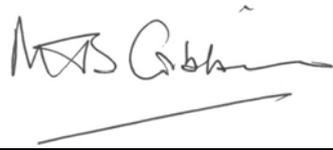


 Regulatory Policy Committee	OPINION	
Impact Assessment (IA)	Impact of the move to CPI for Occupational Pensions	
Lead Department/Agency	Department for Work and Pensions	
Stage	Final	
Origin	Domestic	
Date submitted to RPC	06/06/2011	
RPC Opinion date and reference	05/07/2011	RPC11-DWP-0646(2)
Overall Assessment	AMBER	
<p>The IA is fit for purpose. Based on the information in the IA and the clarifications provided the impacts of the proposal have been adequately assessed. The estimates do, however, depend on crucial assumptions with respect to the future path of the differential between RPI and CPI, and the assumed behaviour of employees and pensioners.</p>		
<p>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</p>		
<p><i>Costs and Benefits.</i> The IA provides revised estimates for the impacts of the proposal on employers and employees and pensioners. The RPC has had to seek a number of clarifications on this IA regarding how the costs to business were calculated. The IA should be amended to make this clearer. The headline figures depend fundamentally on the use of the Office of Budget Responsibility’s forecast for the long-term differential between RPI and CPI, which represent a robust best estimate; however, the IA should assess the costs and benefits against a range of forecasts. Also, the distributional impact depends fundamentally on the assumed behaviour of employers and employees/pensioners.</p>		
<p><i>References to RPC in respect of discussions for April 2011 Statement of Regulation (SoNR).</i> The IA makes a number of references to the RPC in terms of our ‘recommendations’. We met with the Department twice on this proposal during the validation period of the first SoNR. We expressed to the Department our views on the IA presented to us at that time. We do not think the outcome of these discussions should be presented in this way, and particularly in a public document, especially when RPC’s formal Opinions are not currently published. We therefore think these references should be removed before the IA is published.</p>		
<p>Have the necessary burden reductions required by One-in, One-out been identified and are they robust?</p>		
<p>As reported in the published April 2011 Statement of New Regulation (SoNR), the RPC validated an OUT of (-)£3,260 million in Equivalent Annual Net Cost to Business (EANCB) terms from this proposal. Under the current “One-in, one-out” methodology this proposal represents an OUT as it is net beneficial to business. The current IA claims an OUT of £3,342 million. Based on the evidence and the clarifications presented to us the revised estimate of the OUT appears to be robust.</p>		

Signed

A handwritten signature in black ink, appearing to read "Michael Gibbons". The signature is written in a cursive style with a long horizontal stroke at the end. There is a small mark above the letter 'i' in "Gibbons".

Michael Gibbons, Chairman