From the Minister of State
for Work and Pensions

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Graham Brady MP and Katy Clark MP
Chairs, Pensions Public Bill Committee
House of Commons
London
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Dear Graham and Katy,

PENSIONS BILL: PUBLIC BILL COMMITTEE

Following a session of the Pension Bill Committee on Thursday 7th July, I promised to share information with members of the Committee in regard to two of the amendments discussed on clause 1 of the Bill.

Qualifying age for Pension Credit

I undertook to publish a breakdown of the estimated cost of increasing the qualifying age for Pension Credit to 65 by 2020 on the currently-legislated timetable for women's state pension age.

The estimated costs are shown in the table below.

Year-by-year breakdown of increased spending on Pension Credit as a result of amendment NC3 and NS1 (£ millions in 2010/11 prices)

	Assuming qualifying age stays at 65 after 2020	*Assuming qualifying age rises to 66 by 2022*
2016/17	40	40
2017/18	120	120
2018/19	200	200
2019/20	220	220
2020/21	220	160
2021/22	220	50
2022/23	220	0
2023/24	220	0
2024/25	220	0
2025/26	210	0
Totals	**1890**	**790**

Figures rounded to the nearest £10 million

Given the complexity of modelling this amendment, the estimates focus solely on impacts on pension credit expenditure of an increased caseload. There could be some offsetting decline in the projected increase in working age benefits and a reduction in saving on additional pension benefits (such as winter fuel payments and attendance allowance), depending on the assumptions made as to whether these individuals would be able to claim these benefits.

As I mentioned in Committee, not all of the data requested is available and these are notional costs.

Life expectancy by social class

In debate on amendment 23, I referred to the relative rates of increase in life expectancy at 65 between men in the "routine" class (class 7) and those in the higher/ professional class (class 1) between 1997-2001 and 2002-06.

I promised to share the data with members of the Committee. The full details are in the table below.

Life Expectancy at 65 by NS-SEC: 1982-86 to 2002-06

Class	1982-86	1997-2001	2002-06	Increase 1982-86 – 2002-06	Increase 1997-2001 – 2002-06
			Men		
1	15.2	18.1	18.8	3.6	0.7
2	15.1	17.2	18.2	3.1	1.0
3	13.9	16.4	17.5	3.6	1.1
4	14.0	16.1	17.5	3.5	1.4
5	13.4	15.3	16.4	3.0	1.1
6	12.9	14.7	15.6	2.7	0.9
7	12.9	14.0	15.3	2.5	1.3
Range highest-lowest	**2.3**	**4.1**	**3.5**		
Condensed:					
Managerial & professional	*15.1*	*17.6*	*18.4*	3.3	0.9
Intermediate	*13.9*	*16.2*	*17.5*	3.6	1.3
Routine & manual	*13.0*	*14.6*	*15.8*	2.8	1.2
Gap top - bottom	***2.1***	***3.0***	***2.7***		
Unclassified	11.1	12.0	14.2	3.1	2.2
All men	**13.1**	**15.5**	**16.7**	3.6	1.3
			Women		
1	19.7	20.9	21.7	2.0	0.8

2	18.9	20.3	21.1	2.2	0.8
3	18.3	19.8	20.5	2.2	0.7
4	18.6	19.1	20.5	1.9	1.4
5	18.7	18.3	18.8	0.1	0.4
6	17.4	18.4	19.4	2.0	1.0
7	16.7	17.8	18.5	1.8	0.7
Range highest-lowest	**3.0**	**3.1**	**3.2**		
Condensed:					
Managerial & professional	*19.1*	*20.5*	*21.3*	2.2	0.8
Intermediate	*18.4*	*19.6*	*20.5*	2.1	0.8
Routine & manual	*17.3*	*18.1*	*18.9*	1.6	0.8
Gap top - bottom	***1.7***	***2.3***	***2.4***		
Unclassified	16.2	16.6	17.4	1.2	0.8
All women	17.0	18.5	19.5	2.5	0.9

Condensed classification: Managerial and professional = 1 and 2, Intermediate – 3 and 4, Routine and manual = 5 – 7
"Unclassified" = those that can't be assigned an occupational category - includes full-time students, never worked, long-term unemployed, inadequately described.
Data taken from *Trends in life expectancy by the national statistics socio-economic classification 1982-2002, Office for National Statistics, 22nd February 2011*

Life expectancy data by social class is only available based on the period measure of life expectancy. However, as this does not take account of future improvements in mortality rates it may underestimate the actual outcomes.

My example – that of the risk of a man aged 25 dying before age 65 under the period measure (13%) and the cohort measure (9%) – relates to the ONS principal projections for the average man in the UK. My intention was simply to illustrate the potential for variation between the measures, not suggest that these figures relate to a particular social class, for which, as I have said, only period data are available.

I hope this provides you with the data requested at Thursday's session.

Eligibility criteria for Jobseeker's Allowance

In Committee on Tuesday 5th July we discussed, in relation to occupational pensions, the eligibility criteria for Jobseeker's Allowance. I confirmed that people with an occupational pension may still be eligible for Jobseeker's Allowance and that Contribution-based Jobseeker's Allowance is time limited. There was concern that the points made in debate differed from advice that had been received by the Member for Erith and Thamesmead, and I thought it helpful to provide some further clarification around the rules.

Contribution-based Jobseeker's Allowance is available to those who have paid enough National Insurance contributions and can be paid for up to 182 days. In determining the amount that someone may be entitled to, we take into account pensions (occupational or personal) but we ignore the first £50. For people under the Pension Credit qualifying age (linked to women's State Pension age) we only take into account any pension in payment.

For people over the Pension Credit qualifying age we take into account any pension income over £50 that they may have access to, but have not taken. In some circumstances lump sum payments may count as income. Where a claimant is entitled to money purchase benefits under an occupational or personal pension scheme but has failed to buy an annuity with funds available from the scheme, we will take into account any income available which they have not accessed, and will also take into account an amount of income if income withdrawal is not available from the scheme.

Income-based Jobseeker's Allowance is available for those people with a low or no income as well as those who have not paid enough National Insurance contributions to receive Contribution-based Jobseeker's Allowance or whose entitlement to Contribution-based Jobseeker's Allowance has ended. Income-based Jobseeker's Allowance takes into account the income and savings someone has, which includes any pensions people have. Any pension payments are taken into account penny for penny in income-based Jobseeker's Allowance, there is no disregard available. Again, lump sum payments may in some cases count as income, and for those people under the qualifying age for Pension Credit we only take into account any pension in payment. For people over the Pension Credit qualifying age we would consider the pension income and benefits as described above.

I also mentioned the savings limit that applies to Income-based Jobseeker's Allowance and said that "if they have savings, their savings will decrease, but as soon as they go below the savings threshold, they will immediately be entitled again." However entitlement will depend on them reclaiming and their income and savings and other qualifying criteria will be brought into account at that point to help determine entitlement.

I hope that this much fuller explanation addresses the issues raised in Committee. I am copying this letter to members of the Pensions Bill Committee, and placing a copy in the House Library.

STEVE WEBB MP
MINISTER OF STATE FOR PENSIONS