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Reference

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Dear Michael,

Communications regarding the New State Pension.

As you know, the Public Accounts Committee has recently received several letters regarding the implementation of the New State Pension. These letters have raised questions regarding the Department's communication of any potential negative impacts on pensioners associated with the introduction of the New State Pension, specifically focusing on the impact of losing GMP indexation increases following the end of contracting out.

We have reviewed the material currently made available by the Department about the New State Pension, and recognise the concerns expressed by the correspondents. We consider that there is a lack of publically available information and guidance from the Department that highlights the scenarios under which pensioners reaching pension age on or after 6 April 2016 might receive less pension under the New State Pension than the existing pension arrangements.

Whilst we recognise that these scenarios involve technically challenging and relatively rare circumstances within the current pension rules, we consider that the Department could be more transparent in communicating the issues that might lead to individuals being worse off as a result of the introduction of the New State Pension.

In this spirit, we recommend the Department review its communication strategy for the introduction of the New State Pension, and ensure it publishes and distributes clear and appropriate guidance on those scenarios in which people reaching pension age on or after 6 April 2016 could receive a pension of less value than they would have received under current pension arrangements. From the correspondence we have received, we recommend this guidance includes, but is not limited to, scenarios regarding the end of "contracting out" and GMP indexation increases, as well as any other scenarios the Department has identified.

I understand you have already discussed these points with my team. However, please do not hesitate to get in touch should you wish to discuss this issue further.

I am copying this letter to the PAC/NAO Liaison Team in Planning and Performance Management.

Neil Sayers
Director (Financial Audit) - Work & Pensions