

The DWP Publishes its Review of State Pension Age

The DWP has published the final report of its [review](#) into the State Pension age (SPA), proposing a new timetable for the rise to age 68, to maintain fairness between generations in line with life expectancy.

In the past, the idea of increasing SPA would not have been seen as something any government would have wanted to consider. However, there is now broad consensus to the general idea of reviewing the SPA (although the idea of moving to age 68 isn't something that garners universal support).

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The Reason for Reviewing SPA

The Pensions Act 2014 commits the government to a regular review of SPA, in view of the general pattern of increased life expectancy and ratio of individuals of working age to those over SPA.

When the modern State Pension was introduced in 1948, a 65-year old could expect to spend 13.5 years in receipt of a pension (or 23% of their adult life), assuming adult life starts at 20. By comparison, a 65-year old can currently expect to live for a further 22.8 years (or 33.6% of their adult life).

Latest projections from the Office for National Statistics show that the number of people over SPA in the UK is expected to grow by a third over the next 25 years, from 12.4m now to 16.9m in 2042.

Research Undertaken to Inform the DWP's Review

The government is required to commission two independent reports to inform the State Pension age review. The following were both produced in March this year:

- Analysis by the Government Actuary's Department (GAD) of future possible SPA timetables, calculated from the latest life expectancy projections and based on specified proportions of adult life that individuals in the future could expect to spend in receipt of State Pension.
- A report on wider factors relevant to the pensionable age as specified by the government, such as variations in life expectancy. For the 2017 review, this report was written by John Cridland CBE.

Summary of the GAD Report

The GAD report shows how SPA could change in order that individuals spend on average up to either 32.0% or 33.3% of their adult life in receipt of the State Pension. Both timetables would bring the increase from age 67 to age 68 forward compared to current legislation. The report also highlights the considerable uncertainty in future life expectancy projections. The timetables are shown below.

SPA Changes	Current Legislation	33.3% Scenario	32.0% Scenario
67 to 68	2044-46	2039-41	2028-30
68 to 69	n/a	2053-55	2040-42
69 to 70	n/a	n/a	2054-56

Summary of the Cridland Report

This report made a number of recommendations relating specifically to SPA, including that:

- Universal coverage should continue across the UK, increasing over time to reflect improvements in life expectancy.
- It should increase to age 68 between 2037 and 2039, at which point the proportion of adult life in receipt of State Pension would have reached roughly the average over the last decade.
- The pace of change should be steady and evenly spread across generations and on this basis SPA should not increase by more than one year in any 10-year period (assuming there are no exceptional changes to the data used).
- Individuals should get 10 years' notice of any new changes to SPA age to provide certainty for individuals and allow for 'windows of stability' where the impact of each change can be monitored and mitigations introduced if appropriate.

What is the DWP proposing?

As shown above, SPA is currently due to increase from 67 to 68 between 2044 and 2046. (This increase has been in place for some years, and as the increase to age 67 has since been brought forward, it is no surprise to see the government reconsidering the schedule for the increase to age 68).

The DWP is therefore proposing that SPA will increase to age 68 between 2037 and 2039, in line with the recommendations of the Cridland Review.

The Impact of the Proposal on Individuals

Date of Birth	What This Means
Before 6 April 1970	No change.
6 April 1970 – 5 April 1978	SPA is currently age 67. It will increase to between 67 years and 1 month, to 68 years, depending on the precise date of birth.
From 6 April 1978	No change. SPA remains at age 68.

The DWP has confirmed however that under the proposed timetable, individuals will on average, continue to spend longer in receipt of the State Pension, than anyone reaching SPA in the last 25 years.

When will these proposals come into force?

The next SPA review will be conducted by July 2023, and this will confirm exactly when SPA will increase to 68, and will allow for consideration of more recent life expectancy projections whilst ensuring adequate notice. In the interim period the government will analyse the impact of existing changes to SPA – i.e. the equalisation of men’s and women’s SPAs to 65 and the rise from age 65 to age 66 – which will provide additional evidence to help the government to assess the best course of action.

Parliament still has to approve these proposals before they come into effect. It is worth noting that at the last General Election, there wasn’t complete consensus on increasing the SPA to 68.

Comment

The publication of the DWP’s review garnered many headlines and perhaps gave the impression that SPA was definitely moving to age 68 far sooner than expected. There are clear reasons – set out in the review – for increasing the SPA to 68. Politically, it may not be so simple.

The review does only constitute the DWP’s proposals, and Parliamentary agreement is still required, before any change may become law. Due to the government’s weakened position in Parliament, and the Opposition’s manifesto pledge not to increase SPA beyond age 66, this review may well be heading for the long grass, until 2023.

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