The Politics of UK Pension Reform: From 2010 to 2014

verfasst von / submitted by
Yuejia Li

angestrebter akademischer Grad / in partial fulfilment of the requirements for the degree of
Master (MA)

Wien, 2016 / Vienna 2016

Studienkennzahl lt. Studienblatt / degree programme code as it appears on the student record sheet: A 067 805
Studienrichtung lt. Studienblatt / degree programme as it appears on the student record sheet: Individuelles Masterstudium: Global Studies – a European Perspective
Betreut von / Supervisor: ao. Univ.-Prof. Dr. Margarete Maria Grandner
The Politics of UK Pension Reform: From 2010 to 2014

Yuejia Li

Master (MA)

Wien, 2016

A 067 805
Individuelles Masterstudium:
Global Studies – a European Perspective
ao. Univ.-Prof. Dr. Margarete Maria Grandner
# Contents

Abstract ........................................................................................................................................... v  
Zusammenfassung .......................................................................................................................... vi  
Chapter 1 Introduction ..................................................................................................................... 1  
1.1 Pressure to Reform .................................................................................................................. 1  
1.2 Part of Global History ............................................................................................................ 4  
Chapter 2: Research Question and Methodology ........................................................................... 7  
2.1 Research Questions .................................................................................................................. 7  
2.2 Major Methods ....................................................................................................................... 7  
2.3 Limitations ............................................................................................................................. 9  
Chapter 3: Background and Key Concepts ...................................................................................... 10  
3.1 The Demographic and Fiscal Situation in the UK ................................................................... 10  
3.1.1 The Demographic Situation in the UK .............................................................................. 10  
3.1.2 The Fiscal Situation and Funding of the Pension System ................................................ 12  
3.2 Historical Legacy .................................................................................................................... 14  
3.3 Overview of the Pension System Before the 2010-2014 Reforms and Key Concepts ......... 18  
Chapter 4: Discussions .................................................................................................................... 22  
4.1 Features of the UK Policymaking Process .............................................................................. 22  
4.1.1 The Legislative Process ...................................................................................................... 22  
4.1.2 The Process in the House of Commons .......................................................................... 23  
4.1.3 The Process in House of Lords ....................................................................................... 25  
4.1.4 Consideration of the Amendments .................................................................................. 26  
4.2 Executive Authority ............................................................................................................... 26  
4.3 The Promises of the Pension Policies Made by the Parties Before and After the 2010 Election ........................................................................................................................... 28  
4.4 Pensions Act 2011 .................................................................................................................. 31  
4.4.1 Historical and Ideological Background ............................................................................ 31  
4.4.2 The Content of the Bill ..................................................................................................... 31  
4.4.3 Important Concessions on Controversial Areas .............................................................. 32  
4.4.4 Concession: “cap the maximum increase in the SPA at 18 months relative to the legislative timetable.” ............................................................................................... 33  
4.4.5 Concession: Limits on the Scope of the Power of the Secretary of State ............. 39  
4.5 Public Service Pensions Act 2013 ......................................................................................... 41  
4.5.1 Historical and Ideological Background ............................................................................ 41  
4.5.2 The Content of the Public Service Pension Bill ............................................................... 43  
4.5.3 Important Concessions in Controversial Areas ............................................................... 44  
4.5.4 Concession: The Power to Amend Primary Legislation and Retrospective Changes ................................................................................................................................. 46  
4.5.5 Conflicts between Commons and Lords: MoD Firefighters and MoD Police ............ 51  
4.6 Pensions Act 2014 .................................................................................................................. 54  
4.6.1 Historical and Ideological Background ............................................................................ 54  
4.6.2 The Content of the Bill ..................................................................................................... 55
4.6.3 Important Concessions on Controversial Areas ........................................... 56
4.6.4 The Development of a Single-Tier State Pension ........................................ 58
4.6.5 Conflicts between Commons and Lords: The Definition of a “Qualifying Year” .................................................................................................................. 61
4.6.6 Concession: The Statutory Override of Protected Persons .............................. 64
Chapter 5: Conclusion ..................................................................................................... 68
List of Figures ................................................................................................................. 72
List of Tables .................................................................................................................... 72
List of Abbreviation ......................................................................................................... 73
Appendix ............................................................................................................................ 74
  Table A1 Key Figures in House of Lords ................................................................. 74
  Table A2 Key Figures in House of Commons ......................................................... 75
  Table A3 Bill Stages - Pensions Act 2011 ............................................................... 76
  Table A4 Bill Stages - Public Service Pensions Act 2013 ....................................... 77
  Table A5 Bill Stages - Pensions Act 2014 ............................................................... 78
Bibliography ...................................................................................................................... 79
  Secondary Sources ....................................................................................................... 79
  Primary Sources .......................................................................................................... 81
  Hansards ....................................................................................................................... 86
Abstract

This thesis will analyze the legislative policymaking process of pension reform in the United Kingdom between 2010 and 2014, focusing on the parliamentary debates for three Acts: Pensions Act 2011, Public Service Pensions Act 2013, and Pensions Act 2014. For each Act, the thesis will highlight two controversial areas where there were either important concessions made by the ruling coalition of the Conservatives and the Liberal Democrats or major conflicts between the House of Commons and the House of Lords. The thesis will describe the standpoints of three parties – the Conservatives, the Liberal Democrats, and Labour – on issues such as State Pension Age, automatic enrollment in occupational pension schemes, public service pensions and the shift from a two-tier State Pension system to a single-tier system. This analysis will show that, while the ruling coalition sought to cut public financing and to relieve the economic pressure on employers, the opposition – mainly Labour – sought to safeguard the interests of vulnerable groups and insisted on limiting the state's power to approve pension schemes which were less protective of the interests of lower-income earners and public sector employees. The ruling coalition proved to be an overwhelmingly dominant force in the policymaking process, making only a few concessions despite the opposition's stern demands. As part of the ruling coalition, the Liberal Democrats exerted enormous influence, especially in the creation of the single-tier State Pension system via Pensions Act 2014. Additionally, the reports prepared by two independent commissions – the Turner Commission and the Hutton Commission – were instrumental in promoting a cross-party consensus on the central principle behind the three Bills under consideration: the United Kingdom's need to adapt its pension system to its demographic and fiscal situation.
Zusammenfassung

Chapter 1 Introduction

1.1 Pressure to Reform

A multi-pillar, multi-tier scheme of pension provision had been established before the targeted period of 2010–2014. The system can be categorized into three pillars: 1) State Pensions, provided by the state; 2) occupational pensions, provided by employers; 3) personal pensions, usually provided by financial institutions.\(^1\) The first pillar consisted of two tiers; namely, a flat-rate basic pension (Basic State Pension) and an earnings-related additional pension (State Second Pension).\(^2\) The State Pensions have been based on a “contribution-based” and “pay-as-you-go” system. “Contribution-based” means that the entitlement to a State Pension could only be gained when a contribution (or something regarded as a contribution) is made. “Pay-as-you-go” means that contributions from the current working population are the major sources of funding for current pension payments. In fact, under this system, the funding gap between the total value of pension payments and the total revenue raised from contributions are paid by the Exchequer.\(^3\) The other pillars can be divided into two parts based on the different sources of funding: public sector pensions and private sector pensions. Public sector pensions (with one major exception being the Local Government Pension Scheme) have been unfunded and based on a “pay-as-you-go” system; the difference between the value of pension payments and the value of revenue from contributions has been paid by the Exchequer, just like a State Pension. Meanwhile private sector pension schemes in both the second and third pillars have been “funded.” This meant that the assets accumulated through invested contributions have been the major source of funding for current pension payments.\(^4\)

---


\(^4\) Isabelle Schulze and Michael Moran, ‘United Kingdom: Pension Politics in an Adversarial System’ in Ellen Immergut , Karen Anderson and Isabelle Schulze (eds), The Handbook of West European Pension Politics (Oxford University Press 2006) , p. 62


\(^4\) Cutler & Barbara Waine, ‘New development. The UK coalition government and the future of public sector pensions’, p. 317
The UK pension system faced challenges in three areas prior to the reforms made between 2010 and 2014. Firstly, demographic aging created increased fiscal pressure. The combination of declining fertility levels and population ageing made it impossible for the UK State Pension system and for public sector pensions to continue to provide the same level of pension payments and to refrain from making reforms, without exerting increased fiscal pressure on Exchequer. In the UK, National Insurance contributions and taxes are paid by the current working population. These are the major source of funding for State Pension payments and public sector pensions. It is a generational contract between old and young, where the current working generation expects to be paid for by next generation of workers when it becomes old. However, the aging society means that there are less working-age people to make National Insurance contributions and to pay taxes. According to the Office for National Statistics’s (ONS) population projection database, in 2008, there were 4.02 working age persons (16-64 years old) for every pension age person (65+ years old). In 2058, it is projected that there will be only 2.25 people aged between 16 and 64 for every person who is more than 65 years old.

Secondly, a challenge came from the increasing gap between the public and private sectors – represented by the decreasing coverage of more generous occupational schemes or any occupational schemes in private sector. There are two major types of occupational pensions: Defined Benefit (DB) schemes and Defined Contribution (DC) schemes. DB schemes usually link the payment of a pension to the salary and the length of service, which is calculated with an “accrual rate” (the percentage of pensionable earnings for each year of service). Under DB schemes, it is the employer who has to bear the investment risk and compensate for the cost arising from an unanticipated growth of longevity. DC schemes usually link the payment of a pension to the value of a member’s retirement

---

6 Department for Work and Pensions, A Sustainable State Pension: When the State Pension Age Will Increase to 66 (The Stationery Office 2010), p. 14
8 Cutler&Waine, ‘New development. The UK coalition government and the future of public sector pensions’, p. 317
fund. To be exact, the payment of a pension under a DC scheme is decided by two factors: the level of paid contribution and the related investment return.\(^\text{10}\) It is the employees who have to bear the investment risk under such an arrangement. Since the late 1990s, there has been a rapid fall in the number of DB schemes in the private sector. Within the private sector, the number of DB schemes as a proportion of occupational pension schemes declined from 75% in 1997 to 39% in 2010.\(^\text{11}\) In contrast, almost all public sector pensions remained as DB schemes until 2010. In addition, the private pension sector depended heavily on voluntarism and did not cover many employees.\(^\text{12}\) In 2010, Growing numbers of employees in the private sector were not covered by any pension schemes that were sponsored by employers in some form. 85% of public sector employees were covered by employer sponsored pension schemes. Meanwhile, only 35% of private sector employees were covered by an employer sponsored pension provision.\(^\text{13}\) The increasing gap between the public and private sectors led to mounting critiques of public sector pensions.\(^\text{14}\) In response to the critics, some leading politicians from both government and opposition side, were advocating a reform of public sector pensions.\(^\text{15}\)

The third challenge came from the lack of saving. In 2012, the government estimated that there were about 11 million people in the workforce who would have inadequate retirement incomes because they did not save enough. The complexity of the State Pension system was cited as the main reason that deterred people from saving; the complexity and failure of the State Pension system dissuaded people from putting savings into the basic state system since it was hard to plan and save.\(^\text{16}\) The decreasing value of the Basic State Pension resulted in less of an incentive to save and a growing coverage of means-tested benefits (where the government decides whether the person is eligible for


\(^{11}\) Department for Work and Pensions, A State Pension for the 21\textsuperscript{st} Century (The Stationery Office 2011), p. 16

\(^{12}\) Bridgen and Meyer, ‘Britain: Exhausted Voluntarism- The Evolution of a Hybrid Pension Regime’, p. 265

\(^{13}\) Independent Public Service Pensions Commission, ‘Interim Report’, p. 7

\(^{14}\) Cutler& Waine, ‘New development. The UK coalition government and the future of public sector pensions’, p. 317

\(^{15}\) Cutler& Waine, ‘New development. The UK coalition government and the future of public sector pensions’, p. 318

benefits based on their low level of income). In 2013, 40% of pensioners were eligible for the means-tested support of Pension Credit. Pension Credit is provided as a tax-free weekly benefit to those who are 60 or above (the qualifying age increases together with rise of State Pension Age for women) and live on a low income. It is not based on records of National Insurance contributions.

It is interesting to review the debates between the parties when passing the Bill for the Acts in parliament, as 2010-2014 was part of a special period of time in UK history. On the one hand, it was the first time since February 1974 that no single party had won an overall majority in a general election and that a coalition was formed by the Conservatives and Liberal Democrats (also referred to as the Cameron-Clegg Coalition). On the other hand, the recession of 2008-2009 and the subsequent deficit formed the basic background to the 2010-2014 pension reforms. In 2009, the general government deficit reached 11% of GDP, accompanied by a sharp rise in public borrowing and debt. The crisis in public finance raised political concerns to reform the pay-as-you-go financed Pension system (including state pension and most of public service pensions scheme) and to improve the usually pre-funded private pension schemes; aiming to guarantee a sustainable and adequate pension income for pensioners under the pressure of aging societies. In the 2010 Budget, published on 22 June 2010, which illustrated the fiscal plan under the coalition government, the coalition government proposed to build “a new model of economic growth built on saving, investment and enterprise instead of debt.” This principle can also be found existing in the pension reforms.

1.2 Part of Global History

It is a global phenomenon that the fertility rate keeps falling and that the life expectancy keeps rising. Taking the members of the Organization for Economic Cooperation and Development (OECD) as an

---

20 OECD, Restoring Public Finances, Special Issue of the OECD Journal on Budgeting (OECD publishing 2011), p. 202
21 Bernhard Ebbinghaus (eds), The Varieties of Pension Governance (Oxford University Press 2011), p. V
22 HM Treasury, Budget 2010 (The Stationary Office 22 June 2010), p. 1
example, the fertility rate (children per woman aged 15-49) keeps falling dramatically. In 1960, the average fertility rate for all OECD countries was 3.28 children. However, in 2009, the average fertility rate for all OECD countries had declined to 1.74; far below the standard of 2.1 children required to keep the population from declining.\(^{23}\) The rapid drop in fertility rate is partly due to the fact that women either have children when they are older or do not have children at all. Furthermore, this has not only occurred in OECD countries; it is a global phenomenon that life expectancy has increased rapidly. Life expectancy at least doubled in all parts of the world between 1820 and 1999. The rise in life expectancy was the result of better living conditions and health care.\(^{24}\) Longer life expectancy means a longer period of life after retirement age. As Table 1.1 illustrates, in OECD countries, the average additional life expectancy after the age of 65 was 15.0 years for women and 12.9 years for men in 1960. It increased to 20.5 years on average for women and 17.2 years for men by 2009. Between 1960 and 2009, the average additional life expectancy after 65 years increased by 5.5 years for women and 4.3 years for men respectively.

Thus, the global demographic structure has been transformed due to the combined effect of a lower fertility rate and a longer life expectancy. The trend of structural change can be represented by the old age support ratio (see Table 1.2). The rate calculates the ratio of the number of working age people (20-64 years old) to every older person (65 years old and over). Older people are perceived to be economically inactive and financially dependent on the group of working age in terms of public finance, as the cost of public pensions and taxes has to be borne by the then current group of working age people through the pay-as-you-go system. According to an OECD projection in 2011, the average old-age support ratio will halve between 2008 and 2050. In 2008, in OECD countries, each older person was supported by 4.2 working age people. However, it is expected that in 2050, each old-aged person will be supported by 2.1 working age people.

The 2010-2014 UK pension reforms are a case study of pension reform under the category of a “liberal” welfare state in face of the global trend of aging demography. As shown in Table 1.2, the United Kingdom, the United States, New Zealand, Australia and Canada all face a similar


\(^{24}\) Center for Educational Research and Innovation, Trends Shaping Education (OECD publishing 2008), p. 14-16
demographic challenge: a smaller number of working age people are expected to support a larger number of older people. These countries are usually categorized as the so-called “liberal” welfare states. To be exact, the social policy in “liberal” welfare states tends to stress the importance of traditional sources of support: the family and the market. Assistance from state intervention is often kept to a minimum and only comes when those two traditional mechanisms break down.\textsuperscript{25} The market is especially encouraged by the state to provide private welfare schemes. Passively, the state usually only provides minimal benefits; actively, the state sometimes subsidizes private welfare schemes directly through its policies.\textsuperscript{26} The British pension system can be regarded as representative of such social policy arrangements in a liberal market economy. On the one hand, it has established a mature system of occupational, earning-related pensions. Personal pension schemes also supplement part of the system. On the other hand, it is often criticized for failing to prevent poverty. The level of means tested support has remained high. In 2006 in the UK more than 20\% of pensioners claimed means-tested Pension Credit.\textsuperscript{27}

Table 1.1: Average Additional Life Expectancy After 65 years For Men and Women in OECD Countries\textsuperscript{28}

<table>
<thead>
<tr>
<th></th>
<th>1960</th>
<th>2009</th>
<th>Years gained between 1960 and 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>15.0</td>
<td>20.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Men</td>
<td>12.9</td>
<td>17.2</td>
<td>4.3</td>
</tr>
</tbody>
</table>

*The average excluded: Switzerland, Spain, Iceland, Korea

Table 1.2: Old-Age Support Ratio in OECD Countries: Number of Working Age People (20-64) for Every Older Person (65+)?\textsuperscript{29}

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>4.7</td>
<td>2.6</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Australia</td>
<td>4.5</td>
<td>2.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Canada</td>
<td>4.6</td>
<td>2.1</td>
</tr>
<tr>
<td>OECD</td>
<td>4.2</td>
<td>2.1</td>
</tr>
</tbody>
</table>

\textsuperscript{26} Gosta Esping-Andersen, \textit{The Three Worlds of Welfare Capitalism} (Polity Press 1996), p. 26
\textsuperscript{27} Bridgen and Meyer, ‘Britain: Exhausted Voluntarism- The Evolution of a Hybrid Pension Regime’, p. 266
\textsuperscript{28} OECD, \textit{Health at a Glance 2011: OECD Indicators} (OECD publishing 2011), p. 163
Chapter 2: Research Question and Methodology

2.1 Research Questions

The aim of the proposed topic is to investigate the policymaking process of pension reform in the aftermath of the 2008 economic crisis under the coalition government (2010-2015) in UK. The period of 2010-2014 was chosen due to limits on the length of this dissertation. It will try to address the following issues:

a. The pattern of reforms to the pension regime (2010-2014);
b. The historical and ideological background of the new reforms;
c. The important contributors to the reforms: the political system, political actors, individuals and research agencies;
d. The policymaking process of the new pension policies in the parliamentary stages.

2.2 Major Methods

This paper will first identify the major features of the UK political system and then move on to analyze the cases based on the theoretical knowledge. It will regard each parliamentary legal process of the selected pension acts passed between 2010 and 2014 as an individual case and do a small-n case study (n=3). Namely, it will focus on the legislation process for Pensions Act 2011, Public Service Pensions Act 2013 and Pensions Act 2014. In each part of these three selected general pension acts, I will begin by highlighting two controversial and widely debated components, where either important government concessions (represented as amendments) were made or there were conflicts between the House of Commons and the House of Lords. I will then provide an historical analysis of the parliamentary debates on these two important components in each case. In the end, by comparing and contrasting these cases, I will identify the major trends of pension reform in this period of time and generalize the pattern of decision-making in this policy field during the period 2010-2014. Both Hansards from the House of Lords and the House of Commons will be used. The analysis will be carried out following the two logics below:
Firstly, the final version of policy is the result of compromises between groups of people who often have contradicting goals and values.\textsuperscript{30} Thus, the paper aims to focus on the compromises that the government made in Parliament due to external pressure from the opposition and from independent institutions. Especially, it will stress the opinions of the opposition members who represented the whole opposition bench and who claimed special interests for this group. The opinions can be categorized into three short-term political demands:

1) The demands of pensioners and those who are going to become pensioners soon.
2) The demands of the younger population, who will not obtain their pension soon, and who are concerned about the cost of pensions. To be exact, they are concerned about the amount of contributions or savings needed.
3) The business interests of employers or private pension management and investment facilities.

Secondly, early political decisions usually structure the pathway along which the later political decisions will follow. Pension policy is one of the policy areas that must make predictions about the future of 30 or more years. However, in a democratic polity, the relatively short length of terms of office adds to the difficulty of carrying out coherent plans.\textsuperscript{31} Thus, policy change advocates (also defined as policy entrepreneurs) play a decisive role in pushing these issues onto the current political agenda. British pension reforms in recent years have shown that independent expert commissions can play a key part in the generational politics of pensions by persuading politicians to take the initiative. The solutions developed by commissions are often considered as fair and widely acceptable.\textsuperscript{32} Thus, this paper will discuss the historical basis of the components of each Bill, especially in order to evaluate whether there is a grand consensus about any specific issue. It will also elaborate on the reports produced by ad-hoc commissions that have a profound influence on the policymaking process.

The methods used will include: a multi-case study, document analysis, historical analysis and comparative analysis.

\textsuperscript{31} Hill, \textit{Pensions}, p. 2
\textsuperscript{32} Martin Hering, 'Live Longer, work longer? Intergenerational fairness in retirement age reforms in Germany and the United Kingdom' in Pieter Vanhuysse and Achim Goerres (eds), \textit{Aging Populations in Post-industrial Democracies: Comparative studies of policies and politics} (Routledge 2012),p. 83
2.3 Limitations

This paper considers the government as a whole; thus ignoring the compromises made within the government before the introduction of a bill into Parliament. It does not address the compromises made between the two coalition parties (the Conservatives and the Liberal Democrats). It overlooks the compromises made within the Conservative Party, although a divergence of standpoints must have existed within the party. It also ignores the important Green Paper stage (a government consultation paper on the legislative proposal) in which the government might adjust their position due to the opinions of the public.\(^{33}\) Furthermore, as this paper is only focused on the Public General Acts, which cannot be implemented all over the UK (in most cases Northern Ireland is not included), it ignores the decision-making process at the local level. Namely, it overlooks the policymaking process for Acts of the Northern Ireland Assembly, Acts of Scottish Parliament and the policymaking process for all the statutory instruments.

Chapter 3: Background and Key Concepts

3.1 The Demographic and Fiscal Situation in the UK

3.1.1 The Demographic Situation in the UK

The UK has experienced a significant demographic transformation in the last few decades. The UK fertility rate has remained below the standard of 2.1 children since 1973 (see Table 3.1). The continually low level of fertility rate has been accompanied by growth in the percentage of the population who live beyond 65 years old and who have a longer life expectancy after reaching the age of 65. The rate of survival after 65 years has been continually rising. Increasing numbers of people are living longer than 65 years. According to a Department for Work and Pensions (DWP) analysis based on the Office for National Statistics (ONS) Cohort Life Tables for England and Wales (2008), 78% of males born in 2010 will live to 65 and 85% of females born in 2010 will reach the age of 65. In 1926, when the first contribution pension was introduced, only 34% of men born that year and 40% of women lived to 65. In addition, life expectancy after 65 is also continuing to rise. As table 3.2 illustrates, females born in 2010 are expected to live 20.8 more years after the age of 65, males born in 2010 are expected to live another 18.2 years after 65. This means that these people are expected to receive pensions for longer periods of time, if the pension age is kept unchanged. For instance, assuming that the pension age for males born in both 2005 and 2010 is 65 years, males born in 2005 will receive a pension for 17 years on average, and males born in 2010 will receive a pension for 18.2 years – 1.2 years more than those born 2005.

Table 3.3 illustrates the projected population by age in the period of 2008 to 2058 based on the ONS population projection database of 2008. It is projected that the number of people aged over 65 will start to rise sharply after 2018. In 2051, this number will increase to 18.8 million, which is 9 million more than the number in 2008. In this table, the level of population aging is measured by the ratio of those who are of working age (16 to 64 years old) to those who are pensioners (65+ years old). The ratio decreases over time as the population aged 65 and over is growing more rapidly than other age groups of population. In 2008, there were 4.02 people aged between 16 and 64 for every person

34 Department for Work and Pensions, A Sustainable State Pension: When the State Pension Age Will Increase to 66, p. 9
35 Thurley, Cracknell and Rutherford, ‘Pension Bill[HL]: Bill 183 of 2010-2012’, p. 8-9
who is more than 65 years old. In 2058, it is projected that there will be only 2.25 people aged between 16 and 64 for every person who is more than 65 years old. In the UK, National Insurance contributions are paid by the current working population. They are the major source of the State Pensions. However, the aging society means that there are less working-age people to contribute to the National Insurance.

Table 3.1: The UK Fertility Trend

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>2.04</td>
<td>1.90</td>
<td>1.83</td>
<td>1.64</td>
<td>1.89</td>
</tr>
</tbody>
</table>

Table 3.2: UK Life Expectancy at 65

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy at 65 (women)</td>
<td>17.3</td>
<td>17.9</td>
<td>18.2</td>
<td>19.0</td>
<td>19.7</td>
<td>20.8</td>
</tr>
<tr>
<td>Life expectancy at 65 (men)</td>
<td>13.3</td>
<td>14.0</td>
<td>14.6</td>
<td>15.8</td>
<td>17.0</td>
<td>18.2</td>
</tr>
</tbody>
</table>

Table 3.3: Projected Population by Age in the United Kingdom, 2008-2058

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2018</th>
<th>2023</th>
<th>2028</th>
<th>2033</th>
<th>2041</th>
<th>2051</th>
<th>2058</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 16</td>
<td>11,517</td>
<td>12,236</td>
<td>12,645</td>
<td>12,723</td>
<td>12,764</td>
<td>12,854</td>
<td>13,364</td>
<td>13,621</td>
</tr>
<tr>
<td>16-64</td>
<td>39,944</td>
<td>41,144</td>
<td>41,763</td>
<td>42,232</td>
<td>42,436</td>
<td>43,605</td>
<td>44,896</td>
<td>45,216</td>
</tr>
<tr>
<td>65+</td>
<td>9,932</td>
<td>12,265</td>
<td>13,408</td>
<td>14,878</td>
<td>16,422</td>
<td>17,706</td>
<td>18,813</td>
<td>20,095</td>
</tr>
<tr>
<td>Percentages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 16</td>
<td>18.0%</td>
<td>18.6%</td>
<td>18.6%</td>
<td>18.2%</td>
<td>17.8%</td>
<td>17.3%</td>
<td>17.3%</td>
<td>17.3%</td>
</tr>
<tr>
<td>16-64</td>
<td>65.1%</td>
<td>62.7%</td>
<td>61.6%</td>
<td>60.5%</td>
<td>59.2%</td>
<td>58.8%</td>
<td>58.3%</td>
<td>27.3%</td>
</tr>
<tr>
<td>65+</td>
<td>16.2%</td>
<td>18.7%</td>
<td>19.8%</td>
<td>21.3%</td>
<td>22.9%</td>
<td>23.9%</td>
<td>24.4%</td>
<td>25.5%</td>
</tr>
<tr>
<td>16-64/65+</td>
<td>4.02</td>
<td>3.35</td>
<td>3.11</td>
<td>2.84</td>
<td>2.58</td>
<td>2.46</td>
<td>2.39</td>
<td>2.25</td>
</tr>
</tbody>
</table>

(Support Ratio)

36 Department for Work and Pensions, A Sustainable State Pension: When the State Pension Age Will Increase to 66, p. 14
39 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 9
3.1.2 The Fiscal Situation and Funding of the Pension System

The UK economy enjoyed a long period of sustainable economic growth before the financial crisis; GDP growth was 3.0% per year on average before 2007. However, between 2008 and 2009, the UK economy contracted by 4.6%. The UK economy shrank by 0.3% in 2008 and contracted by 4.3% in 2009. The level of contraction was similar to the recessions in early 1970s and 1980s but was much more significant than the level in early 1990s. The level of shrinkage was less than the two recessions in early 1920s and early 1930s. The contraction of GDP largely resulted from the shrinking of output in the financial sector. In the period between the end of 2007 and the end of 2009, the output from the financial sector contracted by 6.5%.40

As a result, serious damage was done to the UK’s public finances. The UK public sector’s net borrowing and total debt reached unprecedented levels; something which had not taken place since World War II.41 As shown in Figure 3.1, the level of net borrowing in the aftermath of the 2008 financial crisis (financial year 2009/2010: 10.2% of GDP) was much higher than in the aftermath of 1990-92 recession (financial year 1993/1994: 7.2% of GDP) – the previous record high point of public sector borrowing after World War II. Due to the rise in public borrowing, public debt had reached an unprecedented level after 1990. As illustrated in Figure 3.2, the Labour government had enjoyed a net debt level of less than 40% of GDP before the 2007-2008 financial crisis broke out. However, following the banking crisis, public sector debt rose rapidly from the financial year 2008/2009 onwards. In the financial year 2008/09, net government debt increased to around £727.7 billion, which equaled 49.1% of GDP. In the financial year 2009/2010, the government owed the private sector approximately £959.8 billion, which equaled 62.3% of GDP.

In the UK, the cost of pensions to the taxpayer would continue to rise if no reforms were made. An aging society leads to fiscal pressure in terms of pension in two ways: firstly, it directly increases government expenditure on the State Pensions system (including the Basic State Pension and

Additional State Pension). National Insurance contributions are the major source of funding for Basic State Pensions and Additional State Pensions. These contributions are paid by employees and employers, based on the employee’s salary. However, it should be noted that the National Insurance Fund is not divided up based on specific programmes. It is managed as a whole fund for all social security benefits. The Fund is often regarded as a component of the general government budget. Thus, government makes up for the deficit (which is usually the case) resulting from the imbalance between income from contributions and expenditure for benefits.\textsuperscript{42} In 2010, spending for State Pensions alone totaled £69.5 billion, having risen from £32.9 billion in 1980. All of the pension-related benefits (Basic State Pension, Additional State Pension and other associated pension benefits) cost the government about £100 billion per year. The cost was almost the same as the combined spending on defense, public order and transport.\textsuperscript{43}

Secondly, an aging population adds to the pressure on public finances through the public service pension. In 2010, 12 million active or deferred pension claimers were dependent upon public service pension schemes. It meant that for every five people in the UK, there was one person who was dependent on public service pension schemes. The pay-out for such schemes each year is enormous: the pay-out was £32 billion in 2008-2009. This amount equaled 2/3 of the cost of basic State Pensions (£50 billion in 2008-09).\textsuperscript{44} The four largest unfunded (namely pay-as-you-go) schemes are: the civil service, the uniformed services, the NHS and teachers. Under these four unfunded schemes, the current pension contributions paid by employer and employees are treated as revenue and used for paying the current pensioners. However, there is usually a gap between the amount of revenue coming from the current contributor and the size of payment to the current pensioner, sometimes due to a change of workforce size. If the due payment exceeds the revenue received from contributions, then the financial gap is paid by the Exchequer. For example, in 2009-10, for the four largest unfunded schemes, contributions from employers and employees amounted to £17.7 billion in total. However, the ad-hoc payment for the same year was £20.8 billion. The financial gap of £3.1 billion then had to be paid by Exchequer; fundamentally by government taxation.\textsuperscript{45}

\textsuperscript{42} Bonoli, \textit{The Politics of Pension Reform: Institutions and Policy Change in Western Europe}, p. 61
\textsuperscript{43} Department for Work and Pensions, \textit{A Sustainable State Pension: When the State Pension Age Will Increase to 66}, p. 14
\textsuperscript{44} Independent Public Service Pensions Commission, ‘Interim Report’, p. 7+\textsuperscript{p. 21}
\textsuperscript{45} Independent Public Service Pensions Commission, ‘Interim Report’, p. 23
3.2 Historical Legacy

Starting from the first pension Act, the UK has pursued the dual approach of concentrating efforts on tackling poverty and enlarging private provisions. The state started to become involved in the

---

provision of pensions with the legalization of Old Age Pensions Act 1908. This Act granted a non-contributory, means-tested pension to all members of the population over 70 years old under certain conditions. However, the UK pension system went through a number of significant reforms in the following years. The major features of the current pension system arrangement originated from the reforms made under the Labour government after WWII with National Insurance Act 1946. The reform was based on the Beveridge Report, which was published in 1942 and managed to establish a unitary contributory National Insurance system. The system of National Insurance covered a wide range of contributory benefits (including retirement pensions and unemployment benefits etc.) and addressed the principle that it was “contributory with flat benefits and contributions.” In other words, working age people had to make a flat-rate contribution to National Insurance in order to gain the entitlement to flat-rate benefits. The benefit level was set according to minimum living standards. The standard was decided with consideration of the household nutrition studies. Both contributions and benefits were limited to a flat rate and a minimum level in order to encourage voluntary provision. A low-level flat rate was set also in order to be affordable for even the lowest income employee. Based on the system created in National Insurance Act 1946, the Basic State Pension (BSP) started to come into effect in 1948. Their National Insurance contribution history decided the entitlement to BSP for individuals.

After the 1946 reform, no major changes were made to the pension system until the mid-1970s. Social Security Pension Act 1975 symbolized the start of a very short social-democratic period, characterized with an extension of generosity to private sector employees. A mandatory second tier of earnings-related pension was established – either in the form of a second-tier State Pension or an approved occupational pension. The Act introduced a second tier of State Pension: the State Earnings-Related Pension Scheme (SERPS). The SERPS was calculated based on average earnings

---

48 Hill, Pensions, p. 24
51 Richard Disney, ‘The UK system of Pension Provision’ in Alex Börsch-Supan and Meinhard Miegel (eds). Pension Reform in Six Countries: What Can We Learn From Each Other? (Springer 2001), p. 87
52 Bonoli, The Politics of Pension Reform: Institutions and Policy Change in Western Europe, p. 59
53 Rita Haworth, ‘Older People’ in Peter Dwyer and Sandra Shaw (eds), An Introduction to Social Policy, (SAGE Publication 2013), p. 107
54 Bridgen and Meyer, ‘Britain: Exhausted Voluntarism- The Evolution of a Hybrid Pension Regime’, p. 271
for the “best of 20 years.” From then on, the State Pension consisted of two tiers: the flat-rate Basic Pension and the earnings-related SERPS.\(^{56}\) The SERPS was created in order to solve the problem that the BSP alone could not guarantee an adequate standard of living for most pensioners, who usually had no additional income from an occupational pension. In addition, the 1975 Act gave employees the option to contract out of the SERPS if they were members of an approved occupational pension scheme. It strengthened the state’s role in regulating the private sector by encouraging employers to offer occupational pension schemes, as the state required. Both employers and employees were rewarded with a rebate of their National Insurance contributions if the employees contracted out of the SERPS. However, the approved occupational pension had to be of “defined benefit” in form and provide a Guaranteed Minimum Pension (GMP). The GMP corresponded to the benefits an employee could receive from the SERPS if they had not contracted out.\(^{57}\)

The move in a social-democratic direction in 1970s was radically interrupted by the Conservative government’s reform in 1980s.\(^{58}\) Under the Thatcher administration, several radical changes were made to the pension system by *Social Security Act 1986*. Three key changes were made. Firstly, the generosity of the SERPS was cut sharply in anticipation of the “baby boom” generation retiring. Benefit accruals of the SERPS started to be based on lifetime average earnings, the factors of benefit accrual were cut, and the generosity of widows’ benefits was halved. Secondly, in terms of private pensions, the 1986 legislation allowed for the granting of approval to contract out of permitted “defined contribution” pension schemes. Before, according to the 1975 legislation, the approval was only granted for “defined benefit” pension schemes.\(^{59}\) Thirdly, the new law also introduced personal pension schemes as another option for those who contracted out. Insurance companies or financial institutions provided personal pension schemes and the employee could choose their own pension scheme. With this new legislation, with regard to the mandatory second-tier pension provision, employees could choose to contract out of the SERPS in the form of either an occupational scheme or a personal pension scheme.\(^{60}\)

\(^{56}\) Schulze and Moran, ‘United Kingdom: Pension Politics in an Adversarial System’, p. 60
\(^{57}\) Bonoli, *The Politics of Pension Reform: Institutions and Policy Change in Western Europe*, p. 61
\(^{58}\) Bridgen and Meyer, ‘Britain: Exhausted Voluntarism - The Evolution of a Hybrid Pension Regime’, p. 273
\(^{59}\) Disney, ‘The UK system of Pension Provision’, p. 91
\(^{60}\) Bonoli, *The Politics of Pension Reform: Institutions and Policy Change in Western Europe*, p. 79
After coming to power in 1997, the Labour government maintained the general policy of encouraging the private sector to bear a large proportion of welfare state’s responsibilities. However, compared with the previous Conservative government, the new government stressed more the social inclusiveness of the pension system: it started to address the problem of pensioner poverty and the shortage of private savings for retirement among low and middle income earners who did not have support from employers. In 1999, the Labour government increased the public means-tested pension level for the very low paid. It was made compulsory for employers to suggest private pension schemes. In 2000, the second tier of the State Pension was made more generous for low-income earners and carers. However, in 2002, it became evident that the measures to encourage private pension provision had not achieved the expected goals. The pension system was regarded in general as being in “crisis.” The beginning of the 2000s saw a wave of closures of defined benefit (DB) pension schemes to new members, even in a lot of large companies in the private sector.61

To solve the crisis, in December 2002, an independent Pension Commission (also known as Turner Commission, named after its chair Adair Turner) was established especially to address the concern that people had inadequate savings for retirement and that measures to encourage private sector provision had not achieved significant success. Adair Turner(or also later known as Lord Turner of Ecchinswell) has been a crossbencher and has had a close relationship with the employers of private sector: he was the director general for Confederation of British Industry(CBI) before chairing the Commission and was the Vice-chairman of Merril Lynch Europe when chairing the Commission. The Commission published three reports in total. The second report had a profound influence on the legislation of Pensions Act 2007 and Pensions Act 2008 under the Labour government, and even had an influenced on legislation under the Coalition government (2010-2015) in terms of principles. In November 2005, the second report of the Pensions Commission, A New Pension Settlement for the Twenty-First Century, was published.62 It found a high degree of consensus on the following three points which led to the need for a re-orientation of policy reform: 1) that the combination of the State Pension system and the voluntary system of private pension provision was not adequate to provide enough income for pensioners and was becoming increasingly unequal; 2) that the problem could be solved by encouraging saving for private pensions and increasing the average retirement age, or

raising the ratio of national income to State Pensions; 3) that a new approach had to be taken to private pension saving in order to get rid of the wholly voluntary approach. To be specific, the report also suggested “the creation of a low cost, national funded pension savings scheme into which individuals will be automatically enrolled, but with the right to opt out, with a modest level of compulsory matching employer contributions, and delivering the opportunity to save for a pension at a low Annual Management Charge.”

Based on the suggestions from second report of Turner Commission, the Labor government published a White Paper on 25 May 2006, Security in retirement: towards a new pensions system. This White Paper delivered a package of reforms to the UK pension system. Two Acts delivered this package of reform: Pensions Act 2007 and Pensions Act 2008. Pensions Act 2007 introduced reforms to the State Pension system. In order to improve coverage, the contribution conditions were relaxed: the number of years of contribution required to obtain a full basic State Pension was reduced to 30 years (before, contributions had to be made for 9/10 of the potential working life – 44 years for men and women with a State Pension Age (SPA) of 66); the State Pension Age was increased; the timetable for increasing the SPA to 66, then 67, then 68 was set in this Act. The Pensions Act 2008 introduced a duty for employers to automatically enroll employees into and make contribution to “a qualifying workplace pension scheme” (concept explained in Section 3.3).

3.3 Overview of the Pension System Before the 2010-2014 Reforms and Key Concepts

Thus, before the 2010-2014 reforms, the multi-pillar, multi-tier pension scheme had been established in the UK through years of reform, and the basic structure is described below (also presented in Figure 3.3). The first pillar, namely the State Pension (SP), consisted of a Basic State Pension (BSP) and a State Second Pension (SSP). Both pension schemes were based on a pay-as-you-go and a contribution-based system. Under the BSP and SSP, “national insurance contributions” were paid

---

63 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’ p. 2-3
66 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 3
into the National Insurance Fund. The employer and employees shared the contribution at different rates of gross earnings. People gained credit from the contributions. With the reform in Pensions Act 2007, a full BSP was given to those who had a record of contributions for 30 years. A proportionately reduced pension was given to those who had a minimum of a one-year contribution record. In 2008/2009, a full Basic State Pension for a person was £90.70 per week (equal to 14% of average earnings). For the SSP, the benefit was calculated based on the average lifetime salary. There were two bands as a result of Pensions Act 2007: between the lower earnings limit (£4680/year in 2008/09) and the lower earnings threshold (£13,500/year in 2008/09), a flat rate of £1.60 per week was given for each qualifying year; between the lower earnings threshold and the ceiling (£40,040/year in 2008/09), the replacement rate was set at 10%. There was no SSP arrangement for earnings above the ceiling.

The second pillar has been Occupational Pensions (OP). Under this pillar, various choices of occupational pension schemes have been provided to individuals by employers. Based on Pensions Act 2008, employees were automatically enrolled into a “qualifying workplace pension arrangement” or NEST. Employers had to enroll all UK employees aged between 22 years and the State Pension Age who had an income of more than £5,035/year into either of the above-mentioned kinds of pension scheme. This duty was intended to be introduced in stages over a period of four years from 2012 onwards. To become a “qualifying workplace pension arrangement,” the provided scheme has to meet the “quality requirement:” the employer’s contribution had to be equivalent to at least 3% of employee’s earnings and the total contribution from both employer and employees had to be equivalent to more than 8% of employee’s earnings. If no “qualifying” scheme was available, employees could be enrolled into a new low-cost national pension savings scheme established by Pensions Act 2008. The newly established national pension saving scheme was later known as the National Employment Savings Trust (NEST). NEST was especially established for those who did not have access to enough income from their workplace pension arrangement. Special policies were

---

68 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 1
69 Newson, ‘Pensions Bill [HL] (HL Bill 37 of 2010-11)’, p. 9
70 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 1
71 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 51-52
72 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 35
made to make sure that NEST was only focused on the members of the population who had low to moderate earnings. An annual cap was set on contributions for NEST and transferring between NEST and other pension schemes was prohibited.\textsuperscript{73}

The third pillar (Personal Pensions) has been composed of various private personal pension schemes which provided different levels of tax-privileged savings. This pillar has been dependent on voluntary retirement savings and was usually provided by financial services.\textsuperscript{74}

Employees could choose to leave (termed as “contract out”) of the second tier of the State Pension (namely the SSP) into an occupational pension scheme or a private pension scheme which meet certain requirements. Generally speaking, if the employee chose to “contract out” of the SSP, then both employee and the employers were able to receive a rebate of National Insurance and thus pay less in National Insurance contributions. In 2008, around 35\% of employees had “contracted-out” of the SSP into private pension schemes.\textsuperscript{75}

The occupational schemes in the public sector (also referred to as public service pension schemes) were quite different from the rest. Public service pension schemes often took the form of unfunded defined benefit (DB) final salary schemes. The normal pension age was typically set at 60 or 65, depending on the specific career. Especially, the normal pension age for uniformed services was set lower due to physical considerations.\textsuperscript{76} Many design features of pre-2010 public service pension can be traced back almost 200 years, namely to the 19\textsuperscript{th} and early 20\textsuperscript{th} century. These features include the concept of normal pension age, links to final salary and accrual rates. These major features were not been changed structurally, in spite of the fact that the demography and economy had experienced enormous structural changes in the past 200 years. Although, in the early 1970s and in 1997, reforms were delivered to change some of the details of such schemes, the basic structure still remained.\textsuperscript{77} However, compared with private sector pensions, public service pensions underwent fewer structural

\textsuperscript{74} Disney, ‘The UK system of Pension Provision’ in Alex Börsch-Supan and Meinhard Miegel (eds), p. 87
\textsuperscript{76} Independent Public Service Pensions Commission, ‘Interim Report’, p. 19
\textsuperscript{77} Independent Public Service Pensions Commission, ‘Interim Report’, p. 7
changes. The major, principal features remained despite some reforms to details.\textsuperscript{78} There were 300 public pension schemes in existence. Among them, the five largest categories were, namely: the local government, the civil service, the uniformed services (the armed forces and the police), the NHS and teachers. These five largest categories covered around 95\% of all public service pensioners.\textsuperscript{79} As being elaborated in section 3.1.2, 4 of those 5 major categories are unfunded and pay-as-you-go, imposing huge financial pressure on public finance annually.

Figure 3.3: Pillars and Tiers of the Pension System in the UK Before 2010\textsuperscript{80}

<table>
<thead>
<tr>
<th></th>
<th>First Pillar</th>
<th>Second Pillar</th>
<th>Third Pillar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third Tier</td>
<td><strong>State Pensions (SP)</strong></td>
<td><strong>Occupational Pensions (OP)</strong></td>
<td><strong>Personal Pensions (PP)</strong></td>
</tr>
<tr>
<td>(Voluntary)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>***</td>
<td>Voluntary occupational pensions</td>
<td>Voluntary personal pension plans</td>
</tr>
<tr>
<td>Second Tier</td>
<td><strong>Contracted in State Second Pension (Since 2002)</strong></td>
<td><strong>No contracting out National Employment Savings Trust (NEST)</strong></td>
<td><strong>Contracted out to Approved personal scheme instead of State Second Pension</strong></td>
</tr>
<tr>
<td>(Mandatory)</td>
<td>Coverage: Employees Exclusion: Self-employed Farmers Civil Servants</td>
<td>(Pensions Act 2008, valid from 2012)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Contracted out to Approved DB or DC occupational scheme instead of State Second Pension</strong></td>
<td></td>
</tr>
<tr>
<td>First Tier</td>
<td><strong>Basic State Pension</strong></td>
<td>*****</td>
<td></td>
</tr>
<tr>
<td>(Mandatory)</td>
<td>Coverage: Employees Self-employed Farmers Civil Servants</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Pension Credit (since 2003, previously as Minimum Income Guarantee)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Means-tested income support for pensioners</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Housing and council Tax benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Winter Fuel payment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textit{***} means that the part does not exist.

\textsuperscript{78} Independent Public Service Pensions Commission, ‘Interim Report’, p. 20
\textsuperscript{79} Independent Public Service Pensions Commission, ‘Interim Report’, p. 21
Chapter 4: Discussions

4.1 Features of the UK Policymaking Process

4.1.1 The Legislative Process

The British Parliament consists of two chambers: the House of Commons and the House of Lords. Going back through history, peerage in the House of Lords was inherited. Since 1999, the Prime Minister has started to appoint new members of the House of Lords. Before 1991, the House of Lords shared power on an equal basis with the House of Commons. However, in current times, the power of the House of Lords has been significantly reduced. The Upper House only has the right to delay for one session. It does not have the power to veto anymore. Legislation and monitoring the executive branch are the two major principle roles which the House of Commons should play. However, because of the structure of the policymaking process, executives, who are the most powerful actors, have the decisive say on the most important parts of policy. The House of Commons, as the formal arena of competition, has relatively less influence on the policymaking process. In reality, the most important role of the Lower House is to pursue partisan battles. Their debates on policy proposals are usually superficial. Compared with the House of Commons, the House of Lords often poses more obstacles to the government’s proposals.81

The government, an MP, a Lord or even an individual who is part of a public or private group can raise proposals for new laws and amendments to existing laws. However, in most cases, the government is the major initiator of new laws. A proposed Bill will only become law if both Houses have debated and voted on the proposal (except for financial Bills, which can be passed with just the consent of the House of Commons). New laws are often introduced in the form of Bills. The Bill can be introduced in both Houses depending on the case. The Bill is first introduced into the House of Commons if the topic is more controversial and political. All the new laws have to be approved by the reigning monarch at the end stage, namely, they have to be given the Royal Assent. However, in modern times, the Royal Assent has become a formality. The reigning monarch has not withheld approval for any Bills approved by both houses since 1708. After Royal Assent, the passed Bill is

---

81 Schulze and Moran, ‘United Kingdom: Pension Politics in an Adversarial System’, p. 52
officially an Act of Parliament. The law is then implemented by the relevant government departments.  

Legislation often originates from executive proposals and is then “managed” in Parliament by the government. This process is applicable for almost all important legislative initiatives and most of the legislations. In the first stage, a Green Paper is produced before the White Paper, if the government wants to invite consultation. A variety of institutions and groups are invited to comment. These invited institutions and groups are: other government ministries, government executive bodies, employer’s organizations, unions and experts. There exists a strong procedural norm whereby consultation with the most affected groups is encouraged. This procedure of consultation usually takes place even before the publication of official proposals. In the second stage, the responsible ministry of the government publishes a White Paper. This White Paper is often concerned with “definite legislative intentions.” In the third stage, a legislative Bill is produced based on the White Paper. Then this legislative Bill is presented and introduced to the Chambers. In most cases, this Bill is introduced to the House of Commons. However, it should be noted that Parliament can discuss both Green Papers and White Papers. Then, the Parliamentary Counsel (government lawyers) is responsible for drafting the Bill in order to submit it to the House.  

4.1.2 The Process in the House of Commons  

The first reading can be perceived as a procedure of formality. It is only starting from the second reading in the House that the Bill and its related principles are generally debated. The government majority arranges the agenda, timetable, the length and the end of the debates. If the Bill receives a positive vote, then it proceeds to the committee stage. For each Bill, there is an appointed Public/Private Committee to serve as a General Committee. The number of members in the Committee is usually between 16 and 50. The makeup of a Public Bill Committee is reflective of the political parties’ strength in the House of Commons. As a result, the government always has the

---

83 Schulze and Moran, ‘United Kingdom: Pension Politics in an Adversarial System’, p. 54
84 Schulze and Moran, ‘United Kingdom: Pension Politics in an Adversarial System’, p. 54
majority of members in the Public Bill Committee. And it is always necessary for the Committee to include the “responsible minister for the Bill and his counterpart of the Shadow Cabinet.” The Bill is debated elaborately, clause by clause, in the Committee. Amendments are discussed in this stage. Only government amendments, or those amendments that are supported by the government, have a high possibility of being passed. This situation results from the fact that the partisan strength of the plenary determines the composition of the Committee. The amendments and clauses from the committee stage can be reviewed again in the report stage (Consideration). Before sending the Bill to the Upper House, the House of Commons have a vote on the Bill in the third and final reading before the amended Bill goes to the Upper House.

Figure 4.1: The Policymaking process in the House of Commons

---

85 General Committees (including Public Bill Committees), <http://www.parliament.uk/about/how/committees/general/> accessed 15 Feb 2016
86 Schulze and Moran, ‘United Kingdom: Pension Politics in an Adversarial System’, p. 54-56
87 First reading (Commons), <http://www.parliament.uk/about/how/laws/passage-bill/commons/coms-commons-first-reading/> accessed 01 Oct 2015
4.1.3 The Process in House of Lords

The major difference from the House of Commons is that the House of Lords have no individual Public/Private Bill Committee. The General Committee in the House of Lords can take the form of a Grand Committee or the Committee of the Whole House. The only difference between these two forms is that motions in the Grand Committee have to be unanimously passed, which means that any disagreement from one member can lead to the blockage of an amendment to a Bill.\(^88\) In the committee stage of the House of Lords, any member from the House of Lords can participate. A list of amendments is published, namely the “marshaled list.” And before each day of the committee state, updated lists are released. Each clause has to be agreed in the committee stage. The amendments may face votes in some cases. The participating Lords have to consider every suggested amendment. Different from the committee of Commons, members in the Lords can debate an issue without any limitation on time. The government has no right to decide the subjects due to be discussed or to set a time limit. This is the major difference of committee stage between the two Houses. In the third reading, Lords can still make amendments, as some issues have not been considered in detail at the committee and report stages. This is different from the procedure for the third reading in the House of Commons.\(^89\)

---

Committee stage (Commons), <http://www.parliament.uk/about/how/laws/passage-bill/commons/coms-commons-committee-stage/> accessed 1 Oct 2015
\(^88\) General Committee(including Public Bill Committee),<http://www.parliament.uk/about/how/committees/general/> accessed on 01 Oct 2015
Committee stage (Lords), <http://www.parliament.uk/about/how/laws/passage-bill/lords/lrds-lords-committee-stage/> accessed 1 Oct 2015
4.1.4 Consideration of the Amendments

After passing through the third reading in both Houses, the amendments made by the second House will be returned back to the first House for consideration. Both Houses have to reach an agreement on amendments in order to proceed to the next stage of Royal Assent. The Bill fails if the two Houses cannot reach an agreement. However, the House of Commons can adopt Parliamentary Acts to pass the Bill even without the agreement of the Lords. The only cost is a delay of one session, which normally means one year.\(^90\)

4.2 Executive Authority

In UK tradition, the party in government plays an unchecked dominant role in the British policymaking process. This phenomenon results from the fact that the majority party’s influence over policy is emphasized by the special constitutional structure of British government.\(^91\) The process can be divided into two stages. Firstly, in the poll stage, the FPTP (First Past the Post) electoral system is adopted. Under the FPTP electoral system, the party with the majority of votes in the election can also have a majority in the legislative body. And the party with the plurality of votes in the electorate does have a great tendency to also form an absolute majority in the legislative body, namely Parliament. Thus, the majority party is able to take full advantage of a concentration of power and neutralize the effect of accountability. This was the exact situation in the Thatcher era.\(^92\) Secondly, the scope of the government’s action (which is formed by the majority party) is not limited by any written constitution. Parliament often plays a very ineffective and limited role in checking the government’s action. This ineffectiveness is a result of the strong tradition of party discipline in UK politics. ‘Whips’ – representative of an institution – especially underline the party discipline. As a result, the government is provided with wide control over policymaking.\(^93\)

In the 2010 General Election, no individual party won an overall majority in the House of Commons. This was the first time in the UK since February 1974 that a coalition government was formed. The

\(^{91}\) Bonoli, *The Politics of Pension Reform: Institutions and Policy Change in Western Europe*, p. 53  
\(^{92}\) Bonoli, *The Politics of Pension Reform: Institutions and Policy Change in Western Europe*, p. 54-55  
\(^{93}\) Bonoli, *The Politics of Pension Reform: Institutions and Policy Change in Western Europe*, p. 54
total number of seats in the House of Commons is 650. The Conservative Party won 306 seats, the Labour Party won 258 seats, and the Liberal Democrats won 57 seats. So, together, the coalition government had 363 seats in the House of Commons. That was equal to 55.8% of the seats in the Commons. The executive authority remained just strong as it would have been if a single party had won a majority in the election and formed a government. However, the form of the coalition government meant that the Conservative Party, as the majority party, could not totally control the policy direction. And the Liberal Democrats were able to influence policy making as part of the coalition government.

Party competition can be regarded as the only measure of checking a government’s behavior. Votes can be transferred to the opposition from the ruling party due to dissatisfaction with government policy. The transfer of votes can lead to a change of ruling party. The ruling party, which endeavors to be re-elected, often tends to take a wide scope of interests into account, so that the threat of electoral defeat is reduced. Elderly people have increasingly become one of the major forces in electoral constituents due to their high turnout rates and growing numbers of them. The turnout rate of older groups is much usually much higher than that of the younger groups. In the year of 1961, the percentage of people whose age was 65 or above was under 11 percent. This number started to exceed 16 percent in 2011. The percentage seems to be small, but it actually means that there are 4 million extra elderly people, who must be supplied with all sorts of welfare supports, such as pensions, health care and other benefits. This number is expected to grow even faster with the forthcoming retirement of the post-war “baby boomers” in the post-2010 era. The over-65s have been a strong electoral force, given the growing size and high turnout rate of this group. Parties have tried to avoid alienating this group of people. As described by Mark Garnett (2014): “pensioners’ benefits – such as pensions themselves, free bus passes, and the winter fuel allowance – are like ‘the third rail’ in an electric railway system. Any party that touches them runs the risk of sudden electoral death.”

---

95 Bonoli, The Politics of Pension Reform: Institutions and Policy Change in Western Europe, p. 54
96 David Denver, Christopher Carman and Robert Johns, Elections and Voters in Britain (3rd edn, Palgrave Macmillan 2012), p. 44
4.3 The Promises of the Pension Policies Made by the Parties Before and After the 2010 Election

Parties had different plans for pension policy before the election. In the manifesto of the Conservative Party in the 2010 election, concerning the topic area which will be covered by the second part of this dissertation, the following points were stated about the issue of pensions: 1) the deadline for raising the State Pension Age to 66 years old would be brought forward, but the date of deadline would not be earlier than 2016 for males and 2020 for females; 98 2) regarding State Pensions, in order to encourage saving, the Conservatives planned to restore the relationship between average earnings and Basic State Pension and planned to abandon means-testing; 3) the next government would encourage occupational pensions and automatic enrollment in pension schemes would be supported by cooperating with employers and industries; 4) the disparity between private sector and public sector pensions would be addressed, and trade unions and businesses would be the major cooperators in achieving this and the accrued rights would have to be protected. 99

Judging from the historical origins of the Conservative Party and the Liberal Democratic Party, it was hard to imagine they could reach a consensus on the issue of welfare reform. In the last two decades, the Liberal Democrats have represented, most of the time, the liberal left in the British political party system. Their advocated policies were often concentrated on economic and social issues, especially civil liberties. Before, the Liberal Democrats found little reason to lay stress on the issue of welfare reform. 100 However, the ideological orientation gradually shifted to the right under the leadership of Nick Clegg and due the increasing power of the Orange Book economic liberals within the Liberal Democratic Party. As a result, the party started to focus on welfare reforms like the other two major parties. The differences in emphasis on this issue became blurred among these three parties. 101 The Liberal Democrats had a more “liberal” perspective on social issues and advocated a more “statist”

approach. Historically, they have been more generous about public spending compared with the Conservatives.\footnote{Ben Williams, The Evolution of Conservative Party Social Policy (Palgrave Macmillan 2015), p. 96}

From the agreement which underlines the direction of the coalition government, namely the document *The Coalition: our programme for government 2010*, it was clear that some points of the Conservative manifesto had remained – such as the acceleration of the timetable for increasing the State Pension Age and support of automatic enrollment in pension schemes – whilst the Liberal Democrat manifesto had not even addressed those issues. However, at the same time, the influence of the Liberal Democrats on the agenda was obvious, as some of the strategies had not originated from the Conservative manifesto, but rather from the Liberal Democrats’ manifesto. The coalition agreement stated that the government would begin to find methods of simplifying the benefit system. This pledge clearly originated from Liberal Democrats’ promise to “bring in a citizens’ pension that will be paid to all UK citizens who are long-term UK citizens.”\footnote{Liberal Democrats, ‘Liberal Democrat Manifesto 2010’ < http://www.politicsresources.net/area/uk/ge10/man/parties/libdem_manifesto_2010.pdf>, accessed 8 Oct 2015, p. 52} The strategy for reforms in the public sector, mentioned in the Liberal Democrats’ manifesto, was accepted into the coalition agreement. The coalition agreement promised to conduct a review with the help of the newly established independent commission proposed by the liberal democrats, rather than just generally stating that the gap between the public and private sector would be addressed.\footnote{Figure 4.2}

The strategies about pensions in the Labour Party’s 2010 manifesto did share some general trends with the strategies raised in the Conservatives’ manifesto and the coalition agreement. For example, they all promised to control public sector pensions, though to different degrees. However, generally, Labour’s plan was less radical and would have taken a longer time to enact. The strategies provided were mostly intended to protect the interests of low and middle income earners at the cost of higher income earners Labour did not propose any radical systematic change to the state system. On the issue of State Pension Age, it proposed a slower speed for raising the State Pension Age. It promised to start raising the State Pension Age only from 2024, while the Conservative manifesto and the coalition agreement pledged to raise the State Pension Age to 66 before 2016 for men and before 2020 for women. Though Labour promised to continually support the automatic enrollment in
pension schemes, it laid stress on providing compulsory automatic enrollment for all employees, especially for low and middle income earners. In contrast, the Conservative manifesto and the coalition agreement focused on providing high quality pensions through cooperation with employers and industries.  

Figure 4.2 Comparison of the 2010 Manifestos of the Major parties and the Coalition Agreement on the Major Issues Related to Pensions

<table>
<thead>
<tr>
<th></th>
<th>Conservative</th>
<th>Liberal Democrats</th>
<th>The Coalition Agreement</th>
<th>Labour</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System</strong></td>
<td>***</td>
<td>In the long term, plan to establish a citizen’s pension system for all UK long-term residents who are also UK citizens.</td>
<td>Start to find ways for the simplification of benefit system (the hint of universal credit).</td>
<td>Promotes and simplify stakeholder pension schemes.</td>
</tr>
<tr>
<td><strong>State Pension Age</strong></td>
<td>Raise the State Pension Age to 66 before 2016 for males and 2020 for females.</td>
<td>***</td>
<td>Raise the State Pension Age to 66 before 2016 for males and 2020 for females.</td>
<td>Between 2010-2020, women’s State Pension Age would be raised to 65; between 2024 to 2046, the State Pension Age would be raised to 68 for both sexes.</td>
</tr>
<tr>
<td><strong>Automatic enrollment</strong></td>
<td>Support and encourage auto-enrollment and cooperate with employers and industries.</td>
<td>***</td>
<td>Support automatic enrollment. Rules made to boost occupational pension, high quality pensions.</td>
<td>Support low and middle income people so that they are able to have occupational schemes.</td>
</tr>
<tr>
<td><strong>Public sector pensions</strong></td>
<td>Generally starting to address the gap between the private and public sectors.</td>
<td>Independent review</td>
<td>Set up an independent commission to conduct a review.</td>
<td>Control public sector pay: one percent cap on basic pay uplifts for 2011-2013; new restriction on senior pay-setting; cap taxpayers’ liability.</td>
</tr>
</tbody>
</table>

*** means that the part does not exist.

---

105 Figure 4.2
Liberal Democrats, ‘Liberal Democrat Manifesto 2010’
4.4 Pensions Act 2011

4.4.1 Historical and Ideological Background

The historical and ideological origins of these reforms can be traced back to the Labour government’s legacy – the reports of the Tuner Commission. The Turner Commission’s reports laid down several general principles that formed the basis of two major reviews for Pensions Act 2011, namely: *A Sustainable State Pension: When the state pension age will increase to 66* and *Making Automatic Enrolment Work*. Firstly, the Turner Commission found out that there was a general consensus among the people that “the State Pension Age should rise over the long-term as life expectancy rises.” Based on this principle, the coalition government held a review to decide upon the date when the SPA would increase to 66. In November 2010, the DWP published *A Sustainable State Pension: When the state pension age will increase to 66*. The demographic review in this report laid the foundations for increasing the SPA in Pensions Act 2011. Secondly, in terms of private provisions, the Turner Commission found out that there was a wide support for “the automatic enrolment of employees into either a new National Pensions Saving system or into existing company pension schemes, but with the right to opt out.” In October 2010, an independent review from independent experts, based on government initiative, was published: *Making Automatic Enrolment Work*. The independent review advocated the principle of automatic enrolment in order to encourage private provision and at the same time made specific suggestions for its implementation, such as simplifying automatic enrolment for employers.

4.4.2 The Content of the Bill

The original Bill for Pensions Act 2011 was first introduced into the House of Lords as *HL Bill 37* and then proceeded in House of Commons. The Bill, as introduced into the House of Lords for the first time, is divided into five parts. The first three parts deliver the major reforms in this Bill: *Part 1: State Pension, Part 2: Automatic Enrolment*, and *Part 3: Occupational Pension Schemes*. Part 1 proposes to speed up the timetable for the equalization and increase of the pensionable age to 66 for

---

107 Newson, ‘Pensions Bill [HL](HL Bill 37 of 2010-11)’, p. 3
108 Newson, ‘Pensions Bill [HL](HL Bill 37 of 2010-11)’, p. 8
109 Newson, ‘Pensions Bill [HL](HL Bill 37 of 2010-11)’, p. 11
110 Pension HL Bill (2010-2011)[37], p. I, II
both men and women. *Part 2* proposes to modify the requirement for automatic enrolment into a workplace pension. It intends to alleviate the employer’s burden and create a simpler system for employers to administer. *Part 3* is focused changing the indexation for occupational pension schemes from “retail prices index” (RPI) to “consumer prices index” (CPI).

### 4.4.3 Important Concessions on Controversial Areas

The opposition voted against this Bill in the third reading in the Commons. Still, the Bill passed the third reading in the Commons with the following votes: ayes 287 and noes 242. The House of Lords agreed with the House of Commons and did not raise further objections in the Ping Pong stage. Figure 4.3 shows the allocation of successful amendments which proceeded through both Houses. In the Commons, a number of important government amendments were made relating to the indexation and revaluation of occupational pensions, and a new part on Money Purchase Benefits was also added. However, due to the limitation of pages, the remaining chapter will focus on only two sets of these amendments and their related parts in the Bill. Namely, it will only analyze the policymaking process for *Part 1* (State Pension Age) and *Part 2* (Automatic Enrolment) of the Bill.

When the House of Lords discussed *Pensions Bill 2011*, most debates were centered on the measures concerning the State Pension Age (SPA) and automatic enrolment. These two parts of the Bill were intended to modify the reforms already legislated by the Labour government’s in *Pensions Act 2007* and *Pensions Act 2008*. During the stages in the House of Lords, a number of government amendments were successfully made to the Bill. However, no important government amendments about the SPA were made at this stage. The most important amendment passed in the Upper House was that, in response to the concerns of the opposition, the government amended the part about “arrangements for employers to self-certify that an existing scheme is suitable to be used for auto-enrolment” in the third reading. Other amendments were generally “minor” or “technical.” In the House of Commons, the government made one important concession in terms of the SPA: to “cap the

---

111 Newson, ‘*Pensions Bill [HL](HL Bill 37 of 2010-11)*’, cover
112 HC Deb 18 Oct 2011, col 864
113 Thurley, ‘*Pensions Bill: Committee Stage Report*’, cover
114 Thurley, Cracknell and Rutherford, ‘*Pension Bill [HL]: Bill 183 of 2010-2012*’, p. 1
115 Thurley, Cracknell and Rutherford, ‘*Pension Bill [HL]: Bill 183 of 2010-2012*’, p. 8
maximum increase in the SPA at 18 months relative to the legislative timetable.” This concession, which consisted of two amendments, was made in the report stage.\footnote{Djuna Thurley, ’Pensions Bill 2011-final stages’ (2011) House of Commons Library SN 06082, <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06082>, accessed 7 Oct 2011, cover page}

Figure 4.3 Pensions Act 2011: Allocation of Successful Amendments Proceeding Through Houses on Part 1 and Part 2 of the Bill\footnote{Based on all primary sources (including reports and Hansards) in bibliography related to Pensions Act 2011}

<table>
<thead>
<tr>
<th></th>
<th>House of Lords (As introduced)</th>
<th>House of Commons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1\textsuperscript{st} reading</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2\textsuperscript{nd} reading</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>Committee stage</td>
<td>Part 1 (State Pension)</td>
<td>***</td>
</tr>
<tr>
<td></td>
<td>Part 2 (Automatic enrolment)</td>
<td>2 government amendments</td>
</tr>
<tr>
<td>Report Stage</td>
<td>Part 1 (State Pension)</td>
<td>***</td>
</tr>
<tr>
<td></td>
<td>Part 2 (Automatic Enrolment)</td>
<td>***</td>
</tr>
<tr>
<td>3\textsuperscript{rd} Reading</td>
<td>Part 1 (State pension)</td>
<td>***</td>
</tr>
<tr>
<td></td>
<td>Part 2 (Automatic enrolment)</td>
<td>1 government amendment</td>
</tr>
<tr>
<td>Ping Pong</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>Royal Assent</td>
<td>***</td>
<td>***</td>
</tr>
</tbody>
</table>

*** means that no amendments were made.

This chapter will focus on the amendments marked in grey.

\textbf{4.4.4 Concession: “cap the maximum increase in the SPA at 18 months relative to the legislative timetable.”}\footnote{Thurley,’Pensions Bill 2011-final stages’, cover page}
although it will not be sooner than 2016 for men and 2020 for women.”119 The government, on 3 November 2010, confirmed the acceleration of the timetable for increasing the SPA to 66. Part 1 of the Bill was intended to amend the timetable made by the Labour government in Pensions Act 2007. The proposal made in Pensions Bill 2011 was: to accelerate the timetable for equalization of the SPA to 65 years of age for both women and men between April 2016 and November 2018; and to increase the SPA for both men and women from 65 to 66 between December 2018 and April 2020 (note: because of the amendment in the report stage of the Commons, the ending time was changed to October 2020). Pensions Bill 2011 was silent about the timetable to increase the State Pension Age to 67 and then 68. Compared with previous legislations, Pensions Bill 2011 accelerated the timetable for the equalization of the SPA to 65 for both men and women by 2 years, whilst the timetable for increasing the SPA from 65 to 66 for both sexes was accelerated by 6 years.

The concerns raised about women can be traced back to the House of Lords, when this Bill was first introduced into the House. The Lords focused on the vulnerable situation of women and the members of the population who had lower incomes.121 Baroness Drake (Labour, opposition Spokesperson) was

| Time to increase state pension age from 65 to 66 | Pensions Act 1995 | Pensions Act 2007 | Pension Bill 2011 as introduced on 12.01.2011 to House of Lords |
| Time to increase state pension age to 67, 68 | *** | 2024-2026 | December 2018- April 2020 (note: in the final act, the ending time is October 2020) |
| Time to equalize pension age between men and women at 65 | Before April 2020 | *** | April 2016- November 2018 |

*** means that no new proposals were made

119 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 22
120 Newson, ‘Pensions Bill [HL](HL Bill 37 of 2010-11)’, p. 1+p. 3
121 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’ p. 1
a former member of the Pensions Commission in the House of Lords. Her position represented the general opinion of peers who were against the proposal. She admitted the necessity to review the existing timetable. However, it was also stressed that “the manner and timing of any increase in the State Pension must give people fair and proper notice and sufficient time to adjust, and ensure that the impact is not unfair and disproportionate for particular groups.” She elaborated upon her description of the unfair situation by using calculated data from the DWP: 500,000 women would be affected as the time for receiving their State Pension would be one year later than they had previously anticipated. 300,000 women, who were born between December 1953 and October 1954, would be faced with the severe problem of a delay between 18 months and 24 months. 33,000 women, who were born between 6 March and 5 April 1954, would face exactly 24 months’ delay.

Women are more likely to be affected by changes to the SPA as they are the major receivers of Basic State Pension and Pension Credit. Both these forms of pension are mainly provided for low income earners. Lord McKenzie (Labour, Shadow spokesman for Work and Pensions) also elaborated upon the vulnerability of women in the Bill’s committee and report stages. He was also one of the major contributors to the 2007 and 2008 Pensions Acts under the Labour government. According to him, compared with men, women were especially disadvantaged by being given only six years notice for a two-year increase. Meanwhile, men are given seven years’ notice for a one-year increase. The group of women, currently in their 50s and who would face a 2 year delay, were especially vulnerable as 40% of them hardly had any private pensions. Also, in order to take responsibility as carers, this group of women often chose to leave the labour market early or decrease their working hours based on an expectation of receiving a State Pension at a fixed date. The arguments and data that Baroness Drake and Lord McKenzie presented as evidence were repeatedly re-quoted by the peers, not only in the House of Lords but also in the House of Commons.

122 HL Deb 15 Feb 2011, col 589
123 HL Deb 15 Feb 2011, col 589
124 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’ p. 29
125 HL Deb 15 Feb 2011, col 583
126 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 30
127 Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 29
The paradox of the debate was the balance between the increasing longevity of life and short-term certainty for women.\textsuperscript{128} In the House of Commons, the debates, and the evidence they contained, were similar to those in the House of Lords. Generally, both sides showed their loyalty to the Turner report and agreed to adapt the SPA to demographic changes. The government side was usually concerned about the funding of the pension system and the amount of debt the UK would accumulate.\textsuperscript{129} For example, in the arguments made by Steve Webb (Liberal Democrats, Pensions Minister), he emphasized the demographic projections and assumed that the SPA had to be raised based on the logic in the Turner report.\textsuperscript{130} He insisted on a faster timetable for equalization and increasing the SPA to 66, and constantly laid stress on the fiscal situation and the costs of public expenditure in order to justify government’s proposal. The increased projections for life expectancy were the main arguments presented by the government. According to the (then most recent) 2008 projections for life expectancy, “in 2026, life expectancy for men and women of 65 is projected to be, on average, 1.5 years or 1.6 years more than indicated by the 2004 projections. Thus, it is no longer valid to use the previous timetable which was set according to the 2004 projections.”\textsuperscript{131}

According to the timetable as first introduced into Parliament, the revised timetable would bring fiscal benefits of “net benefits-related savings to DWP of £30 billion in real terms” for the ten-year period between 2016/2017 and 2025/26. This timetable, as first introduced into Parliament, would also raise £8.1 billion from income tax and NICs as people would have to pay when working longer.\textsuperscript{132} Meanwhile, the opposition argued for the fair treatment of vulnerable groups. Rachel Reeves (Labour, Shadow Pensions Minister in the committee stage) summarized an alternative amendment proposed by the opposition.\textsuperscript{133} The alternative plan, which was generally agreed by the opposition, was to continue to use the (then) current timetable for equalization (by 2020) but to bring forward the timetable for increasing the SPA to 66 by four years (to between 2020 and 2022). With this proposal from the opposition, nobody would have to suffer a waiting period of more than one year. This plan was based on a plan to make £20 billion of savings (for the period 2016/2017-

\begin{itemize}
\item \textsuperscript{128} HC Deb 18 Oct 2011, col 781
\item \textsuperscript{129} HC Deb 18 Oct 2011, col 781
\item \textsuperscript{130} HC Deb 18 Oct 2011, col 778
\item \textsuperscript{131} Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 22
\item \textsuperscript{132} Thurley, ‘Pensions Bill: Committee Stage Report’ p. 5+p. 7
\item Thurley, Cracknell and Rutherford, ‘Pension Bill [HL]: Bill 183 of 2010-2012’, p. 27
\item \textsuperscript{133} Thurley,‘Pensions Bill 2011-final stages’, p. 7
\end{itemize}
2025/2026) instead of the £30 billion of savings (for the period 2016/2017-2025/2026) proposed by the government.\textsuperscript{134} The opposition’s proposal also meant a £2.5 billion loss in terms of income tax and National Insurance (NI).\textsuperscript{135}

The concerns raised about vulnerable women and the alternative plan proposed by the opposition were supported by a number of influential organizations: Age UK, SAGA and the National Association of Pension Funds (NAPF). Age UK organized a grand lobby on Parliament to address the issue of the affected women.\textsuperscript{136} It also published a year book, \textit{Class of 53/54}, which especially addressed the affected group of women.\textsuperscript{137} Labour MPs such as Rachel Reeves and Teresa Pearce repeatedly referred to this report from Age UK as evidence for tabling an amendment to Clause 1 in the committee stage.\textsuperscript{138} SAGA organized a wide-spread online petition.\textsuperscript{139} Rachel Reeves used the data and recommendations from SAGA, especially the proposal from Dr.Ros Altmann, to back up her arguments as well.\textsuperscript{140} The NAPF, together with the other two organizations, was concerned about the vulnerable situation of women and urged the government to rethink the timetable.\textsuperscript{141}

In the process of the debates in the two Houses, the opposition fiercely criticized the Coalition Agreement’s pledge to “hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women.”\textsuperscript{142} In other words, the government promised not to make changes to \textit{Pensions Act 2007}’s timetable for increasing women’s SPA to 66 before 2020. And in this Bill the timetable for increasing women’s SPA to 66 had been accelerated to 2018. A number of Labour MPs, especially Rachel Reeves, blamed the government for breaking the promises made in the Agreement when taking office. In response, Iain Ducan Smith (Conservative, Secretary of State for Work and Pensions) stated that ”we are, continue to be, bound by the agreement….there is a slight problem with that element of the Coalition Agreement. It was

\textsuperscript{134} HC Deb 5 July 2011, col 5-col 6  
\textsuperscript{135} Thurley, ‘Pensions Bill: Committee Stage Report’, p. 5  
\textsuperscript{136} HC Deb 5 July 2011, col 5  
\textsuperscript{137} HC Deb 5 July 2011, col 12  
\textsuperscript{138} HC Deb 5 July 2011, col 5  
\textsuperscript{139} HC Deb 5 July 2011, col 5  
\textsuperscript{140} HC Deb 5 July 2011, col 21  
\textsuperscript{141} HC Deb 5 July 2011, col 65  
\textsuperscript{142} HC Deb 20 Jun 2011, col 49
done in that way at the time…..but we have since looked at it carefully and taken legal advice.”

Iain Duncan Smith’s position on this issue was tough and he refused to give further explanations even when challenged by the opposition on other occasions. It shows that the government was able to, in some way, manipulate the clauses in the Bill even though these clauses went against the political promises made beforehand. However such behavior attracted fierce criticism on account of breaking promises. The government was still able to insist on the original plan, despite strong opposition.

In the report stage in the Commons, Secretary of State Iain Duncan Smith proposed two amendments regarding the SPA. In this set of amendments, the government made a concession to “cap the maximum increase in the SPA at 18 months relative to the legislative timetable.” In other words, any individual would only face a maximum of 18 months of delay for the State Pension Age, compared with the existing legislation. According to this principle, the new government amendment proposed to slow down the transition from 65 to 66 years by changing the end date from April 2020 to October 2020. This amendment would ease the time pressure for 240,000 men and 245,000 women. These 245,000 women would no longer suffer a 19 to 24 month delay in receiving state pension. This newly proposed amendment meant a £1.1 billion (based on 2011/12 prices) loss in savings compared with the original Bill.

This comparatively limited concession was mainly made in response to the concerns about the women most affected by the timetable acceleration. When Secretary of State Iain Duncan Smith first promised to address this issue, in the second reading of in the Commons, he stated that, ”I hear the specific concern about a relatively small number of women, and I have said that I will consider it. I say to my colleagues that I am willing to get the transition right, and we will.” The term “a relatively small number of women” refers to 33,000 women, who would see an SPA growth for two years. This group of women represented, in all, 1% of the population who would be affected by the introduction of the revised timetable in the Pension Bill as introduced to Parliament. However,

---

143 HC Deb 20 Jun 2011, cols 48-49
144 Thurley, ‘Pensions Bill 2011-final stages’, cover page
146 HC Deb 18 Oct 2011, col 779
148 Thurley, ‘Pensions Bill: Committee Stage Report’, p. 2
149 Thurley, ‘Pensions Bill: Committee Stage Report’, p. 2
throughout the debates in two Houses, the government was insistent on equalizing the State Pension Age before 2018 and raising it to 66 for both sexes before 2020. These two government proposals about the SPA remained in the Bill and, in the end, were passed in *Pensions Act 2011*.

### 4.4.5 Concession: Limits on the Scope of the Power of the Secretary of State

One important proposal made in the part about automatic enrollment was to modify the way in which employers certified pension schemes. Following the suggestions from *Making Automatic Enrolment Work*, Clause 10 pledged to make the certification of schemes simpler and friendlier for employers. The title of this clause is: “Certification that alternative to quality requirement is satisfied.” It provides an alternative requirement for employers to meet in order to certify their pension schemes, in the event that these pension schemes do not meet the “quality requirement” set in *Pensions Act 2008*. Instead, employers can certify their pension schemes by meeting the “alternative requirement” in the regulations. The Secretary of State had to produce the “alternative requirement” based on certain conditions. In the original Bill, the condition was that the Secretary of State was satisfied that more than “a majority of the jobholders” would receive more than under a scheme which met the quality requirement set in *Pensions Act 2008*. “A majority” in this clause refers to more than 50 percent. This clause was mainly made to reduce the cost to employers. Under this clause, employers were allowed to continue applying existing pension schemes easily. The paradox of the debate was the balance between encouragement for employers to maintain good-quality schemes and the opportunity for employees to benefit from auto-enrollment. For the government, the major concern was to simplify the certification process for employers and to increase the incentive for employers to maintain good-quality schemes by reducing costs.

---

150 HC Deb 18 Oct 2011, col 850
151 Newson, ‘Pensions Bill [HL](HL Bill 37 of 2010-11)’, p. 7
152 Pension HL Bill (2010-2011)[37], p. I
153 Newson, ‘Pensions Bill[HL](HL Bill 37 of 2010-11)’, p.13
154 HL Deb 15 Mar 2011, col GC 4
156 HL Deb 27 Apr 2011, col 126
157 HL Deb 15 Mar 2011, col GC3
   HL Deb 30 Mar 2011, col 1324
concern of the government was to prevent employers from leveling down their contributions, because the employers had threatened to level down their contributions to the legal minimum as a result of the burden posed by the “quality requirement” in *Pensions Act 2008*. This proposal was especially welcomed by employers and stakeholders.\footnote{HL Deb 15 Mar 2011, col GC 4}

Most of the concerns raised by other Lords were centered on two aspects: 1) the scope of the Secretary of State’s power; 2) the risk that employers would manipulate the certification test and that individuals would lose benefits.\footnote{HL Deb 27 April 2011, col 124} In the third sitting of the Grand Committee in the Lords, Lord Mckenzie and Baroness Drake moved one set of amendments to Clause 10. These amendments would make it compulsory for “the Secretary of State, before making regulations on certification, to be satisfied that in every scheme at least 95 percent of individuals would receive contributions no less than the statutory minimum.”\footnote{HL Deb 15 Mar 2011, col GC 3} The aim of this proposal from the opposition was to protect the individuals who might potentially be excluded by the newly proposed certification arrangement.\footnote{HL Deb 15 Mar 2011, col GC 3} This proposal could protect 95% of the people in these schemes, rather than 50% – as would have been the case for the original Bill.\footnote{HL Deb 15 Mar 2011, cols GC 3} Also, the core concern of Lord Mckenzie was that the scope of the Secretary of State’s power was enshrined in the original Bill. According to him, this was a serious potential legislative loophole.\footnote{HL Deb 15 Mar 2011, col GC 5} With this power enshrined in the original Bill, this would give the Secretary of State unlimited power to introduce an alternative model.\footnote{HL Deb 15 Mar 2011, cols GC 2+GC 5} These two amendments from the committee stage were withdrawn in the end. In the report stage, again, Baroness Drake and Lord Mckenzie moved two amendments similar to the ones in Committee stage. The difference was a change from “95 percent” to “90 percent” of jobholders.

During the third reading in the House of Lords, Lord Freud (Conservative, Parliamentary Under-Secretary of State for the Department for Work and Pensions) proposed the amendments to Clause 10. This government amendment was especially made in response to the tabled amendments of Lord
Mckenzie and Baroness Drake in the Committee and report stages. According to Lord Freud, the expertise of Lord McKenzie and Baroness Drake contributed mainly to this concession. Compared with the older version, as introduced into the House, the government amendments in the third reading in the Lords imposed tougher preconditions before the Secretary of State could publish regulations for an alternative certification model. Lord Freud stated that “we have pared back the Secretary of State’s power as far as we reasonably can” with this amendment. This amendment had tougher preconditions for introducing regulations for an alternative certification model. Major components in the new proposed government amendments could be clearly traced back to the amendments tabled by those two Lords in the report stages. Namely, the new amendment replaced “a majority of the individual jobholders” with “at least 90 percent of jobholders”. Thus, the Secretary of State had to be satisfied that 90% of the jobholders would get more than under the schemes which were set based on Pensions Act 2008. Another part of the newly added government amendment was that the evidence basis of the test had to be reviewed periodically. This part of the amendment was clearly a government initiative, rather than one, which originated from the opposition’s tabled amendments.

4.5 Public Service Pensions Act 2013

4.5.1 Historical and Ideological Background

In the period 2005-2010, some reforms to the major public service pension schemes were introduced by the Labour government. However, these reforms only amended part of the original framework, rather than introducing a new framework which could be applied in all aspects. The Labour government reformed the scheme for new members of the armed forces (April 2005), police and firefighters (April 2006). It also introduced new reforms to the scheme for both new and old members of local government (2006), teachers (2007-2008), the NHS (2007-2008) and the Civil Service (2007-2008). These reforms had different focuses and details. However, they all contained...

---

165 HL Deb 27 Apr 2011, col 125
166 HL Deb 27 April 2011, col 125
167 HL Deb 27 April 2011, col 125
168 HL Deb 27 April 2011, col 125
169 HL Deb 27 April 2011, col 124
170 HL Deb 27 April 2011, col 125
171 HL Deb 27 April 2011, col 125
some common components: 1) survivors’ benefits were modernized so that, for instance, unmarried partners were also able receive the benefits; 2) member contribution rates were changed or introduced for the (then existing) NHS or local government schemes; 3) the pension age was increased for new members of the schemes for local government, teachers and the NHS; 4) the policy of “cap and share” (due to come into force in 2012/2013) was also introduced in order to limit “the liability of the taxpayers to future increase in cost”.\(^{172}\)

An Independent Public Service Pension Commission (IPSPC) was established after the Chancellor’s announcement of the 2010 Budget. Lord Hutton of Furness (Labour), who had been the Work and Pensions Secretary of State under the former Labour government, chaired this Commission. Two reports were published by this Commission: an interim report in October 2010 and a final report in March 2011. The Bill took most of the recommendations from the final report of the IPSPC.\(^{173}\) The final report’s recommendations addressed the balance between taxpayer’s concern about the cost and decent pension payments for public service employees.\(^{174}\) The reports consulted a wide range of expertise and interests. 250 bodies provided around 3,000 pages of evidence in response to Hutton’s report.\(^{175}\)

The IPSPC’s reports were used as the foundation for negotiations between the government and other groups, such as public service workers and the trade unions. In December 2011, the government made an announcement that Heads of Agreement (tentative non-binding documents) had already been achieved. The agreement was comprised of outlines of major new designs for pension schemes for employees of the NHS, teachers, the Civil Service and local governments. The final proposals for the agreements were issued between March 2012 and October 2012. The proposals covered not only the NHS, teachers, the Civil Service and local governments, but also armed forces and police pension

\(^{172}\) Thurley, Cracknell, Mclnnes and Rutherford, ‘Public Service Pensions Bill: Bill No 70 of 2012-2013’, p. 8-9
\(^{173}\) Thurley, Cracknell, RMclnnes and Rutherford, ‘Public Service Pensions Bill: Bill No 70 of 2012-2013’, p. 13-16
\(^{175}\) HC Deb 29 Oct 2012 col 53
These agreements formed the basic framework for the Bill. Danny Alexander (Liberal Democrats, Chief Secretary to the Treasury) elaborated upon these pre-negotiations with the unions and public service employees in the House of Commons. Danny Alexander introduced this Bill into the House of Commons, described the pre-agreement of the unions, which had been made before the introduction of this Bill into the legislation process: “The trade unions took those scheme designs to their memberships as the best that could be achieved through discussions, and the majority of the unions have accepted the proposed agreements. The turnout in the ballot held by the unions that rejected reform was low less than 30% in most cases – which is hardly a compelling mandate for an ongoing dispute.”

4.5.2 The Content of the Public Service Pension Bill

When introducing this Bill into the Commons as the representative of the government side, Chief Secretary Danny Alexander stressed that this Public Service Pensions Bill provided the framework under which the public service pensions would be reformed in order to achieve a large proportion of the £430 billion of savings planned for public service pensions in the next 50 years. The cost of providing public service pensions was expected to be reduced by 40% in the next 50 years according to this plan for £430 billion in savings. It covered about 12 million employees and their public service pensions. This bill was introduced as a primary legislation, which established a fresh new common legal framework of public service pensions for all of the UK.

The Public Service Pensions Bill was introduced at first into the House of Commons as the Bill No. 70 of the 2012-2013 parliamentary session. The aim of this Bill was to create a framework within which the government could introduce future public service pension schemes. This Bill was UK wide. Firstly, the planned new schemes would no longer be based on the final salary. Pension

---

178 Thurley, ‘Public Service Pensions Bill: Committee Stage Report: Bill No 70 2012-2013’, p. 6
179 HC Deb 22 April 2013, col 651
180 HL Deb 19 December 2012, col 1556

43
benefits were to be based on the career average salary instead. Though, the Defined Benefit scheme (DB) was still to remain the scheme for employees in public services. Secondly, the normal public service pension age was to be adjusted in line with the State Pension Age. Exceptions were to be made for special groups: the armed forces, firefighters and the police. They would retire at a normal pension age of 60 years old. Thirdly, before April 2015, future accrual was to be gradually closed, except for the schemes for those who were close to retirement and who enjoyed transitional protection.\(^\text{181}\) Fourthly, an “employer cost cap” was to be introduced as a mechanism for controlling changes in schemes. Fifthly, new requirements for managing, regulating and administrating the schemes would be introduced. Sixthly, a new common procedure for changing scheme rules was to be introduced. In general, this Bill can be interpreted as “a very technical piece of legislation” with detailed technical provisions.\(^\text{182}\)

### 4.5.3 Important Concessions in Controversial Areas

In the third reading in the Commons, Chris Leslie (Labour Cooperative, Shadow Minister for Treasury) promised that the opposition would not vote against this Bill in the Commons.\(^\text{183}\) The Bill passed this stage in the Commons with the following votes: ayes 278 and noes 29.\(^\text{184}\) However, the House of Lords agreed on a set of amendments that were opposed by the government. As a result, the ping-pong stage in the two Houses lasted for 4 sittings before the two Houses reached a compromise. Through the two Houses, a number of important amendments were made about the requirement of having employee representatives on pension scheme boards.\(^\text{185}\) However, due to the limitation of length for this paper, this chapter will ignore the amendments related to pension boards and to the application of affirmative procedures and focus only on two sets of concessions made by the government.

The first concession was about the scope for power to change legislations. It was chosen based on the speech from Sajid Javid (Conservative, the Economic Secretary to the Treasury) in the first sitting of

---

\(^{181}\) Thurley Cracknell, McInnes and Rutherford, ‘Public Service Pensions Bill: Bill No 70 of 2012-2013’, p. cover+p.1
\(^{182}\) Thurley, ‘Public Service Pensions Bill: Committee Stage Report: Bill No 70 2012-2013’, p. 4-5
\(^{183}\) HC Deb 4 Dec 2012, col 825
\(^{184}\) HC Deb 4 Dec 2012, col 828
\(^{185}\) HC Deb 22 April 2013, col 647
the ping-pong stage. In the House of Commons, most government amendments were either “minor,” “technical” or only clarified the clauses in the Bill.\textsuperscript{186} No opposition amendments were approved. However, the arguments made by the opposition in the Commons did contribute directly to a number of important amendments in the House of Lords. Especially, in the House of Lords, the government made concessions and amendments in order to address one issue with which the opposition had been most concerned in the Commons. The opposition had been worried about the power endowed in the Bill to amend primary legislation and make retrospective changes. In response, the government made concessions and tabled amendments to restrict the power to amend primary legislation and make retrospective changes.\textsuperscript{187}

Another important, yet limited, concession from the government was a result of persistent resistance from the House of Lords. For the first time in the process, the House of Lords passed two amendments tabled by the non-government side. This was the only time across the two Houses that amendment proposals which were not from the government side were successfully passed. Lord Eatwell (non-affiliated, Shadow Spokesperson for Treasury in Lords) proposed these two amendments in the report stage and they were passed due to positive votes. These two amendments raised fierce opposition from Lord Newby (Liberal Democrats, Spokesperson for HM Treasury in the Lords) during the debate and were later denied by the government side in the ping-pong stage in the House of Commons. In the end, the two Houses reached a compromise with a promised review of this issue. The second concession was chosen as it was the first time during the debates in the two Houses for this Bill a set of amendments from the non-government side were successfully passed.

\textsuperscript{186} Thurley, ‘Public Service Pensions Bill: Committee Stage Report: Bill No 70 2012-2013’, p. 5, cover
\textsuperscript{187} HC Deb 22 Apr 2013, col 646
Figure 4.5 Public Service Pensions Act 2013: Allocation of Successful Amendments Through the Houses

<table>
<thead>
<tr>
<th></th>
<th>The House of Commons (As introduced)</th>
<th>The House of Lords</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Reading</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2nd Reading</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>Committee Stage</td>
<td>43 government amendments</td>
<td>99 government amendments</td>
</tr>
<tr>
<td>Report Stage</td>
<td>7 government amendments</td>
<td>2 opposition amendments 29 government amendments (among them, 4 are focused on in this chapter)</td>
</tr>
<tr>
<td>Third Reading</td>
<td>****</td>
<td>11 government amendments</td>
</tr>
<tr>
<td>Ping Pong</td>
<td>Ping-pong (1st): disagreed with the 2 opposition amendments</td>
<td>Ping-pong(2nd): new opposition amendment on the same issue</td>
</tr>
<tr>
<td></td>
<td>Pingpong(3rd): -disagreed with the newly made opposition amendment -proposed a new government amendment accordingly, with minor modification</td>
<td>Ping-pong(4th): ***</td>
</tr>
<tr>
<td>Royal Assent</td>
<td>***</td>
<td>***</td>
</tr>
</tbody>
</table>

*** means that the part does not exist. This part will focus on the amendments marked in grey

4.5.4 Concession: The Power to Amend Primary Legislation and Retrospective Changes

In the original Bill, as introduced for the first time into the Commons, Clause 3 (Scheme Regulations) defined the use of power to make scheme regulations. Two components of this clause constituted the essence of this clause and were under heated debate: the “power to amend primary

---

188 Based on all primary sources (including reports and Hansards) in bibliography related to Public Service Pensions Act 2013
legislation” and “retrospective changes.” According to the original Clause 3(3)(b), scheme regulations “may make provision by amending any provision(whenever passed or made).” With this subsection of the clause, the scheme regulations were allowed to amend primary and secondary legislation no matter when the legislation was passed. According to original Clause 3(3)(c), scheme regulations could “make retrospective provision.” With this subsection of clause, scheme regulations were allowed to incorporate provisions which had a retrospective effect, meaning that changes could be made during the period before the regulations come into force.

Clause 3(3)(b): Power to Amend Primary Legislation

In the report stage in the Lords, government spokesperson Lord Newby proposed three amendments concerning the power to amend primary legislation (numbered as amendments 5, 6 and 8 in the report stage in the Lords). Amendment 5 partly eroded the notion of unlimited power by deleting 3(3)(b). Amendments 6 and 8 added a new paragraph to clarify the use of this power in consequential provisions. As a result, “the powers can be used only for consequential changes to current Acts, including changes that are needed to achieve consistency.” The power to amend primary legislation still partly remained even with the eradication of the original part of 3(3)(b) in the Bill.

This set of amendments was made directly in response to, especially, the recommendations from the Delegated Powers and Regulatory Committee in 10th Report of Session 2012-2013. The Delegated Powers and Regulatory Committee is a Committee in Lords (currently there is no such committee in Commons) which considers whether the power endowed in Bills are appropriate and give recommendation to the House in its reports before the Committee stage of the Bill. According to the Committee, the original Bill proposed “unrestricted” powers to make amendments to primary

189 Thurley, ‘Public Service Pensions Bill: Committee Stage Report: Bill No 70 2012-2013’, p. 9
190 Public Service Pension Bill: Explanatory Notes (Bill 70), p. 5
191 Public Service Pension HC Bill (2012-2013)[70], p. 2
192 Public Service Pension Bill: Explanatory Notes (Bill 70), p. 5
193 HL Deb 12 Feb 2013, col 577
194 HL Deb 12 Feb 2013, col 577
195 HL Deb 9 Jan 2013, col 172
legislation without either proper parliamentary or public scrutiny. The Delegated Powers Committee made obvious recommendations that power should only be limited to amend primary legislation which already existed and only for consequential and consistency purposes. The government accepted the suggestions from the Delegated Powers Committee and decided to table those two amendments. This set of amendments reduced the power to the exact scope that the Delegated Powers Committee had suggested.

Clause 3(3)(c): Retrospective Power

In the report stage in the Lords, government spokesperson Lord Newby tabled the amendment regarding retrospective power (numbered as Amendment 36 in the report stage in the Lords). This amendment limited the power to make retrospective changes.\(^{197}\) A new clause was brought forward in the amendments. A consent lock was proposed in the event that any important retrospective changes which had “significant adverse effects” were made.\(^{198}\) It was compulsory for the affected members or representatives to agree with such changes. Thus, the unfair use of retrospective powers was strictly limited for pension issues by this new clause. In detail, a complete veto of power would be given to the members or their representatives if any important adverse retrospective change were made to their pensions. Thus, the unfair way of using retrospective power was prevented with an “extremely strong form of protection,” as described by Lord Newby.\(^{199}\)

The Delegated Powers Committee was not fully convinced that the unlimited power contained in original Clause 3(3)(c) was necessary. It recommended that, should the House think it is necessary to have such a provision, “then it is certainly appropriate that (as the Bill provides) the exercise of the power much be subject to affirmative procedure where there are significant adverse effect.”\(^{200}\) The committee did not make any further detailed recommendations to limit retrospective powers. The government side accepted the general principle in the comments from the Committee about this issue and promised to use affirmative procedures. However, the major details of the government amendment tabled by Lord Newby, namely, the consent lock, were developed mostly based on the
opposition amendments proposed by Lord Eatwell and Lord Whitty (Labour) in the committee stages.\textsuperscript{201}

The scope of retrospective power actually represented the core principle of the pension provisions, because retrospective power would allow the government to unilaterally make changes to the “accrued pension benefits” which are usually perceived as “safe.”\textsuperscript{202} One principle of pension provision is that accrued benefits are protected and cannot be decreased.\textsuperscript{203} As the opposition pointed out, "as long as the Bill contains those powers, the pensions of ordinary working people-public sector employees-are not safe".\textsuperscript{204} Regarding this concern, a number of ministers promised not to apply the notion of retrospective legislation to the issue of a reduction of accrued rights. However, the opposition, represented by Lord Eatwell, was deeply worried about the validity of ministerial assurance on this issue and feared that Clause 3(3)(c) would give the government unprecedented power to interfere with individuals’ property rights.\textsuperscript{205}

Shadow Spokesperson Lord Eatwell criticized the original Clause 3(3)(c) as "unqualified, unlimited."\textsuperscript{206} In general, Lord Eatwell was “non-affiliated” and the Shadow Spokesperson for the Treasury at that time.\textsuperscript{207} Though “non-affiliated”, he had a close relationship with the Labour Party. He had been the frontbench Spokesperson for the Treasury for the Labour Party in the Lords since 1992 and had been the economic advisor to the Leader of the Labour Party. He was also an expert in financial affairs and served as the Professor Emeritus of Financial Policy at the University of Cambridge.\textsuperscript{208} He was especially concerned with protecting accrued rights which had been previously agreed. If the government was able to use retrospective power without limitation, the then previously accrued rights might be subject to a reduction.\textsuperscript{209} Lord Eatwell pointed out that, according to \textit{Superannuation Act 1972}, accrued benefits could be decreased only with the consent of affected members. However, this Bill would allow the reduction of accrued benefits even without the affected

\begin{footnotes}
\item[201] HL Deb 12 Feb 2013, col 577
\item[202] Vollmer, ’Public Service Pensions Bill(HL Bill 67 of 2012-13)’, p. 9
\item[203] HL Deb 9 Jan 2013, col 187
\item[204] Vollmer, ’Public Service Pensions Bill(HL Bill 67 of 2012-13)’, p.10
\item[205] HL Deb 9 Jan 2013, col 187
\item[206] HL Deb 9 Jan 2013, col 187
\item[209] HL Deb 9 Jan 2013, col 187
\end{footnotes}
members’ consent. Thus Clause 3(3)(c) did not mirror *Superannuation Act 1972*.\(^{210}\) He tabled one amendment about having a consent lock to restrict retrospective power according to *Superannuation Act 1972*: if changes were made to accrued rights, then the affected persons or representatives would “have to agree to the inclusion of provision.”\(^{211}\) Regarding the limit on retrospective power, ministers of the government and members of opposition reached a general consensus to use the principles in *Superannuation Act 1972*. The details of Lord Eatwell’s suggestion contributed to the final version of the government amendment about consent locks.

Lord Whitty (Labour) made a proposal for an amendment, whereby the retrospective changes would only be limited to the scope of “non-material” changes. In other words, the use of retrospective power would be limited to only administrative issues. The power could not be used for issues related to the funding and benefits of the pension schemes.\(^{212}\) The government wished to give enough flexibility to the schemes, but at the same time limit the unfair use of retrospective powers.\(^{213}\) According to Whitty’s proposal, the government should divide the whole area into “material” and “non-material” changes. By considering his proposal and adjusting also to the government’s considerations, this government amendment strictly controlled the use of retrospective power in what Lord Whitty called “material” – or, in the government’s words, ”significant” – effects.\(^{214}\)

The paradox of the debates about power was the balance between effective regulation-making and parliamentary scrutiny.\(^{215}\) The government insisted on the importance of retrospective power because of the typical spilt between types of pension legislation: primary legislation established the core framework and secondary legislation set the scheme design details (excluding accrual rates). In order to ensure the smooth and effective functioning of the schemes, it was sometimes necessary to make amendments to secondary legislation. Thus, accordingly, it was also necessary to sometimes change

---

\(^{210}\) HL Deb 9 Jan 2013, col 188
\(^{212}\) HL Deb 9 Jan 2013, col 191
\(^{213}\) HL Deb 12 Feb 2013, col 579
\(^{214}\) HL Deb 12 Feb 2013, col 578
\(^{215}\) HL Deb 26 Feb 2013, col 965
primary legislation. It was also sometimes necessary to use retrospective power in order to make technical or minor changes.

4.5.5 Conflicts between Commons and Lords: MoD Firefighters and MoD Police

Shadow Spokesperson Lord Eatwell proposed two amendments (numbered as amendment 1 and amendment 2 in the reports stage in the House of Lords) to include the uniformed services under the Ministry of Defence (MoD) in the category of locally administrated uniformed services for pension issues. These two amendments were passed successfully in the report stage in Lords. The first amendment that Lord Eatwell proposed aimed to ensure that the employees from the Defence Fire and Rescue Service (DFRS; the members are referred to as the MoD Firefighters) would have the same retirement age as the other civil servant schemes. For the other civil servants schemes, the retirement age was due to rise to the (then) statutory age: 65 years. However, Lord Eatwell’s proposal was to include the members of the Defence Fire and Rescue Service into the category of Fire and Rescue Workers, who would enjoy a fixed retirement age of 60 according to the Bill. The second amendment he proposed aimed to include the members of the Ministry of Defence Police (MDP; the members are often referred to as the MoD Police) into the category of Police Forces, who would also enjoy the privilege of retiring at 60.

In other words, Lord Eatwell’s amendments aimed to equalize the retirement age between local authority firefighters and MoD firefighters. They also aimed to equalize the retirement age between the Home Office police and the MoD police. Both of the amendments were proposed based on the fact that all of the firefighters and police (no matter whether they belonged to the local administration or to the MoD) would be physically unable to perform duties to the required standard after 60 years of age. These two amendments were especially targeted at 1,000 MoD firefighters and 2,000 MoD

216 Thurley, ‘Public Service Pensions Bill-Lords stages’ p. 8
217 HL Deb 12 Feb 2013, col 578
218 HL Deb 12 Feb 2013, col 567
219 HL Deb 12 Feb 2013, col 568
220 HL Deb 12 Feb 2013, col 568
police, who performed the same dangerous task as the locally administrated uniformed forces.\footnote{HC Deb 22 Apr 2013, col 654} These two amendments entailed £10 million per year of extra costs for lifetime schemes.\footnote{HC Deb 22 Apr 2013, col 652}

Lord Hutton of Furness supported Lord Eatwell’s arguments and showed his special sympathy towards the MoD police and the MoD firefighters.\footnote{HL Deb 12 Feb 2013, col 570} His report, which the whole Bill was based on, did mention the “uniformed services” and stressed the uniqueness of these services. He argued in the report that the nature of these services required a special consideration in terms of pension arrangements. He did not especially distinguish between those who belong to civil servant schemes or other schemes. However, he stated that “… sadly, this issue did not draw my attention, so I did not make any specific recommendations about MoD firefighters or MoD police. If I had known about it, I certainly would have done so.”\footnote{HL Deb 12 Feb 2013, col 571} This statement showed his deep regret about neglecting this issue in his report.

The government side fiercely opposed these amendments in the Lords and in the later ping-pong stage due to technical considerations. In the report stage in the Lords, Lord Newby stated that the MoD was responsible for employing the MoD firefighters and the MoD police. Institutionally, these two groups were completely different from the locally administrated firefighters and police. And it was technically too complicated to implement these amendments in reality, because these two groups belonged to the Civil Service Pension Schemes. In addition, further huge institutional costs would be the result of these amendments. Despite his strong opposition to these amendments, he did mention that the government was aware of the related concerns.\footnote{HL Deb 12 Feb 2013, col 571} In the first sitting of the ping-pong stage, Economic Secretary to Treasury Sajid Javid stated that the government was not convinced that these two amendments were the right approach for solving this problem. However, the government was aware of these concerns and started to consult with MoD officers. Lord Newby had consulted with some stakeholders since the report stage in the Lords.\footnote{HC Deb 22 Apr 2013, cols 647-648} In the Commons, these two amendments were defeated for the same reason: that the financial arrangements set by the Commons would be
changed. In other words, the Commons invoked its parliamentary privilege by failing to accept these two amendments.\textsuperscript{227}

In the second sitting of the ping-pong stage in the Lords, Lord Newby stated that the right approach to dealing with this issue was dependent on the MoD. The MoD should be the responsible body for deciding this matter. A negotiation had been established between the DFRS, the MDP and the MoD.\textsuperscript{228} The time frame proposed by Newby sought to achieve a consensus within next the 12 months. And the Bill would provide a flexible framework within which the MoD’s decision on the normal pension age would be supported.\textsuperscript{229} Lord Eatwell proposed another motion in response to the failure of previous amendments. In the new motion, the original amendments were dropped. It proposed to make a detailed “Defence Fire and Rescue Service and Ministry of Dependee Policy Capability Review” regarding the concerned issue. The time frame proposed by Eatwell was a 6 month period after the Act came into force.\textsuperscript{230}

In the third sitting of the ping-pong stage in the Commons, Sajid Javid presented one government amendment, which was principally the same as Lord Eatwell’s motion in the Lords, but did made some small changes. According to this government amendment, the review was to be finished within 6 months of Clause 9 coming into force (as different part from this Act would come into force at different times).\textsuperscript{231} The main reason for the government to make this concession was that the delay in passing the bill would result in further challenges for implementing the schemes in the Bill as a whole. Sajid Javid showed the government’s eagerness to pass this Bill as soon as possible: “The clock is ticking and a delay would make implementation of the schemes of all the more challenging.”\textsuperscript{232} In the fourth sitting of the ping-pong stage in the Lords, the government amendment proposed in the third sitting was agreed and the Bill was passed in both Houses.\textsuperscript{233} The members of the opposition welcomed this amendment. The Liberal Democrats, though also part of the government, were especially active in raising concerns on this issue in the Commons. For example

\begin{itemize}
  \item \textsuperscript{227} HL Deb 23 Apr 2013, cols 1355-1356
  \item \textsuperscript{228} HL Deb 23 Apr 2013, cols 1355-1356
  \item \textsuperscript{229} HL Deb 23 Apr 2013, col 1357
  \item \textsuperscript{230} HL Deb 23 Apr 2013, col 1357
  \item \textsuperscript{231} HC Deb 24 Apr 2013 col 905
  \item \textsuperscript{232} HC Deb 24 Apr 2013 col 906
  \item \textsuperscript{233} HL Deb 24 Apr 2013 col 1479
\end{itemize}
Sir Bob Russell (Liberal Democrats), Simon Hughes (Liberal Democrats) and John Hemming (Liberal Democrats) challenged the arrangement of the original Bill and showed their sympathetic concerns for the MoD firefighters and police in the first sitting of the ping-pong stage in the Commons. This was rather unusual, since the Liberal Democrats had rarely shown their objection to the government’s decisions in Parliament due to the Coalition Agreement.

The set of Lord Eatwell’s amendments passed in Lords was defeated with the financial privilege of the Commons. Since the House of Lord cannot resist if the Commons claims financial privilege, amendments made by the Lords can be easily deferred by the Commons. Because the Commons is firmly controlled by the government, this makes it even harder for the non-government side to pass their amendments or get the government to make concessions. Lord Whitty had deep worries about the way the Commons failed to accept these two amendments by invoking the financial privilege: “I do hope, however, the Government do not make a habit of using financial privilege to resist a principled amendment from this House that has a minimal cost even in the Government terms.” In his view, the frequent use of the financial privilege for issues related to small amounts of the Budget would lead to unavoidable conflicts between the two Houses in the end. The conflicts between the two Houses could lead to catastrophic consequences – especially serious delays to this Bill.

4.6 Pensions Act 2014

4.6.1 Historical and Ideological Background

The recommendations from the second report of the Turner Commission, which was published in 2005, formed the basis of reforms to the single-tier state on major principles. According to the report, State Pension should be reformed to be “less means-tested and closer to universal.” Such a State Pension system would provide “clear incentives and an understandable base on which private pension saving looking forward can build.” This recommendation delivered several important

---

234 HC Deb 22 Apr 2013, col 647+col 672
235 HL Deb 23 Apr 2013, col 1360
236 HL Deb 23 Apr 2013, col 1361
238 Thurley, Kennedy, Cracknell and McInnes,’ Pensions Bill: Bill No 6 of 2013-14’, p. 16
principles, which were adopted in the new reforms to the single-tier State Pension system. The most influential principle from this recommendation was the encouragement of private pension savings. However, the Commission did not identify the single-tier State Pension as the only option for the future reform of the State Pension system. The report provided two different options: “a single unified pension” and “an Enhanced State Pension.” “An Enhanced State Pension” meant gradual reforms based on the (then) current two-tier system. And in fact, the report showed favor towards this second option for reform, which was based on a two-tier system rather than building a brand new “single unified pension.”

The White Paper, The Single-Tier Pension: a Simple Foundation for Saving, formed the foundation of the 1st part of the Bill (State Pensions) and the 2nd part of the Bill (Pensionable Age). This paper laid down the blueprint of how the government planned to reform the State Pension system. The measures in the 1st part of the Bill were based on this White Paper. The White Paper was the government’s response to the results of a consultation based on the ad-hoc green paper, A State Pension for the 21st Century. Bereavement Benefit for the 21st Century was published in order to conduct a public consultation. The government response towards the results of this public consultation formed the basis of the 3rd Part of the Bill (Bereavement Support Payment). The government proposal in response to the consultation, Automatic Transfers: Consolidating Pension Savings, formed the base of the part about automatic transfers, which belonged to Part 4 (Private Pensions).

4.6.2 The Content of the Bill

This Pensions Bill was introduced first into the House of Commons as Bill No. 6 for the 2013-2014 parliamentary session. Only Scotland, England and Wales are covered by this Bill. The original Bill was divided into five parts: Part 1 (State Pension), Part 2 (Pensionable Age), Part 3 (Bereavement Support Payment), Part 4 (Private Pensions) and Part 5 (Final Provisions). The first

---

239 Thurley, Kennedy, Cracknell and Mclnnes,’ Pensions Bill: Bill No 6 of 2013-14’, p.16-17
240 Thurley, Kennedy, Cracknell and Mclnnes,’ Pensions Bill: Bill No 6 of 2013-14’, p. 17
242 Pensions Bill: Explanatory Notes (For Pension HC Bill 6), p. 3
243 Thurley, Kennedy, Cracknell and Mclnnes,’ Pensions Bill: Bill No 6 of 2013-14’, cover
four parts constituted the major reforms in this Bill.\textsuperscript{244} Firstly, this Bill introduced a single-tier State Pension to replace the then existing two-tier State Pension system, namely the Basic State Pension (BSP) and the State Second Pension (SSP).\textsuperscript{245} Secondly, regarding the State Pension Age (SPA), the Bill proposed to accelerate the timetable for increasing the SPA from 66 to 67 years of age. The timetable proposed in this Bill was 2026-2028, which was eight years earlier than the (then) existing legislation (2034-2036).\textsuperscript{246} In this part, it was also proposed that a regular review would be conducted in every Parliament (once every 5 years) based on the data about life expectancy.\textsuperscript{247} Thirdly, a new Bereavement Support Payment system was introduced. The Bill introduced a single Bereavement Support Payment, which was a new benefit. It was due to be implemented after 2016-2017. Bereavement benefits became uniformly structured with this introduction.\textsuperscript{248} The people who had been bereaved would receive support in the form of a single benefit payment.\textsuperscript{249} Fourthly, measures were introduced to reform the framework for private pensions.\textsuperscript{250} This Bill amended the part in \textit{Pensions Act 2008} about private pensions, especially the part on automatic enrolment.\textsuperscript{251} The most important element of the part of private provisions was that a system of automatic transferal was to be established under the proposed framework. The individual’s pension pot was to follow the person when he or she changed jobs and joined a new pension scheme.\textsuperscript{252}

\textbf{4.6.3 Important Concessions on Controversial Areas}

In the third reading in the Commons, Gregg McClymont (Labour, Shadow Minister for Work and Pensions) promised not to oppose the Bill.\textsuperscript{253} This Bill passed the third reading in the Commons without having to resort to voting.\textsuperscript{254} However, the House of Lords passed a non-government amendment that was later blocked in the ping-pong stage by the Commons (Contents:215, Not-
The Two houses reached a consensus after just two sittings in the ping-pong stage, without further insistence from the Lords. Some important concessions were also made on the part regarding private pensions. However, due to the length of this paper, I will only focus on the first part of this Bill: State Pensions. This chapter will only focus on the part about State Pensions because this is a brand-new system and because its details proved to be controversial in when it passed through Parliament. This chapter will mainly focus on two important concessions in Lords.

Debates in the Commons highlighted some highly controversial issues and led to further debate in the Lords. The opposition was concerned about the details of the part about State Pensions. Concerns were expressed about: the status of women, qualifying years, transitional protections and statutory override. However, due to a general consensus, a relatively small amount of amendments were tabled by the opposition in the House of Commons. As Minister Steve Webb described: “In my 16 years in the House I cannot remember another occasion on which so few amendments have been tabled to the substantive part of the Bill.” More amendments related to the opposition’s concerns about this part were tabled in the Lords. The first concession was chosen because this is the only non-government amendment that was passed with positive votes for this Bill. This amendment was denied in the ping-pong stage by the Commons. The second concession was chosen based on speeches made by Steve Webb and Gregg McClYmont in the first sitting of ping-pong stage. Both of these speeches highlighted this amendment as an important government concession. This amendment was about the statutory override in the part about State Pensions. The clause about the statutory override had come under heavy attack, as a whole, from the opposition in both Houses.

255 HL Deb 24 Feb 2014, col 728
257 HC Deb 2 July 2013 col 120
259 HC Deb 4 July 2013 col 236
### Figure 4.6 Pensions Act 2014: Allocation of Successful Amendments through the Houses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1st reading</td>
<td>***</td>
<td>***</td>
<td>3 government amendments</td>
<td>4 government amendments</td>
</tr>
<tr>
<td>2nd reading</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>Committee stage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part 1: State Pension</td>
<td>***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part 2: Pensionable Age</td>
<td>***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part 3: Bereavement Support Payment</td>
<td>3 government amendments</td>
<td>***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part 4: Private Pensions</td>
<td>4 government amendments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Stage</td>
<td>Part 1: State Pensions</td>
<td>14 government amendments</td>
<td>5 government amendments (focus on one government amendment)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Part 2: Pensionable Age</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Part 3: Bereavement Support Payment</td>
<td>4 government amendments</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Part 4: Private Pensions</td>
<td>13 government amendments</td>
<td>15 government amendments</td>
<td></td>
</tr>
<tr>
<td>3rd Reading</td>
<td>***</td>
<td></td>
<td>5 amendments on private pensions</td>
<td></td>
</tr>
<tr>
<td>Ping-Pong</td>
<td>Denied the opposition amendment made in lords</td>
<td></td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>Royal Assent</td>
<td>***</td>
<td></td>
<td>***</td>
<td></td>
</tr>
</tbody>
</table>

*** means that the part does not exist.

This chapter will focus on the amendments marked in grey.

### 4.6.4 The Development of a Single-Tier State Pension

Steve Webb’s persistence contributed greatly to the introduction of a single-tier State Pension under the coalition government. His contribution was acknowledged in Iain Duncan Smith’s speech in the second reading in the Commons: "I want to pay particular tribute on the key area, the single tier, to my hon friend…(Steve Webb)...His persistence and work and application have been remarkable, and

---

260 Based on all primary sources (including reports and *Hansards*) in bibliography related to *Pensions Act 2014*
they have delivered a real reform.”261 His contribution was also highlighted as “instrumental” and “important” by Lord Freud’s speech in the Lords.262 Steve Webb’s contribution was mainly based on the Liberal Democrats’ long-held aspiration to establish a citizen’s pension.263 The policy of a citizen’s pension was agreed upon within the Liberal Democratic Party at their federal conference in 2006. Since then, members of the Liberal Democratic Party had been further developing this initiative. The policy of a citizen’s pension laid down the blueprint for the single-tier pension system that was introduced in this Bill.264 It is highly unlikely that the Conservative Party alone made the proposal for this single-tier State Pension, since it had not been part of the plan in the Conservative’s manifesto.

On 18 January 2013, the draft for Pension Bill 2013/2014 (HC Bill 6) was published by the government. A pre-legislative scrutiny of the part about a single-tier State Pension system had already been conducted by a Work and Pensions Select Committee before it was introduced into the House.265 A report was published on 4 April 2013 regarding the part about a single-tier pension in the Bill.266 The Work and Pensions Select Committee was responsible for shadowing the Department of Work and Pensions and examining the “expenditure, administration and policy” of the executives.267 According to the comments from the Work and Pension Select Committee, the introduction of the single-tier State Pension was “evolutionary.” On the one hand, it contributed to the coverage of the Additional State Pension at an accelerated rate. On the other hand, the system was increasingly based on a flat rate.268 In the report from the Work and Pensions Select Committee, the Committee showed their general support for the principle of a single-tier State Pension, since the older system had been too complicated and the new system would improve the coverage of the State Pension for a wider range of people. However, it also highlighted the obstacles of passing the Bill and suggested that “it is vital that the Government decides on its high-level strategy for communicating the changes to the

---

261 HC Deb 17 Jun 2013, col 647
262 HL Deb 3 Dec 2013, col 140
263 HL Deb 3 Dec 2013, col 149
264 HC Deb 17 Jun 2013, col 673
265 Thurley, Kennedy, Cracknell and Mclnnes,’ Pensions Bill: Bill No 6 of 2013-14’, p. 2
266 Thurley, Kennedy, Cracknell and Mclnnes,’ Pensions Bill: Bill No 6 of 2013-14’, p. 2
268 Thurley, Kennedy, Cracknell and Mclnnes,’ Pensions Bill: Bill No 6 of 2013-14’, p. 16
A number of changes were made according to the recommendations from the Select Committee before the Bill was introduced into Parliament. The recommendations and reports also contributed to the continuation of further discussions in the two Houses. This reform was described as “the most important reform for a generation” by Iain Ducan Smith. This single-tier system was to be implemented for future pensioners from 6 April 2016. Under the new single-tier State Pension system, the pension would be fixed above the Pension Credit standard minimum guarantee level (which was £145.40 in 2013-2014). In order to receive the full amount, the individual would have to have 35 qualifying years. A pro-rata amount would be given to those who had less than 35 qualifying years. Individuals would have to depend on their own record, rather than can deriving entitlement based on the record of their spouse (or civil partners), like before. In addition, the introduction of a single-tier State Pension also entailed the end of the option to contract-out of the State Second Pension, meaning that employees and employers could no longer enjoy a National Insurance rebate like they used to. The rate of National Insurance would be the same for every employee and employer. The reform of the single-tier State Pension system served to highlight the contributory principle and narrow the difference between the incomes of individuals. The system was designed to adapt to young people’s working lives today. The people would find it easier to manage and have a full single-tier State Pension under this new system. At the same time, it provided a solid foundation for saving for pensions. This new system was to include another 800,000 low-earning people into the National Insurance system. The major aim of creating this single-tier State Pension system was to reduce the demand for means-testing. In 2013, about 40% of pensioners were eligible to claim Pension Credits (means-testing) due to the long-term decline of the value of the Basic State Pension. In fact, the value of means-testing was higher than the value of the Basic State Pension. Thus, those with only the Basic Pension were worse off. The single-tier system did not affect the rateable value of the Basic State Pension.
State Pension preferred to claim means-testing instead. The newly proposed single-tier pension set the rate above the basic rate of means-testing, thus reducing the need for means-testing. It is estimated that with this new system, the number of pensioners who are eligible for Pension Credit will be halved to 20% before 2020.\(^{278}\) By 2040, it is expected that 400,000 pensioner benefit units for means-tested benefits will be reduced, compared to the two-tier system.\(^{279}\) The single-tier system is estimated to amount to approximately the same cost as the current two-tier system before mid-2040. Only after late 2040 will the new system have a lower rate of expenditure than the current system. The rise in expenditure on the current system will be 8.5% of GDP, while the amount of expenditure on the new system is estimated to rise by 8.1% by 2060.\(^{280}\)

4.6.5 Conflicts between Commons and Lords: The Definition of a “Qualifying Year”

Baroness Hollis of Heigham (Labour) proposed an amendment (numbered as Amendment 1 in the report stage of the Lords) about qualifying years. She was the former Parliamentary Under-Secretary for DWP under Labour government. This amendment was passed in the Lords with positive votes – content: 215, discontent: 210 – on the first day of the report stage.\(^{281}\) However, the Commons voted in favour of rejecting this amendment in the ping-pong stage with the following votes: ayes: 274, noes: 198.\(^{282}\) This was the only amendment where the Commons disagreed with the Lords, since all the other amendments in the Lords were made by the government side.\(^{283}\) The government did not propose any alternative option for this amendment in Parliament. The struggle between the two Houses ended with a ministerial promise from Steve Webb that there would be a review of this issue.\(^{284}\)

---

\(^{278}\) Department for Work and Pensions, *The Single-tier Pension: a simple foundation for saving*, p. 4


\(^{281}\) HL Deb 24 Feb 2014, col 728

\(^{282}\) HC Deb 17 Mar 2014, col 572

\(^{283}\) HC Deb 17 Mar 2014, col 560

\(^{284}\) HC Deb 17 Mar 2014, col 567
This amendment was proposed by Baroness Hollis of Heigham in the report stage in the Lords. The amendment was made to the section about the definition of a “qualifying year,” which belonged to Clause 2 (in Pension HL Bill(2013-2014)[76], as amended after committee stage in Lords) : "entitlement to State Pension at full or reduced rate." The proposed amendment was to insert a paragraph: "Regulations may provide for circumstances in which a person may opt to have a year treated as a qualifying year if by aggregating income from two or more jobs, that person’s earnings are equal to or greater than the lower earning level for the year." With this new amendment, workers who had a number of mini-jobs were to receive either credit or a contribution of one qualifying year if the total amount of earnings from these small jobs exceeded the Lower Earnings Limit (LEL) (£109/week or £5668/year). The (then) existing legislation had allowed for one qualifying year only when the amount of income from just one job had exceeded the LEL. For example, a person with an income above £120 from a single job had been able to get one qualifying year under the system of National Insurance. However, if this amount of income had been earned through two jobs, then the person had not been able to get one qualifying year under the National Insurance system. Through this amendment, the members of the work force with non-standard employment patterns were better protected. In other words, the amendment is aimed to protect employees undertaking part-time work or flexible work with no permanent or long-term contract. Namely, this amendment protected those on zero-hour or short-hour contracts. A zero-hour contract means that there is no guarantee of hours. A short-hour contracts means that only a short length of hours are guaranteed each week; this can be 3, 13 or even 23 hours.

Baroness Hollis’s argument was based on data which had been produced by different organizations based on different sample sets. Thus, the data she presented lacked precision and could only offer a general estimate. She used data from both the public sector and the private sector: work force statistics from the ONS, research from the Work Foundation, research from the Resolution Foundation, the poll conducted by the Chartered Institute of Personnel and Development and

---

285 HL Deb 24 Feb 2014, col 711
286 Pension HL Bill (2013-2014)[76], p. 2
287 HC Deb 17 Mar 2014, col 560
288 HL Deb 24 Feb 2014, col 711
289 HL Deb 24 Feb 2014, col 712
290 HL Deb 24 Feb 2014, col 713
independent research from MASS1. The estimated number of people who were on zero-hour contracts varied between 250,000 (according to the ONS) and 1 million (according to the Work Foundation, the Resolution Foundation and Chartered Institute of Personnel and Development). MASS1 estimated that the number of people who were working under some sort of short-hour contracts was 5.5 million, including people covered by zero-hours contracts.\textsuperscript{291} With the amendment, Baroness Hollis made a guesstimate that approximately 250,000 more people would become eligible for the NI pension system if the amount of income from part time jobs was added together. Among them, according to Baroness Hollis, most of them were young people in 20s.\textsuperscript{292} Another important affected group was the women who, with the introduction of this Bill in April 2016, would no longer be able to depend on their husband’s entitlement.\textsuperscript{293}

In response, Lord Freud showed his sympathy about this issue. However, he suggested that there was a lack of a firm base of evidence for this amendment. In his view, this amendment might lead to more unanticipated problems than it was able to solve.\textsuperscript{294} The size of the affected population would be 50,000 people, according to the DWP’s estimate, rather than the 250,000 that Baroness Hollis of Heigham had estimated.\textsuperscript{295} The proposal to aggregate earnings would result in serious consequences for employers.\textsuperscript{296} In particular, it would be unfair for those people who did not consider themselves as employers. For example, a person working to clean a private house is usually employed by several private households. According to this new amendment, those private households would have to adapt to the procedure of reporting the cleaner’s earnings to HRMC like other bigger employers. Each household would also have to create a separate pay-as-you-earn scheme.\textsuperscript{297} In terms of the tax and National Insurance system, employers had already seen enormous changes to income tax since the 2011 Budget. The government wanted to ease the pressure on employers created by the reforms to the National Insurance system.\textsuperscript{298}

\textsuperscript{291} HL Deb 24 Feb 2014, cols 711-712
\textsuperscript{292} HL Deb 24 Feb 2014, col 713
\textsuperscript{293} HL Deb 24 Feb 2014, col 712
\textsuperscript{294} HL Deb 24 Feb 2014, col 723
\textsuperscript{295} HL Deb 24 Feb 2014, col 723
\textsuperscript{296} HL Deb 24 Feb 2014, col 725
\textsuperscript{297} HL Deb 24 Feb 2014, col 725
\textsuperscript{298} HL Deb 24 Feb 2014, col 726
Despite Lord Freud’s clear objection to this amendment, it was successfully passed in the Lords by five votes. This amendment was later fiercely opposed by the government in the first ping-pong stage in the Commons. The official reason for disagreement was that this amendment would change the financial arrangement set by the Commons. In other words, once again, the Commons used the financial privilege to overthrow the Lords’ amendment. The government further explained the denial of this amendment with some other arguments. Steve Webb identified this amendment as a specific model. He pointed out the technical flaws of this amendment. And it would be premature to rush to a specific solution without proper consideration of the different types of people in the group, based on cross-sectional data. The core reason for denying this amendment was a lack of information. At the end of the debate on this amendment, however, Steve Webb did promised that the government would update their estimates on this issue before the summer of 2014 and organize an expert review before the end of 2014. According to him, the approach pursued by the government on this issue would be “step by step” and “well informed and evidence-based.” No alternative amendment was presented by the government and added to the Bill regarding this issue. The House of Lords welcomed Steve Webb’s ministerial promise for a review and did not insist on the amendment. The ping-pong stage only lasted for two sittings in total.

4.6.6 Concession: The Statutory Override of Protected Persons

Clause 24 of Bill 6, as introduced into the Commons, provided employers with the power to change to their occupational pension schemes. This power was referred to in the Bill as a “statutory override.” This power would be used for private sector DB schemes. Under DB schemes, employers would be obliged to bear the cost by contributing more to National Insurance, since the contract-out rebate for the (then) Second State Pension (SSP) would not exist after the establishment

---

299 HC Deb 17 Mar 2014, col 560  
301 HC Deb 17 Mar 2014, col 562  
302 HC Deb 17 Mar 2014, col 563  
303 HC Deb 17 Mar 2014, cols 566-567  
306 HC Deb 4 July 2013, col 236
of a single-tier pension system. In order to compensate employer for the loss, this Bill allowed for a statutory override, whereby employers would be able to change their future scheme rules in order to cope with the loss from having to pay National Insurance contributions.\(^{307}\) When the Bill was introduced into the Houses, the use of this power was only prohibited for certain specific types of schemes: public service pension schemes and schemes with specified regulations for preventing the use of the statutory override. It remained a question as to whether this power could be used for a special aspect of private sector DB schemes: Protected schemes covered industries including rail, coal, electricity, nuclear waste and decommissioning. It was controversial as to whether to provide protected pension schemes with the power of statutory override in those industries, because changes to pension schemes in those industries were prevented with “protected persons legislation,” which had been passed in the time of privatization.\(^{308}\) The number of affected individuals was estimated to be 60,000.\(^{309}\) The origin of the protected persons legislation can be traced back to an Act in 1948 and was reconfirmed by the Thatcher Government in 1990.\(^{310}\) The legislation limited the ability of employer and trustees to make changes to the rules of the scheme.\(^{311}\) When privatizing industries, the last Conservative government had promised that the workers would never have worse terms and conditions for their pension schemes than during the time of privatization.\(^{312}\)

The opposition was against the clause on statutory override as a whole and highlighted the unfair treatment of protected persons in formerly nationalized industries.\(^{313}\) Representing the viewpoints of the TUC, Gregg McClymont highlighted that a legal guarantee was provided for those protected persons who transferred from public sector employment because of privatization. Thus, protected pension schemes should be exempted from this power of statutory override. An elaborate debate about this topic took place during that stage, but it did not, however, lead to any clear promises from the government. Steve Webb indicated that the government had still not yet decided upon a final response and that this issue is still in the process of consultation.\(^{314}\) He asked the House of Commons to approve the clause and schedule on the “statutory override” as a general power without

\(^{307}\) HC Deb 17 Mar 2014, col 577
\(^{308}\) HC Deb 17 Mar 2014, col 577
\(^{309}\) HC Deb 17 Mar 2014, col 577
\(^{310}\) HL Deb 8 Jan 2014, col GC 419
\(^{311}\) HL Deb 24 Feb 2014, col 805
\(^{312}\) HC Deb 4 July 2013, col 239
\(^{313}\) HL Deb 8 Jan 2014, col GC 418
\(^{314}\) HC Deb 4 July 2013, col 246
specifically addressing the protected schemes, but promised to come back to the issue if the Bill remained under Parliament.\textsuperscript{315} The related clause and schedule were approved in the Commons in the end.\textsuperscript{316} The issue on schemes remained unresolved at this stage.

In the Lords, when Baroness Turner of Camden (Labour) proposed her amendment, she suggested deleting a big subsection of Clause 24 and stated that “what is proposed here is not in any way acceptable. I very much hope that the Government will take it away and rethink it.” Lord Whitty, Baroness Drake, Lord Browne of Ladyton (Labour) and Lady Sherlock (Labour) shared this view and also tabled different amendments regarding this issue – all aiming to limit the scope of power for statutory override and improve the protection of members of private sector schemes.\textsuperscript{317} The government ignored most of the concerns raised actively by the opposition, except for making a concession to exclude protected persons from statutory override in response. In general, the government insisted on providing non-protected scheme employers with the right to statutory override without too many limitations. This insistence was based on the consideration that a large number of employers would consider closing their DB pension schemes without the existence of the override.\textsuperscript{318}

In the report stage in the Lords, Lord Freud tabled one amendment (numbered as Amendment 14 in the report stage of Lords) which made it clear that the statutory override should not be applied to protected persons. When making amendments to this part of the Bill, the government tried to find a balance between two sides: the employer and the employees. The government started a full-scale public consultation about whether protected persons should be included under the statutory override on 18 January 2013 (before the introduction of the Bill) and published the result on 12 February 2014 (between the 6th sitting of the committee stage in the Lords and the report stage in the Lords).\textsuperscript{319} In the consultation regarding this issue, the responses were polarized and almost equally strong.

\textsuperscript{315} HC Deb 4 July 2013, col 248
\textsuperscript{316} HC Deb 4 July 2013, col 251-252
\textsuperscript{317} HL Deb 8 Jan 2014, col GC 419-425
\textsuperscript{318} HL Deb 8 Jan 2014, col GC 430
Employers supported the right to override, while the trade unions and employees resisted this idea.\textsuperscript{320} Trade unions were especially active in urging the government to keep the promises made at the time of privatization. The trade unions’ position was to oppose the principle of statutory override as a whole and to especially oppose its application to protected schemes.\textsuperscript{321} Meanwhile the National Association of Pension Funds and the employers strongly supported the idea that the statutory override should be extended to protected persons, so that all scheme members in the private sector were treated equally.\textsuperscript{322} The CBI was especially active in supporting the extension of the statutory override. Based on the results from the consultation, the government concluded that protected persons should be excluded from the use of the statutory override.\textsuperscript{323} The decisive point, which persuaded the government to make the concession about protected persons, was that the government had to stick to the promise made during the process of privatization and this was repeatedly confirmed by the Ministers when enacting legislation about pension protection.\textsuperscript{324}
Chapter 5: Conclusion

Confronted with the challenges of demographic aging, fiscal pressure, the increasing gap between the public and private sectors and a lack of saving, the coalition government adopted a series of pension reforms between 2010 and 2014. These reforms aimed to relieve the fiscal pressure on the publically financed pay-as-you-go system (including state and public sector pensions) and to encourage pre-funded private pension schemes. With the passing of three major pension acts, Pensions Act 2011, Public Service Pensions Act 2013 and Pensions Act 2014, a number of reforms were undertaken: the timetable for increasing the State Pension Age to 66, 67 and ultimately to 68 was accelerated; the state requirement for an automatic enrollment into occupational pension schemes was modified; a new framework, under which the government was able to make cuts to public service pensions, was created; and a single-tier state pension for pensioners was established (effective as of 2016) to replace the previous two-tier state pension.\(^{325}\) The Coalition and Labour were in two minds on multiple issues: the pace of acceleration for increasing the State Pension Age, the qualifying requirements for automatic enrollment into occupational pension schemes, the government’s power to modify public sector pension schemes and the details of the shift from a two-tier to a single-tier pension system. The Coalition sought to cut public expenditure on the pension system and to relieve economic pressure on employers, whereas the opposition – mainly Labour – sought to safeguard the interests of vulnerable groups; insisting on limiting the state's power to approve pension schemes which provided less protection for the interests of lower-income earners and public sector employees.

Pensions Act 2011, which was passed by the coalition government and introduced changes to Pensions Act 2007 in terms of the State Pension Age, continued to apply a general principle that had become part of the Labour government’s legacy: following the findings of the Turner Commission. This principle held that, in order to guarantee sufficient income for pensioners in the face of demographic change, the state would have to increase the average State Pension Age. Reviews initiated by the coalition government suggested that the timetable for equalizing the State Pension Age for men and women should be accelerated, and that the State Pension Age should be increased to 66 on the basis of updated projections of life expectancy. Labour was especially concerned about the

Thurley, Kennedy, Cracknell, and McInnes, 'Pensions Bill: Bill No. 6 of 2013-14', cover.
unfair treatment of the group of women who were only given very short notice about the acceleration of the state pension age. Labour fiercely criticized the government for breaking its inaugural promise in this regard. However, despite such criticism, the government managed to implement a plan to equalize the State Pension Age before 2018 and to raise it for both men and women before 2020. *Pensions Act 2011* also introduced amendments to *Pensions Act 2008* in terms of automatic enrollment. The general principle of the Turner Commission continued to guide the government’s view in this respect: saving for private pensions had to be encouraged via automatic enrollment. An independent review of *Pensions Act 2011* recommended that employers should be relieved of the burden of automatic enrollment. Following this recommendation, the government proposed that the Secretary of State be given the power to produce an “alternative requirement,” which would allow employers to certify their occupational pension schemes in a more relaxed way. In the House of Lords, Lord Mckenzie and Lord Drake contributed greatly to the government's final concession, as most of the contents of this concession were developed based on their proposed amendments.

*Public Service Pensions Act 2013* was based on the reports of the Independent Public Service Pension Commission, chaired by Lord Hutton, a Labour politician. Its reports laid the foundations for the negotiations between the government and the public sector groups. There were two major debates between the government and the opposition. Firstly, debates about the Bill revolved around the government’s power to amend primary legislation and to make changes retrospectively; the opposition claimed this power was “unrestricted.” With the Delegated Powers and Regulatory Committee strongly recommending that this power be withdrawn from the Bill, the government eventually conceded. The government also conceded on the issue of retrospective changes by making it compulsory for the affected members to agree to such changes. The opposition – mainly Lord Eatwell and Lord Whitty – clearly influenced the final version of the government's Bill, particularly regarding the definition of terms like “consent lock” and “significant.” Secondly, there was a conflict (only at the time of the Bill passing through the Houses) between the Commons and the Lords over Ministry of Defense Firefighters and Police. The opposition, including Lord Hutton, showed great sympathy for them; seeking to set their pension age at 60, rather than have it to rise to 65, in accordance with the Bill for the upcoming *Public Service Pensions Act 2013*. These proposed amendments, however, were vigorously resisted by the government in the Lords and afterwards in the parliamentary ping-pong stage, due to the complexity of the pension system in the public sector.
By using financial privilege, the opposition's proposed amendments, despite being passed in Lords, were easily rejected in the government controlled House of Commons.

The Liberal Democrats, especially Pension Minister Steve Webb, were instrumental in establishing a single-tier state pension system through Pensions Act 2014. The government and opposition had reached a high level consensus on the creation of such a state pension system, but the opposition was still concerned about a number of the details, such as the definition of “qualifying year.” A conflict arose between the Lords and the Commons over this term – a conflict that ended with only a ministerial promise to address the issue in the future. The debate also focused on the issue of whether to provide the private sector with the right to a statutory override. Labour, which sought to protect the members of private sector schemes, opposed any enlargements of the scope of statutory override. On the other hand, the Coalition insisted that this power be applied in the case of most private pension schemes, since this would prevent employers from closing their defined-benefit pension schemes. In the end, the government conceded and emphasized that the statutory override would not be applicable for protected persons. The decisive point for this concession originated in the ministerial promise that had been made numerous times before.

From this examination of the legislative policy-making process for three pension reform Acts, it can be concluded that the opposition in the House of Lords, compared with the opposition in the House of Commons, can be more influential in amending the government’s proposals. The Lords can oppose certain clauses of a Bill by passing amendments in the House of Lords – though positive opposition votes in the Lords very seldom occur and the opposition’s amendments can be overthrown again in ping-pong stage; resulting in a very limited government concession. In the House of Commons, however, the opposition exerts little influence on the policy-making process, as the votes there tend to be almost always favorable towards the government. Almost no opposition amendments are passed in the Commons. Thus, the government proves to be an overwhelmingly dominant force in the legislative process; making only a few limited concessions, despite the opposition's persistent demands in both Houses. However, despite the limited influence of the opposition in the parliamentary stage, one must not ignore the opposition’s contribution (especially the expertise of Lords) to the final version of government concessions and the influence of the opposition in the negotiations before a Bill enters the parliamentary stage. It seems to be a norm that an independent
commission – usually chaired by someone who belongs to, or who enjoys a close relationship with the affected group represented by the main opposition party – is created to address highly sensitive pension issues; with their reports providing the foundation for a cross-party consensus before a Bill is debated in the Houses.
List of Figures

Table 1.1: Average Additional Life Expectancy After 65 years For Men and Women in OECD Countries..............................................................6
Table 1.2: Old-Age Support Ratio in OECD Countries: Number of Working Age People (20-64) for Every Older Person (65+)............................................................6
Table 3.1: The UK Fertility Trend..................................................................................................................11
Table 3.2: UK Life Expectancy at 65........................................................................................................11
Table 3.3: Projected Population by Age in the United Kingdom, 2008-2058.................................................11

List of Tables

Figure 3.1: UK Public Sector Borrowing, Financial Year 1993/94-2009/10.................................................14
Figure 3.2: UK Public Sector Debt, Financial Year 1993/94-2009/10.........................................................14
Figure 3.3: Pillars and Tiers of the Pension System in the UK Before 2010.................................................21
Figure 4.1: The Policymaking process in the House of Commons.............................................................24
Figure 4.2: Comparison of the 2010 Manifestos of the Major parties and the Coalition Agreement on the Major Issues Related to Pensions........................................30
Figure 4.3: Pensions Act 2011: Allocation of Successful Amendments Proceeding Through the Houses on Part 1 and Part 2 of the Bill......................................................33
Figure 4.4: Proposals for the State Pension Age Compared With the Proposals from Pensions Act 2007 and Pensions Act 1995.................................................................34
Figure 4.5: Public Service Pensions Act 2013: Allocation of Successful Amendments Through the Houses.........................................................................................................46
Figure 4.6: Pensions Act 2014: Allocation of Successful Amendments through the Houses.................................................................58
## List of Abbreviation

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSP</td>
<td>Basic State Pension</td>
</tr>
<tr>
<td>CBI</td>
<td>Confederation of British Industry</td>
</tr>
<tr>
<td>Con</td>
<td>Conservative Party</td>
</tr>
<tr>
<td>DC</td>
<td>Defined Contribution</td>
</tr>
<tr>
<td>DB</td>
<td>Defined Benefits</td>
</tr>
<tr>
<td>DFRS</td>
<td>Defence Fire and Rescue Service</td>
</tr>
<tr>
<td>DWP</td>
<td>Department of Work and Pensions</td>
</tr>
<tr>
<td>FPTP</td>
<td>First Past the Post</td>
</tr>
<tr>
<td>GMP</td>
<td>Guaranteed Minimum Pension</td>
</tr>
<tr>
<td>HC</td>
<td>House of Commons</td>
</tr>
<tr>
<td>HL</td>
<td>House of Lords</td>
</tr>
<tr>
<td>IFS</td>
<td>Institute for Fiscal Studies</td>
</tr>
<tr>
<td>IPSPC</td>
<td>Independent Public Service Pension Commission</td>
</tr>
<tr>
<td>LD</td>
<td>Liberal Democrats</td>
</tr>
<tr>
<td>Lab</td>
<td>Labour Party</td>
</tr>
<tr>
<td>Lab Co-op</td>
<td>Labour and Cooperative Party</td>
</tr>
<tr>
<td>LEL</td>
<td>Lower Earnings Limit</td>
</tr>
<tr>
<td>MDP</td>
<td>Ministry of Defence Police</td>
</tr>
<tr>
<td>MoD</td>
<td>Ministry of Defence</td>
</tr>
<tr>
<td>MP</td>
<td>Member of Parliament</td>
</tr>
<tr>
<td>NI</td>
<td>National Insurance</td>
</tr>
<tr>
<td>NIC</td>
<td>National Insurance Contribution</td>
</tr>
<tr>
<td>OECD</td>
<td>The Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>ONS</td>
<td>The Office for National Statistics</td>
</tr>
<tr>
<td>OP</td>
<td>Occupational Pensions</td>
</tr>
<tr>
<td>PAYG</td>
<td>Pay-as-you-go</td>
</tr>
<tr>
<td>PP</td>
<td>Personal Pensions</td>
</tr>
<tr>
<td>SERPS</td>
<td>State Earnings Related Pension Scheme</td>
</tr>
<tr>
<td>SSP</td>
<td>State Second Pension</td>
</tr>
<tr>
<td>SP</td>
<td>State Pension</td>
</tr>
<tr>
<td>SPA</td>
<td>State Pension Age</td>
</tr>
<tr>
<td>TUC</td>
<td>Trades Union Congress</td>
</tr>
</tbody>
</table>
## Appendix

### Table A1 Key Figures in House of Lords

<table>
<thead>
<tr>
<th>Name</th>
<th>Party</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baroness Drake</td>
<td>Labour</td>
<td>Opposition Spokesperson&lt;br&gt;Former member of the Pensions Commission</td>
</tr>
<tr>
<td>Lord Eatwell</td>
<td>non-affiliated</td>
<td>Shadow Spokesperson (Treasury), Oct 2010-Nov 2013</td>
</tr>
<tr>
<td>Lord Freud</td>
<td>Conservative</td>
<td>Parliamentary Under-Secretary( Department for Work and Pensions) (Welfare Reform), May 2010-May 2015</td>
</tr>
<tr>
<td>Baroness Hollis of Heigham</td>
<td>Labour</td>
<td>Former Parliamentary Under-Secretary( Department for Work and Pensions), Jun 2001-May 2005</td>
</tr>
<tr>
<td>Lord Newby</td>
<td>Liberal Democrats</td>
<td>Lords Spokesperson(HM Treasury) (Whip), May 2012-May 2015</td>
</tr>
<tr>
<td>Lord Hutton of Furness</td>
<td>Labour</td>
<td>Chaired Independent Public Service Pension Commission, 2010-2011</td>
</tr>
</tbody>
</table>

Source: http://www.parliament.uk/mps-lords-and-offices
Table A2 Key Figures in House of Commons

<table>
<thead>
<tr>
<th>Name</th>
<th>Party</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexander, Danny</td>
<td>Liberal Democrats</td>
<td>Chief Secretary to the Treasury, June 2010-May 2015</td>
</tr>
<tr>
<td>Leslie, Chris</td>
<td>Labour</td>
<td>Shadow Minister (Treasury), Oct 2010-Oct 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shadow Chief Secretary to the Treasury Oct 2013-May 2015</td>
</tr>
<tr>
<td>Javid, Sajid</td>
<td>Conservative</td>
<td>Economic Secretary (HM Treasury), Sep 2012-Oct 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Secretary (HM Treasury), Sep 2013-Apr 2014</td>
</tr>
<tr>
<td>Reeves, Rachel</td>
<td>Labour</td>
<td>Shadow Minister (Work and Pensions), Oct 2010-Oct 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shadow Chief Secretary to the Treasury, Oct 2011-Oct 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shadow Secretary of State for Work and Pensions, Oct 2013-Sep 2015</td>
</tr>
<tr>
<td>Webb, Steve</td>
<td>Liberal Democrats</td>
<td>Pensions Minister, 2010-2015</td>
</tr>
</tbody>
</table>

Source: http://www.parliament.uk/mps-lords-and-offices/
Table A3 Bill Stages - Pensions Act 2011

<table>
<thead>
<tr>
<th>Stages</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(lords)</td>
<td>1st reading</td>
</tr>
<tr>
<td>2(lords)</td>
<td>2nd reading</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 1st sitting</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 2nd sitting</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 3rd sitting</td>
</tr>
<tr>
<td>R(lords)</td>
<td>Report stage</td>
</tr>
<tr>
<td>3(lords)</td>
<td>3rd reading</td>
</tr>
<tr>
<td>1(commons)</td>
<td>1st reading</td>
</tr>
<tr>
<td>2(commons)</td>
<td>2nd reading</td>
</tr>
<tr>
<td></td>
<td>Money resolution</td>
</tr>
<tr>
<td></td>
<td>Ways and Means resolution</td>
</tr>
<tr>
<td></td>
<td>Programme motion</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 1st sitting</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 2nd sitting</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 3rd sitting</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 4th sitting</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 5th sitting</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 6th sitting</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 7th sitting</td>
</tr>
<tr>
<td>C(commons)</td>
<td>Committee: 8th sitting</td>
</tr>
<tr>
<td>-</td>
<td>Programme(No.2) motion</td>
</tr>
<tr>
<td>R</td>
<td>Report stage</td>
</tr>
<tr>
<td>3</td>
<td>3rd reading</td>
</tr>
<tr>
<td>-(lords)</td>
<td>Ping Pong</td>
</tr>
<tr>
<td>RA</td>
<td>Royal Assent</td>
</tr>
</tbody>
</table>

Source: http://services.parliament.uk/bills/2010-12/pensionshl/stages.html
<table>
<thead>
<tr>
<th>Stage</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(commons) 1&lt;sup&gt;st&lt;/sup&gt; reading</td>
<td>13.09.2012</td>
</tr>
<tr>
<td>2(commons) 2&lt;sup&gt;nd&lt;/sup&gt; reading</td>
<td>29.10.2012</td>
</tr>
<tr>
<td>-(commons) Money resolution</td>
<td>29.10.2012</td>
</tr>
<tr>
<td>-(commons) Programme motion</td>
<td>29.10.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:1&lt;sup&gt;st&lt;/sup&gt; sitting</td>
<td>06.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:2&lt;sup&gt;nd&lt;/sup&gt; sitting</td>
<td>06.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:3&lt;sup&gt;rd&lt;/sup&gt; sitting</td>
<td>08.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:4&lt;sup&gt;th&lt;/sup&gt; sitting</td>
<td>08.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:5&lt;sup&gt;th&lt;/sup&gt; sitting</td>
<td>13.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:6&lt;sup&gt;th&lt;/sup&gt; sitting</td>
<td>13.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:7&lt;sup&gt;th&lt;/sup&gt; sitting</td>
<td>20.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates:8&lt;sup&gt;th&lt;/sup&gt; sitting</td>
<td>20.11.2012</td>
</tr>
<tr>
<td>C(commons) Committee Debates 9&lt;sup&gt;th&lt;/sup&gt; sitting</td>
<td>22.11.2012</td>
</tr>
<tr>
<td>3(commons) 3&lt;sup&gt;rd&lt;/sup&gt; reading</td>
<td>04.12.2012</td>
</tr>
<tr>
<td>1(lords) 1&lt;sup&gt;st&lt;/sup&gt; reading</td>
<td>05.12.2012</td>
</tr>
<tr>
<td>2(lords) 2&lt;sup&gt;nd&lt;/sup&gt; reading</td>
<td>19.12.2012</td>
</tr>
<tr>
<td>C(lords) Committee:1&lt;sup&gt;st&lt;/sup&gt; sitting</td>
<td>09.01.2013</td>
</tr>
<tr>
<td>C(lords) Committee:2&lt;sup&gt;nd&lt;/sup&gt; sitting</td>
<td>15.01.2013</td>
</tr>
<tr>
<td>C(lords) Committee:3&lt;sup&gt;rd&lt;/sup&gt; sitting</td>
<td>21.01.2013</td>
</tr>
<tr>
<td>R(lords) Report Stage</td>
<td>12.02.2013</td>
</tr>
<tr>
<td>3(lords) 3&lt;sup&gt;rd&lt;/sup&gt; reading</td>
<td>26.02.2013</td>
</tr>
<tr>
<td>-(commons) Programme motion (No.2)</td>
<td>22.04.2013</td>
</tr>
<tr>
<td>-(commons) Ping Pong: House of Commons</td>
<td>22.04.2013</td>
</tr>
<tr>
<td>-(lords) Ping Pong: House of Lords</td>
<td>23.04.2013</td>
</tr>
<tr>
<td>-(commons) Ping Pong:House of Commons</td>
<td>24.04.2013</td>
</tr>
<tr>
<td>RA Royal Assent</td>
<td>25.04.2013</td>
</tr>
</tbody>
</table>

Source: http://services.parliament.uk/bills/2012-13/publicservicepensions.html
<table>
<thead>
<tr>
<th>Stage</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/commons</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; reading</td>
</tr>
<tr>
<td>2/commons</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; reading</td>
</tr>
<tr>
<td>-(commons)</td>
<td>Money resolution</td>
</tr>
<tr>
<td>-(commons)</td>
<td>Ways and Means resolution</td>
</tr>
<tr>
<td>-(commons)</td>
<td>Programme motion</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 1&lt;sup&gt;st&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 2&lt;sup&gt;nd&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 3&lt;sup&gt;rd&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 4&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 5&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 6&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 7&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 8&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 9&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 10&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 11&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C/commons</td>
<td>Committee debate: 12&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>-(commons)</td>
<td>Programme motion(No.2)</td>
</tr>
<tr>
<td>R</td>
<td>Report stage</td>
</tr>
<tr>
<td>3</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt; reading</td>
</tr>
<tr>
<td>1(lords)</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; reading</td>
</tr>
<tr>
<td>2(lords)</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; reading</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 1&lt;sup&gt;st&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 2&lt;sup&gt;nd&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 3&lt;sup&gt;rd&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 4&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 5&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>C(lords)</td>
<td>Committee: 6&lt;sup&gt;th&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>R(lords)</td>
<td>Report:1&lt;sup&gt;st&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>R(lords)</td>
<td>Report:2&lt;sup&gt;nd&lt;/sup&gt; sitting</td>
</tr>
<tr>
<td>3(lords)</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt; reading</td>
</tr>
<tr>
<td>-(commons)</td>
<td>Ways and Means resolution (No.2)</td>
</tr>
<tr>
<td>-(commons)</td>
<td>Programme Motion(No.3)</td>
</tr>
<tr>
<td>-(commons)</td>
<td>Ping Pong: House of Commons</td>
</tr>
<tr>
<td>-(lords)</td>
<td>Ping Pong: House of Lords</td>
</tr>
<tr>
<td>RA</td>
<td>Royal Assent</td>
</tr>
</tbody>
</table>

Source: http://services.parliament.uk/bills/2013-14/pensions/stages.html
Bibliography

Secondary Sources


Center for Educational Research and Innovation, Trends Shaping Education (OECD publishing 2008)


Denver, David, Christopher Carman and Robert Johns, Elections and Voters in Britain (3rd edn, Palgrave Macmillan 2012)

Denver, David, and Mark Garnett, British General Elections since 1964: Diversity, Dealignment, and Disillusion (Oxford University Press 2014)


Disney, Richard, ‘The UK system of Pension Provision’ in Alex Börsch-Supan and Meinhard Miegel (eds). Pension Reform in Six Countries: What Can We Learn From Each Other? (Springer 2001)
Ebbinghaus, Bernhard .,(eds), *The Varieties of Pension Governance*, (Oxford University Press 2011), pp. 87-109


Hering Martin.,’‘Live Longer, work longer? Intergenerational fairness in retirement age reforms in Germany and the United Kingdom’ in Pieter Vanhuysse and Achim Goerres (eds), *Aging Populations in Post-industrial Democracies: Comparative studies of policies and politics* (Routledge 2012), pp.79-105

Haworth, Rita.,’‘Older People’ in Peter Dwyer and Sandra Shaw (eds), *An Introduction to Social Policy*, (SAGE Publication 2013), pp. 79-105


OECD, *Restoring Public Finances, Special Issue of the OECD Journal on Budgeting* (OECD publishing 2011)


Williams, Ben., The Evolution of Conservative Party Social Policy (Palgrave Macmillan 2015)

Primary Sources


Committee stage(Commons), <http://www.parliament.uk/about/how/laws/passage-bill/commons/coms-commons-committee-stage/> accessed 1 Oct 2015

Committee stage(Lords), <http://www.parliament.uk/about/how/laws/passage-bill/lords/lrds-lords-committee-stage/> accessed 1 Oct 2015


Department for Work and Pensions, A Sustainable State Pension: When the State Pension Age Will Increase to 66 (The Stationery Office 2010)


General Committees (including Public Bill Committees), <http://www.parliament.uk/about/how/committees/general/> accessed 15 Feb 2016
General Committee (including Public Bill Committee), <http://www.parliament.uk/about/how/committees/general/> accessed on 1 Oct 2015


House of Commons, ‘Tuesday 20 November 2012 Public Bill Committee Proceedings: Public Service Pensions Bill [seventh and eighth sittings]’, <
House of Commons,’ Thursday 22 November 2012 Public Bill Committee Proceedings: Public Service Pensions Bill[ninth and tenth sittings]’,


Independent Public Service Pensions Commission, ‘Interim Report’


Pension HL Bill (2010-2011)[37]

Public Service Pension HC Bill (2012-2013)[70]

Pensions Bill HC Bill (2013-2014)[6]

Pension HL Bill (2013-2014)[76]


Committee stage (Commons), <http://www.parliament.uk/about/how/laws/passage-bill/commons/coms-commons-committee-stage/> accessed 1 Oct 2015


Hansards

Pensions Act 2011
HL Deb 15 Feb 2011, cols 584-646
HC Deb 29 Oct 2013, cols 765-900
HC Deb 17 Mar 2014, cols 559-596
HL Deb 2 Dec 2013, cols 140-194
HL Deb 16 Dec 2013 cols GC197-GC254
HL Deb 18 Dec 2013 cols GC 305- GC 370
HL Deb 8 Jan 2014 cols GC 371- GC 435
HL Deb 13 Jan 2014 cols GC 1-GC 52
HL Deb 15 Jan 2014 cols GC 115-GC 176
HL Deb 20 Jan 2014 cols GC 259-318
HL Deb 24 Feb 2014 cols 712-820
HL Deb 26 Feb 2014 cols 930-1002
HL Deb 12 Mar 2014 cols 1763-1781
HL Deb 8 Apr 2014, cols 1248-1258