

Overview

This report investigates the pension provision and economic status of individuals from the 1958 National Child Development Study (NCDS) cohort as they approach State Pension age (SPa). Drawing on data collected when participants were aged 62–65, the study explores how experiences across the lifecourse, socio-economic status, and health influence retirement outcomes.

The research is timely, given significant changes in UK pension policy over the past two decades, including the equalisation and increase of SPa, the introduction of Pension Freedoms, and the overall trend of a shift from Defined Benefit (DB) to Defined Contribution (DC) pensions. Using the 1958NCDS provides a unique opportunity to assess the effect of recent pension reforms and understand individual's retirement outcomes based on their socio-economic experiences during working life.

The study reveals that while the majority of individuals have some form of private pension, there are key differences in pension wealth, savings, and retirement readiness amongst certain groups. These differences are closely linked to gender, education, employment history, and housing tenure. The report also highlights gaps in State Pension literacy, with some participants unaware of their entitlement age or expected pension value.

By examining both accumulation and decumulation of financial resources, the report provides a comprehensive picture of financial preparedness for retirement. It also highlights the unique challenges faced by self-employed individuals and those with interrupted work histories.

Research Context

The 1958 National Child Development Study (NCDS) is a longitudinal cohort study tracking the lives of individuals born in a single week in 1958 across Great Britain. This cohort has been surveyed at multiple life stages, providing rich data on education, employment, health, and family life. The most recent data collection, conducted when participants were aged 62–65, coincided with their transition into retirement.

This timing is significant, as it captures the effects of major pension reforms introduced in the UK over the past two decades. These include the increase in SPa to 66, the introduction of the new (flat rate) State Pension, and the abolition of the Default Retirement Age. In the private sector, reforms such as automatic enrolment and Pension Freedoms have reshaped how individuals save for and access their pensions.

The Department for Work and Pensions (DWP) funded an extended survey at age 62 to gather detailed information on pension provision, retirement expectations, and financial wellbeing. This allowed researchers to explore how factors across the

lifecourse such as employment history, health, and socio-economic status affect retirement outcomes.

The NCDS cohort is particularly valuable for this research because its members were in midlife during the implementation of many of these reforms. As such, they provide a unique lens through which to assess the real-world effect of policy changes on retirement preparedness. The study also offers insights into inequalities in pension access and adequacy, helping to inform future policy aimed at improving retirement security for all.

Key Findings

- **Private Pension Coverage:** The vast majority of study members (8 in 10) had a private pension. Those without a private pension had spent on average over 9 years less in paid work over the lifecourse, over 4 years longer out of work due to home-care responsibilities, and 4 years longer out of work due to poor health.
- **Access to Pensions:** People had or planned to access their private pension on average at age 61, five years before SPa, and three-quarters had accessed or intended to access by SPa.
- **Pension Adequacy:** Based on the Target Replacement Rates (TRR), it was estimated that around half of study members did not have enough pension income to maintain a similar standard of living as during pre-retirement. Based on Pensions UK single household Retirement Living Standards (RLS), 6 in 10 study members not living with a partner did not meet the minimum RLS. Cohabiting study members not reaching the minimum RLS were more likely during working life to have experienced symptoms associated with depression, a longstanding limiting illness, experienced persistent low household income, and on average spent less time in paid work.
- **Self-Employment:** Compared to those who spent the majority of their working lives employed (1 in 2), those who spent the majority of their working life self-employed (1 in 8) were far more likely to remain economically active in their early 60s and nearly three times as many expected to still be in paid employment at age 68 or later.
- **State Pension Literacy:** Very few (1 in 25) study members did not expect to receive a SP. Among those that did, the majority (4 in 5) correctly expected to receive it at age 66.

Methodology

The most recent data collection of the NCDS cohort occurred when participants were aged 62 to 65, just before reaching the State Pension age (66). This sweep included both a main survey interview and a self-completion questionnaire, capturing detailed

information on employment, pensions, savings, housing, health, and retirement expectations.

The sample consisted of 7,802 participants and analysis primarily used descriptive statistics – percentages, means, and medians – to explore patterns and relationships. Statistical significance was assessed using 95% confidence intervals. The study also examined data from across the lifecourse, including employment history, health status, and experiences of poverty, to understand how these factors influenced retirement outcomes.

The methodology allowed for a nuanced understanding of how individual trajectories over the life course shape financial preparedness for retirement. It also enabled the identification of subgroups, such as the self-employed, renters, and those with poor health, who are at greater risk of financial insecurity in later life.

Findings Explained

The findings from the 1958 National Child Development Study (NCDS) provide a detailed and nuanced picture of how individuals nearing State Pension age (SPa) are financially preparing for retirement. The analysis reveals significant variation in pension coverage, savings, and retirement expectations, shaped by experiences across the lifecourse, health, and socio-economic factors.

Pension Coverage and Access

8 in 10 study members had at least one private pension. However, the type and value of pensions varied. 1 in 3 had a Defined Benefit (DB) pension, while 1 in 2 had a Defined Contribution (DC) pension. Those with no pension spent (on average) over 9 years less in paid work, over 4 years longer out of work due to caring responsibilities, and 4 years longer out of work due to poor health, between age 20 to age 55.

Adults with no pension were also far more likely than those with a pension to have experienced persistent poverty over their adult life (55% to 14%), and to have not accumulated any savings (36% to 10%).

The median age to access or intent to access any private pensions was 61. DB pensions were typically accessed earlier (median age 60) than DC pensions (median age 64). Three-quarters of those with a private pension had already accessed or intended to access it before reaching SPa. Those who have not accessed their private pension were more likely to have spent time out of paid work due to poor health and in a home-care role, compared to those who have accessed.

Pension Adequacy and Financial Resources

Based on the Target Replacement Rates (TRR), around half of study members did not have enough pension income to maintain a similar standard of living as during

pre-retirement. Based on single household Retirement Living Standards (RLS), 6 in 10 study members not living with a partner did not meet the minimum RLS.

Savings were also limited. Half of the cohort had less than £25,000 in household savings, and 16% had no household savings at all. Those without private pensions were significantly more likely to lack savings and to rent their homes. These individuals also had poorer health, lower educational attainment, and more fragmented work histories.

Retirement Patterns

1 in 4 men and women had fully retired by their early 60s. These individuals were generally more advantaged: they were more likely to own their homes outright, have substantial savings, and have a pension, particularly a DB pension. Fewer men and women who had fully retired had experienced intermittent or persistently low household income over the lifecourse compared to their peers in paid work (46% to 57% men; 46% to 60% women).

The self-employed faced particular challenges. Those self-employed for 18+ years are three times less likely than those employed for 18+ years not to have a private pension (29% to 10%). They were also more likely to remain economically active in their early 60s. Just 1 in 7 (14%) self-employed were fully retired compared to 1 in 3 (32%) of the majority employed.

State Pension Literacy and Reliance

One in five study members did not know the correct age at which they would receive their SP, and one in three did not know how much they would receive. When prompted with value ranges, 18% could not estimate their expected SP amount. Among those who did provide an estimate, nearly half expected to receive less than the average SP of £9,026 per year.

Reliance on the State Pension was high. It was estimated that nearly half (47%) of study members would be mostly reliant on the SP for their retirement income (defined as 67 to 100% of total income). This group was more likely to be women, less educated, self-employed, and renters. Just over 1 in 5 (18%) of the mostly reliant had a longstanding limiting illness on two or more occasions across the lifecourse (compared with 4% of the not reliant), and 29% had experienced a high number of symptoms associated with depression at least once during the lifecourse (compared with 13% of the not reliant).