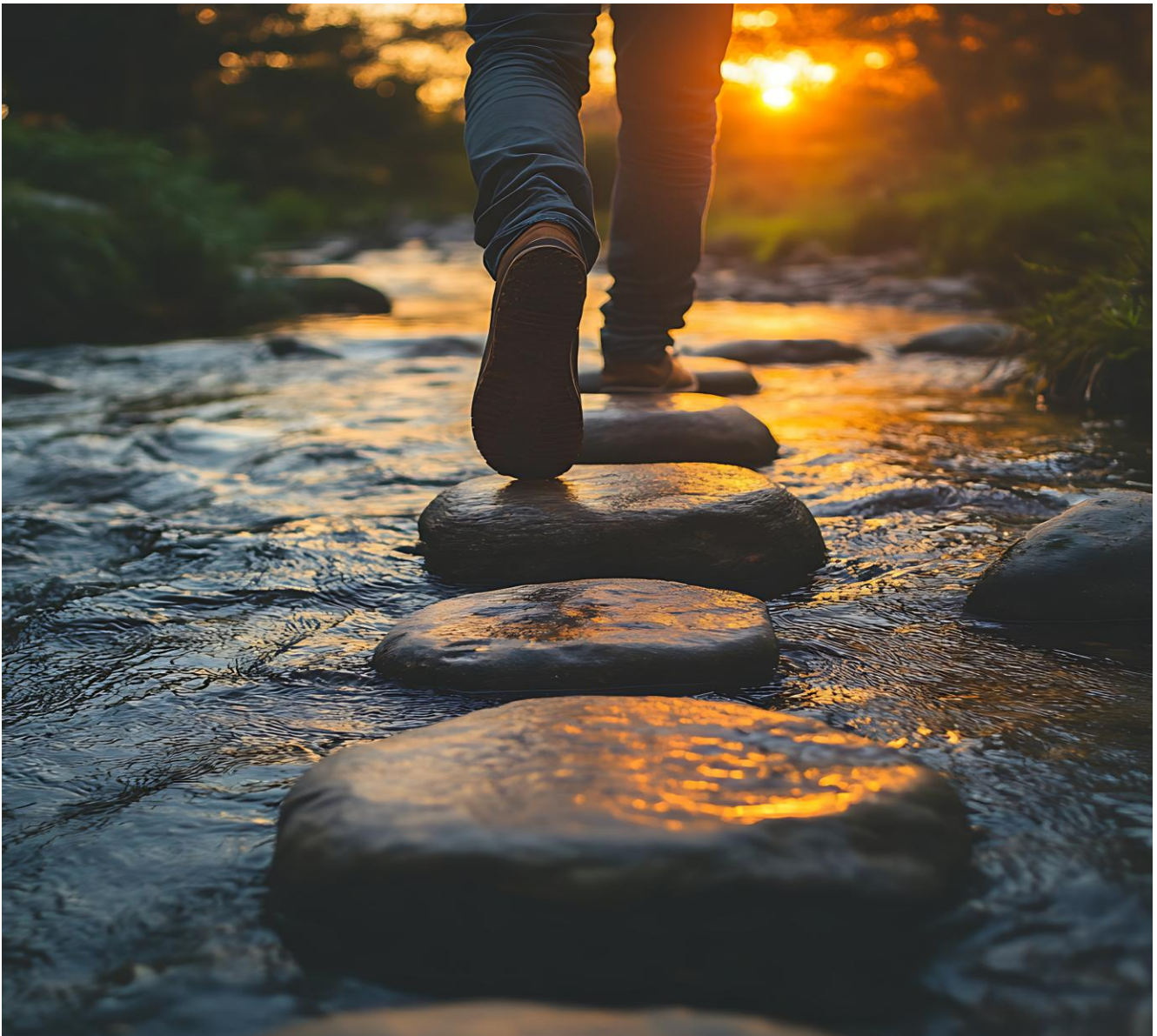


LCP on point 

Where next for State Pension Age?

November 2025



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Executive Summary

Changing legislation around State Pension Age

Despite huge improvements in life expectancy during the 20th Century, State Pension Age (SPA) has been very slow to adjust. SPA was set at 65 (for both men and women) in the mid-1920s and reduced to 60 for women in 1940. However, for the rest of the century, no adjustments were made to reflect the dramatic increases in life expectancy.

The result of this long period of inactivity has been that the cost of paying for state pensions has risen sharply. Although the 1995 Pension Act paved the way for equality in SPA between men and women, equality was not due to be achieved until 2020, and still only at age 65. Since that Act was passed, there has been a growing recognition of the need to move faster in order to constrain the rapidly rising cost of state pensions. Key landmarks included:

- The Turner Commission, which first recommended moving gradually to 66, then 67, and then 68, with a timetable enshrined in the 2007 Pensions Act;
- A move to 65 and 66 sooner, set out in the 2011 Pensions Act;
- A move to 67 sooner, set out in the 2014 Pensions Act.

Following the controversy over these pension age increases and the way they were (or were not effectively) communicated, the 2014 Act also provided for periodic independent reviews of the SPA. Two such reviews have now taken place, and the third has recently been commissioned. This paper aims to feed into that third review.

Key findings

Our key findings are:

- The failure to increase SPA during the entire 20th century means that we are now in a period of “catch-up”; typical retirees have been able to enjoy an increasing proportion of adult life in receipt of a State Pension, to an extent that is now widely seen as unsustainable.
- In our view, we should therefore not be “locking in” these historically long retirements but should gradually move to a more affordable system.
- Whilst this could still be based on a set (lower) percentage of adult life spent on retirement, we are attracted to the idea of a fixed expected number of years in retirement as the basis for setting SPA in future. Based on cohort life expectancy, a figure of 20 years would broadly match current outturns but – crucially – would mean that any future improvements in life expectancy would be converted entirely into an extension of “working life”. A constant figure of 20 years might also assist in the communication of the need for future SPA changes.

- To mitigate the impacts of a faster schedule of SPA increases than is currently envisaged, we think the Government could borrow from the insurance sector the idea of a minimum guaranteed payout of state pension (akin to the guarantee periods on annuities).

One idea would be that those who reach SPA would be guaranteed a minimum of (say) five years of payments, with their heirs receiving the payments if they die within five years. This approach could simultaneously facilitate a fiscally responsible schedule of increases in SPA whilst providing a concrete mitigation for those who would otherwise be most adversely affected.

The final section of the paper discusses other considerations, including highlighting the subjectivity inherent in the use of “cohort life expectancy” to set SPA for future retirees. We also discuss whether allowing “early access” to the state pension in certain situations would help to mitigate the impact of increased SPA. We conclude, for a number of reasons, that such an approach would raise serious issues of affordability and practicality and should not be pursued.

Introduction

What can we expect from the State Pension Age review

Changes to State Pension Age (SPA) have been a contentious issue in the UK in recent years.

For women, SPA rose by six years between 2010 and 2020, from 60 to 66, and for men it rose by one year from 65 to 66, with the change starting in 2018. An increase to 67 (for both men and women) is scheduled to take place during this Parliament, and a move to 68 is on the Statute Book for the 2040s.

One point of contention about these changes has been the extent to which they were – or were not – effectively communicated to those most affected. In particular, the Women Against State Pension Inequality (WASPI) campaign was formed and, along with other campaign groups, has been active in raising concerns. The Parliamentary Ombudsman concluded that there had been maladministration in the way that the Department for Work & Pensions (DWP) failed to communicate effectively during the first decade of this century. There remains an impasse over whether compensation should be paid in light of that finding.

Against this backdrop, measures were introduced in the 2014 Pensions Act to require a systematic review of the SPA to be undertaken every six years, rather than the ad hoc changes which had occurred previously. Such a review would consider the latest information about life expectancies, as well as other relevant factors. A policy was also adopted, that in the future, people would be given a minimum of ten years' notice of changes to their SPA.

Since that Act was passed, the first two independent reviews have been undertaken, but neither led to legislative change. However, in July 2025, the Government announced that a third independent review was being set up; it is widely expected that this will be followed by legislation to provide for a new schedule of SPA increases.

The purpose of this paper is to assess what may come out of that review, particularly in light of the latest data on life expectancy, and to offer some thoughts on alternative approaches.

The paper begins with a brief description of the evolution of policy on SPA, including:

- the 1995 Pensions Act, which provided for equalising of SPA between men and women;
- the 2007 Pensions Act, which first provided a timetable for going beyond age 65; and
- the 2011 and 2014 Acts, which further accelerated the schedule of increases.

We then look at the reviews which have been published so far, summarising their conclusions and describing how the principles underlying the choice of SPA have evolved.

Next, we take advantage of the latest data on life expectancy, informed for the first time by the results of the 2021 census, to see what kinds of SPA schedule we might face in future. This includes considering whether a statutory timetable for going beyond age 68 is likely.

In the final two sections, we offer some thoughts on whether the current approach to setting SPA makes sense, and what changes could be made.

01 The changing legislation around State Pension Ages

a) The early years of the UK State Pension

When it was created by the Old Age Pensions Act of 1908, the UK State Pension was only available to those aged 70 or over and was payable on a means-tested basis. It was viewed as a form of poverty relief, initially only for those “of good character,” who had the good fortune, or perhaps misfortune, to live well beyond their expected lifespan¹.

The age of eligibility for the State Pension was reduced from 70 to 65 under the 1925 National Insurance Act, which also reformed the basis of eligibility. SPA for men was to remain at 65 for nearly a century. But SPA for women was reduced to 60 in 1940, partly reflecting assumptions about the different lives of men and women. Remarkably, this differential remained in force until 2010.

Life expectancies for both men and women improved dramatically over the 20th century. The life expectancy of young adults entering the workforce increased by 17 years between 1900 and 2000². Despite this transformational increase in life expectancy, the first major review of SPAs did not take place until the early 1990s, with a Green Paper published in 1991, a White Paper in 1993, and legislation in the form of the Pensions Act of 1995³.

b) The Pensions Act 1995

The key change brought about by the Pensions Act 1995 was a timetable for equalising SPAs between men and women on a phased basis between 2010 and 2020. Under the timetable set out in the Act, women’s SPA would rise from 60 to 61 by April 2012, to 62 by April 2014 and so on until it reached 65 by April 2020.

A notable feature of the 1995 Act was the long notice period before any changes were made. Because of the fifteen-year lead time, no woman aged 45 or over when the Act became law would see any change at all to her SPA.

Unfortunately, one of the consequences of the long lead time – and of the fact that most of those affected by these changes to their pension age were relatively young when the legislation was passed – meant that awareness of the changes was limited.

¹ See: <https://commonslibrary.parliament.uk/research-briefings/sn04817/> for a description of the early evolution of state pensions in the UK

² [Human Mortality Database](#); Life expectancy at age 20 in England & Wales increased from age 62 to age 79

³ [Pensions Act 1995](#)

In the early 2000s, DWP undertook research to assess awareness of these changes and found that it was patchy, with many women not knowing the specifics of the changes, and some women – particularly those on lower incomes – being completely unaware that SPAs were changing at all. It was the failure of the DWP to act promptly on this research, which was the basis for the Parliamentary Ombudsman’s finding of maladministration in its 2024 report⁴.

c) The Turner Commission

The Labour government elected in 1997 decided that a comprehensive review of the pension system was needed, with a particular focus on the low level of private pension provision in the workforce. An independent Commission was set up, headed by industrialist Adair (now Lord) Turner, trade unionist Jeannie (now Baroness) Drake and the (late) academic Professor John Hills.

As well as making recommendations which led to the introduction of automatic enrolment into workplace pensions, the Commission also recommended that SPAs needed to rise. Their report provided the justification for increases in SPA beyond 65, and these were included in the Pensions Act 2007.

d) The Pensions Act 2007

The Pensions Act 2007 made no changes to the timetable for equalising the SPAs between men and women but did set out a timetable for SPAs to rise beyond 65. Under the provisions of the Act, SPA would rise (for both men and women):

- to 66 by April 2026;
- to 67 by April 2036; and
- to 68 by April 2046.

In each case, the transition would be made gradually over the preceding two years. Thus, for example, SPA would start rising above 67 in April 2044 and would gradually reach 68 two years later. This remains the legislative timetable for the move to 68.

e) The Pensions Act 2011

When the Coalition Government was elected in 2010, it became clear that the established timetable for SPA increases had not – and would not – keep pace with the dramatic increases in life expectancy seen over the previous century. For example, male SPA would have remained unchanged at 65 from 1925 to 2024 – a period of nearly a century in which the length of time a man could expect to live beyond SPA had soared.

⁴ <https://www.ombudsman.org.uk/sites/default/files/Women%E2%80%99s-State-Pension-age-our-findings-on-injustice-and-associated-issues.pdf>

In order to increase SPAs for both men and women, the Government legislated in the Pensions Act 2011⁵ to bring forward the date for equality in male and female SPAs from April 2020 to October 2018, and to bring forward the date for reaching an SPA of 66 from April 2026 to April 2020.

The Parliamentary Ombudsman reports⁶ that the Coalition Government issued more than five million letters to women affected by this Act between January 2012 and November 2013. For some women, these letters were the first which alerted them, not only to the more modest changes brought about by the 2011 Act, but also to the much larger changes under the 1995 Act.

f) The Pensions Act 2014⁷

The 2011 Act brought forward the date for equality at 65 and the date for an SPA of 66 but made no further changes. This meant that a move to 67 remained on the unchanged timetable of 2036, fully sixteen years after the move to 66. This would have meant SPA rises falling behind expected improvements in life expectancy over that period.

In response, the 2014 Act brought forward the timetable for moving the SPA to 67 by eight years, meaning that SPA for men and women will reach 67 in April 2028, during the lifetime of this Parliament.

However, previous controversies over SPA increases made their mark on the 2014 Act.

Rather than the ad hoc increases which had been a feature of recent policy, the Act provided that there should be a systematic review of SPAs at least once every six years. The first report relating to these changes was to be published by May 2017.

The legislation also required the Government Actuary to provide estimates of the proportion of adult life people would spend in retirement based on different SPAs. Although the legislation was not specific, discussion around the time of the passage of the Act suggested that the Government had in mind a target of people spending “up to one third” of their adult life⁸ above pension age.

The Government also stated that its policy (though not referenced in the legislation) was that in future people should have a minimum of ten years’ notice of changes in their SPA.

In the next section we look at the two reviews which have been published since the passage of this Act.

⁵ [Pensions Act 2011](#)

⁶ Annex A, p93

⁷ [Pensions Act 2014](#)

⁸ For these purposes, “adult life” has been defined as starting from age twenty.

02 Independent Reviews of State Pension Age conducted to date

The two reviews which have been published so far were those led by John Cridland and published in 2017⁹, and by Baroness Lucy Neville-Rolfe, published in 2023¹⁰.

We consider each review in turn.

a) The Cridland Review

To inform each review, the Government Actuary is required by law to indicate what timetable of SPAs would be implied if people who survive to SPA could be expected to spend a set percentage of their adult life “in retirement” (or more precisely, after reaching SPA)¹¹. This was to be based on cohort life expectancies, which take account of expected future improvements in longevity. For each GAD review, the Government also sets out an end date beyond which it is not seeking estimates of potential SPA changes.

The key table from the 2017 GAD report, which was informed by Office for National Statistics (ONS) 2014-based population projections, is reproduced below:

Table 1.1: Calculated SPA timetables under specified parameters and assumptions, 2028 to 2064 – years of SPA changes

SPa changes	Current legislation	33.3% scenario	32.0% scenario
67 to 68	2044-46	2039-41	2028-30
68 to 69	n/a	2053-55	2040-42
69 to 70	n/a	n/a	2054-56

Source: Government Actuary, 2017

⁹ The three documents associated with this review were a) the report by GAD: [Periodic review of rules about State Pension age, Report by the Government Actuary](#), b) the Cridland Report: [Independent Review of the State Pension Age, Smoothing the Transition, Final Report](#) and c) the Govt response: [State Pension age review](#)

¹⁰ The three documents associated with this review were a) the report by GAD: [Pension age review: report by the Government Actuary - GOV.UK](#), b) the Neville Rolfe report: [INDEPENDENT REVIEW OF THE STATE PENSION AGE 2022](#) and c) the Govt. Response: [State Pension age Review 2023](#)

¹¹ We are grateful to the Government Actuary's Department for clarification of methodology used in previous SPA reviews.

In his report, the Government Actuary said that he had been “instructed” to undertake analysis on the basis of 33.3% of adult life in retirement (the “up to one third” principle) but also 32.0%. The justification given by the DWP for asking for this additional set of figures was that:

“...this broadly reflects the average proportion of their adult life people reaching age 65 (current male Spa) in the last 20 years were expected to spend above this.”¹²

It is noteworthy that even as soon as the first SPA review, the Government was giving consideration to moving to a more aggressive timetable of SPA increases, than would be implied by the “up to a third” principle advanced when the legislation was first passed.

The key points about the timetable set out in Table 1.1 are:

- The move from 67 to 68 would be brought forward by five years under the “up to a third” scenario but by sixteen years under the “32% rule”; indeed, in principle, this latter rule would imply that no sooner had SPA reached 67 in 2028 that it would be increased again over the next two years to 68; and
- The 33.3% scenario would imply a date for reaching 69 (for the first time) whilst the 32.0% scenario would lead to a schedule including both 69 and 70.

The independent reviewer was to have regard to this information but also to consider “other relevant factors” when reaching his recommendations. In his report, John Cridland rejected the timetable implied by the 32% rule, as this would, as noted above, have led to “back-to-back” pension age increases.

Instead, he recommended a move to 68 between 2037 and 2039, slightly faster than the timetable implied by the GAD 33.3% scenario. This was justified on the basis that these estimates are themselves highly volatile, and that the previous population estimates (for 2012) would have implied a much more aggressive schedule than set out the Table above. John Cridland chose his timetable as something of a “midpoint” between the implications of the 2012-based estimates and the 2014-based estimates.

The Government of the day accepted this recommended timetable, and this remains the last statement of government policy on this issue.

However, it declined to legislate to put this new timetable into effect. In part this was because it argued (reasonably) that further population estimates would become available before it was necessary to legislate whilst still being able to adhere to the principle of 10 years notice.

¹² Source: GAD report, 2017, p9.

There can be little doubt that this was also because the Government was reluctant to pass any further legislation around SPAs while the “WASPI issue” remained so contentious and while calls for compensation could have led to problematic amendments to any such bill.

b) The Neville-Rolfe Review

As with the first review, the second independent review of SPA was accompanied by estimates from the Government Actuary of the necessary timetable of SPAs required to comply with certain targets for the percentage of adult life spent in retirement. In this case, the analysis was informed by the ONS 2020-based population projections. The key table from the GAD report of 2023 is shown below:

Table 1.2 – Calculated SPA timetables under specified parameters and assumptions

SPA increase	Current legislation	Current policy	Proportion of adult life in retirement		
			32%	31%	30%
66 to 67	2026-28	2026-28	2037-39	2026-28	2023-25**
67 to 68	2044-46	2037-39	2053-55	2041-43	2030-32
68 to 69	-	-	n/a*	2058-60	2046-48
69 to 70	-	-	n/a*	n/a*	2062-64

* These increases would take place after the end of the specified projection period in 2070.

** This increase is calculated to be required immediately, because the proportion is already over 30%. For the purposes of this report it is assumed that the earliest it could take place in theory is from April 2023.

Source: Government Actuary, 2023

What is immediately apparent is that this report – whose parameters were set by the Government – has completely given up on the idea of “one third” of adult life in retirement. Instead, the Government Actuary was instructed to produce estimates based on thresholds of 32%, 31% and 30% of adult life in retirement.

The basis of these different thresholds was set out in the terms of reference of the GAD review, but do not indicate any particularly profound principle for setting the target percentage. The terms of reference simply said:

- 32% – to reflect the recommended long-term aim of up to 32% contained in the previous Government review of State Pension age
- 31% – to show the impacts of a lower proportion of adult life spent in retirement
- 30% – to model a lower proportion of adult life spent in retirement

Source: GAD Report, 2023, p13

There is a certain irony to the fact that these independent reviews were set up partly to remove the “ad hoc” nature of previous pension age changes, but that the principles which underlie these new reports appear to be as arbitrary and uncertain as any which have been used in the past.

Notable features of this latest GAD analysis in Table 1.2 are:

- The previous “32% principle” would imply a much slower rate of increase in pension ages than the existing legislation. In particular, the move to 67 would be pushed back by more than a decade, and the move to 68 would be pushed into the 2050s; the key reason for this change is that life expectancy had improved at a slower rate than assumed at the time of the 2017 review (and based on 2014 data); note also that this was before any impacts of the Covid-19 pandemic were taken into account;
- The “31% principle” would leave the move to 67 unchanged and would lead to the move to 68 happening somewhere between the timetable set out in legislation and the (faster) timetable set out in the previous review; it would imply a rise to 69 by 2060;
- The “30% principle” would suggest that pension ages should rise twice within a decade, reaching 68 by 2032, in both cases breaching the “ten years’ notice” rule; the 30% principle would also bring both 69 and 70 into scope.

Baroness Neville-Rolfe considered these estimates and also considered other factors, such as the long-term affordability of the State Pension. She wrote:

“My conclusion is that it continues to be broadly right for there to be a fixed proportion of adult life that people should, on average, expect to spend over SPA. However, this alone is not satisfactory for reasons of sustainability and fairness. It needs to be tempered by another metric linked to the proportion of GDP absorbed by the State Pension. This is needed to ensure that State Pension-related expenditure does not take an unfair share of public expenditure as the population ages...”¹³

In the shorter term, Baroness Neville Rolfe supported the 31% principle on the basis that this was a good fit with the recent outturn. She therefore argued that the move to 68 should be slower than proposed in the previous review, taking place between 2041 and 2043. This was because of the continued disappointing improvements in longevity in recent years.

Crucially however, the review also indicated that the requirement to keep spending under a proposed cap of 6% of GDP implied a much more aggressive timetable, thereafter, including a move to 69 by 2048.

¹³ Source: Neville-Rolfe Review, p7.

In response, the Government of the day pointed out that the recent experience of the Covid-19 pandemic meant that life expectancy projections were especially uncertain and that it would therefore be inappropriate to make firm commitments to any particular revisions to the SPA timetable. It would be fair to say that announcing potentially contentious changes to State Pension ages the year before a General Election would also have been challenging!

It did however say that a new review should be undertaken in the first two years of the next Government, and this forms the basis for the new Government's decision to launch a third review starting in 2025.

In the next section we consider the evidence base which will inform this next review.

03 The third State Pension age review

a) Terms of reference of the third independent review and of the GAD report

In July 2025, the Labour government announced the establishment of a third independent review of SPA, led by Dr Suzy Morrissey, Deputy Director of the Pensions Policy Institute.

Key features of the terms of reference of the new review were that it should consider¹⁴:

- the merits of linking SPA to life expectancy, including on fairness between generations;
- the role of SPA in managing the long-term sustainability of the State Pension;
- the international experience of automatic adjustment mechanisms (AAM) for making decisions about State Pension age.

Notably, the reviewer was told that she should “...assume that current policies regarding the entitlement and value of State Pension remain unchanged over the long-term.” In particular (though not explicitly stated), the reviewer was therefore being told to assume that the relatively generous “triple lock” uprating of the State Pension would continue indefinitely, something which most commentators think is highly unlikely.

There is a good case for considering both SPA and the generosity of the State Pension together, as there are clear trade-offs between the two.

For example, the Institute for Fiscal Studies has recently argued¹⁵ that if the cost of the “triple lock” leads to a more aggressive schedule of increases in State Pension ages then this will be to the detriment of people in more deprived areas compared with a less generous State Pension but one which is paid sooner. It is frustrating that such holistic considerations are deemed “out of scope” for this review.

Alongside this, a separate term of reference document has been published¹⁶ for the Government Actuary’s review. Notably, GAD is asked again to look at the figures on the basis of 32%, 31% and 30% of adult life spent in retirement, with the following stated justifications:

- 32% – as recommended in the 2017 Government review of State Pension age;
- 31% – outlined in the 2022 Independent Report;
- 30% – to reflect that historical rates have varied between 30% to 31% in recent years.

¹⁴ Source: <https://www.gov.uk/government/publications/third-review-of-state-pension-age-independent-report-terms-of-reference/third-review-of-state-pension-age-independent-report-terms-of-reference>

¹⁵ <https://ifs.org.uk/publications/pensions-review-final-recommendations>

¹⁶ <https://www.gov.uk/government/publications/third-review-of-state-pension-age-government-actuarys-report-terms-of-reference/report-by-the-government-actuary-terms-of-reference>

The Government Actuary is also asked to look at the sensitivity of these estimates, as GAD has previously pointed out that small changes in life expectancy assumptions can lead to very substantial swings in the dates at which different State Pension ages should be reached.

b) What might GAD find?

The terms of reference of the GAD review say that it should be based on the ONS 2022-based population projections, which were published in February 2025. Since this information is already in the public domain, we have been able to produce our own estimates of the timetable GAD is likely to present to the independent reviewer for her consideration.

Table 3.1 shows our estimates of what the GAD methodology would imply (using 2022-based projections), for SPA increases based on the 32% / 31% / 30% rules, and how this compares with a) current legislation, b) current policy and c) previous GAD estimates based on 2020 population estimates.

Table 3.1 Estimates of SPA timetable based on 2022 population projections

SPA increase	Current legislation	Current policy	Proportion of adult life in retirement		
			Using 2022 ONS projections (2020 projection results in brackets)		
			32%	31%	30%
66 to 67	2026-28	2026-28	2038-40 (2037-39)	2025-27 (2026-28)	2025-27 (2023-25)**
67 to 68	2044-46	2037-39	2055-57 (2053-55)	2042-44 (2041-43)	2029-31 (2030-32)
68 to 69	-	-	n/a*	2060-62 (2058-60)	2046-48 (2046-48)
69 to 70	-	-	n/a*	n/a*	2064-66 (2062-64)

*We have assumed in constructing these tables that the “specified projection period” in the terms of reference for the next GAD review will be 2072, so we do not show SPA changes which might fall after that date.

**This increase is calculated to be required immediately, because the proportion is already over 30%.

In terms of the move to 67, which will start next year and be complete in 2028, we assume that the timetable is now a given. But it is interesting to note that the latest population projections suggest that this increase would not be needed for more than a decade if the 32% principle were adopted. It is however broadly in line (one year late) compared with the 31% benchmark.

Of more immediate policy interest is what the new figures say about a potential move to 68.

The 32% principle (which was originally seen as the rather more aggressive ‘younger cousin’ of the “up to one third’ principle in the first GAD review) would now imply putting back the move to 68 by eighteen years compared with current policy. It seems exceptionally unlikely that the Government would countenance such a change.

The 31% principle implies a timetable for the move to 68 somewhere between government policy and current legislation, whereas a 30% rule would imply such a rapid move to 68 as to breach the policy of giving ten years' notice of changes.

Beyond this, both the 31% principle and the 30% principle imply a timetable for a move to 69, whilst the 30% principle would also mean an SPA of 70 for someone in their twenties today.

Of course, as we have seen before, the independent reviewer is not bound by any of the GAD timetables and may see it as part of their role to divert from strict adherence to formulas on the basis of the 'wider considerations' that they are invited to take into account. Indeed, the terms of reference of the latest review would allow the reviewer to conclude that, based on UK and international experience, a formulaic approach of this sort is unsatisfactory. And the Government is then entirely free to disregard both the GAD timetables and the independent review recommendations in finalising its own policy.

04 Proposals

In this section we introduce proposals which could impact the timetable emerging from the next review, or which might enable the timetable to be accelerated whilst at the same time supporting those with shorter life expectancy. In the final section we will then discuss other considerations, which do not necessarily imply a change to the timetable.

a) Proposal 1 – Challenge the premise of maintaining the recent proportion

The premise of previous reviews has effectively been that the proportion of adult life spent in retirement for recent retirees is about right. Reviews have therefore sought to determine SPA on the basis of keeping this proportion broadly constant.

It is understandable that this approach has been taken given a desire to try to achieve a measure of intergenerational fairness, and to do so by ‘levelling up’ (as opposed to ‘levelling down’).

However, Baroness Neville-Rolfe also noted the need to ensure that the State Pension is sustainable and affordable for future generations on taxpayers, introducing a secondary constraint based on the share of GDP. In reality it would be this constraint, rather than the share of adult life spent in retirement, which would drive SPA increases, were her recommendations implemented.

Fiscal constraints are particularly limiting in light of the ageing population and increasing numbers of people reaching SPA relative to the size of the working population. This means that funding the State Pension (alongside other spending pressures from an ageing population) becomes increasingly challenging even if the proportion of adult life spent in retirement stops increasing.

A more candid approach would therefore be to accept that recent retirees are something of a historical anomaly, enjoying longer retirements than any generation that came before them, as SPA increases began much too late relative to increases in life expectancy. This approach would start from the premise that SPA is currently too low, designing a timetable of increases to get to a more sustainable starting point, and potentially implementing a formulaic link thereafter.

Chart 4.1 shows the historical proportion of adult life spent in retirement for males and for females, based on actual historical SPA. This shows a significant difference between the sexes, with women enjoying longer life expectancy and a historically lower SPA, and also between the generations, with the proportion increasing over time for both men and for women, except during the period when SPA was equalised and then increased.

Chart 4.1. Proportion of adult life spent in retirement 1981-2025, M/F, based on actual SPA

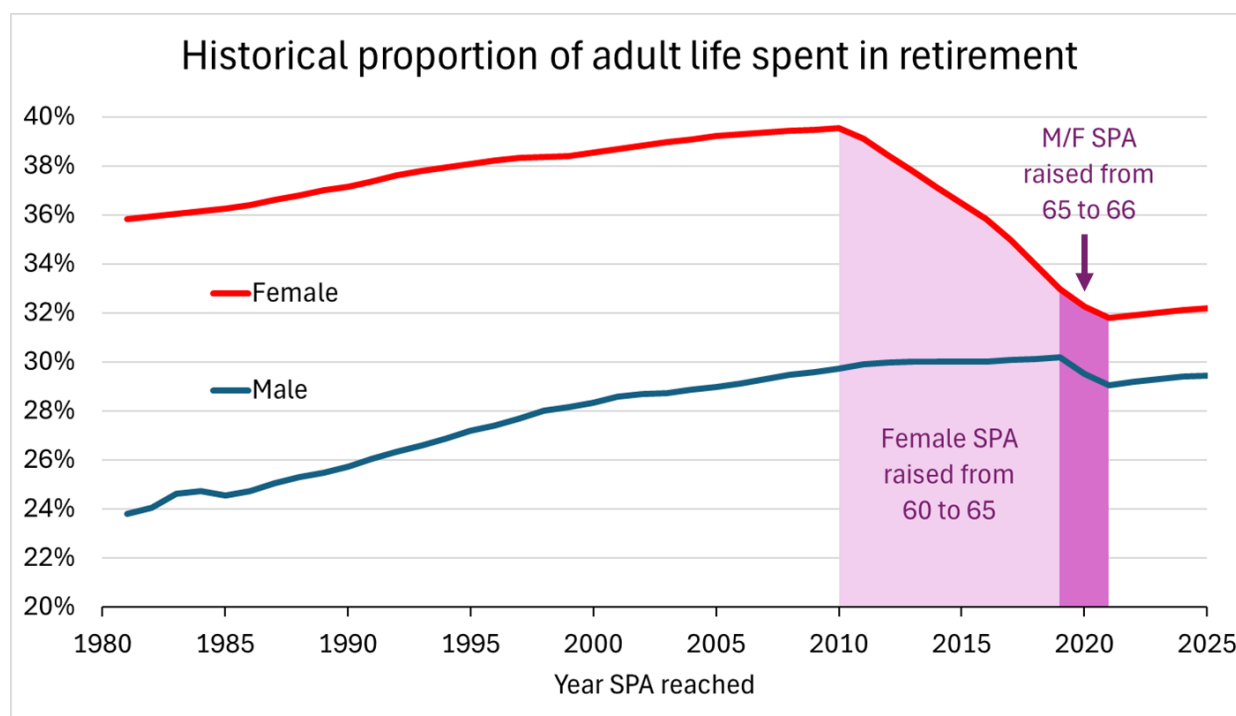


Chart 4.2 presents the same information with the addition of a 'unisex' line and shading to show the 30% to 32% range. On this basis, the (unisex) proportion of adult life spent in retirement was above 30% from the 1980s until SPA equalisation and increase reduced it back within the 30% to 32% range.

Chart 4.2. Proportion of adult life spent in retirement 1981-2025, based on actual SPA

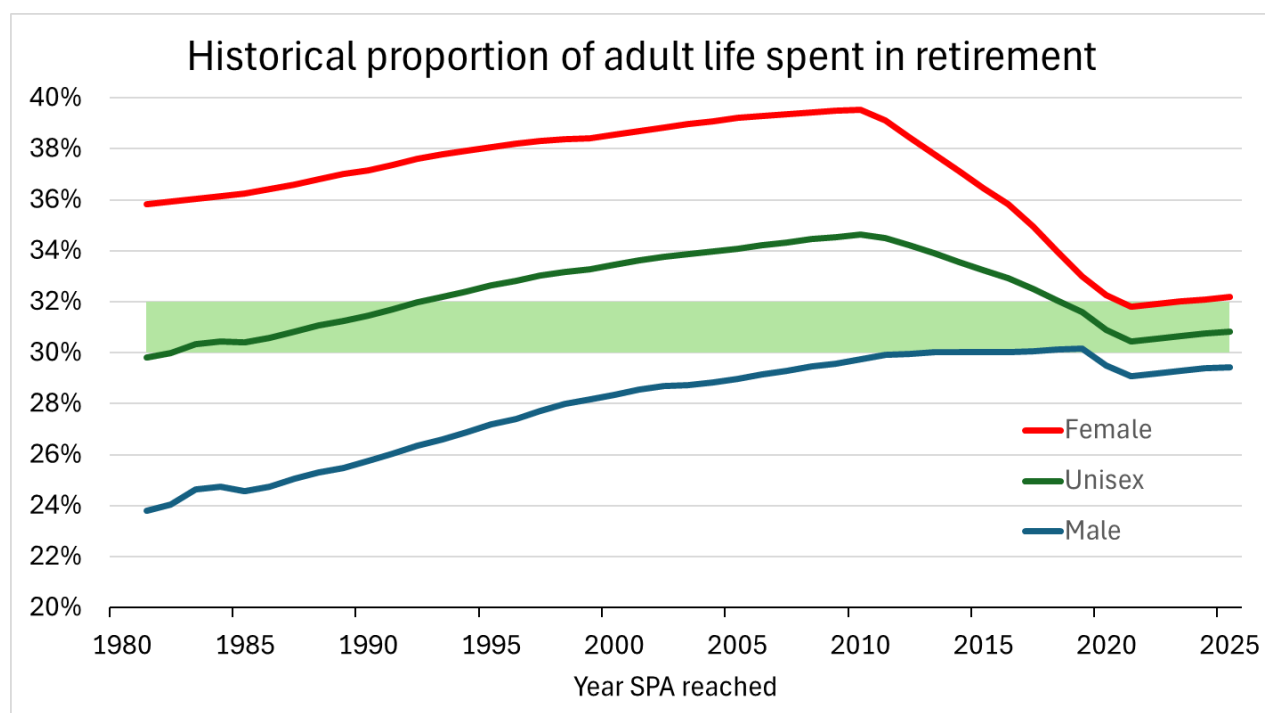
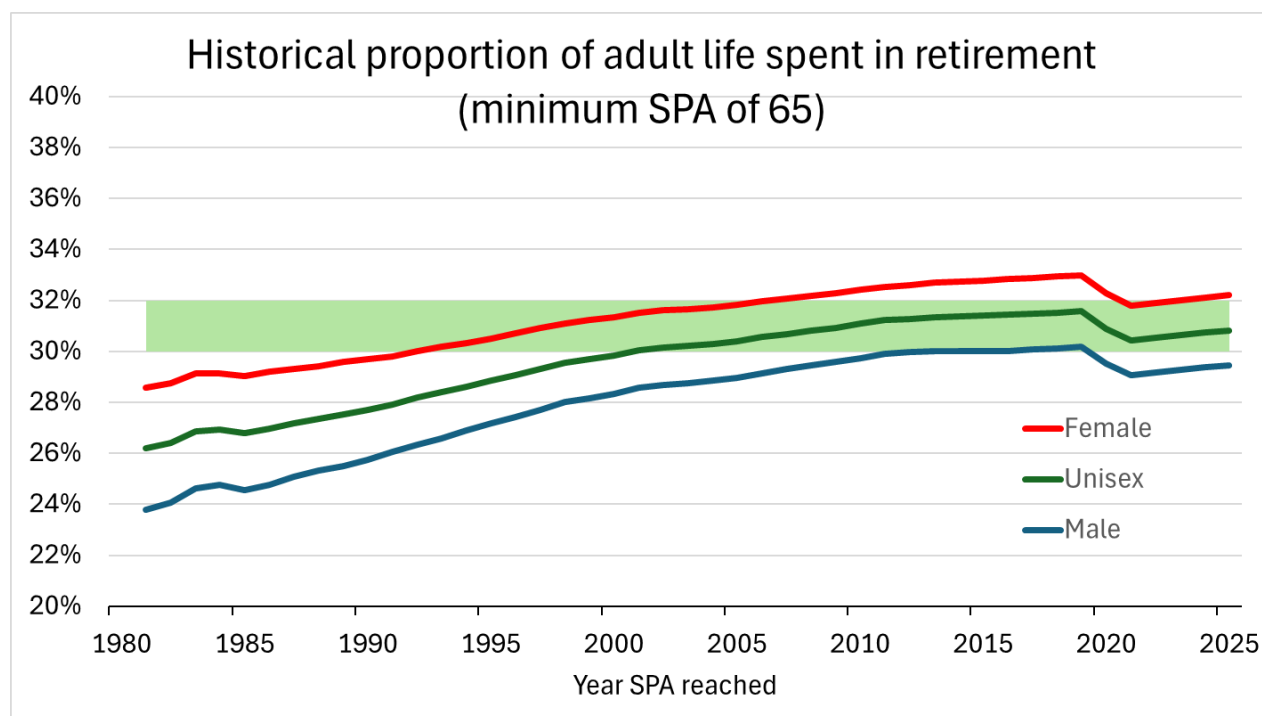


Chart 4.3 presents the same picture but adjusting female SPA to be at least 65 (to remove the distortion of the historical anomaly of women's SPA being lower than men's). On this basis, it is clearer that the proportion of adult life spent in retirement has been much higher for recent retirees than previous generations (despite the increase in SPA to 66).

Chart 4.3. Proportion of adult life spent in retirement 1981-2025, based on retirement starting at the higher of age 65 or actual SPA



Recognising how high the proportion of adult life spent in retirement is for recent retirees, compared to previous generations suggests a move away from a formulaic approach to setting SPA in the near term. Instead, the timetable would likely be governed more by considerations of appropriate notice. Here we have suggested 10-year intervals.

Table 4.1 shows a potential timetable of SPA increases under this approach. Since this would achieve an SPA of 69 by 2048 it would appear to be consistent with the principle of keeping SPA to 6% of GDP suggested in the Neville-Rolfe review.

Table 4.1 Potential SPA timetable based on ten-yearly increases

SPA Increase	Current Legislation	Current Policy	Timetable
66 to 67	2026-28	2026-28	2026-28
67 to 68	2044-46	2037-39	2036-38
68 to 69	-	-	2046-48
69 to 70	-	-	2056-58

A formulaic approach might then be considered in the more distant future if it becomes necessary to increase SPA beyond age 70.

Using the current formulaic approach and 2022-based population projection would imply a proportion of adult life in retirement between 29% and 30%.

a) Proposal 2 – Would 20 years in retirement be clearer than a third of adult life?

Research consistently shows that people underestimate their own life expectancy. It is likely therefore that those who engage with current messaging about 30% to 32% of adult life spent in retirement undervalue the commitment being made by Government.

A stronger message might be that people can expect to spend 20 years in retirement. At the present time, the two approaches are approximately equivalent, however the future trajectory would be different.

While the current approach extends both working age and retirement as life expectancy increases, the 20-year retirement approach would imply a 1:1 increase in SPA as life expectancy increases, and therefore a faster increase in SPA. This contains the future burden of State Pension spending for Government, who will only need to budget for 20 years spending rather than an increasing amount per individual.

Chart 4.4 shows historical life expectancy at SPA, again adjusting women's SPA to be at least 65 to address the historical distortion.

Chart 4.4 Cohort Life Expectancy at SPA, based on the higher of age 65 or actual SPA

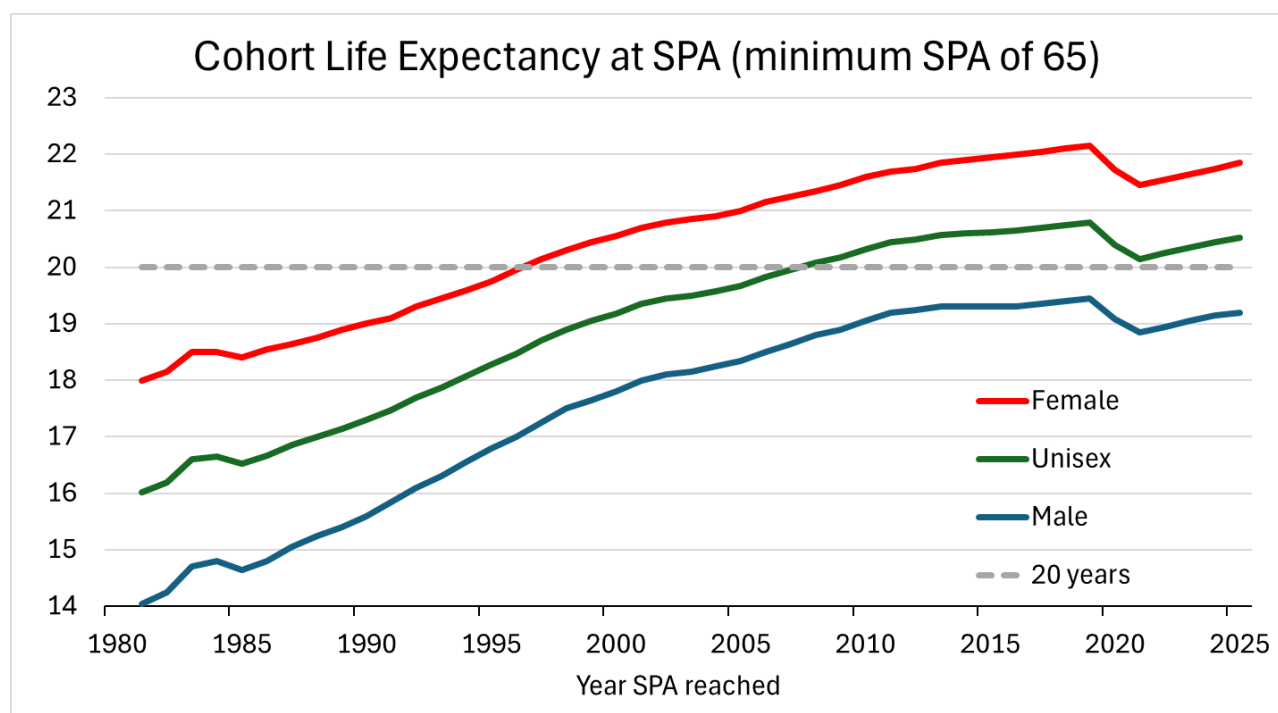


Table 4.2 shows a potential timetable of SPA increases under this approach. The increase to 68 would follow immediately after the increase to 67 if not for the need to give notice.

Table 4.2 Potential timetable for SPA rises targeting 20-year retirement, ignoring the need for notice periods

SPA Increase	Current Legislation	Current Policy	Timetable
66 to 67	2026-28	2026-28	2026-28
67 to 68	2044-46	2037-39	2027-29
68 to 69	-	-	2039-41
69 to 70	-	-	2050-52

While it is interesting to consider how much acceleration of the timetable might be justified by this approach, in practice timing might be as per table 4.1 above.

b) Proposal 3 – Could the State Pension have a guarantee period?

With each increase in SPA, it becomes more likely that people in more deprived areas will not reach SPA at all or will only draw their State Pension for a few years. This could increase the sense of unfairness of SPA increases deemed necessary for fiscal reasons.

One change which might help to address this issue – and which mirrors the way that the private sector typically provides annuities – would be to introduce the idea of a minimum ‘guarantee period’ of State Pension payment. For example, anyone starting to receive a State Pension could be guaranteed five years’ worth of payments, with their estate receiving the money if they die within five years.

To avoid a cliff-edge, something similar could potentially be offered as a lump sum death benefit for those who die before pension age, perhaps subject to a minimum contribution record.

Although adding a ‘guarantee period’ would increase the cost of the system at a time when the pressure is to reduce it, it could accompany – and enable – a more aggressive schedule of increases to SPA, improving the overall fiscal position but in a way less likely to be seen as unfair.

The cost of guaranteeing a minimum of five years’ worth of payments to those who start to receive the State Pension would be modest when compared to the savings from increasing SPA, increasing costs by around 0.5%¹⁷.

The cost of also paying a lump sum death benefit for those dying before they reach SPA would be larger, depending on the amount paid and the eligibility requirement.

¹⁷ LCP calculation

05 Wider considerations and alternative approaches

In this final section, we offer some thoughts on whether the current approach to setting SPA makes sense, and what changes could be made.

a) Is it reasonable to base SPA on very long-term subjective forecasts?

The current approach bases SPA increases on ‘cohort life expectancy.’ Cohort life expectancy calculations aim to provide a realistic assessment of how long someone will live, making them entirely appropriate when assessing the future cost of the State Pension. However, they are necessarily subjective, requiring forecasts or projections of how death rates will change over time.

It could be argued that it is unusual to base benefit entitlement for individuals on a subjective assessment of what may or may not happen to death rates several decades in the future.

Importantly, forecasting cohort life expectancy requires projecting over an individual’s entire remaining lifetime. For example, a forecast of the cohort life expectancy of someone reaching retirement age in 2050 requires death rates extending out to the turn of the next century, in 2100. Such long-term forecasts should be treated with caution! While mortality assumptions for the next two decades is largely based on projecting past trends by age and birth cohort, the very long-term rate of improvement in life expectancy is set by expert judgement, typically based on longer term observed averages.

Even small changes in the assumed long-term rate of improvement can alter the timetable of SPA increases. For instance, ONS reduced the assumed long-term rate of improvement from 1.2% per annum to 1.1% per annum between the 2020-based and 2022-based mortality projections. This is the main reason Table 3.1 above shows that the implied date for SPA increases in the 2050s move back by two years. A shift of two years over a two-year period illustrates the significant volatility of this method, as rightly highlighted by GAD.

An alternative approach would be to acknowledge the limits of forecasting distant-future mortality rates and instead base SPA on forecasts of ‘period life expectancy.’ Period life expectancy is calculated based on death rates in a specific year. Forecasting remains necessary to anticipate SPA rises and give notice. However, to forecast the period life expectancy of someone reaching retirement age in 2050 only requires assumptions for death rates up to 2050, rather than 2100. This significantly reduces the subjectivity and aligns more closely with the time period over which these forecasts are typically used in actuarial work.

The implications for the SPA increase timetable would depend upon the targeted proportion of adult life spent in retirement. Since period life expectancies are lower than cohort life expectancies, the target proportion would need to be adjusted downward.

The main rationale for this approach is not fiscal, but rather to reduce subjectivity and dependence on assumptions about long-term mortality improvements.

b) Is it fair to disregard those who do not make it to SPA?

The current calculation only considers the proportion of adult life spent in retirement by those who survive to SPA, disregarding the lives of those people who sadly die before reaching SPA. This raises questions of fairness, particularly given decades of rising inequalities, where most increases in life expectancy gains have accrued to those who already lived longer, while poorer groups have seen less improvement. For example, the most deprived 10% of women experienced a decline between 2011-13 and 2017-19 whereas less deprived women and men, saw life expectancy gains of around six months over the same period¹⁸.

Under the current formulaic approach, if inequalities continue to widen, SPA could be increasingly influenced by the experience of long-lived affluent groups, moving out of the reach for deprived groups who die before SPA and whose experience is excluded from the calculation.

A fairer approach would be to consider the proportion of adult life spent in retirement by those who survive to adulthood, rather than to SPA. This ensures that the formula accounts for all individuals reaching working age and contributing to funding the State Pension through taxation.

The main reason to adopt this approach would be fairness, rather than fiscal, by considering the experience of those who die before SPA.

c) Should State Pension age be tied to Healthy Life Expectancy?

A common expressed concern about SPA increases is that some people may be unable to keep working up to an increased age, creating a gap between leaving work and their starting pension, which they are dependent on modest means-tested benefits. This group on average will be more likely to include people from more deprived areas and those who have done more physically demanding work, and so raising SPA can be hardest for those who are already more disadvantaged.

Current calculations consider how long people live but not their state of health. Many may not reach SPA in good health; for example, health life expectancy (HLE) in England in 2021-23 was just 62 years (for males and for females)¹⁹. HLE, as measured by ONS, relies on an individual's subjective personal assessment of their own health. Cultural and generational differences in how such survey questions are answered can make as much difference to responses, and the resulting HLE, as much as underlying state of health of respondents.

¹⁸ [Health state life expectancies by national deprivation deciles, England: 2018 to 2020 - Office for National Statistics](#)

¹⁹ [Healthy life expectancy in England and Wales - Office for National Statistics](#)

The UK Government could, in theory, collect objective HLE data, removing the subjectivity issue. However, inequalities in HLE are substantial – twice as large as life expectancy (LE) inequalities (19 years HLE difference vs 9 years LE difference between top and bottom deciles). As currently measured by ONS, HLE is 52 for men and women in the most deprived 10% of the country and below 65 for half of the country¹⁸. These inequalities would arguably matter even more if HLE became the gateway for access to the State Pension (or another benefit), as opposed to ‘only’ affecting the number of years for which it is paid.

In our view it is the current large inequalities in HLE, rather than the practical challenge of obtaining an objective calculation, which would be the biggest challenge to any proposal to tie SPA to HLE.

d) Should some people get early access?

One potential response to the challenge of health and life expectancy inequalities is to remove the ‘cliff-edge’ for claiming the State Pension. Currently, there is a minimum age at which State Pension can be claimed. It is possible to flex this upwards, taking an enhanced State Pension at a later age. But there is no flexibility to take an earlier pension.

Given the relative generosity of post-retirement benefits compared with pre-retirement benefits, the chance to take even a reduced State Pension early could improve people’s standard of living in the gap between finishing work and reaching SPA.

If the right to take a (reduced) State Pension early was generally available, this could cost the government money in the short-term. Assuming that the reduction in pension for early access was actuarially fair, the government would in theory be indifferent between people taking their pension early, late or at SPA. But in terms of cash flow, the policy would bring forward State Pension expenditure which would be highly unwelcome to a government already struggling with short-term fiscal pressures.

A targeted early-access approach could reduce the short-term hit on the public finances and might benefit those most in need, but practical challenges remain:

- Postcode would be a reasonable proxy for deprivation, but it is hard to imagine a State Pension system in which people living in some towns can get their pension early but those in neighbouring towns cannot, with ‘cliff edge’ differences and a risk of ‘gaming’ the system; these same challenges are why we do not consider a locally varying SPA in this paper;
- Those with limited other income to support themselves after they have stopped work (such as private pensions) could be eligible to claim State Pension early; but this would have the perverse effect that those who had made sacrifices to save could be prevented from retiring early on a State Pension, whilst those who had made no provision would be able to retire early; this disincentivises workplace pension membership, especially for those with potentially modest entitlements;

- Entitlement could be restricted to those in poor health and permanently unable to work; whilst this might seem fair, such a dividing line is difficult to set out objectively; for example, would it include people who could no longer do the job that they used to do, or only people who are incapable of doing any job at all? There would also be challenges if someone's doctor had to 'sign them off' as unable to work, as doctors might be reluctant to block a patient's State Pension access, increasing take-up of the option in 'marginal' cases.

Reduced early access could leave some living below the poverty line through retirement for a decision they took when they were (say) 65; and this 'scarring' issue would be more acute the earlier people were allowed to take their pensions.

A further problem with reduced early access to State Pension is the interaction with means-tested Pension Credit, which would potentially act to reinstate the income given up in exchange for early access, for those with no other income.

In short, although superficially attractive, we are not convinced that early access to State Pensions is a credible solution to the issue of health and life expectancy inequalities.

Instead, the best answer if SPA is to continue to rise would be to focus on the benefit system for those under pension age. For example, the Institute for Fiscal Studies have argued²⁰ that means-tested benefits should be enhanced for those within 12 months of State Pension age, to reduce the financial penalty for those 'in the gap' between stopping work and reaching SPA. Whilst this would do little for those who might drop out of the labour market many years before SPA, it would provide for some enhancement of support which would not suffer from the permanent "scarring" issue described above once someone was above pension age.

e) To what extent should dependency ratios be considered?

The dependency ratio – the number of people above SPA relative to those of working age – provides a high-level indication of demographic pressure on the public finances, indicating the balance between those contributing through taxation and those drawing pensions and other age-related benefits, helping to signal long-term fiscal sustainability challenges.

However, the dependency ratio is a blunt instrument. It assumes all working-age adults are economically active and all above SPA are dependent, which is increasingly inaccurate. It also overlooks productivity growth, which can offset the fiscal effects of population: a smaller working-age population might still sustain more retirees if each worker produces and earns more.

Using the dependency ratio to directly determine SPA could result in increases even if life expectancy stagnates or declines, creating perceptions of unfairness. While it remains useful as an indicator of affordability, we do not believe that it should be used mechanistically to determine SPA.

²⁰ <https://ifs.org.uk/publications/means-tested-support-people-approaching-and-beyond-state-pension-age>

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