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### Second review of State Pension age

The DWP has published the final report of its second review of State Pension age (SPA), which considers the timetable for the rise to age 68, the purpose of which is to maintain fairness between generations in line with life expectancy.

When the first periodic review of SPA was undertaken in 2017, the government accepted the proposal for accelerating the increase to age 68 from the mid-2040s to 2037-2039, although this would be subject to a further review, using the latest life expectancy projections.

As a result of this second review, the government states that it has recognised the recent slowdown in the increase of average life expectancy and, as a result of this, the decision on bringing forward the SPA increase to 68 will be deferred until after the next General Election.

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#### Background

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

#### Changes in life expectancy

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. Life expectancy has increased over time and is projected to continue to do so. It has increased by 10 years for male and females as of 2020 compared to 1951, and by 2070, life expectancy at birth of males and females, is projected to reach 92.5 years and 94.6 years respectively, reflecting improvements of more than 4 years compared to 2020.

However, since the 2017 SPA review, the rate of increase in life expectancy has slowed. For example, in the 2014-based projections that informed the 2017 review, life expectancy at age 65 was projected to reach 27.3 years by 2060, whereas in the latest 2020-based projections it is projected to reach 24.4 years. This does not represent falling life expectancy, as life expectancy at age 65 is 20.9 years as of 2020, but a slower rate of future improvement. Nevertheless, in the report the government

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states that it is aware of growing inequalities in life expectancy outcomes and is taking action to tackle this.

### Other factors

The government maintains that it recognises the importance of the State Pension remaining “the foundation of income in retirement for future generations and that it is sustainable and fair”.

Alongside changes in life expectancy, the number of children people have, on average, is lower than seen historically and is also lower than at the time of the 2017 review. As a result of changes in total fertility rates and continued life expectancy improvements, there are projected to be 5 million more pensioners in the population by 2070 and just 1 million more of working-age.

The differences in the growth of the pensioner population and that of the working-age population has a demographic impact. There were 280 pensioners for every 1,000 people of working age as of 2020. This will increase rapidly from the 2030s and will reach levels by 2070, where the ratio is projected to be 393 pensioners per 1,000 people of working age.

The Office for Budget Responsibility has estimated that State Pension costs will increase from 4.8% of Gross Domestic Product (GDP) in 2021/22 to 8.1% by 2071/72. That needs to be seen in the light of the significant change in the UK economy in recent times and the impact on the public finances of heightened global volatility. This has changed the medium-term context which will affect the long-run outlook of the public finances.

## Research undertaken to inform the review

The Pensions Act 2014 requires the government to commission two independent reports to inform the periodic SPA review:

- the Government Actuary’s Department (GAD) is required to analyse 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 setting SPA. For the 2023 review, this report was written by Baroness Neville-Rolfe.

### Summary of the GAD report

GAD was asked to assess the changes to SPA set out under the current legislative timetable for the rise to 67 in 2026/28 and 68 in 2044/46. It was also asked to assess the proposed 2017 review change to bring forward the rise to 68 to 2037-39, subject to consideration of the latest life expectancy projections. For the specified proportion of adult life in retirement – that is, the percentage of adult life that someone who reaches SPA will be in receipt of their State Pension – this is based on three scenarios: 32%, 31% and 30%.

The [GAD report](#) shows the years in which SPA is due to change under current legislation, current policy, and the changes to the SPA timetable that would be required to meet the requirements under each of the scenarios described above based on the specified assumptions and parameters over the period up to 2070. SPA changes are assumed to take place over two-year periods starting on 6 April.

Proportion of adult life in retirement					
SPA increase	Current legislation	Current policy	32%	31%	30%
66 to 67	2026-28	2026-28	2037-39	2026-28	2023-25 **
67 to 68	2044-46	2037-39	2053-55	2041-43	2030-32
68 to 69	-	-	N/A *	2058-60	2046-48
69 to 70	-	-	N/A *	N/A *	2062-64

\* These increases would take place after the end of the specified projection period in 2070.

\*\* This increase is calculated to be required immediately, because the proportion is already over 30%. For the purposes of this report it is assumed that the earliest it could take place in theory is from April 2023.

### Summary of the independent report on other relevant factors

The [independent review](#) was commissioned to explore metrics that the government could use when considering how to set SPA, including whether it was right to continue using the proportion of adult life spent in retirement in determining the SPA timetable. The key recommendations made by Baroness Neville-Rolfe are:

- it remains right for there to be a fixed proportion of adult life people should expect to spend, on average, in receipt of State Pension;
- this proportion should be set at 'up to 31%' of adult life;
- the government should set a limit on State Pension-related expenditure of up to 6% of GDP.

The recommendation on 31% keeps to the spirit of the findings of the 2017 review where 32% of adult life receiving the State Pension was the average experience of pensioners from 1996-2016 reaching age 65. Using the latest life expectancy projections and reflecting changes to SPA, means this proportion is now closer to 31%. Baroness Neville-Rolfe found that the SPA increase to age 67 in 2026-2028 was consistent with the 31% metric, but this was not the case with the age 68 increase timetable as set out in the 2017 review and, as a result, recommended that the timetable should be pushed back to 2041-43.

## What has the government decided?

### SPA increase to 68

The 2017 review recommended that the SPA increase should be brought forward to 2037-39. (Ahead of the publication of this second review, there was even speculation that the government might choose to accelerate the increase even further.)

Although the government noted the independent review's recommendations about increasing SPA to between 2041-43, that review was not able to take account of the long-term impact of recent significant external challenges, including the COVID-19 pandemic and recent global inflationary pressures. This brings a level of uncertainty in relation to the data on life expectancy, labour markets and the public finances. In the report, the government states that it is mindful that a different decision might be more appropriate once this is clearer.

The government has, therefore, decided to have a further review within two years of the next Parliament to consider the age 68 increase, to ensure that it can consider the latest information which was not available to the independent reviewer for this review.

The government confirms that it remains committed to the principle of 10 years' notice of changes to SPA and will ensure that any legislation can be brought forward in a timely manner.

### SPA increase to 67

The government states that it agrees with the independent report's conclusion that the increase to SPA from 66 to 67 is appropriate. This rise will, therefore, take place between 2026-2028, as expected.

## Comment

It will be interesting to see how the government chooses to deal with the issue of further increases to SPA. As a universal benefit, increasing the age at which the State Pension is payable is unpopular, but is the easiest way of maintaining a benefit that is payable to everyone (subject to the necessary National Insurance contributions being paid).

The cost of providing the State Pension is huge, and with demographic changes since the late 1940s, is only likely to increase. This means the government will be under pressure to continue increasing SPA. It has cited increasing life expectancy as a key justification for increasing, and accelerating the increase of, SPA. If the recent slowdown in this increase in life expectancy continues, the government may need to look for another reason to support further SPA increases.

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