

Martin Payne
Workplace Equality Unit, Employment Relations Directorate
Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET

20 October 2010

Dear Mr Payne,

Consultation response: Phasing out the Default Retirement Age

The NAPF is the voice of workplace pensions and represents 1,200 pension schemes with some 15 million members and assets of £800 bn. The NAPF supports the phasing out of the Default Retirement Age, as part of a programme of activity to support people working longer. Longer working lives are a crucial part of addressing the UK's lack of retirement saving, and the NAPF has long called for Government action to make it easier for people to work longer.

Earlier this year we published a new policy paper *Fit for the Future: NAPF's vision for pensions* setting out our latest proposals to mend the UK's broken pension system. The paper recognised the need to increase State Pension age and to encourage more people to work longer, but said that more needed to be done by Government to make this happen. We identified three areas for action:

- Further education and re-training
- Legal barriers to working longer
- A better health care system

Removing the DRA is an important step to removing the barriers to working longer and will be welcomed by many employees who want the option to continue working. Many employers will find it easy to adjust to a world without a DRA, but many other employers will find it more challenging. Our members do have some concerns about how pensions and benefits might be affected. We have therefore set out four recommendations for the Government on removing the DRA:

1. The Government should recognise how challenging this transition will be for these employers who currently use the DRA to manage their older employees' exit from the workforce. The Government should provide help and guidance on how to manage the retirement of employees without a DRA so employers can understand what actions they can and can't take with respect to older workers.
2. A key objective for the Government must be to limit any costly rise in tribunal cases brought by workers aged over 65. An increase in these cases will benefit neither employees nor employers.
3. NAPF members have raised the need for employers to be able to continue to assume a 'normal' retirement age for the purposes of planning pensions and other benefits (for instance in producing benefit projections and setting default investment strategies). As part of its guidance, the Government need's to make it clear that this practice can continue so that there is no confusion amongst employees and employers.
4. Another issue of concern to NAPF members are benefits that are much more costly or difficult to provide for older workers. For instance, the costs of insurance and death in service benefits can be more expensive for over 65s. Most NAPF members would want to provide these benefits equally across the workforce without age restrictions, but practical or cost considerations might not make this possible. Therefore, the Government also needs to make it clear to employers and employees that it is acceptable for benefits to be age-restricted where there is a legitimate reason.

If you have any questions about response to this consultation then please do not hesitate to get in contact. We would be very happy to work with the Government on any guidance on pension issues relating to the DRA.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Wilson', written in a cursive style.

Richard Wilson
Senior Policy Adviser
020 7601 1724