



Third State Pension Age review: Independent report call for evidence

IFoA response

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Executive summary

- Increasing life expectancy does increase the cost of the state pensions, but this is just one factor. An aging population means that the cost as a proportion of tax revenue will be increasing disproportionately, and the triple lock is also contributing to this.
- Looking at changes in the proportion of an individual's life expected to be spent in receipt of state pension is arguably, from a fiscal point of view, more important than just looking at changes in their life expectancy.
- The state pension is just one element of support for the elderly. Ideally it would be viewed alongside the quality of health and social care (and potentially also other social factors), particularly in the context of the basic level of support it provides for those who do not have private savings or income.
- The triple lock is neither guaranteed nor indefinitely sustainable.
- We are not fundamentally against the notion of considering increasing longevity as a factor in assessing changes to the State Pension Age (SPA) in future, but a crude automated mechanism could give results that are illogical (e.g. a fluctuating SPA) and risks (somewhat ironically) having a disproportionately high impact on those with poorer life expectancy and groups who may have more need for a basic level of support in retirement. We support regular reviews (and obviously clear communications) – potentially with decisions de-politicised – but not an automated mechanism.
- There are political choices to be made, but generally we advocate for a long-term plan and changes that are gradual (no step changes or cliff edges) and well-judged against their potential impact on individuals and socio-economic groups. To the extent that the Government could articulate its philosophy on what the State Pension is intended to achieve, the easier it would be to introduce changes in future.

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1 Life Expectancy

What are the advantages and disadvantages of linking State Pension age to life expectancy?

A fundamental question in addressing changes to SPA is what the state pension is intended to achieve and how both the state pension and SPA is politically constrained. It seems to us that much disagreement about what *SPAs should be* reflects deeper disagreements about what *state pensions should be*. Ideally SPAs should be determined having regard to a clear goal and a set of constraints for state pensions. We note the Pensions Commission is “consider[ing] the longer-term future of the pensions system as a whole”¹, however, it has not yet reported. Therefore, in considering state pension age we have necessarily assumed that the state pension continues in a broadly similar form but the SPA timetable potentially being revised. We think the starting point (or at least a very important factor among others) is that it is to meet widely accepted needs for as long (or short) as that person lives, and each of us may live much longer or much shorter than expected.

It is also generally accepted that past a certain age most individuals should be able to receive a state pension irrespective of whether they can still work, though views differ on whether the amount of state pension and its start date should be the same as those unable to work. Many people take the view that almost everyone should be able to *expect* a certain number of years or proportion of their lives in retirement, irrespective of need, though may disagree about how long that should be or how it should be funded for. We discuss this further in section c.

Linking the SPA in some way to changing life expectancy has been argued for as an objective way of responding to both the rising cost of providing a state pension for longer, and also an implied assumption that rising life expectancies mean people can work for longer before they begin to receive their state pension. There are also suggestions that it is “fair” in some sense that those generations who are expected to live, on average, so many years longer should expect to have to work (or provide for themselves) for a given proportion of those extra years, and to have the balancing proportion of those extra years in receipt of state pension. Another way of thinking of this is that the proportion of any cohort’s average lifetime in receipt of a state pension can be kept broadly stable if each cohort’s SPA is adjusted in some way in line with changes in their average life expectancy.

The ultimate costs of state pensions are chiefly determined by:

- i. The level of benefits paid, and the annual increases granted.
- ii. The number of individuals commencing their state pension in any particular year.
- iii. How long those benefits are then paid for.

Linking SPA to life expectancy addresses both (ii) and (iii) by delaying the qualifying age if life expectancy increases, and hence both the number of new recipients and how long the benefit is likely to be paid to them for. On the other hand, an increase in SPA does not affect those already in receipt of the state pension, even if they are living for longer than expected. Typically, it would also not affect the number of individuals reaching SPA for some years, as any increase to the SPA would usually only affect those who are some years away from SPA at the time of the change (to allow for individuals to plan for the change).

However, while changes in life expectancy are one of the most important factors to consider when adjusting a SPA, the relationship can be over-emphasised. Its emphasis downplays other factors fundamental to the need and affordability of a state pension entitlement. Ultimately, as the DWP’s own research shows² a formulaic linking of SPA to life expectancy is unlikely to be politically sustainable over the long-term.

¹ [Pensions Commission: Terms of Reference](#)

² [Understanding decision making around changing the State Pension age: A review of international evidence](#). 30 March 2023.

Average life expectancy can be over-emphasised because it reduces the complexity and variation in mortality across individuals and cohorts to a single statistic, and in our experience, this is widely misunderstood.

An example: the latest life expectancy for a newborn male in 2023 is 86.7 years, as published by ONS in their most recent projections³, and picked up by the popular press⁴. The headline figure of 86.7 tells us nothing about how many might be expected to live to age 70 or age 100. Our sense is that many people's intuitive sense of life expectancy is closer to it being a destination rather than a distribution. By this we mean that it is very likely that a general member of the public, having read the popular press, would believe that they could expect that a very high proportion of people would be expected to live to 86.7 or close to it barring accidents or rare illnesses, but few would survive many years longer – at least if the expectancy was “accurate”. The article notes that 1-in-10 boys and 1-in-6 girls born in 2023 might live to 100 but our sense is that many people think those minorities must be particularly wealthy or super-healthy rather than something that might happen to “people like them”. In contrast, actuaries are used to thinking about how long people will live as a probability *distribution* – people are highly likely to survive in the short term, but the risk of death grows as people age, meaning that relatively few people may die much before their group's life expectancy⁵ (though it happens, and increasingly so as they get closer to that age), and that a large minority will survive for many years past their group's life expectancy. The life expectancy for those who survived to much higher ages was not necessarily wrong (though all demographic assumptions about the future are to some degree wrong in hindsight) – the survivors are just “the lucky ones”, the upper half of the distribution.

Life expectancy is often misunderstood because it is not widely appreciated that:

- i. It is dependent on the age of the individual concerned.
- ii. It would be expected to rise, even if the assumptions were perfectly correct, as that individual gets older.
- iii. It involves assumptions about the future changes in mortality rates.

This final point above involves assumptions about the future because, for example, in estimating the life expectancy of a newborn we need to make estimates of the survival rates of 90-year-olds in 90 years' time. Those are clearly very uncertain, and more so the further into time we need to project. There are two approaches usually used: “period” which takes age-specific mortality rates at a particular point in time without further change, and “cohort” which projects the age-specific mortality rates into the future. “Period” is objective in the sense of not assuming any particular pattern of longevity improvements, but not appropriate for setting long-term social security policy because it wholly ignores the (as seems at any particular point of time) likely reductions in mortality rates between now and then. Social security projections usually therefore use “cohort” life expectancies. These are meant to be more realistic but necessarily involve very uncertain assumptions about the future, and so those assumptions may be criticised by different parties as overly-prudent or underly cautious.

For example, using the same set of ONS data as a.6 above, new born boys in 1981 might have had a life expectancy of 81 years. However, *on the same assumptions* (allowing for actual mortality experience up to 2023 but projecting into the future), for those that survive to age 80 in 2061, their life expectancy could be another 10.6 years.

³ [Past and projected period and cohort life tables - Office for National Statistics](#), the same set of data used in the current State Pension Age review.

⁴ For example, see this BBC news article: [UK men and women can expect to live longer, data show - BBC News](#)

⁵ It is a surprising statistical quirk of the typical probability distribution shapes that more than half of people would be expected to outlive their life expectancy. That is because life expectancy is usually a mean average, and the skew of the distribution means it is often higher than the median (50%) estimate of the age of death.

Over-emphasis on life expectancy increases can strongly imply that SPA ought or has to rise as an unavoidable or automatically desirable consequence. However, increases in life expectancy are primarily driven by improved survival rates at the oldest ages. The over-emphasis on life expectancy can thus divert attention from the ages where the state pension is being delayed to the ages where it is ending. For example, life expectancy increases driven by improvements to survival rates in people's 90s does not tell us anything about the needs of people in their 60s. We note it tends to be the most affluent groups who are most likely to benefit from falling mortality at age 90+ (they being more likely to get to 90, but only on average), whereas less affluent groups are less likely to survive into their 90s but may be very reliant on the state in their 60s. Hence raising the SPA would be expected to impact disproportionately on a segment of the population who are *least* likely to benefit from improved longevity.

In the SPA debate there are suggestions (often implicit) by some that the "fairness" of the state pension is strongly determined by how much people individually or as groups get out of it. However, this is not universally agreed. As we said in 0 and 0 above, there is disagreement about what state pensions are *for*, but we think an important starting point is that it is to meet widely accepted needs for as long (or short) as that person lives, and each of us may live much longer or much shorter than expected: almost anyone *could* live to a great age whatever their financial circumstances. Fundamentally, the state pension is provision for old age, and it is paid to those while living precisely *because they are still living*.

Similar considerations (confusion, assumptions, age-dependency, obscuring underlying detail etc.) apply to the use of healthy life expectancy. Broadly speaking, groups with higher life expectancies tend to have higher healthy life expectancies than groups with lower life expectancies. This difference can be quite dramatic, up to 10 years for life expectancy at birth and about 19 years for healthy life expectancy when looking at the difference between the most deprived and least deprived deciles in the UK. These differences have been increasing, not decreasing over recent time. However, any particular healthy life expectancy statistic tells us relatively little about the numbers of people healthy or not at any particular age, or their circumstances. One might belong to a group of people with so many years of healthy life expectancy but if you are too ill to work that "expectancy" is of little concern to you. Equally, one might belong to a relatively deprived group but be in excellent health (it is just less likely if all we know is the deprivation group but not the individual's particular circumstances). Instead, the focus should be on how many people are too ill to work at particular ages and how they can be supported – this can be through the state pension but also by working-age benefits and private provision.

How would linking State Pension age to life expectancy impact upon intergenerational fairness?

This is a difficult question in three different respects. First, what fairness between generations means is highly contestable and dependent on the many and complex dependencies, duties, expectations, opportunities and relations between the different groups, as well as the more fiscal and financial impacts that we assume are being alluded to in this question. Second, the "fairness" question mentioned in 0 above for people within the generation approaching SPA, the variability within that generation, and whether the variability in that generation can be mapped directly with the variability in later generations, are likely to dwarf the effects of any "big picture" intergenerational unfairness. Finally, the decisions made in relation to the living today affect the generation yet to come, in futures almost unknowable to us, making it exceptionally difficult to take a fully rounded view of the impacts let alone reach a view on their "fairness", however defined.

That said, as people live longer, maintaining the same retirement age without adjustment would increase the number of pensioners relative to those in work, worsening the dependency ratio. With fertility rates falling and smaller cohorts entering the labour market, even if life expectancy were to stabilise rather than rise, the fiscal burden of paying pensions would still fall on a shrinking working-age population. Fairness could come under question if younger cohorts increasingly face lower living standards relative to older generations. Moreover, as longevity improvements have been uneven, largely concentrated among higher-income

groups, automatic increases in SPA if applied across the board could deepen inequalities both between and within generations. Intergenerational fairness therefore requires considering broader life conditions, not just overall life expectancy, so that each generation can expect a “fair share” of retirement while ensuring the pension system remains sustainable for those who follow.

As life expectancy rises then unless SPA also rises successive generations would be expected to spend a larger proportion of their lives in retirement. Although increasing SPA for each year by which life expectancy increases, for example, is unlikely to be appropriate and disproportionately penalises those whose life expectancy beyond the current SPA is short, nevertheless, some increase in SPA to reflect the longer expected retirements of younger generations and their *average* ability to work longer would appear overall to be more inter-generationally fair.

2 Sustainability

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

In setting the SPA the Government needs to consider both the fundamental purpose of and financial constraints for the state pension. SPA can and should play a role in maintaining the fiscal sustainability of the state pension system, but it should not be the sole lever. It provides a mechanism to balance the working and retired populations as demographics shift, helping manage long-term affordability.

Reflecting on the history of the state pension, its starting point was to provide an income to people who would not otherwise be able to support themselves through work, by reason of old age. We believe that remains the fundamental starting point, whether or not political choices are made to provide for longer periods of state pension income, different levels or increases, or to limit eligibility.

By the nature of human ageing, it is nearly inevitable that (savings aside) at some point each of us will lose any ability we might have to obtain an acceptable standard of living for ourselves (and any financial dependants) by working. The precise age varies for each individual, by their occupation and life circumstances, but for each generation the onset of work-limiting circumstances will cluster around particular ages. Not every individual follows the same trajectory of work-ability and health but it is a recognisable trajectory, in that once past a certain age, usually in early adulthood, our health and ability to work will decline with each passing year, slowly at first, more noticeably in middle age, and then more rapidly as we become elderly. It is the nature of age-related decline that once it affects our physical health, cognitive abilities, independence and ability to work, those capacities are unlikely to recover to the level they were in our younger years.

We decided, as a society, that past a certain age a significant and growing number of people could not – and should not – be expected to independently sustain themselves through work, and that the state should provide some level of replacement income. The use of a single age avoids the need for medical assessments that might be expected for incapacity-related benefits at younger ages. Since there is no medical assessment and no means-testing it is paid irrespective of actual need or ability to provide for oneself, thus ensuring that those who are able to continue working are not disadvantaged by continuing to do so. Similarly, not being means-tested against an individual’s assets, it avoids disincentivising savings and investment during an individual’s working years. The clear age-based qualification puts all recipients on an equal level – even though their needs and circumstances are ignored, it means everyone (should they survive long enough and otherwise qualify) will receive a foundational level of income from a predictable date for the rest of their life. This avoids the costs of means-testing and reduces the likelihood of people most in need of a foundational level of income not claiming it because of embarrassment, lack of knowledge or social stigma.

With advancements in life expectancy, there is a need to reexamine and understand the different stages of people's lives and how responsibility for funding those stages is shared between the state, the individual, and employers. The current approach treats retirement as a uniform event that occurs at a set age, yet people's capacity to work, health status, and financial resilience vary ever more widely. A more sophisticated model would recognise that some periods of life may justifiably be supported primarily by the state — such as old age or periods of ill health — while others rely more heavily on personal savings, occupational pensions, or employer contributions. This would prompt a broader conversation about what proportion of life should reasonably be spent in work, and what proportion in retirement, given changing patterns of longevity and productivity.

A state pension which is widely qualified for and predictable enough in both timing and amount (both uncertain, but less so as SPA approaches) also gives a secure foundation on which individuals can save and invest for additional retirement provision. The security and certainty of the state pension importantly allows individuals to take the long-term investment risks necessary if they are to invest in growth assets that lead to the economic growth on which society relies. If, in contrast, individuals were much less sure of when and how much income they would receive from the State they might either take a much more cautious approach to pension investment, or, if they did not, find themselves highly and potentially catastrophically exposed to much lower retirement incomes than expected through market risks etc.

However, it was and is a political choice precisely where to draw that age line. And the freedom in setting that age is inevitably constrained by fiscal and economic considerations. This is why it is important not to place too much weight on life expectancy alone in determining the SPA. For example, whatever the SPA implied by a longevity statistics-based formula, it tells us nothing about whether that SPA can be fiscally sustained. Equally, it might be that a lower SPA than implied by a strict formula could be retained, or adopted, if different political choices were made over the incidence and level of taxation. We note that in an ageing society, it would be surprising if the overall level of taxation did not need to rise in order to continue to provide the same levels of public services and benefits which had previously been provided. Ultimately, it is a political choice how to distribute public expenditure and how to allocate the burden of tax to meet the Government's desired expenditure. In isolation, it might appear logical or "fair" to mitigate increases in the state pension budget caused by an aging population, increasing life expectancy and generous increases by increasing the SPA by some factor based on the increase in life expectancy. However, we urge the Government to consider the potential impacts on different segments of the population, and in particular, the likelihood that groups with poorer life expectancy will bear the brunt of an increase in the SPA whilst those with higher life expectancy might expect to see a smaller impact on their average period in receipt of State Pension.

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

As already mentioned, the advantages of using the SPA to manage the costs of the state pension are its direct, straightforward, transparent and predictable effects on the numbers of people qualifying and the overall time they will be expected to receive the pension for.

The major disadvantage is that a costs-driven approach to the qualifying age does not address the needs of those approaching SPA but who are delayed in qualifying for the benefit they would otherwise rely on. Even if an increase in SPA is only applied for those who are some way from retirement, the increase will not have the same impact across the cohort. Rather, those with poorer life expectancy will see a much greater reduction in their years in receipt of State Pension than those with a longer life expectancy. It may result in vulnerable people being pushed into poverty if they are unable to continue working but are too young to claim pension benefits. Managing the cost of the state pension may therefore shift costs elsewhere, into welfare, disability and healthcare systems.

There are also secondary effects in delaying SPA, as existing working age benefits are extended over the period the SPA is delayed. It is also possible that there is an increase in new working-age benefit claimants who might otherwise have decided to hold off claiming anything until they start receiving state pension.

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?

The health of different groups at different ages has been mentioned earlier in our response. Taking this into account would help align eligibility with the point at which most people's capacity to work meaningfully declines.

Lifetime contributions including work and/or care credits are currently recognised as counting towards the full state pension but once the maximum number is reached there is no further benefit to individuals – an alternative might be to allow state pensions to start early with a sufficient number of qualifying years.

Theoretically one could take into account the strain of a certain occupation in setting individual SPA. However, differentiating those with physically demanding roles in their career from those without (who might work for the same employer or in the same sector) would be challenging in practice.

The biggest influencing factor for those living in poverty currently as a pensioner is their total reliance on the state pension. Those unable to build workplace or private savings (often carers or low earners) are more dependent on the state pension. However, means-testing state pension would, in effect, increase taxes (by the withdrawal of their state pension) on higher income groups and undermine their retirement security. This would be very politically contentious and ultimately could undermine support for those most reliant on the state for retirement income. The large gap between public and private sector pension provision would also add to the difficulties.

The vagueness of the future level of the state pension, relative to both prices and earnings adds to the uncertainty over its sustainability. The “triple lock” does not provide the certainty and security it is often perceived by the public (and presented by politicians) to provide. It does not exist anywhere in law – the law provides for the state pension and basic state pension (the main ones for post- and pre-6 April 2016 state pensioners respectively) to “have retained the value in relation to the general level of earnings”⁶, though this has been overridden when earnings growth behaved unusually⁷.

The triple lock is a rolling political promise (to provide more than the statutory requirement) without a clear end point. Politicians frequently support it “for the life of the Parliament” but those pledges have been renewed in successive general elections. At present there is no clear political consensus on whether the triple lock is supposed to continue for a few years, indefinitely, or to a particular point in between. In contrast, the IFoA supports and has made the case for long-term policy making.⁸

It is widely reported that the triple lock provides that each year the key state pension elements (but we note, not all, particularly where means-tested⁹) are uplifted by the higher of 2.5%, price inflation, and average wage increases. This is generally represented in the media as “protecting pensioners”. However, we think it is much less understood that it means that the level of the state pensions must rise, over the long term, both by more than the rise in prices and by more than the rise in earnings. Furthermore, the timing and amount of increases relative to those two measures is also unknown, and is very sensitive to unusual economic

⁶ Social Security Administration Act 1992, s 150A(1)(za)-(a)

⁷ Social Security (Up-rating of Benefits) Acts 2020 and 2021 overrode the legislation twice in connection with the coronavirus pandemic period.

⁸ <https://actuaries.org.uk/thought-leadership/thought-leadership-campaigns/beyond-the-next-parliament-the-case-for-long-term-policy-making>

⁹ House of Commons Library: [State Pension triple lock](#) and [State Pension Up-rating](#)

circumstances when either price and earnings rises are very different over a year, or both are low – these circumstances might often be times of economic shock or difficulty. Ultimately it is unknowable what the implied levels of state pension are relative to prices and earnings might be many years hence, only that they will continue to rise indefinitely and unpredictably.

It seems unlikely that in our ageing society the state pensions can rise faster than both earnings and prices indefinitely. At some point they will become fiscally unsustainable – the question is when, yet we don't have clear policy intentions of the time, or the level of state pension, when the triple lock will cease. The likelihood is therefore that people cannot have a reliable idea of what the long-term policy might actually be, which could easily lead to a mistrust of the state pension system overall.

We also doubt that it is widely understood that the rising cost of the triple lock makes it fiscally harder to improve the means-tested benefits for those pensioners most reliant on state support, or that a generously increasing state pension is itself contributing to the fiscal pressure to increase the SPA. There is ultimately a trade-off between SPA, the level of the state pension, and its burden on the public finances that should be more widely discussed.

We note the Institute for Fiscal Studies proposals as one way to move away from the triple lock to something more sustainable – targeting state pensions as a given level of median earnings, dropping the existing triple lock once this level is reached, thereafter maintaining minimum annual inflation increases and a “smoothed earnings link” to broadly maintain value against earnings over time.¹⁰

It is frequently remarked that it is politically very difficult for any politician to publicly move away from supporting the triple lock indefinitely. A former Work and Pensions Secretary of State said only this month that “The triple lock is not sustainable — but politically, it's impossible to do away with.”¹¹ Our suggestion is that rather than “do away with” it, it can be reframed and with the message of putting it on a more secure, affordable and predictable long-term footing. For example, a revised triple lock might provide that:

- i. The state pensions will go up by at least price inflation each year.
- ii. They will not be reduced in times of deflation.
- iii. They will be further increased, if necessary, to keep pace with long-term earnings growth.

There is, of course, also a wider question in relation to funding health and social care in retirement, and we believe there are opportunities to position a revised state pension alongside a meaningful review of the adult care system.

3 Automatic Adjustment Mechanisms

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).

As explained above, we are sceptical that over the long-term an Automatic Adjustment Mechanism is either appropriate or likely to be sustainable, albeit it may appear politically attractive.

¹⁰ Institute for Fiscal Studies. [The Pensions Review: final recommendations](#)

¹¹ Lord Blunkett, 16 October 2025, Pensions UK Conference, as reported at <https://www.ftadviser.com/pensions/2025/10/17/lord-blunkett-govt-has-no-choice-but-to-act-fast-on-pensions/>

We also noted above that cohort life expectancies (i.e. those that attempt to take account of projected future changes in mortality rates) involve very uncertain long term assumptions. Changes in life expectancy can therefore arise over a period of time largely because of changes in the projection assumptions rather than any change in mortality levels over that time. For example, the call for evidence itself highlighted in figures 1 and 2 that life expectancy had reduced between the 2014- and 2022-based projections. That reduction has been discussed in the media, particularly linking it to the public spending austerity in the early 2010s. It therefore surprises many people when it is reported that mortality levels are broadly at their lowest ever recorded, i.e. people are living longer than ever before¹². What has happened is that, over those years mortality rates have fallen, so more people survive at each age to their next birthday, *but* the speed at which the mortality rates have fallen (i.e. the rates of improvement) has also *slowed* over those years, prompting a reduction in the assumed rates of improvement over future years. In summary, the period life expectancies have gone up on the whole, but the cohort life expectancies have fallen at many ages.

One consequence of this is that in attempting to remove the possibly contentious political decision-making over future SPA in favour of an “objective” statistics-driven mechanism, the contention may be redirected to the assumptions choices, which ultimately may not only come back at the politicians but engender distrust of the statistical authorities responsible for setting the assumptions.

Another consequence is that had there been an Automatic Adjustment Mechanism linked to the 2014 and 2022 life expectancy projections, then there would have been a decrease in SPA in recent years. This is despite there being actual mortality improvements seen over the same period and could be hard for people to understand.

A formulaic link to life expectancy will give a fluctuating SPA that may appear illogical and confusing. More broadly, an Automatic Adjustment Mechanism fails the test of equality, in disproportionately impacting the people who will not enjoy the improved longevity. It would be better to have life expectancy as a factor to consider in the decision about SPA and:

- i. to have a de-politicising model that shifts the decision-making away from the political arena (GAD or a commission – though we acknowledge the Government of the day will always be ultimately accountable) and requires consideration of the impacts on different groups;
- ii. requires and changes to be very gradual changes, not rapid/step changes.

One method of removing some of the subjectivities in setting mortality assumptions is to link SPA to period life expectancies. However, this also has its disadvantages, one of which is that it could underestimate how long a particular group of pensioners at SPA might continue to live for: a 66-year-old male in 2023 might expect to live for another 19 years according to the ONS tables used in a.6 above¹³; this decreases to 17.9 years without allowance for future improvements. It also ignores changes in views of how mortality rates will decline/increase in future, for example, new medical developments or reduced funding for health services. This makes any increase in SPA harder to justify, also ultimately creating mistrust in the Mechanism.

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

Given our scepticism about the use of such a Mechanism we do not comment in detail on the factors that could be used. The factors that *could* be considered are similar to those discussed in section e.

Retirement eligibility should reflect actual ability to work (which deteriorates at different rates for different people) and past contribution/effort. It should balance fairness, sustainability, and simplicity (to the extent

¹² Continuous Mortality Investigation (CMI): [Mortality continues to fall, says CMI](#). 9 July 2025.

¹³ See <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>

possible). It should maintain incentives for people to work if they are able, and support those who cannot keep working because of health, caring roles, or high job strain.

Potential factors might include the following:

- i. Age.
- ii. Life expectancy.
- iii. Socioeconomic health inequalities.
- iv. Work-capacity, including the physical demands of (current and past) work.
- v. Dependency ratio: Adjustments to the ratio of working-age to retired population could be linked, to balance fairness across generations.
- vi. Fiscal constraints.

These factors when considered should be thought of in combination, not used in isolation, to balance fairness and sustainability.

Sweden's pension system is an example of where an automatic adjustment mechanism is in place to adjust for demographic changes, particularly life expectancy. Its automatic balancing mechanism is set to ensure long-term fiscal sustainability. If life expectancy increases, the system adjusts by reducing the annual pension amount unless individuals choose to retire later.

4 Factors for setting State Pension Age

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?

We have already emphasised the needs of individual people reaching the end of their working lives, and how those needs exist and are likely to remain irrespective of what their SPA might be at that time. We acknowledged the fiscal constraints, the political choices to make about taxation and public spending, and the uncertainty created by the present “triple lock policy”.

Noting that ageing affects people differently but tends along the same broad trajectories, the Government may want to consider “ill-health pensions” akin to those in defined benefit pension schemes. They might allow individuals to start their state pension early, without reduction, providing they were medically certified as unlikely to be able to continue with their current, or similar, occupation (as opposed to the working-age work capability assessment). The precise definition would be to be determined but it is a principle long used in most private and public sector defined benefit pension schemes. It would ensure those who cannot reasonably be expected to continue to work to obtain a given level of income are suitably provided for (whatever their assets, background, or career). This might be done in conjunction with an increase in SPA, if one were necessary, since it would assure the public that those most likely to be adversely affected by the rise would be protected, but those who could work would be expected to continue to or to make private provision to retire earlier. It might also be possible to put a minimum age on the ill-health state pension, to distinguish it from the reviewable ill-health social security benefits for younger ages. For example – and making no recommendation on the particular numbers – it might be that state pension for an individual were 68, that they qualified for an ill-health state pension at 65 through failing health, and their health qualifications would not be later reviewed.

Pension credit policy should also be considered in determining SPA. If the guarantee were to apply earlier (e.g. from 60 or 65) it could mitigate the impact on the most vulnerable groups of a further increase in the

SPA. Given the wide differences in health in people's 60s, and age-related declines, there are already arguments that it should apply from a younger age.

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?

In our view a general *need* for lifelong state support remains the starting point for SPA. Determining its precise level, the level of increases and how to pay for it are then political decisions operating within (to some extent, though not unavoidable without limit) fiscal constraints. A focus on equity, not just efficiency, will ensure legitimacy and long-term stability.

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?

Ultimately, people are affected individually, and it is the effects on individuals that should carry most weight. However, uniform SPA increases risk deepening inequalities across income, region, gender, and occupation. We have emphasised the needs of individuals, both for those wholly reliant on the state pension, and also the more affluent for whom it provides a relatively secure base on which to build.

There is much merit in considering the effects on groups, regions and nations to the extent that it can draw out the effects on individuals and help us appreciate the numbers of people that might be so affected. However, it can be a distraction to overly emphasise the different impact on different groups unless that difference itself is of fundamental moral, social or political importance.

This is particularly a risk when comparing different areas of the country. It might be pointed out, for example, the average impact in Maidenhead will be different to the average impact in Manchester, as if that is inherently a bad thing to be avoided. The differing impacts may well be bad things to avoid, but it is more likely to be because of the impacts on individuals, and it just so happens that more of the worst impacted live in Maidenhead or Manchester. The impacts are unlikely to be equally distributed between the two areas because large differences exist between the incomes, wealth and health within each of the two areas. The important point is this: those impacts on individuals, linked to their individual circumstances, would still be of concern even if the populations of the two areas were somehow bussed up and down the country to be more similar – in that admittedly unlikely scenario the same individuals could be affected the same way but would it be any “better” that the difference between the two areas had been reduced? This is not to deny that geographic (or sex, or racial etc.) inequalities matter – we merely observe that commentary often gets stuck at observing differences at a relatively high group level without digging into the individual circumstances of the group members.

END.