Members of the House of Lords
House of Lords
London
SW1A 0PW

30 October 2013

Dear Colleague,

PENSIONS BILL: INTRODUCTION TO THE HOUSE OF LORDS

Following the introduction of the Pensions Bill to the House of Lords I thought it would be helpful to provide you with some initial information about the Bill and to invite you to register your interest in the Bill so we can keep you updated.

The Pensions Bill contains significant reforms to the UK pension system, supporting saving for retirement by radically simplifying the state system and by strengthening work-based saving. It also contains reforms to simplify bereavement benefits.

The central part of the Bill is provision for a single-tier state pension - the full rate of which will be set above the basic level of means-tested support. This new pension will replace the current basic State Pension and the earnings-related additional State Pension for people reaching State Pension age on or after 6 April 2016. A flagship reform, the single-tier pension will play a key role in tackling the complexities in the current system, enabling people to better understand what they will receive from the state in retirement and helping them to save with confidence.

In addition to single-tier, the Bill also contains measures relating to State Pension age to ensure the sustainability of the state pension system for future generations. Part 2 contains provision to legislate for the Government’s 2011 announcement to bring forward the increase in State Pension age to 67 by eight years, which will help maintain the system’s affordability in the medium term. Provision to establish a framework to review the State Pension age each Parliament will enable future Governments to consider future changes in State Pension age with regards to life expectancy and other factors.
Alongside reforms of the state pension system, the Bill also contains measures to simplify the bereavement benefits system through the introduction of the Bereavement Support Payment from 2016. Provisions in Part 4 of the Bill will enable the Government to modernise and simplify what is currently a complex payment and contribution system, shifting the focus of the benefit so that it helps people to cope with the immediate financial pressures associated with spousal bereavement.

The changes to the State Pension system in this Bill will provide a clear foundation for saving and so underpin the rollout of automatic enrolment, which will see 6 to 9 million people saving more, or saving for the first time, into a workplace pension. The Bill also contains a number of private pensions measures designed to build on the successful introduction of automatic enrolment and to give people greater confidence in pension saving.

The Bill contains powers to introduce a system of automatic transfers to help people to better keep track of these savings and ensure they reap the benefits of consolidation. In addition, the Bill contains a number of measures to clarify and strengthen existing private pensions legislation, including a change to the calculation of the Pension Protection Fund’s compensation cap to reflect long service.

For your information, I have included a list of relevant older papers as an annex to this letter and I will also place a copy in the House Library, alongside an updated version of the Delegated Powers Memorandum. As well as the Bill and Explanatory Notes on the Parliament website’s Pensions Bill page (http://services.parliament.uk/bills/2013-14/pensions.html), supporting papers (including the Impact Assessment) are available on Gov.uk (https://www.gov.uk/government/collections/pensions-bill). There will also be a summary of the Bill and its provisions available on the Whips’ website in due course.

I hope you find this information helpful; if you have any questions or would like to receive further information on the Pensions Bill over the coming months please contact the Pensions Bill team at the Department for Work and Pensions (via email at pensions.bill@dwp.gsi.gov.uk or by phoning the Bill team manager, Michael Cordy, on 020 7449 7508).

Yours sincerely,

[Signature]

Lord Freud

Minister for Welfare Reform