pensions archive

The History of Pensions in the UK

Overview

This document outlines some of the key steps in the development of pensions in the UK, with profiles of pensions provided at specific companies or in particular industries, and covers both state pensions (provided to citizens by the UK Government) and occupational pensions (pension schemes administered by employers or on behalf of employers for the benefit of their employees). It covers:

- Medieval pensions
- Early occupational pension schemes in the nineteenth century
- The expansions of public sector pensions
- Charity pensions
- Pensions since the 1900s, including legislation and organisations
- Early twentieth century pension schemes
- Late twentieth century pensions and regulation
- Twenty-first century developments

Acknowledgements and sources of further information

Much of the information provided in this document has come from four books about the history of old age and pensions:

1. Pat Thane's *Old Age in English History* (Oxford University Press, 2000),
2. C.G. Lewin's *Pensions and Insurance before 1800* (Tuckwell Press, 2003),
3. Tony Salter, Andrew Bryans, Colin Redman and Martin Hewitt's 100 Years of the State Pension (Faculty and Institute of Actuaries, 2009), and
4. Robin Blackburn's *Banking on Death or, investing in life: The History and Future of Pensions* (Verso, 2003).

LSE Library's pamphlet collection contains items on the campaign for and against old age pensions at the end of the 19th century and more recent publications on the financing of pensions. Some of these are available online on the LSE Library website, where information is also provided on how to search for further items in the pamphlet collection. A bibliography of printed materials relating to pensions can be found at the end of the document.

Medieval and early modern periods

The concept of non-familial financial support being given for retired workers began to gain some traction in medieval times as society sought to safeguard the well-being of the aged. This was delivered in a variety of ways but was seldom consistent and many were not fortunate enough to benefit.

While not fully developed in the 18th century, discussions and debates about the need for state-sponsored old age pensions began to gain traction. Various proposals were put forward by social reformers and politicians to address the financial challenges faced by the elderly which laid the groundwork for more comprehensive pension systems that evolved in the following centuries.

Medieval pensions

Pensions have a long history. In his book Pensions and Insurance before 1800 Chris Lewin outlines the range of pensions provided before the modern period, which included:

- Royal pensions awarded for service to the king, either in the form of money, a grant of land or appointment to a lucrative office;
- Corrodies purchased from religious houses and providing food, drink and accommodation;
- Owners of tenements giving the use of their land to their children or a third party in return for a pension of cash or crops, an exchange overseen by the local Manorial Court;
- Pension or almshouses provided by Guilds;
- Pensions for members of the clergy (the earliest example from the medieval period identified by Lewin is an agreement reached at the Exchequer Court in 1180 that two clerics, who held the church of Black Bourton in Oxfordshire, should be dispossessed and consideration given to awarding them a pension); and
- A pension scheme for maimed soldiers and mariners, established by Act of Parliament in 1601 and paid for by the parish.[1]

The first pension schemes: Chatham Chest and the Civil Service

In the early modern period, a small number of pension schemes were available for select groups. One such scheme was the Chatham Chest, established in 1590 to provide pensions to disabled seamen. This was followed in 1672 by a pension scheme for retired Royal Navy Officers provided by the state.

The Chatham Chest

In 1590 the Chatham Chest was established to provide pensions to wounded seamen of the Royal Navy. This was probably the first occupational pension fund in the world. Each month 5% was deducted from seamen's wages and paid into the chest. Pensions were payable on a fixed scale according to the degree of injury. The pensions were payable for life but were regularly reviewed and could be reduced or terminated if the pensioner was found to have recovered sufficiently to be capable of employment.

Scheme for Royal Navy Officers

In 1672 a state superannuation scheme for retired naval officers was introduced, and is believed to be the first occupational pension scheme in the world to provide lifetime pensions on retirement due to old age. There was no fixed retirement age, and the pension, which was 100 per cent of salary and allowances, became payable to

[1] See C.G. Lewin, *Pensions and Insurance before 1800*, chapters 2 and 3 for more information.

any officer who became unfit for performing his duties because of age, provided he had completed at least 15 years' service.

The Civil Service

One of the first groups of workers to have pensions made available to them were government civil servants. The first civil service pension was provided to Martin Horsham, an official in the port of London, in 1684. Further pensions were granted during the early eighteenth century in the Custom and Excise department, as a means of retaining staff and encouraging an ethos of duty and probity with the civil service. It replaced an informal system of government officers receiving payments from their successors, a system open to corruption. A Superannuation Fund for the lower ranks of the department was established in 1712, with officers receiving a third of their final salary on the conditions of making a regular yearly contribution, 7 years' service and good behaviour, which was payable when staff were unable to continue regular employment. This system was extended to all grades of the department in 1806-7 and across the civil service in 1810. A separate pension scheme for senior officials was established in 1803.[2]

Poor Law

Prior to the twentieth century, which saw the establishment of the state pension and the widespread provision of occupational pensions by companies for their staff, most people were dependent on the support of family members, charities, or the parish poor relief system to support them in old age.

The 1601 Poor Law made parishes responsible for the care of their aged and needy, and until 1834 assistance generally took the form of 'out-relief' (payments or support enabling recipients to stay in their home) or 'in-relief' in a local workhouse.

However, the reforms enacted by the Poor Law Amendment Act of 1834 led to a much harsher regime aimed at deterring the so-called 'undeserving' poor from relying on support from the parish. The Act grouped parishes together into Poor Law Unions, with Union's operating central workhouse for groups of parishes. Inmates of the workhouse experienced harsh conditions, a plain diet and were expected to work, often at menial tasks, if capable of doing so.

London Metropolitan Archives holds many records relating to the operation of the Poor Law in London.

[2] Information on Civil Service pensions from Pat Thane, *Old Age in English History,* pp. 236-239.

The nineteenth century

Prior to the advent of the state pension and the broad provision of occupational pensions in the twentieth century, support for people in old age was piecemeal and patchy. People could look to the parish for support, but the stigma associated with this only increased with the amendments made to the Poor Law in 1834. Civil service pensions expanded, and charities continued to make an important contribution to supporting people in old age, with money, fuel or other benefits. By the second half of the century, we see the emergence of the first private sector pensions schemes for workers, widespread adoption of schemes by the railway industry and the first pension funds for nurses.

Early occupational pension schemes

The nineteenth century saw a small number of pension schemes being established in certain professions and companies. Occupational pensions were provided for a limited number of government employees in the seventeenth and eighteenth centuries. Some private companies began to follow suit in the nineteenth century. The majority covered middle class workers in clerical and administrative positions.

Early company pension schemes

The first company pension schemes were set up in the late seventeenth century in private firms associated with the government, such as the Bank of England and East India Company.[3] At the Bank of England the first pension was granted in 1739 and further grants were made on a discretionary basis. The Bank's Superannuation Fund was established in 1933: prior to that date pensions had been paid out of the Bank's profits.[4]

One of the earliest private occupational pension schemes was the Chartered Gas Light and Coke Company Superannuation Fund, set up in 1841. This fund was uncovered in the course of PAT's Pensions Research Guide Project's survey of London Metropolitan Archives' collections. Many railway companies established pension schemes for their staff from the middle of the nineteenth century, and firms such as Reuters (1882), WH Smith (1894), Colmans (1899), Courtaulds, Boots, Kenricks, and J and P Coats also set up pension schemes for their staff in the late nineteenth and early twentieth century.[5]

The history of railway pension schemes

Railway companies were some of the earliest employers to arrange pension benefits for their staff as a means of retaining staff. These funds were set up by Act of Parliament, run by Directors and officers who formed a committee to operate and set benefits and contributions. Most operated on the basis of providing benefits produced from a combination of members and company contributions.

A pamphlet on Railway Superannuation Funds written by D. Macgregor in 1887 suggested that there were 10 pension schemes in operation at that date. The early funds were generally limited to salaried officers of the companies, not all staff. Macgregor's pamphlet argues for schemes to be widened to all classes of permanent staff and simplified.

The following railway companies operated pension schemes in the second half of the 19th century:

- London and North Western (founded 1853)
- Great Western (founded 1865/6)

[3] Pat Thane, *Old Age in English History*, p. 244.
[4] Information from The Bank of England Archive Guide.
[5] Pat Thane, *Old Age in English History*, p. 247.

- London and South Western (founded c.1868)
- Midland (founded 1870)
- Caledonian, Lancashire and Yorkshire (founded 1870)
- Railway Clearing System Superannuation Fund (founded 1870)
- London, Brighton and South Coast (founded 1872)
- Great Northern (founded 1874/5)
- Great Eastern (founded 1879)
- North Eastern (founded 1881)
- North British (founded 1883)
- Glasgow and South Western (founded c. 1898)

The following companies established schemes early in the twentieth century:

- Great Central (founded 1905)
- Metropolitan (founded 1907)
- South East and Chatham (founded c. 1907)

The following pension schemes were established after the amalgamation of railway companies into the 'big four' in 1923:

- London, Midland and Scottish (founded 1924)
- Southern (scheme consolidated 1927)
- London and North Eastern (scheme consolidated 1939, although Sir Alexander Kaye Butterworth, general manager of the North Eastern Railway Company, had produced a report in 1923 concerning the amalgamation of the LNER's constituent company's pension schemes into one central scheme. This report outlined the problems such an amalgamation would present, due to the variation in both the form and substance of the existing schemes. Several of these schemes were operating with a significant deficit, and Kaye Butterworth argued that joint contributions would need increasing from 5% to at least 7/8% to ensure solvency).

In 1994 the Railway Pension Scheme (a final salary Defined Benefit (DB) scheme) replaced the old British Rail Pension Scheme (BRPS) following the privatisation of British Rail.

Pat Thane suggests that some of the companies who first adopted pension schemes for their staff in the nineteenth century were motivated by the desire to retain staff by encouraging loyalty to the company[6], but many were also motivated by a paternal concern for the welfare of long serving staff. For example, Rowntree's and Cadbury, firms who demonstrated great concern for the welfare of their staff, established pension schemes at the start of the twentieth century. It also represented a way of ensuring efficiency in manual occupations by encouraging older staff to retire and in some industries, such as mining, pension benefits may have been used as a way of calming industrial relations.[7]

Expansion of public sector pensions

The 1890s saw other public sector employees being granted pensions modelled on the civil service scheme, including teachers, the police (1890) and poor law officials (1896). A uniform pension scheme for local government staff was established in 1922.

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[6] Pat Thane, *Old Age in English History*, p. 245.
[7] Pat Thane, *Old Age in English History*, p. 245.

Nineteenth century nurses' pensions

Trained Nurses' Annuity Fund

Founded in 1874, the Trained Nurses' Annuity Fund offered a £15 annuity for 'broken down Trained Nurses of good character' who were aged 50 years or over, had worked in nursing for at least 15 years, and could produce testimonials as to their good character. When elected for the annuity, worth around £900 in today's money,[8] annuitants had to pay £15 towards a general Fund, a condition that was intended to encourage nurses to foster provident habits. In the Fund's 1886 report nurses were encouraged to save 4d a week towards this cost.

The main archives of the Fund are in the Royal British Nurses' Association Collection (held at Kings College London College Archives)[9]. London Metropolitan Archives' Saint Thomas' Hospital Nightingale Collection holds a collecting card for the fund, the Fund's Annual Report for 1886 and a letter from the Fund's Honorary Secretary R. Gofton Salmond in the (HO1/ST/NC/18/021/073, HO1/ST/NC/18/021/074 and HO1/ST/NC/18/021/081). The charity is still in operation today.

Royal National Pension Fund for Nurses

The National Pension Fund for Nurses was founded in 1887 by Henry C. Burdett (1847-1920), and was based at 8 King Street, Cheapside, London. Burdett was secretary to the shares and loans department of the Stock Exchange, but had a background in hospital administration as secretary to the Queen's Hospital Birmingham between 1868 and 1873, medical student at Guy's Hospital from 1874 and then as house governor to Greenwich Seamen's Hospital. Burdett used his connections to the prince and princess of Wales to secure their patronage for the Fund. He was also involved in the Sunday Fund, Prince of Wales's Hospital Fund for London and the League of Mercy hospital charities[10].

The chief object of the Royal National Pension Fund for Nurses was to provide nurses with a retirement income or allowances for those unable to work through sickness or accident. The Fund was open to "all responsible paid officials connected with hospitals and kindred institutions". The Fund was based upon the contribution of members, the profits made from investments of these contributions, and a Donation Bonus Fund. As with the Trained Nurses' Annuity Fund, beneficiaries were expected to have made some contribution to the Fund - the prospectus argues that it is 'better for her self-respect and peace of mind that she provide for herself, not only in youth but in sickness and in age' rather than be dependent on others - but the Fund also attracted a number of benefactors.

The first donation of £20,000 (around £1,000,000 in today's money) was received from Junius S. Morgan (head of merchant bank J. S. Morgan & Company, which in 1910 became Morgan, Grenfell & Company), and the Fund's administrators solicited further donations and annual subscriptions from both from individual donors and organisations involved in the training and employment of nurses.

Records at London Metropolitan Archives relating to the Royal National Pension Fund for Nurses include a prospectus from 1888 (H09/EV/Y5/1), which both encourages donations and sets out how the fund is administered. Tables set out the pension a nurse could expect to receive for contributing to the fund: for a pension of £15 per annum starting at the age of 50 (around £2,850 in today's money), a 30-year-old nurse would need to pay 16s 3d per month (around £49 in today's money).

The booklet also describes the Morgan Benevolent Fund, established as a memorial to Junius Morgan which offered relief to those Fund members in distress or unable to keep up their pension contributions and annuities for Fund members over 60 who, through no fault of their own, were unable to provide for themselves after the age of 60.

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[8] All estimates of modern price equivalents are based on prices from The National Archives' currency convertor (http://www.nationalarchives.gov.uk/currency/).

[9] See the King's College's Archives and Special Collections website for more information: http://www.kcl.ac.uk/library/archivespec/index.aspx .

[10] Information on Henry C. Burdett from the Oxford Dictionary of National Biography: http://www.oxforddnb.com/.

The Evelina Hospital collection also includes leaflets outlining schemes of federation for the Fund to enable hospitals and other institutions to enrol their staff in the Fund (H09/EV/Y/05/002 and H09/EV/Y/05/003). The St. Thomas' Hospital Nightingale Collection includes a letter from Henry C. Burdett to Henry Bonham Carter on the initial success of the Fund (H01/ST/NC/18/027/073).

In 2013 PAT received a donation of a certificate, souvenir programme and menu card from a reception for the Fund's nurses held by the Fund's president, Queen Alexandra, at Marlborough House in 1901 (reference LMA/4635). The programme includes photographs of key figures and members of the Pension Fund.

Other records

The Saint Thomas' Hospital Nightingale Collection, which comprises of material relating to Florence Nightingale collected by the executors for Nightingale's first biographer and augmented by further donations, includes a number of letters on nurses' pensions. Letters from E. Vincent, matron of the St. Marylebone Infirmary, describe how keen her nurses would be to join a pension club, and how she was 'anxious that something should be done in this direction: Nurses are a most improvident class.' (H01/ST/NC/18/027/079).

Charity pensions

However, these schemes were unusual – most people continued to be reliant on families, charities and the poor law if they reached an age when they were unable to support themselves.

Prior to the advent of the state pension and the broad provision of occupational pensions in the twentieth century, support for people in old age was piecemeal and patchy. People could look to the parish for support, but the stigma associated with this increased with the amendments made to the Poor Law in 1834. Charities made an important contribution to supporting people in old age, with money, fuel or other benefits.

Two examples from Bethnal Green, brought to light by the PAT Research Guide project, highlight the need for pensions in one area of London, and what an impact the introduction of the state pension and occupational pension schemes would have to improving quality of life in old age.

Bethnal Green Poor Lands Charity

The Bethnal Green Poor Lands charity dates back to 1678, with the profits made from the lease of three closes of land used to distribute coal and pensions to the poor. On the left is a page from a volume containing the Bethnal Green Poor Lands' annual lists of pensioners, held at London Metropolitan Archives (A/PLC/07/001), which records the recipients of the charity's annual gift of half a ton of coals and ten shillings to selected pensioners at Christmas.

The ledger notes the name and address of the recipient and, from 1852, their ages. Occasionally the death of the recipient or other information about changes to the recipient's circumstances is entered in the register. Poor Lands' pensioners were not necessarily elderly, although the majority of entries are for people over 60: the page on the left shows that Eleanor Edwards, who had been receiving a pension from the charity for a number of years, continued to do so in her 100th year.

Bethnal Green Philanthropic Pension Society

The Poor Lands' pensioners appear to have been elected, which is also the case in the second example, the Bethnal Green Philanthropic Pension Society. The Monthly Meeting Minute book of the Society's Director is held at London Metropolitan Archives (ACC/1844/E/01/001), and includes copies of posters publicising the results of polls held to elect the Society's pensioners (an example from the poll held on the 18th October 1916 is shown on the right).

The Society was founded by subscribers in 1822 to make weekly grants to the aged. Subscribers selected recipients to receive the pensions in polls: the results of the 18th Oct 1916 poll show that two male and four female pensioners were elected. The poll result shows that subscribers were given information on the candidates' age, trade and income, length of residency in the parish, health, family circumstances and the number of applications they had made to the charity in order to make a decision. In October 1916's poll some candidates had already made six applications to the Society.

Polls conducted during the First World War also listed how many of the candidates had sons serving in the British Expeditionary Forces. The winning candidate in Oct 1916 election, Emma Neve, had 5 sons serving in France.

Pensions since 1900

The twentieth century saw a significant expansion in the provision of pensions, both by the state and by companies.

State pension system

A state pension was first established in 1908 for a limited section of the older population, and this coverage and provisions of the state pension has developed over the course of the twentieth century and into the twenty-first century.

The first state pension in the world was offered in Germany in the late nineteenth century.[11] The British Government established two committees in the 1890s to investigate an equivalent scheme for the UK (the Rothschild Committee on Old Age Pensions in 1896 and a Select Committee on the Aged Deserving Poor in 1899) and the matter was also covered by two Royal Commissions examining the Poor Laws between 1893-1895 and 1905-1909. However, it was not until 1908 that a state pension was introduced in the UK.

Pension campaigning

A number of campaigns and pressure groups were in operation from the late nineteenth century onwards, campaigning for the introduction or extension of the state pension.[12]

Canon Blackley proposed a compulsory scheme of national provident insurance for sickness and old age in 1878. Combined with the example set in Germany, Blackley's proposals led to campaigns for the government to establish some form of pension provision in Britain from the 1880s onwards.

The campaign involved notable figures such as the politician Joseph Chamberlain and social reformers Charles Booth, Canon Samuel Barnett, Benjamin Seebohm Rowntree and George Cadbury, and was also supported by the Labour movement and Friendly Societies.

Organisations

The Rev F.H. Stead founded the National Committee of Organised Labour for the Promotion of Old Age Pensions in 1898, which was disbanded when the pension act was passed in 1908.

Campaigning resumed in 1916, with the National Conference on Old Age Pensions (1916) campaigning for pensions to increase in line with inflation.

In 1942 the Scottish Old Age Pensions Association and National Association for Old Age Pensions Associations (established 1937 and 1938) were merged as the National Federation of Old Age Pension Associations. All three organisations campaigned for improvements to state pension provision.

The National Spinsters' Pensions Association (NSPA), established in 1935, campaigned for state pensions to be provided to women at an earlier age, on the basis that women had to give up work

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[11] Information from Pat Thane, *Old Age in English History* pp. 227, 357-9, 365 and the Pensions 100 website: http://www.pension100.co.uk/historyofpensions.

[12] Information in this section is from Pat Thane, *Old Age in English History,* particularly pages 284-286, Salter, Bryans, Redman and Hewitt's *100 Years of the State Pension,* chapter one, and the Pensions 100 website: http://www.pension100.co.uk/historyofpensions.

earlier than men. The NSPA, which was led by Florence White, had a membership of 150,000, mainly textile workers. The NSPA's claims were investigated by a Parliamentary Committee which reported in 1938, and dismissed their demands.

Legislation

The twentieth century saw a massive increase in both the number of pension schemes operating within the UK and the proportion of the population participating in company pension schemes. There were some crises of pension fund management which highlighted the importance of robust regulation and ultimately, sound and ethical management. Public discussion continued to address contentions around discrimination in the provision of pensions, on the basis of gender and other important factors. Near the close of the century, focus shifted to the risks associated with private pension schemes leading to inquiry and legislation to mitigate the risks of mis-management.

The Pensions Act of **1908** saw the Government providing a modest 5s pension (below subsistence, around £14 in today's money) to those over 70s who passed a means test. It was paid for with government revenue rather that the contributions of the pensioner. Pat Thane provides an account of the impact of this pension on recipients: 'Grateful pensioners were said to have offered flowers, apples, even rashers of bacon to the postmasters and mistresses who handed them their first pension'. The rate of the state pension was increased to 10s in **1919** - £10 in today's money.

The **1925** Contributory Pensions Act saw a Conservative government introduce a contributory state scheme for manual workers and others earning up to £250 a year. This scheme provided a pension of 10s a week (around £15 today) from the age of 65.

In **1940** the Old Age and Widows' Pension Act broadened the benefits available to women by reducing the pensionable age to 60 for unmarried insured women and the wives of insured male pensioners, with an associated increase to women's contributions.

A survey carried out as part of the **1942** Exceptional Needs Enquiry found that 70 per cent of old aged pensioners lacked basic essential items such as adequate clothing and fuel, medical treatment and a nourishing diet. This contributed to the proposals set out in the Beveridge Report in the same year, a white paper which suggested a universal flat rate pension based upon the minimum income needed for subsistence. These recommendations influenced the introduction of a universal contributory state pension in the National Insurance Act of **1946**. This legislation provided a pension of £1 6s for a single person and £2 2s for a married couple (around £30 and £48 in today's money), paid at 65 for a man and 60 for a woman, funded by National Insurance contributions from workers. It was implemented in 1948.

In **1959** a National Insurance Act introduced a top up state pension scheme, based on earnings, which was also known as the graduated pension. This pension was not redistributed.

A Labour government introduced SERPS, the State Earnings Related Pension Scheme, in the **1975** Social Security Pensions Act. This was a secondary state pension linked to earnings, which supplemented the basic state pension. Employees in occupational schemes could contract out of this pension and make lower National Insurance contributions. In **1990** this switched to the State Second Pension Scheme (S2P).

Occupational pensions in the twentieth century

During the twentieth century there was a steep increase in both the number of pension schemes with the UK and the proportions of the population participating in company pension schemes. By 1936 6544 private sector schemes were in operation (the majority - 4944 - for administrative or clerical staff), which had leaped to 37,000 (covering 1 in 3 workers) in 1956. By 1970 78 per cent of non-manual, 50 per cent of manual and 38 per cent of unskilled manual workers were members of company pension schemes.[13]

Types of benefit available

There were two main forms of occupational pension scheme available in the twentieth century:

- Defined benefit or final salary schemes, which guarantee members a fixed proportion of their final salary in return for making a set contribution during their employment;
- Defined contribution or money purchase schemes, which provide members with the sum they accumulate by their retirement, with the member having some control over how their pension contributions are invested.

Early twentieth century pensions

Thane suggests the introduction of the state pension in 1908 may have led companies to set up pension schemes for their workers, by encouraging employees to demand equivalent benefits to those provided by the state system, and that rises in life expectancy, increased industrial bargaining and the effectiveness of insurance company's marketing in the inter-war period led to a further expansion in the sector.[14] Changes to the income tax laws in 1921, campaigned for by the newly established Conference of Superannuation Funds (which became the National Association of Pension Funds), also acted as an incentive to companies to set up a pension fund.[15]

Companies who set up pension schemes prior to the Second World War included Wills (1900), Cadbury and Rowntree's (both 1906), Pilkingtons (1910), Imperial Tobacco (1926), Lloyds and Lever Brothers (both 1929), and ICI (1937).

The inter-war period also saw the establishment of industry wide pension schemes. These included:

- Fine Cotton Spinners Association (1919)
- Bleachers Association (1926)
- Bradford Dyers Association (1925)
- Electrical Goods Industry
- Motor Industry (1930s)
- Flour Milling Industry Pension Scheme (1931)

[13] All figures quoted in Pat Thane, *Old Age in English History*, pp. 250, 381, 382.
[14] Pat Thane, *Old Age in English History*, pp. 247, 250, 254.
[15] C.G. Lewin, *Pensions and Insurance before 1800*, p. 430.

Late twentieth century

In the late twentieth century privatisation led to many workers being transferred from public sector pension schemes into private company schemes, and changes to tax legislation in 1988 saw many employees move over to personal pension schemes from their employer's pension scheme. The latter trend led to a number of compensation claims from those who had been mis-sold inferior personal pensions.[16]

Some schemes offered members the opportunity to top up their pensions by making additional voluntary contributions (AVCs).

Regulation of pension schemes

As the pensions industry developed and expanded over the course of the twentieth century, governments sought to apply regulations to pension schemes to protect members' benefits, in part in response to incidents in which pension scheme members were in danger of losing their pension savings such as the Maxwell Scandal. In the wake of this incident, the Government set up tighter regulation of pension schemes and limited compensation mechanisms for members in the 1995 Pensions Act.

[16] Pat Thane, *Old Age in English History*, pp. 382, 384.

Pensions in the twenty-first century

The twenty-first century marked a major shift in UK pensions with the introduction of automatic enrolment for workers, albeit at low contribution levels, leading to a significant increase in the number of employees enrolled in a pension scheme. Changes were also made to State pensions policy, particularly raising the state pension age, and changes made to pensions tax relief contributed to the growing unwillingness of employers to underwrite final salary schemes. Discrimination continued to remain a focus of debate. Together, these changes reflect the ongoing efforts to balance the sustainability of the pension system with changes in life expectancy and the evolving demographic and economic landscape in the United Kingdom.

2001 – **Stakeholder pensions** (a type of personal pension) were introduced to encourage more long-term retirement saving.

2004 – The Pensions Act introduced the **Pensions Regulator** with tough enforcement and anti-avoidance, or 'moral hazard' powers, and the **Pension Protection Fund** financed by levy on all pension schemes. Regulations prescribe that the debt on the employer - the difference between assets and liabilities on wind up - is calculated on a full buy-out basis. Consequently, final salary pensions risk becomes a major factor in commercial transactions.

2005 – Employer debt provisions on a buy-out basis are extended to the employer leaving the multi-employer scheme. This has a major impact on corporate transactions, with further complex regulations becoming necessary to ameliorate the effect.

2008 – **The Pensions Act** introduced automatic pensions scheme enrolment, requiring employers to automatically enrol eligible workers into a qualifying workplace pension scheme. The policy aimed to increase pension savings and address concerns about under-saving for retirement, yet the required contribution levels were low.

2010 – The Equality Act is introduced and requires pension schemes to operate a non-discrimination rule. **The State pension age for women** started to increase in stages to age 65 to equalise with the male State retirement age.

2011 – **The Pensions Act** is amended to accelerate the process of equalising the state pension age for men and women to age 65 by November 2018, and a state pension 'triple lock' is introduced.

2012 – Automatic enrolment legislation begins to take effect with the object of increasing pension savings among workers not covered by other schemes.

2014 – Pension 'freedoms' are introduced.

2018 – The **State Pension Age for women** increased to age 65.

2020 – The **State Pension Age** for all increased to age 66.

Various amendments were further made to the Pensions Act which introduced a new mechanism to review and adjust the state pension age based on changes in life expectancy. This was intended to ensure that the state pension age reflects demographic trends and remains financially sustainable. The state pension age is expected to reach 67 by 2028.

The 21st century has seen the continued decline in private sector occupational schemes and the need to adapt to a private sector increasingly dominated by defined contribution provision, particularly on a final salary or defined benefit basis.

Q&A

Answered by Malcolm Deering, Friends Co-ordinator of The Pensions Archive Trust

Do you know when the first UK Occupational Pension Scheme was established?

Identifying the first example of the payment of a pension is extremely difficult. The further back one goes the less one can rely upon a reference to a 'pension' as relating to a pension as we would interpret the word. However, the first company pension schemes were set up in the late seventeenth century in private firms associated with the government, such as the Bank of England and East India Company.

At the Bank of England, the first pension was granted in 1739 and further grants were made on a discretionary basis. The Bank's Superannuation Fund was established in 1933: prior to that date pensions had been paid out of the Bank's profits.

One of the earliest private occupational pension schemes was the Chartered Gas Light and Coke Company Superannuation Fund, set up in 1841. This fund was uncovered, in the course of PAT's Pensions Research Guide Project's survey of London Metropolitan Archives' collections. Many railway companies established pension schemes for their staff from the middle of the nineteenth century, and firms such as Reuters (1882), WH Smith (1894), Colmans (1899), Courtaulds, Boots, Kenricks, and J and P Coats also set up pension schemes for their staff in the late nineteenth and early twentieth century. An early influence upon the creation of Occupational Pension Schemes came from employers who were members of the Society of Friends (the Quakers).

Do you remember EPBs, CEPs and RONPE?

Did you know that employees could be contracted-out long before the State Earnings Related Pension Scheme that commenced in April 1978?

The State Graduated Pension Scheme was established, by National Insurance Act 1959, to commence from April 1961. The contributions and benefits were related to the level of salary. There was an option for employers to 'contract-out' employees from the State Graduated Pension Scheme and from the liability of employers and employees to pay the additional national contributions due. Under the Act, the Registrar of Non-Participating Employments – RONPE – was created to monitor the contracting-out procedure.

It was the responsibility of RONPE to be satisfied as to the ability of the pension scheme 'contracted out' of the Graduated Pension Scheme, to meet the State benefits forgone (Equivalent Pension Benefits).

Despite the creation of the Occupational Pensions Board, under Social Security Act 1973 and the extension of its responsibilities for other pension aspects, RONPE continued to monitor the financial soundness of schemes, to check amendments to schemes' rules and answer enquiries for the 32,000 'live' schemes still on its books. RONPE's interest in a scheme would end only when all the benefits accumulated in the scheme in lieu of benefits forgone in the Graduated Pension Scheme had ceased to exist.

RONPE ceased operating in April 1980 and the handful of remaining schemes were notified to the Non-Participating Employments Section of the Department of Health and Social Security in Newcastle.

CEPs were the Contributions Equivalent Premiums paid to the State to retrospectively reinstate contracted-out individuals in the State Graduated Scheme.

Did you know that there were personal pensions before Personal Pensions?

Personal Pensions were made available from 1 July 1988, under the Financial Services Act 1986 but are you aware that - thirty years earlier - a personal pension saving facility was introduced for self-employed persons and for persons without employer sponsored pension provision?

The Finance Act 1956 created the option for persons, who were not eligible for an employer's pension scheme, to set up a 'tax relieved' Retirement Annuity Contract. Subsequently, these were described as 'Section 226 pensions' referring to Section 226 of Income and Corporation Taxes Act 1970. Unlike Personal Pensions thirty years later, the 1956 contract only provided for contributions by the individual and did not provide for contributions from any employer.

Contributions were paid to a deferred annuity contract. There was an annual limit – dependent upon the age band within which the individual fell - as to how much contribution an individual could pay into the Retirement Annuity Contract. (ranging from 17.5% of earnings if aged 50 or less to 27.5% for the age band 61-74).

A tax-free lump sum benefit was available based upon a maximum of three times the remaining pension at retirement.

Since A-Day and 'Simplification', Retirement Annuity Contracts were brought into line with Personal Pensions, including by the maximum tax-free lump sum becoming 25% of Fund.

Although it is no longer possible to take out a new Retirement Annuity Contract, contracts taken out before 1 July 1988 can remain in existence.

Who was responsible for the Pensions Scheme Ratings?

Until the late 19th century, there were three principal bodies responsible for the payment of various naval pensions to ratings:

- The Navy Pay Office
- The Chatham Chest (later the Greenwich Chest)
- The Royal Greenwich Hospital

Records of all these bodies are held at The National Archives under the department code ADM. Applicants would also petition for pensions and these applications can be found in the records of the Secretaries of State (SP) and the Privy Council (PC). From the late 19th century, various other departments became involved, such as the Paymaster General (PMG), and the Ministry of Pensions (PIN).

The Royal Greenwich Hospital paid small out-pensions to large numbers of deserving applicants who had served in either the Navy or Marines, as well as admitting a fixed number to live as in-pensioners of the hospital. Out-pensions were a form of superannuation in that claimants had to show former service in the Navy or Marines, but there was no bar to them holding other employment, as the pensions were scarcely sufficient to live on. Many out-pensioners of the Hospital were still young men in the full employment. It was possible for both in and out-pensioners to re-enter the Navy, at which point their pensions lapsed until their discharge.

To qualify for pensions, ratings had to prove their qualifying service which they did by certificates issued by the Navy Pay Office. The certificate was an abstract of various postings derived from the ships' musters.

If you wish to check the National Archives records go to - http://www.nationalarchives.gov.uk/help-with-your-research/research-guides/royal-navy-ratings-pensions/ .

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This select bibliography is based on one supplied to the Pensions Archive Trust by Chris Lewin. It has been split into:

- <ins>Secondary sources on the history of pensions</ins> (overviews and analyses of the history of pensions).
- <ins>Legislation and government reports</ins> (a list of significant acts of parliament and government reports relating to state and occupational pensions).
- <ins>Primary sources</ins> (including books outlining early proposals for pension schemes; books reviewing contemporary provision for old age; pensions management textbooks; and annual reports, accounts and histories of some of the earliest occupational pension schemes).

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