



Work and Pensions Committee

Oral evidence: Understanding the new State Pension, HC 550–ii 16 December 2015

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Members present: Rt Hon Frank Field (Chair), Heidi Allen, Mhairi Black, Ms Karen Buck, John Glen, Mrs Emma Lewell-Buck, Craig Mackinlay, Jeremy Quin, Craig Williams

Questions 58-82

Examination of Witnesses

Witnesses: **Anne Keen**, Women Against State Pension Inequality, and **Lin Phillips**, Women Against State Pension Inequality, gave evidence.

Q58 Chair: Welcome, Anne and Lin. Anne, will you begin by identifying yourself for the record, then I will ask Lin to do the same?

Anne Keen: My name is Anne Keen and I am a co-founding member of WASPI.

Lin Phillips: I am Lin Phillips. I am also a co-founder, one of the five co-founders. The others are here with us for support.

Chair: Brilliant. As I briefly explained to you both, just now, what we are not inquiring into is whether the changing of the age was fair to women. What we are inquiring into is whether the process of telling half the population was adequate and stands up. I am going to ask Heidi to open our questions.

Q59 Heidi Allen: Good morning, ladies. I get an awful lot of your ladies tweeting me, I have to say. Hashtag WASPI I think I get more than anything else. For the record, and to help people understand, just give us an overview of what your campaign is all about and what changes you would hope for.

Anne Keen: Okay. First of all, thank you to the Committee for inviting us to give evidence today. We really appreciate the opportunity.

Chair: Can I just say on that, Anne, your evidence and the campaign you have been running both nationally and locally had an influence on the Committee deciding to look at this area, so well done on that. It is a credit to you.

Anne Keen: Thank you. We are proud of what we have achieved. WASPI was founded in April this year by five ordinary women over the internet because we had issues concerning the rise of the state pension age. Ironically, this is only the second time the five of us have met collectively. Given what we have achieved, as I say, we are really proud of that. Our lives have been put on hold basically because it has dominated our lives for the past nine months, but we are passionate about this campaign and we are determined to attain justice for the lack of notification. In particular, the 1995 Pensions Act is the crux of this matter. The Government have said on numerous occasions that people have only had to wait 18 months. That is not the case. It is up to six years, and I know most of you are aware because your constituents have conveyed this information to you. I am just going to hand over to Lin now.

Lin Phillips: As Anne says, we are not against equalisation, so we need to dispel that from the beginning. It is just the way it was implemented, the lack of notification, which we will come to in a while. We can prove that most of us have not had any.

We are campaigning for women born on or after 6 April 1951. We have had two increases to our state pension age. In 1995 and 2011 there was an accelerated rise. As you know, that was to enable the age to equalise at 66. Some women have lost up to £40,000, which is a significant change in their lives. If you worked in the right place or if you were part of a union, you might have known through that. Most of us found out maybe at age 58-ish, which is quite horrifying. We think we should have been told. We do not understand why the Government did not because there were plenty of opportunities to do that. It is really quite immoral. That is what our campaign—

Q60 Heidi Allen: Lin and Anne, it sounds like it is predominantly about communication, the fact that you just did not know that this was coming. Given that there is not money sloshing around and that that is the world that we are living in now, what would success look like for you? At the end of the year, great job, what is the solution that you are looking for?

Lin Phillips: We need these women to have an income. Because of the early retirement that a lot of women had to take around 2008-09 and redundancies, the workplace is not really ready for women of our age to get back into it. Even though we are told there is no money, we cannot leave women without an income. We are not of a generation that had private pensions, so it is our main income.

Heidi Allen: It is some solution around income then?

Lin Phillips: Yes, not pensioner benefits and not means tested. We are all sensible women and, yes, we might have savings, but they are going to be eroded. Six years is a long time to wait.

Anne Keen: What we have asked we have already put out there, basically, because we have a petition now, which is going really well. I think it is over 57,000 signatures, almost 10,000 in a few days recently.

Lin Phillips: In 58 days roughly.

Anne Keen: Yes, so we think this has had a major impact and influence upon that. Basically, what we are asking—and we feel this is a very fair ask—is for the Government to put all women in their 50s, born on or after 6 April 1951 and affected by the state pension age in exactly the same position they would have been in had they been born on or before 5 April 1950. As Lin has touched upon, we have worked since we were 15 and we have built up over 40 years' worth of National Insurance contributions now. All of our working lives we expected to receive our pension when we were 60. Nobody told us any different. Although there was not a written contract as such, there was a psychological contract. All of our working lives we were told, "You will get your pension when you are 60".

I received notification 13 months before I expected to retire, and this bears an impact upon the communication. Steve Webb has commented upon this, saying people did not inform the DWP. The DWP had my details from HMRC. They actually sent it not only to the wrong address, but to the wrong country. I lived in Greece for 12 months at one point. They will be laughing at me at this because they sent it to the wrong country two years after I had returned from a 12-month sabbatical. This expectation of retiring and planning for that retirement, it is drummed into you to plan for your retirement. Well, I have been denied £25,000 of my retirement income, and that is no mean feat.

Chair: Anne, we are going to come on to a lot of these. We have a lot more questions for you, if that is all right.

Anne Keen: Yes, sorry.

Q61 Craig Williams: Like the Chair, can I compliment your campaign? I had one of your ladies in my surgery on Saturday. You are very constructive in the way you have approached this issue. On the back of Heidi's question about the main campaign, because of the lack of communication, is it more the transition and supporting people in the transition because they were not aware?

Lin Phillips: When you say supporting people, we want this addressed for all women who have been affected. Some of us are not working. I am temping at the moment, so I might just get odd days a month. I am fortunate, because I have a partner, but it still does not mean that I am any less disadvantaged than someone who is single and needs, let us say, housing benefit or something.

Q62 Craig Mackinlay: We are now midway through a DWP campaign to try to advertise changes to the new state pension and equalisation of ages. Do you think it is effective and do you think they could be doing more? What would be the best way of communicating these changes? Are they doing a good job at the moment?

Anne Keen: Certainly, people are talking about it now, because obviously this big puppet, Workie, is going around the country. We do not know whether that is too little, too late, because although people will be informed of changes, there are still women today who have been affected by the 1995 and 2011 Acts. They still have not been informed. We have information on communications here and we do feel the DWP should look back upon previous research and look at the findings on how they can improve communication. Okay, better late than never, I suppose, but it seems to be, as I say, a bit too little and too

late. There are ways, and Lin has a few examples here of recommendations we can make on how the DWP can improve communications.

One of them that springs to mind now—because I was not expecting that question at this point—concerns the DWP sending automatic pension forecasts. For example, I received one in 2005 and it just said, “Based on today’s state pension rate, this is what you will receive when you retire”. Nowhere in that letter did it say, “You will retire on this date”. That was eight years before my expected state pension age. Every letter now that is sent out by the DWP should not be three pages long. Half a page is devoted to the address, the DWP and the logo. You can cut down on that and that will save on costs.

Heidi Allen: Do you want a job, Anne?

Lin Phillips: Yes, please.

Q63 Chair: But, Anne, have you already submitted those examples to us, or will you submit them?

Anne Keen: We can submit them. Doreen is the expert on this.

Chair: It is ongoing. We do not have a report even in draft, so you can keep giving us information. Will you do that?

Lin Phillips: Yes. I have some recommendations.

Chair: With all these examples, this is where we are going to be able to make a political case.

Q64 Craig Mackinlay: To come back on that, you are obviously annoyed—and I can understand because I have had some of your members in to see me in the surgery—because that psychological contract was sort of broken, if you like. If you had been fully aware at a very early stage, you might still have been annoyed, I would have thought, but do you think you would have had time to have a transition? What would you have done differently?

Anne Keen: That is a difficult question, Craig, because in hindsight you can always say, “I would have invested in a private pension, I would have done this” and I daresay I would have done. I think most women would have. We definitely would have done that, but we were denied that opportunity.

Lin Phillips: You might choose not to go on holiday and save more money, if you like. We have savings, but those savings are for when we retire to supplement the state pension. There was no communication, and our freedom of information requests back that up. I am wondering why it was not communicated to us. Was it so that there would not be too much of an uproar? We did not have the internet and things like that in 1995. There was not much in the newspapers, only maybe a little bit in the business pages. We have had that researched.

Chair: You have? That is good. All right, Emma.

Q65 Mrs Lewell-Buck: Welcome and well done on your campaign. I am curious. I know that you have been trying to meet with Government Ministers to discuss this. How is that going? From what I can gather, all the doors are shut to you. There was a period where Iain Duncan Smith and Baroness Altmann were saying you need to be compensated and there need to be transitional arrangements, and then they have completely backtracked on that. The impression I am getting is that all doors are shut now and nobody wants to listen. Is that right?

Anne Keen: It is right. We did write to David Cameron as well and, much to our dismay, he has referred it to the DWP. Ros Altmann, as you all know, campaigned against these changes in 2011, which everybody was grateful for. Recently, since she has been appointed as Pensions Minister, she has said it was debated properly in Parliament, this, that and the other. As you will all be aware, because of the recent admission by Steve Webb, that is not the case. MPs were not properly briefed, so that is new evidence. Ros has always said there is no new evidence so there is nothing else to discuss. WASPI honestly have devoted so much time to this and we have made numerous freedom of information requests. We have evidence here regarding the letters that were sent in 2009. Ros and Steve Webb and other MPs are saying, "Letters were sent out in 2009". They were; they were state pension forecasts. It was 14 years after the 1995 Pensions Act.

Q66 Chair: We obviously cannot persuade Ministers to meet people if they do not want to meet people, but what we will ask for is a copy of every letter in sequence for each year that has gone out so we can look at all the information right from the very beginning.

Anne Keen: Yes.

Q67 Mrs Lewell-Buck: For me, just to kind of lay it on the line really simply, how are some women being affected in terms of poverty levels? Are they really, really struggling, just to pin down for people how bad this is?

Anne Keen: Well, Lin has a very good example.

Lin Phillips: Yes. I just want to reiterate that we are all struggling because we have lost our income. We have commitments. We try with lots of jobs, but there are women—and I am not exaggerating when I say this—who are suicidal. We can probably think of a small number, women in their 60s who are being sent from the Jobcentre to C-TEC, having to attend three or four days a week, applying for lots of jobs, borrowing their bus fare, women who—I hate to say it—are being bought their food by neighbours. It sounds dramatic, but you have to think if you had a woman of state pension age now and you said, "We will remove that"—I am talking about women of our generation; later on women will have private pensions—everybody would think that was a ridiculous statement. Our income has been removed, and yes, two or three years you can probably accept, and we do accept equalisation, as we say, but six years. Women are scared. They are scared of losing their homes.

I had a woman contact me last week. She had been a carer for her mother-in-law for the last few years. She has a working history, and most of us have 40-plus years. That caring responsibility has gone so she is left with no income now. She was going to sign on for JSA last week and she has not plucked up the courage. She has £1,400 in the world and

she is going to make that last because of the tales that she is seeing on Facebook of what will happen when she gets to C-TEC.

Chair: Lin, I have examples in my constituency of people who have had to sell their homes, to downsize.

Anne Keen: Yes.

Lin Phillips: Thank you, Frank.

Chair: It is hugely important.

Q68 Mhairi Black: I also want to say well done on your campaign. You are gathering a lot of attention.

Anne Keen: Thank you.

Lin Phillips: We don't know how we have done it.

Mhairi Black: I think everybody in here will certainly appreciate that pensions can become very complicated and there can be a lot of miscommunication and misinterpretation and suchlike. I think you are the perfect example of when that has happened. What bullet point changes could you suggest to try to make the state pension statements easier to understand?

Anne Keen: I have touched on it.

Lin Phillips: Yes, I have them here. What we are saying is they could be clearer, just one page, maybe in a box. Because we did not have the correspondence, we have asked whether they have copies of what we were supposedly sent, but our freedom of information request does state that the letters that went out in 2009 went to women born up to 5 April 1951. So the first communication was 14 years after the 1995 Act. When you get to women born in 1954 and 1955, letters were sent out 16 and 17 years after, and that was the first time DWP wrote to anybody. Consequently, we had both increases in one hit. It is easy to say 1995 was so many years ago and it was the biggest rise. Yes, it was, but if you do not know about it you are still getting those two together.

Q69 Chair: Lin, there are two things here, aren't there? One is you are going to help design what should go out now, but I have examples of women who got three letters—they have kept their correspondence—and each letter told them something different about their circumstances.

Lin Phillips: It is happening this year. I think one of our members has had three state pension forecasts this year, and every one is different. What we are saying is on page 1 you should have the amount at the time that is predicted for the state pension and the age at which you will retire, because sometimes the year is on page 2 or 3 of a forecast, somewhere in the text. Well, if you are getting that you might not always think, "That year means I will be", so we need the age in years and the year of retirement in that format. We need the National Insurance contribution record on there. Let us say you were quite close to the state pension age. It needs to be flagged up that you need to look at it and address that. It should be simple, clear, maybe in bullet points, and definitely one page.

Q70 Chair: Lin, you have that to submit to us?

Lin Phillips: I have all that, yes.

Chair: What we will do—we have not done this before as a Committee, but I'm sure my colleagues will agree—is look at that and we may publish it as a suggestion to the Department that from now on at least they might follow it, unless they have a better model, and that they should come back and talk to you about what they propose to send out from now on.

Lin Phillips: Thank you.

Chair: Is that all right?

Anne Keen: Sorry, Frank, the letters should be sent out now. For anyone retiring within 10 years, the letters should be sent out now because, as we know, it is Government policy that everyone will be given 10 years' notice in future.

Chair: Anne, that is why we want to separate the suggestion about what should go out from what we say in our report. Our report will take some time to do, but we can act on the letters now if you give us your suggestions. We will put them to the Department, ask them to come back and talk to you about what they propose, and then we will try to get an agreement on at least what should go out now.

Lin Phillips: It is when they should go out as well.

Chair: Yes, indeed.

Lin Phillips: Because a lot of women are low paid, so in actual fact 10 years is not enough to build up a private pension anyway. The longer notice they can have, the better.

Chair: Very good. Back to Mhairi.

Q71 Mhairi Black: Do you think that just having letters would have been good enough, or do you think things like face-to-face interactions or somewhere you can go, whether Citizens Advice or whatever, to try to get some advice would that have helped? Or do you think letters would have been good enough?

Anne Keen: Certainly, Mhairi, face-to-face interaction would help people, but again it is about encouraging people. If it is a workplace thing, a lot of employers will get somebody in to discuss either private pension or state pension. That should be incorporated so everybody should be made aware of when they are going to retire. It is how you get the person on the street into that because, unfortunately, we know from our own experience that when people go to see someone from DWP the attitude of the staff can be very condescending. You have to make sure that all the DWP staff are absolutely informed and that the advice they give is consistent. We know, again from our own experience, that when you ring up you are told something different, depending on who you speak with. We have evidence of this. It is ensuring all DWP staff are adequately trained to deal with this and to make those face-to-face sessions accessible. That does not necessarily mean going into a Jobcentre; there are community centres out there, and there are libraries. Wherever people go, you have a captured audience. I used to manage a community centre when I

was working and we used to liaise with different organisations and organise, not around the state pension, because I did not know anything about it at that time, but you should utilise local resources.

Chair: I think that it is becoming clear to all of us that what we might do is look at what the Government should do from now on very quickly and get a discussion going with them and you and the public. Then, secondly, we will look at how this whole situation arose so that we can at least lessen the impact now.

Lin Phillips: Yes.

Q72 John Glen: Anne and Lin, I would also like to commend you for your campaign. I have certainly had interaction with some of those affected. I would like to look at the issue of the deferment of pensions. One of the things Steve Webb pointed out was that, given that the group of women who were born between April 1951 and April 1953 are not eligible for the new state pension, there is the option to defer their pensions to increase the amount they would receive. Do you feel that is adequately known, and that there has been adequate publicity on the option to defer?

Anne Keen: It may have been referred to in the media, but I think a lot of people still do not fully understand it. It is like a minefield.

Q73 John Glen: Are you aware of communications around it, formal communications?

Anne Keen: I have not had any letter. None of us has had any letter now at all.

Lin Phillips: There is not very much communication. Strangely enough, everyone that gets a small increase in their state pension or a winter fuel allowance does get a letter, but not for significant changes such as losing £40,000. You have to ask yourself why. It is like the elephant in the room. Everybody knows that this is being borne by us and we really are just going to keep banging on the door until somebody addresses it.

Q74 Chair: Sure, but again, Lin, helping us shape how we participate in this debate as effectively as possible, I would have thought there is a case for getting out a simple statement, a separate statement so it does not look long and too complicated, about deferment. Then there is a job of the Committee to report maybe on a third effort about how this has all arisen and the injustice that has arisen from it. You are not in favour, are you, of having deferment notices going with that original statement about saying, "This is your position now"?

Lin Phillips: My view on deferment as well is that, moving forward, women are not going to be able to defer because we will be too old to defer. Lots of us do not have income so we cannot defer. I think it will become less important, in my opinion. I do not know.

Q75 Chair: It would certainly be important for the Government to get that point over to people before they enter this period, wouldn't it?

Lin Phillips: Yes.

Chair: Yes, very good.

Q76 Ms Buck: You have given us some very powerful anecdotal evidence and I think most of us as MPs will have had constituents who are giving us very powerful anecdotal evidence of people who did not know about these changes. Do you have any sense of the scale of knowledge or lack of knowledge? Has anybody, including the Government, ever done any research, to find out what their level of awareness was?

Anne Keen: I would like to comment on that. Steve Webb, when he gave evidence, was holding this 2004 document by the DWP. He said about 75% of women in 2004 were aware of the changes. We would like clarification on this, because we have read that document and the evidence within it is quite conflicting. If we can get clarification on a few of the points I would like to mention—

Q77 Chair: Sorry, Anne. On that, it really depends on the question you pose. If you were actually saying, “Are you aware there are going to be changes?” all would say, “Yes, we know that” but the question is, “Do you know how it will affect you?” It is a totally different question.

Anne Keen: That is exactly what I was going to say—you have taken the words out of my mouth. It depends upon the question, how that was phrased. We also all have our own different areas as five WASPI women, three at the back there. We all have different things we specialise in because, as I say, we have never done anything like this before. I have looked at some research. ELSA is the English Longitudinal Study of Ageing. They do surveys every two years. I have a plethora of information but I know time is tight so I will try to keep it brief if I can.

In 2006 ELSA asked people the specific question whether they were aware when they will be eligible for the state pension. They said that many women affected by the original change in 1995 were not aware of these changes and, obviously, they were not aware of any notification. They did not receive any notification at all. Now, ELSA is a very credible organisation. In 2008 it said that fewer than half—43%—of women who would not be eligible for the state pension until they were 65 were not aware of any changes at all. For women affected by the phasing-in period, which is so complex for people, where their state pension age falls somewhere between 60 and 65, less than a quarter of these people—24%—did not know about their own state pension age within three months. Furthermore—just one more piece—NatCen, who are the largest independent social research agency, for the last 40 years have been doing research on behalf of the Government and charities to find out what people think about important social issues and how Britain is run. NatCen’s survey said few respondents were aware that the state pension age was affected in 2006. Seventeen per cent of women were unaware when they would start to receive their state pension. Given the planned incremental rise in the male and female state pension age, it was 30% of men and, as I said, 17% of women knew this. This counters the statement Steve made here saying that these women knew and, as you said, Frank, it depended on the question.

Q78 Ms Buck: Do we also know whether any research has been done on the 2011 changes as well? Is there anything that gives us a secondary picture of the most recent changes?

Anne Keen: Not on the 2011 changes. There is some out there but—

Lin Phillips: We know they know because of WASPI now.

Anne Keen: They do know, yes.

Lin Phillips: We definitely know that lots of people are finding out through us and it should be the DWP's responsibility.

Anne Keen: The DWP did conduct a survey in 2012, and this is shocking. Women, including those within 10 years of their SPA, were unclear about their own SPA. Six in 10 women—60%—expected to reach their SPA earlier than they actually will. Now, that was in 2012. Despite all the research, which goes back to 2001—because the research Steve Webb would have referred to in 2004 included references to research in 2000 and 2001—nothing had been learnt, nothing at all. It really is imperative that something is done to improve knowledge and awareness.

Q79 Ms Buck: Can I ask you a slightly different question? Particularly looking at the impact of the additional changes, the 2011 changes, do you have any sense from your members as to what changes have happened in the labour market affecting women over the last few years and the extent to which older women, in particular, have been affected by those changes to the labour market and have potentially had a loss of earnings, reduced income or even unemployment in the post-crash environment? Could you tell us a little bit about that?

Lin Phillips: Absolutely, yes. We have lots and lots of really compelling stories. If you are out of the labour market in your 60s it is impossible, virtually, to get back in. Some women are finding you can sign on for Jobseeker's allowance maybe for six months and if it is income based, if you have a partner, then you do not get an income after that. When you have been used to working all your life and you are not contributing, that has a knock-on effect on relationships, on how you feel. I know if I wake up in the morning and I do not have any work, it is the first thing I think of because I am not contributing, so you are using your savings.

Q80 Ms Buck: Would it be fair to say, on the basis of what you found through WASPI, that the additional year, the post-2011 changes, has come at a time when it has been particularly difficult for older women especially to be able to find an alternative in terms of income and extending their own working life?

Lin Phillips: That is what we are saying. It was not an extra year. It was the whole whammy. Some women were not written to until—

Ms Buck: No, I appreciate that, but there were also two distinct changes even if, and you have been giving strong evidence that a lot of people did not know about the first—

Lin Phillips: Yes.

Anne Keen: We could sit here all day literally and tell you about the heart-breaking stories of the devastation these further changes have caused, but if you have a minute at some

point just go on to our Facebook page and there is a thread called personal stories. You will not believe what you are reading, honestly.

Lin Phillips: It is constant every day.

Anne Keen: Absolutely compounds what we are discussing today.

Q81 Ms Buck: I have one last question: given that the Government are currently saying that they are not going to change the timetable and that there is not the money to fund the kind of transitional arrangements that you are talking about, is there anything you could propose, either now or later, in terms of what the Government could support around the labour market in order to assist women with their income and their employment?

Lin Phillips: I think it is too late for us. What could they do? We are being told that there isn't any money but there is a huge surplus in the NI fund. In 2012 there was £112 billion. Now I think there is only under £24 billion. I do not know where that £90 billion went.

Chair: The Government borrows it itself.

Lin Phillips: I know, I have been reading about it, but I just cannot find where it has gone. Exactly, they are borrowing our money.

Chair: That is true.

Lin Phillips: I know, and it is so frustrating. I am so pleased to hear you agree with that.

Chair: I think the whole thing about the insurance fund and how it is used and misused by successive Governments is an issue.

Lin Phillips: It is immoral, really.

Chair: It is put in there as contributions, not as taxes.

Lin Phillips: We are the least able to afford it. We had to be outside school. We did not have maternity leave. You gave up your job if you were having a child. You could not build up a pension. I know, because I worked for Barclays Bank when I left school and women were not allowed in the pension scheme. I went to the Halifax part-time after. Part-timers were not allowed. If I had known then what I know now, I would have chosen differently.

Q82 Chair: Lin, we are going to stop at that point. First of all, your evidence has been brilliant. I think the whole Committee wants to thank you both for that and for the campaign that you are running.

Lin Phillips: The other ladies are here.

Chair: I could see their faces and how they were joining in the evidence.

Lin Phillips: I keep getting a prod in the back.

Chair: Most interesting.

Lin Phillips: How many times have we mentioned WASPI?

Chair: Well done.

Lin Phillips: Thank you.

Chair: I think you have us convinced about the three stages of action that we might undertake. Thank you very, very much. Thanks for making democracy alive.

Lin Phillips: Thank you, and thanks for having us.

Anne Keen: Thank you.

John Glen took the Chair.

Questions 83-119

Examination of Witnesses

Witnesses: **Kate Smith**, Aegon UK, **Dr Deborah Cooper**, Mercer, and **Phil McEvoy**, Prospect, gave evidence.

Q83 John Glen: Good morning and welcome to this, our second session this morning on understanding the new state pension. It would be great if you could just introduce yourselves for the record and for the benefit of the Committee.

Kate Smith: I am Kate Smith, regulatory strategy manager from Aegon, which is a pensions provider.

Dr Cooper: I am Deborah Cooper. I am an actuary. I work for Mercer, which is a human resource consulting firm.

Phil McEvoy: My name is Phil McEvoy. I am a pensions officer for Prospect, the trade union.

John Glen: Great. Thank you very much. We have about six questions for you, so we will share them around the Committee, but don't be surprised if some other members have supplementaries along the way. Craig, would you like to start?

Q84 Craig Williams: Can I open with general communications? We have had a lot of evidence, written and oral, about the confusion. How would you go about improving the communications—if you think they should be improved—about the new state pension?

Kate Smith: First of all, my understanding is that many people do not understand much about the new state pension. They still think they are going to get the full amount and we all know that is not the case. They do not know that part. Even the people who have heard about it probably still think they are going to get the full amount.

What could they do? First of all, they need to be told. We need to issue personalised benefit statements in the same way we do in the private sector to everybody, not just once but regularly, so they have an up-to-date picture of exactly what they are going to get from the state pension and when. I for one would certainly like to see that.

Q85 Craig Williams: To jump in there, so direct communication, individual communication, on this?

Kate Smith: It has to be individual and it has to be personalised. In my industry we have tried to move more to the digital, so we would like it to be designed digitally first and then on paper second. You can understand that not everybody is on the computer, but definitely some sort of communication regularly so they know exactly what they are going to get. They can then plan for that date when they are going to get it and what it is, so they can take a different course of action if they need to do that.

Q86 Craig Williams: Sorry to jump in again. Do you think there are any specific groups that warrant particular attention?

Kate Smith: I think we need to start with the older groups and then work down. I realise it is a massive exercise. It is for private providers like ourselves sending out annual benefit statements, so we know it is a big task. Start with the older ones, perhaps with the women we have heard about earlier, so they know exactly what they are going to get, and then work down. I am talking about the whole generation. I am not just talking about the over-50s here.

Dr Cooper: Similar to what Kate said, I think personalised information is essential, and regular information, but also targeted. Personalised sounds like you just write to an individual with their own state pension information on it, but you need to write to them at the right moment. You do not want just to give people information, because people do not pay attention to information about pensions generally. We find that we send it—the private sector has the same annual statements—but that does not mean that individuals act on those statements or even read them. Hence the regular communication, but also hitting people when they are likely to react. For example, women of a certain age are invited regularly to be checked for breast cancer, and by and large they ignore it. This year a friend of mine died of breast cancer, unfortunately. I did not ignore the message this year. You cannot possibly know what people's individual circumstances are, but if you send information regularly enough, and you make it clear enough why it is important to them, sometimes they will take notice. I think that is the best you can do. You cannot expect that people will react if you write to them once.

Q87 Frank Field: Deborah, you heard the previous evidence about the sort of initial statement that should go out now. When we have it, would you look at it before we send it to the Department as a suggestion, given what you have just told us about the importance of making it relevant so that people do not, like me, put things in a drawer, but actually read it?

Dr Cooper: I probably wouldn't look at it. My understanding is that around 2004 the DWP had a project sending out automated pension forecasts, and they sent them to millions of people. I do not know what the content of the statement was, but I cannot remember receiving one, and I take note, by and large, of things like that. So I think, and I have seen, that the statements that the previous witnesses were talking about are complex. There is too much information. You only need, "This is your state pension age; this is the state pension you have if today was your state pension age; this is what you might get; this is what you could get if you paid extra NI, or whatever it is that you have to do". There are very few pieces of information you need. You do not need all the content. They can be given a booklet that says, "This is how it is calculated" if you want to tell people how it is calculated, but people drive cars without knowing how they work. They can receive a state pension without understanding the formula.

Q88 Frank Field: Yes. But when WASPI submits to us their draft, would you look at it before we—

Dr Cooper: Certainly, if that would be helpful.

Frank Field: Yes, thank you very much.

Dr Cooper: Yes. Sorry.

Q89 Craig Williams: Building on that point, do you still think that there are huge amounts of people out there who think they are going to get the maximum as the norm?

Phil McEvoy: Yes. Can I come in on that, Chair? I do a lot of pensions surgeries and briefing sessions around the country, and I always talk about state pensions, because it is obviously a huge issue at the minute, and there is still a lot of misunderstanding. Three things I focus on is the level of state pension people are going to get, because there is still a lot of expectation about the £150-odd a week, because that is what people have been told, primarily through newspapers. There is lot of misunderstanding about National Insurance for people who are contracted out. I am gobsmacked by that; the fact that people do not know that National Insurance is rising this April. And there is a lot of confusion about the state pension age as well. People are not aware of rises in the short term or in the longer term, or the fact that the state pension age is going to be reviewed.

Everybody has a role to play. Unions go out and talk to members about that. Employers have a job, I think, to tell employees about that. I think DWP probably has historically relied on all these bodies providing the information without mandating them to do so. I think the reason we have the ladies who talked before, very eloquently, is a failure to communicate; they never received anything directly from DWP. I think everything that Deborah and Kate said is right: personalised, targeted statements on a regular basis are going to be key going forward. They can be simple. I would echo everything Deborah said about simple messages—“Here is what you have built up. Here is the age you are going to get it at. It could be reviewed. Here is what you need to do to build up towards the maximum.” There are a few simple messages.

Q90 Ms Buck: Can I very quickly follow up on what you are saying? Why are people so aware of this £150 yet not aware of the equalisation of the state pension?

Phil McEvoy: I think probably newspapers. It is a more recent event. The £150 only came about in the last two years. The equalisation has been ongoing for the last 20 years.

Q91 Ms Buck: But people used to read the newspapers much more than they do now.

Phil McEvoy: Yes. People forgot what they read in newspapers, I think.

Q92 Ms Buck: So you think they knew but then forgot?

Phil McEvoy: I cannot comment for each individual on what they might have read or what they might have forgotten in between, but I think the key message is they never got anything official from DWP. DWP relied on a number of different sources to get their message across.

Q93 Frank Field: But, Phil, if you were Secretary of State, is it not pleasanter to go around telling people “You have £150” than going around saying, “You are not going to get even what you thought you were going to get”?

Phil McEvoy: It is easier from the point of view of passing legislation, yes, but it is also easier just in terms of understanding. “You are all going to get £150” is a lot easier than saying, “Some of you will get £150. Most of you will not, because you will have had a

complex employment history or a pension history and you might have been contracted out”. Everyone’s eyes glaze over at that point.

Q94 Mhairi Black: Thank you. Following on from what Craig was talking about there, and, Deborah and Phil, you have sort of touched on this already, I am interested, Kate, do you have in mind a specific way that statement can be made simpler and easier to understand that differs from—

Kate Smith: As I say, as a pension provider we try to do it digitally, so it will be signposting more information digitally. But if you have to do it on paper, it has to be very simple, very easy to read language and not too many numbers, because people do not like lots of numbers. But what I think makes these pension statements particularly complex is the fact that a lot of people have been contracted out, and you have to tell them that, because they are not going to get the full amount. So you have to tell them, “You have been in a defined benefit scheme or a DC scheme where you have been contracted out. You have paid reduced rate National Insurance contributions. That is why you are not going to get the full state benefit, and this is the deduction. So this is what you are going to get”.

The problem is that lots of people will not have known they have been contracted out, because lots have been contracted out under this traditional type model, the trust-based scheme. The employer did it for them, the trustees did it for them, and they did not have an active decision in that. They will not be aware of that. Even guys in the public sector will not be aware of that, necessarily. In the DC world, the contract-based world, which is my world, people might have made active decisions and contracted out for themselves. They might have been incentivised to do so by previous Governments, because you did get an incentive to do that. So they might be aware of that, but they might have forgotten.

One of the problems that I have seen on one of the statements where it talks about the contracted out deduction is that it does have this amount. In the DC world that amount may not fit into the value of the DC pot they got with the pension provider for a multitude of reasons, such as investment, such as whether they are going to buy annuity or the date they are going to retire. There are lots and lots of reasons. But people might just grasp on that figure and say, “I am going to get this from my pension provider, so that is okay, isn’t it? Add these two together; I am going to get this”. So there are lots and lots of problems about it. I think we need to do a bit of consumer research about what should be shown on there to give people an enlightened position about what they are going to get and so that it is understandable.

Q95 Mhairi Black: On that point, how could DWP explain the concept of contracting out?

Kate Smith: To be honest, that is a very difficult question. I am certainly not an expert on contracted out at all. I was contracted out myself many, many years ago for my own employer’s scheme, and in those days you just accepted it, unfortunately. I think it is a very difficult concept. You would have to say things like, “You paid reduced NI, and because of that you are getting a bit from your private pension scheme”. It is a very difficult concept to explain.

Q96 Mhairi Black: Is there any way that they can better communicate with people affected?

Kate Smith: I do think it is maybe more a drip-feed type communication, which is why you need regular information out there. That is the only way to succeed, because we know the level of engagement is pretty low about pensions, so you have to keep on going, and not necessarily using the same media channel all the time. You need to keep going on. Digital is one way of doing it. Try to encourage people to go digital and then they can get more information. We could signpost the DWP, for example, when they finally get their brilliant online tools developed, and use more retirement income planning tools. So it is trying to get people to use different methods to understand it and get them engaged. But that is a really hard task.

Q97 Mhairi Black: Finally, with these personalised statements and things, is there any additional information that you would put on any correspondence that is not already on the statement?

Kate Smith: Yes, the NI history and whether there were any gaps, and what people can do. So it is the gaps and how people can make up that difference. If they have enough time, hopefully they will be able to do that.

Dr Cooper: I think you need to be careful about how much information you put on this statement, because the more information you put on it the less likely people are to take any notice of it. So all this information is relevant, and some of it people—this sounds condescending, but you do not need to know how your contracted out deduction is calculated. You might want to, and that is absolutely fair, and you can find that out. So you need to be able to find it out if you are interested, but you do not need to know the guts of it. You need to find a balance between what you think is reasonable to tell people and what they need to know, and what they can find out, and make it easy for them to find information. What was said earlier about having a phone line, for example, where the people you are ringing up know what they need to say and are consistent about it, I think is absolutely essential.

Phil McEvoy: I would echo that point. I think probably the majority of people would be baffled and turned off by a five-page document outlining National Insurance history, but I have met enough people who would want to know that. So perhaps not putting it in a statement, and the majority of people would not follow-up on it, but give those people recourse to check their National Insurance history, check how the calculation is being done, making that available to them and signposting that.

Kate Smith: Yes, I think signposting is the key, because you cannot have everything on the letter. It is so off-putting. It is counterintuitive, isn't it? It is not going to work.

Q98 Heidi Allen: Just a reflection on what Kate was saying: you are describing me completely. When I think back to my work history in previous years, I do vaguely now remember something about, "Do I tick the box to contract out or do I not?" Did I really understand what I was ticking? Not really, but it seemed better. I do not know why it seemed better at the time. I am an MP, hopefully a bit articulate and bright, so I might have worked it out, but I didn't. Is there anything else we should be doing to communicate? Can MPs have a role? Should the Pension Wise service go on a road show so that it goes to the people, rather

than expecting people who have the question—you are laughing at me. Go on. The WASPI campaign has come to us. We were saying digital media and all the rest of it, but it is clearly still not working. Any other creative ideas about how we can spread the message?

Dr Cooper: Generations are different, aren't they? A letter is fine for me, but I would look at something online as well. But being in supermarkets, being in libraries—if they still exist—and community centres, schools, the more different places. That is me as a parent and a shopper, I suppose, but younger people find the same as well. We talked earlier about how you really need to write to people who are close to the pension age because they need to know, but younger people need to know as well, because they can actually do something about it. By the time you are 58, you cannot do anything about it.

Q99 Heidi Allen: Yes, we need to stop this happening again.

Dr Cooper: A whole variety of different sources of communication is the key, I think.

Kate Smith: Yes. Think about everything, even soaps; get it on “Coronation Street” and “Eastenders”, and have them talk about pensions. I think one of the reasons why people will talk about pensions today is partly because of auto enrolment. The media does play a big role here. We all need to work together and talk up pensions, not diss them. I think we need to be more positive and get the messages out. “It is good to save. You need to know what you will get from the state pension, because that is your absolute foundation, but it is probably not going to be enough for you to live on, so do a little bit more”. Get these stories out there, and get the DWP website working better so that you can signpost to it, and everything you need to know is there.

Q100 John Glen: Isn't there a key distinction between, as you say—you just pointed to the auto-enrolment campaign, which a lot of people are aware of—

Kate Smith: They are?

Q101 John Glen: But it is rather more straightforward in that the pensions, given the different contributions and different histories, necessitate specific individualised communications, whereas the broad rules around auto-enrolment are perhaps simpler to communicate. That does not mean to say that the challenge does not exist. Would you accept that distinction? But you still think they should be able to overcome it, I imagine.

Kate Smith: I think it is different. It affects people differently. Obviously with auto-enrolment you are still building up your savings, and a lot of people still have a long time to be able to do that, even though it is new for some people. The state pension age issue, particularly from the issues of the ladies behind me, is a media issue and what can they do? It is different, I get that, but we still need to get the message; we should not be defeatist about it.

Q102 Craig Mackinlay: You will be aware that DWP want to have far more online digital access, and on an individual basis, so people can see what is theirs, with forecasts and everything else. Obviously if they are more complicated tools, and very, very personalised, that is going to take longer to roll out. Deborah and Kate, in your view what should be on that online system that would be useful? Obviously if it is not too complex we have a chance of getting it in a shorter period.

Dr Cooper: There is going to be complexity in the guts, because calculating what people's transitional pension is going to be is not straightforward, and let us hope that DWP manage to get that right. Once you have the calculation in the background, it is a state pension age, it is a state pension, and it is the number of years extra that you have between that and your age now. So what the DWP needs to show you is not that difficult; it is what you need to do about it that is hard. So it is combining that information with what you are getting through your auto-enrolment scheme or employers that have been doing pension provision.

I understand that there was a combined pension forecast, and I know that our administrators have used it. It has not been very much use in the past. Because the rules are changing it has not been very helpful to provide a combined pension forecast until the rules are understood. But I understand that system is being withdrawn. If people can see everything in one place—and that does not necessarily have to be the DWP doing that, but it would have to facilitate, because it is going to be challenging for employers and pension providers to get everything in one place—then that might be useful. Because then you would see you might have more than you expect, and then it begins to get interesting. The evidence in countries with more developed defined contribution markets than we have shows that when people's pots begin to get to a critical size, they begin to take interest.

Q103 Craig Mackinlay: I think Chile has been quite good at this, hasn't it?

Dr Cooper: Yes.

Q104 Craig Mackinlay: Do you think there is enough information on the current dotgov website? I must admit that I have not had a detailed look myself of late.

Kate Smith: No. I have had a look at it, and I would say no, it does not go far enough. It is differentiated between people over 55 and under 55. So over 55 you can go and get a personalised benefit statement, but you have to fill out a form online, print it off, sign it and send it off to a centre in Wolverhampton, I think. So that takes a little time. It is two weeks or so for that process to take place, and that is not what people expect today. The good news is at least they get something based on the new state pension, but they have to do it themselves; they have to drive themselves to that website.

For anyone under that age there is a tool, apparently—I have not used it myself—that will calculate your state pension, but under the old one, the basic state pension only, which is completely irrelevant to everybody nowadays, isn't it? No one is going to need that. They should have taken it off, really; there is no point having it there. They need to have better online tools just like the private sector do. We do all this sort of stuff, and people want that. We have launched a retirement income planning tool ourselves, and we monitor hits on the website. We get thousands and thousands of people going to use that tool and staying on there about eight minutes or so. That shows they are using it; they are interested in it. We have other additional evidence to show that people do like that. That might be an age thing, potentially, but I do not know. Also, we are promoting it; we write to people and tell them about certain things. We do not do it once; we do it twice, or three times, to try to get them engaged, and we do use different ways of doing it.

There is a lot more that can be done, and I think the DWP website needs to invest time and energy in it and pull all that personalised information into their website. Deborah was

talking about trying to pull together all your private savings. You might be aware of the initiative about the pensions dashboard. The ultimate aim is to do just that, including all your DCs, your trust, your contract, your DB, and your state pension on a personalised basis to make it real for every individual so they understand what they have and what more they need to do. That is a massive, massive task, and it is not going to be easy. There are a lot of initiatives going on, but I think you are going to have to start small, probably in the private world, probably in the DC world, but then try to add in the state pension as soon as possible. That is the ideal; that is where we should be aiming to go.

Q105 Craig Mackinlay: You then have the problem, of course, of people without internet access. How we are going to get the information to them?

Kate Smith: Yes, we have. There is always going to be that problem, so we always need to cater for that.

Q106 Craig Mackinlay: In your assessment in your market, do you get a de facto rating of different insurers and providers?

Kate Smith: In what way?

Q107 Craig Mackinlay: Have you heard of that? You get the five stars for private.

Kate Smith: I know what you mean, yes. They are looking at default—

Q108 Craig Mackinlay: What would you say the DWP's star rating really is on this?

Kate Smith: I do not know if I want to answer that one.

Craig Mackinlay: We won't ask the ladies behind you.

Kate Smith: In communications it would not be five stars, can I say that?

Dr Cooper: We will not go into stars, but to be fair, good communication does not come cheap. There are all sorts of balances that you have to make. That is a reason to keep this simple, because maybe you can achieve something without it being too costly. Some of the things that Kate has been talking about are expensive, and you need to train people to be able to create those tools and to be able to maintain them, particularly if you want to keep changing the rules. I noticed earlier that one of the criticisms of your state pension forecast is that it is not the same each time. That sort of lack of stability, which is what we have had over the last 15 or 20 years, we have always—

Q109 Craig Mackinlay: We would all expect that in a private market.

Dr Cooper: That is why it is so complex. That is why it is so difficult to understand and why people cannot engage, because there always seems to be change.

Phil McEvoy: Yes. To be fair to DWP, in terms of communicating they are changing a system that has constantly been tinkered with for the last 37 years or so. They are doing that against the backdrop now of staff cuts and savings being made all over the place. We will all criticise the communications or lack thereof, but I do not envy them the job.

Hopefully, going forward, in the new world order under single-tier pension, it will be simpler, so the job will be easier. But moving from the current system into the new one is still going to be difficult.

Q110 Jeremy Quin: In most of your discussion on communications the emphasis has been on personalised and targeted communications. In that context, is there anything useful that can be done by employers and pension providers, or is the necessary information so granular that we should not be troubling them with an extra burden?

Dr Cooper: I think that, yes, employers can provide information, and I suppose they could drop the state pension age at the bottom of their annual statement that they send. Remember, not everybody is employed or has an employer that is necessarily prepared to provide good communications. Secondly, employers have information about your history with them, but they do not have your whole working history. So they cannot substitute for the DWP in providing state pension information, unless the DWP is prepared to reinstate its combined pension forecast system.

Kate Smith: I think in the way forward employers do have a big role, although I do realise lots and lots of people are self employed or contracted, so they do not have that relationship. But providers also have a role, so obviously we look after lots of people's pensions, and DWP as well. So if DWP did provide some kind of online tool that allows personalised statements to be printed off, and if they were sent regularly, we would signpost that. That is absolutely no problem whatsoever to us. We would put it on our letters and we would put it on our website; it is an easy peasy thing to do.

Dr Cooper: Employers do and they will signpost that. They have to signpost Pension Wise, and they signpost to financial advice, to TPAS and other organisations. You can lead a horse to water, but it is about making it drink.

Q111 Jeremy Quin: So the message is this: there needs to be that central depository of information that employers, pension providers and, one would presume, Pension Wise itself, could all be pointing people to—

Dr Cooper: Yes, I think so.

Phil McEvoy: Personally, Chair, I think pension providers, pension schemes, do have a big role to play in this. Deborah talked about the combined pension statements and the fact that DWP are pulling those. That is very disappointing. They were a voluntary arrangement. I think some sort of mandating on pension schemes to provide those few bits of information, provided by DWP but sent out via the pension schemes, would be very helpful. Clearly not everyone is in a pension scheme, but more and more people are. If the Government were serious about targeting everybody—I got a letter the other week from HMRC outlining tax that has been paid over the last year and what that has been spent on. Clearly that is going out to a huge chunk of the population. Is there a reason why DWP could not tag on to that information about National Insurance, what it is paid for, what benefits have been built up and what benefit entitlement is, including state pension? It might be a bit of joined-up Government thinking.

Q112 John Glen: Would that not be a big difference though? Isn't that first one just an aggregation of percentage spend by department, and the other one is an individualised statement of—

Phil McEvoy: This was very individualised, because it told me how much tax I had paid.

Q113 John Glen: Yes, I know, but it is a percentage calculation of each amount of tax that goes in each Government Department. It is a bit different from an individual history going back maybe 40 years.

Phil McEvoy: If it is looking at history, yes, I grant you, you will probably have to tie up a couple of computer systems, but hopefully that would not be beyond the wit—

Q114 John Glen: That is quite complicated actually.

Kate Smith: Yes. I will just make the point there. It would be very difficult for pension providers such as Aegon to be given individual data about state pensions, or even other ones, and send that out because of Data Protection Act issues. You have to be very careful how that is done. So maybe signposting to the DWP website is the right thing until we get the pensions dashboard in place. Unfortunately, we are not allowed to do as much as we would like to do, put it like that.

Q115 John Glen: Okay. Right. Could I ask Phil about the issue of the removal of future indexation of Guaranteed Minimum Pensions? What do you think should be done to better communicate who will be affected and how people will be affected by this? What is your sense of the awareness of this?

Phil McEvoy: Increasing, but increasing from a very low base. I am glad you have asked the question—by the time I have finished answering you may not be glad you asked it. This is clearly a legacy arrangement. Guaranteed Minimum Pensions have not accrued. I was back in high school at that time, April 1997. They are very, very complicated benefits, and it is clear that not many people understand them at all. But the issue, as I am sure the Committee is aware, is that increases on Guaranteed Minimum Pensions provided through workplace schemes or private pensions were partially paid by the state through adjustments to additional state pension under the new single-tier regime. The additional state pension is no longer payable, so those effective increases to Guaranteed Minimum Pension are no longer payable.

I am sure DWP, if they were here, would argue that they never paid increases to GMP. I think legally that is right. I think psychologically and morally the vast majority of people would disagree with them. This is an increase that people were expecting to be paid on their pensions that is being removed, and I have given evidence in our written statement about a number of schemes that are still talking about the Government picking up part of the increases on GMP. In terms of awareness, I will be honest: when the Pensions Bill was passing it was not something I was aware of because, as I have said, this was a legacy arrangement. Nothing had accrued for more than 10 years. I was made aware of it by a journalist, and I think a few newspapers have covered the story, and more and more people are becoming aware of it.

I have been contacted, I am sure, by more than 20 Prospect members, and probably an equal number from outside of the union as well. They are all talking about significant

amounts of money that they will lose over the course of retirement. That really is an issue for people who will reach state pension age within the first couple of years, by my reckoning, after the new state pension comes in.

Q116 John Glen: What would you have the Government do then, in terms of addressing this, and in terms of providers and what their obligations on communications should be?

Phil McEvoy: I think providers have always said, “We pay part of the increase on GMP, and the Government are responsible for the rest”. I think a lot of pension schemes would say, “We have done our bit and will continue to do it”. Could they say something new to these people and say, “The increase you were expecting to get through adjustments to your additional state pension are not going to happen”? Perhaps they could do that.

What could the Government do? To communicate it, I think, is still very difficult. If you were to ask me policy-wise what they could do, and I appreciate this is about understanding, I think there are adjustments they could make to a person’s contracted out deduction when they are calculating people’s starting amounts, to take into account the fact that these changes to the contracted out deduction are not going to happen. What they are doing in measuring the contracted out deduction is taking it when it is at its highest point. You are making a deduction now, before someone retires, not taking into account the fact that it is going to change and reduce over the course of retirement. Some form of actuarial adjustment to that contracted out deduction might be warranted to ensure people have a lower contracted out deduction and, therefore, a higher starting amount and, therefore, offsetting the fact that these notional increases are not going to be received.

Dr Cooper: An added complexity is that this is probably a private sector pension issue, rather than a public sector one, like the unfunded and, I think, the local government pension scheme. Their rules are written differently, so my understanding is that they might end up having to pay those increases, whereas private sector scheme rules are written, as Phil says, so that they just will not pay the increase; it normally gets picked up by—

Phil McEvoy: Yes, my understanding of public sector schemes is a bit different. They have been funded on the basis that GMP increases are not paid in full, and my understanding is that the pensions increase order that is applied to public sector pensions does not apply to GMP as well. There was an issue—I do not know if you remember—about seven or eight years ago about an overpayment of increases to NHS pensioners, whereby the pension scheme paid the GMP increase and they got it through an adjustment to their additional state pension as well. But that was resolved, so my understanding is that public sector schemes do not get that.

Dr Cooper: I think it has been looked at. I do not think there is any certainty about it. There is uncertainty about it, and that is all I wanted to say.

Q117 John Glen: Okay. It would be nice to find something that we discuss today that there is absolute clarity in everything. Kate, could I turn to you for the last question, please? One of the things that the Committee are concerned about is the lack of clarity around the interaction between pension freedoms and future means-tested benefits. Do you agree with that, and what would you have the Government do to make things clearer?

Kate Smith: Yes. I think there is an absolute lack of clarity here, because as we now know anyone aged over 55 has the right to cash in their pensions if that is what they want to do. So they could cash it in, they could spend it all on a cruise, or the fabled Lamborghini, and, therefore, willingly or unwillingly use up all their money, so they have nothing left to live on and they are expecting to get the full state pension going forward. Now, obviously it is not quite as cut and dry as that, because if they have done that it is quite possible that they might be entitled to means-tested benefits going forward, but they might find that because they have deliberately used up their assets in one way or another they have exercised or fallen foul of the deprivation of capital rules, which means they cannot get anymore means-tested benefits going forward.

That is a big issue for people, because they will not have realised that. That is a double issue, isn't it? They do not know what state pension they are going to get and they could have deprived themselves of the means-tested benefit because of the actions they have taken one minute, not realising the consequences later on. I think the Government need to do more in this area, because I understand there are no hard and fast rules about this. I have no idea how it works in practice if somebody does this, other than they have to ring up a helpline, ask a few questions and somebody gives them some answers. I do not know whether the answers are different every time or whether there is full guidance on this.

It is quite difficult because people do this after the fact. They need to know before they make these decisions, and that is why I think we need to have a proper service about this. Maybe involve Citizens Advice in it; they already give some information about means-tested benefits, and they already support Pensions Wise. That service could be expanded to make sure that people are well aware of the consequences of their actions before they take them. So include something in the retirement risk warnings and point to this service. I just think we need much more clarity about it, because I am very worried that we are going to have more and more people living off very, very little income going forward.

Q118 John Glen: Okay. Thank you. Deborah or Phil, do you have anything to add to that.

Phil McEvoy: Maybe just for amusement more than anything else. My understanding of the Australian system that has done the freedom for many years is that they have a means-tested state pension, and a lot of the experience from a lot of people out there is that they take their superannuation pots and blow them as quickly as they can so they can fall back on means-tested state benefits. As a consequence, our cousins in Australia are looking to introduce compulsory annuitisation, potentially, so the complete reverse of what has happened in the UK. That is my understanding.

Q119 John Glen: Right. Any other questions from anyone on the Committee? Craig.

Craig Mackinlay: I know it has not been used yet—I am not quite sure who would know the answer to this one—but who would make the determinations on deprivation of capital? Do you know who would be arbiter of—

Kate Smith: No, I don't.

Craig Mackinlay: No, I don't either.

Kate Smith: No. I think we need to know, don't we? I know this came up in Parliament—was it last year? I cannot remember who raised it, but I do not think we got a satisfactory response.

John Glen: Okay. I think we are done. Thank you very much indeed, the three of you, for your evidence.