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Mr Martin Clarke
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16 November, 2016

Dear Mr. Clarke

I am writing to you regarding the Government review of State Pension age, due to report by 7 May 2017 under the Pensions Act 2014. This review commits the Government to consider changes in life expectancy as well as other factors that the Government deems to be relevant. In particular, Section 27, subsection 4 of the above mentioned Act requires the Government to commission a report from the Government's Actuary Department. With this letter, I would like to formally commission this report, which will be used to inform the Government review.

The report I commission from your Department is expected to analyse whether those reaching State Pension age in a specified future period can expect to spend specified proportions of adult life in receipt of State Pension based on the current legislated timetable and, if not, how the State Pension age timetable should change to deliver this.

As further specified in the Terms of Reference, this report should produce an indicative State Pension age timetable based on trends in life expectancy figures and the Government's view on the proportion of adult life people retiring between 2028/2029 and 2064 should spend in receipt of State Pension.

Based on 2014 ONS life expectancy projections, people retiring in the last twenty years will have spent 32% on average of their adult life in receiving State Pension. At Autumn Statement 2013, the Chancellor announced a principle for guiding the State Pension age timetable. The principle was that of an individual spending up to on average a third of their adult life in retirement, with the start of adult life set at 20. This 'third of adult life' principle has

subsequently been used in forecasts by the Office for Budget Responsibility (OBR), bringing the increase in State Pension age to 68 forward by five years compared to the current legislated timetable (from 2046 to 2041, based on the new 2014-based population projections which were released late last year).

As a consequence, I kindly ask you and your team to look at two scenarios in your report, so that Government has a range from which to consider its options for the Government review. Please consider the following two scenarios in respect of people retiring between 2028/2029 and 2064:

- A third (33.3%) of adult life spent above State Pension age, with adult life beginning at 20.
- 32% of adult life spent above State Pension age, with adult life beginning at 20.

I invite you and your team to conduct appropriate sensitivity analysis around high and low life expectancy variant projections, the likelihood of revision of life expectancy forecasts as well as any other factors you might judge relevant. However, given the scenarios outlined above, I do not require you to assess the impact of changing the proportion of adult life on the State Pension age timetable, other than by considering the two scenarios specified above.

I would be grateful if you could let me know in due time when the publication of the report can be expected.

RICHARD HARRINGTON
PARLIAMENTARY UNDER SECRETARY OF STATE FOR PENSIONS