

PRESS RELEASE
For immediate release

“The majority of millennials will see a notional loss from the new State Pension” says Pensions Policy Institute

The PPI has undertaken analysis of the Department for Work and Pensions’ (DWP) impact assessment of the new State Pension (nSP), to estimate the number of people of different ages who may be notionally better or worse off under the nSP.

This analysis highlights that:

- Approximately three quarters of people in their twenties are set to lose a notional average of £19,000 over the course of their retirement (6.3m of 8.4m expected pensioners);
 - The 2.1m who will make a notional gain are expected to gain £10,000 on average;
- Approximately two thirds of people in their thirties are set to lose a notional average of £17,000 over the course of their retirement (5.1m of 7.7m expected pensioners);
 - The 2.7m who will make a notional gain are expected to gain £10,000 on average.

Chris Curry, PPI Director, said “As well as simplifying the State Pension system, the new State Pension also significantly reduces the cost of state pensions in the future.”

“While the majority of millennials will see a notional loss of state pension income as a result of the introduction of the new State Pension they will benefit from greater clarity about what that income will be.”

ENDS

A summary of the analysis follows on the next page.

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Notes for editors

1. The Pensions Policy Institute (PPI) is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.

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Analysis of the impact of the new State Pension**Background**

This analysis was undertaken for the BBC to answer questions posed by Simon Gompertz, Personal Finance Correspondent, BBC News. The analysis is to answer how many people in different cohorts may be notionally better or worse off under the new State Pension (nSP) as introduced in April 2016.

Key Results

- Approximately three quarters of people in their twenties are set to lose a notional average of £19,000 over the course of their retirement (6.3m of 8.4m expected pensioners)
 - The 2.1m who will make a notional gain are expected to gain £10,000 on average.
- Approximately two thirds of people in their thirties are set to lose a notional average of £17,000 over the course of their retirement (5.1m of 7.7m expected pensioners)
 - The 2.7m who will make a notional gain are expected to gain £10,000 on average.

Approach

These figures have been derived through analysis of the published impact assessment of the nSP by the Department for Work and Pensions (DWP). The published figures have been interpolated allowing a breakdown of individuals by age band and projected retirement date based upon DWP and ONS statistics. This has resulted in costings for individual age groups aggregated into the groupings presented below.

Notes on the figures:

- Age band is assumed at the beginning of the 2016/17 tax year.
- Number of people is the projected number of retirees by year (DWP, 2016) and assigned according to current age.
 - This is split according to the proportion of those making gains / losses (DWP, 2016)
 - Results are rounded to the nearest 100,000 to reflect the certainty of the estimated results.
- Gains and losses are based upon weekly average impacts (DWP, 2016) and assumed to occur throughout the entire retirement of the individual.
 - Results are expressed in 2015 earnings terms consistent with the DWP report.
 - Results are rounded to the nearest £1,000 to reflect the certainty of the estimated results.

Results for individuals with a notional loss from the introduction of the nSP

Age band	Notional Losses								
	Number of people			Weekly loss (£s)			Lifetime loss (£s)		
	Men	Women	All People	Men	Women	All People	Men	Women	All People
20-29	3,100,000	3,200,000	6,300,000	17	13	15	21,000	18,000	19,000
30-39	2,500,000	2,600,000	5,100,000	15	12	13	18,000	16,000	17,000
40-49	2,000,000	1,700,000	3,600,000	11	9	10	14,000	11,000	13,000
50-59	1,100,000	700,000	1,800,000	6	6	6	7,000	8,000	7,000
60+	300,000	100,000	400,000	2	5	3	2,000	6,000	4,000

Results for individuals with a notional gain from the introduction of the nSP

Age band	Notional Gains								
	Number of people			Weekly gain (£s)			Lifetime gain (£s)		
	Men	Women	All People	Men	Women	All People	Men	Women	All People
20-29	1,100,000	1,000,000	2,100,000	9	6	8	11,000	8,000	10,000
30-39	1,300,000	1,400,000	2,700,000	9	7	8	11,000	9,000	10,000
40-49	1,900,000	2,400,000	4,300,000	12	10	11	14,000	13,000	13,000
50-59	2,800,000	3,300,000	6,100,000	12	13	12	13,000	16,000	15,000
60+	1,400,000	900,000	2,300,000	8	11	9	9,000	14,000	11,000

Data sources

- Impact of New State Pension (nSP) on an Individual's Pension Entitlement – Longer Term Effects of nSP, DWP (2016):
 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/491845/impact-of-new-state-pension-longer-term-research.pdf
- Life Tables, Principal Projection, United Kingdom, ONS (2015):
 - <http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/datasets/lifetablesprincipalprojectionunitedkingdom>
- State Pension age timetable, DWP, (2014):
 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/310231/spa-timetable.pdf