Response from the Pensions Policy Institute
December 2025

Work and Pensions Select Committee Inquiry: Transition to State Pension age – Response to Call for Evidence

Introduction

1.1 The Pensions Policy Institute (PPI) is the UK's leading independent authority on pensions and retirement policy. The Institute conducts rigorous, impartial research and analysis from an evidence-based, long-term perspective. Its 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.

1.2 This response aims to inform the Committee with independent, evidence-based research for its 'Transition to State Pension age' Inquiry. This submission does not contain policy recommendations.

1.3 The PPI is grateful to the Committee for the opportunity to provide written evidence, in addition to the invitation to share Oral Evidence on 10 December, 2025. This written submission focuses on the Characteristics of cohort, Policy context and Mitigations sections of the Terms of Reference for this inquiry.

Characteristics of the cohort

2.1. Are there particular characteristics of the 60 to 66 age group to take account of in assessing how policies support the transition to pension age?

2.2. Previous PPI analysis into contributions into the State Pension system versus receipts for people of different income and employment profiles[1] highlighted that 60-year-olds in 2022 were 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 National Insurance Contributions to State Pension received. In addition:

- **Health inequalities:** People in poorer health or with physically demanding jobs may struggle to work for longer, making a later State Pension age (Spa) particularly challenging.[2]
- **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.[3]
- **Gender:** Women are more likely to take career breaks for caregiving, leading to interrupted pension contributions. A later SPa could exacerbate retirement income gaps.[4]
- **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.[5]
- **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.

2.3. According to the Office for National Statistics (ONS) data, disability-free life expectancy (DFLE) at age 65 years, in 2020 to 2022, was highest in England (10.5 years for males, 10.7 years for females).[6] Furthermore:

- In contrast to healthy life expectancy at birth, DFLE at age 65 years in 2020 to 2022 has generally increased since 2014 to 2016.
- In England, males and females both had increases of 4.4 months, and in Wales, they had increases of 6.8 and 1.5 months, respectively.

[1] Adams, J. (2023) Contributions into the State Pension system versus receipts for people of different income and employment profiles. London: Pensions Policy Institute.
[2] Okello, S (2025) The concerns of Gen Z. London: Pensions Policy Institute.
[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] Office for National Statistics (ONS), released 26 March 2024, ONS website, statistical bulletin, Health state life expectancies in England, Northern Ireland and Wales: between 2011 to 2013 and 2020 to 2022

Table 1: Period Life expectancy and Disability Free Life Expectancy in England

	Sex	Period Life expectancy (LE) (age 65)[7]	Disability-free Life Expectancy (DFLE) (age 65)[8]	Proportion, DFLE / LE[9]
2014-2016	Men	18.64	10.08	54%
	Women	21.06	10.30	49%
2016-2018	Men	18.72	10.47	56%
	Women	21.11	10.61	50%
2018-2020	Men	18.55	10.53	57%
	Women	21.05	10.85	52%
2020-2022	Men	18.36	10.45	57%
	Women	20.93	10.66	51%

- In 2014-16, average DFLE at age 65 represented 54% of average life expectancy at age 65 for men, and 49% for women in England. By 2020-22 this had increased to 57% for men and 51% for women. While life expectancy has declined slightly over this period, DFLE has increased.
- The DFLE and life expectancy comparisons in Table 1 are based on period calculations of life expectancy, and so do not take account of potential future improvements. As with all life expectancy estimates, there is a wide spread of outcomes both above and below the average.

2.4. Nearly 30% of 60–65-year-olds with DC pensions accessed their pension pots without information, advice or guidance from their pension provider.[10]

2.5. A survey of 2,700 respondents aged 55+ found that grandparents are supporting their children and grandchildren financially with the high cost of living.[11]

- 58% of those with children have supported them financially over the previous six-month period.
- 53% of those with grandchildren were supporting them with cash payments.
- Common reasons for providing financial support include to supplement their income (40%) and to contribute to a large purchase (e.g. car, house refurbishment, wedding) (26%).

[7] Office for National Statistics (ONS), released 10 December 2025, ONS Website, Dataset, National life tables: UK

[8] Office for National Statistics (ONS), released 26 March 2024, ONS website, statistical bulletin, Health state life expectancies in England, Northern Ireland and Wales: between 2011 to 2013 and 2020 to 2022

[9] PPI calculations.

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

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

- 66% have used their savings, with 49% using their pension income to fund the support they provide to family.

2.6. Since the start of the pandemic, the economic inactivity rate among people in their 50s and 60s has increased. It went up from 35.4% in the first quarter of 2020 to 36.5% in the first quarter of 2022, returning to levels last seen at the end of 2018. Redundancies and dismissals significantly contributed to these increases. This reverses a trend of steadily declining economic inactivity seen before the pandemic.[12]

2.7. A recent consumer survey found that fifty-seven percent of over 65s provide financial support to younger generations within their family.[13]

2.8. In terms of regional variation, over-65s from Greater London were most likely to provide financial support to younger generations (72%) and financial support for education (35%). Over-65s from the East Midlands (37%), the North West (30%), and the North East (27%) were most likely to provide support for household goods. This generosity is often underpinned by the belief that their own financial situation is secure. However, with rising social care costs, increased life expectancy and decrease in healthy life expectancy, providing such financial support can sometimes compromise their own long-term security.[14]

Policy context

3.1. What are the industry sector changes that have impacted or may impact on people aged 60 to 66?

3.2. Across the population, employment rates have decreased slightly from 77% to 76%, but many underpensioned groups' employment rates have decreased by a larger amount. The decrease has particularly affected part-time workers, suggesting that those underpensioned

[12] Khambhaita, P. et al. (2025) UK Pensions Framework. London: Pensions Policy Institute.
[13] Khambhaita, P. et al. (2025) UK Pensions Framework. London: Pensions Policy Institute.
[14] Khambhaita, P. et al. (2025) UK Pensions Framework. London: Pensions Policy Institute.

groups for whom part-time work is particularly prevalent, such as single mothers and divorced women, are particularly affected.[15] Further findings include:

- Women's employment rates have decreased by 1% point since the 2022 underpensioned report, while men's have decreased by 2% points, slightly narrowing the gap between the two from 9% to 8%.
- Some ethnic minority groups have seen an increase in employment rates, such as people of Chinese background, whose employment rate has increased from 60% to 64%. However, like most other ethnic minority groups, they are still below population average employment rates.
- Employment rates of people with a disability have increased slightly to 54% but are still around 28% points lower than people without a disability at 82%.
- Carers' employment rates have decreased by around 6% points to 61% since the 2022 report.
- In addition to lower levels of labour market participation, underpensioned groups have lower than average incomes:
  - The gap between women's average incomes and the population average is 18% in the 2024 underpensioned report, however this has fallen slightly from 20% in the 2022 report.
  - While there continues to be variation in incomes across ethnic minority groups, some groups' average incomes have increased substantially since the 2022 report, such as people from Chinese and people from Bangladeshi backgrounds. Meanwhile, others have effectively stagnated compared to the population average.
  - The gap between average incomes of people with a disability or caring responsibilities, and those of the population as a whole, has widened since the 2022 report, at 18% and 19% lower than the population average respectively.

Mitigations

4.1. **To what extent is there a case for mitigations for people affected by increases in their State Pension age?**

4.2. Evidence on the transition to State Pension age (SPa) highlights the importance of the period immediately preceding SPa, particularly for individuals who are unable to remain in work due to ill health, caring responsibilities, redundancy, or limited employment opportunities. PPI research has consistently shown that these circumstances are more common among

[15] Adams, J (2024) The Underpensioned Index. London: Pensions Policy Institute.

groups with low lifetime earnings, interrupted employment histories, or limited private pension saving.[16]

4.3. In earlier analysis, the PPI has examined a range of policy mechanisms that could mitigate the impact of increases in SPa on individuals who experience a gap between labour market exit and access to the State Pension. A 2016 PPI Briefing Note explored options including:

- **Providing enhanced working-age benefit support** for people within a defined period of SPa who are not in work.
- **Allowing earlier access to the State Pension:**
  - To individuals with long National Insurance contribution histories.
  - Via an actuarial reduction to reflect longer expected payment periods.[17]

4.4. The analysis highlighted that such approaches would be most relevant for individuals with long working lives in physically demanding roles, people in poor health, carers, and those with limited ability to rebuild earnings or pension savings late in working life.[18] These profiles align closely with groups identified in PPI research as underpensioned or persistently low-earning, including women, disabled people, carers, and individuals in non-standard employment.[19]

4.5. More recent PPI work, including the UK Pensions Framework and its accompanying Indicator Appendix, has highlighted ongoing issues around reliance on means tested benefits, non-take up, and declining adequacy relative to the Minimum Income Standard for individuals below SPa.[20] For people who exit the labour market before SPa and lack sufficient private pension income, the design and adequacy of working-age benefits continue to be a significant factor in shaping financial outcomes during the transition period.[21]

4.6. Taken together, PPI evidence suggests that mitigations relevant to the transition to SPa are closely linked to long-standing structural inequalities in earnings, health, and pension saving.

4.7. However, when considering any mitigations it is also important to consider the broader impact of policy change. For example, allowing earlier access to the State Pension for some individuals will increase cost, so making the system less sustainable. A lower State Pension could be offered at lower ages (as is the case in many overseas systems), but this could lead to those early claimants having lower levels of adequacy in retirement. Additionally, having different levels of State Pension for different groups of individuals can raise fairness questions.

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[16] Upton, J (2025) From Payslip to Pension: Life Course Impacts on Retirement Savings among Low Earners. London: Pensions Policy Institute.
[17] Adams, J (2016) PPI Briefing Note Number 83: How could the effect of rises in State Pension age be mitigated for the most vulnerable. Pensions Policy Institute.
[18] Adams, J (2016) PPI Briefing Note Number 83: How could the effect of rises in State Pension age be mitigated for the most vulnerable. Pensions Policy Institute.
[19] Adams, J (2024) The Underpensioned Index. London: Pensions Policy Institute.
[20] Khambhaita, P. et al. (2025) UK Pensions Framework. London: Pensions Policy Institute.
[21] Adams, J. et al (2025) UK Pensions Framework Indicator Appendix. Pensions Policy Institute.