EXPLANATORY MEMORANDUM TO

THE STATE PENSION REGULATIONS 2015

2015 No. 173

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Pensions Act 2014[1] ("the Act") introduces a new state pension for people reaching state pension age on or after 6 April 2016. These regulations support the introduction of the new scheme. In particular, they:

- specify the minimum number of years of National Insurance contributions or credits a person will need to qualify for any new state pension;
- specify the rate at which a person who defers claiming their new state pension will accrue an increase to their new state pension when they finally claim it;
- provide that the new state pension will not be payable to prisoners, except in certain circumstances;
- make transitional provisions enabling a person in the new state pension scheme to inherit a deferral payment where their deceased spouse or civil partner had deferred an old state pension; and
- amend regulations relating to the sharing of state scheme rights following divorce or dissolution of a civil partnership, as a consequence of new arrangements for state pension sharing.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 The majority of the provisions for the new state pension are contained in Part 1 of the Act. This instrument is the first set of regulations needed to implement details of the new scheme.

4.2 We plan to introduce further supporting instruments around the end of 2015. The key measures will specify the starting rate of the new state pension, make corresponding provisions to those in the old scheme[2] relating to up-rating of the new state pension for people living overseas, and provide transitional arrangements for the inheritance of graduated retirement benefit where a person's deceased spouse or civil partner was in the old state pension scheme. Those regulations will also include consequential amendments of other legislation to include references to the new state pension.

4.3 This is the first use of the regulation-making powers in Part 1 of the Act.

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[1] See http://www.legislation.gov.uk/ukpga/2014/19/contents

[2] For consistency with the Act, the current state pension scheme that will continue to apply to anyone reaching state pension age before 6 April 2016 is referred to as the "old" scheme.

5. Territorial Extent and Application

5.1 This instrument applies to Great Britain.

5.2 Subject to the agreement of the Northern Ireland Assembly, the Department for Social Development in Northern Ireland will be making corresponding provision for Northern Ireland.

6. European Convention on Human Rights

The Minister of State for Pensions, the Rt Hon Steve Webb MP, has made the following statement regarding Human Rights:

In my view, the provisions of the State Pension Regulations 2015 are compatible with the Convention rights.

7. Policy background

- What is being done and why

7.1 The background to the new state pension is set out in the White Paper *The single-tier pension: a simple foundation for saving*.[3] The following is a summary.

7.2 In 2005, the independent Pensions Commission, which was set up to examine the long-term challenges facing the UK pension system, published its second report.[4] Its recommendations included raising the state pension age in line with increases in average life expectancy and reforming the state pension to provide a decent and sustainable foundation for private saving. The ensuing state pension reforms introduced from April 2010 by the Pensions Act 2007[5] were intended to deliver improved coverage for groups historically poorly served by the state pension, a better foundation for private saving by linking increases in the basic state pension to earnings and, in the longer term, a simpler system.

7.3 While those reforms have delivered improvements, many problems persisted. The old state pension remains extremely complex, meaning that many people do not know what to expect when they retire. Around 40 per cent of pensioners currently are eligible for means-tested Pension Credit which potentially undermines incentives to save and further complicates pensioner incomes. In addition, despite the improvements since 2010 in women's basic state pension outcomes, without further reform, women's overall average state pension outcomes were expected to lag behind men's until the 2050s.

7.4 The 2014 Act radically restructures the state pension with the aim of delivering a simpler, flat-rate contributory pension that acts as a solid underpin for private saving, while costing no more than the old system rolled forward.

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[3] Cm 8528 https://www.gov.uk/government/publications/the-single-tier-pension-a-simple-foundation-for-saving--2

[4] http://webarchive.nationalarchives.gov.uk/+/http:/www.dwp.gov.uk/publications/dwp/2005/pensionscommreport/main-report.pdf

[5] http://www.legislation.gov.uk/ukpga/2007/22/contents

Overview of the new State Pension

7.5 The new state pension (formerly called the "single-tier" state pension) will replace the current, complex two-tier system of basic and earnings-related state pension with a single-component flat-rate pension set above the level of the means-test.[6]

7.6 A person with no pre-implementation National Insurance record will need 35 qualifying years of paid or credited National Insurance contributions to qualify for the full rate (£148.40 is the illustrative rate for 2014/15). They will need a minimum number of qualifying years (see paragraphs 7.16 to 7.23) to qualify for any state pension.

7.7 People reaching state pension age on or after 6 April 2016 whose working lives began before that date will qualify for the new state pension under transitional arrangements. Their pre-2016 National Insurance contributions and credits will be consolidated into a starting amount which will be the higher of two valuations; the first based on the old state pension rules and the second based on the new rules (with each pre-2016 qualifying year valued at 1/35th of the full rate of the new state pension). In both calculations, a deduction will be made to account for periods during which an individual was contracted-out of the additional state pension.

7.8 If the starting amount is less than the full rate, each qualifying year a person gains between 6 April 2016 and state pension age will increase their new state pension by 1/35th of the full rate, up to a maximum of the full rate. If their starting amount equals or exceeds the full rate they will not be able to add to it, but any excess will be awarded as a "protected payment".

7.9 These rules are designed to recognise a person's pre-2016 contributions and ensure that, subject to satisfying the minimum qualifying period condition by the time they reach state pension age, no-one will get a lower rate under the new scheme than they would have got based on their own contributions in the current scheme as at the date of implementation.

7.10 Amounts up to the full rate[7] will be up-rated annually by at least the increase in average earnings and protected payments will be uprated in line with price inflation. This contrasts with the current position for the old state pension in which only the basic state pension (currently £113.10 a week) is uprated by at least earnings, while the additional state pension is price-uprated. This will help ensure that the new state pension retains its value in relation to the basic means test.

7.11 The new state pension will be based solely on a person's own National Insurance record, reflecting the fact that the great majority of men and women now reaching State Pension age in Great Britain have the opportunity to qualify for a full basic pension themselves without the need to draw on a spouse or civil partner's contributions.

7.12 However, transitional arrangements have been put in place to recognise that, in the old scheme, a person's additional state pension could be inherited, either wholly or

[6] The benchmark is the Pension Credit standard minimum guarantee, an income-related benefit for pensioners which is £148.35 a week for a single person (2014/15 rate).
[7] Excluding any increase from deferring the state pension, which will be price-uprated as now.

in part, by their surviving spouse or civil partner or could be subject to a pension-sharing order following divorce or dissolution of a civil partnership (see paragraphs 7.41 to 7.47). Similarly, there are provisions to protect inheritance of the "reward" earned by a person deferring an old state pension (see paragraphs 7.37 to 7.40).

7.13 The Act also provides protection for certain women who, before 1977, had taken the option of the so-called "married woman's stamp", which did not count for state pension purposes, on the basis that they could draw a state pension on their husband's National Insurance contributions instead. Where the conditions are met, they will receive a state pension of not less than the standard rate of old scheme basic state pension they would have received on their husband's contributions, if it is more than they would get under the new state pension rules based on their own.[8]

7.14 Arrangements for deferring the state pension will also be simplified. People will be able to defer their new state pension and get an increased weekly pension in return (see paragraphs 7.24 to 7.32) but the alternative of a lump-sum payment – a feature of the old scheme – will not be available.

7.15 Certain rules which apply in the old scheme will continue to apply to the new scheme: these include rules on payability of the state pension to people while detained in prison (see paragraphs 7.33 to 7.36)

Provisions in these Regulations

Minimum qualifying period (regulation 13)

7.16 Before 2010, a person could not receive any basic state pension unless they had enough qualifying years to entitle them to at least 25 per cent. This meant a woman would normally need a minimum of 10 qualifying years and a man 11.[9]

7.17 This de minimis rule disproportionately affected women who took time out of employment to care for children at home, because childcare responsibilities did not then attract a contribution credit. Instead, they qualified a person for "Home Responsibilities Protection" (HRP) which worked by reducing the number of qualifying years they needed. A woman with 20 HRP years (the maximum possible) would therefore still need at least 5 qualifying years (out of a reduced requirement of 19 for a full basic state pension) to get any basic state pension.

7.18 The 25 per cent de minimis was abolished for people reaching state pension age on or after 6 April 2010 as part of the reforms introduced by the Pensions Act 2007 to improve coverage among women. However, the replacement of HRP with credits for future years and conversion of past HRP years into credits, combined with the reduction in the number of qualifying years needed for a full basic pension to 30, effectively negated the principal reason for removing the de minimis: a woman with 20 years of HRP converted into credits and four non-HRP qualifying years

[8] Employed married women and widows could elect to pay reduced-rate Class 1 NI contributions or, if self-employed, elect not to pay Class 2 contributions. To qualify for the protection, a woman's election will need to have still been in force at the start of the 35 year period ending on the 5th April before she reaches state pension age.
[9] A woman who reached state pension age (60) before 6 April 2010 needed 39 qualifying years for a full basic state pension; a man (with a state pension age of 65) needed 44.

would qualify for 80 per cent of the basic pension ($24/30^{ths}$) under the reforms compared to the 20 per cent (and consequently, zero) her four non-HRP years would have generated pre-reform.

7.19 Current projections by the Department indicate that in the medium and long term, abolition of the de minimis condition would have disproportionately benefitted people living outside the UK who were either short-term migrants or who migrated from the UK relatively early on in their working lives. In view of this, a minimum requirement is to be re-instated to ensure that the new state pension is targeted at individuals who have a strong connection, and have made a significant economic or social contribution, to the UK.

7.20 In the White Paper, the Government proposed a minimum qualifying period (MQP) of between 7 and 10 years for entitlement to any new state pension. On 3rd December 2013 the Government confirmed that the MQP – which, under the Act, is to be specified in regulations but may not be more than 10 years – would be set at 10 years.[10]

7.21 A 10-year MQP will require contributions for no more than around a fifth of a person's working life. Analysis of the impact of a 7 compared to a 10 year MQP on individuals reaching state pension age in the first four years of implementation (2016 to 2020) indicates that there is only a small difference in the numbers affected who will not qualify for any new state pension. A 7 year MQP is estimated to affect between one and two per cent (6,000 to 10,000) of individuals in Great Britain compared to between 2 to 3 per cent (9,000 to 12,000 individuals) affected by a 10 year MQP. In comparison, we estimate that 18 to 23 per cent (6,000 to 10,000 people) of the total number of individuals living overseas reaching state pension age in the same period will not qualify for a state pension because of the 10 year MQP. The net saving from the policy is estimated at around £650 million in 2040 (at 2013/14 prices).

7.22 A marginally higher proportion of women than men are affected. However, women who qualify under the special rules for those who held a married woman's or widow's reduced-rate election (see paragraph 7.13) are not subject to the MQP. It should also be noted that easements to the time limits for paying voluntary National Insurance contributions for tax years 2006/07 to 2015/16, which apply to people reaching state pension age under the new state pension scheme, will enable some people to achieve the minimum requirement.

7.23 As is currently the case for people who reached state pension age before 6 April 2010, years of insurance or residence in another Member State of the European Economic Area (EEA) or in certain countries with which the UK has a bilateral social security agreement (for example, the United States) will count towards the MQP. However, entitlement to new state pension will be based solely on UK contributions, on a pro-rata basis. For example, a person with only five years of UK National Insurance contributions who has a further 30 years of insurance in another EEA Member State would satisfy the MQP through the combination of their UK and foreign insurance and be entitled to 5/35ths of the full rate of the new state pension.

[10] Official Report 3 December 2013 (Commons) Vol. 571, Col. 44WS (Lords) Vol. 750, Col.WS18

Deferral of the new state pension (regulations 7 to 12)

7.24 The option to defer claiming the state pension in order to get an increased amount when it is finally claimed has been a feature of the scheme since it began in 1948. Under changes introduced in April 2005, people who defer for at least 12 months can choose between a pension increase (which forms part of their taxable income, as does their state pension) and a one-off taxable lump-sum payment based on pension foregone plus cumulative interest. At the same time the accrual rate for the pension increase was raised from the equivalent of 7.4 per cent of the deferred weekly pension for each year of deferral to 10.4 per cent.

7.25 However, research indicates that making deferral more financially attractive has little bearing on people's decisions about when to retire.[11] In addition, providing a choice of deferral payment is a significant complication, as evidenced by the fact that the leaflet the Department produces to help people choose runs to around 60 pages.

7.26 The Government recognises that deferring the state pension can be an important flexibility for some people, so deferral will continue to be available in the new scheme but will revert to the simpler, pre-2005 arrangement of a weekly pension increase only. This will not be inheritable, in line with the policy of simplifying the system and positioning the state pension as an individual benefit.

7.27 In the White Paper and accompanying Impact Assessment, the deferral rate for the new state pension was modelled at 1/10th of 1 per cent per week of deferral, or 5.2 per cent for a full year (half the current rate), reflecting the Government's intention to apply a rate that is broadly actuarially fair rather than the current, actuarially generous rate. The numbers affected per year were estimated to be in the low tens of thousands, saving around £200 million in 2020 and rising to around £300 million in 2030.

7.28 Following advice from the Government Actuary's Department (GAD) on an actuarially fair rate for deferral, the Government announced that it would be set at 1/9th of 1 per cent of the weekly pension for each week of deferral (regulation 10), equivalent to just under 5.8 per cent for a full year.[12] Section 17 of the Act provides that (as now) any increase of less than 1 per cent is not payable, so a person must defer for at least 9 weeks to get an increase.

7.29 The GAD report[13] provided a wide range of possible "fair rates" (from 5.7 per cent to 8.5 per cent per year of deferral) based on different assumptions. The report confirms that the current rate of 10.4 per cent exceeds what is needed to deliver actuarial fairness under any of the assumptions used by GAD. The chosen rate is higher than the rate of 5.2 per cent in the modelling although clearly at the lower

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[11] *State Pension Deferral: Public attitudes and experiences* N. Coleman, R. McLeod, O. Norden and A. Coulter (DWP Research Report 526) pub. 2008 http://webarchive.nationalarchives.gov.uk/20130314010347/http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep526.pdf

[12] Official Report 22 July 2014 (Commons) Vol. 584, Col. 125WS (Lords) Vol. 755, Col. WS126

[13] https://www.gov.uk/government/publications/report-by-the-government-actuary-on-the-actuarially-fair-rate-of-increments-for-those-choosing-to-defer-their-state-pension-after-2016

end of the range indicated by GAD. The decision takes account both of the need to contain expenditure on the new state pension within current projections and the limited effect of the deferral policy in influencing retirement behaviour. The change from 5.2 per cent to 5.8 per cent per annum is estimated to cost around £20 million by 2030, relative to the original estimate.

7.30 As an example, a person entitled to £130 a week new state pension who deferred for two years would get an increase of around £15 a week when they finally claimed, compared to around £13.50 a week at the modelled rate of 5.2 per cent. Based on average (cohort) life expectancy and assuming the deferral began in 2020 when state pension age for both men and women is 66, a man would receive around £12,300 from the increase over his lifetime and a woman around £13,500 (in 2014/15 earnings terms). This is around £1,200 more for a man and £1,400 more for a woman than if the deferral rate was 5.2 per cent.[14]

7.31 Regulation 11 provides that, as under the old scheme rules, a person cannot gain any benefit from deferring their state pension while another benefit from public funds is being paid to them or to another person on their behalf. It also provides that, as now, a person cannot accrue a pension increase during any period their state pension would not have been payable to them, if they had claimed it, because they are a prisoner (see regulations 2 and 3). This is achieved by ignoring the days the benefit is payable or, as the case may be, the person is a prisoner, when the total number of days within the deferment period is calculated. After dividing the net total by 7 to establish the number of weeks of deferral, any part-week is to be rounded up to a whole week (regulation 12).

7.32 In addition to deferring their claim on reaching state pension age, people will, as now, have a once-only option after state pension age to stop drawing their state pension for a period in order to earn an increase.[15] The arrangements at regulations 7 to 9 for suspending payment for this purpose and cancelling the suspension when they want to reinstate payment mirror the existing arrangements.

Prisoners (regulations 2 and 3)

7.33 Section 19 of the Act and regulations 2 and 3 extend the long-standing policy of non-payment of state pension to prisoners to the new state pension. As now, for these purposes, a prisoner means a person who is imprisoned following sentencing by a criminal court or is "on remand" (that is, detained in custody pending trial and sentencing), and includes a person who is hospitalised under Mental Health legislation whilst serving a prison sentence. These provisions also ensure that the new state pension is not payable to a prisoner who is "unlawfully at large".

7.34 The basic rationale underlying the policy, which applies to social security benefits in general, is to avoid making double provision out of public funds by meeting both the cost of the prisoner's maintenance while detained and paying benefit, in this case, a state pension.

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[14] Amounts are before tax and do not take account of pension foregone during the deferral period.

[15] The option to "de-retire" does not apply to people living outside the UK, other than in other EEA member states and Switzerland.

7.35 As with the existing policy, an exception applies in the case of a person who is detained in custody while on remand. Payment is suspended pending the outcome of proceedings, but restored for the period of detention if the person is not imprisoned at the conclusion of those proceedings.

7.36 In the case of a person imprisoned outside Great Britain, these provisions apply only to the extent that the imprisonment is for an offence which would have resulted in imprisonment in Great Britain.

Inheritance of deferred old state pension (regulations 4 to 6)

7.37 Under the old state pension scheme, a surviving spouse or civil partner whose late spouse or civil partner had deferred their state pension may "inherit" a weekly pension increase. Where the deceased had deferred for at least 12 months but died before exercising their choice of a lump sum or pension increase, this choice is extended to their survivor.

7.38 Although the pension increase accrued by a person who defers their new state pension will not be inheritable, sections 8 and 9 of the Act enable a survivor in the new scheme whose late spouse or civil partner had deferred their old state pension to inherit a pension increase or, if applicable, choose between an increase and a lump-sum payment, subject to the same conditions that apply in the old scheme.

7.39 The rationale for protecting old state pension deferral inheritance is that in most cases the deferral will have begun before the start of the new scheme[16] and the decision on the part of the deceased to defer their pension may have been based, at least in part, on the expectation that in the event of them pre-deceasing their spouse or civil partner, the surviving party would be able to inherit deferral benefits.

7.40 The provisions at regulations 4 to 6 specify the details of when and how the survivor is to make their choice of reward, and the "cooling off" period during which they may change their choice. These replicate the existing provisions relating to the choice of lump sum or pension increase and ensure that a surviving spouse or civil partner has the same options as would have been available to them had they qualified under the old scheme.

Sharing of state pension (regulation 14 and the Schedule)

7.41 Under the current pension-sharing arrangements, which were introduced by the Welfare Reform and Pensions Act 1999 (the "1999 Act"), the additional state pension may be shareable on divorce or on dissolution of a civil partnership by order of the Courts. The Department provides the Courts with a valuation of the additional state pension, called the cash equivalent value (CEV), calculated on the basis of factors provided by GAD, to enable the Courts to decide how to divide the assets built up during the marriage or civil partnership. The Courts may order a percentage split of the CEV or, in some circumstances, specify the amount to be transferred from one party to the other. A pension-sharing order creates a state scheme pension debit and credit: the debit is converted into a weekly reduction in

[16] A person who has claimed their state pension can also defer by choosing to stop claiming it for a period to accrue a deferral benefit.

the transferor's additional state pension and the credit becomes a weekly "shared additional pension" for the transferee. These amounts may not be the same.

7.42 Pension-sharing orders that take effect before 6 April 2016 will still be honoured to avoid disrupting financial settlements that had already been reached. The resulting state scheme debit and credit will be based on the value of the old-scheme additional state pension the transferor had built up before 6 April 2016, irrespective of whether the parties are in the old or the new state pension scheme.

7.43 To reduce cliff edges between couples in the old and new state pension schemes, pension-sharing will continue to apply during the transition to the new state pension, but where the share order takes effect on or after the new state pension starts and the transferor is in the new state pension, simpler sharing arrangements will apply. Only the protected payment (see paragraph 7.8) will be shareable. Although the Department will provide CEVs of the protected payment to enable all the assets of the marriage or civil partnership to be considered on a like-for-like basis, pension-sharing orders will only have to specify the percentage split of the weekly rate of the protected payment.

7.44 Compared to the old scheme, these changes mean a lower amount available for potential sharing and eventually there will be no shareable state scheme rights. However, the courts have the power to consider a range of marital assets and can order compensatory provision from those other assets as they see fit. (It may be noted that in the last ten years, only around 1,500 state pension-sharing orders have been made.)

7.45 To give effect to these changes, the Act amends the pension-sharing provisions of the 1999 Act to distinguish between an "old state scheme pension debit or credit" and a "new state scheme pension debit or credit".

7.46 The provisions at regulation 14 and the Schedule amend existing regulations that require the Secretary of State to provide information and valuations of shareable scheme rights to the Courts and parties involved. These amendments broadly replicate the existing requirements for the purposes of shareable new state scheme rights, including a requirement to provide a valuation for the purposes outlined in paragraph 7.43.

7.47 This instrument also amends regulations which apply in Scotland setting out the information that must be contained in an agreement entered into as an alternative to pension-sharing via the Courts, to incorporate a reference to the agreed percentage share of the shareable new state scheme rights.

- Consolidation

7.48 Informal consolidated text of instruments is available to the public free of charge via 'The Law Relating to Social Security' (Blue Volumes) on the Department for Work and Pensions website at http://www.dwp.gov.uk/publications/specialist-guides/law-volumes/the-law-relating-to-social-security/ or the National Archive website legislation.gov.uk . An explanation of which instruments are maintained on each site is available here.

8. Consultation outcome

8.1 The Department was required to consult on certain of the pension-sharing provisions. We conducted a short targeted consultation with key stakeholders – the Association of Pension Lawyers, Family Law Association of Scotland, the Advocate General, the Scottish Government, the Faculty of Advocates and the Ministry of Justice. This also provided an opportunity to ensure that the Courts are aware of the changes. We also formally submitted these provisions to the Social Security Advisory Committee for consideration. Neither the stakeholders nor the Committee raised any substantive issues with these provisions.

8.2 We invited the Social Security Advisory Committee and two key external stakeholders to consider the other provisions in the regulations on an informal basis.[17] They had no comments on the substance of the proposals.

8.3 The proposals for reforming the state pension were subject to extensive consultation. Two options for reform were outlined at a high level in the Green Paper *A state pension for the 21st century* (Cm. 8053) published in April 2011. The option of a single-tier pension was supported by around three quarters of the 102 organisations that responded. [18] The initial proposal included a minimum qualification period, which it was suggested could be 7 years. The single-tier pension proposal was subsequently refined and developed during a further period of consultation. The resulting draft Bill was published in January 2013 for pre-legislative scrutiny by the Work and Pensions Select Committee (WPSC) alongside the White Paper and an impact assessment. This provided a further opportunity for stakeholders to comment on the proposals. The WPSC noted that although the White Paper indicated that the MQP would be set at between 7 and 10 years there was nothing in the legislation to prevent it being set at more than 10 years. The Government agreed with the Committee's recommendation to set a maximum for the MQP in the Act.[19]

9. Guidance

9.1 The Department is using a number of channels to help people understand how they will be affected by the reforms, including the changes implemented by this instrument. We have published factsheets, interactive tools and a new state pension guide on GOV.UK, explaining different elements of the reforms. Individuals needing more personalised information can contact the state pension statement service. As an interim measure until a full, digital service becomes available in 2016, users of the service who are closest to state pension age can get an estimate of their "starting amount" based on their contributions to date, while others outside this age group will receive a statement based on the old-scheme rules, supplemented with a leaflet explaining the reforms.

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[17] In this case, there is no statutory duty to refer the regulations made under the new powers to the Social Security Advisory Committee as they are being made within 6 months of the relevant enabling powers coming into force. The pension-sharing provisions were referable because they are made under existing powers.

[18] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/190100/state-pension-21st-century-response.pdf.pdf

[19] The draft Bill, the WPSC's report and the Government's response are available on https://www.gov.uk/government/collections/pensions-bill#draft-pensions-bill

9.2 In November and December 2014, we will be testing communications activity including paid for digital, print and radio and working with organisations such as the Money Advice Service and Citizens Advice to raise awareness of the changes. We will also be running a direct mail randomised control trial. The outcomes of these trials will inform the detailed communications strategy due to be finalised in early 2015.

9.3 In addition to the public-facing online information, we have developed a toolkit for external partner and stakeholder organisations that provides information about different aspects of the changes. We plan to make this available by the end of November 2014. The Decision Maker's Guide, which is also available on-line to the public, will be updated in 2015 to reflect the changes. We also plan to provide guidance on the changes to state pension sharing for the Courts and legal practitioners in 2015.

9.4 Guidance has been provided to support staff delivering the state pension statement service. Other customer-facing staff can currently access more general awareness material. More comprehensive learning and development support will be provided to staff from April 2015.

10. Impact

10.1 There is no impact on business or civil society.

10.2 The public sector impact of the state pension reforms comprises both benefit expenditure and administration costs. The estimated impacts on state pension expenditure of the 10 year minimum qualifying period and the new state pension deferral rules (the two measures in this instrument for which expenditure impacts have been identified) are provided at paragraphs 7.21, 7.27 and 7.29 above. The delivery cost of the measures in this instrument cannot be separately identified from the state pension reforms as a whole. The indicative delivery cost up to 2022/23 of the reform package is estimated at £380 million (at 2013/14 prices) but continues to be refined as design and planning work continues.

10.3 A separate Impact Assessment has not been prepared for this instrument. The impact assessment for the Act, published in May 2014[20] includes an assessment of the impact of the 10 year minimum qualifying period and the new state pension deferral rules. The key findings are reproduced above in paragraphs 7.21, 7.22 and 7.27.

11. Regulating small business

11.1 The legislation does not apply to small business.

[20] https://www.gov.uk/government/publications/pensions-act-2014-impact-assessments-may-2014

12. Monitoring & review

12.1 The Department regularly publishes a range of statistics on pensioner incomes and pensioner poverty which are used to monitor trends and inform policy development.

12.2 The state pension reforms form part of a suite of wider measures relating to pension saving, including the introduction of automatic enrolment and measures to improve scheme quality. The Government published the *Framework for the analysis of future pension incomes* in September 2013[21] and the *Scenario analysis of future pension incomes* in August 2014[22] to provide a basis for looking at the impact of the reforms of State and private pensions as a whole.

12.3 We intend to update the modelling that informs these documents when new evidence becomes available. We have also put mechanisms in place to monitor the effectiveness of our communications activity, including tracking levels of understanding, awareness and behavioural response to the reforms every six months.

12.4 Additionally, under the current framework for post-legislative scrutiny, the Department is required to submit a memorandum to the Work and Pensions Select Committee providing a preliminary assessment of how the Act has worked in practice, compared to its stated aims. This memorandum must normally be produced and published within five years of receiving Royal Assent in May 2014.

13. Contact

Helen Gadd at the Department for Work and Pensions [Tel: 020 7449 7142 or email: Helen.Gadd@dwp.gsi.gov.uk] can answer any queries regarding the instrument.

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[21] https://www.gov.uk/government/statistics/framework-for-the-analysis-of-future-pension-incomes
[22] https://www.gov.uk/government/publications/scenario-analysis-of-future-pension-incomes