THE SOCIETY OF PENSION PROFESSIONALS

making pensions work

The Society of Pension Professionals (SPP) response to the Third State Pension Age review: independent report call for evidence

1. Introduction

1.1. The SPP is pleased to be able to respond to this Call for Evidence and has engaged a diverse range of its membership from its Legislation and Administration Committees to contribute to this response.

1.2. The SPP believes that if wider terms of reference, including the purpose of the State Pension, had been provided, this would have enabled more relevant factors to be considered and potentially better outcomes.

2. Executive summary

2.1. **There is a logic to increasing the State Pension Age (SPA) in line with life expectancy if, as a matter of principle, the government believes that the State Pension should only support individuals in retirement for a certain number of years (on average).** However, as the average length of retirement for a pensioner increases, it seems likely that so will the proportion of that retirement spent in poor health.

2.2. **The SPA is a key determinant of the cost of the State Pension, but relying solely on this lever would imply the SPA increasing to 75 or beyond in the coming decades.** This would present significant political and social difficulties and would fundamentally alter retirement expectations. The more practical role for the SPA would instead be as part of a balanced package of reforms; moderating outgoings whilst also reviewing revenues.

2.3. **The principal utility of an automatic adjustment mechanism (AAM) would be to provide for the predictable and automatic implementation of any necessary changes to the SPA without having to seek political consent.** However, the introduction of an AAM can be a political challenge and its existence does not eliminate political risk since there will inevitably be pressure to cancel or adjust the automatic change from affected groups. Getting the design right will also be a technical challenge, with built-in resilience to any potential changes in life expectancy being essential.

2.4. **Policymakers should consider the issue of "fairness" when considering the factors driving changes to the SPA.** In this case we would consider those to be the factors which vary the least within the eligible population. Were the terms of reference wider, the differing impact on people would have been a key consideration, particularly when different factors multiply the impact within a single group. For example, there will be groups which leave the labour market earlier than average, have a lower life expectancy and a lower healthy life expectancy. By almost any measure of fairness they would lose out.

3. Consultation response

Life Expectancy:

a) What are the advantages and disadvantages of linking SPA to life expectancy?

3.1. As life expectancy continues to improve, the cost of the State Pension will increase due to people receiving it for longer periods of time, unless the SPA is adjusted accordingly. There is a logic to increasing the SPA in line with life expectancy if, as a matter of principle, the government believes that the State Pension should only support individuals in retirement for a certain number of years (on average) or for a particular proportion of an individual's expected life.

3.2. Life expectancy has the advantage of being a relatively objective criterion, measurable by scientific methods. However, as demonstrated by the *Data for female and male life expectancy at age 66 and projected number of people aged 85 or above* (published alongside the call for evidence[1]) predicted life expectancy can fluctuate rapidly up and down as longevity models are adjusted. It is therefore not a criterion that would bring certainty or predictability to the State Pension system.

3.3. It is also well recognised that increases in life expectancy have not been matched by increases in healthy life expectancy. As the average length of retirement for a pensioner increases, so too does the proportion of that retirement spent in poor health. There is therefore a danger that linking the SPA to life expectancy would simply erode the period of retirement during which a pensioner could expect to be in good health. Of course, the government may take the view that, going forward, the purpose of the State Pension should be restricted to supporting members of an age cohort who are expected to be unable to support themselves through active participation in the labour market.

3.4. An approach linking the SPA to average life expectancy would be likely to exacerbate existing unfairness in the system between different demographics based on (amongst other factors) gender, geography and employment. In particular, we would anticipate wealthier cohorts, with a longer average life expectancy, benefitting from a larger share of the State Pension budget, while lower earners, with a shorter life expectancy, would see their overall State Pension reduced by a larger percentage.

3.5. It is also probable that linking SPA to average life expectancy would push individuals, particularly those from poorer backgrounds, with shorter healthy life expectancies, into working age incapacity benefits during the years before they reach SPA. However, this point does not arise simply as a result of linking SPA to life expectancy. This would be an issue regardless of the criteria for increasing SPA, unless a mechanism were introduced to permit early payment of the State Pension in circumstances where the individual could not be expected to re-enter employment prior to SPA due to ill-health as in Canada[2] and Germany[3].

b) How would linking SPA to life expectancy impact upon intergenerational fairness?

3.6. We do not consider that there is merit in attempting to assess this question in isolation.

3.7. Life expectancy and its connection to the SPA is simply one of many complex and unpredictable factors relevant to the intergenerational fairness of the State Pension system. Other key factors include the amount of the State Pension and how it increases, how the State Pension is funded, the availability of health and social care, the size and nature of the employment market, which may change drastically over the coming decades as a result of AI, and access to home ownership.

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[1] **Data for female and male life expectancy at age 66 and projected number of people aged 85 or above, August 2025:** **https://www.gov.uk/government/calls-for-evidence/third-state-pension-age-review-independent-report-call-for-evidence/data-for-female-and-male-life-expectancy-at-age-66-and-projected-number-of-people-aged-85-or-above**

[2] **Canada Pension Plan, disability benefits 2025:** **https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-disability-benefit/eligibility.html**

[3] **Apply for an old age pension for severely disabled people:** **https://www.heubach.de/%2CLen/-/dienstleistungen/apply-for-an-old-age-pension-for-severely-disabled-people/vbid1251?utm_source=chatgpt.com**

3.8. These and many other factors will have an impact on the extent to which the State Pension is a burden on any given generation and how much each generation will benefit from the State Pension in terms of its ability to provide, or contribute to, a basic, moderate or comfortable standard of living. The SPP would strongly encourage any review to look at these factors in the round and avoid a narrow focus on the SPA, which is only one of many levers at the government's disposal to achieve a system that is fairer between generations.

Sustainability:

3.9. The State Pension remains the foundation of the UK retirement system. For the majority of workers, it represents the most significant and reliable source of income in later life. Public confidence in the security of the State Pension is therefore critical.

3.10. The fiscal outlook is challenging. The OBR projects that State Pension spending will increase materially over the long term, reflecting both demographic pressures and the cumulative effect of the triple lock, while National Insurance revenues are expected to decline slightly as a share of GDP[4]. On this trajectory, the National Insurance Fund could be depleted by the mid-2040s, leaving the State Pension as one of the largest drivers of the fiscal deficit, after healthcare, and widening the shortfall by more than 2% of GDP annually. Of course, in practice any shortfall will be plugged by general taxation but it is useful as a measure of how much National Insurance receipts cover state benefits and starkly illustrates the scale of the challenge.

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

3.11. The SPA is a key determinant of costs, with each one-year rise estimated to reduce spending by around 0.3% of GDP[5]. Yet relying solely on this lever would imply SPA increasing to 75 or beyond in the coming decades. This would mean the UK having the highest state retirement age in Europe, exceeding Denmark (scheduled to increase to 70 by 2040) and exceeding the current highest state retirement age in the world (currently Libya, also 70). This shift would present significant political and social difficulties and would fundamentally alter retirement expectations.

3.12. Such a large increase in SPA highlights the shortcomings of undertaking a review that is solely focused on age rather than considering impacting factors in the round. The more practical role for SPA is as part of a balanced package of reforms that moderate outgoings whilst also reviewing revenues.

3.13. Given the tightly framed nature of the questions in this call for evidence, for the purposes of answering these only, we are responding on the basis that SPA is the only lever available for managing long-term affordability, which implies a rise to 75 or beyond. This would clearly have wide-ranging implications. Outcomes would differ depending on whether the change is gradual (for example, one year per decade) or accelerated.

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

3.14. *Advantages:*

3.15. **Transparency and confidence**
Adjusting SPA is a straightforward and well-understood tool. A clearly communicated and well understood timetable towards 75, or any other sizeable increase in SPA, introduced gradually, gives individuals, employers and pension providers certainty for planning. The visibility of this approach can strengthen confidence in long-term policy direction. By contrast, a sudden or unpredictable schedule or one which is poorly communicated risks undermining trust in pensions and gives the impression that short-term fiscal concerns outweigh stability.

[4] OBR, Fiscal risks and sustainability, September 2024:
https://obr.uk/docs/dlm_uploads/Fiscal-risks-and-sustainability-report-September-2024-1.pdf
[5] Ibid

3.16. **Impact on work and employability**
As the SPP recently noted elsewhere, *"Increasing access to the employment market for older workers (including support in reskilling where appropriate) may play a role in improving adequacy whilst also providing employers with a more diverse and experienced pool of talent, and associated productivity benefits."*[6]

3.17. Raising the SPA encourages longer working lives, supporting employment, tax revenues and contributions. If increases are phased, labour markets have time to adapt: many employers could introduce flexible working, retention programmes, and age-inclusive practices that extend employability into the early 70s. Over time, this could help normalise employment beyond traditional retirement ages. A more rapid timetable might force these adaptations sooner, but at the risk of disruption and exclusion for those least able to keep pace.

3.18. **Sharing the burden across generations**
Without reform, the fiscal burden of State Pension costs falls increasingly on younger taxpayers. A rising SPA spreads the responsibility by requiring future retirees to contribute longer before drawing benefits. A gradual path to 75 can reinforce perceptions of fairness across generations. By contrast, a faster rise risks hitting those close to retirement hardest, as they would have insufficient time to alter savings or career plans.

Disadvantages:

3.19. **Unequal impacts**
Gains in life expectancy and health are uneven. Those in physically demanding or lower-paid jobs often live shorter, less healthy lives, and would see their retirement years reduced disproportionately by a uniform SPA of say 75. A phased increase moderates the immediate shock, but the fundamental inequity remains.

3.20. **Limits on individual capacity**
Many people in their late 60s already struggle to remain in employment due to ill-health, disability, or caring responsibilities. Expecting large numbers to continue into their mid-70s is unrealistic in current circumstances. A faster timetable would exacerbate these challenges, while a slower one at least provides some scope for labour markets and welfare systems to adjust.

3.21. **Fiscal costs shifted elsewhere**
Whilst pension spending would decline, other costs could rise. Those unable to remain in work may need unemployment support, disability benefits, or increased healthcare, particularly if reforms outpace the ability of labour markets and safety nets to adapt. This reduces the net fiscal savings, especially in the short term.

3.22. **Limitations of relying on one measure**
Changing the SPA addresses the affordability of the State Pension but does not tackle wider concerns about retirement adequacy, the savings gap, or broader questions of fairness. A sole reliance on SPA risks narrowing the debate and leaving the overall sustainability of retirement outcomes unresolved.

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?

3.23. On the assumption that SPA is the only lever available, a move to 75 or above — whether phased gradually (e.g. one year per decade) or at a faster pace — must be assessed against wider factors. These determine not only fiscal sustainability but also whether the policy is deliverable and perceived as fair.

[6] **Saving Retirement, who is at risk & why?, August 2025:**
https://the-spp.co.uk/wp-content/uploads/SPP-Saving-Retirement-21.8.25.pdf

3.24. **i) Health and wellbeing**

3.25. *Advantages*: Factoring in healthy life expectancy, rather than life expectancy alone, better reflects the quality of years lived. If public health policies succeed in extending healthy lives, a gradual increase in SPA could align with improved ability to work, making reforms more socially acceptable. Investment in preventive health, for example, in reducing chronic conditions, can also reduce late-life benefit dependency and strengthen the case for later retirement.

3.26. *Disadvantages*: Health improvements are unevenly distributed. Those in more deprived areas or manual roles may not benefit at the same rate as others, meaning a universal age of say 75 could still feel unfair. Data on healthy life expectancy is also uncertain and contested. A rapid rise in SPA would almost certainly outstrip any improvements, entrenching inequalities between those able to remain healthy longer and those who cannot.

ii) Equity across groups and generations

3.27. *Advantages*: A clear timetable towards 75 demonstrates that the costs of demographic change are shared, supporting younger taxpayers who would otherwise bear a rising fiscal burden. At the same time, recognising regional and socio-economic disparities in outcomes could justify targeted support, such as tailored benefits or early-access arrangements for those in high-risk occupations. These measures can soften the regressive impact of later retirement ages.

3.28. *Disadvantages*: Faster increases risk appearing inequitable to both older cohorts, who have little time to adjust, and younger cohorts, who face substantially later retirement than their parents. Introducing differentiated eligibility rules would also complicate administration and challenge the principle of universality that underpins the State Pension.

iii) Macroeconomic sustainability

3.29. *Advantages*: Linking SPA to population measures such as the dependency ratio offers a transparent justification for steady increases. It provides a visible rationale to the public for why the pension age must rise towards 75. Similarly, strong productivity growth could offset some of the fiscal pressure, giving government flexibility to moderate the pace of increases. Both approaches connect policy to broader economic realities.

3.30. *Disadvantages*: Dependency ratios alone ignore important drivers such as productivity, migration, and labour force participation, and may therefore overstate the fiscal challenge. Economic growth, whilst helpful, is inherently uncertain and cyclical. Anchoring SPA too closely to either demographic or growth metrics risks triggering changes that are either too steep or destabilising. In a scenario where SPA is the only lever, this lack of flexibility could undermine both sustainability and trust.

iv) Labour market capacity

3.31. *Advantages*: A gradual timetable towards a higher SPA allows employers to plan for an ageing workforce. With adequate notice, they can expand retraining programmes, offer more flexible contracts, and reduce barriers from age discrimination. These adjustments could enable more people to remain economically active into their early 70s and help align social outcomes with fiscal necessity.

3.32. *Disadvantages*: Certain industries (notably those with high physical demands) may never be realistically sustainable for older workers. If the SPA rises more quickly than labour markets can adapt, many people would be forced out of work prematurely, creating higher reliance on working-age benefits. Even under a gradual path, adaptation will require significant policy support and cultural change in the workplace.

3.33. **Other considerations**

3.34. The receipt of any New State Pension requires a minimum of 10 years of contributions. It would appear reasonable that government consider if this should increase if the SPA were to rise significantly. Likewise, receipt of the New State Pension in full, at the current SPA of 67, requires 35 full years of contributions. Government would also have to consider whether this should increase too.

3.35. As part of any considerations for change here, government would also need to be mindful that making it harder to qualify for the State Pension would mostly impact those who would already be impacted by any SPA rise. Furthermore, given around half of those in receipt of a State Pension fail to receive the full amount because they have not met the existing 35 year criteria, further increases will further reduce eligibility, compounding the existing pensions adequacy challenges and potentially increasing pensioner poverty.

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).

3.36. The principal utility of an automatic adjustment mechanism (AAM) in the UK would be to provide for the predictable and automatic implementation of any necessary changes to the SPA without the necessity of having to seek political consent at the time they are legislated for in the case of unfavourable changes.

3.37. An increase to SPA is unwelcome to all those who experience it, but it is also essential that the burden of pension expenditure on the working population is properly managed and constrained. In the absence of action there can be the slow, almost invisible, increase in the fiscal burden and yet it is difficult for any politician to choose an opportune time to confront that issue without significant political risk. In most cases there will be a strong incentive to put off the challenge of 'grasping the nettle', often until it is too late. Without an AAM, the onus falls on political leaders and policymakers to drive the change through.

3.38. A linked benefit of an AAM would be the predictability of the SPA and its terms could be presented as a reasonable social contract that it would be unfair to break. Predictability in relation to the State Pension is especially helpful for long-term planning as individuals can form a view of what they need to achieve in terms of their pension income goals and from when. If this is linked to its affordability, then this reinforces the stability and predictability of the basic income provided by the State and public confidence that it will be paid (albeit that the exact date is uncertain). In theory, with that foundation, individuals can with confidence make their savings.

3.39. The existence of an AAM does not eliminate political risk since there is likely to be pressure to cancel or adjust the automatic change. However, if the AAM is completely automatic then the onus falls on those who demand special treatment or a different change to demonstrate why that is appropriate and, importantly, how that would be funded.

3.40. The disadvantages of an AAM are that, first, getting the design right can be a technical challenge (see below), secondly, its introduction can be a political challenge with the risk that (in order to get the change legislated for) too many inappropriate concessions are made, and, thirdly the outcome will (of necessity) involve an unavoidable but in-built uncertainty over when a person's SPA will fall (at least until a person gets within a few years of that age). Finally, there is the risk that the designed basis may be flawed or too rigid thereby inviting a campaign to 'rectify' the AAM or abolish it.

3.41. All that stated, an AAM would be a preferable solution so long as the design can be agreed without too many political compromises in the parliamentary process.

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

3.42. It is imperative that the design of an AAM is structured so that it is resilient to potential future changes. These changes include unlikely, but possible, dramatic changes in life expectancy. This could include heavier mortality due to infectious diseases, epidemics and pandemics being so severe that older generations face significant reductions in life expectancy and or healthy life expectancy. More positively, there remains the probability of key medical breakthroughs, including gene therapies and cures for cancers and dementia, that could raise life expectancy dramatically. Any AAM must be robust in the event of such probabilities.

3.43. This means that the mechanism must allow for both increases and reductions in SPA depending on actual experience and projected changes. It cannot be a one-way street (and this may better facilitate its political acceptance if it is not seen as a deceptive manner of driving through increases to the SPA alone).

3.44. It must also operate on the basis of cohort life expectancy rather than period life expectancy so that it takes into account predicted further improvements to life expectancy.

3.45. The mechanism would best operate on the most recent data and do so with sufficient frequency. The Continuous Mortality Investigation carries out work collating data and publishes annually. A mechanism that operates every two or three years with small jumps is preferable to one that only makes changes once a decade or half decade.

3.46. Changes to increase the SPA should not apply for more than a set number of years ahead, replicating the current 10 year notice period.

3.47. However, the same symmetrical principle does not apply to reductions in SPA (although HM Treasury may have an issue with this). Reductions could probably be made with as little as 2 years' notice, but perhaps 5 years would be a more reasonable timeframe.

3.48. The balance by which an increase in life expectancy results in a change of the SPA is key. Past reviews have indicated a percentage of adult life after SPA at 32% (2017 Review[7]) or 31% (2022 Review[8]). It may be appropriate to consider whether a proportion is the right basis or a fixed number of years on average is appropriate. It will be essential to get that point right if the AAM is to have longevity.

3.49. A key further factor is the projected rise in public spending devoted to the State Pension. It may be necessary to think in terms of a future cap based on the percentage of GDP that is reasonable to expect future generations to fund. This must be factored into the calculation but has implications for the other areas (level of the full pension, formula for its accrual and so on) that go beyond the purview of a SPA review. Without such a provision the likelihood that the AAM may be abolished in future increases. Achieving a societal consensus on this point may be the most difficult element to get right.

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?

3.50. This question has effectively been answered in the context of the deliverables within the terms of reference, in particular the required assumption that current policies regarding the entitlement and value of the State Pension remain unchanged over time. As a result, the only factors which the government can consider are those which can be universally applied.

[7] **State Pension age review 2017: final report, July 2017:**
https://www.gov.uk/government/publications/state-pension-age-review-final-report
[8] **State Pension age Independent Review 2022: final report, March 2023:**
https://www.gov.uk/government/publications/state-pension-age-independent-review-2022-final-report

3.51. Despite this restriction 'fairness' should be a factor which the government considers when making decisions regarding the SPA.

3.52. Fairness is hard to define, especially in the context of State Pension. It could be defined in terms of everyone after state pension age receiving:

- the same annual state pension amount
- the same minimum annual basic income, including private provision, where the State Pension is an underpin
- the same annual income in proportion to number of working years, or
- the same lifetime income, regardless of longevity.

3.53. These definitions can then be further refined by considering whether they should be fair across specific age or generational cohorts.

3.54. As these definitions all affect either entitlement or value, according to the manner in which this Call for Evidence has been framed, they cannot be directly considered. Despite this, it is possible to conclude that factors which result in the greatest variation within the population are least likely to be considered fair, or more likely to be considered unfair. Although fairness is far wider than equality, considering the purpose of the State Pension is also out of scope.

3.55. Other responses will put forward factors which the government should consider in SPA decisions. Our request is that these factors are considered through the lens of fairness, in this case, defined as factors which vary the least within the eligible population.

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?

3.56. This question has also effectively been answered in the context of the deliverables within the terms of reference, in particular the required assumption that current policies regarding the entitlement and value of State Pension remain unchanged over time. As a result, almost the only factor which can be considered here is sustainability. Please also note our above answer to the previous question in relation to fairness.

3.57. By “sustainability” the SPP assumes that this refers to a consistent spend on State Pension, whether this is assessed in absolute terms, a proportion of GDP or some other measure, which does not require reductions in other areas of government spending, increases in taxation or increased borrowing. The only factor within the Terms of Reference which can realistically affect costs is the SPA and therefore the only factor which can affect SPA is cost and therefore sustainability.

3.58. If wider terms of reference, including the purpose of the State Pension, had been provided it would have enabled more relevant factors to be considered and potentially resulted in better outcomes.

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?

3.59. Again, this question has been answered in the context of the deliverables within the terms of reference, in particular the required assumption that current policies regarding the entitlement and value of State Pension remain unchanged over time.

3.60. As a result, this question can only be considered to be relevant in terms of assessing the detailed impact rather than factors to be considered when setting a universal SPA.

3.61. We are not stating that the differing impact of SPA is unimportant, it demonstrably is. Were the terms of reference wider then this differing impact would be a key consideration, particularly when different factors multiply the impact within a single group. For example, there will be groups which leave the labour market earlier than average, have a lower life expectancy and a lower healthy life expectancy. By almost any measure of fairness they would lose out.

3.62. As we set out above in response to question h, other responses will put forward factors which the government should consider in SPA decisions. Our request here is that the multiplication effect is carefully considered.

4. About The Society of Pension Professionals

4.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

4.2. The breadth of our members is a unique strength for the SPP and includes actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists, delivering a wide range of services.

5. Further information

5.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

5.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

5.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

5.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

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