PENSIONS POLICY INSTITUTE

PPI

Submission to the Work and Pensions Select Committee inquiry into tackling pensioner poverty in Great Britain

Summary

I. The Pensions Policy Institute (PPI) promotes the study of pensions and other provision for retirement and old age. The PPI is unique in the study of pensions, as it is independent (no political bias or vested interest); focused and expert in the field; and takes a long-term perspective across all elements of the pension system. The PPI exists to contribute facts, analysis and commentary to help all commentators and decision-makers to take informed policy decisions on pensions and retirement provision.

II. The reforms to state pensions introduced in the Pensions Act 2007 will reduce inequalities in state pension incomes over time. For example, currently only 30% of women qualify for a full basic state pension. The Government estimates that as a result of the reforms by 2025 90% of women will be eligible for a full basic state pension. But there are still inequalities in state pension incomes for those retiring before 2010, and for generations reaching state pension age before the reforms are fully fed through.

III. Some other inequalities will remain, as a large part of the pension system is still linked to the working histories of individuals due to the contributory nature of state pensions. Individuals with low earnings and/or career breaks not covered by the system of credits will still receive lower state pension income.

IV. As a result of this continued but reduced inequality in state pension incomes, and continued inequalities in private pension incomes, some groups will still remain more at risk of pensioner poverty, although at lower risk than before the reforms. These include groups more likely to have characteristics associated with low state and private pension incomes, such as low earnings, broken work histories and self-employment. These groups include some women, disabled people and people from ethnic minorities.

V. The current financial crisis is likely to impact on different individuals in different ways, according to their age and to the type of pension and savings that they have. The benefits of members of DB schemes are less secure than they appeared to be before the financial crisis, though there is some support from the Pension Protection Fund.

VI. Members of Defined Contribution schemes are more directly exposed to the recent fall in investment returns, and despite attempts to reduce this exposure through 'lifestyling' investment methods most will have seen the value of their pension assets fall significantly in the past year. Those approaching retirement are less likely to be able to make up for the shortfall than younger workers who have more time to make up any shortfall and for investment returns to recover.

VII. For current pensioners, the impact of the current financial crisis is likely to be greatest on those who receive a significant proportion of their income from savings.

VIII. The current financial crisis is likely to increase the risk of individuals becoming eligible for means-tested benefits in future. However, given that there is already considerable uncertainty as to future levels of eligibility for means-tested benefits, and the impact of the financial crisis on long-term employment and savings levels, it is not possible to predict the impact of the current financial situation on future levels of eligibility for means-tested benefits.

Introduction

1. The Pensions Policy Institute (PPI) promotes the study of pensions and other provision for retirement and old age. The PPI is unique in the study of pensions, as it is independent (no political bias or vested interest); focused and expert in the field; and takes a long-term perspective across all elements of the pension system. The PPI exists to contribute facts, analysis and commentary to help all commentators and decision-makers to take informed policy decisions on pensions and retirement provision.

2. This response focuses on the issues surrounding specific groups who may be more vulnerable to poverty in old age, the fairness of the UK state pension system after the changes to be introduced in 2010, and the potential impact of the financial crisis on pensioner poverty (Questions 1, 2 and 4 in the call for evidence).

The fairness of UK state pensions after the recent reforms

3. The Government has recognised the need to increase state pension incomes for some groups who are currently disadvantaged in the system, particularly women and those with caring responsibilities.

4. A number of reforms to state pensions were introduced in the Pensions Act 2007 that are designed to make the system fairer. These include:
   - Reducing the number of years required for a full Basic State Pension (BSP) from the current level (39 for women, 44 for men) to 30.
   - Strengthening the system of credits for carers so that more qualify for a credit towards BSP, and counting credits for caring as a qualifying year, (rather than just reducing the number of qualifying years needed to qualify for a full BSP as in the pre-2010 system).
   - Removing the minimum number of contributions needed to get any Basic State Pension.
   - Requiring the BSP to be uprated with average earnings rather than prices, possibly from 2012 or from 2015 at the latest
   - Extending the system of credits used within State Second Pension (S2P) so that more individuals caring for children, or for people with disabilities, will receive credits.
   - Increasing the speed at which S2P becomes 'flat-rate' – that is, awarding the same contribution to all individuals who qualify in a particular year, irrespective of how much they have earned. This will now happen around 2030, rather than 2050 as originally envisaged.

5. The change in the number of qualifying years required to receive a full BSP will only apply to individuals reaching state pension age (SPA) from April 2010 onwards. People already over SPA and those reaching SPA before 2010 would see no change in the proportion of the full BSP they receive as a result of the proposals.

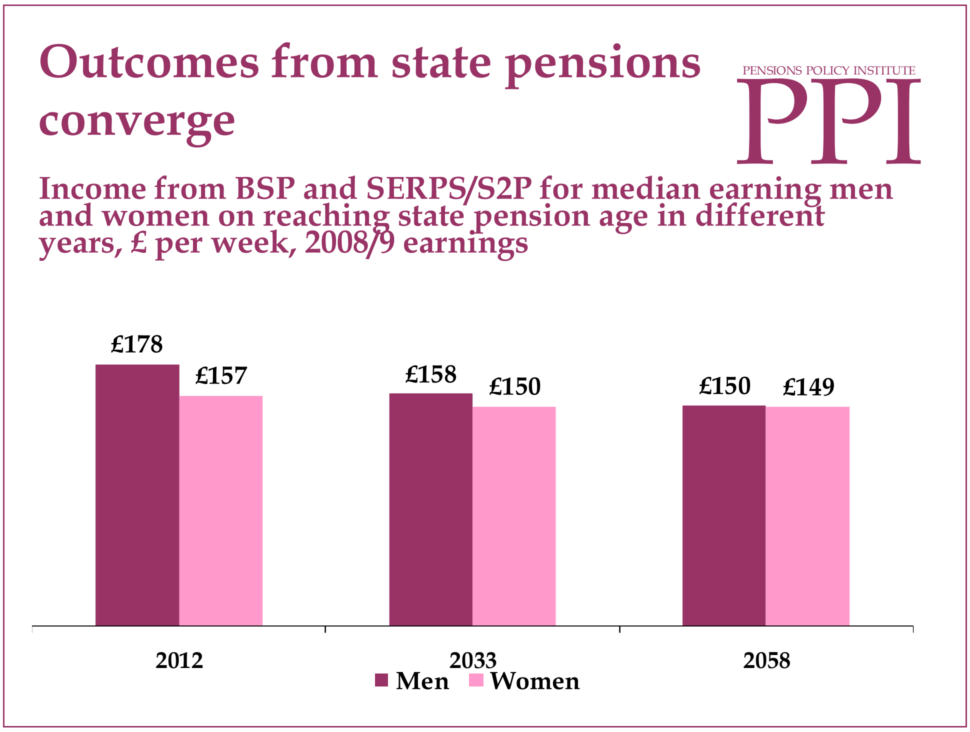
6. One effect of the Government's reforms to state pensions will be to increase the proportion of women who receive the full BSP. Currently only 30% of women reaching SPA receive the full amount of BSP. In the absence of reform, this could grow to 50% by 2010 and to 80% by 2025. With reform, 70% of women reaching SPA in 2010 could receive the full amount, rising to 90% by 2025[1].

7. The overall package will mean that outcomes between men and women converge, although full convergence will take decades. For example, a median earning man who reaches SPA in 2012 could have around £21 a week more in BSP and S2P combined than a median earning woman (Chart 1)[2]. In this hypothetical example the difference is purely because median pay for men is higher than median pay for women.

8. This difference would reduce to around £8 a week for those reaching SPA in 2033, and to around £1 a week for those reaching SPA in 2058.

[1] Department for Work and Pensions (DWP) (2007) *Pensions Bill Regulatory Impact Assessment*
[2] PPI analysis using the Individual Model, assuming both male and female have a working life of 47 years

Chart 1



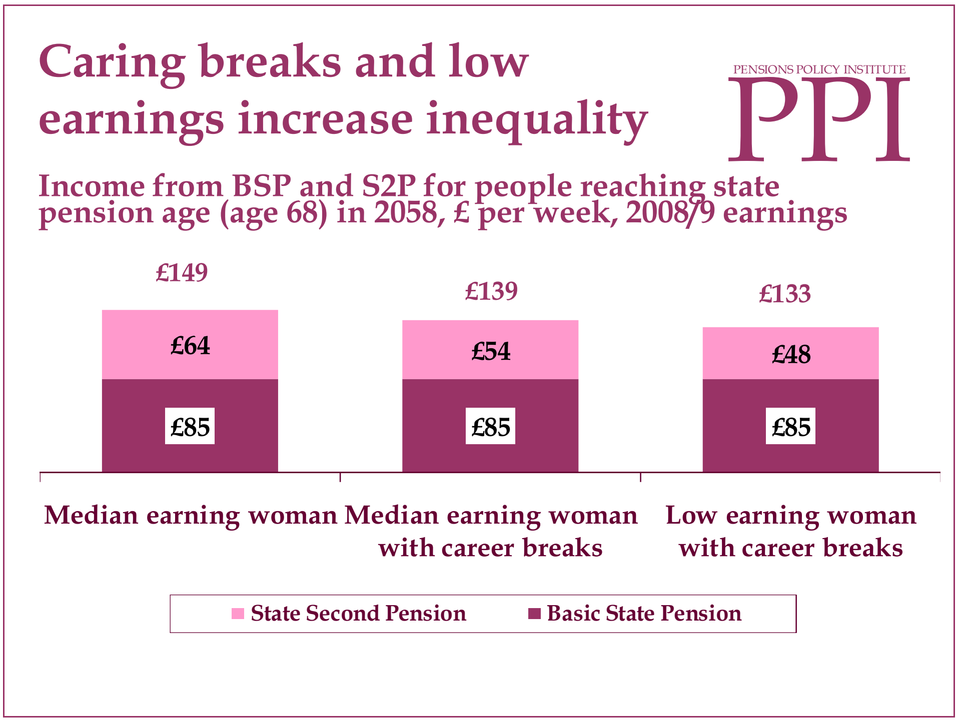
9. The individuals modelled qualify for S2P for most of their working life, either through working or credits. However, based on working patterns in 2004/5, around 25% of working age people will still not qualify for S2P each year even after the reforms[3]. Therefore, some people will receive less income from S2P at SPA than these individuals do.

10. An individual with 5 years spent with career breaks that do not qualify for S2P could see a state pension income £10 a week lower at SPA. A combination of low earnings and career breaks could reduce state pension income by £16 a week (Chart 2)[4]

[3] PPI estimates based on the Family Resources Survey 2004/5

[4] PPI analysis using the Individual Model. The career breaks modelled are 7 years of caring from age 29 to 35 inclusive that do qualify for credits to BSP and S2P, followed by 5 years of part-time work, and 5 years of inactivity (from age 55 to 59 inclusive) that do not qualify for credits (for example caring for relatives but not for enough hours each week to qualify). Low earnings are classed as those at the 30th percentile of female earnings.

Chart 2



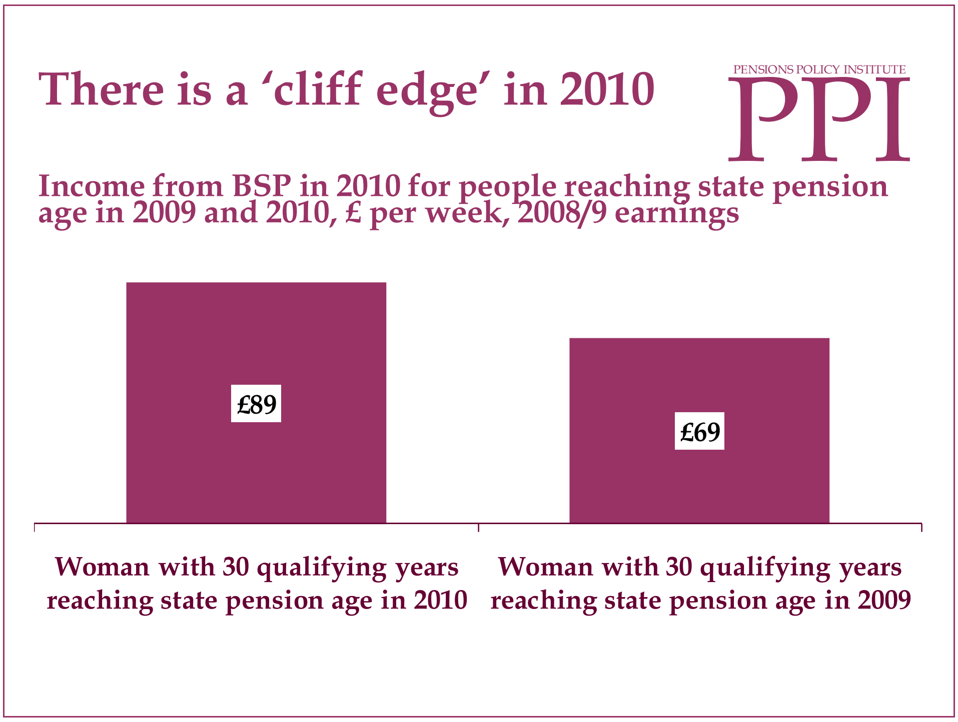
11. Overall as a result of the Government's reforms, in the long term the state pension system is made more fair, with less difference in outcomes between individuals when they reach state pension age. (Although some differences are likely to remain, see below). However, there will remain considerable inequalities between different generations.

12. Perhaps the biggest inequality is between those retiring just before the introduction of the reforms in 2010, and those just after. Two women with identical working histories but who reach SPA in different years can have very different pension outcomes A woman retiring in 2009 rather than 2010 will have BSP income £20 a week lower in 2010, compared to a woman identical in every respect but 1 year younger who retires in 2010. (Chart 3)[5] She would receive this lower amount every week throughout her retirement.

[5] PPI calculation, 2008/9 earnings terms

13. Although the Government will be changing the rules surrounding the number of qualifying years that can be bought to fill gaps in contribution records, not all individuals will be able to afford to make payments to do so. The cost of purchasing an extra qualifying year through voluntary Class 3 National Insurance contributions for an individual is currently £421.20[6].

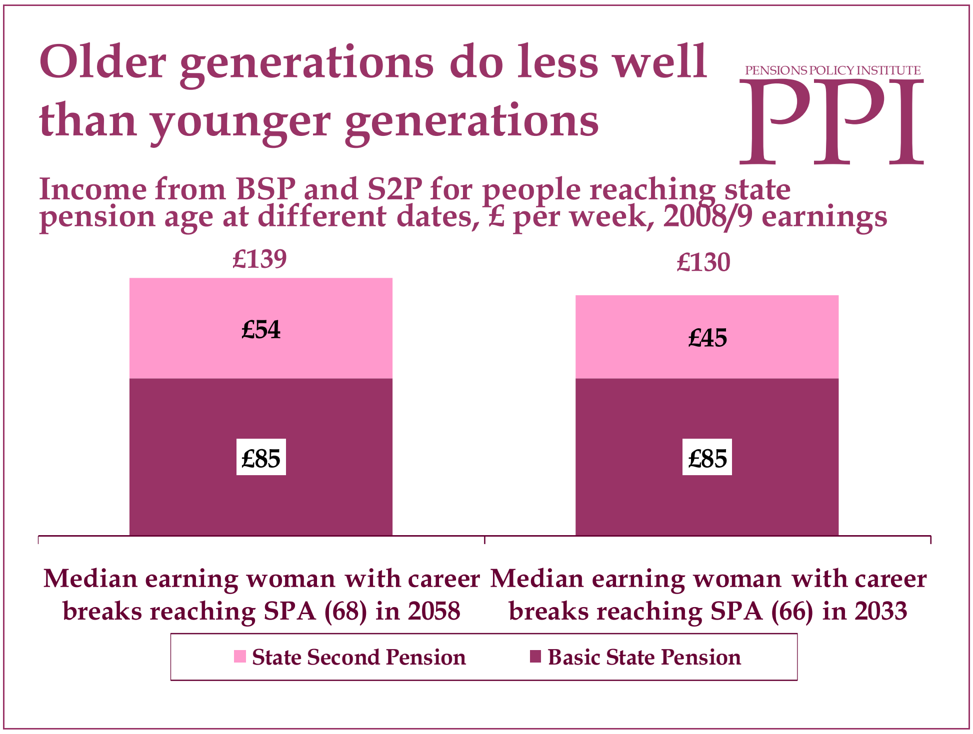
Chart 3



14. Similarly, individuals who reach SPA before the reforms have fully worked through will receive lower pension incomes than younger individuals. This is because the reforms for S2P only apply to future, rather than past, accruals. So individuals who have periods of no, or low, accruals in their second pension history from time spent in SERPS (which had no system of credits and was strictly earnings-related so that low earners received only a low accrual) will receive lower incomes at SPA (Chart 4)[7].

[6] Tax year 2008/9
[7] PPI analysis using the Individual Model

Chart 4



Some groups remain at risk of low pension incomes

15. Despite the state pension system becoming more equal over time, some groups will remain more at risk of pensioner poverty.

16. In November 2008 the PPI published research, commissioned by the Equality and Human Rights Commission (EHRC), examining the likely future pension incomes of disabled people and people from ethnic minorities[8].

17. Overall, the research found that disabled people and people from ethnic minorities have many of the 'alarm bell' characteristics that are associated with lower pension incomes, such as lower earnings, or being more likely to be unemployed or self-employed. If current trends continue, they are likely to have lower pension incomes in future than the traditionally-employed median-earning male.

[8] Steventon and Sanchez (Pensions Policy Institute) (2008) *The under-pensioned: disabled people and people from ethnic minorities* Equality and Human Rights Commission (EHRC) Research Report number 5

Women

18. Female pensioners currently have lower incomes than male pensioners. Although (as discussed above) the Government's reforms to state and private pensions are likely to improve pension incomes for men and women, and significantly increase coverage of the basic state pension for women, some differences in their average incomes are likely to remain.

19. This is because reforms to state pensions, and S2P in particular, will take many decades to filter through the system. Although the link between individuals' earnings and their state pension entitlement is reducing, private pension income is linked to paid employment. The gender pay gap is improving but women still earn less than men on average, so their private pension incomes are likely to remain lower than men's on average for some time.

Disabled people

20. Using the broadest definition of disability, one-fifth of today's working-age population is disabled[9]. These disabled people have many of the characteristics that are associated with lower pension incomes. For example, they:
    - **Are less likely to be in work:** Only 50 per cent of working-age disabled people are in work, compared to 80 per cent of working-age non-disabled people[10]. This is of concern because the UK pension system is built upon the contributory principle, so the amount of pension received is closely linked to employment.
    - **Are less likely to qualify for state pensions.** The crediting system to state pensions, which rewards certain non-work activities, helps many disabled people build up entitlement. Although almost everybody is expected to receive the full amount of Basic State Pension in future, this is not true for the State Second Pension. 33 per cent of disabled people might not qualify for the Second State Pension each year, compared to 24 per cent of non-disabled people[11].

[9] PPI analysis of the Labour Force Survey (Q2 2007) using disability as defined in the Disability Discrimination Act (1995) and self-reported work limiting disability. Unless otherwise stated, all statistics in this section are from this source and use this definition of disability

[10] ONS Labour Force Survey Historical Quarterly Supplement, Q2 2007

[11] PPI analysis of the Family Resources Survey 2005/06; illustrates what proportion of working-age people would have received a qualifying year towards state pensions if the Pensions Act 2007 reforms had been in place in 2005/06. Disabled people are those registered with their Local Authority, or with a long-standing disability or illness that limits their behaviour

- **Have lower earnings when in work:** Lack of affordability is the main reason people give for not saving in a private pension[12]. But disabled people in full-time employment earn less than non-disabled people at every age and disabled people are also more likely to work part-time.
- **Are less likely to be saving for a private pension:** Disabled workers are less likely than non-disabled workers to be saving in a private pension at every age. For example, 55 per cent of 45 to 54 year old disabled people in work are saving for a pension, compared to 64 per cent of comparable non-disabled people[13].
- **Are less likely to work after state pension age.** For example, only 9 per cent of 65 to 69 year old disabled people are in employment, compared to 19 per cent of equivalent non-disabled people.

21. Disabled people are not a homogeneous group. Some types of disability can have a more acute impact on pension incomes than other types. For example, only 21 per cent of people whose main disability is a mental health condition and 27 per cent whose main disability is a learning difficulty are in employment, compared to 65 per cent of people with diabetes.

22. To illustrate the potential implications of these characteristics for future pension incomes, the PPI's research uses two hypothetical case studies of disabled individuals[14]. These are compared to a median-earning man with a full savings history. The median-earning man illustrated is likely to have an above-average pension income, receiving around £254 a week in a combination of state and private pensions when he reaches state pension age. In comparison:
    - Robert is a manual worker who saves for a pension from age 25. At age 55, he becomes disabled with a back condition and stops work. His pension income is around £199 a week, which is £55 a week lower than the median-earning man.
    - Deborah has a stress-related disability in her thirties. Although she returns to work after five years, her earnings on returning to work are lower than they would be if she had not become disabled. Her pension income is around £182 a week, which is £72 a week lower than the median-earning man.

[12] Department for Work and Pensions (DWP) (2007) *Attitudes to pensions: The 2006 survey*
[13] PPI analysis of the Family Resources Survey 2005/06; Disabled people are those registered with their Local Authority, or with a long-standing disability or illness that limits their behaviour.
[14] For further details see Steventon and Sanchez (Pensions Policy Institute) (2008) *The under-pensioned: disabled people and people from ethnic minorities* Equality and Human Rights Commission (EHRC) Research Report number 5

23. Additional state help is available to some disabled people in retirement, in the form of Attendance Allowance and Pension Credit. The single pensioners who receive these state benefits have higher incomes on average than other single pensioners[15]. However, some organisations have expressed concern that these state benefits may not fully meet the extra cost that some disabled people face, for example, for care and mobility[16].

People from ethnic minorities

24. Ten per cent of the UK population belong to an ethnic minority group[17]. Ethnic minority groups in the UK are younger on average than the rest of the population and there are currently very few older people from this segment of society. This means that the number of older people from ethnic minorities could increase rapidly in future. Pension provision for this group is, therefore, of particular interest to policy.

25. There is a great deal of diversity among ethnic minority groups. In this section, 'ethnic minority' is taken to mean non-white, rather than non-British. Of course, many people from ethnic minorities are British Citizens and some white people are not.

26. Taking an overall view across all of the different ethnic minority groups, we can say that people from ethnic minorities are more likely than the rest of the population to have the characteristics associated with lower pension incomes. For example, they:
    - **Are less likely to be in work:** 60 per cent of working-age people from ethnic minorities are in employment, compared to 76 per cent of working-age white people[18].
    - **Are less likely to qualify for state pensions.** The difference in employment rates means that 35 per cent of people from ethnic minority groups might not qualify for the State Second Pension each year, compared to 24 per cent of white people[19].

[15] PPI calculation using the DWP Pensioners' Incomes Series 2005/06. Figures are for gross income, i.e. income from all sources received by the pensioner benefit unit including income from state benefits (including Housing Benefit), earnings from employment and self-employment, any private pension income, and tax credits, before the deduction of taxes and housing costs

[16] See for example Buchardt, T. and Zaidi, A. (2003) *Comparing incomes when needs differ: Equivalisation for the extra costs of disability.* CASE paper 64, Centre for Analysis of Social Exclusion.

[17] PPI analysis of the Labour Force Survey (Q2 2007). Unless otherwise stated this is the source for figures in this section.

[18] ONS Labour Force Survey Historical Quarterly Supplement, Q2 2007

[19] PPI analysis of the Family Resources Survey 2005/06; illustrates what proportion of working-age people would have received a qualifying year towards state pensions if the Pensions Act 2007 reforms had been in place in 2005/06.

- **Have lower earnings when in work:** full-time employees from ethnic minority groups have lower earnings than white people at most ages.
- **Are less likely to be saving for a private pension.** Ethnic minority workers are less likely than white workers to be saving for a pension at every age. For example, 54 per cent of 45 to 54 year old people in work from ethnic minorities are saving for a pension, compared to 63 per cent for comparable white people[20].
- **Are less likely to work at older ages**. For example, 32 per cent of 60 to 64 year old people from ethnic minorities are in employment, compared to 45 per cent of corresponding white people.

27. People in some ethnic minority groups are more likely to work part-time or be self-employed. For example, around a third of Pakistani (31 per cent) and Bangladeshi (35 per cent) people work part-time compared to around a quarter (26 per cent) of white people and, as with the white population, women in these groups are considerably more likely than men to work part-time. Around 26 per cent of Pakistani people are self-employed, compared to 13 per cent of white people, and the self-employed do not qualify for State Second Pension.

28. Two hypothetical case studies of ethnic minority people illustrate some of the impacts of these characteristics[21].:
    - Ayesha is a Bangladeshi woman who only begins to work at age 40, after spending time at home with her family. When she does work, she works part-time. Her pension income is around £127 a week, which is £127 a week lower than the median-earning man.
    - Sayeed is a Pakistani man who is in full-time employment for the first half of his adult life. At age 40 he becomes self-employed when he takes over the family business. His pension income is £141 a week, which is £113 a week lower than the median-earning man.

29. The relatively few ethnic minority pensioners who are currently in the UK have incomes that are substantially lower than the rest of the population.

[20] PPI analysis of the Family Resources Survey 2005/06
[21] For further details see Steventon and Sanchez (Pensions Policy Institute) (2008) *The under-pensioned: disabled people and people from ethnic minorities* Equality and Human Rights Commission (EHRC) Research Report number 5

The impact of the financial crisis

30. The current financial crisis is likely to impact on different individuals in different ways, according to their age and to the type of pension and savings that they have.

31. For future pensioners, the impact will vary between individuals with Defined Benefit (DB) pension provision and Defined Contribution (DC) provision.

32. The provision of DB pension schemes has been declining for a number of years. Between 2006 and 2007 the number of active members of DB schemes in the private sector fell by 10%, from 3 million to 2.7 million. In the 1960s, there were approximately 8 million members of private sector DB schemes[22]. There have been a number of reasons for this decline[23], including:
- Increases in life expectancy
- Falling expectations of future investment returns
- The increasing costs associated with Government regulation to increase the value and security of member benefits
- The business cycle and volatility in the solvency of employers.

33. The pressure from all of these different factors is likely to remain into the future. The current financial crisis has increased uncertainty surrounding future investment returns, and reduced the solvency of many DB scheme sponsors. To this extent, the benefits of members of DB schemes are less secure than they appeared to be before the financial crisis.

34. This will be limited to a certain extent by the existence of the Pension Protection Fund (PPF) which will provide benefits equivalent to approximately 90% of those offered in the individual schemes. However benefits are capped, (as at April 2008 at £27,770.72 at age 65, although the cap is adjusted according to the age at which compensation comes into payment), so individuals with larger pensions will get less than 90% compensation.

35. The PPF is funded by a levy on Defined Benefit pension schemes. If more companies become insolvent, then the PPF may need to increase the levy paid by the remaining schemes to meet its obligations. This would increase the costs of provision for remaining DB schemes.

[22] National Statistics (2008) Occupational Pension Scheme Survey 2007
[23] See Pensions Policy Institute (2006) *The changing landscape for private sector Defined Benefit pension schemes*

36. Members of Defined Contribution schemes are more directly exposed to the recent fall in investment returns, and most will have seen the value of their pension assets fall significantly in the past year.

37. For those younger individuals who are a long way from retirement there will still be time for the pension assets to recover – perhaps from higher investment returns in future, increased contributions or working and making contributions for a longer period of time.

38. For those approaching retirement, the situation may be less encouraging. Even allowing for 'lifestyling' and the investment of pension assets into less volatile asset classes, fund values will have been reduced.

39. Individuals in this group will have less time to allow for pension assets to recover, and may not be in a position to benefit from higher returns in the future, increase contributions or to work for longer if they are approaching 65, are in ill- health, or have caring responsibilities.

40. These individuals will also be affected by the recent fall in annuity rates, linked to the falls in interest rates. For these individuals incomes in retirement are likely to be lower than expected.

41. For current pensioners, the impact of the current financial crisis is likely to be greatest on those who receive a significant proportion of their income from savings. 72% of pensioners reported being in receipt of income from investments in 2006/7[24]. Although the average amount of income was over £50 per week, the median was only £7 a week. This suggests that the majority of pensioners receive relatively little income from investments. Nonetheless, the recent falls in interest rates will have had an impact on incomes. Given the recent fall in interest rates, if the £7 a week income was derived from a notice-based deposit account, that income could have fallen by £5 a week, to only £2 a week[25].

42. One aspect of the fall in income received from savings that has attracted comment is the treatment of income from savings in Pension Credit and other means-tested benefits.

[24] Department for Work and Pensions (2008) The Pensioners' Incomes Series 2006/7
[25] PPI calculation based on Bank of England table G1.3, and the change in the interest rate available on notice-based deposit accounts between March 2007and December 2008. Assumes interest is paid annually.

43. Income from saving is not counted directly against eligibility for Pension Credit. Instead, the first £6,000 of saving is ignored for eligibility purposes. Then for every additional £500 (or part) of saving above £6,000, a 'tariff' income of £1 is assumed. So for example, an individual with £7,000 of saving is assumed to have an income from that saving of £2 a week. This tariff income rate of £1 for every £500 has not changed since the introduction of Pension Credit in 2003.

44. The tariff income level is not set to reflect market interest rates, and assumes that some capital is used to contribute towards weekly expenses[26]. As interest rates change, the implicit contribution that comes from capital changes. One way to illustrate this is to calculate 'effective' rate of interest in the tariff income calculation – the rate of interest that would have to be paid on a capital sum to generate the amount of tariff income for Pension Credit.

45. Around 85%[27] of current pensioners receiving Pension Credit have savings of less that £6,000 and so their savings do not affect their eligibility for means-tested benefits and they generate no tariff income in the DWP's calculation (Chart 5).

46. Approximately 500,000, or 15% of current pensioners have savings above £6,000 which is taken into account by the DWP in calculating their eligibility for means-tested benefits and does generate tariff income. Approximately 7% of pensioners receiving Pension Credit have savings of between £6,001 and £10,000, and less than 5% have savings of more than £15,001.

[26] Rosie Winterton MP in House of Commons Hansard 13 January 2009 Column 578w
[27] Based on the DWP Pension Credit Quarterly Statistical Enquiry: February 2005. More recent estimates, given in Hansard 13 January 2009 Column 578w suggest that around 80% of pensioners receiving pension credit have savings of less than £6,000.

Chart 5

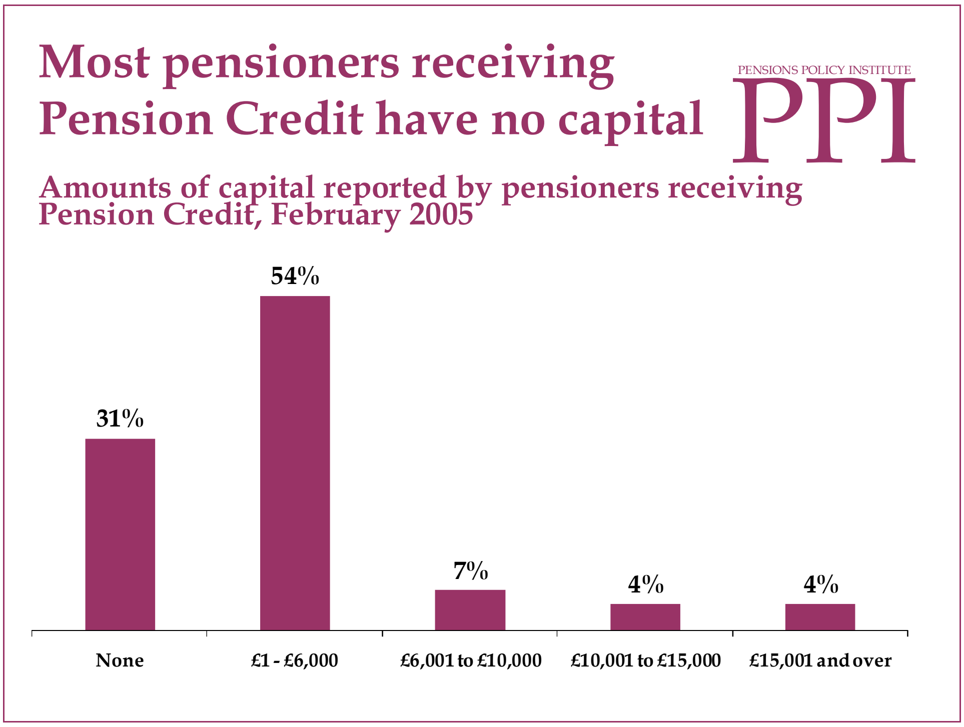
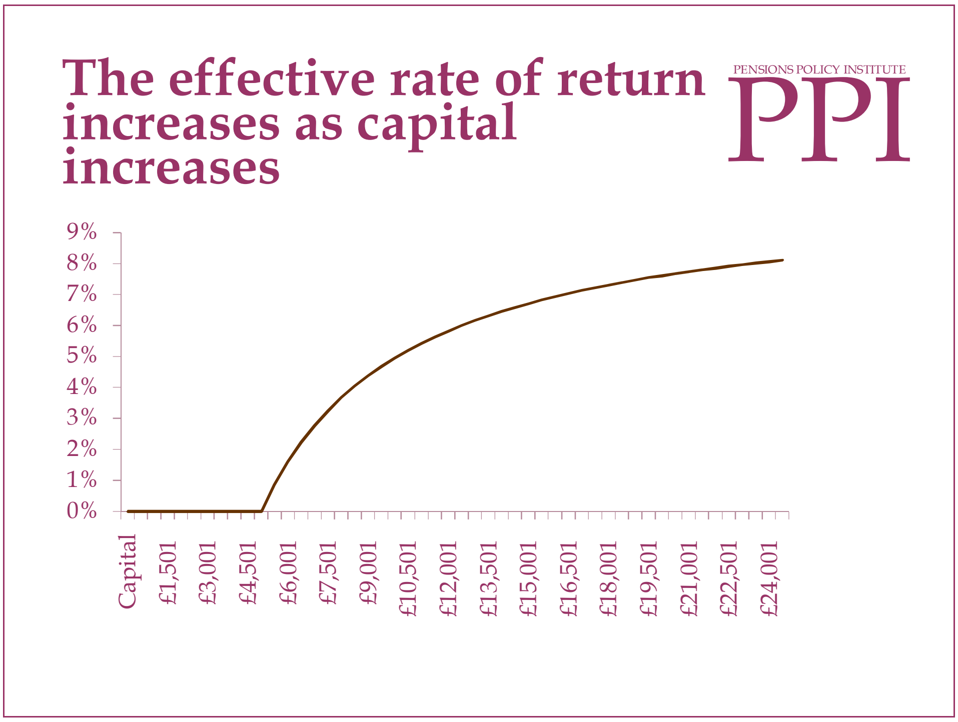


Chart 6



47. Chart 6 shows how this 'effective' rate of interest increases as the amount of saving increases. For example, the 7% of Pension Credit recipients with savings between £6,001 and £10,000 will face an 'effective' rate of return on savings of between 1% and 4.5%. The 4% of recipients of saving between £10,001 and £15,000 will face an 'effective' rate of return of between 4.5% and 6.5%. The remaining 4% of recipients with savings of more than £15,001 will face an 'effective' rate of return of more than 6.5%.

48. In the current low interest rate environment current pensioners with more than £6,000 of savings will be able to achieve lower returns on their saving than in previous years. This means that they will have lower income, or that more of their capital will be eroded in maintaining their overall income levels, as the DWP tariff income calculation is not sensitive to changes in interest rates and so does not adjust as income changes for these pensioners.

Longer-term impacts on eligibility for Pension Credit and other means-tested benefits

49. The PPI published projections of future eligibility to Pension Credit and other means tested benefits in December 2007[28].

50. Future levels of eligibility for means-tested benefits are very uncertain, especially when looking as far as 40-50 years into the future. The projections are therefore presented as a range. A central scenario is given, which is based on a detailed underlying projection of pensioners' incomes, as well as an optimistic and pessimistic scenario (Chart 7 and Table 1)[29].

[28] PPI (2007) *PPI Projections of future eligibility for means-tested benefits*
[29] PPI modelling analysis. To analyse the potential range of eligibility for the different means-tested benefits in 2050, the standard optimistic and pessimistic income growth scenarios have been used, based on varying the average annual growth rate of overall pensioners' incomes by +/- 0.5%. This is a broad approach designed to illustrate the general uncertainty of these projections rather than any particular detailed scenario. In addition, rents and council tax rates are assumed to increase 0.5% a year more slowly in the optimistic scenario, and 0.5% a year more quickly in the pessimistic scenario.

Chart 7

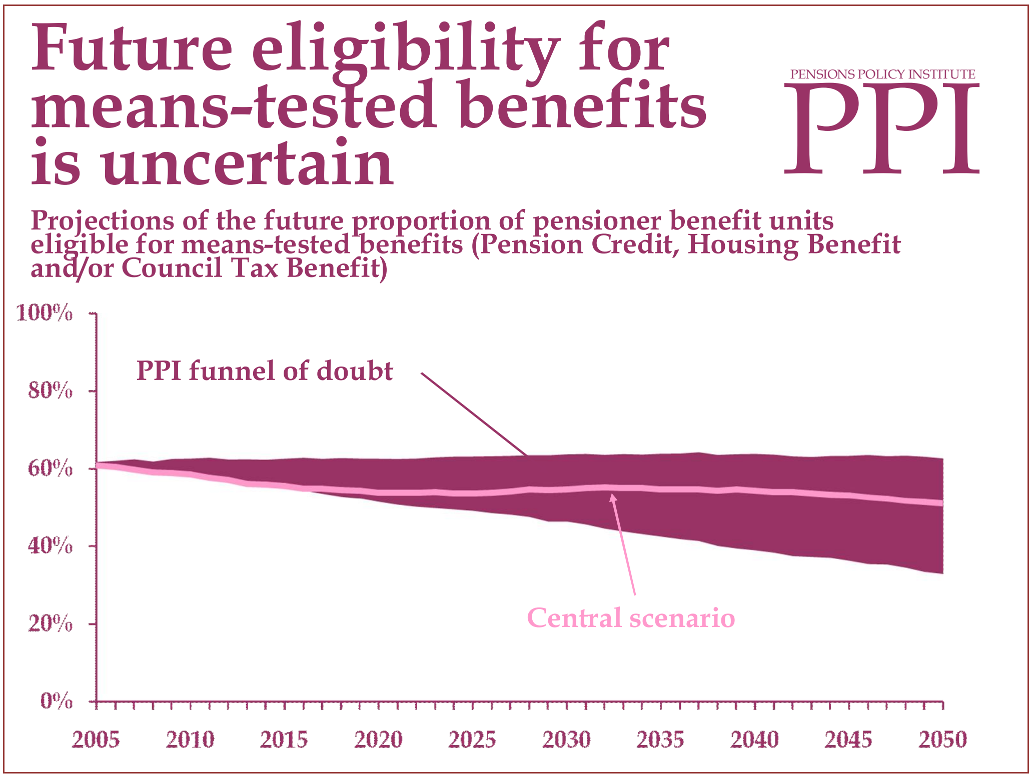


Table 1:[30] **Projected proportion of pensioner benefit units eligible for means-tested benefits in 2050 under different scenarios**

	Pension Credit	Housing Benefit	Council Tax Benefit	Any means-tested benefit
Optimistic scenario	25%	10%	25%	35%
Central scenario	40%	15%	40%	50%
Pessimistic scenario	55%	15%	55%	65%

[30] PPI analysis using the Aggregate and Distributional Models. All figures are rounded to the nearest 5%.

51. **Future levels of eligibility for means-tested benefits are very uncertain, especially when looking as far as 40-50 years into the future.** This is because whether or not pensioners will be eligible in future will depend on their income. There is considerable uncertainty involved in projecting future pensioners' incomes over such a long time period:
    - Future incomes from Basic State Pension are more certain now that individuals need only 30 qualifying years to be eligible for the full amount.
    - There is more uncertainty about future eligibility to State Second Pension. Future incomes from State Second Pension will depend on the number of years in work, earnings when in work and the number of credits received for caring.
    - Future incomes from private pensions will depend on the number of years and levels of contributions made, earnings, investment returns, charges and life expectancy.
    - The amount of income from earnings after state pension age will depend on the availability of employment opportunities and willingness to work.
    - Future Pension Credit entitlement also depends on future levels of capital, such as saving in bank accounts and ISAs. This will depend on how much people save and how these are invested.

52. Sensitivity analysis, carried out by the DWP and by the PPI, has highlighted that future eligibility is not particularly sensitive to changes in private pension income alone[31]. So if the impact of the financial crisis were limited to a reduction in income from private pension income, the impact on future eligibility for means-tested benefits may be small.

53. It is also likely that if private pension income were substantially lower than expected in future, individuals may try to gain income in other ways rather than solely relying on means-tested benefits, for example through longer working. The analysis of eligibility to means-tested benefits in this submission does not allow for this kind of behavioural response.

[31] For example DWP (2008) *Projections of entitlement to Income Related Benefits to 2050*