

Third State Pension Age Review: Independent Report call for Evidence

Introduction

- The Pensions Policy Institute (PPI) is the UK's leading independent authority on pensions and retirement policy. We conduct rigorous, impartial research and analysis from an evidence-based, long-term perspective. Our work is used by government and across Westminster, industry and consumer groups. It informs major decisions that affect millions of people's lives in retirement.
- This response is intended to contribute to the evidence gathering process for the ongoing review of the State Pension Age (SPa), providing our most relevant research findings. It does not contain amendments or policy recommendations.

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Response to Call for Evidence Questions

In this submission we have provided evidence where it is relevant to the questions posed in the call for evidence document. This evidence should be considered in the broader context of how policy relating to State Pensions Age (SPa) cannot be seen in isolation from policy in other relevant areas. SPa policy needs to balance sustainability with fairness, considering people's ability to work for longer, access to adequate retirement income, and differences in health and longevity. Wider policies and interventions, such as improved access to benefits, flexible retirement options for private pensions, and support for underpensioned groups, are all areas that can be considered to mitigate potential impacts of SPa policy.

Q4.1 Life Expectancy

a. What are the advantages and disadvantages of linking State Pension age to life expectancy?

Advantages: Linking the SPa more closely to life expectancy is one tool for helping preserve long-term sustainability of pension spending. As people live longer, more individuals spend an extended period in receipt of pensions, increasing overall costs. Raising the SPa can help slow the growth of the pensioner dependency ratio and reduce fiscal pressure.

Disadvantages: However, increasing the SPa has uneven effects. Not everyone benefits equally from improvements in life expectancy. Individuals on lower incomes, those in physically demanding jobs, or people affected by long-term health issues often have shorter healthy life expectancies. As a result, a higher SPa may disproportionately disadvantage these groups.

To ensure fairness, any policy that uses SPa adjustments to control pension costs can also include measures to mitigate the impact on Underpensioned groups.¹ This could involve enhancing access,

¹ Adams, J. (2024). The Underpensioned Index: 2024 edition. London: Pensions Policy Institute.

take-up and adequacy of means-tested benefits, or providing additional support to individuals below SPa who are affected by ill health or economic hardship.²

b. How would linking State Pension age to life expectancy impact upon intergenerational fairness?

If the SPa continues to rise in line with increasing life expectancy, younger generations—particularly Gen Z—are likely to face significantly later retirements than their predecessors. Many may find themselves working well into their late 60s or even 70s, especially if current trends in longevity persist.³

However, while younger groups may statistically live longer, there is growing concern about the quality of those additional years. Longer life does not necessarily equate to more years of good health or the physical and mental capacity to continue working. This raises important questions about the fairness and practicality of expecting future generations to delay retirement purely based on life expectancy projections.⁴

Compounding the issue are economic disparities that disproportionately affect Gen Z. This generation is more likely to face financial instability, making it difficult for many to save consistently for retirement. Without addressing these underlying economic challenges, linking SPa directly to life expectancy could exacerbate inequality—placing an undue burden on those already at a disadvantage.⁵

Generation X faces also face a set of unique risks (reduced Defined Benefit coverage, higher likelihood of renting, and increased care responsibilities.) Raising SPa could exacerbate these risks and associated vulnerabilities.⁶

In light of these complexities, adjusting the pension age solely based on longevity could be overly simplistic.⁷ It calls for a more nuanced and equitable approach—one that takes into account automation, labour market disruptions and shifting employment patterns, persistent health inequalities, the adequacy of pension provisions, and the need for stronger support systems for individuals who are unable to remain in the workforce longer.⁸

4.2 Sustainability

c. What role, if any, should State Pension age have for managing the cost of the State Pension in the longer term?

The SPa plays a central role in managing the long-term cost of the State Pension. The Turner Commission recommended regular reviews of SPa to ensure it remains aligned with demographic and fiscal realities. The underlying principle is that SPa should increase in line with rising life expectancy so that each generation spends a similar proportion of life working versus retired. By raising the SPa

² Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework. [online] Available at: <https://www.pensionspolicyinstitute.org.uk/uk-pensions-framework/> [Accessed 10 Sep. 2025].

³ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

⁴ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

⁵ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

⁶ Silcock, D., Brain, A. and Pike, T. (2019) Generation VeXed: Solving the Retirement Puzzle. London: Pensions Policy Institute. Available at: <https://www.pensionspolicyinstitute.org.uk/media/ihjtsw4k/20191106-generation-vexed-report-final.pdf> [Accessed 18 Sep. 2025].

⁷ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

⁸ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

as people live longer, the government can reduce the period during which pensions are paid and ease the financial pressure on public finances, helping to keep pension costs sustainable over time.⁹

State Pension age (SPa) can play a significant role in managing the long-term cost of the State Pension, primarily by reducing the number of eligible recipients at any given time and thereby helping to control overall spending. As the population ages, increasing the SPa can offset rising life expectancy and reduce the burden on the public purse by limiting the period over which individuals receive pensions.¹⁰

Previous increases in SPa have already helped reduce the State Pension caseload and slow the growth of spending as a share of GDP. For example, in the late 2010s, spending on pensioner benefits fell slightly as a share of GDP due in part to SPa increases, even as the population aged. This suggests that raising SPa can help make the system more sustainable.¹¹

However, while SPa is a useful lever for improving affordability, it cannot be used in isolation. Other reforms (triple lock adjustments, the single-tier pension, and changes to other benefits) have also played important roles in improving long-term sustainability.¹² Therefore, SPa can be part of a broader, balanced policy approach.

d. What are the advantages and disadvantages of using State Pension age to manage the cost of the State Pension in the longer term?

While adjusting the SPa remains a key lever for promoting long-term sustainability, it must be carefully balanced with considerations around both fairness and adequacy.¹³

Advantages

- Raising the State Pension age (SPa), framed as an exercise in longevity alignment, directly reduces the number of people eligible for payments, helping to contain public expenditure. It reflects increasing life expectancy, ensuring that the pension system remains financially viable as people live longer.¹⁴
- Increases in SPa and faster growth in National Insurance Contributions (NICs) relative to State Pension spending have contributed to improved fiscal sustainability.¹⁵
- An increase in state pension age may indirectly lead individuals to remain in the workforce longer. This could result in higher tax revenues.¹⁶

Disadvantages

- People in lower socio-economic groups have shorter life expectancies, so raising the pension age disproportionately affects them. Healthy life expectancy has also declined post-COVID, meaning

⁹ Okello, S. (2025) 20 years on: Expectations vs realities of the Turner Commission. London: Pensions Policy Institute.

¹⁰ Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework.

¹¹ Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework.

¹² Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework.

¹³ Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework. [online] Available at: <https://www.pensionspolicyinstitute.org.uk/uk-pensions-framework/> [Accessed 10 Sep. 2025].

¹⁴ Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework.

¹⁵ Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework.

¹⁶ Khambhaita, P. et al., Pensions Policy Institute (PPI) (2025) UK Pensions Framework.

that raising SPa could disproportionately affect those in poorer health.¹⁷ Between 2020 and 2022, the gap in overall life expectancy at birth between the most and least deprived areas in England reached 10.7 years for men and 8.5 years for women. The disparity in healthy life expectancy is even more pronounced — 19.1 years for men and 20.2 years for women.¹⁸

- This variation in healthy life expectancy means those from lower socio-economic groups are less likely to be able to work until SPa. To finance a period of economic inactivity prior to receipt of retirement age benefits may require drawing upon private pension savings. A person earning £35,000 stands to miss out on £26,000 from their pension for a year out of the labour market before SPa which covers maintaining their standard of living and pension contributions they would have otherwise made.¹⁹

e. What other factors relating to sustainability should the Government consider when determining State Pension age? What are the advantages and disadvantages of using these factors?

The PPI UK Pensions framework highlights 3 indicators that are also factors for consideration in determining state pension age: Longevity and Population Ageing (S1.1), Employment Rates (A1.1), Change in Retirement Income (A6.1).

Advantages of Using These Factors

- **Broader Risk Assessment:** These indicators provide a more comprehensive view of the pressures on the pension system, including demographic shifts and economic trends.
- **Equity Across Generations:** There are generational differences in pension saving capacity, health, and employment. Using multiple indicators allows for a more nuanced understanding and subsequently a more tailored and fair policy response. Furthermore, since these factors relate to retirement income adequacy and fairness, understanding them more fully helps clarify the trade-offs involved and highlights potential unintended consequences.

Disadvantages of Using These Factors

- **Potential for Divergent Indicators:** For example, rising life expectancy may support an increase in the State Pension Age (SPa), whereas the post-COVID decline in healthy life expectancy suggests a more measured and cautious approach.

Other impacts on system stability relate to the contribution of people towards qualification through paying National Insurance contributions. This supports the cost of paying state pension benefits. Previous PPI analysis into contributions into the State Pension system versus receipts for people of different income and employment profiles²⁰ highlighted that:

¹⁷ Khambhaita, P. et al. (2025) UK Pensions Framework. London: Pensions Policy Institute.

¹⁸ Office for National Statistics (ONS) (2025) Healthy life expectancy by national area deprivation, England and Wales: between 2013 to 2015 and 2020 to 2022, Statistical Bulletin. Available at: ONS website (Accessed 10 September 2025).

¹⁹ Silcock, D., (2025), How could increased economic inactivity affect financial resilience among older people? London: Pensions Policy Institute.

²⁰ Adams, J. (2023) Contributions into the State Pension system versus receipts for people of different income and employment profiles. London: Pensions Policy Institute.

- The lifetime NIcs of those on female median earning employees may constitute a lower proportion of State Pension income than men median earning employees as a result of gender differences in earnings distributions and women's higher life expectancy.
- The lifetime NIcs of those on lower incomes constitute a lower proportion of State Pension income than those on higher incomes.
- Younger people's lifetime NIcs will tend to be higher than those paid by 60 year-olds due to historical differences in NIc rates.
- Those in receipt of NI credits and the self-employed will pay a lower proportion through contributions of what they will receive in income from the State Pension than employees who are in full-time work throughout.
- 40 and 60-year-olds have different SPa than they did in 2017, which could extend their working life, increasing the NI contributions they might pay and delaying the start of their State Pension, resulting in a higher proportion of NIcs to State Pension received.
- 60-year-olds in 2022 are likely to have lower levels of Protected Payments under the State Pension than those in 2017, leading to lower relative levels of State Pension. Lower relative state pension further increases the proportion of NIcs to State Pension received.

4.3 Automatic Adjustment Mechanisms

f. What are the advantages and disadvantages of using Automatic Adjustment Mechanisms to make changes to State Pension age (i.e. if a certain factor changes, State Pension age is automatically increased or decreased as a result).

An Automatic Adjustment Mechanism can aid policy to align with overarching aims as laid out in the PPI Pensions Framework.²¹

Advantages:

- Promotion of system sustainability;
- Durability of policy.

Disadvantages:

- Unable to respond to other factors;
- Challenge of communication.

g. What factors could be considered for use in an Automatic Adjustment Mechanism, and why?

Other factors that could be considered could relate to either economic or demographic measures. Where future costs are to be a determinant, a model for the projection of long-term state pension costs would need to be agreed. The underlying data would need to be of suitable quality and availability and the production of the statistics would need to be made independently.

Where there is a volatility to the measures there needs to be a suitable mechanism in place to ensure any impacted individuals receive sufficient notice.

4.4 Factors for setting State Pension Age

h. What other factors do you think the government should consider when making decisions regarding State Pension age? What are the advantages and disadvantages of using these factors?

²¹ Khambhaita, P. et al. (2025) UK Pensions Framework. London: Pensions Policy Institute.

Other potential factors:

- More sophisticated and accurate measures of life expectancy to allow for variation within a cohort to promote equity;
- Costs / burden of funding state pensions upon tax payers;
- Uneven distribution of outcomes.

i. Which of these factors (life expectancy, sustainability and other factors) do you think are most important for the Government to consider when making decisions regarding State Pension age, and why?

While life expectancy and sustainability are important, the critical factors are people's ability to continue working, earn an adequate amount, and stay healthy (or manage health conditions and disability) in later life. Our research corroborates the findings of other studies that show older people are delaying retirement due to family finances being insufficient. We have also found some retirees have gone back to work after retiring as their retirement income did not meet their needs.²²

j. How might changes to State Pension age impact people differently? Which groups of people, regions or nations may be most impacted by changes to the State Pension age, and why?

Health inequalities: People in poorer health or with physically demanding jobs may struggle to work for longer, making a later SPa particularly challenging.²³

Employment type: Those in irregular or gig-based employment— frequent among Gen Z workers— often lack access to employer-sponsored pensions. This means they may rely more heavily on the State Pension, so delays in SPa impact them more.²⁴

Gender: Women are more likely to take career breaks for caregiving, leading to interrupted pension contributions. A later SPa could exacerbate retirement income gaps.²⁵

Socioeconomic status: Lower-income individuals tend to have shorter life expectancies, meaning they may receive the State Pension for fewer years despite contributing throughout their working lives.²⁶

Variations in normal pension age for private pension saving: Pension schemes may either link the normal retirement age to SPa or have a fixed normal retirement age. As a result, changes to SPa may also impact the value of rights accrued in private pension savings for some members.

Summary: Advantages and Disadvantages of Increasing the State Pension Age

- **Advantages:**
 - Raising SPa can help ensure the **long-term financial sustainability** of the State Pension system by managing costs as the population ages and people live longer.
 - It can help maintain a **balance between generations and support intergenerational fairness**, so each cohort spends a similar proportion of life in work and retirement.

²² Khambhaita, P. et al. (2025) UK Pensions Framework. London: Pensions Policy Institute.

²³ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

²⁴ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

²⁵ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

²⁶ Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.

- Where delayed retirement precedes an **increase in labour market participation** among older workers, this could boost tax revenues.
- **Disadvantages:**
 - A higher SPa can **disproportionately impact disadvantaged groups**—including people in ill health, low-income jobs, physically demanding work, or with lower life expectancy—who may be less able to work longer.
 - It may **widen existing inequalities**, especially for groups with interrupted work histories (e.g. women, carers), those facing multiple disadvantages, and/or limited private pension savings.
 - **Health inequalities and regional differences** mean not everyone benefits equally from later retirement, undermining fairness – a key pillar of the pension system.