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PRESS RELEASE
For immediate release

"Future governments could significantly reduce the costs of the new single-tier pension system" says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing *The long-term cost and spending implications of the single-tier pension*, the final in a series of briefings to provide a detailed, comprehensive and independent analysis of the impact of the Government's single-tier state pension reforms. The research series has been funded by the Nuffield Foundation.

The briefing note finds that, while the new single-tier system is expected to be broadly cost neutral in the early years of implementation, there is significant scope for future governments to change the path of future spending, for example by restoring the earnings linking of the state pension or through further increases to the State Pension Age.

Mel Duffield, PPI Deputy Director, said "The single-tier pension should provide much greater clarity about what individuals can expect from the state in their retirement, which should help them with other financial decisions, including how much to save in a private pension."

"However there is a complex transition before the majority of those reaching State Pension Age start to receive the full single-tier state pension, and this will create significant communication challenges for the Government over the next ten years as it tries to explain to individuals what they will personally be entitled to."

"With the single-tier linked to the "triple-lock", the path of future spending on state pensions and pension credit is expected to be broadly cost neutral with the current system in the early years of implementation."

Mel Duffield added "Over the longer-term, however, there is scope for future governments to make changes to the future value of, or eligibility to, the single-tier pension. This research finds that a return to earnings linking, alongside further suggested increases in State Pension Age, could reduce the costs of the new single-tier system by as much as 1.0% of GDP by 2050."

The briefing note concludes that, because the requirement to uprate the new single-tier pension by the "triple-lock" (the higher of earnings growth, CPI and 2.5% in each year) is not included in legislation, future governments could revert to increasing the state pension in line with earnings and significantly reduce the cost of the new single-tier system over the longer-term. This would also have implications for future retirement incomes, with many individuals needing to save more to secure themselves an adequate income in retirement.

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The full series of briefing notes can be downloaded from
www.pensionspolicyinstitute.org.uk

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.

2. The Nuffield Foundation is an endowed charitable trust that aims to improve social well-being in the widest sense. It funds research and innovation in education and social policy and also works to build capacity in education, science and social science research. The Nuffield Foundation has funded this project, but the views expressed are those of the authors and not necessarily those of the Foundation. More information is available at www.nuffieldfoundation.org

3. *The long-term cost and spending implications of the single-tier pension*, is the final in a series of six briefings published by the PPI in 2013 and 2014 to provide a detailed, comprehensive and independent analysis of the impact of introducing the single-tier state pension. The legislation for the single-tier state pension is included in the Pensions Bill 2013-14 and will be introduced in April 2015.

4. The other briefing notes in the PPI single-tier series highlight:

- The complexity of the transition and identifying gainers and losers – for example, with low earners with career breaks seeing improved outcomes under the single-tier compared to the current system if reaching State Pension Age in 2016, but worse outcomes if reaching SPA in 2036 **(Briefing Notes 1 and 2);**

- The significant difference that the triple-lock uprating of the single-tier pension can make to state pension outcomes over time compared to uprating by earnings **(Briefing Note 3);**

- The opportunity for those with time previously contracted-out of SERPs or S2P to build up additional single-tier state pension entitlement, placing them at an advantage compared to contracted-in individuals **(Briefing Note 4);** and

- The variations in life expectancy across regions, with the first year at which a third of adult life is spent in retirement with a State Pension Age of 68 being around 15 years later for Scotland compared to England **(Briefing Note 5).**