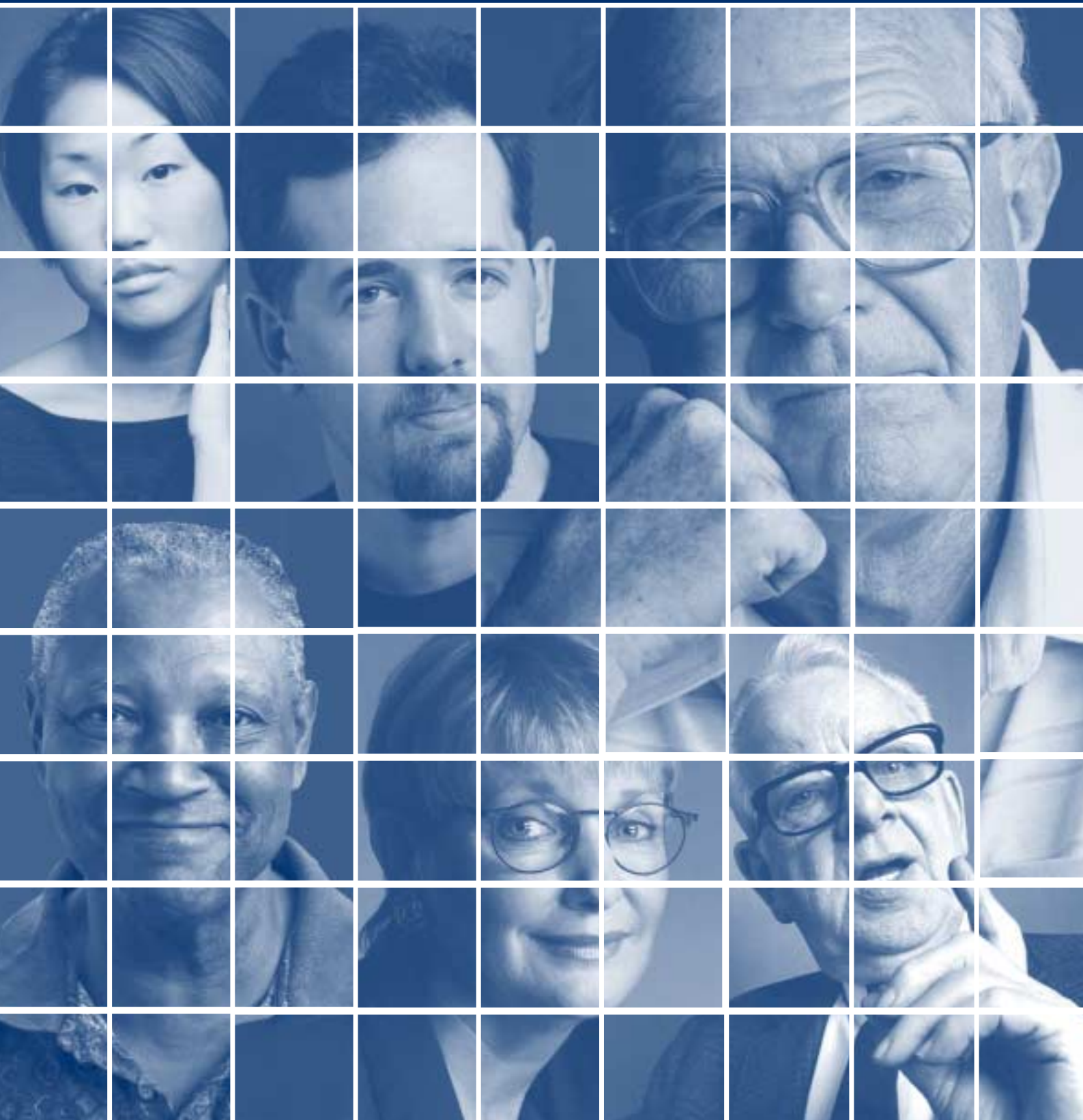
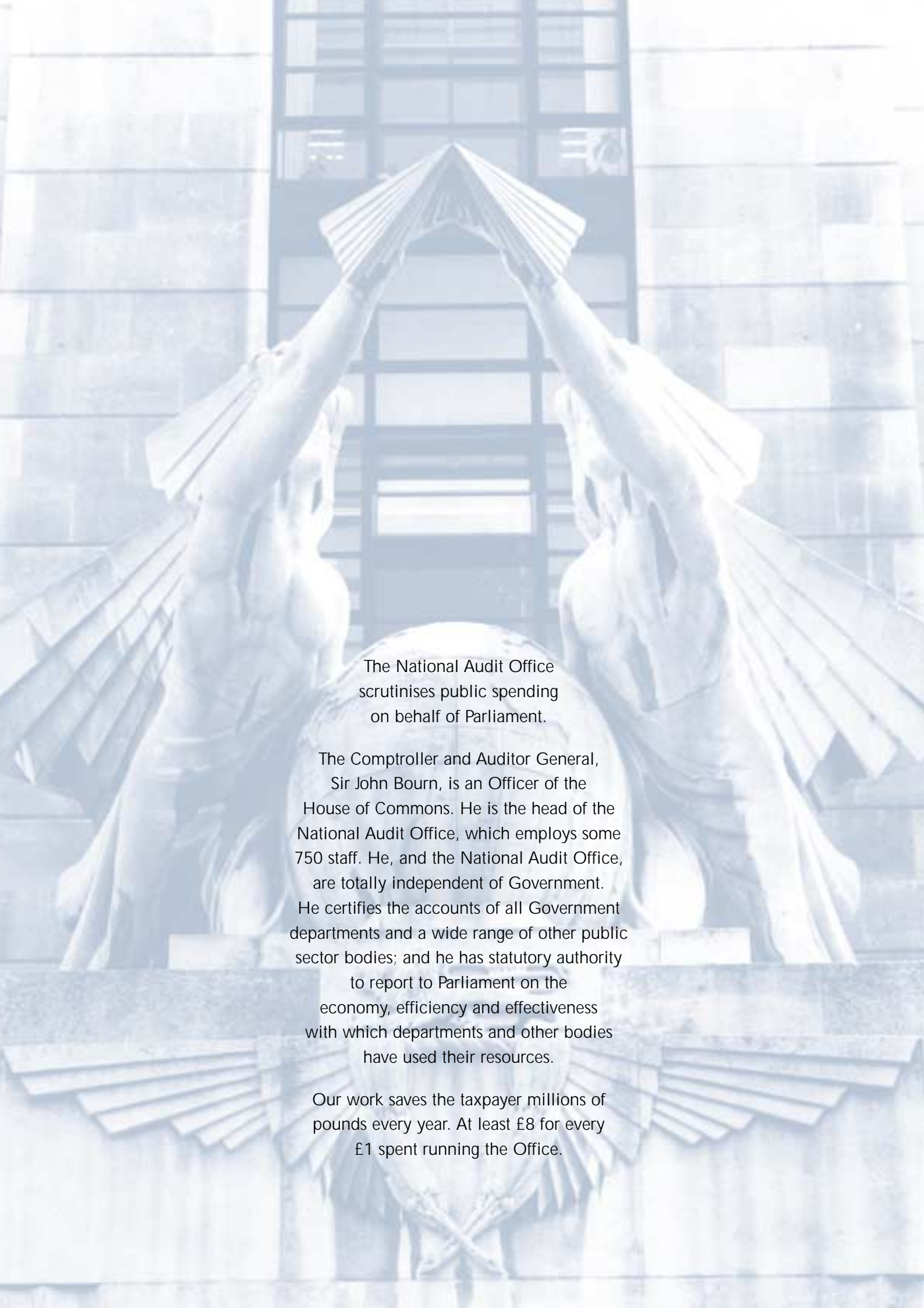


Improving service quality: Action in response to the Inherited SERPS problem

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 497 Session 2002-2003: 20 March 2003





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Improving service quality: Action in response to the Inherited SERPS problem



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 497 Session 2002-2003: 20 March 2003

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn National Audit Office
Comptroller and Auditor General 13 March 2003

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This report can be found on the National Audit Office
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executive summary

- 1 In August 2000, the Committee of Public Accounts reported on the failure by the (then) Department of Social Security over many years to inform the public correctly about the reduction from 100 to 50 per cent in the amount of State Earnings-Related Pension that could be inherited by a widow or widower on the death of their spouse¹. This error affected millions of people. The Committee reported again in February 2001, commenting on the Government's proposals to remedy the problem, which will cost an estimated £12 billion over the period 2000 to 2050².
- 2 The Inherited SERPS problem (as we refer to it in this report) was caused by a simple administrative error. However, the case shed considerable light on poor communications and customer handling by the Department (now the Department for Work and Pensions), as well as on major organisational failings.
- 3 In their reports, the Committee made recommendations to ensure that adequate redress was provided for those who had been misled. They also recommended changes to the Department's systems and the way in which they handled their customers, to minimise the risk of a similar problem happening in the future. This follow-up report examines progress in implementing those recommendations.



Main conclusions and recommendations

On action to address the Inherited SERPS problem

- 4 The Committee's initial concern was that the public should be given correct information quickly and a solution found to correct the error where people had been misled. The changes set out in the Social Security (Inherited SERPS) Regulations 2001 met most of the Committee's recommendations for a suitable scheme of redress. The Department have since invested considerable resources in publicising the changes, and have taken reasonable steps to ensure that individual contributors were made aware of them and their impact before the Regulations came into effect in October 2002. This required finding ways of contacting more than 20 million people.

¹ *State Earnings Related Pension Scheme: The Failure to Inform the Public about Reduced Pension Rights for Widows and Widowers, 34th report Session 1999-2000 (HC 401).*

² *The Draft Social Security (Inherited SERPS) Regulations 2001, Fifth report Session 2000-01 (HC 243).*

- 5 Overall, the project to inform the public about the changes set out in the Regulations achieved its objectives, was managed well, and was in accordance with the Department's prevailing risk-management framework.
- 6 The most complex part of the publicity exercise was a mail-shot to the 5.1 million people expected to reach state pension age between October 2002 and October 2010 (whose addresses the Department held) and the subsequent follow-up of responses. This required careful planning to ensure that the message in the letter was clear and that a full follow-up service was available. The Department recognised at the outset that the spouses of these contributors, in the event of a contributor's death, would be the first to be affected by the Regulations. A pilot mail-shot was envisaged for late May or early June 2001. In the event, the mail-shot was piloted in November 2001 and the bulk of the letters despatched between March and July 2002. This gave many contributors whose spouses were affected by the Regulations less than six months notice that they were coming into effect, and meant there was limited time available for them to make alternative arrangements to compensate for their spouses' reduced Inherited SERPS entitlement.
- 7 The Department's decision in November 2002 to write a further clarifying letter to some 530,000 contributors who had been given a personalised estimate of their SERPS pension entitlement again highlights the difficulties the Department have had in ensuring that their information products are clear and unambiguous, particularly when the message they are trying to convey is complex. Although the pension estimate letter had been through a rigorous development and review process, which involved customer representative groups and piloting with more than 1,000 customers, it none the less confused some customers and was considered by the Parliamentary Commissioner for Administration to be potentially misleading. **The Department should consider the potential benefits of testing more of their information products on a sample of customers before releasing them widely (paragraphs 2.16 and 2.17).**
- 8 It is probable that SERPS contributors and their spouses living overseas are less likely to be aware of the changes than contributors resident in the United Kingdom. **In future campaigns aimed at raising the awareness of customers living overseas, the Department should explore the feasibility of securing the assistance of foreign governments, which may have more accurate and complete records of the addresses of customers resident in their countries (paragraphs 2.20 to 2.22).**
- 9 The Department considered that there would be few claims for compensation but set aside £8 million for compensation payments. By August 2002, 250 claims had been received and just over £500,000 paid out. In the view of the National Audit Office, the Department could have done more to continue to draw the availability of compensation to the attention of potential claimants. **When communicating with a large number of customers, some of whom are known to have been misled, the Department should draw the possibility of compensation to their attention (paragraphs 2.27 to 2.29).**



On action to improve the Department's systems for communicating with the public

- 10 The Department have made considerable progress against the Committee of Public Accounts' recommendations aimed at improving their organisation and systems for dealing with the public, although the extent has varied in different parts of the Department. The key developments include:
- the re-organisation of the Department and agencies to provide a better focus on different customer groups, from policy development through to front-line service delivery, for example in the creation of The Pension Service as a separate agency;
 - a clearer allocation of responsibility and accountability for the delivery of projects and programmes;
 - the development and roll-out of the Department's intranet as a means of informing staff about current benefit information products, standards and guidance;
 - a content management system introduced on the Department's intranet in December 2002, which allows staff to view all external information products;
 - standardised procedures, involving a greater degree of external consultation, for developing new information products and reviewing existing ones;
 - the development of standards covering the provision of information and advice, by letter, telephone or face-to-face, including improved quality assurance arrangements;
 - improvements in the way in which the Department monitor information contained in correspondence and complaints received; and
 - progressive improvements to the way in which risks are identified and managed.
- 11 The Accuracy of Information project, which initiated many of these improvements, closed in March 2002 and its initiatives are now being further developed as part of the Department's mainstream business. However, although significant progress has been made, more needs to be done to embed the improvements into the organisation. The effectiveness of improvements to the Department's systems for communicating with the public will depend to a large degree on the extent to which staff are aware of, and comply with, the new standards, guidance and procedures. Initial work by the Department's Internal Assurance Service suggests that awareness of these developments among staff delivering front-line services is patchy, and our examination also found variations in adherence to new standards.

- 12 The National Audit Office reports *Tackling Pensioner Poverty: Encouraging take-up of entitlements* (HC37, 2002-03) and *Progress in making e-services accessible to all - encouraging use by older people* (HC428, 2002-03) underline the importance of clear communication with the public. The Department and agencies intend to make further improvements to their systems for dealing with the public, and ensure that improved standards and procedures are embedded throughout the organisation. **On the basis of our work, we consider attention should be paid to:**
- making sure that the benefits of the intranet for disseminating information among staff are fully realised, so that all are up to date with developments (paragraphs 3.6 to 3.9);
 - ensuring that, where timetables for the production of information products allow, there is sufficient time in the quality assurance processes for input by external parties, such as the Department's independent Social Security Advisory Committee and voluntary bodies, to maximise their contribution (paragraphs 3.12 to 3.14);
 - ensuring, as far as possible through routine checking, that departmental literature available in public places is up to date (paragraphs 3.16 to 3.18);
 - developing checks (including "mystery shopping") on the accuracy of staff communications with the public, whether by letter, telephone or face-to-face (paragraphs 3.29 to 3.31);
 - improving the quality of letters sent to the public to avoid ambiguous or confusing communications (paragraph 3.30); and
 - making better and more consistent use of the data collected on complaints, so that trends or themes can be identified (paragraphs 3.34 to 3.36).
- 13 The Department and agencies are in the middle of a period of major organisational and procedural change, with a substantial number of staff moving and adapting to new roles. **It will be crucial, therefore, to ensure that the momentum generated during the past two years is maintained during this period, and that all staff are properly trained and comply with the new standards and procedures.** There is a key role here for the Department's Internal Assurance Service.

Part 1

The Inherited SERPS problem

What is the State Earnings-Related Pension Scheme (SERPS)?

- 1.1 The State Earnings-Related Pension Scheme (SERPS) was established in 1978. Additional to the basic state pension, SERPS was a compulsory scheme for employees who earned more than a minimum threshold and had not contracted out into another pension scheme. However, in addition, many people who did contract out retain some entitlement by virtue of contributions made before changes to contracting out arrangements were introduced in 1997. In all, some 20 million people have current or future entitlements under SERPS, although for many this will be for only a small sum. SERPS was replaced by the State Second Pension in April 2002.

What was the Inherited SERPS problem?

- 1.2 One of the aims of the Social Security Act 1986 was to reduce the future impact of SERPS on the National Insurance Fund. Included in the Act was a provision to reduce, from 100 to 50 per cent of a deceased person's entitlement, the maximum amount of SERPS pension that could be inherited by a surviving spouse³. The provision was due to come into effect on 6 April 2000, some 14 years later.
- 1.3 The purpose of delaying the legislation was to allow those affected the opportunity to make financial provision to compensate for the reduction. However, the (then) Department of Social Security⁴ failed to advertise the change and, until as late as 2000, continued to give incomplete and incorrect advice

about it to the public. As a result, an unknown number of people may have made decisions about their future pension provision based on an incorrect understanding about the amount of SERPS pension that would be inherited by their spouse after their own death. When this became known in 1999, it caused considerable distress to many people who had thought they had made adequate provision for their spouses.

What did the Government do about the problem?

- 1.4 The Government acknowledged that the Inherited SERPS problem had been caused by the Department's administrative failings. As a remedy, on 15 March 2000 the Government announced a two and a half year delay in the change to the law, from April 2000 to October 2002, together with a scheme to preserve the right to full inheritance of SERPS for life for those people who could show that they had been misled. The estimated cost of these proposals was some £8.2 billion (at 1999-2000 prices) over the period 2000 to 2050. At the same time, the Government announced organisational and procedural changes to prevent such a problem happening again.
- 1.5 The Government's announcements coincided with the publication of reports by the Comptroller and Auditor General⁵ and the Parliamentary Commissioner for Administration⁶ that were highly critical of the Department's administrative failing. The Government accepted all their recommendations and agreed to consult widely on the proposals for a preserved rights scheme.⁷

³ Women who die before reaching their state pension age cannot pass on any of their SERPS benefits to their surviving spouses.

⁴ The Department of Social Security became the Department for Work and Pensions in June 2001.

⁵ C&AG's report *State Earnings-Related Pension Scheme: The failure to inform the public of reduced pension rights for widows and widowers*, 15 March 2000 (HC 320 Session 1999-2000).

⁶ *Third report for Session 1999-2000 State Earnings-Related Pension Scheme (SERPS) inheritance provisions*, 15 March 2000.

⁷ *House of Commons official Report*, 15 March 2000, Columns 307-309.

1.6 In August 2000, the Committee of Public Accounts reported on:

- why the public had not been informed about the 1986 change in SERPS entitlement;
- what had been done to prevent the mistake from happening again; and
- how the measures announced by the Government would provide adequate redress.⁸

The Committee expressed particular concern about the likely effectiveness of the proposed preserved rights scheme as a means of providing adequate redress for all of, and only, those people who had been misled. The Committee were also concerned about how the Department intended to make the proposals known to the public, especially those who might be entitled to redress. Although they had not completely ruled out writing to everyone who might have been eligible for compensation, the Department doubted this would be cost effective, as a large proportion of contributors' address records were out of date, and proposed instead to use national advertising.

1.7 The Committee also made recommendations aimed at improving the Department's systems for communicating with the public.

1.8 On 29 November 2000, the Government announced that following consultation they had concluded that the proposed preserved rights scheme would not work as intended. In particular, they were not confident that the scheme would reach all those affected and thought that it would be difficult to safeguard the scheme against fraud and abuse.⁹

1.9 Instead, the Government introduced new proposals designed to give full protection to all pensioners, to give younger people adequate notice of the change to SERPS inheritance rules, and to provide transitional arrangements for those approaching retirement age. The essential components were:

- someone widowed before 6 October 2002 would continue to inherit up to 100 per cent of their deceased spouse's SERPS pension;
- all men and women over state pension age¹⁰ on 5 October 2002 would, in the event of their death, continue to be able to pass on to their spouse a maximum of 100 per cent of their SERPS pensions;

- the reduction to 50 per cent in the maximum amount of a SERPS pension that could be inherited by a surviving spouse would apply only to men or women who reached state pension age after 5 October 2010; and

- for those people who reach state pension age between 6 October 2002 and 5 October 2010, the maximum amount of SERPS pension that could be passed on would be subject to a sliding scale, depending on how far away they were from state pension age (Figure 1).

1 Transitional arrangements for inheritance of a SERPS pension for those approaching state pension age

Date contributor reaches state pension age	Maximum SERPS pension entitlement for surviving spouse
Before 6 Oct 2002	100%
Between 6 Oct 2002 and 5 Oct 2004	90%
Between 6 Oct 2004 and 5 Oct 2006	80%
Between 6 Oct 2006 and 5 Oct 2008	70%
Between 6 Oct 2008 and 5 Oct 2010	60%
After 5 Oct 2010	50%

Source: Department for Work and Pensions

1.10 The estimated cost of the new proposals was some £12 billion (at 1999-2000 prices) over the period 2000 to 2050. The Department consulted on the draft regulations¹¹ by writing to the Committee of Public Accounts, among others, seeking comments. The Committee examined the draft regulations and concluded that they should address many of their concerns. However, they also considered that the proposals should be widely publicised, close attention paid to their implementation, and those seeking redress under the compensation arrangements subject to fair and equitable treatment¹².

1.11 Parliament approved the regulations - the Social Security (Inherited SERPS) Regulations - on 20 March 2001, to come into effect on 6 October 2002.

⁸ 34th report Session 1999-2000 (HC 401).

⁹ House of Commons Official Report, 29 November 2000, Columns 966-967.

¹⁰ State pension age for men is 65 and for women is 60.

¹¹ Draft Social Security (Inherited SERPS) Regulations 2001.

¹² Fifth report Session 2000-01 (HC 243).

What further action have the Department taken in response to the recommendations of the Committee of Public Accounts?

1.12 The changes made in the Social Security (Inherited SERPS) Regulations 2001 satisfied many of the Committee's recommendations concerning the need for a suitable redress scheme. The Department also launched two projects to address and take forward the Committee's other recommendations:

- the **Inherited SERPS project** - to ensure effective implementation, and communication to those affected, of the changes and fair treatment of those seeking redress; and
- the **Accuracy of Information project** - to improve the Department's systems for communicating with the public and ensure that the risk of the Inherited SERPS problem being repeated was substantially reduced.

1.13 The scope and objectives of these projects are set out at Appendix A. As at the time of publication, work had largely been completed, and initiatives and developments started under the Accuracy of Information project had transferred into the Department's mainstream business.

1.14 The action to address the Inherited SERPS problem and improve the Department's systems for communicating with the public took place during a time of major organisational upheaval. The main aim of the reorganisation was to better focus the delivery of services on the needs of particular customer groups - children, people of working age, disabled people and their carers, and pensioners. It included merging the former Department of Social Security with part of the former Department for Education and Employment to form the Department for Work and Pensions in June 2001. In addition, the Benefits Agency and the Employment Service were wound up and two new agencies - Jobcentre Plus and The Pension Service - were established in April 2002.

What is this National Audit Office report about?

1.15 Against this background, this report considers whether and how the Department have implemented the recommendations of the Committee of Public Accounts, as set out in the Committee's 34th report 1999-2000 and 5th report 2000-01. In particular, it considers:

- whether the steps taken to address the Inherited SERPS problem have been successful and have met the Committee's expectations (Part 2 of the report); and
- what progress the Department have made in improving their systems for communicating with the public (Part 3).

1.16 In carrying out this follow-up examination we:

- examined relevant project documentation, including project progress, monitoring and evaluation reports and reviews carried out by the Department's Internal Assurance Service;
- interviewed key personnel responsible for managing the two projects and others involved in implementing the Committee's recommendations;
- interviewed staff in the new pensions forecasting team, including those responsible for project and risk management;
- examined the progression of a sample of recent leaflets through new quality assurance processes; and
- examined the effectiveness of the intranet as a source of staff guidance and information on new developments.

1.17 We also consulted key third parties with an interest in the Inherited SERPS problem, including the Parliamentary Commissioner for Administration, Age Concern, the National Association of Citizens Advice Bureaux and the Department's Social Security Advisory Committee, which now plays an important role in quality assuring the Department's information products.

Part 2

Action to address the Inherited SERPS problem

- 2.1 This part examines whether the steps taken to address the Inherited SERPS problem have been successful and have met the expectations of the Committee of Public Accounts. Action to address the Committee's wider recommendations, aimed at improving the Department's systems for communicating with the public, are considered in Part 3.

What were the Committee's expectations with regard to redress for those who were affected by the Inherited SERPS problem?

- 2.2 The Committee's 34th report 1999-2000 set out their concerns about the Department's initial proposals for a scheme of redress. These included:

- doubts about whether the scheme was equitable and would provide adequate redress for all of those who had been misled by the Department;
- risks that the dishonest may benefit and the honest would miss out; and
- concern that the Department would be unable to contact all who may have been affected by the Inherited SERPS problem and entitled to redress.

Box 1: The Social Security (Inherited SERPS) Regulations 2001 met many of the concerns of the Committee of Public Accounts as set out in their 34th report 1999-2000

- The estimated cost of the proposals set out in the Regulations was some £12 billion over the period 2000 to 2050, £4 billion more than the previous proposals. Together with the estimated cost of the measures to publicise them (£22 million) and the estimated cost of compensation (£8 million), the proposals amounted to a substantial response to the Inherited SERPS problem and an acceptance by the Department of responsibility for the original administrative failing (recommendation (i)).
- The Regulations significantly reduced the risk of either the dishonest benefiting or the honest missing out, which had been highlighted by the Committee as a weakness in the previous proposals for a scheme of redress (recommendation (x)).
- The Regulations provided adequate protection for the vast majority of those who were misled, and substantially reduced the number of people likely to be entitled to redress, compared with the original Inherited SERPS scheme. The risk of those entitled to redress not being informed or not otherwise claiming redress was therefore reduced (recommendation (xi)).

- 2.3 The proposals set out in the Social Security (Inherited SERPS) Regulations 2001 ("the Regulations") met many of the Committee's recommendations for a more suitable scheme of redress (**Box 1**). Other recommendations about the redress scheme were superseded by the recommendations in the Committee's 5th report 2000-01. A full summary of the Committee's recommendations and the action taken is included on the National Audit Office website at www.nao.gov.uk/publications/nao_reports.

- 2.4 The objectives of the Inherited SERPS project (Appendix A) embraced a number of the Committee's recommendations in their 5th report 2000-01. In particular, the Committee were concerned that:

- the Department adequately publicised the proposals set out in the Regulations (recommendations (vi) to (viii));
- the proposals were equitable (recommendations (i) to (iv));
- the costing of the proposals was soundly based (recommendation (v)); and
- the risks of implementation were effectively managed (recommendations (ix) and (x)).

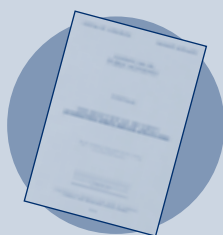
These issues are covered in the remainder of this part of the report.

Were the Regulations adequately publicised?

How the public were informed about the Regulations

The Committee stressed that the main groups who needed to be informed about the Regulations were those who were not fully protected by the new proposals and who may have been eligible for compensation, and those of working age who were unaware of the changes (5th Report 2000-01, recommendation (vi)).

The Committee had been concerned about the Department's initial proposals for informing people about the Regulations, and expected the Department to take full account of the results of research on the likely success and costs of writing to all those affected. The Committee also expected the Department to involve voluntary agencies, the Inland Revenue and/or employers in distributing information about the new arrangements (5th Report 2000-01, recommendation (vii)).




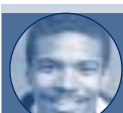



- 2.5 Following announcement of the proposals in November 2000, the Department wrote to the 20,000 people who had previously been in contact with them about the Inherited SERPS problem. More than two-thirds were over state pension age and would therefore not have been affected by the Regulations. Most of the others were within 10 years of state pension age and would have been subject to the sliding scale arrangements. In addition, the Department targeted some 90,000 advisers with an interest in pensions welfare issues, and wrote to those for whom they held details. The Department also informed their staff through bulletins and briefings, produced a specific leaflet on the issue which they enclosed with general pensions information and guidance sent to customers, and updated other pensions

leaflets and information products to ensure that all references to Inherited SERPS reflected the proposals set out in the Regulations.

- 2.6 The Department informed voluntary agencies about the Regulations and their impact by distributing an information sheet and through information in newsletters. They also consulted Age Concern, the National Association of Citizens Advice Bureaux and other voluntary agencies on the content and presentation of the letters sent to SERPS contributors. The Inland Revenue circulated information about the Department's publicity activity to employers, to enable them to answer questions from employees about their pension scheme.
- 2.7 The Department's objective was to ensure that all those affected were made aware of the Regulations before they came into effect on 6 October 2002. To achieve this aim they categorised people into one of five groups according to how they might be affected (**Figure 2**).
- 2.8 The Department decided to write first to contributors in Groups A and B, to reassure them that they would continue to be able to pass on to their spouses, on their death, up to 100 per cent of their SERPS pension. The Department also targeted press advertising on the people in these Groups in 2001.
- 2.9 During the Parliamentary debate on the draft regulations in March 2001, the Government acknowledged the urgency and importance of writing to those first affected by the 1986 Act, as modified by the Regulations, in a way which gave accurate information in an accessible way and enabled them to make choices, whilst recognising that some would have little time in which to make alternative arrangements.
- 2.10 Mail-shot B was originally planned for late May 2001. It was affected by the timing of the June 2001 general election, as it is a convention that Ministers should not make policy decisions or announcements in the run-up to an election.

2 SERPS contributors grouped according to how they were affected by the Regulations

Group	People in the group	Number targeted by: Letter and advertising ¹ (million)	Number targeted by: Advertising ¹ only (million)	Date letters sent	Number of responses received
 A	People already over state pension age.	10.1	-	February and March 2001	590,000
 B	People who were not pensioners but who would reach state pension age before 6 October 2002, when the Regulations came into effect.	1.1	-	August 2001	56,000
 C	People expected to reach state pension age between 6 October 2002 and 5 October 2010, who would be subject to the sliding scale provisions.	5.1 ²	1.6	March to July 2002	2 million
 D	The remainder of the working age population, who would reach state pension age after 5 October 2010.	-	34	-	8,000
 E	People living overseas, who would otherwise have fallen into any of Groups A to D.	-	1	-	3,600

NOTES

- Advertising includes a variety of channels of communication, including advertising on web-sites.
- In addition, as part of a pilot, the Department wrote to more than 5,000 people in Group C in November 2001.

Source: Department for Work and Pensions

2.11 The Department advised that they were determined to learn the lessons from Mail-shot A, which had resulted in many more people than anticipated contacting the Department's offices for further information. Arrangements therefore had to be put in place to deal with the expected calls. In addition, the letter was redrafted to make the message clearer to members of the public, and was circulated widely among independent stakeholders for comment. This was done in June and July 2001. The Department also decided it had to undertake a data matching exercise in order to get the best possible address data for mail-shot B. This is ideally done as close to the despatch of the mail-shot as possible, so that the information is up to date. The first opportunity in the information technology schedules to undertake this exercise was in late July. In the event, therefore, Mail-shot B was despatched from August 2001.

Why the Department did not start contacting the people first affected by the Regulations until spring 2002

2.12 The Department had originally intended that the letters to people in Group C should go out in summer 2001, with the advertising targeted at them shortly afterwards. This mail-shot to the just over 5 million people in Group C was the most complex part of the communications exercise. It required careful planning to ensure that the messages were clear and that a full follow-up service for customers was tested and in place. It was clear to the Department that contributors would want to know how much SERPS they had accrued. The Department told us they recognised the value of giving personalised information in the form of a SERPS snapshot for each individual. The letters to people in Group C (those most immediately affected by the Regulations) therefore offered them the chance to request a personalised SERPS estimate. This would show the amount of SERPS

pension their spouse would inherit in the event of their death. Developing the capacity to deliver this information proved technically complex.

2.13 This mail-shot was a major undertaking, and it was therefore decided to carry out a pilot and not to send the main mail-shot until a suitable infrastructure to deal with the anticipated level of response was in place. To deal with the anticipated workload for mail-shot C, the Department:

- carried out a comprehensive pilot in November 2001, involving 5,000 customers, to test the accuracy and clarity of the information they were providing and estimate the number of requests for SERPS estimates and other queries that would arise;
- established and tested a dedicated telephone enquiry line, call centre and back office, with sufficient resources to deal promptly with the expected large volumes of enquiries and requests for SERPS estimates;
- worked closely with the Inland Revenue, BT Syntegra, EDS and Consignia to ensure the accurate addressing, printing and despatch of letters;
- distributed the mail-shot evenly over a 20 week period to avoid unnecessary strain on the call centre and other support services, thereby increasing confidence the Department would give a consistently good service to customers;
- logged all enquiries and other contacts made; and
- ensured the sensible use of resources during a time of considerable organisational change.

2.14 Following this planning and preparation, the Department did not start writing to these people until March 2002. As a result, most would not have been informed about the Regulations until less than six months before they came into effect. By October 2002, the Department had received and responded to requests for a SERPS estimate from more than 1.2 million people.

2.15 To reach those people the Department had been unable to contact by letter, advertisements principally aimed at people in Groups C and D were placed in the national, regional and specialist press during August to October 2002. As at the end of February 2003, this had generated a further 42,000 queries. Those in Group E were subject to a separate advertising campaign (paragraphs 2.20-2.22 opposite).

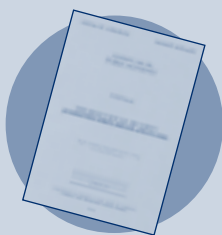
Why the Department are writing again to 530,000 contributors who had been sent a SERPS estimate

2.16 The follow-up estimate letter (Appendix B), in response to the 1.2 million requests for a personalised SERPS pension estimate from people in Group C, was subject to an extensive drafting and approval process that included piloting with more than 1,000 customers and consultation with the Social Security Advisory Committee¹³ and customer representative groups. However, by 16 May 2002, part way through the mail-shot, the Department had received about 400 calls from people with queries about the impact of contracting out of SERPS on their SERPS pension estimate. This was because the estimate was inclusive of, rather than additional to, the contracted-out amount payable through a person's occupational pension. The Department were able to explain the letter and satisfy the vast majority of customers concerned. At that time just over 229,000 SERPS estimate letters had been sent.

2.17 Following an internal review, the Department decided to retain the existing version of the letter. However, one of the complaints was referred to the Parliamentary Commissioner for Administration who, in September 2002, took the view that the wording in the letter may have misled the complainant. However, the complaint was not upheld because the complainant had received an explanation from the Department and had not, therefore, suffered an injustice that had not been remedied. Nevertheless, the Department took the view that, because some people might have misunderstood the effect of contracted-out deductions on their SERPS pensions, they may be led into making mis-informed choices about their retirement provision. The Department therefore decided in November 2002 to send a further letter of explanation to around 530,000 people who had received the estimate letter, and who, at some time, had contracted out of SERPS. The Department estimated that the cost of providing the additional mail-shot and follow-up service would be about £1.8 million. The additional mail-shot began before the end of January 2003.

Extent and impact of inaccurate address records

The Committee were concerned about what impact the lack of up-to-date address records for a number of SERPS contributors might have on the Department's ability to communicate information reliably and effectively to SERPS contributors (5th Report 2000-01, recommendation (viii)).



2.18 Some of the Department's address records were out of date because there is no legal requirement for people who do not claim social security benefits to tell the Department about changes. Although the Department have up-to-date addresses for most pensioners, because they are receiving other benefits, they estimated that up to 30 per cent of the addresses of contributors who were within 10 years of retirement might have been wrong. The Department considered that, by matching their records with other records, it might be possible to reach 80 per cent of those under state pension age. However, the Department also estimated that they did not have correct details for about 1.6 million people in Group C. To reach these people, the Department used advertising.

2.19 To improve their records, recipients of the mail-shot letters were invited to inform the Department if their address had changed. In total, the Department received some 164,000 change-of-address notifications.

How people living overseas were informed

2.20 The Department's strategy for communicating with contributors living overseas was determined by the quality of their address records. These were of such poor quality that the Department decided that a mail-shot to the one million people living overseas who should have an interest in the changes would not be cost effective.

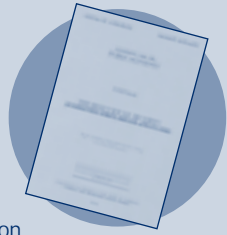
2.21 Instead, the Department sought to inform people living overseas in the following ways:

- in February 2001, the Department wrote to embassies and various pensioner organisations that are in contact with United Kingdom citizens living overseas, giving them details of a range of departmental changes including those relating to Inherited SERPS;
- on the basis of advice from media specialists, the Department considered that the advertising in the national press, targeted at people in Groups A, B, C and D, would also be picked up by a number of people in Group E; and
- in September 2002, the Department advertised changes to Inherited SERPS on-line on various "expat", national newspaper and internet service provider website pages that they thought were used widely by people living abroad.

2.22 The Department have not yet evaluated fully the impact of these initiatives for informing people about the changes embodied in the Regulations. However, because they did not receive direct contact from the Department, it is likely that people living overseas are less well informed about the Regulations and their impact than United Kingdom residents.

Were the proposals equitable?

The Committee were concerned about the extent to which people retiring between 6 October 2002 and 5 October 2010 would have been able to secure adequate top-up provision, without incurring disproportionate costs, to compensate for the reduced amount of SERPS they would be able to pass on (5th Report 2000-01, recommendation (ii)).



- 2.23 In its Treasury Minute response, the Government pointed to the wide range of options available for those who wanted to save. However, the ability to take advantage of these depended on when individuals became aware of the need to take action and the length of time remaining before they reached state pension age.
- 2.24 The Department's communications strategy enabled them to reach a large proportion of the target population. Those who were not informed would have been among those for whom the Department did not have an up-to-date address record. The Department also wrote reasonably promptly to reassure pensioners that their entitlements were not affected by the Regulations.
- 2.25 However, the purpose of having a tapered reduction in the amount of SERPS that could be passed on (Figure 1 on page 6) was to give those contributors reaching state pension age between October 2002 and October 2010 sufficient time to make satisfactory alternative arrangements. As a result, the delay in writing to those affected by this (paragraphs 2.12 to 2.14 above) meant that those who reached retirement age on or soon after 6 October 2002 would have had less time than had been expected to make alternative arrangements.
- 2.26 The changes set out in the Regulations have the benefit of being fairly simple to understand. People were banded into two-year age groups during the transitional period. This enabled people to plan for the change, with those who stood to lose more having more time to plan. But an inevitable consequence of this banding arrangement was that some people had longer to plan than others (Box 2).

Box 2: Examples of how the Regulations affect contributors of different ages

Contributor A reached state pension age before 6 October 2002. On his or her death, the spouse is entitled to inherit 100 per cent of the contributor's SERPS entitlement.

Contributor B reaches state pension age on 5 October 2004. On his or her death, the spouse will be entitled to inherit 90 per cent of the contributor's SERPS entitlement. The contributor has a maximum of two years from the date the Regulations came into effect to make up the 10 per cent shortfall before reaching state pension age.

Contributor C reaches state pension age on 6 October 2004. On his or her death, the spouse will be entitled to inherit 80 per cent of the contributor's SERPS entitlement. The contributor has a maximum of two years from the date the Regulations came into effect to make up the 20 per cent shortfall before reaching state pension age.

Contributor D reaches state pension age on 5 October 2006. On his or her death, the spouse will be entitled to inherit 80 per cent of the contributor's SERPS entitlement. The contributor has a maximum of four years from the date the Regulations came into effect to make up the 20 per cent shortfall before reaching state pension age.

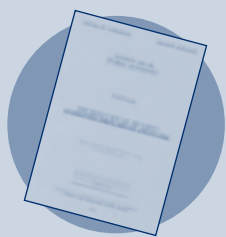
Contributor E reaches state pension age after 5 October 2010. On his or her death, the spouse will be entitled to inherit 50 per cent of the contributor's SERPS entitlement. The contributor has at least eight years from the date the Regulations came into effect to make up the 50 per cent shortfall before reaching state pension age.

Under the Regulations, contributor C appears to be at a disadvantage compared with both contributor B and contributor D.

Adequacy of arrangements for alerting people to the possibility of compensation

The Regulations did not provide details of the proposed compensation arrangements. The Committee expected the Department to set clear compensation eligibility criteria, taking full account of the different ways in which people might have been affected, and to recognise that the onus of proof rests with the Department (5th Report 2000-01, recommendation (iii)).

The Committee recommended that people should not be prevented from seeking compensation by an arbitrary cut-off date (5th Report 2000-01, recommendation (iv)).



2.27 When the Department wrote to the 20,000 people who had previously been in contact to express their concerns about Inherited SERPS problem, they explained that, for those who had been misled and who considered that adequate relief had not been provided by the Regulations, the usual departmental rules for compensation would apply.

2.28 However, in February 2001, Ministers decided that no further reference to the compensation scheme should be made in future communications. Accordingly, although the Department wrote to all contributors and outlined the Regulations, they did not mention the possible entitlement to compensation or give them any ideas about how they might go about claiming it. Press advertisements publicising the new Regulations also did not refer to the possibility of compensation.

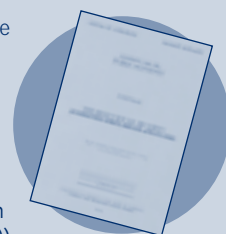
2.29 The Department were unable to estimate with any confidence how many claims for compensation they might receive or how much compensation would be paid out. They expected that publicity about the Government's revised proposals would generate some claims for compensation, though they judged from the contact they had had with members of the public that there would be few well-founded claims. They set aside a contingency of £8 million to cover compensation. As at August 2002, the Department had received just 250 claims and had paid out just over £500,000 in total to 116 people. Most claims had been received from among the 20,000 people contacted by the Department early in 2001. Only 44 arose after March 2002, when the first letters to people within 10 years of state pension age were issued.

2.30 The Department developed additional guidance for handling and considering compensation claims, consistent with the principles set out in their general guidance on compensation. They considered it reasonable to expect some proof that compensation over and above the global remedy proposed under the Regulations would be appropriate. This was in accordance with the view expressed by the Ombudsman¹⁴. Where a claim is well founded, the amount of compensation is calculated according to a formula recommended by the Government Actuary's Department.

2.31 The Department have not set a cut-off date for compensation, thereby satisfying the Committee's recommendation for an equitable scheme in this regard.

Was the costing of the proposals soundly based?

The Committee expected the Department to have made a robust assessment of costs, including the likely costs of compensation, based on actuarial advice, and they looked forward to seeing the results of the analysis of the costs of different options in due course (5th Report 2000-01, recommendation (v)).



2.32 The Government considered a wide range of options before deciding on a two and a half year deferral and a preserved rights scheme, as the original remedy to the Inherited SERPS problem, and estimated the costs of a number of options they considered to be feasible (Figure 3 overleaf).

2.33 The Treasury Minute response to the Committee's 5th report 2000-01 compared the estimated cost of the new proposals (£12 billion at 1999-2000 prices) with a revised estimate of the cost of their original proposals for remedy (£7.8 billion at 1999-2000 prices) over the period 2000 to 2050. All costs were based on estimates provided by the Government Actuary's Department. In addition to the estimated costs of compensation (paragraph 2.29), the estimated cost of the Inherited SERPS project, set up to ensure the effective implementation and communication of the Regulations to staff and customers, was £22 million.

3 Costing of options first considered

Option	Direct cost of deferral (£m)	Subsequent compensation (2) (£m)	Total cost (1) 2000 and 2050 (£m)
7-year policy deferral	7,200	700	7,900
10-year policy deferral	9,900	600	10,500
14-year policy deferral	13,000	400	13,400

Option	Direct cost of deferral (£m)	Preserved rights scheme (3) (£m)	Total cost (1) 2000 and 2050 (£m)
1-year deferral and preserved rights scheme	1,100	6,100	7,200
2½-year deferral and preserved rights scheme	2,500	5,700	8,200

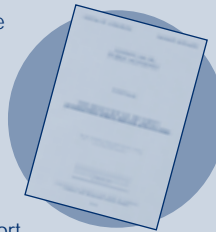
NOTES

- 1 Total discounted present value of all costs.
- 2 Policy deferral option includes cost of compensation to those surviving beyond the period of deferral (assumed to be 5 per cent of total SERPS accruals from this group) and claim under other arrangements.
- 3 For illustrative purposes, assumes successful claims covering 30 per cent of potential total expenditure. A variation of 10 per cent in successful claims, for example, would increase or decrease the costs by £1,900 million for the 2½-year deferral and preserved rights scheme option.

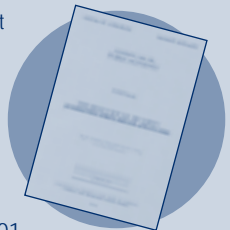
Source: Department for Work and Pensions

Were the implementation risks effectively managed?

The Committee emphasised that the Department should manage carefully the risks involved in implementing the Regulations and should pay close attention to the (then) recently published National Audit Office Report - Supporting Innovation: Risk Management in Government Departments (5th Report 2000-01, recommendation (ix)).

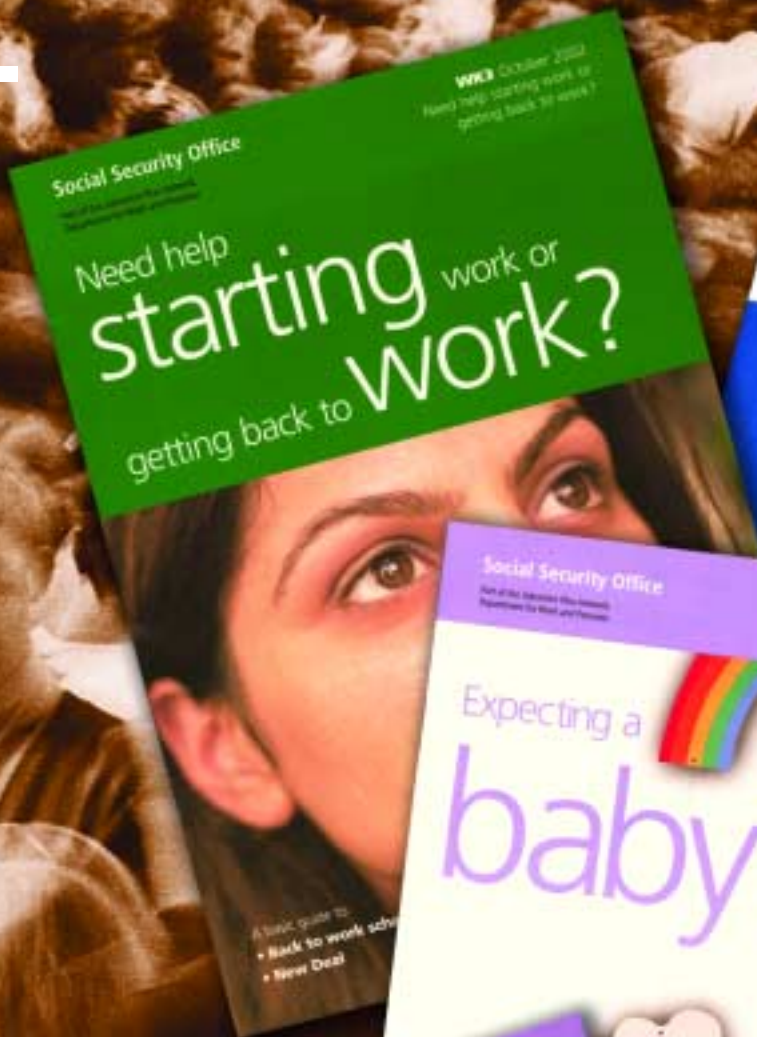


The Committee recommended that the Department should work closely with the Inland Revenue and Accenture to ensure that all necessary changes to the NIRS2 system are successfully delivered in good time before the new proposals come into effect in October 2002 (5th Report 2000-01 recommendation (x)).



2.34 The Inherited SERPS Project was managed according to the Department's prevailing risk-management framework, until a new risk-management methodology was introduced in July 2001, during the latter stages of the project. The focus on risk management therefore improved as the project progressed, with the introduction of risk-management training for key personnel, regular risk reports and team and project board risk reviews.

2.35 The Department established good working relationships with the Inland Revenue and Accenture to ensure that the changes to the NIRS2 system, necessary for the effective implementation of the Regulations, were successfully tested and implemented in April 2002. This was in good time for the Regulations to come into effect in October 2002. The Department also successfully tested and implemented changes to the Pensions Strategy Computer System, to ensure that pensions forecasts issued on or after 6 October accurately calculated and projected inherited SERPS values. Since the Regulations came into effect, there has been no evidence to suggest that the revised systems have not been working as intended.



Part 3

Improving communications with the public

3.1 Although caused by a simple administrative error, the Inherited SERPS problem shed considerable light on major organisational failings within the Department. The Committee of Public Accounts' 34th report 1999-00 included recommendations intended to encourage the Department to improve their organisation and systems, in order to minimise the risk of a problem similar to the Inherited SERPS problem happening again. The recommendations covered:

- responsibilities, accountabilities and standards of customer service (recommendation (ii));
- the Department's ability to communicate effectively with its staff (recommendations (iv) and (v));
- the accuracy and quality of information products and the quality assurance of information provided by staff (recommendation (vi));
- procedures for dealing with correspondence and complaints (recommendation (vii)); and
- risk management (recommendation (iii)).

3.2 These recommendations were initially taken forward by the Department's Accuracy of Information project (Appendix A). This part of the report examines the progress made.

Responsibilities, accountabilities and standards of customer service

Organisational weaknesses were at the heart of the Inherited SERPS problem. In particular, no one had overall responsibility for ensuring that everything needing to be done as a result of the Social Security Act 1986 was done, and no senior staff took an interest in the dissemination of information to customers. As a result, for nearly 10 years, official leaflets covering pensions omitted information on the halving of Inherited SERPS from April 2000.



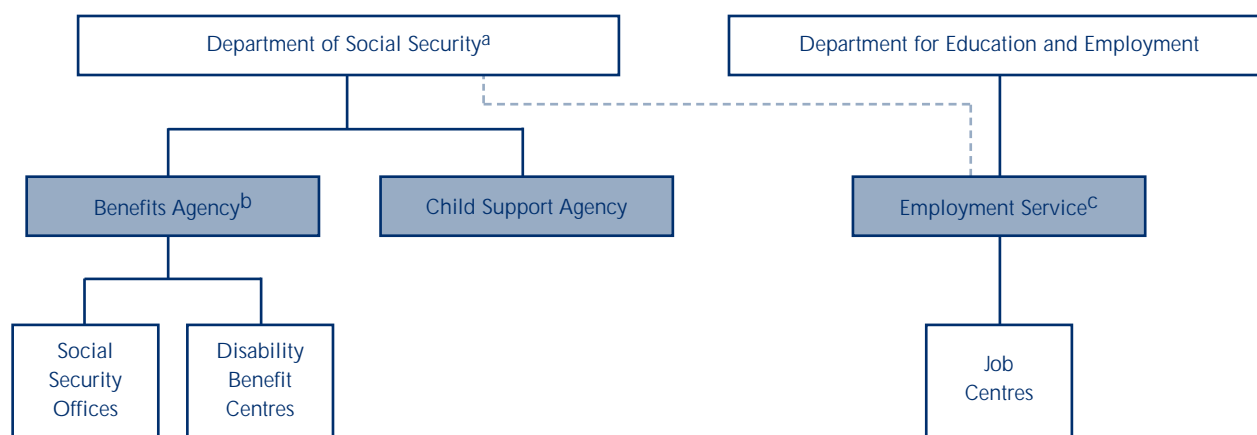
The Committee considered that the Inherited SERPS problem arose, mainly, from a lack of end-to-end responsibility for the whole process from Ministerial policy decision to official implementation, a lack of customer focus and fundamental weaknesses in systems and processes. They noted the steps taken to tackle these weaknesses and, in particular, to introduce a new Pensions Group with clear accountability arrangements and proper end-to-end responsibility (34th Report 1999-2000, recommendation (ii)).

3.3 When it was set up in June 2001, the Department for Work and Pensions were organised to focus on key customer groups: children, people of working age, disabled people and their carers, and pensioners (Figure 4 overleaf). The Pensions Group has been given both policy and operational responsibility for pensions and is focused solely on the needs of current and future pensioners. The Group is responsible for everything from policy development to front-line service delivery, and from changes in the law to changes in leaflets. The Government also established The Pension Service in April 2002 as an Executive Agency of the Department and part of the Pensions Group, to be responsible for operational matters involving the development and provision of state services to current and future pensioners (Box 3 overleaf).



4 Organisation of the Department and their agencies before June 2001 and after April 2002

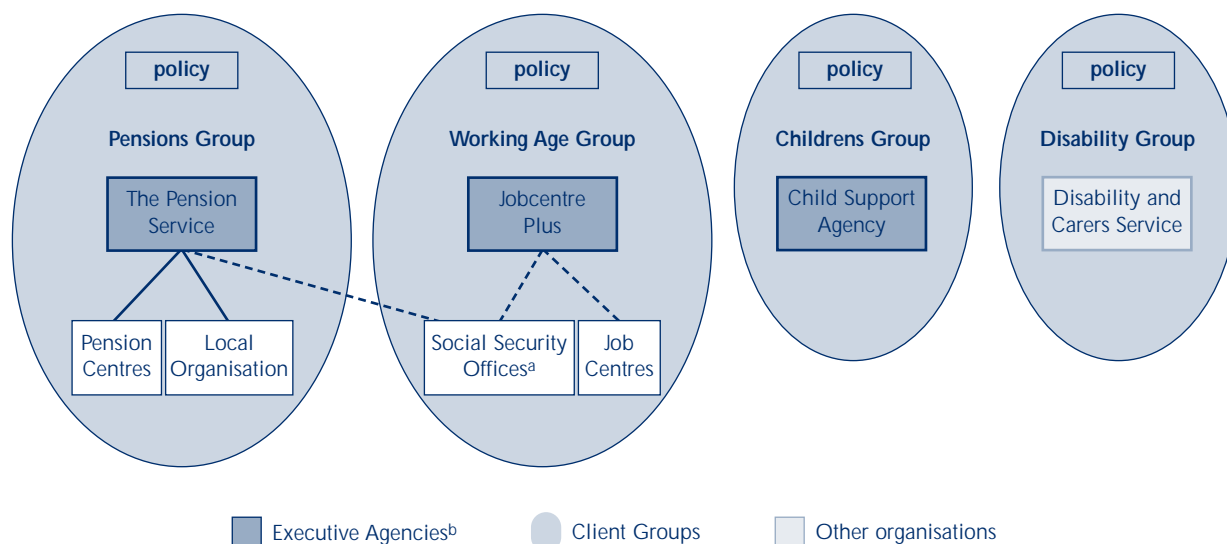
The Department of Social Security prior to June 2001, covering the main activities



NOTE

- a Responsible for central policy including state pensions policy.
- b Responsible for central benefits management including development branch for pensioners and providing operational support and guidance to social security offices.
- c An Executive Agency of the Department for Education and Employment, but also responsible for administering the labour market aspects of Jobseeker's Allowance and other benefits on behalf of the Department of Social Security.

The Department for Work and Pensions after April 2002, covering the main activities



NOTE

- a These are old Benefits Agency Offices which currently have staff from both the Pension Service and Jobcentre Plus working in them. They will gradually be replaced by Pension Centres, the local pension organisation and Jobcentres.
- b Executive Agencies contribute to meet the objectives and targets of other client groups in addition to the principal linkages shown here.

Source: National Audit Office

Box 3: The role of The Pension Service

The Pension Service is being rolled out across England, Scotland and Wales during 2002 and 2003. It has taken over the pension-related responsibilities from the former Benefits Agency and is intended to provide a unified, modern service to today's and future pensioners. Once roll-out is complete, regional Pension Centres will provide a primarily telephone-based service at a national level, linked to a local service that will provide home visiting for those who need it and outreach activities in convenient locations.

The main services provided are:

- delivery of the State Retirement Pension, Minimum Income Guarantee (to be replaced from October 2003 by the Pension Credit) and Winter Fuel Payments;
- provision of forecasts of state pension rights, both directly to individuals and to employers and pension providers for inclusion in combined forecasts;
- information and guidance about pensions and other benefits; and
- a gateway to other benefits provided by the Department for Work and Pensions.

The Department's ability to communicate effectively with staff

Many staff had not been aware of the change to Inherited SERPS when they provided information to members of the public, either by telephone, in writing or face-to-face. As a result, an unknown number of staff in offices throughout the country gave incorrect information by informing customers that they could bequeath 100 per cent of their SERPS pension to their spouse should they die after 5 April 2000.



The Committee were astonished to hear that the (then) Benefits Agency relied on paper bulletins and weekly briefing meetings to communicate with staff. The Committee noted that it might take as long as three years to get an intranet up and running to provide staff with ready access to essential information, and expected the Department to inject greater urgency into developing modern systems (34th Report 1999-2000, recommendations (iv) and (v)).

Although Pensions Group staff are located across the country, technological advances (including the development of the Department's intranet) have reduced the risk of poor communications between staff based in different locations.

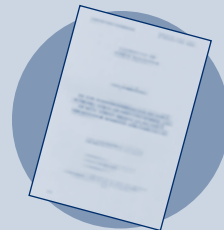
- 3.4 To improve accountability for delivering individual projects and programmes, the Department have adopted guidance developed by the Office of Government Commerce. A Senior Responsible Officer is appointed to ensure that each project or programme meets its objectives and delivers the projected benefits. He or she has clear authority and should ensure that risks are actively managed. The Department appointed a Senior Responsible Officer to be responsible for delivery of both the Inherited SERPS project and the Accuracy of Information project (Appendix A).
- 3.5 The Department have also reorganised Internal Audit by bringing together all of their audit services, to work closely with their related assurance services, and have strengthened the role of the corporate communications service.
- 3.6 In response, the Department have secured funding for complete modernisation of their computer systems, including those that give front-line staff access to rules and guidance via the Department's intranet¹⁵. By summer 2002, 82 per cent of staff in more than 700 offices of the former Department of Social Security had individual access to the intranet. This rose to 94 per cent by the end of 2002. The Department plan to upgrade the former Employment Service infrastructure during 2003 to provide staff there with a similar level of access.
- 3.7 Information on changes to benefits and operational matters is contained in bulletins, available on the Department's intranet. Local arrangements should ensure that hard copies are printed and supplied to relevant staff who do not have direct access. However, since April 2002, visits by the Department's Internal Assurance Service to offices where Pension Service staff are located suggest that many of these staff have not been using the Department's intranet to keep up to date with the latest benefit and operational changes, apparently because of time constraints or a preference for reading paper versions.
- 3.8 The Department have also been developing a content management system. The Pensions Group has used this to place on a single database details of all the Department's external pensions information products,

together with other Government Departments' leaflets that refer to the Department's pensions information - more than 1,000 products in total. The intranet content management function is used to help maintain the accuracy and reliability of these products, and the intranet provides a single source of external pensions products (such as forms, leaflets and other marketing materials) that can be accessed by all staff across the Department. Details on the pensions database include the names of product owners, a search facility to identify those products needing change, an audit trail for changes that have been made and an automatic trigger to ensure that each product is periodically reviewed.

- 3.9 The initial stage of bringing all of the Department's intranet information under the control of the content management system has been completed, and enhancements to improve the system are planned to start in March 2003. Implementation will be phased, with Jobcentre Plus being used as a prototype for the rest of the Department's businesses. The Department expect to complete implementation and training in early 2004.

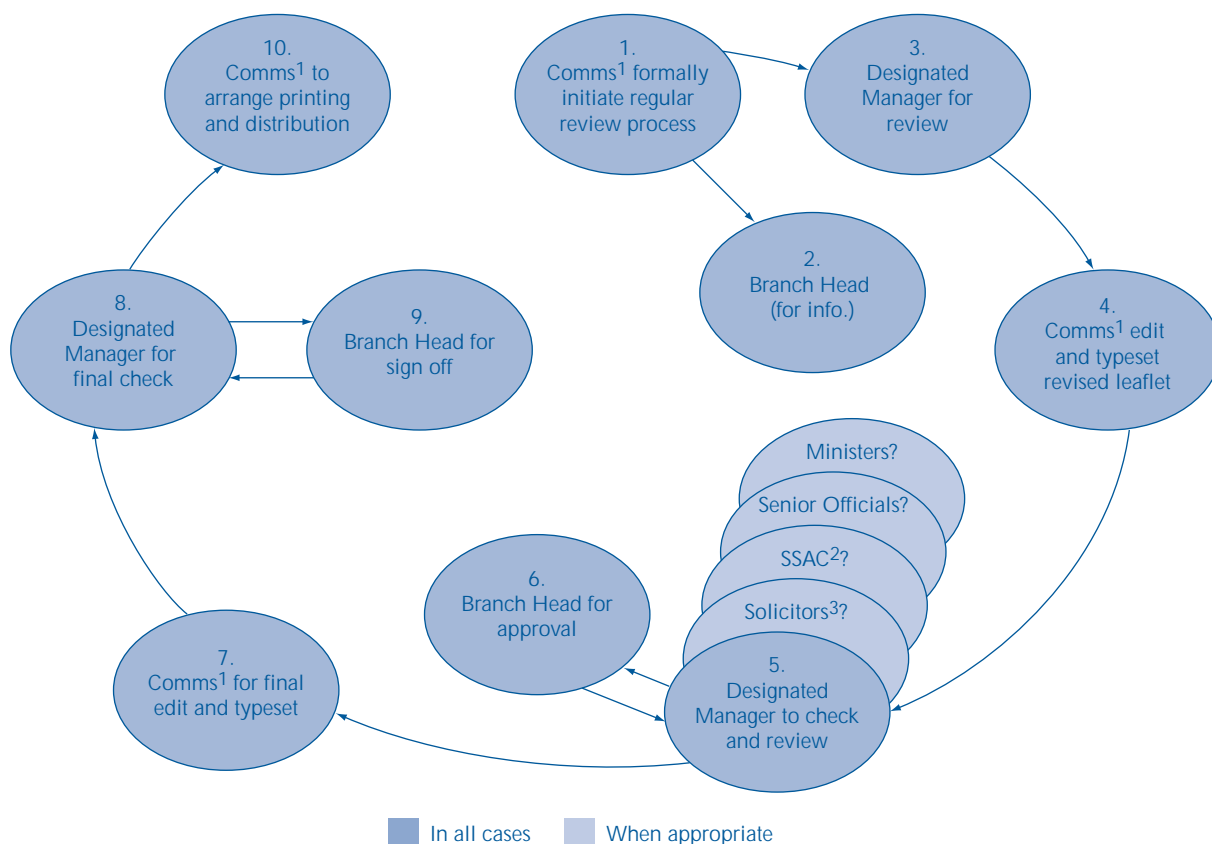
The accuracy and quality of information products, including information provided by staff

The provision to halve Inherited SERPS was not included in official leaflets covering pensions, and the omission was not picked up during subsequent updating of pensions leaflets.



The Committee noted that, since the Inherited SERPS problem had been identified, the Department had reviewed all benefits leaflets and introduced a new process involving more senior staff and external parties. The Committee welcomed these changes as well as plans to audit leaflets and other information products, with the involvement of the Social Security Advisory Committee, and to develop "mystery shopping" to check that staff have understood what is contained in them (34th Report 1999-2000, recommendation (vi)).

5 Procedure for the review of leaflets



NOTES

- 1 Comms = Department's Communications Directorate
- 2 SSAC = Social Security Advisory Committee
- 3 Solicitors = Department's Solicitors Branch

The Department have established new procedures for developing new information products and reviewing existing ones

3.10 In October 2001, the Department introduced improved procedures for producing new leaflets and reviewing existing ones (**Figure 5**). These require that each leaflet be reviewed every six months, with revised versions printed each October and April where appropriate. A dedicated manager is responsible for involving all stakeholders, the Department's Solicitors Branch and, where appropriate, the Social Security Advisory Committee. The head of the relevant policy branch is responsible for signing off each new, amended or reviewed leaflet. The Department's Communications Directorate should instigate each six-monthly review and is responsible for editing and typesetting leaflets, checking for "Plain English" and arranging printing and distribution.

3.11 As well as the review of individual leaflets every six months, during the second half of 2001-02, the Benefits Agency reviewed their complete set of pensions leaflets for consistency, duplication and missing material. In October 2002, Jobcentre Plus began a similar exercise for their leaflets for working-age customers, and reviews of leaflets about children, disabled people and their carers are planned for later in 2002-03. The Pensions Group have set up a "review forum" to periodically review their external pensions products, with a view to maintaining and improving the quality of pensions information for the public.

3.12 The Social Security Advisory Committee is an advisory non-departmental public body, established in 1980, that provides the Secretary of State with impartial advice on social security matters. In April 2000, at the Secretary of State's request, the Committee's role was extended to include scrutiny of the Department's public information strategy. This included monitoring the internal assurance processes for the production and use of information products, scrutinising their content and checking on staff use.

3.13 From its examination of 36 information products during 2001-02, the Social Security Advisory Committee concluded that the quality of the products continued to vary, but none had contained material that appeared misleading, inaccurate or incomplete. The Committee noted the improvements to the processes for producing and reviewing information products.

3.14 However, during a period of reorganisation of the Department and their businesses, and changing staff, the extent to which the Committee has been used has varied, with parts of the Department still commissioning, producing and assuring public information products in different ways. The Committee also has a general concern that the timetable leading up

to the printing of new or revised leaflets often does not allow sufficient time for their comments to be fully considered and acted upon. Voluntary bodies, such as Age Concern and the National Association of Citizens Advice Bureaux, share this concern, while welcoming the fact that the Department are consulting them more in the development of information products.

3.15 The Department's Internal Assurance Service are planning to undertake a cross-departmental review of procedures for producing and reviewing leaflets, to be completed by early summer 2003.

The Department have improved their procedures for ensuring that only current versions of leaflets are on display

3.16 Although there is an increasing number of ways to communicate with the public (**Figure 6**), the Department's focus is still mostly on information leaflets. One of the most convenient ways for members of the public to obtain copies of these leaflets is from their local post office. The Department's Internal Assurance Service identified a risk that some small post offices were holding out-of-date leaflets. In response, the Post Office have agreed that every six months they will include, in their own weekly publication to all postmasters, an article about which leaflets should be on display. From October 2002, the publication has been accompanied by a separate notice about the Department's leaflets. The Department are also preparing a service level agreement with the Post Office to clarify the mechanisms for notifying small post offices about current leaflets and the destruction of out-of-date ones.

6 Methods used by the Department to communicate with customers

Letter
Telephone (including the Department's helplines)
Face-to-face in the Department's offices and customers' homes
Leaflets in the Department's offices, Post Offices and the premises of other organisations
Posters
Advertisements in newspapers and magazines
Television and radio advertisements
Department's web-site
E-mail
Digital television
Through third parties who come into contact with the Department's customers, including:
■ local councils
■ housing associations
■ other government departments
■ voluntary agencies
■ doctors and nurses

Source: National Audit Office

3.17 The Post Office are also responsible for a twice-yearly compliance audit, which involves visits to 500 post offices and covers different types of encashments and procedures. The Department are negotiating for the audit to include leaflet availability.

3.18 The Department's Internal Assurance Service report on customer information (paragraph 3.16 above) also noted that, in the eight Benefits Agency local offices they visited, over one-half of the leaflets available to customers in public waiting areas were out of date. The Benefits Agency subsequently revised their guidance on the quarterly checks carried out by customer services managers, to include the accuracy of leaflets, but these checks were discontinued when The Pension Service and Jobcentre Plus replaced the Benefits Agency in April 2002.

The Department have taken action to improve the standard of letters sent to the public

3.19 The Department issue more than 100 million letters each year, of which 90 per cent are produced by computer. The design and production of these letters had been developed in the early 1980s, and were generally recognised to be of poor quality. Many were too lengthy and impersonal, and failed to explain simply the complexities of social security benefits. Ministers became concerned about the standard of letters and, towards the end of 1999, established a project to make significant improvements to letters and pre-printed forms sent to the public. The outcomes have included:

- a Standards and Design Guide, available on the Department's intranet, which sets out the standards that staff should follow, and provides guidance on writing effectively;
- a Quick Reference Guide distributed as an aide-memoire to all front-line staff in the clerical and junior management grades;
- Improvements to the design and layout of letters produced by computer system; and
- changes to a number of pre-printed benefits forms.

The impact of these changes will take some time to work through the Department, and the quality of letters remains variable.

The Department have developed standards covering the provision of information and advice and are developing an information strategy for the whole Department

3.20 One lesson from the Inherited SERPS problem was that there was uncertainty within the Department as to whether they provided information (factual details) or advice (including guidance about options). In November 2001, guided by the Social Security Advisory Committee, the Department agreed four definitions covering information and advice, to be applied across all businesses:

- **Information** is general, factual data that is not customer-specific.
- **General advice** is the promotion of government policy (for example, "work is the best form of welfare"; "people should plan and save for their retirement").
- **Specific advice** is information tailored to a customer's individual circumstances and requirements, which may identify a number of options but does not indicate the official's view of the best course of action.
- **A recommendation** is a statement to a customer suggesting his or her best course of action. It goes beyond specific advice, which may identify a number of options, by indicating the official's view of the best option.

3.21 The Pensions Group, the Child Support Agency and the Disability and Carers Directorate have each produced a standards framework. Jobcentre Plus expect to have one completed by the end of 2002-03. Each framework describes the particular types of information and advice that it is appropriate for each business to provide (**Box 4**).

Box 4: The Pensions Group Standards Framework sets out:

- the training modules that different staff must attend before they make contact with customers;
- examples of what might be included in each of the Department's four definitions covering information and advice;
- that it is not the role of staff in The Pension Service to make recommendations to its customers;
- the checks that should be undertaken by line managers with regard to communication by correspondence, telephone and face-to-face contact;
- responsibilities for dealing with cross-benefit issues; and
- record keeping requirements.

- 3.22 Completed standards frameworks have been placed on the Department's intranet, and an explanatory article has appeared in the staff magazine. In May 2002, The Pension Service used their monthly team briefing for all staff to reinforce the messages about advice and information. The Child Support Agency also used team meetings to brief their staff in November 2002.
- 3.23 The Department are in the process of finalising their Information Strategy, following consultation with the Social Security Advisory Committee. The intention is that policies for the provision of information and advice will be consistent across all methods of communication and that:
- the public receives a consistent message whichever method of communication is used;
 - the Department use the most appropriate methods and approach to communicate any particular message; and
 - the priorities of the separate business areas, such as Jobcentre Plus, The Pension Service and the Child Support Agency, are in harmony with each other and with the Department's overall priorities, for example, with regard to messages on fraud prevention.
- 3.24 The Department's Internal Assurance Service is planning a review of the Department's information and communications strategies, which should be completed by early summer 2003. It will examine how effectively the strategies are being implemented at regional and local level.

The Department are improving the information on pensions given to the public

- 3.25 The Department are aiming to improve their pension forecasting service in order to:
- give people a clearer idea of their likely pension income, by providing forecasts that contain understandable and meaningful information and express clearly projected retirement income;
 - help raise awareness of the importance of pension provision and improve the take-up of second-tier pensions, which should lead to a reduction in pensioner poverty and reliance on means-tested benefits; and
 - provide an active support and information service for customers of working age, which will deal with all pension forecast enquiries whatever their nature.
- 3.26 Individual state pension forecasts have been available on request for some years, with about 600,000 forecasts being provided each year. From April 2003, the Department are planning to issue around 2.8 million unsolicited state pension forecasts to the self-employed, whom they have identified as a particular group less likely to make adequate financial provision for their retirement.
- 3.27 The Department have also developed a service to enable employers and pension providers to provide combined pension forecasts to pension scheme members. These forecasts will combine a member's state pension with either their occupational pension or their personal pension.
- 3.28 In 2000-01 the Department piloted a combined state and occupational pension forecast product with seven employers and pension providers. In October 2001 they formally launched the service and invited employers and providers to register with them. In October 2002, a new information technology system was introduced to support the service, which is capable of providing up to 15 million forecasts a year. By January 2003, 367 pensions providers had expressed an interest in using the service, with 35 either delivering the combined forecasts to their customers or moving through the preparation stages (which includes alerting employees to the service, ensuring computer compatibility and trial running).

New procedures to check the accuracy and appropriateness of the information and advice provided to the public are being put in place

- 3.29 Prior to April 2002, the Department only had procedures in place in the (then) Employment Service for checking how effectively staff communicated with the public, whether by letter, telephone or face-to-face. In April 2002, The Pension Service introduced checks on the quality of presentation of letters. This was extended in July 2002 to include the quality and accuracy of information and advice given to the public through both written and face-to-face contact. The Pension Service is also planning to introduce a check on telephone contact when the telephone systems in the new pension centres are able to support it (**Figure 7 overleaf**).
- 3.30 Despite these developments, the Internal Assurance Service found that compliance by The Pension Service with departmental guidance on letter writing continued to be poor during the first half of 2002-03, although this was a time of major organisational upheaval.

7 Quality assurance of communications by The Pension Service

	Letter	Face-to-face contact	Telephone contact
Frequency of check	Line managers select one letter per day produced within their teams.	Line managers accompany each member of staff from within their teams at least once every three months for a minimum of two face-to-face interviews.	Line managers select 10 telephone calls each week made by staff within their area of work.
Type of check	<p>(a) Letter quality, including presentation, grammar and punctuation and the clarity and relevance of the message at the date of issue.</p> <p>(b) Accuracy of Information criteria, including whether the information and advice given was comprehensive, accurate and up-to-date.</p>	Quality of the communication is assessed against criteria, including whether the information and advice given was comprehensive, accurate, up-to-date and tailored to the customer's circumstances.	

Source: Department for Work and Pensions

3.31 The Child Support Agency also introduced quality and accuracy checks on written and face-to-face communications in July 2002, and Jobcentre Plus are planning to do so by the end of the financial year. In addition, Jobcentre Plus runs a mystery-shopping programme (Figure 8). The Pension Service are planning a pilot before the end of 2002-03.

8 Mystery shopping in Jobcentre Plus

The following mystery shopping tests on accuracy of information are carried out every quarter in each Jobcentre Plus office:

Type of activity	Tests related to the accuracy of information
Scenario visit*	Using a scenario provided by Jobcentre Plus, an assessor tests the ability of a staff member to answer an enquiry and the accuracy of the information provided.
Telephone calls*	
Environment assessment	The assessor checks the visibility of posters and leaflets.

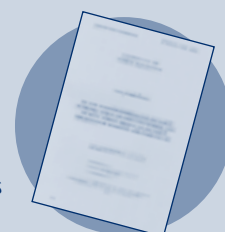
NOTE

*Offices that were previously Benefits Agency offices are not included

Source: Department for Work and Pensions

Procedures for dealing with correspondence and complaints

Concerns about incorrect information on Inherited SERPS were raised in correspondence from MPs and the public, but the significance of the mistake was not recognised and no action was taken to remedy the problem.



The Committee concluded that the Department did not have systems in place to pick up and address, at the right level, the key issues and warnings raised in correspondence from Members of Parliament or in debates. They noted that the Department had strengthened their systems for handling correspondence and were looking at ways to improve the capture and dissemination within the Department of information contained in the letters. They looked to the Department to find ways of maximising the value of the information and intelligence that Members of Parliament can provide on key issues affecting their constituents (34th Report 1999-2000, recommendation (vii)).

Improvements have been made in dealing with correspondence

3.32 Ministers within the Department receive some 50,000 letters each year and, during 2000, they expressed concern that replies were taking too long to draft, looked too much like standard replies and did not fully reflect all aspects of the Department's relevant policies. In response, the Department introduced a

computerised correspondence tracking system, which became fully operational in summer 2002. All letters can now be scanned into the system and transmitted electronically within the Department, thereby improving their ability to track progress.

- 3.33 During 2002, the Department also developed a computerised correspondence briefing system to provide a more easily accessible source from which the content for replies could be drawn. Individual policy managers are responsible for keeping briefing material up to date. A sample of replies sent and those of particular interest are copied to senior staff, to consider their suitability. At least once a month, Ministers and the Department's senior management receive reports summarising the correspondence handled.

Improvements have also been made in the handling of complaints, but more needs to be done

- 3.34 During 2000-01, the (then) Benefits Agency introduced a computerised complaints handling system, which significantly improved the management information available on the 54,100 complaints received during 2001-02. The Pension Service has continued to produce the same type of management information (Figure 9). However, the Department's Internal Assurance Service reported that, during the first six months of 2002-03, many Pension Service offices were making only minimal use of the data. In particular, middle managers were not using it to identify staff weaknesses and organise remedial training.

9 Most common types of complaint

Most common complaints received by the Benefits Agency during 2001-02		Most common complaints received by The Pension Service during the first six months of 2002-03	
Type of complaint	Number	Type of complaint	Number
Delay in payment	6,172	Delay in payment	539
Delay in processing claim	5,975	Delay in processing claim	629
Delay in answering the phone	5,324	Non receipt of payment	517
Attitude of staff	4,790	Disagreement with benefit	401
Non-receipt of payment	4,289	Delay in answering phone	320

Source: Department for Work and Pensions

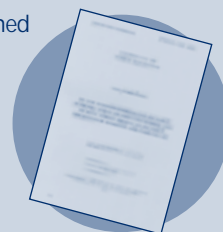
- 3.35 In January 2001, an internal report expressed concerns about the way complaints were handled in the Child Support Agency. In particular, complaints were being defined in different ways and there were concerns about the accuracy of the computer-produced statistics. The Agency introduced a complaints improvement programme in February 2002, which they plan to complete by March 2003, including:

- a dedicated complaint resolution staff;
- resolution plans agreed with customers;
- a technical training package for staff new to complaints resolution work;
- a staged approach to accepting, recording and resolving complaints; and
- learning from customer complaints and sharing best practice.

- 3.36 Jobcentre Plus are planning to review their complaints handling system during 2003-04. Former Benefits Agency offices still use a computerised system, but those that were part of the Employment Service have only a manual recording system. The Agency are, therefore, unable to produce easily management information on the number and types of complaint across the whole organisation.

Risk management

There were clear risks that threatened the successful implementation of the 1986 legislation. In particular, there was a risk that few people would be aware of the Inherited SERPS provision if it was not publicised adequately, and there was a risk that staff would not be aware of it if the guidance was not updated and their attention drawn to it.



The Committee concluded that an underlying cause of the Inherited SERPS problem was the inadequate attention given to identifying and managing the risks involved in the change in Inherited SERPS. They noted that the Department were developing an overall risk management strategy and expected to be advised further in due course (34th Report 1999-2000, recommendation (iii)).

Box 5: Overview of the Department's risk-management methodology

The Department's risk management methodology was derived from the experience of the Department's lead Information Systems and Technology provider (Affinity) in managing risk in the public and private sectors. The key aims are to ensure that risks are successfully managed and that there is clear ownership and demonstrable accountability for them. The methodology provides standardised risk identification, evaluation and mitigation processes, terminology and reporting formats.

The risk-management process has five stages:



Central to the methodology is:

The **rating of business sensitivity**: how sensitive is the business impact if an assumption turns out to be wrong (on a scale of "minor impact" to "critical impact").

The **rating of stability**: how stable is the assumption (on a scale of "very confident" to "very uncomfortable").

The **prioritisation** of risk using a rating of:

- Red - "Showstopper"
- Amber - Significant impact
- Green - Minor impact.

The **rating of controllability**: how much confidence is there that the risk can be managed without escalation (on a scale of "very high confidence" to "no confidence").

The **recording** of assumptions and risk ratings, the appointment of risk owners, the regular **review** of risks/mitigation action and the **escalation** of risks where appropriate.

The development, review and, where necessary, testing of **contingency** plans.

3.37 The Department introduced a new risk-management methodology, to be used across all areas of the Department's business, and guidance on how to apply it in July 2001. The methodology complies with the principles set in the Comptroller and Auditor General's report *Supporting Innovation: Risk management in Government Departments*¹⁶, and aims to ensure that risks are identified and successfully managed, and that there is clear ownership of them (Box 5).

3.38 Training for risk practitioners took place throughout 2001-02. The Department have held workshops to establish and agree the strategic risks to each of the Department's businesses, and a strategic risk register helps ensure that risks are being properly managed. A summary report covering the key points in the register is included in the Departmental Performance and Risk Report. The Department have also held workshops for senior management teams to help progress the roll-out of risk-management mechanisms. In addition, a network of risk champions has been established to raise the profile of risk management within Directorates and to share good practice.

3.39 All business cases for projects now require an assessment of risk, and the Department's risk management methodology has been embedded in their guidance on project management, which requires that key risks and risk-management processes are tested at agreed stages of each project. Overall, therefore, the Department's capability for managing risk has improved considerably.

3.40 The Internal Assurance Service are progressively reviewing the risk-management arrangements to assess compliance with the new methodology. Their work so far suggests compliance is improving. However, there is still some way to go before risk management is fully embedded across all aspects of the Department's business, and work remains to be done to ensure that all risks are properly identified, owned and managed.

Appendix A

Projects to address and take forward the recommendations of the Committee of Public Accounts

The Inherited SERPS project

1. Following the announcement in November 2000 of the policy changes embodied in the Social Security (Inherited SERPS) Regulations 2001, the Department initiated the Inherited SERPS project to ensure the effective implementation and communication of the Regulations to staff and customers. The scope of the project included:
 - publicising the change in legislation in accordance with the timetable agreed by Ministers so that contributors (including those abroad) were aware of their rights and able to obtain sufficient information to decide whether to consider options for topping up the SERPS pension their spouse may inherit;
 - checking all references to Inherited SERPS in the Department's guidance to staff and information given to the public, ensuring that information is complete, correct and comprehensible;
 - ensuring that training and guidance were available so that staff were aware of and understood the new proposals;
 - considering compensation under the Departmental compensation scheme to those people who had been misdirected and suffered a financial loss, to minimise the risk of litigation or complaint to the Ombudsman, and deal with the majority of claims by April 2001;
 - developing, testing and implementing changes to information technology systems so that claims for Inherited SERPS made on or after 6 October 2002 were correctly calculated; and
 - ensuring that information and outstanding issues were handed over to the agreed responsible area in the Department at the close of the project.
2. As at the end of 2002, action in respect of most of the Inherited SERPS project's objectives had been completed, or was in hand, and the project was being wound down.

The Accuracy of Information project

3. In their 34th report 1999-2000, the Committee of Public Accounts made a number of wider recommendations aimed at preventing errors similar to the Inherited SERPS problem from occurring. To address these recommendations, which related mainly to how the Department communicates with the public, the Department

launched their Accuracy of Information project. The aims of this project were to ensure that:

- initiatives within separate business units across the Department were consistent with the principles of the Committee's recommendations;
 - taken together, the initiatives comprehensively satisfy the recommendations; and
 - through agreed and consistent processes, the information the Department provide to their customers is accurate and meets their needs.
4. The scope of the project included:
 - achieving consensus on the Department's role in providing information and advice, and ensuring that staff are made aware of their role and responsibility in this area and that external stakeholders are aware of and accept the Department's role;
 - reviewing arrangements across the Department and businesses for handling correspondence and dealing with and monitoring complaints;
 - developing a consistent and co-ordinated process across the Department and businesses for introducing, maintaining and amending information products, with clearly defined responsibilities and accountabilities;
 - analysing the options for ensuring that staff understand and comply with their agreed role and responsibility for delivering accurate, timely and comprehensive information and advice, and ensuring that the agreed recommendations are implemented;
 - ensuring that the Department's new organisational structure encourages more unified management for the handling of state pensions work;
 - strengthening project and risk-management processes throughout the Department; and
 - improving the arrangements for disseminating information to staff and keeping them up to date.
 5. The work of the Accuracy of Information project was completed in March 2002, when the initiatives and developments that were started under the project transferred into the Department's mainstream business. The aim of this was to ensure that the new improved processes for providing accurate information were embedded across the Department.

Appendix B

SERPS estimate letter



This is your National Insurance number. If you get in touch with us, please quote this number

Our address

Inherited SERPS

Freepost HQ5

Cardiff

CF10 2ZZ

Helpline phone number

0845 600 6116

If you have a textphone

0845 602 1913

Website

www.thepensionservice.gov.uk

Date

March 2002

Dear Mr

Your SERPS pension estimate - how much your husband or wife could inherit

We recently wrote to you because our records showed that you could be affected by a change to the State Earnings-Related Pension Scheme (SERPS) inheritance rules. The change is being introduced from 6 October 2002 and reduces the amount of SERPS pension a person can pass on if they die before their husband or wife. After receiving our letter you asked for an estimate of how much SERPS pension your husband or wife could inherit from you.

The new rules do not change your **own** entitlement to the basic state Retirement Pension or to a SERPS pension. Four months before you reach state pension age, we will send you details about how to claim your state pension and how much you are likely to receive. You may be entitled to receive a SERPS pension on top of the basic state Retirement Pension.

If you die before your husband or wife, we would work out how much of your SERPS pension you could pass on. But, you should consider this SERPS pension estimate and the enclosed leaflets now to help you understand what the change means for you and your husband or wife, and what steps you can take to prepare for it.

The SERPS pension estimate

Your estimated weekly SERPS pension to date is

£

The **maximum** percentage of your SERPS pension that you can pass on to your husband or wife is

%

The estimated **maximum** weekly amount you may be able to pass on to your husband or wife if you die before they do is

£

Remember the new rules on inheritance will only apply to people who die on, or after, 6 October 2002 This is the date the change is being introduced.

How have we worked out your estimate?

We have based this estimate on the amount of SERPS pension you have built up **so far**, taking account of your date of birth and the information we have about your current circumstances and your National Insurance contributions to date. The figure shown is only an estimate. It is **not** a final statement of the amount of SERPS pension you may be able to pass on to your husband or wife in the future.

How could this amount be affected in the future?

The amount could be less if you were paying into an occupational scheme (also known as superannuation) or a personal pension instead of SERPS at any time up to 5 April 1997. This is because your husband or wife will get a pension from that scheme instead of SERPS.

The figure could also be affected if your circumstances change or the Government changes the law.

If your husband or wife already has a SERPS pension in their own name, there may also be a further limit on what they can inherit from you. This is because there is a maximum amount of SERPS pension that any person can receive, based on their own and inherited SERPS pension. From April 2002, the maximum amount is £134.54 a week. This figure can change from year to year.

There are some circumstances in which your husband or wife will not be able to inherit your SERPS pension. For more information, please see the enclosed leaflet, **Important information for married people - Inheritance of SERPS**.

Do you want more information?

We have enclosed some impartial guides on financial planning to help you consider your financial options. If you have any general questions about your estimate or the rules on the inheritance of SERPS pension, you can contact the SERPS helpline on **0845 600 6116**. (A service is available for textphone users on 0845 602 1913.) Lines are open from 8am to 7pm, Monday to Friday, and from 9am to 1pm on Saturdays. Calls will be charged at local rates. Your call may be recorded for training and quality purposes. You can also visit our website at: **www.thepensionservice.gov.uk**

Whichever way you get in touch with us, please quote your National Insurance number, which is shown at the top of this letter.

Yours sincerely



Hilary Reynolds
Pensions Director