Institute for Government Pensions Commission policy reunion

Seminar report, 9 December 2010

Introduction

As part of the Institute for Government's "better policy-making" project, we reuniting groups of people involved in successful policies of the last thirty years. The reunions allow participants to talk through the process, choices and decisions that shaped the outcomes. The aim is to produce an in-depth understanding both of the policy itself but also of the wider system within which it was shaped. In doing so, we wish to shed light on the role of Ministers, civil servants and external players. The Institute will use the "reunions" to inform our better policy making project, as well as producing individual case studies.

On 9 December 2010, we invited the members of the Pensions Commission, government ministers and civil servants to reflect on the way in which the Commission had helped to reform pensions. Those present included Commissioners and their officials, including the Chair, Lord Turner; the former Minister for Pensions and Secretary of State, the Rt Hon James Purnell; and officials from DWP and No. 10. A list of those who attended is at Annex B; a timeline of the key events is at Annex C.

The objective of the reunion was to understand both how policy was developed and to understand the factors that contributed to the success of the review, when so many other independent reviews fail. 'Success' in this case was defined as achieving broad agreement on the need to tackle future pension provision and on the preferred future options - though actual reforms are yet to be implemented.

As preparation, we asked all participants to fill out a "policy typology" to allow us to understand how far people agreed on the key characteristics of the policy. Full responses are summarised in Annex D, but the key features to emerge from that typology were:

- General agreement that the Prime Minister was both the originating actor of this policy and its main government 'owner', with a strong, long-term commitment to the policy,
- Agreement on the level of public salience surrounding the policy and the anticipated media reaction to the policy,
- Agreement that there was a significant degree of controversy surrounding the policy within the party of government,
- Disagreement over whether the goals and objectives of the policy were well-defined or contested, whether the evidential basis was contested or unambiguous, and over the level of party political controversy surrounding the policy (whether the controversy surrounding the policy was limited because of agreement, or a significant and major point of conflict between the parties).

This formed the starting point for the discussion.

Method

We conducted the reunion as a discursive process, designed to bring out differences and success factors at different stages. What follows are the key points to emerge in the session. This is not intended to be a comprehensive historic account, but to shed light on how events played out and what this tells us about the policy making process in Whitehall.

The reunion

Stage 1: the context

(In this section we wanted to explore what brought this issue onto the agenda? How did different players see the problem? Where were the politics? The media? How was the timeframe for action perceived?)

The backdrop to the Pensions Commission was immediate concern about the default risk on private pension schemes and the fact that the closure of private pension final salary schemes was gaining momentum. The government moved swiftly to tackle the former problem, but there was growing concern in No.10 about levels of future provision. During the 1990s, aggregate pension provision was not seen as an area of concern – and no government department was in charge of overall policy towards income in old age. One consequence of this was a lack of data or understanding of the scale or nature of the problem.

The impact of the decision to link the state pension to prices, not earnings, meant that the state pension was becoming increasingly ungenerous. In order to address the issue of pensioner poverty, the Chancellor had extended means testing, topped up through the pensioner credit; this had succeeded in its short term objectives, but had potential long-term consequences for private saving.

Earlier reform attempts had either been "lowest common denominator", as in the 2002 White Paper, or "initiatives", for example campaigns to promote enrolment. None had offered a comprehensive solution.

Stage 2: the initiation

(In this section we explore how the issue was specified. Who decided on the process and what were the choices that determined that? How were people brought into the process? What handling issues were identified and how was it proposed to resolve them? How was the team assembled? Were there resource issues and how were they decided? What else needed to be resolved before "work" could get going?)

The initiative for the Commission came from the Prime Minister, who wanted to take the issue out of politics. Lord Turner was asked to chair the Commission at the tail end of 2002 – and the Commission itself was up and running by April the following year. There was debate within Whitehall about how many commissioners to have – originally one was proposed, while the Treasury pushed for a lot of Commissioners. The final decision to have three was due more to "luck" than anything else – this number meant they could act as a team. The three Commissioners (Lord Turner, Professor John Hills and Baroness Jeannie Drake from the TUC) were nominated by the PM, the Secretary of State and the Chancellor.

The Treasury agreed to the Commission only on the basis of a restricted remit that mean that it could not look at the state pension. But the Commission secured a remit that allowed it to look at "the impact of the state pension on private savings", which allowed it to bring issues around the state pension into play. The Prime Minister would probably have preferred a wider remit looking at the entirety of pension provision. The remit also imposed a long timetable for the Commission, with its final report not due until well after the 2005 election, which at the time was seen as a way of "kicking the issue into the long grass".

Staffing of the Commission was largely drawn from DWP, although Chinese walls were established between the department and the Commission. The Secretary of the Commission remained in his role as head of analytic services at DWP, for example. The the secretariat remained very small: only 6 analysts worked there. The working style was very much derived from Lord Turner's McKinsey heritage: there was a lot of emphasis on going back to original data, building models from scratch, and going directly to leading international experts (for example, on the macroeconomics of pensions). None of Lord Turner, Professor Hills, or the secretariat head had focussed on pensions issues before, so they were able to bring a fresh perspective. All the Commissioners were very prepared to get stuck into the data and analysis, and bonded as a cohesive team at a series of dinners they hosted for each other.

The department established a parallel team to handle the Commission's findings, and the Commission team were very good at respecting the Chinese wall with the department. Because of the Chinese wall arrangements, the department had to second guess the likely proposals in order to advise Ministers on how to react. No.10 played an important role in keeping the space open for the Commission to develop its recommendations.

Stage 3: the options

(In this section we look at the process for surfacing options? What evidence was available and how was it used? What unexpected issues came to light? Who was involved and at what stage? Were there "unthinkable" options and how were they kept on or off the table? How were Ministers/ external stakeholders/implementers/ citizens involved? Other departments/centre? How did the key choices emerge?)

Lord Turner explained the approach the Commission adopted. It consciously took the decision to divide its approach into two phases. The first was to establish the fact base. The first report did this – and was deliberately voluminous with multiple appendices. The Commission had to build its own modelling capacity from scratch. The data analysis was exhaustive: in one area where there was no prior data (pensions provision among ethnic minorities) the team ended up assembling a pack that was 420 slides long. The Commission also spent time getting to grips with fundamental drivers such as population dynamics. The Commission analysed what was happening to life expectancy, which Lord Turner said everyone thought they understood but didn't, and the implications of forms of pensions saving for incomes in retirement. The end result were "killer facts" - of which the most important was that the number of people in the private sector relying solely on state provision was 46%, and by 2004 would have increased to 54%. The Commission established that there had never been a “golden age” of pensions.

The second crucial insight was on what worked. The killer fact was that people simply did not follow a rational economic approach to determining their level of pensions saving, where they would make decisions based on the NPV of future income based on their personal time preference. Just 0.5% of the population made a decision on that basis. What determined whether people saved for their pension was whether they were enrolled by the state; whether they had a pension as a by-product of their job; or whether a pensions seller sold it to them. It was impossible to sell pensions to people working for SMEs because the costs were prohibitive (the Commission established that the industry were not “crying wolf” on that): the cost of administering a pension for a small employer required an annual charge of 1.5-2.0%, which effectively meant people lost 30% of their pension entitlement. In contrast, the cost of administering the Unilever scheme was 0.1%. The end result was that for many people, reliant on the state, the UK had the least generous pension provision in the developed world. The Commission and secretariat developed the first model (PENSIM) to be able to predict future pension entitlement under a range of scenarios.

The aim of the first report was to put out the analysis, to check people agreed with the facts and the prognosis. The Treasury did not object to it. The Commission held seminars with groups of interested parties to take them through the analysis. There was no attempt to “blame” anyone for the perceived crisis, but rather to recognise that this was the result of the cumulative impact of multiple decisions over time. But getting that agreement on the facts was crucial to the next phase of building consensus around the proposals for action.

The Commission itself had reached broad agreement on the outline of its recommendations by summer 2004 – a year after its establishment - but stayed with the two stage approach. The analysis dictated the logic of its proposals: something needed to be done for the 54% of people without a second pension, and that meant doing something about the costs. The Commission’s “big idea” was applying the principles of behavioural economics – with its emphasis on how people actually take decisions and the importance of hyperbolic discounting, status quo bias and framing – to come to a solution. That led to proposals for auto-enrolment (the “last piece of the jigsaw”), and new obligations on small employers to provide pensions. And the focus had to be on the 54% without a second pension - not the top 10% losing access to final salary schemes, which so preoccupied the personal finance pages of the newspapers.

These conclusions also meant that the state pension had to come into play. The result of the extension of means testing, which had been an effective short-run means of reducing pensioner poverty, meant that in the long-run there was a disincentive to private saving.

The analysis made clear that there was a choice between the status quo with an inadequate state pension and a low retirement age, or a higher pension funded either by a later retirement age or increased taxation. Restoring the earnings link, broken in Mrs. Thatcher’s first term, and raising the retirement age were both “shibboleths” in DWP, and were assumed to be off the table. James Purnell noted that one effect of the Pensions Commission work was to challenge those assumptions and make the unthinkable thinkable – taking the idea of working longer from headline news in the newspapers, to page three, then deep in the middle of the paper as it became less controversial. The proposals on the state pension were the area of most controversy with the Treasury.

Stage 4: The decision

(in this section we explore the process around making the final decision. How were conflicting departmental positions/ HMT/ No.10 handled? Were there significant compromises? How were Parliament and the media handled? How was implementation set up? Who played what role in the process?)

The Commission wanted to make proposals which Baroness Drake described had the potential "to hold" for the long term. So it spent a lot of time and effort in some high-risk strategies to build an external consensus on what needed to be done. One feature of the proposals was that there was both pain and benefit all round – for employers, who had to accept increased responsibility for pensions provision; for the TUC, who had to accept a rise in the retirement age to 68 (which was particularly difficult for manual workers); and for the Exchequer, which had to take a hit on restoring the earnings link.

The Commission had an extensive programme of stakeholder engagement. They had a big meeting in the Excel centre with 90 people from the industry and NGOs, which they divided into one and a half hour slots to take people through the analysis and the options. Some stakeholders took very brave decisions to support the proposals. They included: the TUC, helped by Baroness Drake's role on the Commission; the CBI, who framed the issue for business as paying now or paying later; and even small employers' organisations, such as the Engineering Employers Federation (although it was noted in discussion that it is very hard for micro-employers to have the capacity to engage in this sort of activity – though the Commission did try to capture their views through focus groups). The Commission also had Pension Days around the country to engage ordinary people – 300 at a time. Pre-polling revealed that 80% of them went in sceptical about the need to raise the state pension age but their minds had changed by the end of the day, after they had been taken through the options. Even the Permanent Secretary participated in one and "spoke to the nation" – and the department found it "fascinating" to see how people reacted to the proposals. James Purnell noted that one helpful feature was the strong moral element in the proposals – particularly around the issue of women's pension entitlement, in which the Women's Pensions Network played a key role.

The Commission had an active and effective media strategy – particularly engaging Nick Timmins on the Financial Times – which enabled them to head off potentially adverse or ill-informed press coverage. Mervyn Kohler of Age UK said that Nick Timmins should be regarded as the "fourth member of the Commission".

The report was finally launched on 30 November 2005 (with an additional set of issues picked up in a "coda" published in April 2006). The government had not been consulted in advance on what it would say. Lord Turner noted that an independent commission can only take issues so far – it can set out options and depoliticise the issue – but final decisions have to be for Ministers.

The degree of external consensus that this generated was an important issue and the fact that the proposals required a logical response forced Ministers' hands. The Prime Minister was very engaged, devoting some 5-6 hours a week to getting agreement and being really on top of the detail. But the proposals were controversial within government and the then Secretary of State, John Hutton, resisted the temptation to compromise and split differences to get agreement within government; he was prepared to take on the Treasury, who wanted to lead on their own pensions reform.

James Purnell noted that one factor which helped was that the Commissioners were "tough but not inflexible" - hanging on to 90% of their proposals, while accepting some modification.

Stage 5: The hindsight

(in this section we ask what worked and what didn't? What could/ should have been done differently? What were the big surprises?)

The big successes were changing the terms of debate on pensions, breaking taboos, and achieving a wide external consensus. As a result, the government created the infrastructure for a reformed system. Dr Carrera said that the UK Pensions Commission met the criteria for successful pensions reform:

- Autonomy of decision-makers
- Independence from vested interests
- Good management of trade-offs between policy options
- The role of support from the government
- The role of political consensus

Particularly important was the long process, the fact-based approach and the first report, which provided the basis for options and the successful engagement of stakeholders.

We asked panel members what they saw as the things that could have been done differently. Issues were:

- In the light of what happened with the stock market in the crash, did they look enough at the risk of individuals investing in the stock market?
- Were the proposals bold enough – on the speed of raising the retirement age and on simplification, given what the current government is doing?
- Was the scope wide enough – could it have also looked at public sector pensions or the link to social care?
- The narrow terms of reference were time-consuming to navigate and caused unnecessary complexity – it got exhausting trying to manage round them
- There was too much compromise with the industry on the maximum contributions and on flexibility of transfers – too many people had multiple small pension pots and the chance was missed to enable those to be put together
- The Commission was weaker on the implementation issues on the start-up and funding of National Employment Savings Trust
- The Commission spent a lot of time building consensus with external stakeholders but possibly not enough time building knowledge in political parties – although the Commission had engaged with David Willetts, for the Conservatives and with David Laws and Steve Webb for

the Liberal Democrats. This meant that the Commissioners had to keep going back to re-persuade the parties of the case for action
- Finally, it was pointed out that the real proof of success had to wait for the implementation of the changes – which had yet to happen.

Conclusions: the critical success factors

Based on the reunion, the critical success factors seem to be:

- The **Commission** itself – the ability of the Chair to combine skills of deep data analysis with acute political handling skills to navigate the politics within and outside government, including managing through Treasury restrictiveness; the cohesive nature of the Commission, their personal involvement in developing the proposals and their ability to develop a "shared view" and then line up behind the proposals. The Commission's small size also allowed them to act "as a team".
- The **two stage approach**, the emphasis on rigorous data and analysis, and the willingness to look from first principles. These meant that when people bought the analysis they had to accept the case for action. Also, the **timing**, with the main report coming out early in a Parliament, was fortuitous.
- The integration of **behavioural economics** - to understand what really drove pensions choices and how to design a system that would work with "irrational" choice-making.
- **Open processes –** even though the Commission knew what it wanted to propose, it devoted extensive time and effort to taking all key **stakeholders** with it and to engage the public through **deliberative** methods on the analysis and the options. A number of stakeholders who might be expected to oppose ended up making brave decisions to support the proposals. This was combined with excellent **communication skills** – the ability to distil complex data into clear and comprehensible choices and a proactive media strategy.
- The concentration on producing a **few recommendations** which flowed logically from the analysis, which distributed the pain by internalising trade-offs, and which were underpinned by a clear strategic intent that enabled the Commission to manage through opposition;
- It was crucial that the Commission really was **independent** – with politicians only seeing drafts after they had gone to printers and therefore unable to suggest amendments. This setup protects politicians as well as the the Commission, since if they don't like it, they hadn't been in a position to negotiate it. The fact that parts of government didn't like some of the findings and that became known helped establish the Commission's credibility as an independent voice.
- The **role of the Prime Minister and Ministers at DWP** - the Prime Minister devoted a considerable proportion of his diary to making this work and got to grips with the detail; despite very frequent Ministerial changes at DWP, the crucial Ministers took ownership of the changes and forced them through
- The **department** – both through the skills and commitment of the staff who made up the secretariat but also through creating in-house capacity and continuity to see the reforms through.

Jill Rutter and Tori Harris
Institute for Government, December 2010

Annex A: Lessons for policy making

Barrier	Manifestation	Significance	Resolution
Relationships between civil servants and Ministers	Not relevant – but the commission worked extremely effectively with its civil service secretariat	NA	Ability of Commission to give concentrated focus over extended period in contrast to the short tenures at DWP – allowed a continuity that would have been absent if done in house.
Innovation	Need to take a complete relook at a misunderstood area	H	Establishment of Commission to depoliticise issue and be able to look at unthinkable issues. Space and time to come up with radical proposals
Adversarial political culture	Internal government conflict but also need to come up with long-term bipartisan solution; need also to manage media	H	Commission allowed progress to be made despite internal stalemate and build external consensus which helped build political consensus (internal and external)
Evidence	Generally absent	H	Commission put premium on rigorous data and analysis as building block for consensus
Evaluation	NA	NA	
Policy design	Failures of existing system to work for large numbers of people Implementation issues	H	Insights of behavioural economics used to inform new system design BUT potential lack of attention to implementation issues
Policy as a profession and a career	Use of CS analytic skills	H	Commission process put high premium on good analysis - -but bought in McKinsey data drilling through Lord Turner and academic rigour through John Hills. Very demanding of secretariat – but they responded very positively. Ability of Commissioners to engage with detail vital.
Europe	NA	NA	

Annex B – Participants

Participant	Role during this 'Policymaking Process'
Chair: Andrew Adonis	
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

Annex C –Pensions Commission timeline

2002

Context: The Government Actuary's Department (GAD) had projected that the UK ratio of 65+ year olds to 20-64 years olds would increase from 27% to 48% by 2050 (but even this assumed a dramatic slow-down in the rate of increase in longevity).

17th December **Government Pensions Green Paper published**

This paper set forward proposals for "better information, simpler pensions, simplified tax treatment, better protection and more flexible retirement… designed to enable people to make their own choices for retirement".[1]

The establishment of the Pensions Commission was also set out in the Paper, and its role defined as:
"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
- 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"[2]
The Commission's remit was not to consider the current standard of living for pensioners, but to find comprehensive recommendations for the future.

2003

June **Pension Commission published its work plan**

July **Employer Task Force on Pensions established by the Government**

The Task Force's key responsibilities were to "develop and promote the role of employers in pension provision and to encourage employees to save".

[1] Green Paper Executive Summary (http://www.dsdni.gov.uk/greenpaper_exsummary.pdf)
[2] Green Paper, also later in the Commission's Workplan p.2 (http://www.webarchive.org.uk/wayback/archive/20070801230000/http://www.pensionscommission.org.uk/publications/2003/pc-workplan.pdf)

2004

12th October **Commission published its First Report**

This report began by highlighting that changes needed to be made in response to greater longevity and shifting demographics which should "ideally" have been made in the last twenty years. It also recommended an increase in the average retirement age, and increases in either taxes, National Insurance contributions or private taxes.

It also noted that: "A muddle-through option does… exist. But it is highly likely that the muddle-through option will produce outcomes both less socially equitable and less economically efficient than we could achieve with a consciously planned response to the problems we face."[3]

18th November **Pensions Act 2004**

The Act abolished the previous regulatory authority and established the Pensions Regulator, giving the new body additional powers, and established a Pension Protection Fund**.**

13th December **Employer Task Force on Pensions Report published**

The Task Force described this process as "the 'last chance saloon' for voluntarism", while also noting the importance of government support in re-engaging employers.

2005

30th November **Pensions Commission published Second Report**

Among the report's conclusions was that:

- The current system of private funded pensions combined with the current state system will deliver increasingly inadequate and unequal results.
- These problems are not solvable through changes to the state system alone, nor by incremental measures to encourage voluntary provision. But attitudes to compulsion are ambivalent
- Analysis of pension systems and pension reforms in other countries suggests two major ideas of potential relevance to the UK

- The potential to reduce costs via a system of nationally administered individual accounts.

- The potential to apply automatic enrolment to pension saving schemes nationally as well as at individual employer level.

The report also made two key reform recommendations:

- "The creation of a low cost, national funded pension savings scheme into which individuals will be automatically enrolled, but with the right to opt out, with a modest level of compulsory matching employer contributions, and delivering the opportunity to save for a pension at a low Annual Management Charge."
- "Reforms to make the state system less means-tested and closer to universal than it would be if current indexation arrangements were continued indefinitely. In order to achieve this while maintaining the standard of living of the poorest pensioners it will need to be more generous on

[3] Pensions Commission's First Report, p.xi (http://www.webarchive.org.uk/wayback/archive/20070801230000/http://www.pensionscommission.org.uk/publications/2004/annrep/exec-summary.pdf)

average. In the long-term this implies some mix of both an increase in taxes devoted to pensions expenditure and an increase in State Pension Ages."[4]

1st December **Commission sought to clarify the costs of their proposals**

In addition to the methods used to estimate costs and how these amounts were expressed, this was particularly with regards to the comparisons made between their proposed package and other options (and the current system).

2006

February **CBI submitted a response to DWP following the Commission's Final Report**

According to the Commission's final report the CBI recommended:

- Automatically opt-in both employers and employees into an existing occupational pension scheme or the NPSS, but with the option to opt-out for both.
- Require Government to work together with business and trade unions to promote a national "salary sacrifice" pensions campaign – "Pension Builder" – that would make employee and employer contributions more affordable.

- Introduce a new targeted incentive for small employers employing up to 250 employees, at an approximate annual cost of £500m. The Government could choose from two potential incentives:
  – the "Partnership Pension" – providing matching Government contributions to boost pension saving amongst small firms and their employees.

– a pension tax credit – to incentivise and reduce the cost to small employers of making pension contributions.

- Encourage dialogue between employers and employees regarding whether to participate in a new national savings scheme, by ensuring that employers who choose to opt-out are required to explain this decision to their employees if there is demand for an explanation.[5]

4th April **Commission published its Final Report**

This report built on the two previous reports and reiterated its recommendations, taking into account some of the debate in the intervening months since the publication of its Second Report (in particular regarding the employer contribution and the design of the NPSS – National Pensions Savings Scheme).

May **Government published the White Paper "Security in Retirement: towards a new pensions system"**

This White Paper accepted some of the recommendations of the Commission's report and modified others.

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[4] Commission's Second Report, November 2005 (http://www.webarchive.org.uk/wayback/archive/20070801230000/http://www.pensionscommission.org.uk/publications/2005/annrep/executive-summ.pdf)
Also, *the beginning of the Commissions' final report (April 2006) says that the commission was then asked to stay "in being for several additional months in order to contribute to the public debate about those recommendations".*

[5] *"CBI submission to the Department for Work and Pensions: Responding to the Pensions Commission final report," February 2006.*

At a Glance: White Paper and Turner Report		
Issue	**White Paper**	**Turner Report**
State Pension Age	Rising to 68 from 2044	Rising to 67-69 by 2050
State Pension	Linked to earnings, probably by 2012	Linked to earning by 2010
National Pension Savings Scheme	Automatic enrolment from 2012, but workers can opt out	Automatic enrolment if no work scheme
Default Contributions	3% employers, 4% workers, 1% government	3% employers, 4% workers, 1% government
Help for Women	NI contributions reduced to 30 years	Full state pension to all over 75 based on residency not NI contributions

2007

July **Pensions Act 2007**

This Act implemented the reforms set out in the 2006 White Paper following the Commission's report, including:

- From 6 April 2010 the number of qualifying years needed to receive a full basic state pension was reduced from 39 years for women and 44 years for men to 30 years for men and women
- The annual cost of living increases in basic state pension linked to earnings rather than prices
- The contribution conditions for basic state pension were changed to be easier for everyone to build up some entitlement
- From April 2010 national insurance credits for parents and carers were introduced so that they can build up some entitlement to the additional State Pension
- From April 2012 the option to contract out of the additional State Pension into a defined contribution personal, stakeholder or occupational pension planned to end. People contracted-out into a defined contribution pension scheme at abolition to be automatically brought back into the State system and begin to build up entitlement to the additional State Pension.
- Provisions for the State Pension age is to rise to 60 up to 5 April 2010 for women and 65 for men, but after this date women's State Pension age to gradually rise until it reaches 65 in 2020
- Gradual increase of the State Pension age, between 6 April 2024 and 5 April 2046 from age 65 to age 68 for both men and women

2008

November **Pensions Act 2008**

This Act focused on measures to encourage greater private saving by individuals to supplement the basic State Pension. For example:

- Employers will have a duty to automatically enrol eligible workers' between the ages of 22 and State Pension Age into a qualifying workplace pension scheme

- National Employment Savings Trust to be introduced from 2012 as a new, simple, low cost saving vehicle
- Measures intended to simplify existing systems, alter the operation of the Pensions Protection Fund, and to extend the qualifying conditions for the Financial Assistance Scheme

2010

June **Emergency Budget Published**

The Spending Review committed to a "switch to CPI for the annual indexation of benefits and pensions" and that a proportion of the savings will be "recycled to fund a new triple guarantee that the Basic State Pension will be uprated by the higher of earnings, prices or 2.5 per cent each year."

Will Hutton asked to conduct a 'Review of Fair Pay in the Public Sector'

The Review was intended to "investigate pay scales across the public sector, and make recommendations on how to ensure that no public sector manager can earn more than twenty times the lowest paid person in the organisation". [6] The Independent Public Service Pensions Commission (chaired by Lord Hutton) is also intended to make "recommendations on how public service pensions can be made sustainable and affordable in the long-term, fair to both the public service workforce and the taxpayer, and ensure that they are consistent with the fiscal challenges ahead, whilst protecting existing accrued pension rights".

7th October **Interim report of Hutton Review published**

According to the CSR the Hutton Review interim report "highlights the importance of providing good quality pensions to public servants, rejects a race to the bottom in pension provision, but concludes that there is a clear rationale for public servants to make a greater contribution if their pensions are to remain fair to taxpayers and employees, and affordable for the country."

October **Paul Johnson's report "Making Automatic Enrolment Work" published**

A summary of its recommendations encompasses[7]:

- The earnings threshold at which an individual is automatically enrolled into a workplace pension is increased and aligned with the income tax personal allowance and the threshold at which pension contributions become payable is aligned with the National Insurance primary threshold. Workers can opt in to saving and receive an employer contribution if they earn between these two thresholds.
- There should be no changes to age thresholds.
- The automatic enrolment duties should apply to all employers regardless of size, as now.
- Communications to micro employers from the Pensions Regulator should flag as strongly as possible that the design of NEST specifically takes account of their needs, and should support easy access to NEST.
- DWP should look to provide maximum possible comfort to employers that they will not be held liable for their scheme choice, particularly if they opt for NEST or a stakeholder scheme to fulfil their new duties.

[6] http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm

[7] http://www.dwp.gov.uk/docs/cp-oct10-exec-summ.pdf

- There should be a simpler system by which employers can certify that their defined contribution pension scheme meets the required contribution levels.
- There should be an optional ‘waiting period’ of up to three months before an employee needs to be automatically enrolled into a workplace pension. Workers can, however, opt in during the waiting period.
- he largest employers, who are scheduled to be brought into the reforms in October and November 2012 should be allowed to automatically enrol ahead of the planned start date of October 2012, and as early as July 2012, if they wish to do so...Employers should be given flexibility around the date they re-enrol employees who have previously opted out by allowing a six month window for this activity to take place.
- NEST should go ahead as planned to support successful implementation of automatic enrolment.
- Legislation should make it clear that NEST’s ‘contribution cap’ will be removed in 2017.
- Government and regulators should review as a matter of some urgency how to ensure that it is more straightforward for people to move their pension pot with them as they move employer, so that by the time of the 2017 review the more general issue of pension transfers has been addressed and NEST is able to receive transers in and pay transfers out.
- Government should review as a matter of some urgency the scope for regulatory arbitrage between the trust and contract based regulatory environments.
- Government should continue with work to review whether the existing regulatory regime for the provision of defined contribution workplace pensions remains appropriate in the post automatic enrolment world.
- Government should ensure there are effective communications to individuals, employers (and especially smaller employers) and the pension industry in the lead up to and during the implementation of the reforms.

20th October Government published Comprehensive Spending Review

In the CSR the government announced its plans to “uprate the basic State Pension by a triple guarantee of earnings, prices or 2.5 per cent, whichever is highest, from 2011, while bringing forward the date at which the State Pension Age will start to rise to 66 to 2018 in order to ensure this is fiscally sustainable”.

In addition, in response to the interim Hutton Report of 7th October the government will:

- “commit to continue with a form of defined benefit pension;
- await Lord Hutton’s final recommendation before determining the nature of that benefit and the precise level of progressive contribution required;
- carry out a public consultation on the discount rate used to set contribution rates in the public service pension schemes;
- implement progressive changes to the level of employee contributions that lead to an additional saving of £1.8 billion a year by 2014-15, equivalent to three percentage points on average, to be phased in from April 2012;
- exempt the armed forces from this increase in employee contributions;
- launch a consultation on the Fair Deal policy, which Lord Hutton noted can create a barrier to the plurality of public service provision and make it more difficult to achieve innovation, to report by Summer 2011, informed by Lord Hutton’s final recommendations on structural reform; and

- seek engagement with all stakeholders including trade unions."[8]

"the Government will speed up the pace of State Pension Age equilisation for women from April 2016 so that Women's State Pension Age reaches 65 in November 2018. The State Pension Age will then increase to 66 for both men and women from December 2018 to April 2020. Following the faster increase to 66, the Government is also considering future increases to the State Pension Age to manage the ongoing challenges posed by increasing longevity, and will bring forward proposals in due course."

November **Interim findings of Hutton 'Review of Fair Pay in the Public Sector'to be published**

[8] http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

Annex D – Typology Questionnaire Summary

1) Who was the originating actor of this policy?	Prime Minister	PM/Secretary of State	Prime Minister	Prime Minister
2) Who was the main UK government 'owner' of this policy?	Prime Minister	PM/Multiple Secretaries of State/Other (Adair Turner and the Pensions Commission)	Prime Minister	Prime Minister
3) How strong was the commitment of this main 'owner' to the policy?	Strong, long-term	Strong, long-term	Strong, long-term	Strong, long-term
4) How well defined were the goals and objectives of this policy?	Well-defined	Contested	Contested	Contested
5) What degree of change to existing policy did this policy represent?	New response to a perceived new policy goal	New response to an existing policy goal	New response to a perceived new policy goal	New response to an existing policy goal
6) What was the perceived urgency of this policy?	Long-term issue	Long-term issue	Long-term issue	Long-term issue
7) What evidential foundation was there for this policy?	Contested	Contested	Unambiguous	Contested

8) What type of internal dependencies were involved with this policy?	Multiple Whitehall departments, complex 'delivery chain'	Multiple Whitehall departments, complex 'delivery chain'	Multiple Whitehall departments, complex 'delivery chain'	Multiple Whitehall departments, complex 'delivery chain'
9) What level of non-government stakeholder power surrounded this policy?	High power and varying goals	High power and varying goals	High power and varying goals	High power and varying goals
10a) Were there other dependencies surrounding this policy?	Yes			
10b) If 'Yes' please give details			Beyond getting the policy agreed, clearly there are many challenges relating to delivery, customer engagement etc	
11) What kind of legislation was required for this policy?	Primary legislation	Primary legislation	Primary/Secondary legislation	Primary legislation
12) What level of party political controversy surrounded this policy?	Significant - major point of conflict between parties	Limited because agreement	Limited because agreement	Significant and controversial
13) Was there a significant degree of controversy within the governing party?	Yes	Other - significant differences of opinion between HMT and others	Yes	Yes
14) What level of public salience surrounded this policy?	Significant and controversial	Significant and controversial	Significant and controversial	Significant and controversial
15) What was the anticipated media reaction to this policy?	Significant and contested	Significant and contested	Significant and contested	Significant and contested

Annex E –Further Reading

Giuliano Bonoli and Toshimitsu Shinkawa (eds), *Ageing and Pension Reform Around the World: Evidence from Eleven Countries*, Edward Elgar Publishing Ltd, 2005
http://www.ppge.ufrgs.br/GIACOMO/arquivos/eco02268/bonoli-shinkawa-2005.pdf#page=107

The Swedish Pension Reform – Some Lessons, presentation by Mr Bo Könberg (Lib.), former Minister for Health and Social Security in Sweden, at Hitotsubashi Winter Workshop on Pensions, Tokyo, January 10-11, 2002
http://hermes-ir.lib.hit-u.ac.jp/rs/bitstream/10086/14415/1/pie_dp46.pdf

Jan Selén and Charlotte Ståhlberg, "Why Sweden's pension reform was able to be successfully implemented", *European Journal of Political Economy,* Volume 23:4, December 2007
http://linkinghub.elsevier.com/retrieve/pii/S0176268007000171

Camila Arza, Martin Kohli (eds), *Pension Reform in Europe: Politics, Policies and Outcomes*, Routledge 2007 (In particular the chapter by Camila Arza comparing the political process in Beveridgean, Anglo-Saxon countries and Bismarckian, continental European countries)