



DWP Department for
Work and Pensions

A sustainable State Pension: when the State Pension age will increase to 66

Presented to Parliament by the Secretary of State
for Work and Pensions by Command of Her Majesty
November 2010

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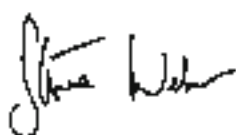
Foreword by the Minister of State for Pensions

This Government believes that the State Pension should be a firm foundation for income in later life. That is why the Government has committed to restoring the earnings link with the basic State Pension from April 2011, with a ‘triple guarantee’ that the basic State Pension will rise by the highest of average earnings, prices, or 2.5 per cent.

More of us are now reaching State Pension age, and living to claim a State Pension for longer, than ever before. Increasing longevity is a cause for celebration. But the legislated timetable for increases in State Pension age was based on expectations of longevity that have since been revised. So those approaching retirement now will be claiming State Pension for longer than expected.

In the face of increased life expectancy, making no change to the timetable for the increase in State Pension age to 66 risks the sustainability of the state pensions system. As longevity improvements are shared between the generations, it is only fair that costs are too. Therefore, the Government has decided to bring forward the increase in State Pension age to 66. The increase will start to take effect in December 2018. The State Pension age for men and women will be 66 from April 2020.

This is only one step in ensuring that the State Pension is fit for the world we are in. Given the greater than expected gains in longevity that we have seen, and may see, this Government will continue to act to keep the system fair, sustainable, and a firm foundation for people in retirement.



Steve Webb MP
Minister of State for Pensions

Executive summary

1. Our society is living longer. A far higher proportion of people now live to 65 than ever before. Today, a man of 65 can expect to live to 86, and a woman of 65 to 89, on average¹.
2. That people are living longer is good news. However, the state pensions system needs to be sustainable and fair to each generation. The State Pension age has not kept pace with demographic changes. The Pensions Act 2007 legislated for the State Pension age to rise for both men and women to 66 by 2026, to 67 by 2036, and to 68 by 2046. But subsequent gains in average life expectancy have outpaced the projections on which this timetable was based. Official projections for those reaching 65 in 2026 have since been increased by 1.5 years for men and 1.6 years for women.
3. These revisions in official average life expectancy projections, just for those reaching State Pension age this year, are expected to mean extra State Pension costs of £6.5 billion over the lifetime of this cohort.
4. In the face of these demographic challenges, the Government has reviewed the timing of the increase in State Pension age to 66. In response to a Call for Evidence, many people recognised the need for the State Pension age to rise, and to rise to 66 sooner than planned. However, respondents were concerned that those affected had sufficient notice; that the proportion of older age spent in good health is considered; and that people might be affected differently.
5. Women's State Pension age is currently rising from 60 to be equalised with men's at 65 by April 2020. To enable an earlier increase to 66, the equalisation timetable will be adjusted from April 2016 so that women's State Pension age will reach 65 by November 2018. This will also affect the minimum qualifying age for Pension Credit, which is based on, and rising in line with, women's State Pension age.

1. Cohort average life expectancy, principal projections. DWP analysis based on ONS Cohort Life Tables for the UK (2008), principal projections.

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6. The Government has decided that the increase to 66 should be brought forward, so that the State Pension age will rise from 65 to 66 between December 2018 and April 2020 for both men and women. The increase will be phased in at a rate of three months' increase in State Pension age every four months.
7. This decision means a total of 4.9 million people in Great Britain will have their State Pension age revised. Of these, 4.4 million men and women will have an increase in State Pension age of a year or less. It will result in £30.4 billion of savings between 2016/17 and 2025/26, which would otherwise need to be met by the working-age population.
8. Bringing forward the increase to 66 means that those who will benefit from increasing longevity will also share the costs. The State Pension will be more affordable, and continue to provide the firm foundation we need for security in older age.



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