

# Annex A

## Recommendations in the Committee of Public Accounts 34th report 1999-2000 (HC 401) and the Treasury Minute response (CM 4901)

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>Summary of Conclusions and Recommendations</i>			
<p>The failure for nearly 10 years to advertise the change to the inheritance of SERPS and to ensure that staff provided correct information to the public, stemmed from a systemic failure of administration in the Department and the Benefits Agency. The Department have taken steps to stop this happening again, including the setting up of a dedicated pensions directorate to focus on that important client group. However, the Committee concludes that there also needs to be a fundamental improvement in attitudes towards customer service.</p>	<p>The Government agrees with the Committee that there was no excuse for Department of Social Security (DSS) to give wrong information, and welcomes the Committee's acknowledgement of the actions DSS is taking to prevent such a thing happening again. The new dedicated Pensions Directorate is intended to achieve a fundamental improvement in attitudes towards customer service. Pensioners are a distinct and important client group with their own needs and preferences, and DSS is developing a new service to meet their individual needs. The new Directorate will bring together all the services currently provided by DSS for pensions and pensioners; including in particular the establishment of end-to-end accountability from policy decision to implementation.</p>		
<p>The details of the scheme to protect those misled, and to identify the ways in which the Department will ensure the 20 million contributors know about it, are still being worked out. The remedy may cost the taxpayer up to £13 billion or more. But we are concerned that many of those affected will not hear about the scheme, or may find it difficult to understand. We are also concerned that decisions should be taken without excess bureaucracy, while ensuring that risks of fraudulent claims are managed; and that efforts to contain the administrative cost of running the scheme should not lead to an unduly early cut-off date, at the expense of equity and fairness to those misled.</p>	<p>As the Committee says, DSS is still considering the details of the scheme for protecting the pension rights of those who have been misinformed to their detriment. DSS is also considering how best to ensure that all such people know about the scheme. DSS is consulting interested parties, including the NAO and the Parliamentary Commissioner for Administration, on the scheme; DSS also invited the Social Security Advisory Committee (SSAC) to report on the proposals, and the SSAC consulted publicly; and DSS will bring forward draft regulations in the autumn.</p>		

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>Summary of Conclusions and Recommendations (continued)</i>			
<p>Citizens planning their pension arrangements need to know about changes in their schemes, and be sure that the information they receive is accurate and complete. The Department failed on both counts, and even now do not accept the responsibility to inform people about legislative change, even where they are administering a contributory pensions scheme. This state of affairs would be unacceptable in the private sector, and we consider it to be equally unacceptable in the public sector.</p>	<p>There is no legal requirement on any Government to inform all affected individuals about a change in the law. A general change in that position would have fundamental repercussions, for example for the well-established principle that in determining issues of liability ignorance of the law is no defence. It also needs to be borne in mind that the number of married people entitled to some SERPS pension (20 million) is around 50 times greater than the membership of any private sector scheme; and private schemes have the same kind of problem in contacting all their members, because eg some will have changed their addresses after leaving their employment. However, the Government entirely accepts that it is inexcusable for DSS to give wrong information, as happened in this case after 1987; and, as the Committee acknowledges, DSS is taking steps to minimise the chances of such a mistake happening again. Moreover, as announced in the 1998 Pensions Green Paper, a combined pension forecasting service is being introduced which will give people a clearer idea of their likely state and private sector pensions income. A pilot is being conducted, and the target date for introducing the full-scale service is 2002.</p>		

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On why the public was not informed about the change in SERPS entitlement and what has been done to prevent this happening again</i>			
<p>(i) The failure from 1986 to publicise an important change to the rights of millions of people to the State Earnings-Related Pension was an appalling administrative blunder. It has caused confusion and distress to many thousands of people and will cost the taxpayer billions of pounds. The test of the Department's apology for the distress caused to members of the public, and their acceptance of responsibility will lie in the efficacy of the remedial measures taken.</p>	<p>The Government agrees with the Committee's view of the failure to give correct information, after the initial publicity. DSS is taking positive action to address the problem. The Inherited SERPS Scheme is designed to help those people who received incorrect or incomplete advice and relied on it, while providing a fair balance between the interests of pensioners and those of contributors. DSS is consulting on the details of the scheme, and will bring forward draft regulations in the autumn.</p>	<ul style="list-style-type: none"> <li>■ Cost of remedial action more than £12 billion</li> <li>■ Regulations protect most who were misled</li> <li>■ Risk of fraud reduced</li> </ul>	<p>2.3 and Box 1</p>
<p>(ii) The problem arose, mainly, from a lack of end-to end responsibility within the Department for the whole process from Ministerial policy decision to official implementation, a lack of customer focus, and fundamental weaknesses in systems and processes. As a result, the systems were not robust enough to withstand the incidence of a simple error. We note the steps taken by the Department to tackle these weaknesses, and in particular to introduce a new Pensions Directorate with clear accountability arrangements and proper end-to-end responsibility.</p>	<p>The Government welcomes the Committee's acknowledgement of DSS's actions to tackle the weaknesses in its systems. As the Secretary of State said in the House of Commons on 15 March 2000, the purpose of the new Pensions Directorate is to achieve a fundamental improvement in attitudes towards customer service, including in particular the establishment of end-to-end accountability from policy decision to implementation. Other steps are being taken, concerning the full range of DSS information products, to strengthen the systems for ensuring accuracy in future.</p>	<ul style="list-style-type: none"> <li>■ Re-organisation to focus on client groups</li> <li>■ Clearer responsibility and accountability</li> <li>■ Intranet reduced risks of poor internal communications</li> </ul>	<p>3.3 to 3.5 and Box 3</p>
<p>(iii) An underlying cause was the inadequate attention given to identifying and managing the risks involved in the change in arrangements for Inherited SERPS. Because the change would not take place for 14 years, and because it was important to keep both staff and the public informed, the Department should have set in place arrangements to ensure this happened. We note that they are now developing an overall risk management strategy, and we expect to be advised further about this in due course.</p>	<p>DSS already carried out considerable risk identification in the management of projects, but there are gaps. Accordingly, DSS is developing a risk assessment and management strategy. The strategy aims, inter alia, to meet the requirements recently laid down by Cabinet Office and HM Treasury, for Departments to draw up strategies for handling both general risks and risks to the public specifically. DSS will report to the Committee on progress in due course.</p>	<ul style="list-style-type: none"> <li>■ Corporate risk management strategy</li> <li>■ Strategic risks analysed and monitored</li> <li>■ Some way to go before embedded across Department</li> </ul>	<p>3.37 to 3.40 and Box 5</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On why the public was not informed about the change in SERPS entitlement and what has been done to prevent this happening again (continued)</i>			
<p>(iv) All public bodies need to provide their staff with ready access to rules and guidance, and to update them quickly on new developments and problems. Good communications are especially important in an organisation such as the Benefits Agency, with many thousands of staff in more than 400 local offices (and some of the Employment Service's 1,000 Jobcentres) who deal with hundreds of thousands of customers. We were therefore astonished to hear that the Agency still had to rely on paper bulletins and weekly briefing meetings to communicate with staff. Their information technology is so poor that it is quicker for the Department to put out information through the press or on the television than to communicate with their staff.</p> <p>(v) The poor state of the Agency's information systems, and the slow pace of change, have been themes running through our reports on the Agency's activities over a number of years, most recently in our report on Appropriation Accounts 1997-98 Class XII Vote 1 (Central Government Administered Social Security Benefits and Other Payments). It may take as long as three years to get an Intranet up and running to provide staff with ready access to essential information. We expect the Department to inject greater urgency into developing modern systems.</p>	<p>DSS is suffering at present from the lack of investment over the last 20 years. As the Committee says, action is needed to improve the communication of information to DSS's 90,000 staff. Funding has now been secured for complete modernisation of all DSS's computer systems, including those which give frontline staff access to rules and guidance via DSS's Intranet. The systems have been piloted, and by the end of this year staff in all locations will have access to that Intranet on a shared basis. Within two to three years, DSS plans that all staff, in every location, will have individual access. Many guides and manuals have already been converted onto the Intranet and within the next six months all manuals, including those giving rules and guidance on benefit claims and entitlement, will be available on the Intranet.</p>	<ul style="list-style-type: none"> <li>■ Intranet developing and most staff now have access</li> <li>■ Standards and guidance placed on the intranet</li> <li>■ Few staff using intranet as a source of guidance</li> </ul>	3.6 to 3.9
<p>(vi) Since the problem with information about Inherited SERPS was identified, the Department have reviewed all benefits leaflets, and have introduced a new process which involves more senior staff and external parties. We welcome 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.</p>	<p>The Government welcomes the Committee's acknowledgement of the positive action being taken by DSS.</p>	<ul style="list-style-type: none"> <li>■ New procedures</li> <li>■ Information strategy and standards for information and advice</li> <li>■ Improved quality assurance</li> </ul>	3.10 to 3.31

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On why the public was not informed about the change in SERPS entitlement and what has been done to prevent this happening again (continued)</i>			
<p>(vii) The Department do 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. Had they done so, they should have been able to ensure that staff and customers knew about the changes in Inherited SERPS earlier, and that staff responded accurately to enquiries between 1996 and 1999. We note that the Department have strengthened their systems for handling correspondence, and are looking at ways to improve the capture and dissemination within the Department of information contained in the letters. Despite the number of letters involved, we look 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. We expect them to let us know about the arrangements they plan to put in place, as soon as possible.</p>	<p>DSS is implementing new complaints handling software which will allow problems and potential problems notified in correspondence (to Ministers, Chief Executives, and other staff) to be recorded and analysed in certain categories and client groups. DSS is considering how that software and other related measures can be developed further to identify problems in greater detail. The reports produced starting later this month, will be referred to the relevant officials in DSS, so that they can take any necessary action at the first sign of an emerging problem.</p>	<ul style="list-style-type: none"> <li>■ New systems for monitoring Ministerial correspondence</li> <li>■ Improved complaints monitoring</li> <li>■ Variations between different agencies</li> </ul>	<p>3.32 to 3.36</p>
<i>On how the Government will ensure that the measures announced will provide adequate redress</i>			
<p>(viii) We note that Ministers, in choosing and designing the Inherited SERPS Scheme, took account of the need to target the package to protect the rights of those misled about the halving of Inherited SERPS, as well as the potential cost. We point out that when the change was first decided, Parliament felt that 14 years was an appropriate period to allow for beneficiaries to make adjustment. We recognise that assessing the cost of the scheme chosen is difficult until the Department have completed further research. Nevertheless, we are concerned that Parliament will be asked to approve a scheme without knowing the likely take up or cost of all the options available, including the option of deferring the change for 14 years and indefinitely for those who are either already close to or past retirement age.</p>	<p>Both the Committee and Parliament will be provided with all available information before being asked to approve the scheme. For example, as shown in the NAO report HC 320 Session 1999-2000 of March 2000, figure 10 page 39, DSS estimates that the option of 14 years' deferral would cost £ 13 billion, and the option of 2 1/2 years' deferral combined with a preserved rights scheme, on the illustrative assumption of 30 per cent take-up, would cost £8 billion; the costs of other options and assumptions are also shown there.</p>	<p>Superseded by recommendation (v) in PAC's 5th report 2000-01 (Annex B).</p>	<p>2.32 and 2.33</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On how the Government will ensure that the measures announced will provide adequate redress (continued)</i>			
<p>(ix) The Department recognise that there are considerable risks associated with operating a scheme of the kind proposed, and are undertaking research to understand more about the likely volume and type of applicants. Key issues to be resolved are the extent and nature of evidence that applicants will need to provide to support their claim that they were misled and the way in which the Department will satisfy themselves that claims are acceptable.</p>	<p>DSS accepts that they are key issues. They will receive careful consideration as the criteria and rules for the scheme are developed.</p>	<p>Superseded by recommendation (iii) in PAC's 5th report 2000-01 (Annex B).</p>	<p>2.34 and 2.35</p>
<p>(x) Given the failure of the Department to inform SERPS contributors about the change, the difficulty people will have in proving that they were misled, and the fact that people may have been misled in many ways, we welcome the Department's acceptance that the onus will be on them to prove that claimants were not mis-informed. However, we are concerned that the limitations on evidence to support claims will provide opportunities for the dishonest to benefit, but may lead to the honest missing out. We look to the Department to show that these risks can be managed as they seek to design a workable scheme.</p>	<p>DSS accepts that under the Inherited SERPS Scheme the burden of proof will be on the Department, in that a lack of documentary evidence will not itself prevent the success of a claim. Where the information given on the claim form is unclear, or more is needed, the claimant will be contacted. The claimant will be required to sign a statement to certify that the information given is true and that he or she understands that it is a criminal offence knowingly to make a false statement for the purpose of benefiting under the scheme.</p>	<ul style="list-style-type: none"> <li>■ Regulations protect most who were misled</li> <li>■ Regulations reduce the risk of fraud and of the honest missing out</li> </ul>	<p>2.3 and Box 1</p>
<p>(xi) The Department plan a national advertising campaign to promote the Inherited SERPS Scheme, but will also use groups such as Age Concern and Trade Unions to get the message across. They are using experts to design the advertising and claim forms, to ensure that they take into account peoples' limited understanding of SERPS. For the Scheme to be successful, the 20 million people who contribute to SERPS will need to know about it, will need to fully understand the issues involved, and will need simple claim forms.</p>	<p>It is the Government's aim to do everything practicable to ensure that all those who have lost out receive redress.</p>	<ul style="list-style-type: none"> <li>■ Regulations protect most who were misled</li> </ul>	<p>2.3 and Box 1</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On how the Government will ensure that the measures announced will provide adequate redress (continued)</i>			
<p>(xii) The Department have not completely ruled out writing about the scheme to everyone eligible, but because around one third of addresses of contributors they hold may be incorrect, they doubt that the cost-£6.5 million-could be justified. We are appalled that the Department's records are so flawed that they cannot communicate with those people who have contributed to SERPS. Such maladministration would not be acceptable in a private sector pension scheme, and is indicative of the general lack of appreciation within the Department that contributors to pension schemes deserve a professional service.</p>	<p>As the Committee says, DSS has not ruled out any option. However, DSS does not accept that the existence of incorrect addresses represents maladministration. People are not legally compelled to inform DSS of any change of address. Private sector pension schemes also depend on their members informing them of any change in address; and the membership of even the largest of such schemes is 50 times smaller than SERPS.</p>	<ul style="list-style-type: none"> <li>■ Incorrect addresses for about 1.6 million people in Group C</li> <li>■ 164,000 change of address notifications</li> <li>■ Advertising needed</li> <li>■ Could not write to people overseas</li> </ul>	<p>2.18 to 2.22</p>
<p>(xiii) We believe that, before the Department rules out writing to everyone eligible, they should obtain better information on the proportion of those affected and to whose attention the issue would properly be drawn and on the costs incurred if:</p> <ul style="list-style-type: none"> <li>(a) letters were sent to all addresses currently held on record by the Department; or</li> <li>(b) an advertising campaign was launched; or</li> <li>(c) both options (a) and (b) were pursued.</li> </ul>	<p>DSS has commissioned research into the best way of reaching people who may have an entitlement under the scheme. The research will cover the options suggested.</p>	<p>Superseded by recommendations (vi) and (vii) in PAC's 5th report 2000-01 (Annex B).</p>	<p>2.5 to 2.11</p>
<p>(xiv) The delay to the implementation of the halving of Inherited SERPS to October 2002 will provide the opportunity for the Department to design and operate the Inherited SERPS Scheme. And the quicker claims are received, the lower the cost to the taxpayer of administering it. The Secretary of State has indicated that the scheme will not carry on indefinitely, but no cut off point has yet been announced. Given the potential problems there will be in ensuring that all contributors know about the scheme, administrative costs should not be unduly limited to the detriment of equity and fairness. People will need to have a way of continuing to claim, even when the bulk of claims have been received and resources are being scaled down.</p>	<p>DSS agrees with the Committee's conclusion. After the Inherited SERPS Scheme ends, people will continue to be able to seek redress from the Departmental compensation scheme.</p>	<p>Superseded by recommendation (i) in PAC's 5th report 2000-01 (Annex B).</p>	<p>2.3 and Box 1</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On how the Government will ensure that the measures announced will provide adequate redress (continued)</i>			
<p>(xv) The Department accept their obligation to protect those who were misinformed about the halving of Inherited SERPS, but not those who took no action because they were unaware of the change, on the grounds that the Department have no legal obligation to tell people about legislative change. Even if the Department are correct in law, we are concerned that over a period of 14 years there was virtually no publicity about the halving of Inherited SERPS. As a result, many people will have been unaware of changes that significantly impact on the sums their widow or widower will have to live on after their death. In developing the scheme, the Department should think again about the fairness of excluding these people.</p>	<p>DSS has of course been mindful of a number of factors in considering what form the scheme should take. In particular, to include redress for all those who were unaware of the change in Inherited SERPS, as well as for those who were misinformed, could include a large proportion of the entire affected population of 20 million contributors, at a cost to the taxpayer of around £20 billion.</p>	<p>Superseded by recommendation (i) in PAC's 5th report 2000-01 (Annex B).</p>	<p>2.3 and Box 1</p>
<p>(xvi) The success of the Scheme can only be judged by the extent to which it protects those misled. The NAO are planning to review the Inherited SERPS Scheme against its objectives before the end of the 2½ year deferral period. The Department should establish clear criteria against which the performance of the Scheme can be assessed.</p>	<p>DSS welcomes the planned review of the scheme by the NAO. DSS is consulting interested organisations on the operation of the scheme, including the NAO and the Parliamentary Commissioner for Administration and a number of voluntary organisations.</p>	<p>Superseded by recommendation (i) in PAC's 5th report 2000-01 (Annex B).</p>	<p>2.3 and Box 1</p>



# Annex B

## Recommendations in the Committee of Public Accounts 5th report 2000-01 (HC 243) and the Treasury Minute response (CM 5127)

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>Summary of Conclusions and Recommendations</i>			
<p>The proposals should address the concerns expressed by the Committee that many of those affected would not hear about the Inherited SERPS Scheme or would find it difficult to understand, and that those who had already retired would not be able to make alternative arrangements.</p>	<p>The Government welcomes the Committee's acknowledgement that the proposals address their initial concerns.</p>		
<p>The Department will need to ensure fair and equitable treatment for those seeking redress under the compensation arrangements.</p>	<p>The Government recognises the need to provide fair and equitable treatment in all cases where a person has been misdirected and may suffer financially as a result. An outline of the guidelines for dealing with claims for compensation, Compensation Payments - Inherited SERPS Guidance, was placed in the House of Commons Library on 31 January 2001.</p>		
<p>We expect the Department to ensure that the proposals are widely publicised and to pay close attention to the successful implementation of the changes.</p>	<p>The Department has already written to all pensioners about the proposals for Inherited SERPS, and is running an advertising campaign in parallel, to reassure them that they do not need to do anything to protect their spouse's position. The Department is working on proposals to write to those people who will be affected by the taper from 90% to 60% of Inherited SERPS later in the year. A comprehensive advertising and marketing campaign to raise awareness about pensions issues generally was launched on 11 January 2001 which aims to encourage people of working age to understand the pension options available to them and to plan for their retirement. As part of this and the wider strategy for raising awareness of pensions generally the change to a 50% inheritance rule for SERPS will be included in advertising that will take place later in the year.</p>		

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On whether the proposals are equitable</i>			
<p>(i) We welcome the proposals, in that they should address our earlier concerns that many of those affected would not hear about the Inherited SERPS Scheme and would find it difficult to understand, and that those who had already retired would not have been able to make alternative arrangements.</p>	<p>The Government welcomes the Committee's acknowledgement that the proposals address their original concerns.</p>	<ul style="list-style-type: none"> <li>■ Regulations meet many of the recommendations in PAC's 34th report 1999-2000</li> </ul>	<p>2.3 and Box 1</p>
<p>(ii) The proposals also provide some comfort to those approaching state pension age, who are likely to have less opportunity to make adjustments to their existing pension arrangements the closer they are to retirement. Nevertheless the success of the proposals will depend on the extent to which those within the taper are in practice able to secure appropriate top-up provision should they so wish, and without incurring disproportionate costs. For example, will someone who is four years away from retirement be able to obtain cover through life assurance to provide a guaranteed sum on death, equivalent to 20 per cent of their pension, and at what cost? We would therefore expect the Department to have assessed the likely impact on those affected of the rates of inheritance proposed for each age banding.</p>	<p>There is a wide range of options available for people to save, including life assurance, building society savings accounts, PEPs, ISAs, personal pensions, stakeholder pensions, occupational pensions and other forms of investment. Not all of these will be suitable for every saver and careful decisions will have to be made by individuals with help from a professional adviser where appropriate.</p>	<ul style="list-style-type: none"> <li>■ People reaching state pension age between October 2002 and October 2010 not informed of Regulations until 12 months later than originally intended, and only months before Regulations came into effect</li> <li>■ Inevitably some variation between the positions of some people in different age bands and between some people in the same age band</li> </ul>	<p>2.12 to 2.15 and 2.23 to 2.26</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On whether the proposals are equitable (continued)</i>			
<p>(iii) We recognise that the proposals, in providing automatic protection in full or part, should also go some way in addressing the risks of both low take-up and fraud or abuse which appeared inherent in the earlier scheme. However the draft regulations do not provide details of the proposed compensation arrangements, and it will be essential for the Department to set clear criteria for eligibility for compensation. These should take full account of the differing ways in which people may have made decisions on the strength of incorrect information about their future entitlement (recognising that for some people the decision will have been to take no action), and also the costs for individuals in remedying their position. We also expect the Department to continue to recognise that the onus of proof rests with them to demonstrate that an individual was not misled by their advice.</p>	<p>The Department has operated a scheme to provide compensation when appropriate for many years. Payments from the scheme are ex-gratia payments made at the Secretary of State's discretion. An outline of the particular arrangements for Inherited SERPS is in the House of Commons Library -Compensation Payments-Inherited SERPS Guidance. On the onus of proof this guidance says that the applicant will be required to provide some evidence of what action they took or failed to take as a result of incorrect or incomplete information. The Department considers that it is reasonable to expect some proof that compensation over and above the global remedy proposed is appropriate. However, the Department's general guidance on compensation does not require documentary or incontrovertible proof of misdirection for a claim to succeed. The amount of compensation paid in any particular case will be calculated in accordance with guidance provided by the Government Actuary's Department. A copy of this guidance is in the library.</p> <p>In his report published on 26 February 2001, State earnings-related pension scheme (SERPS) inheritance provisions: redress for maladministration the Parliamentary Commissioner for Administration recognised and accepted as reasonable that 'those claiming compensation will need to produce some evidence to show that they altered their circumstances to their detriment as a direct result of incorrect departmental advice and that, to that extent, the burden of proof will fall to the applicant.'</p>	<ul style="list-style-type: none"> <li>■ Availability of compensation notified to people who had previously complained</li> <li>■ Department decided in February 2001 that no further reference to compensation should be made in communications with contributors</li> <li>■ Compensation paid out much less than anticipated</li> <li>■ Some proof required from claimants</li> </ul>	<p>2.27 to 2.30</p>
<p>(iv) The Department accepted our previous recommendation on the importance of people being able to claim redress even after most claims have been received. We remain convinced that, to achieve equity and fairness for all those who may suffer loss as a result of misleading advice from the Department, people are not prevented from seeking compensation by an arbitrary cut-off date.</p>	<p>The Department will not be imposing an arbitrary cut-off date for compensation.</p>	<ul style="list-style-type: none"> <li>■ No arbitrary cut-off date for compensation</li> </ul>	<p>2.31</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On whether the costing of the proposals is soundly based</i>			
<p>(v) We recognise that the expected costs of providing redress will have increased as a result of providing automatic additional protection to those who will have reached or are approaching retirement age in October 2002. This increase will have been offset by excluding some people who may have gained entitlement to 100 per cent inheritance under the terms of the Inherited SERPS Scheme but will no longer be eligible for such protection. We expect the Department to have made a robust assessment of costs, including the likely costs of compensation, based on actuarial advice. We also look forward to seeing the results of their analysis of the costs of different options in due course.</p>	<p>The Government considered a number of options to provide redress to those people who had suffered loss as a result of maladministration. Following wide consultation the current proposals were brought forward as a fair and just solution. SSAC and others have broadly welcomed them. The cost of the proposals including compensation is estimated to be £12 billion to 2050. This is an increase of £4 billion on the estimated cost of the Inherited SERPS Scheme over the same period. The Department's estimate of the costs is based on information provided by the Government's Actuary's Department. Annex 1 attached provides a comparison of the costs of these proposals with those of a preserved rights scheme.</p>	<ul style="list-style-type: none"> <li>■ All costs based on advice from the Government Actuary's Department</li> <li>■ Cost estimates were:                             <ul style="list-style-type: none"> <li>□ Regulations - £12 billion</li> <li>□ Publicity - £22 million</li> <li>□ Compensation £8 million</li> </ul> </li> </ul>	<p>2.32 and 2.33</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On whether the Department will adequately publicise the changes</i>			
<p>(vi) The publicity requirements for the new proposals differ in some respects from those we identified for the earlier scheme because of the automatic protection now afforded to those who will have reached state pension age by October 2002. The main groups who now need to be reached are those who are not fully protected by the new proposals and who may be eligible for compensation, and those of working age who are unaware of the changes.</p> <p>(vii) We welcome the steps already taken and the measures proposed to give people better information in future. The new rules are likely to have a profound effect on many people's future financial security and it is therefore essential that all those affected are informed quickly so that they may make alternative plans. We remain concerned whether the measures proposed will be sufficient to achieve this. We expect the Department's detailed plans to take full account of the results of their earlier research on the likely success and costs of writing to all those affected. The Department should also consider seeking the help of voluntary agencies, Inland Revenue and/or employers in distributing information about the new arrangements.</p>	<p>The majority of the people who contacted the Department about inherited SERPS were over pension age. To reassure these people the Department has already written to all pensioners about the proposals for inherited SERPS and is running an advertising campaign to reassure them that they do not need to do anything to protect their spouse's position. The Department is working on proposals to write to those people who will be affected by the taper from 90% to 60% of inherited SERPS later in the year. A comprehensive advertising and marketing campaign featuring working dogs was launched on 11 January 2001 which aims to encourage people of working age to understand the pension options available to them and to plan for their retirement. As part of this and the wider strategy for raising awareness of pensions generally the change to a 50% inheritance rule for SERPS will be included in advertising which will take place later in the year.</p> <p>The Department wrote to some 90,000 advisers, whose details they hold, with information about the proposals following the announcement in November 2000. The Department will work with voluntary agencies to ensure that information is provided in newsletters and through distribution of an information sheet and has provided copies of the letter being sent to pensioners to Age Concern and NACAB and will do so with any further mailings. The Inland Revenue will be providing information to employers about the Department's publicity activity to enable them to answer questions from employees about their pension scheme and liaison is taking place between the Department and Inland Revenue on proposals for mailshots.</p>	<ul style="list-style-type: none"> <li>■ Department wrote to all contributors over state pension age or within 10 years of state pension age as at October 2002</li> <li>■ Inadequate address records meant advertising also needed</li> <li>■ People reaching state pension age between October 2002 and October 2010 not informed of Regulations until 12 months later than originally intended, and only months before Regulations came into effect</li> <li>■ SERPS estimate letter potentially misleading and Department writing again to 530,000 people</li> <li>■ People living overseas less likely to have been informed of the Regulations</li> </ul>	<p>2.5 to 2.22</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On whether the Department will adequately publicise the changes (continued)</i>			
<p>(viii) The Department are doubtful about their capacity to keep up to date records of addresses for SERPS contributors. However, it appears to us that the success of using annual pensions statements to give people more information about their pensions is likely to depend on achieving significant improvements in the accuracy of their records. We recommend that the Department take positive action to assess what measures are needed to enable them to communicate information reliably and effectively to SERPS contributors.</p>	<p>There is no legal requirement for people to tell the Department about changes of address which means that some of the address data held in the Department's databases such as the Departmental Central Index (DCI) is out of date. Records of pensioners' addresses are less than 1 % inaccurate because the Department is in touch with them about their pensions. Other records are more likely to be out of date but by matching the Department's records with other records like the electoral roll the Department estimate that they will be able to reach over 80% of people under state pension age. The recipients of the mailshot letters are being asked to notify the Department if the address is incorrect and the Department's records will be updated. The combination of an advertising and marketing campaign supported by direct mailing will make sure most people are made aware.</p> <p>From October 2001 the Department will provide a new pension forecasting service. By working in partnership with employers and pension providers customers of participating schemes will be provided with a statement of their current and projected entitlement to state pension with their existing annual statements. The Department is considering what further information it can provide for people both with these statements and through other means.</p>	<ul style="list-style-type: none"> <li>■ Incorrect addresses for about 1.6 million people in Group C</li> <li>■ 164,000 change of address notifications</li> <li>■ Advertising needed</li> <li>■ Poor quality address records for people living overseas</li> <li>■ New computer system for combined pension forecasts in place in October 2002</li> <li>■ 15 million combined forecasts a year possible</li> </ul>	<p>2.18 to 2.22 and 3.25 to 3.28</p>

Public Accounts Committee recommendations	Treasury Minute response	Key points	Paras
<i>On managing the risks of implementation</i>			
<p>(ix) In implementing the new proposals the Department will need to manage the risks involved carefully and should pay close attention to the recently published National Audit Office Report on Supporting Innovation: Risk Management in Government Departments. That report recommends that Departments should have in place a corporate and systematic process for evaluating and addressing the impact of risks in a cost effective way and have staff with the appropriate skills to identify and assess the potential for risks to arise. The Report set out six essential requirements that need to be in place if risk management is to be effective:</p> <ul style="list-style-type: none"> <li>■ risk management policies and management should be clearly communicated to all staff;</li> <li>■ senior management need to support and promote risk management;</li> <li>■ the department's culture should support well thought through risk taking and innovation;</li> <li>■ risk management should be embedded in management processes;</li> <li>■ the management of risk should be closely linked to the achievement of objectives;</li> <li>■ risks associated with working with other organisations should be assessed and managed.</li> </ul>	<p>The Department is committed to enhancing the delivery of its business by developing the framework of corporate governance that is in keeping with the NAO report, Supporting Innovation: Risk Management in Government Departments, and best practice in both public and private sectors. Effective management of risk, inherent to the achievement of the Department's aims, objectives and targets, is a key element of this framework. The Department's Board has appointed senior managers as Risk Champions to support implementation of a strategy to raise risk awareness in all staff, provide education and training for business managers, co-ordination of risk management activity and embed risk management into the planning and management process.</p>	<ul style="list-style-type: none"> <li>■ New risk management methodology in July 2001</li> <li>■ Methodology complies with NAO recommendations</li> <li>■ Strategic risks identified and monitored</li> <li>■ Compliance improving but more work needed to fully embed risk management across all aspects of Department's business</li> <li>■ Inherited SERPS project managed in accordance with prevailing risk management methodology</li> </ul>	<p>2.34 and 3.37 to 3.40</p>
<p>(x) Successful implementation of the new proposals will depend in part on changes to NIRS2 system procedures and software. Given the long history of problems with NIRS2, we consider it essential that the Department works closely with the Inland Revenue and Accenture to ensure that all necessary changes are successfully delivered in good time before the new proposals come into effect in October 2002.</p>	<p>A dedicated project has been set up to implement the proposals and work with IR and Accenture. The project is using accredited project and risk management techniques in accordance with the Department's risk management framework. The Inland Revenue has also appointed a project manager to work with the Department's project and Accenture to ensure delivery of the necessary changes to NIRS2.</p>	<ul style="list-style-type: none"> <li>■ Good working relation with Inland Revenue and Accenture</li> <li>■ System changes implemented effectively and on time</li> </ul>	<p>2.35</p>