

# Note on the cohort of women born between 6 April 1952 and 5 July 1953

## SUMMARY:

- Due to unequal State Pension ages, a man born between the above dates may receive a single-tier pension (assuming an April 2017 implementation date), whereas a woman will not.
- Because of this inequality in State Pension age, the women in this cohort can draw a State Pension between 15 months and 3 years sooner than a man born the same day as them. This means that they could receive between £8,000 and £20,000 in State Pension in the interval between their legislated State Pension age and the male equivalent of 65.
- The median valuation for this cohort is £127 per week, when assessed under the rules of the current system. When assessed using single-tier rules, the median valuation is £6 higher - £133 per week, and not the full £144 of single tier.
- Approximately 85% of the women in this cohort would receive more in lifetime state pension and other benefits under the current system than they would if they had a State Pension age of 65 and received a single-tier pension.
- The women in this cohort will retain access to aspects of the current system which are being abolished as part of the single tier reforms, with a view to ensuring that today's workers have sufficient clarity and certainty to plan for their retirement. These legacy features include Savings Credit and derived entitlement to State Pension.
- By choosing to defer their state pension until they reach 65, and opting to receive increments, approximately 75% of the women in this cohort could receive an initial entitlement of £144 or more.

## INTRODUCTION

This paper discusses the position of the cohort of women born between the above dates. The note is divided into two parts:

### Part 1:

- i. Qualification for the single-tier pension.
- ii. Explains why the women in the April 1952 – July 1953 cohort will not receive a single-tier pension.

### Part 2:

- iii. Examines this group's projected State Pension outcomes through a number of comparisons. All the estimated outcomes are for net State Pension and are in 2012/13 earnings terms.
- iv. Outlines the legacy features of the current system.

# PART 1

## SECTION 1: Qualification for the single-tier pension

1. There will be two qualifying conditions for a single-tier pension:
  - i. Reaching State Pension age after the introduction of single tier.
  - ii. Satisfying the Minimum Qualifying Period (MQP) requirement.<sup>1</sup>
2. The white paper *The single-tier pension: a simple foundation for saving*,<sup>2</sup> stated that the single-tier pension will be introduced 6 April 2017 at the earliest. A number of factors affect the introduction date of single tier, including the need to give businesses sufficient time to adjust to the changes which the single-tier pension will mean for them. Specifically, companies which operate Defined Benefit workplace pensions will need time to amend their schemes to accommodate the end of the ability to contract out of the additional State Pension.
3. The Bill has not yet been introduced into Parliament and is not yet law. The DWP and HMRC will also need time to adjust their systems as necessary.
4. Because of the complex interactions between the State Pension system and contracting out, the only practical date for introducing the new pension would be the start of a tax year – 6 April. National Insurance contributions made or credited in the tax year are also used as the basis for calculating qualifying years, which adds to the rationale for implementing single tier at the start of a tax year.
5. Individuals, both men and women, reaching State Pension age before the introduction of the single-tier pension will receive a State Pension based on the rules of the current system, and those reaching State Pension age after implementation will receive a single-tier pension (subject to them satisfying the MQP). The white paper *The single-tier pension: a simple foundation for saving* uses an illustrative full level of £144 for the single-tier pension, in 2012/13 terms.

---

<sup>1</sup> The Minimum Qualifying Period (MQP) is intended to be set at between 7 and 10 years.

<sup>2</sup> Department for Work and Pensions (2013), *The single-tier pension: a simple foundation for saving*, TSO, available online at: <http://www.dwp.gov.uk/policy/pensions-reform/state-pension/>

## **SECTION 2: Why women in the April 1952 – July 1953 cohort will receive a current system pension, when a man born on the same day may receive a single-tier pension**

### **Unequal State Pension ages:**

6. Women in this cohort will receive a pension based on the current system, and men born the same day as them may receive a single-tier pension. This is entirely due to unequal State Pension ages.
7. Between 1940 and 2010, women's State Pension age remained fixed at 60 (and men's at 65), despite continuous increases in life expectancy for both sexes. Since 2010, women's State Pension age has been rising, and will equalise with men's in November 2018.

### **Equalisation process:**

8. The Pensions Act 1995 first legislated to raise women's State Pension age to the same as men's. This process began in 2010 and was originally legislated to complete in April 2020. These measures were in line with EU Directive 79/7, which covered unequal treatment in social security systems. The Pensions Act 2007 legislated to increase State Pension age for men and women to increase to 68, due to complete in 2046, in line with the recommendation of the Pensions Commission that State Pension age should rise to reflect improvements in life expectancy.<sup>3</sup>
9. When it came to office, the coalition Government took action to accelerate the equalisation in State Pension ages, to complete in November 2018, and to bring forward the rise in State Pension age to 66, to complete in October 2020. This decision was taken in light of continued projected increases in life expectancy, and will ensure that the state pension system remains sustainable in the long term and fair between the generations.
10. The process of equalising State Pension ages is gradual; it will take just over 8 and a half years in total to equalise State Pension ages at 65. A partial timetable for this process, covering women born between 6 April 1952 and 5 July 1953, is included in Annex A.
11. Women in the April 1952 – July 1953 cohort, totalling approximately 430,000, will reach their State Pension ages between 6 May 2014 and 6 March 2017, whereas men born the same dates will reach their State Pension age between 6 April 2017 and 5 July 2018. This means that the women in this cohort will be aged between around 62 years old<sup>4</sup> and 63 years 9 months<sup>5</sup> when they become eligible to draw a State

---

<sup>3</sup> The Pensions Commission (2005), *The Second Report of the Pensions Commission*, TSO

<sup>4</sup> For those born in the 6 April – 5 May 1952 cohort.

<sup>5</sup> For those born in the 6 June – 5 July 1953 cohort.

Pension – in comparison to men born the same day as them, who will be able to draw their State Pension from the age of 65.

**Pensions Act 2011:**

12. The changes to State Pension age brought about by the Pensions Act 2011 affected approximately 85,000 women in this cohort – those born between 6 April 1953 and 5 July 1953. Women born between these dates saw their State Pension age increase a second time, by between 2 and 6 months, as per Table 1 below:

**Table 1: Effects of the Pensions Act 2011 on women born between 6 April 1953 and 5 July 1953:<sup>6</sup>**

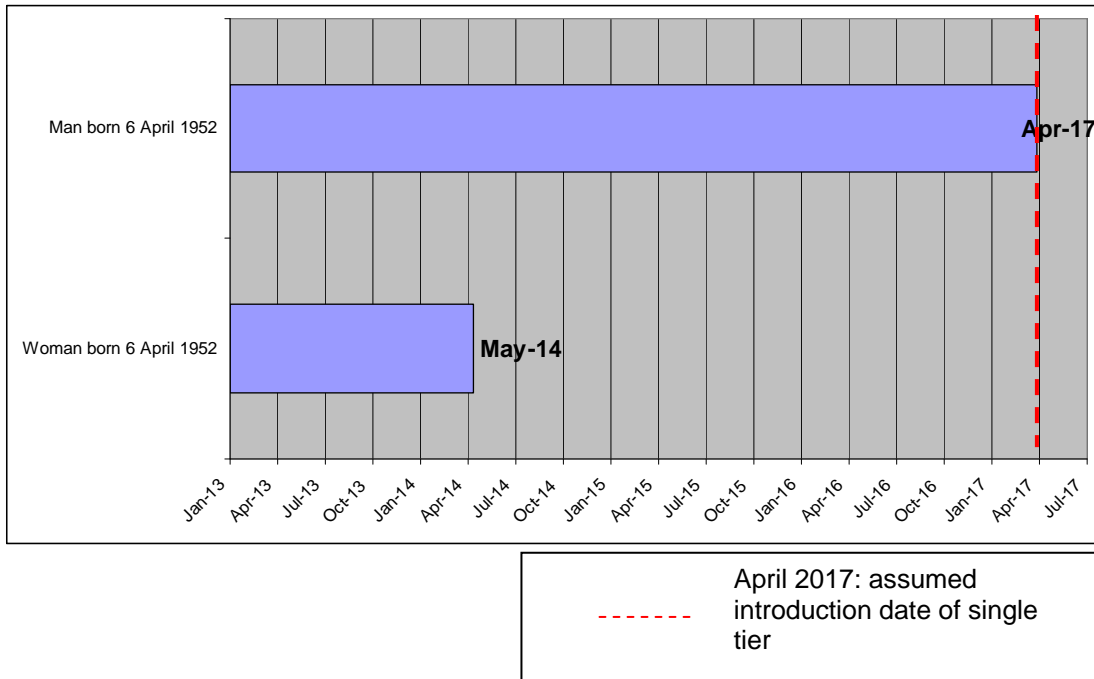
<b>Date of Birth</b>	<b>State Pension age date per the 1995 Act</b>	<b>State Pension age date per the 2011 Act</b>	<b>Increase as a result of the 2011 Act</b>	<b>State Pension age as per the 2011 Act</b>
6 April 1953 – 5 May 1953	6 May 2016	6 July 2016	2 months	63.2 – 63.3
6 May 1953 – 5 June 1953	6 July 2016	6 November 2016	4 months	63.5 – 63.6
6 June 1953 – 5 July 1953	6 September 2016	6 March 2017	6 months	63.8 – 63.9

13. Charts 1 and 2 illustrate the first and last dates on which the women in the April 1952 – July 1953 cohort will reach their State Pension age, compared with men born the same day as them.

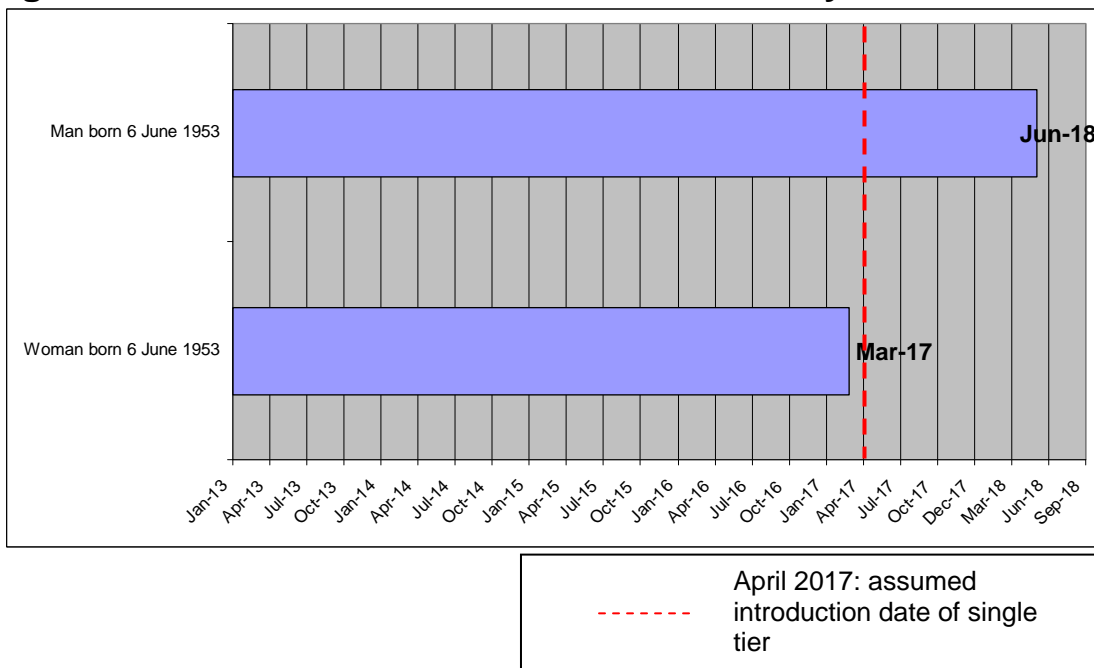
---

<sup>6</sup> The figure following the decimal point shows the number of months.

**Chart 1: A woman born 6 April 1952 will reach her State Pension age 2 years and 11 months before a man born the same day:<sup>7</sup>**



**Chart 2: A woman born 6 June 1953 will reach her State Pension age 15 months before a man born the same day:<sup>8</sup>**



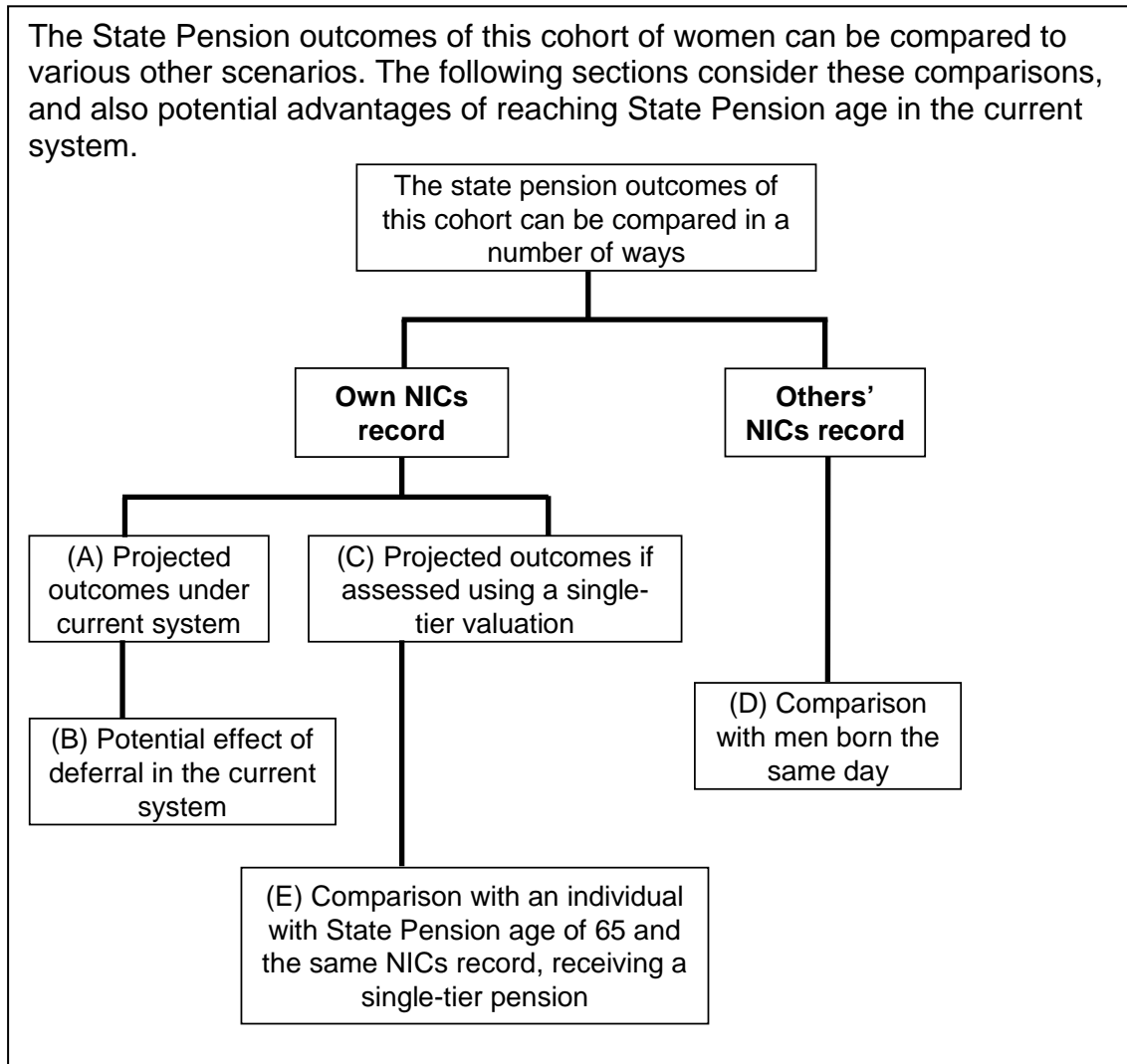
<sup>7</sup> The cohort of women reaching State Pension age on 6 May 2014 includes all women born 6 April 1952 – 5 May 1952, meaning the youngest individual in this cohort will be one day over her 62<sup>nd</sup> birthday.

<sup>8</sup> The cohort of women reaching State Pension age on 6 March 2017 includes all women born 6 June 1953 – 5 July 1953.

## First cohorts reaching State Pension age under single tier:

14. Assuming an April 2017 implementation date, men born on and after 6 April 1952 may receive a single-tier pension, as may women born on and after 6 July 1953.<sup>9</sup> Any change in the start date would alter these dates. For example, if single-tier were to be introduced in April 2018, men born on and after 6 April 1953 would receive a single-tier pension, as would women born on and after 6 October 1953.
15. The first practical date on which the single-tier pension could be introduced which would avoid having any men and women born on the same day receiving their State Pension under different systems would be 6 April 2019. Under this scenario, both men and women born on and after 6 January 1954 would be eligible for a single-tier pension.<sup>10</sup>

## PART 2



<sup>9</sup> Women born in the 6 July – 5 August 1953 cohort will reach their State Pension age on 6 July 2017.

<sup>10</sup> The first individuals to receive a single-tier pension in this scenario would be born 6 January – 5 February 1954, and would reach their State Pension age on 6 May 2019. (The phasing in process for the increase to State Pension age 66 begins in December 2018).

## **SECTION 3: State pension outcomes**

### **State pension outcomes on reaching State Pension age:**

#### **A. Valuation under current system rules:**

16. As stated above, women in the April 1952 – July 1953 cohort will reach their State Pension age in the current system, and will receive a State Pension based on the rules of the current system, as will men reaching their State Pension age before the introduction of single tier.
  
17. The Government estimates that the median state pension valuation in the current system for women in this cohort will be £127 – including both basic State Pension and additional State Pension.

#### **B. Effect of deferral in the current system:**

18. Under the current system, deferral is an optional facility whereby an individual delays drawing a State Pension, and in return can receive either a lump sum payment or increased State Pension entitlement.
  
19. The Government estimates that approximately 75% of the women in this cohort could defer claiming their state pension until they reached the equivalent male State Pension age of 65 and draw a pension based on the current system which would be at least equal to the full single-tier valuation of £144, if they opted to receive increments. This is because, under the current arrangements, the women in this cohort have access to a rate of deferral substantially above the actuarial equivalent of the state pension foregone, if they elect to receive increments. This rate is 10.4% per full year (1% every five weeks), and the women in this cohort could defer for between 15 months and 3 years before reaching the male equivalent State Pension age.<sup>11</sup>
  
20. If an individual does decide to defer, there are several benefits which are associated with reaching State Pension age and deferring, which are amplified by the relatively lower State Pension age which this cohort of women have. These include cessation of liability for paying National Insurance contributions (NICs), which can be worth an extra 12% of earnings between the Primary Threshold and Upper Earnings Limit, and higher private pension outcomes through working longer and purchasing an annuity later.

---

<sup>11</sup> Further information about deferring State Pension is available at: <https://www.gov.uk/deferring-state-pension/what-you-may-get>. Increments will be uprated by prices, and so would lead to less state pension received over a lifetime than the equivalent single-tier amount, with amounts up to the full £144 being uprated by at least earnings.

**C. Compared to valuation if assessed under single-tier rules<sup>12</sup>:**

21. When assessed under the single-tier rules, the median valuation for this cohort of women is £133 – a rise in £6 per week compared to the median under the current system valuation. This valuation will take into account a deduction to consider periods spent contracted out of the additional State Pension, as happens currently. This means that the median woman in this cohort would not receive the full level of single-tier, but would receive a state pension approximately £11 less than the full single-tier amount.

**Total pension received from State Pension age onwards:**

**D. Compared to men born the same day:**

22. Women in this cohort will reach their State Pension age between 15 months and 3 years before a man born the same day. Reaching State Pension age earlier and, potentially, drawing a State Pension earlier could have a significant impact on the State Pension received over the course of a lifetime, in comparison to a man with an identical National Insurance contributions record.

23. If it is assumed that men and women have the same life expectancy at 65,<sup>13</sup> then a woman could expect to receive between £7,000 to £17,000 more over the course of her life in basic State Pension (assuming full entitlement to a basic State Pension of £107.45 per week in 2012/13 terms) than a man drawing his state pension under the current system.

24. Similarly, in the interval between her legislated State Pension age and the equivalent men's State Pension age, the women in this group could expect to receive between £8,000 and £20,000 on average, when additional State Pension is also considered.

**E. Compared to a single-tier valuation of a 65 year old with the same NICs record:**

25. Taking into account means-tested benefits (both loss of access to Savings Credit and offsetting of higher state pension entitlement through tapering of means-tested benefits), it is estimated that approximately 85% of the women in this cohort would receive more in state pension and other benefits over their lives under the current system and their currently legislated State Pension age than they would if they were to have the same National Insurance record, a State Pension age of 65 and drew a single-tier pension at that age. In other words – 85% of the women in this cohort would receive more in State Pension and other benefits throughout the course of their lives than a

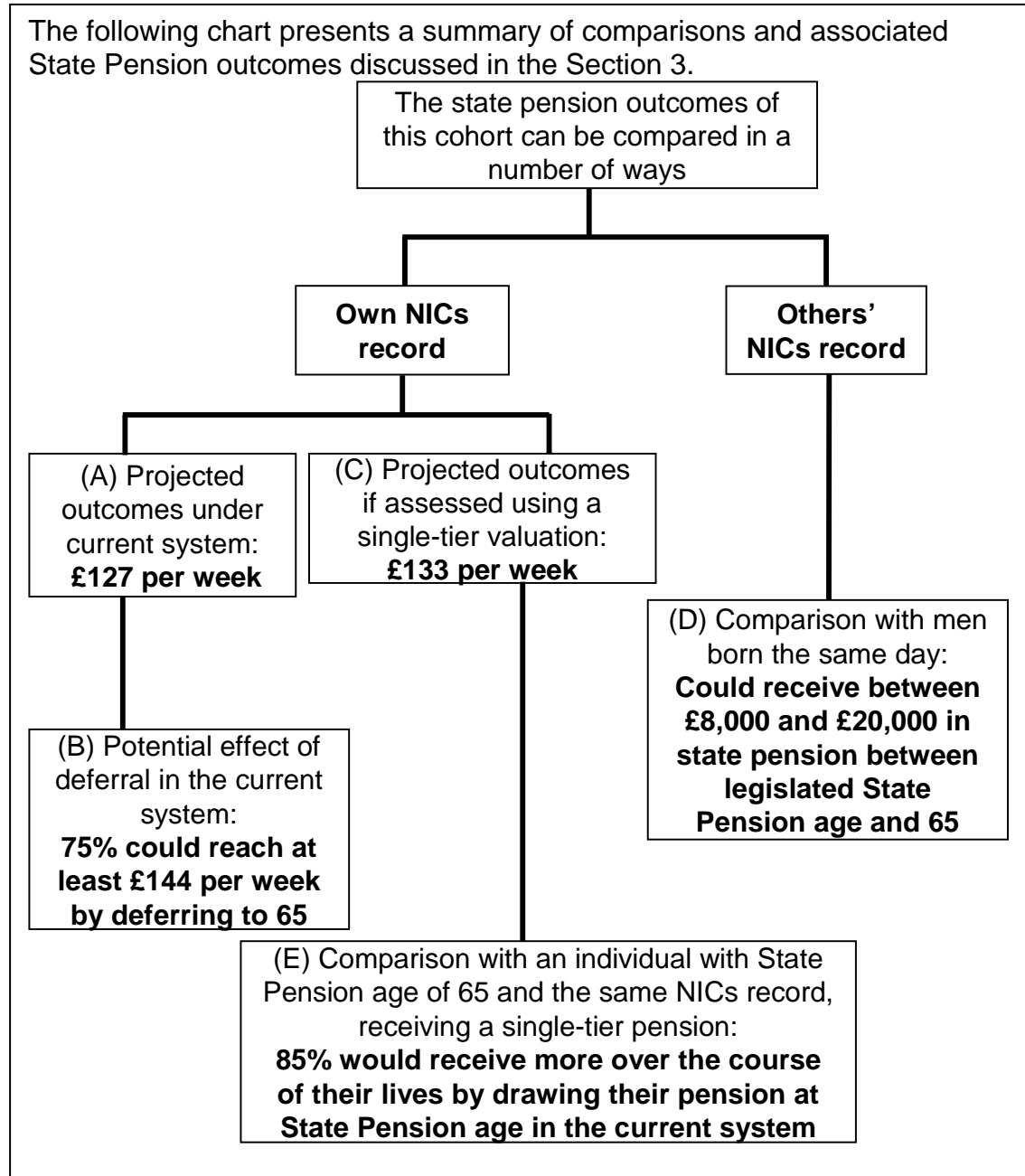
---

<sup>12</sup> 'Single-tier rules' indicates the higher of the individual's current system valuation or single-tier valuation, as per the transitional calculations detailed in *The single-tier pension: a simple foundation for saving and Single-tier transition – technical note*.

<sup>13</sup> The actual life expectancy at 65 in 2013 for men was 21.4 years and, for women, 24.1 years.



man born the same day with the same working / crediting patterns as them will, even though the man will reach State Pension age after the introduction of the single-tier pension (assuming a 2017 implementation date).



## **SECTION 4: Structuring pension expenditure to support future savers**

26. The single-tier pension will cost no more than the current system – it is not the case that the Government is spending more on people reaching State Pension age after 2017 (assuming implementation in 2017), but rather the Government is restructuring the state pension system in a way which makes sense for today’s workers – in order to help them understand what they need to be saving for their retirement. That is why certain elements of the current system will be removed, including Savings Credit and derived and inherited entitlement, with savings being recycled into the simpler single-tier system.
27. The Government has made clear that the single-tier pension is not an increase in the basic State Pension amount from £107.45 per week to £144 per week. It is a substantial simplification of the current system which will result in many changes to the state pension system.
28. This means that the April 1952 – July 1953 cohort will retain access to the following legacy features of the current system, which will not be available to successive cohorts:
- i. A rate of deferral substantially above the actuarial equivalent of the state pension foregone, if they elect to receive increments, and the opportunity to receive a lump sum.
  - ii. A state pension even if they have fewer qualifying years than required by the Minimum Qualifying Period (intended to be between 7 and 10 years).
  - iii. The Savings Credit element of Pension Credit.
  - iv. Derived and inherited state pension entitlement, based on their (former) spouse / civil partner’s National Insurance record up to the introduction of single tier.<sup>14</sup>

---

<sup>14</sup> These proposals are detailed in *Derived and inherited state pension and the single-tier pension*, available at: <http://www.dwp.gov.uk/policy/pensions-reform/state-pension/>. There will also be some transitional arrangements, and where both members of a marriage or civil partnership reach State Pension age in the single tier, there will be the facility to inherit half of the deceased’s Protected Payment.

## Annex A: Extract of State Pension age timetables<sup>15</sup>

Date of Birth	Date State Pension age is reached	State Pension age
6 April 1952 to 5 May 1952	6 May 2014	62.0 – 62.1
6 May 1952 to 5 June 1952	6 July 2014	62.1 – 62.2
6 June 1952 to 5 July 1952	6 September 2014	62.2 – 62.3
6 July 1952 to 5 August 1952	6 November 2014	62.3 – 62.4
6 August 1952 to 5 September 1952	6 January 2015	62.4 – 62.5
6 September 1952 to 5 October 1952	6 March 2015	62.5 – 62.6
6 October 1952 to 5 November 1952	6 May 2015	62.6 – 62.7
6 November 1952 to 5 December 1952	6 July 2015	62.7 – 62.8
6 December 1952 to 5 January 1953	6 September 2015	62.8 – 62.9
6 January 1953 to 5 February 1953	6 November 2015	62.9 – 62.10
6 February 1953 to 5 March 1953	6 January 2016	62.10 – 62.11
6 March 1953 to 5 April 1953	6 March 2016	62.11 – 63
6 April 1953–5 May 1953	6 July 2016	63.2 – 63.3
6 May 1953–5 June 1953	6 November 2016	63.5 – 63.6
6 June 1953–5 July 1953	6 March 2017	63.8 – 63.9

**Note:**

The figures after decimal places indicate the number of months. For example, '62.3' indicates '62 years and 3 months'. Cohorts following the blank row represent those who experienced an increase in State Pension age under the Pensions Act 2011.

<sup>15</sup> The full State Pension age timetables, including current proposals, is available at: <http://www.dwp.gov.uk/policy/pensions-reform/state-pension-age/>

## Annex B: Methodology

1. The full starting rate of the single-tier pension is assumed to be £144, which is the illustrative figure as used in *The single-tier pension: a simple foundation for saving*.
2. The statistics in this document have been produced using the departmental modelling software Pensim2. The cohort of women discussed is represented by a relatively small sample size – 450 sample records in Pensim2, with each record representing 1,000 women.
3. Pensim2 deals in full years, whereas the women in this cohort will have periods of between 15 months and 3 years between State Pension age and reaching 65. We have made adjustments to account for this.
4. The key effects of derived and inherited entitlement under both single tier and the current system have been factored into this analysis, although the precise lifetime effects are not possible to model in Pensim2.
5. In assessing the benefits of staying in the current system, we have not quantified any increased employment income, and not having to pay National Insurance contributions, which may arise from some of the women in this cohort deferring until they reach 65.