings vehicles and an obligation on employers to enrol all employees.

[33] IfG Policy Reunion.

Consensus

By the 2005 election, both the Conservative Party and Liberal Democrats had pledged to re-link the state pension to earnings. The Labour manifesto, on the other hand, made few if any specific proposals on further reform. Both the 2007 and 2008 Pension Acts enjoyed broad cross-party support though there was some criticism of the means-tested elements in the 2008 Act. Since the election, the coalition Government has continued with the reforms (most of which are due to take effect in 2012), but has accelerated the raising of the state retirement age taking account of the increase in life expectancy from the projections on which the Commission's recommendations were based.

The actual impact of the changes will not be seen until they are finally implemented – in particular, it is not yet clear how far very small employers are aware of their new pension obligations. The state of the stock market has undermined the value of many people's pension savings and, as a policy reunion participant pointed out, perhaps brought into question the wisdom of tying people into the stock market. The Pensions Commission only looked at the state pension and private pensions: although the last government made some attempts to reform public sector pensions, the coalition Government set up a review – under the newly ennobled Lord Hutton – to look at their future. The Independent Public Service Pensions Commission published a final report in March 2011 that recommended existing pensions should be changed from a final-salary basis to a scheme based on average pay over a worker's career. The Government has accepted this proposal, along with the report's call to raise the age at which people are entitled to draw their public service pension to the same as the state pension.

Reflections

The story of the Pensions Commission is rich with lessons for policy makers:

First and foremost, it is a powerful example of when and how independent commissions are valuable. Pension reform was a politically sensitive, analytically complex and widely consequential issue. The personal chemistry between the Commissioners worked well and the decision to have three Commissioners worked effectively, to allow them to reflect different interests but forge a common view. Key to its success was finding an effective Chair who could manage both the analysis and the politics. Also important was maintaining its independence from government, an impression which was underlined by media reports of Treasury unhappiness with the first report when it came out.

Splitting the process into the diagnosis and prescription stages helped to further depoliticise the debate and allowed the Commission to consult with the broad range of people who had an interest in pension policy. Securing agreement on the facts ensured the Commission's arguments had been properly stress tested and gave them additional authority. The rigour of the Commission's approach (and the Commissioners' ability to engage with the analysis) gave its recommendations authority.

Another feature was the emphasis on the openness of the process. The Commission actively sought engagement – and used deliberative techniques to get a public perspective on the changes it was proposing. Rather than shy away from the media, it had an active communications strategy.

Another major lesson is the importance of time in the policy making process. The long time period allowed significant analytical and consultative work to be undertaken by the commission. The length of the Commission's work also allowed it to break some significant taboos. The quality of the analytic work undertaken was key to the reports persuasive power. At our policy reunion, Gareth Davies, social security adviser at the No. 10 policy unit at the time, observed that *"There were lots of reviews in my time at No. 10 that didn't go anywhere… the amount of time the Commission had… gave them the time to build the analytic base and consensus that something needed to be done."*[34]

Another big lesson is the importance of political leadership. From 2002 onwards, Tony Blair gave significant attention to pensions, a remarkable five to six hours a week in the run up to the final negotiations. At our policy reunion, Gareth Davies stressed the importance of this point: *"No. 10 is never short of recommendations about how it can improve the world. The real question is where PMs want to spend their time and effort, their currency."*[35] Ministerial political leadership was also crucial at several points, not least when John Hutton was made Secretary of State at DWP only four weeks before the report was published. At the time, the Treasury were putting pressure on DWP to water down the Commission's proposals, but Hutton stood behind the original set of recommendations despite being relatively new to the issue.

Finally, the Pensions Commission was successful because it carefully managed the trade-offs between the different stakeholder groups which meant it couldn't be branded 'pro-business' or 'pro-labour'. All the major groups stood to lose something from the process: businesses had to make compulsory contributions; the TUC accepted workers would have to wait longer before they could retire and government was agreeing to reverse a big fiscal win in terms of not agreeing to earnings up-rating. This allowed the TUC and the CBI to support a controversial measure. Though they were all set to lose, they could see that everybody was giving something up in order to achieve a better situation overall. Indeed, Dr Leandro Carrera from the LSE commented at our policy reunion that this is a common feature in successful pension reforms.

[34] IfG Policy Reunion.

[35] IfG Policy Reunion.

List of Participants at Policy Reunion

Name	Role during this ‘Policymaking Process’
Lord Adair Turner	Chairman of the Pensions Commission (2002-06)
Baroness Jeannie Drake	Commissioner (2002-06)
Rt. Hon. James Purnell	Member of Select Committee on Pensions (2001-03); Minister of State for Pensions (May 2006)
Gareth Davies	Adviser, Number 10 Policy Unit
Trevor Huddleston	Head of the Pensions Commission Secretariat and Analytical Team (2002-06)
Phil Wynn Owen	Financial Sector HM Treasury (2003-04); Director-General, Strategy and Pensions, DWP (2004-9)
Dr Leandro Carrera	LSE Public Policy Group – Academic Discussant