State Pension age – background

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Governments in general are anxious to encourage people to work for longer as a way of dealing with the pressure which increased longevity exerts on both state and private pension funding. In its Second Report, published in December 2005, the Pensions Commission proposed improvements in the basic State Pension (including a restoration of the link with earnings) to be paid for in part by an increase in the State Pension Age (SPA). It recommended that over the long term, the SPA should increase broadly in line with life expectancy. The SPA for women was in any case scheduled to increase from 60 to 65 over the period April 2010 to April 2020. In the *Pensions Act 2007* the Labour Government legislated to increase the equalised SPA: to 66 over two years starting from April 2024; to 67 over two years starting in April 2034; and to 68 over two years starting in April 2044.

In his Budget on 22 June, Chancellor of the Exchequer, George Osborne, said the Coalition Government intended to accelerate the increase in the SPA to 66. On 20 October, the Government announced that it would speed up the pace of SPA equalisation for women from April 2016 so that women's SPA reached 65 in November 2018. The SPA would then increase to 66 for both men and women from December 2018 to April 2020. Provisions to implement this were included in the *Pensions Bill 2011.* However, concern was expressed at the impact of the revised timetable on those women who would see their SPA increase by more than a year (and in some cases by as much as two years) as a result. The Government amended the Bill in its final stages to cap the maximum increase in the SPA at 18 months relative to the legislated timetable. The *Pensions Act 2011* received Royal Assent on 3 November 2011. Section 1 brings forward the increase in the SPA to 66 to October 2020.

This note looks at the increases in the State Pension age up to and including the *2011 Act.* SN 6546 *State Pension age – 2012 onwards* takes the story forward.

The SPA is distinct from the "retirement age", which is the age at which one can be required to leave work – see Library standard note, SN 0961 *Retirement age*. SN 05847 *Pension age: occupational and personal pensions* covers the pension age for private pensions.

Contents

1 Overview

From the 1940s until April 2010, the State Pension age (SPA) was 60 for women and 65 for men. Legislation to increase the SPA was introduced in three stages:

- Provision to equalise the SPA for men and women by increasing the SPA for women from 60 to 65 in stages between April 2010 and 2020 was included in the *Pensions Act 1995.*

- Provision to increase the equalised SPA to 66 over two years starting from April 2024, to 67 over two years starting in April 2034, and to 68 over two years starting in April 2044 was included in the *Pensions Act 2007*;

- Provision to bring forward to increase to 66 to October 2020 was included in the *Pensions Act 2011.* To achieve this, the Act brought forward the increase in women's SPA, so that it reaches 65 in November 2018 (rather than April 2020).

The following overview is from the Directgov website:

> **Current State Pension age**
>
> For men born before 6 December 1953, the current State Pension age is 65.
>
> For women, the current State Pension age is increasing from 60 to 65 from April 2010. This affects women born on or after 6 April 1950.
>
> **Increase State Pension age to 66**
>
> Under the *Pensions Act 2011* women's State Pension age will increase more quickly to 65 between April 2016 and November 2018. From December 2018 the State Pension age for both men and women will start to increase to reach 66 in October 2020.
>
> These changes affect you if you're:
>
> - a woman born on or after 6 April 1953
> - a man born on or after 6 December 1953
>
> The current law already provides for the State Pension age to increase to:
>
> - 67 between 2034 and 2036
> - 68 between 2044 and 2046
>
> The State Pension age calculator will tell you when you will reach State Pension age under the current law. However, the government is considering how the State Pension age should be changed in the future. This may mean the timetable for increases to 67 and 68 will be revised. The government will bring forward proposals in due course. Any change to the timetable would require the approval of Parliament.
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> **State Pension age calculator**

The SPA timetable is in Schedule 4 of the 1995 Act, as amended by the 2007 and 2011 Acts. A table produced by DWP showing the current State Pension age timetable for men and women with different dates of birth is reproduced as an Annex to this note.

Some benefits - such as the Guarantee Credit part of Pension Credit - are linked to the SPA for women. So, the earliest age from which this can be claimed is also rising.[1] The position of other "pensioner benefits", such as concessionary bus travel is covered in SN 6354 *Pensioner benefits.*

The debate around the different pieces of legislation that have revised the SPA timetable is discussed in more detail below.

[1] *State Pension Credit Act 2002,* section one

2 *Pensions Act 1995* – State pension age equalisation

When the first state pensions were introduced under the *Old Age Pensions Act 1908*, they were paid on a non-contributory basis to everyone aged 70 or over whose income fell below below a certain level.[2] Contributory pensions for those aged 65-69 were introduced in 1925. It was the *Old Age and Widows Pensions Act 1940* which introduced different SPAs for men and women (65 and 60). Debates on the Bill[3] suggest three reasons for the change:

- There was a desire to improve pensions generally and this provided an opportunity which was less costly than other options;
- The fact that wives tended to be younger than their husbands mean that a common pension age was seen as problematic. It was felt that wives should qualify for their pensions at the same time as their husbands;
- Women's domestic responsibilities on top of their paid work were felt to leave them 'tired' at 60.

During the 1970s and 1980s, pressure built from a number of sources for equalisation of the pension age and, in his Budget statement on 30 November 1993, the then Chancellor of the Exchequer, Kenneth Clarke, announced that SPAs would be equalised "upwards" at 65 for both men and women, over a ten year period starting in 2010. The change would not affect anyone aged 44 or over at the time of the announcement:

> After careful consideration, the Government have decided that the state pension age should eventually be equalised at the age of 65. The change will be phased in over ten years, starting in the year 2010, so it will not affect anyone currently aged 44 or older. By the year 2020, the state pension age in Britain will be broadly in line with that of most of our industrial competitors, although we will still have more generous arrangements than in the United States, where the pension age is to be equalised at the age of 67. All developed countries are making similar changes for similar reasons. Women nowadays tend to spend more of their lives in paid employment. They also live longer than men. Pension schemes need to recognise this, and end the current discrimination between the sexes.
>
> In the next century, the ratio of working people to retired people will fall sharply, and the burdens on taxpayers will rise. The Government's decision will moderate those burdens, eventually by some £5 billion a year, and so help to ensure that they are sustainable. The basic pension is, and will remain, a cornerstone of the welfare state. The Government are committed to it and to retaining its value. [4]

Further details were contained in a White Paper, *Equality in State Pension Age*, published in December 1993,[5] and legislation was included in the *Pensions Act 1995*.[6] This Act started life as the *Pensions Bill [HL] 1994/95*. In his speech on second reading in the Lords, Lord Mackay of Ardbrecknish, then Minister of State at the Department of Social Security, elaborated on the Government's reasons for equalising at 65:

> We believe that it is right to equalise at 65 because, first, women are increasingly playing a role equal to men in the economy. They live longer and can expect to work

[2] For further information, see SN/BT 4817, *Old Age Pensions Act 1908*

[3] HC Deb, 20 February 1940, cc1193-1498

[4] HC Deb 30 November 1993, c 929

[5] Cm 2420

[6] Section 126 and Schedule 4

> as long as men. Secondly, equalising at 65 will improve the future support ratio between those working and those on a state pension. Lastly, throughout the world, countries are equalising upwards or increasing pension ages for both sexes. This move will help to maintain our international competitiveness while ensuring that the state pension remains affordable. It is also right in the light of developments in occupational pensions.
>
> In 1990 the European Court of Justice ruled that occupational pensions constituted part of pay and must be equal for men and women in respect of pensionable service from 17th May 1990. The great majority of schemes which have equalised their pension ages have done so at 65. The Bill will bring domestic legislation into line with the requirements of European law by requiring schemes to comply with an equal treatment rule which ensures that schemes do not discriminate on grounds of sex. This features in Part I of the Bill.[7]

The increase was to be phased in between April 2010 and 2020. The dates at which women born between 6 April 1950 and 5 April 1955 would reach SPA were set out in Schedule 4.

The background to this is discussed in more detail in Library Research Paper 95/47 *The Pensions Bill: Social security aspects* and SN/BT 2175 *Pension age equalisation.*

3 *Pensions Act 2007* - increase to 68

3.1 Background

At the beginning of the twenty-first century, concern at the growing cost of providing a decent pension for a longer living population prompted a number of organisations to suggest that the SPA should increase further. For example, the Institute for Public Policy Research (IPPR) proposed in 2002 that the SPA should be raised to 67 by 2030.[8] The Pensions Policy Institute (PPI) proposed that the SPA should increase to 70 between 2020 and 2030. The purpose would be to allow for an increase in the level of the basic State Pension, or at least higher pensions for the over-75s.[9] However, the PPI did not think the UK was ready to raise the SPA at that time and that preparation was needed to pave the way for increases in the future. PPI argued, for example, that an increase "would be more acceptable as part of improvements to the state pension system". It would also be more popular if there was evidence of the potential positive impact changes in work practices (anti-age discrimination, retraining, more part-time working) which "should help to make later working lives a reality."[10]

In its 2002, pensions Green Paper, the Labour Government said was not attracted to plans to increase the SPA overall. It thought the primary challenge was to encourage people to keep working until 65. Furthermore, it was concerned that an increase in the SPA would disproportionately affect lower-income people who relied more on state benefits in retirement.

> 46. It is argued that an increase could change attitudes and encourage more people to work into later life. But the connection between the State Pension age and when most people actually stop working is not straightforward. For example, two-thirds of men have stopped working by the time of their sixty-fifth birthday. So, the proposal does not

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7 HL Deb 24 January 1995, c 977

8 IPPR press release, *'Time is running out' to tackle the pension crisis, IPPR warns Government*, 24 June 2002, For more details, see Richard Brooks, Sue Regan and Peter Robinson, *A new contract for retirement*, IPPR, 2002,

9 Pensions Policy Institute press release, *Time to raise State Pension Age?*, 20 September 2002, For further details, see Alison O'Connell, *Raising State Pension Age: are we ready?* September 2002

10 PPI, *Raising State Pension age – an update*, October 2003, p4

> deal with the core problem of working lives ending too soon. The primary challenge is to ensure that people can keep working until 65.
>
> 47. Of course, many people will want to continue working beyond this age, something the Government welcomes, and is making easier by other measures in this Green Paper. But raising the State Pension age is not necessary to ensure that these ambitions are fulfilled. Indeed, given our proposal for a better deal for those who defer taking their pension beyond State Pension age, the idea of a single fixed State Pension age might start to seem anachronistic – we would expect people will start drawing their State Pension at a range of ages starting at 65.
>
> 48. It is important that people have the choice to work beyond age 65, whereas raising the State Pension age would leave many of those on low incomes with no option but to continue working.
>
> 49. An increase in State Pension age would also reduce long-term public expenditure. However, it would disproportionately affect lower-income people who rely more on state benefits in retirement. The same people tend also to have lower life expectancies, and so, with fewer years in retirement, they would see a disproportionate reduction in their income. The effect might be particularly severe on those who have done manual work for long periods in heavy industries, in which there is a record of low life expectancy.
>
> 50. Although we are not attracted to plans to increase the State Pension age overall, it could be recast so that the point at which people could start to draw their State Pension was worked out on an individual basis – depending on how many years have been worked, rather than simply on age. This could allow those who had been working since school-leaving age to claim their State Pension earlier than those who had stayed in education far longer. But such a change would require very careful consideration. For example, the system of credits and Home Responsibilities Protection would need to be reviewed to ensure that women in particular were not unfairly disadvantaged.[11]

The then Secretary of State for Work and Pensions, Alan Johnson, told the TUC that:

> This Government will not raise the State Pension Age. This Government will not force people to work to 70 years of age.[12]

The 2002 Green Paper proposed improving incentives for deferring a State Pension, in order to "ensure that people who choose to work beyond State Pension age and defer taking their pension are properly rewarded by the State system."[13] Provisions in the *Pensions Act 2004* introduced the relevant changes from April 2005.[14] An explanation of the rules can be found in Pension Service leaflet, *State pension deferral – your guide* (May 2010).

The Pensions Commission

The Labour Government established the Pensions Commission in December 2002 to "review the evolution of the UK's system of pension provision and to advise on whether the existing system of voluntary private pensions would deliver adequate results."[15]

[11] DWP, *Simplicity, security and choice: Working and saving for retirement,* December 2002, Cm 5677, p103
[12] 14 September 2004, See DWP electronic archive, Ministers' speeches 2004, ref 67706
[13] Ibid, p 101
[14] section 297
[15] *Pensions: Challenges and Choices: The First Report of the Pensions Commission*, October 2004, Executive Summary

In its first report, published in October 2005, the Commission suggested retirement ages might have to rise:

> Faced with the increasing proportion of the population aged over 65, society and individuals must choose between four options. Either:
>
> - pensioners will become poorer relative to the rest of society; or
> - taxes/National Insurance contributions devoted to pensions must rise; or
> - savings must rise; or
> - average retirement ages must rise.
>
> But the first option (poorer pensioners) appears unattractive; and there are significant barriers to solving the problem through any one of the other three options alone. Some mix of higher taxes/National Insurance contributions, higher savings and later retirement ages is required.[16]

Although average retirement ages needed to rise, this did not necessarily imply an increase in the SPA:

> It is important to start with a distinction. An increase in the average retirement age carries no necessary implications for State Pension Age (SPA). The average retirement age can rise if employment rates pre-SPA (e.g. among 50-64 year olds) rise. And it can rise if more people choose to work beyond the SPA, receiving income from employment in addition to their state pension. In general, pension policy should aim to dispel the idea that there are normal or required ages of retirement; and it is likely that a rise in the average retirement age will be combined with more flexible approaches to retirement (e.g. people gradually stepping down from full-time to part-time work over a period of several years).[17]

Adair Turner, then chair of the Pensions Commission, in a press notice issued on 23 May 2005 to deny press reports that the Commission was considering a higher pension age for graduates, advocated a move towards viewing the SPA as flexible:[18]

> The idea of the state pension age (i.e. the age at which you have to take your state pension) will become increasingly meaningless as people become more aware of the deferral option in the state system. The UK state system now allows people to take the basic state pension at a range of different values and at a range of different ages. A fully paid up contributor can have a pension of £82 at 65, £91 at 66, rising to £125 at 70. This desirable flexibility brings us into line with many other countries.[19]

However, in its Second Report published in November 2005, the Pensions Commission did propose a phased increase in the SPA:

> State Pension Ages will in the long-term need to rise broadly with increases in life expectancy so that each generation spends a roughly similar proportion of adult life contributing to and receiving a state pension. This principle is fair between generations,

[16] Ibid, p12
[17] Ibid, p28
[18] see, eg, "Higher earners 'to retire at 70'", *Sunday Times*, 22 May 2005
[19] "Adair Turner clarifies report on pension age and retirement age", Pensions Commission press release, 23 May 2005

> and required if a permanently rising percentage of GDP devoted to pensions is to be avoided while maintaining the relative value of the state provided minimum.[20] […]
>
> In all the options modelled we have assumed that the SPA rises after 2020, reaching 66 in 2030, 67 in 2040, and 68 in 2050. This is broadly in line with our principle that the SPA should rise so as to keep stable the proportion of adult life spent paying into and receiving a state pension. Specifically it is midway between the lower and upper limit assumptions that underpinned our indicative range for public spending shown in Figure 6.2 and explained in Chapter 5 Section 4 (i.e. a lower figure of 67, which would keep stable after 2020 the proportion of adult life spent paying into and receiving a state pensions, and an upper figure of 69 which would keep the expected length of time receiving a state pension at its current length for those aged 65.) [21]

The burden of "demographic adjustment", resulting from the increase in the population over the age of 65, could be met my either pensioners (in lower pensions or a higher SPA) or by the public purse. There was a strong argument that the cost of rising life expectancy should be met by each generation of pensioners, with the SPA rising over time at least in line with life expectancy. However, the one-off impact of the fall in fertility in the late twentieth century and the retirement of the "baby boom generation" meant that either pensionable ages would have to rise faster than life expectancy or there would need to be a one-off increase in public expenditure on pensions as a percentage of GDP. The approach chosen would depend on a point of view about inter-generational fairness.[22]

In the press conference on publication of the second report, Lord Turner explained the Commission's conclusions:

> The long-term range we suggest for debate is 7.5% to 8% of GDP. But to afford an adequate and largely non means tested state pension within that level, would require the state pension age to rise gradually after 2020 reaching at least 67 by 2050. The trade-off must reflect a point of view on equity between generations, on the economic impact of increased taxes, and on the importance of pensions relative to other public expenditure priorities. Different people will make different judgments on that trade-off. But unless people are willing to discuss it, they are not serious participants in this debate. They are indulging in fairy tale economics – in which a fairy godmother makes all difficult choices disappear.
>
> But let's be clear what we are not saying on the state pension age. Some submissions to us argued that the state pension age must rise rapidly, for instance to 70 by 2030. We do not believe that that is necessary or desirable.
>
> Instead we propose the principle that state pension age should rise gradually so as to keep stable over the long term the proportion of adult life spent paying into and receiving state pensions. [23]

An increase in the SPA would help pay for a more generous, less means-tested, state pension:

> Our recommendation is therefore that the state pension should become more generous and less means-tested than it would if current indexation arrangements

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[20] *A New Pension Settlement for the Twenty-First Century; The Second Report of the Pensions Commission,* November 2005, p 130

[21] Ibid, p 240

[22] Ibid, p12-14

[23] Pensions Commission Press Release, *Pensions Commission release second report,* November 2005; See also Second Report, Executive Summary, p12-14

> continued indefinitely, accepting that in the long term this means somewhat higher public pension spend as a percentage of GDP, and a higher state pension age. A more generous state pension in the long term at a later age.

As outlined in the Pensions Commission's report, there are challenges to increasing the SPA.[24] These include, for example, the argument that it has a disproportionate impact on lower socio-economic groups. The Pensions Commission found there was a major gap in life expectancy between socio-economic classes, which was not narrowing:

> […] there is no sign of a sustained narrowing of the gap either for men or women. All socio-economic classes appear to be enjoying steady increases in life expectancy, but socio-economic classes IV and V trail around three years behind class III, and four to five years behind socio-economic class I.[25]

The Pensions Commission argued that one way of mitigating the impact on lower socio-economic groups would be to allow Guarantee Credit to be claimed before SPA:

> The alternative way forward is to maintain the option of making means-tested benefits available at an earlier age than the SPA, i.e. to make the Guarantee Credit available, not conditional on jobsearch, some time before the SPA is reached. Between 2010 and 2020 the minimum age for Guarantee credit will rise as planned from 60-65 in line with the increase in SPA for women. Beyond 2020, however, and particularly if there is no sign of the differences in life expectancy by socio-economic class reducing, there is a good case for keeping the earliest age of Guarantee Credit, at least initially, at 65 even as SPA rises, and therefore keeping the earliest age of Guarantee Credit eligibility, say two years below the SPA.[26]

Policies to facilitate later working would also be important:

> As pensionable ages increase and as the Guarantee Credit age increases from 60 to 65 between 2010 and 2020, it is vital that jobs are available for those who wish to work longer, both up to pensionable ages and, if they want, beyond. It is also essential that the options available to people are as flexible as possible (e.g. a gradual step-down from full-time work to part-time work to full retirement). Achieving these objectives is a major challenge: government policies to facilitate their achievement are a high priority.[27]

Pensions White Paper – May 2006

On 25 May 2006, the Labour Government published its response to Turner in its Pensions White Paper, *Security in retirement: towards a new pensions system*.[28] This accepted Lord Turner's proposal that the SPA should be increased to finance a higher state pension:

> 3.34 We therefore support the Pensions Commission's recommendation that the State Pension age should rise to 68 by the middle of the century. We propose to introduce legislation to raise the State Pension age in stages:
>
> - the first increase, from 65 to 66, to be phased in over two years, starting in April 2024;

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24 See, for example, Pensions Commission, *Second Report,* Executive Summary, p 23-5
25 Ibid, p90
26 Ibid, p340
27 Ibid, p23; See also, Nicholas Barr, '*Pensions: overview of the issues'*, Oxford Review of Economic Policy, Vol 22 No. 1 Spring 2006, *Pensions*
28 Cm 6841, May 2006

- the second increase, from 66 to 67, again phased in over two years, from April 2034; and
- the third increase, from 67 to 68, also to be phased in over two years, from April 2044.

> 3.35 By 2050, these reforms to State Pension age alone will reduce the costs of our proposed reforms to the state pension system by around £30 billion. By doing this we will continue to tackle pensioner poverty, be able to sustain the generosity per pensioner of the State Pension, and sustain the balance between work and retirement.[29]

The White Paper argued that on current longevity assumptions, the increases would make little difference to the proportion of adult life spent in retirement:

> 3.37 Figure 3.iii shows that the proportion of adult life spent in receipt of the State Pension will remain about the same. By 2055, assuming life expectancy continues to increase in line with projections, for both men and women the number of years after State Pension age will be broadly the same as that of those reaching 65 in 2020 – indeed for men, it would have grown slightly.[30]

3.2 Legislation

When the legislation to introduce the change (the *Pensions Bill 2006-07)* was before Parliament, the SPA attracted relatively little controversy. At Commons Committee Stage the then Pensions Minister, James Purnell, noted that the core of the debate had "not been about the principle of increasing the state pension age, but about its effect on the parts of the population that have a lower life expectancy."[31] The question was whether the Government's proposals were fair given these inequalities:

> Although I accept that there are limitations on what the current data can tell us, I am confident that our timetable for change will not disproportionately affect those with below-average life expectancy, as compared with their position today. As a further safeguard, we have made clear our intention to commission periodic reviews of the evidence on life expectancy, to ensure that our timetable remains on track. That will include consideration of whether the qualifying age for the guaranteed pension credit should remain at 65 after 2024.[32]

The legislation to increase the State Pension Age (SPA) is in the *Pensions Act 2007* (section 13 and Schedule 1, part 8). These changes do not affect anyone below the age of 47 on 5 April 2009.[33]

The timetable for increasing the SPA (see above) was designed to broadly keep pace with projected rises in life expectancy. The phasing of the increase over two years was intended to strike a reasonable balance between fairness and simplicity:

> The timetable as proposed is designed to broadly keep pace with the projected rises in average life expectancy and so maintain at a roughly constant level the same proportion of adult life spent in receipt of the state pension following the proposed

[29] Ibid, paras 3.34-3.35
[30] Ibid para 3.37
[31] PBC Deb, 30 January 2007, c219
[32] PBC Deb, 30 January 2007, c223
[33] *Pensions Act 2007 – Explanatory Notes*, para 67

increase in state pension age as set out in the Pensions White Paper Security in Retirement: Towards a New Pensions System.

Our intention is that each increase will be implemented gradually over a two-year period. The first increase from 65 to 66 will be phased in between April 2024 and April 2026; the increases from 66 to 67 and from 67 to 68 will be implemented in the same way, starting from April 2034 and April 2044 respectively.

Increasing state pension age with no transitional period would mean that two people born a day apart could have a year between their respective state pension ages, while a more extended transition period would increase complexity. We consider that our proposal, which follows a similar model as will apply to the increases in state pension age for women between 2010 and 2020 under the Pensions Act 1995, strikes a reasonable balance between fairness and simplicity. [34]

Professor Nicholas Barr of the LSE supported this approach in his evidence to the Work and Pensions Committee's enquiry on Pension Reform in 2006:

If what people hear is that the retirement age will rise from 60 to 65, they think, "I'm going to have to work 5 years longer; we are all going to have to work 5 years longer". If you do it right, as we did it for raising women's retirement age, you announce the change a long time in advance so nobody is affected in the short run. Thus you do not give people nasty, short-run surprises, but phase in the change gradually. Thus if you have two women whose birthdays are a month apart their retirement might be a month apart but not a year apart. Doing the same thing for state pensionable age, which is what the Turner Commission rightly recommends, puts in place a gradual process which starts a long time in the future. That is the right way to do it. If you say to people, "Bad luck, we've changed the rules, you thought you were going to retire at 60, but next year it's going to be 65; instead of one more year you've got six more years," that is bad politics, bad economics, bad social policy, but that is the way it has been allowed to be presented. I think that is the real problem.[35]

The report of the Marmot Review, published in February 2010, argued the need to improve health given the planned increases in the SPA:

...more than three-quarters of the population do not have disability-free life expectancy as far as the age of 68. If society wishes to have a healthy population, working until 68 years, it is essential to take action to both raise the general level of health and flatten the social gradient.[36]

3.3 Debate around possible future increases

The Pensions Commission recommended that a permanent Pensions Advisory Commission be established to monitor trends in life expectancy and retirement ages.[37] However, the Government opted for ad hoc periodic reviews by independent experts instead:

3.40 These reviews could, for example:

- provide advice to the Government on whether the timetable for increasing State Pension age – as set out in legislation – remains appropriate;

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34 HC Deb 16 October 2006, c971-2W

35 Work and Pensions Committee*, Pension Reform*, Fourth Report of Session 2005-06, HC1068-II, Q79-88

36 *Fair society, Health Lives – the Marmot Review,* February 2010

37 See also, *A New Pension Settlement for the Twenty-First Century; The Second Report of the Pensions Commission,* November 2005, p407

- gather evidence on future life expectancy and the consequences for public expenditure;
- provide detailed analysis of disparities in life expectancy between different social classes and the relative effects on different social groups of increases to the State Pension age; and
- monitor participation rates and levels of contributions to the personal savings scheme as well as the labour market for older workers (including average retirement ages).

> 3.41 While there is growing public acceptance of the evidence that life expectancy overall is increasing, there is nonetheless concern that the additional years will not necessarily be healthy years. To date, the evidence would suggest that increased life expectancy is also resulting in people staying healthier for longer. As the Pensions Commission has noted, this is an area where evidence is incomplete. Another task of these reviews could be to keep this evidence under review. [38]

A further issue for review would be whether the minimum age for claiming Guarantee Credit should remain at 65 after 2024.[39]

In debate on the legislation in the House of Lords, Baroness Morgan explained that efforts were underway to improve the quality of data available, for example, in relation to the life expectancy of different groups in society. The Government considered that it would be premature to have the first periodic review in 2014:

> Changes in life expectancy trends take time to feed through into the projections. Furthermore, it would be sensible to make sure an emerging trend was just that, rather than just a blip. It is undoubtedly true that certainty around the projections decreases the further ahead we look; but it is fair to say that it would take a fairly major event to cause a significant shift in the projections for the 2020s. That brings me to my third point. It is important that people know when to expect to get their state pension, so that they are able to plan for their retirement. Re-opening the question of the state pension age every five years would undermine confidence and create widespread uncertainty about any future Government's intentions.[40]

In the run up to the 2010 General Election, a number of commentators argued that further or faster increases in the SPA would be needed. In May 2009, the National Institute of Economic and Social Research (NIESR) argued that a move to increase retirement ages would reduce fiscal problems over time.[41] NIESR looked at the impact of increasing working lives by a year over seven and a half years, starting in five years time. Although, it thought that many policies should be pursued to achieve this, it argued that an increase in the SPA could be particularly effective:

> Society can choose to have everybody work longer, and this would enable governments to cut taxes. However, individuals acting alone have less incentive to act as they would work longer but if they act in isolation they will have to pay more taxes in order to contribute to the pensions of others. Even if retirement decisions are personal the state can encourage later retirement by changing the state pension age where

[38] Ibid, paras 3.40-3.41
[39] Pensions Bill Deb, 30 January 2007, c223
[40] HL Deb, 4 June 2007, c996
[41] Ray Barrell and Simon Kirby, *'Fiscal sustainability, National Institute Economic Review'*, May 2009

> there is significant bunching of retirements. A coordinated increase in working lives of one effective year (18 months on the age of retirement) could increase tax revenues and reduce retirement spending by enough to reduce the government deficit by 1 per cent of GDP permanently.[42]

The likely effect would depend on a number of assumptions and there is uncertainty around all such forecasts. However, NIESR concluded that:

> Cutting spending and increasing taxes are not the only options available to governments to help them deal with burgeoning debt. If tax rates and spending plans were kept constant but working lives were to increase by one year then on average the budget deficit could improve by 1 per cent of GDP after 10 years and if this were maintained after 30 years or so national debt would be reduced by 20 per cent of GDP.[43]

In July, former chair of the Pensions Commission, Lord Turner, told the BBC that if he was redoing his report, he would be "be more radical, arguing for an even faster increase in the state pension age."[44]

In August, the Pensions Regulator, David Norgrove, argued the SPA would end up higher than 68:

> Mr Norgrove said: "People are going to have to work longer, partly because we're not going, as a nation, to save as much for retirement as we did in the past." He added: "The government's recent legislation is increasing the state retirement age progressively to 68. I think it will end up higher than that." He said the ability of the current working generation to pay for the retirement of its predecessor would be "a real issue for the next 30 years", not least because of a lack of knowledge among the public about how to save.[45]

The Institute of Directors argued that "in the light of the great increases in life expectancy, and healthy life expectancy", the state retirement age should move "swiftly to 70."[46] PriceWaterhouse Coopers recommended that the increase in the SPA should be faster and go further "with the state pension age rising to 67 by 2030 and 70 by 2046."[47]

4 Bringing forward the increase to 66 - *Pensions Act 2011*

4.1 Review of the timetable

The new Conservative-Liberal Democrat Coalition Government announced on 12 May 2010 that it would "hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women."[48] In the June 2010 Budget, the Coalition Government has committed itself to restoring the earnings link, with a "triple guarantee", that pensions are raised by the higher of earnings, prices or 2.5%.[49]

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42 Ray Barrell, Ian Hurst and Simon Kirby, '*How to Pay for the Crisis or Macroeconomic implications of pension reform*', NIESR, 2009

43 Ibid

44 BBC News website, Pension view not radical enough, 2 July 2009

45 BBC News website, 'Pension age could rise further', 8 August 2009

46 Malcolm Small, *'Roadmap for Retirement Reform 2009'*, October 2009

47 PWC, '*Working longer, living better: A Fiscal and Social Imperative'*, February 2010

48 *The Coalition: Our programme for government*, May 2010, page 26

49 *The Coalition: Our programme for government*, May 2010, page 26

The Government issued a call for evidence to support its review on 24 June. Pensions Minister, Steve Webb, said:

> Ensuring an equitable state pension is a key priority for this Government. We are protecting the future value of the Basic State Pension through the triple guarantee. However life expectancy at age 65 is increasing at a faster rate than was previously projected and we must make sure our pensions system is sustainable. The current fiscal position means it is right to consider the timing of the rise in State Pension age to 66.[50]

The review asked for views on three questions, in particular:

> Question 1: What evidence concerning changes in life expectancy and the changed economic context should be taken into account when bringing forward the increase in state pension age to 66?
>
> Question 2: What evidence should the Government consider in deciding the notice period for individuals affected by a change to the timing of the state pension age increase to 66?
>
> Question 3: What evidence should the Government consider to ensure no group is disproportionately impacted by the level of the state pension age and any change to the timing of the state pension age increase to 66?[51]

Responses

The Pensions Policy Institute (PPI) published its response in August 2010. It concluded that the primary driver behind increasing the SPA "should be to recognise recent improvements in longevity and potential future improvements in longevity":

> A useful guiding principle may be for policymakers to aim to maintain a roughly constant proportion of individuals' total adult life in receipt of the state pension. This helps to ensure fair treatment of successive generations.
>
> PPI calculations suggest that if policymakers want to keep the proportion of adult life in receipt of the state pension constant at today's 2010 levels of 33% of adult life, then the SPA would need to rise to 66.5 by 2030.
>
> To keep the proportion of adult life in receipt of the state pension constant at the 2000 level of 30% of adult life, the SPA would need to rise to 68 by 2030.
>
> To keep the proportion of adult life in receipt of the state pension constant at 1981 levels of 25% of adult life in receipt of the state pension, the SPA would need to rise to 72 by 2030.[52]

It argued that a number of factors should be considered when considering the timing of future increases in the SPA, including economic activity rates at older ages, employers' attitudes to employing older workers and inequalities in life expectancy/ healthy life expectancy:

> It should be recognised that individuals will need time to adjust their behaviour to any increases in SPA. Some individuals may need to delay their retirement, or save more today to be able to cope with an increased SPA.

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[50] HC Deb, 24 June 2010, c21-2WS
[51] DWP, *When should the state pension age increase to 66?* June 2010
[52] PPI, Submission to the DWP's State Pension Age Review, August 2010

The evidence on male and female labour market participation rates suggests that as a minimum, men may need at least 5 years notice and ideally 10 years notice of an SPA change. Women may need more than 10 years notice if they are to have time to adjust their retirement plans in response to the policy change. This is because women tend to drop out of the labour market at a younger age than men.

An increase in the SPA may disproportionately affect those with shorter life expectancies. A recent NAO report concluded that health inequalities in England have actually widened during the period 1995-97 to 2006-8 suggesting that this remains a real issue of concern.[53]

It suggested a number of safeguards that the Government could consider if it intended to speed up the increase in the SPA:

The Government may need to consider what focussed policy interventions can be introduced to help improve the life expectancy and healthy life expectancies of those with the shortest life expectancies.

The Government could continue to pay the Guarantee Credit from age 65, even if the SPA increases in the future – this policy would safeguard the incomes of the lowest paid older people.

The Government could offer an uplift in the state pension for people with short life expectancy (similar to the way that impaired life annuities work).[54]

The National Association of Pension Funds (NAPF) said that the accelerated increase should not occur before 2020 for both men and women. It should be and accompanied by measures to help people remain in work longer by and improvements in the State Pension.[55]

Decision to speed up the increase to 66

The Conservative Liberal Democrat Coalition Government announced in its October 2010 Spending Review that it would speed up the increase in the SPA to 66.[56] On 3 November, it published its own response to its review, including an impact assessment. Its reason for speeding the increase to 66 was gains in life expectancy since the timetable legislated for in 2007 was set:

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.[57]

Pensions Minister, Steve Webb said:

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

[53] Ibid

[54] Ibid

[55] NAPF, When Should the State Pension Age Increase to 66? The NAPF response to the Call to Evidence, August 2010

[56] HM Treasury, Spending Review 2010, page 69

[57] DWP, *A sustainable State Pension: when the State Pension age will increase to 66,* CM 7956, November 2010, Executive Summary

system. As longevity improvements are shared between the generations, it is only fair that costs are too.[58]

To enable the earlier increase to 66, the timetable for the equalisation of women's SPA is to be adjusted. Women's SPA would therefore rise faster from April 2016 (when it will be 63) so that it reaches 65 in November 2018. The equalised SPA would then rise from 65 to 66 between December 2018 and April 2020, phased in at a rate of three months' increase in the SPA every four months.[59]

The proposed changes would not affect women born before April 1953 or men born before December 1953. For those born after this date, the proposed timetable was as follows:

Table 1 Changes to State Pension equalisation timetable (women)

Period within which birthday falls	Date new State Pension age reached	New State Pension age (years, months)
6 April 1953 - 5 May 1953	06 July 2016	63.2 - 63.3
6 May 1953 - 5 June 1953	06 November 2016	63.5 - 63.6
6 June 1953 - 5 July 1953	06 March 2017	63.8 - 63.9
6 July 1953 - 5 August 1953	06 July 2017	63.11 - 64
6 August 1953 - 5 September 1953	06 November 2017	64.2 - 64.3
6 September 1953 - 5 October 1953	06 March 2018	64.5 - 64.6
6 October 1953 - 5 November 1953	06 July 2018	64.8 - 64.9
6 November 1953 - 5 December 1953	06 November 2018	64.11 - 65.0

Table 2 Increase in State Pension age from 65 to 66 (men and women)

Period within which birthday falls	Date new State Pension age reached	New State Pension age (years, months)
6 December 1953 - 5 January 1954	06 March 2019	65.2 - 65.3
6 January 1954 - 5 February 1954	06 July 2019	65.5 - 65.6
6 February 1954 - 5 March 1954	06 November 2019	65.8 - 65.9
6 March 1954- 5 April 1954	06 March 2020	65.11 - 66.0
From 6 April 1954	66th birthday	66

Under existing legislation the State Pension age is due to begin rising to 67 from 6 April 2034, which will affect men and women born on or after 6 April 1968.

The proposed change would "also affect the minimum qualifying age for Pension Credit which is based on, and rising in line with, women's State Pension age."

58 DWP, *A sustainable State Pension: when the State Pension age will increase to 66*, CM 7956, November 2010, Foreword

59 Ibid, Executive Summary

Responses

The announcement received a mixed response. NAPF Director, Joanne Segars, described increases as "inevitable" but argued that they had to be handled fairly:

> People need time to plan and adapt. These changes will have a particular impact on women, especially those in their late 50s, who may have to review their retirement plans. The trade-off for a later retirement must be a better state pension, particularly as the UK's is the worst in Europe. The confirmation of the 'triple lock' guarantee is welcome but we need deeper reform, and a simpler and more generous foundation state pension.[60]

Age UK appreciated that in the current climate difficult decisions had to be made but was concerned about the impact on the poorest:

> It is disappointing that the coalition has decided to delay the retirement of millions of hard-working people by bringing forward the increase in state pension age six years earlier than planned by the previous government. Fast-tracking the state pension age rise will hit the poorest the hardest by shortening the retirements of those living in areas where life expectancy is low. By moving the date forward, the government has denied those affected time to plan properly for a delayed retirement. However we appreciate that in the current climate difficult decisions have had to be made.[61]'

Dr Ros Altmann, Director General of Saga, said women would be the "big losers":

> Over the next ten years, women's state pension age will increase by six years, from 60 to 66. Over that same ten years, men's state pension age will increase by just one year, from 65 to 66. Is this fair? I am not quibbling with the concept of equalising men and women's pension ages, but the speed of change is harsh for women. After much talk of men's pension age rising by one year in 2016, the reality is that Government has given men a reprieve, but it is women who are paying for that by a more rapid rise in their pension age.[62]

4.2 Legislation

The *Pensions Bill [HL] 2011* was introduced into the House of Lords on 12 January 2011.[63] Clause 1 and schedule 1 would amend the timetable for increasing the SPA to 66:

> Under the *PA 2007*, the increase to 66 was due to take effect between 2024 and 2026. This Bill will bring forward the increase so that state pension age for both men and women will begin rising from 65 in December 2018 to reach 66 by April 2020. As a result of bringing forward the increase to 66, the timetable contained in the PA 1995 for equalising women's state pension age with men's at 65 by April 2020 will be accelerated, so that women's state pension age reaches 65 by November 2018.[64]

As outlined above, the changes would not affect women born before April 1953 or men born before December 1953. The transition in the SPA for women would accelerate so that instead of increasing in one-month increments, it would increase in increments of three months, reaching 65 on 6 November 2018. Subsection 5 would then provide for the increase for men and women from 65 to 66 by 6 March 2020 (rather than between April 2024 and

[60] NAPF Press Release, 20 October 2010, 'NAPF responds to Comprehensive Spending Review'

[61] Age UK press release, 20 October 2010, 'Age UK extended response to CSR announcement'

[62] Saga website:' Ros Altmann, 'Good and bad news for pensioners from the Chancellor'

[63] Information on the progress of the Bill can be found on the Parliament website: here.

[64] Pensions Bill [HL] Explanatory Notes, para 8

2026, as previously). Anyone born on or after 6 April 1954 but before 6 April 1968 would have a SPA of 66.[65]

Schedule 1 would make consequential amendments in other areas (for example, where outside bodies are required to have regard to the interests of pensioners in carrying out their functions). It also replaces age 65 with "pensionable age" for the purposes of:

- The upper age for qualification for Disability Living Allowance;
- The minimum age for entitlement to Attendance Allowance;
- The maximum age for entitlement to Widow's Pension;
- The minimum age for entitlement to the savings credit element of Pension Credit; and
- The minimum age for eligibility for the £10 Christmas Bonus where the sole qualifying benefit is War Disablement Pension.

The policy objectives were summarised as follows:

> 15. The policy objectives are to revise the timetable for increasing the State Pension age such that:
>
> a. recent increases in life expectancy are taken into account;
>
> b. the burden of support carried by the working-age population, including the wider implications of increased spend on the state pensions system, does not become unmanageable and unfair; and that
>
> c. future spending on the State Pension is sustainable.[66]

Impact

The Government estimated that the key fiscal benefits of speeding the increase in the State Pension age to 66 are that it would deliver "net benefits-related savings to DWP of £30 billion in real terms" over the period 2016/17 to 2025/26, with further £8.1 billion gained in increased income tax receipts and NICs from people working for longer.[67]

Summarising the gender impact, the Government said that because of greater longevity, women would still, on average, receive their state pension for longer than men under the revised timetable. Those women most affected (i.e. those born in 1954, whose State Pension age would increase by two years) would see a greater impact on their lifetime pension income their male contemporaries (except for those men on low incomes):

> 2.24. This proposal will close the current gender gap in State Pension age more quickly and thereby reduce the advantage currently enjoyed by women over men as a result of a lower pension age and higher life expectancy. Women will, however, on average still receive their State Pension for longer than men. By late 2018 (when the State Pension ages will be equal under these proposals) over 90 per cent of both women and men reaching State Pension age are likely to have built up a full basic State Pension.
>
> 2.25. The picture in relation to the impact on lifetime pension income is more complex, in part due to the effect of earlier equalisation. All other things being equal, in general men would lose a slightly higher proportion of their lifetime pension income than women as a result of increasing the State Pension age, because of lower average life

65 Ibid, para 20-26
66 Ibid, page 9
67 Ibid, p 11, para 28

expectancy. However, because of higher average earnings, men may be in a better position than women to offset part of this loss through higher additional contributions to a private (Defined Contribution) pension scheme. In contrast, the proportionate loss of lifetime pension income for women affected by the maximum increase of two years would generally be greater than for their male contemporaries, other than those men whose entitlement to Pension Credit would also be delayed by two years.

2.26. Overall, we conclude that while some aspects of the change will impact women more strongly than men, the impact is not disproportionate and is a consequence of closing the gender gap in State Pension age earlier than under current plans.[68]

However, it was men and women born in 1954 and low incomes (who would have been entitled to Pension Credit) who are most affected.[69] A consequence of the increase in Pension Credit qualifying age, was that the proposed change was expected to have a "stronger impact than the legislated timetable on certain ethnic groups and disabled people who are more likely than those who do not share those characteristics to be unemployed prior to State Pension age and reliant on Pension Credit at the earliest point it becomes available." However, the Government said that "taken in the wider context of improvements in longevity and State Pension provision [...] we do not consider this impact, although adverse, to be disproportionate."[70]

4.3 Debate in Parliament

In both Houses of Parliament, particular concern was expressed at the impact of the revised timetable on those women who would see their State Pension age increase by more than a year and in some cases by as much as two years.

House of Lords

For the Opposition, Lord McKenzie said he accepted that projections of life expectancy had "moved on" and that the timetable for increasing the SPA to 67 and 68 would eventually need to be revisited:

The amendments make no specific proposals for changing the current timetable for increasing SPA to 67 between 2034 and 2036 and then to 68 between 2044 and 2046, legislated for in the Pensions Act 2007, although we accept-as do the Government, I believe - that increasing longevity will eventually cause that to be revisited. We do not challenge the life expectancy projections that the Government have used to underpin their policy changes. We do, of course, accept that life has literally moved on since 2004, and the data which underpin the Turner settlement have moved on.[71]

However, he challenged the "speed and equity of the adjustments that the Bill seeks to make, particularly for women".[72] He therefore moved amendments to:

[...] provide for the retention of the existing timetable for the equalisation of state pension age of men and women at age 65, but to bring forward the increase in the state pension age to 66 for both, in stages, between 2020 and 2022.[73]

68 DWP, Pensions Bill 2011 – Impacts – Annex A: State Pension age, p31
69 DWP, Pensions Bill 2011 – Impacts – Annex A: State Pension age
70 DWP, Pensions Bill 2011 – Impacts – Annex A: State Pension age, p39
71 HL Deb, 1 March 2011, GC 110
72 Ibid, GC110
73 HL Deb, 30 March 2011, c1250-1

He accepted that this would "achieve only two-thirds of the savings that the Government hope to secure by drawing the line where they have" but said this should be put in context:

> We will hear from the Government, as we did in Committee, that we cannot forgo the difference of some £11 billion in DWP savings, but let us put this in context. This is a net present value, not an annual figure. The DWP savings forgone on our proposition are spread over about five years and do not exceed £1 billion until 2018-19, with the differential between the two propositions disappearing in 2022-23. These are not small sums, but need to be seen in the context of a GDP which might then be some £2 trillion with annual spending on pensions and benefits of £100 billion a year. The timing of the savings is outside the Government's deficit reduction plan. The savings are all outside this Parliament and significantly outside the one that follows.[74]

He argued that the Government's proposals failed the test that "any changes to state pension age have to be reasonable and fair and should not disadvantage any group disproportionately":

> Women's pension age is rising by up to two years; no man will see more than a one-year rise. Some women are being given six years' notice of a two-year change; men are being given seven years' notice of a one-year increase. Forty per cent of women in the age group affected by these proposals have no private pension wealth. Many who were part-time workers were excluded from occupational pension schemes until the 1990s. Women's pension assets are only one-tenth of those of men. Women are more likely to take on caring responsibilities and to have reduced their hours of work or left the labour market on the expectation of a pension at a fixed date. Just on these issues, it is difficult to see that they have not been disproportionately disadvantaged by the Bill.[75]

In response, Parliamentary Under-Secretary of State, Lord Freud, explained the Government's position:

> We believe it is right that those people who will benefit from recent increases in life expectancy make a contribution to the additional cost that comes from those longevity improvements. [...] Women retiring at 66 in 2020 should receive their state pension for 24 years on average. That is the same amount of time that we expected this group of women to receive their state pension for at the time that the pensions commission reported in 2005, when they were due to retire at 64. [...] We had to act quickly to reduce the increasing costs imposed on the state pension system by the increase in longevity. It has not been possible to give a notice period similar to those given for previous increases in the pension age, but these women will still have between five and a half and six and a half years' notice of an increase in their state pension age, enabling them in many cases to change their retirement plans.[76]

Lord McKenzie's amendment was defeated on division by 226 votes to 214.[77]

An alternative timetable with the aim of aim of ensuring no woman would see their SPA delayed by more than a year was proposed by Baroness Greengross (a former Director of Age UK). Although it reduced the savings from clause 1 by less than the Opposition amendment, it would involve a faster increase to 66 for men than women. The Government was concerned that this ran "contrary to the progressive equalisation of pensionable ages

74 Ibid, c1251-2
75 Ibid, c1252
76 Ibid, c1264-7
77 Ibid, c1269

currently on the statute book" and thus risked "breaching the European directive and being unlawful".[78]

Other ways of mitigating the impact of the revised timetable were debated. Baroness Turner of Camden proposed that exceptions could be made "in the case of illness or infirmity, or of particularly arduous or dangerous employment."[79] However, Lord Freud objected that this would increase complexity and would involve difficult judgments about what constituted "arduous or dangerous" employment. Furthermore, countries which allowed people to draw their state pension early in particular circumstances, generally reduced it as a result.[80] Former Labour Work and Pensions Minister, Baroness Hollis of Heigham, suggested the introduction of an "age addition" (of, say, around £30 a week) in working-age benefits, targeted at those who would have been eligible for Pension Credit under the existing timetable.[81]

These debates are discussed in more detail in Library Research Paper RP 11/52 Pensions Bill.

House of Commons

The Bill had its First Reading in the House of Commons on 27 April 2011.[82] Opening the Second Reading debate on 20 June 2011, Secretary of State for Work and Pensions, Iain Duncan Smith, set out the Government's case for accelerating the increase in the SPA:

> The impact of the changes on women has been debated enormously, focusing particularly on certain cohorts. All but 12% of those affected will see their state pension age increase by 18 months or less. I recognise that some 1% of those impacted will have a state pension age increase of two years, but it none the less remains the case that those reaching state pension age in 2020 will spend the same amount of time in retirement as expected when the 2007 Act timetable was being drawn up. That is an important factor. There will be no change to the amount of time that they will spend in retirement—some 24 years, on average. In fact, the women who are affected by the maximum increase will still, on average, receive their state pension for two and a half years longer than a man reaching state pension age in the same year.[83]

He said the Government intended to press ahead with the timetable in the Bill but would consider transitional arrangements:

> I recognise the need to implement the change fairly and manage the transition smoothly. I hear the specific concern about a relatively small number of women, and I have said that I will consider it. I say to my colleagues that I am willing to work to get the transition right, and we will. Some have called for us to delay the date of equalisation of the pension age, but I wish to be clear again that this matter is the challenge of our generation, and we must face it. That is why we are committed to the state pension age being equalised in 2018 and rising to 66 in 2020. That policy is enshrined in the Bill.[84]

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78 Ibid, c1279

79 HL Deb, 1 March 2011, c125 GC

80 Ibid, c131 GC

81 Ibid, c145GC

82 Parliament website –Bill documents – Pensions Bill [HL] 2010-12

83 HC Deb, 20 June 2011, c48; See also, c126 [Steve Webb]

84 Ibid, c50

Shadow Work and Pensions Secretary, Liam Byrne, said the Opposition would vote against the Bill due to concerns about the impact of the revised timetable for increasing the SPA. He referred to the ongoing consultation on the appropriate mechanism for introducing future increases:

> That is an issue that should have been brought to the House for debate before we were asked to debate egregious measures that will hit half a million women. We should re-examine the timetable for the raising of the retirement age to 67, but that must be done on the basis of equal treatment of the sexes, and the principle that people should be given time to prepare.[85]

The House voted to give the Bill a Second Reading by 302 votes to 232.[86]

Public Bill Committee

In Public Bill Committee, Shadow Pensions Minister, Rachel Reeves, moved amendments which sought to ensure that there was "no rise to age 66 before 2016 for men and 2020 for women, as in the coalition agreement, but allow for a faster transition to 66 between 2020 and 2022."[87] She explained:

> Critically, under the proposals that I am putting forward, nobody has to wait for more than a year longer before they receive their state pension, although of course people would still be affected by these changes, as they were by the changes that the Labour Government legislated for and the previous Conservative Government legislated for in 1995. They are the right things to do. As longevity increases it is right that people work longer and wait longer before they get their pension. As a result they get a more generous pension, certainly under the Turner recommendations, than they would have done previously. However there is a specific issue about those 500,000 women and asking people to wait for more than a year longer with such short notice.[88]

Responding, Pensions Minister, Steve Webb, set out what he thought should be the context for the debate:

> My firm conviction is that the state pension system presided over by the previous Government is not adequate for those women; we have time to change it, although we need to move quickly, to a system that is far fairer precisely for those women who spent time out of the labour market bringing up children. We have heard a lot about their needs, and we have a Green Paper that proposes solutions very much benefiting exactly that group of women. I will go no further down that avenue, but it provides an important context for our debate.[89]

The fiscal climate was also an important factor. The Opposition's amendments, he said, would cost £10 billion in public expenditure, and another £2.5 billion in income tax and national insurance foregone, compared to the Government's plans.[90]

He explained that the Government was happy to listen to proposals on how to get the transition right. However, the Opposition's proposed approach had already been debated

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85 Ibid, c61; DWP, *A State Pension for the 21st Century,* CM 8053, April 2011

86 Ibid, c128

87 PBC Deb, 5 July 2010 (morning), c4-5

88 Ibid, c10; See DWP, *A state pension for the 21st century*, Cm 8053, April 2011

89 PBC Deb, 5 July 2011 (afternoon), c52

90 Ibid, c54

and rejected in the Lords.[91] The Government was mindful of the specific group about whom concerns had been raised but that this was a difficult issue it had needed to tackle:

> The fundamental point is that, since the 2007 Act was published, based on 2004 projections, life expectancy has improved not just a bit, but like an express train. In four years, between 2004 and 2008, roughly a year and a half was added to life expectancy at pension age. The bill attached to that is tens of billions of pounds. The question is, who pays it? Does it all fall on the next generation of national insurance payers, taxpayers, and interest on debt payers or does some of it fall upon those who will benefit from the increased longevity?.[92]

The Opposition amendments were defeated on division by 11 votes to 7.[93]

Other amendments debated included an alternative timetable proposed by Labour MP, Teresa Pearce, with the aim of ensuring that "no woman born between 6 October 1953 and 5 April 1955 would have longer than one year to reach state pension age from the present position."[94]

Former Labour Pensions Minister, Malcolm Wicks, moved an amendment to ask the Secretary of State to "review the option for linking the SPA to the number of years in employment, to ensure that pensionable age is reached no later than 49 years after entry into employment."[95] The issue at stake was the impact of a rising SPA on lower socio-economic groups:

> On the one hand, the privileged people, of whom there are growing numbers, start work at 21 or 22 and get their pensions at 65, 66 or whatever the age will be; but those from the least privileged backgrounds, who are working harder in terms of physical labour than most of us do, get their pension after having worked five or six years more than those from the most privileged backgrounds.[96]

He suggested that this group could be identified from a "combination of income tax, employment and national insurance records" and that some sort of trigger could be devised that would allow them to draw their pension at, say 65.[97] Steve Webb explained that there were problems with the records before 1975.[98] He was concerned that the proposal was impractical as regards the past and would mean hard-wiring into the system "something that does not mirror the current situation."[99] Malcolm Wicks suggested the issues could be considered as part of reviews to consider future SPA increases.[100]

As in the House of Lords, the Opposition moved amendment to maintain the timetable originally set out in the *Pensions Act 1995* for increases in the Pension Credit qualifying age.[101] The Minister objected to the amendment for reasons of cost and complexity:

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[91] PBC Deb, 5 July 2011 (afternoon), c57
[92] Ibid, c62
[93] Ibid, c67
[94] Ibid, c69
[95] Ibid, c89
[96] Ibid, c92
[97] Ibid, c92
[98] PBC Deb, 7 July 2011 (afternoon), c124-5
[99] Ibid, c129
[100] One of the options proposed in chapter four of DWP, A state pension for the 21st century, April 2011
[101] Ibid, c145

> Cost is one important factor here, but it is one among others, such as workability and complexity. In responding to the previous group of amendments, I mentioned that there is a danger that we bring in yet more complexity, with the best of intentions. The new clause and schedule would do just that, because they propose that the qualifying age for pension credit would follow the track of the women's state pension age from 2016 onwards set out in the 2007 Act, diverging from women's state pension age, which itself will be divergent from men's state pension age. We would be running three different eligibility ages in tandem. That would create anomalies.[102]

He also thought there could be "perverse side effects":

> One feature of the pension credit is that it was penal on small amounts of earnings, whereas the universal credit, which we hope will be in place by the time our changes come into force, will give a much more generous allowance for earnings.[103]

The Committee voted by 10 votes to 7 that clause one should stand part of the Bill.[104]

These debates are discussed in more detail in Library Research Paper RP 11/68 Pensions Bill: Committee Stage Report.

Report Stage

On 13 October 2011, in advance of Report Stage, the Government tabled an amendment to clause 1 of the Bill that would cap the maximum increase in women's SPA at 18 months. Steve Webb, explained:

> I shall today table Government amendments to the *Pensions Bill 2011,* including one that caps the maximum increase in women's State Pension age at 18 months, relative to the legislated timetable. The amendment to Clause 1 will ameliorate the increase in State Pension age for around 245,000 women and 240,000 men and reduce total savings from the increase to 66 by around £1.1 billion (in 2011/12 prices). It will maintain our policy to equalise the State Pension age for men and women in 2018 and increase to 66 by 2020.[105]

The amendment would delay the increase to 66 by sixth months:

> The revised timetable maintains equalisation by November 2018, but then phases in the transition from 65 to 66 more slowly, so that the State Pension age reaches 66 in October, rather than in April 2020. As a result, the maximum delay to state pension age that any individual will face is 18 months.[106]

DWP explained the impact on the length of time people would have to wait until State Pension age, as follows: [107]

> Under the timetable currently contained in the Pensions Bill:
>
> - Approximately 4.5 million men and women will have their State Pension age increased by a year or less;

[102] Ibid, c156
[103] Ibid, c158
[104] Ibid, c161
[105] HC Deb, 13 October 2011, c46-8WS; See also, DWP press release, No women will face two year increase in State Pension age, 13 October 2011
[106] Pensions Bill 2011 fact sheet 1 – Government amendment to Clause 1 of *Pensions Bill 2011*, 17 October 2011
[107] Ibid

- Approximately 500,000 women would have their State Pension age increased by more than one year, of whom;

- Approximately 300,000 women would experience an increase in state pension age of 18 months or over, of whom;

- Approximately 33,000 would experience an increase of exactly two years.

Under the proposed amendment:

- Approximately 245,000 women would see the increase in their State Pension age reduced to 18 months. 240,000 men would also benefit from a reduced increase

- The numbers who benefit from a lower State Pension age is summarised by month in Table 1, and the impact on specific cohorts is shown in Table 2, below

Table 1: Numbers who benefit from the revised transition, by number of months their pension age is reduced, in 1,000s

The amendment was welcomed by chair of the Liberal Democrat Committee on Work and Pensions, Jenny Willott:

> "Today's announcement shows the government has listened to thousands of women and capped the maximum increase that women will see. Liberal Democrats had made clear to the Government that the proposal to raise the age of the state pension was unfair on many women and we were joined by campaigners in urging a rethink."[108]

Organisations such as Age UK and the National Association of Pension Funds also welcomed the change but would have liked the Government to go further:

> Michelle Mitchell, Charity Director of Age UK said: "We welcome the changes that have been made, they have listened to our concerns and we appreciate that it is a significant financial commitment from the Government at a difficult time. This will give a much needed 6-month respite to all the women who would have had to work an extra 2 years. We would have liked the changes being made to have gone further. Having faced uncertainty twice already, these women must not be affected by any further changes to their state pension age again without sufficient notice."[109]

Report Stage and Third Reading Debate

Opening the Report Stage debate, the new Shadow Pensions Minister, Gregg McClymont, said the amendments were welcome but did not go far enough. Some 500,000 women would still have to have up to 18 months longer before reaching State Pension age:

> The two tests that we have set are: do the Government's plans give fair and due notice to the women concerned, and do those plans bear proportionately on all women affected? The answer is no and no. The Bill continues to place the longevity burden disproportionately heavily on women in their later 50s.[110]

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[108] Kiran Stacey, 'Rethink on pension age benefits women', *Financial Times,* 13 October 2011

[109] Age UK press release, Government delays State Pension rise to help women, 12 October 2011; BBC News, Ministers delay State Pension age rise to 66 to help women, 13 October 2011; TUC press release, Amendment shows government has got women's pension age increase wrong, 13 October 2011

[110] HC Deb, 18 October 2011, c780-2

He said the Opposition amendments (which would retain the *Pensions Act 1995* timetable for increasing women's SPA to 65 by April 2020, but then bring forward the increase to 66 for both men and women to between 2020 and 2022) offered the Government "one last chance to show women that they get it."[111]

Responding, Pensions Minister Steve Webb described the Government amendments as a "huge achievement" in the circumstances:

> [...] my right hon. Friend the Secretary of State said that the basic principle of the Bill is right—that we move to equality sooner and to aged 66 in 2020. We have been entirely consistent with what he said, but he also said that we need to make sure that the transition is fair and that those most adversely affected are helped. That is exactly what we deliver on today with the amendments.
>
> We have identified, notwithstanding the difficult fiscal position, £1.1 billion to ensure that half a million people face a shorter increase in their pension age, and that a quarter of a million women who could have faced up to 24 months will now face a maximum of 18 months. It is worth keeping in context the fact that nine out of 10 people affected by the Bill will see an increase of one year or less in their state pension age.[112]

The Opposition amendments were negatived on division by 291 votes to 244. The Government's amendments to the Bill were made.[113]

Opening the debate on Third Reading, Secretary of State, Iain Duncan Smith, said the Government had responded to concerns:

> The House will be aware that we have listened and responded to concerns about the women most affected by the accelerated rise in the state pension age. Last week we announced that no women will see their state pension age increase by more than 18 months. We have always been clear that our policy will not change and we will still equalise the state pension age by 2018 and increase it to 66 by 2020. We have, however, honoured the commitment I gave on Second Reading to ease the transition process for those who are most affected. I listened with interest to the debate, but the point that is sometimes missed is that the adjustment means that nearly 250,000 women will have a lower state pension age as a result of the change, as will a similar number of men: 500,000 people at a cost of just over £1 billion in the next spending period. We should not sniff at that.[114]

Shadow Minister for Employment Stephen Timms explained that the Opposition had decided to vote against the Bill:

> [...] our objection to this part of the Bill is that it achieves these very large savings solely at the expense of one age cohort of women, apparently on a wholly arbitrary basis. The data are very clear. Women have substantially lower savings than men, yet a group of women—older women who have the least time to plan for the change—are being asked to bear the cost. The Bill simply fails the fairness test, and for that reason, in particular, we cannot support its Third Reading. We understand that Ministers are worried about rapidly plunging popularity among women voters and we are told that they are puzzled about why that is happening. They should just take a careful look at the unfairness in this Bill, and they will find a ready explanation there. We will not

[111] Ibid, c789
[112] HC Deb, 18 October 2011, c823
[113] Ibid, c823-8
[114] HC Deb, 18 October 2010, c849

> support that unfairness in the Lobby tonight, and no one else who values fairness should do so either.[115]

The House voted to give the Bill a Third Reading by 287 votes to 242.[116]

The amendments made in the House of Commons were debated in the Lords on 31 October 2011. Again an Opposition amendment sought to retain the timetable in the *Pensions Act 1995* for increasing women's SPA so that it reached 65 by April 2020 and then to bring forward the increase in the equalised SPA to 66 by April 2022.[117] This was negatived on division by 235 votes to 183. The motion to accept the Government's amendment was agreed to.[118]

The *Pensions Act 2011* received Royal Assent on 3 November 2011. Section 1 brings forward the increase in the SPA to 66 to October 2020.

5 Experience in other countries

A 2009 OECD report, *Pensions at a glance* argued that the financial and economic crisis had accelerated the pace of pension reforms. Encouraging people to work longer - through increases in pension age and reduced pension incentives to retire early – was a key objective:

> The pension eligibility age is the most visible and easily understood number in pension systems. As such, proposals to increase it have frequently met with strong resistance, while more technical, 'stealthy' reform measures have often proved rather easier to implement.[119]

Despite the resistance with which such proposals were often met, a number of countries had announced increases. The OECD underlined the importance of focusing on long-term strategic planning for retirement systems:

> The financial and economic crisis means that governments' attention is focused, more than ever, on the short term. This brings with it two dangers. The first is that long-term, strategic planning – so vital for retirement systems – is set aside. The second is that more governments may be tempted to backtrack on earlier reforms as labour-market conditions worsen. It remains necessary, in spite of these pressures, that governments take steps to ensure that public policies deliver a retirement-income system for the long term that is secure, adequate, financially sustainable and economically efficient.[120]

In 2011, the OECD said that increases in the pension age continued to be a subject of debate. Around half of OECD countries had had already begun increasing pension ages or planned to do so in the near future:

> Pension ages will increase in 18 countries for women and 14 countries for men. By 2050, the average pensionable age in OECD countries will reach nearly 65 for both

[115] HC Deb, 18 October 2011, c856
[116] Ibid, c864
[117] HL Deb, 31 October 2011, c984
[118] Ibid, c996
[119] OECD, *Pensions at a Glance 2009*; See also *United Kingdom, Highlights from OECD Pensions at a Glance;* See also European Commission from November 2007, *Pensions Schemes and Projection Models in EU-25 Member States*. Table 2.2 lists the current and proposed new state pension ages for EU countries
[120] OECD, *Pensions at a Glance 2009*

> sexes. This represents an increase in 2010 of nearly 2.5 years for men and 4 years for women.[121]

The spring 2006 edition of the Oxford Review of Economic Policy focussed on pension reform in different countries. In an overview of the issues, Professor Nicholas Barr noted that the US was interesting in that it allowed a reduced pension to be claimed early:

> The US case is interesting. It was decided that many years ago, as an explicit response to population aging, that the age at which a person can receive a full pension should increase over time from 65 to 67; however, the earliest age at which a person can receive a pension from the social security system remained (and remains) at 62.[122]

He said raising retirement age could have regressive effects "since workers from poorer backgrounds typically start work earlier and hence make contributions for longer, but have a shorter life expectancy than better-off workers." Although this suggested the need for a "broad range of policies including nutrition, health care, occupational safety, and education and training", as a minimum, it suggested a potential role for other instruments to mitigate this effect. Possibilities included:

- An initial retirement age that makes it fiscally possible to provide a genuinely adequate state pension;
- A subsequent retirement age that rises gradually in a rational and transparent way as life expectancy increases;
- Labour-market development, in particular flexibility that allows people to move from full-time work towards full retirement along a phased path of their choosing;
- Pensions development, in particular arrangements that do not distort decisions about choices intermediate between full-time work and full retirement;
- Development of policies to reduce any regressive effects of later retirement.[123]

The Government says that Norway, Iceland, Israel, and the USA already have an SPA of 66 or higher. Australia, Denmark, Germany, Ireland and the Netherlands will all have an SPA of 66 before the UK's currently legislated date of 2026. Details are set out in the table below:[124]

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[121] OECD, *Pensions at a Glance 2011*

[122] Oxford Review of Economic Policy, Vol 22 No. 1 Spring 2006, Pensions, p12

[123] Ibid

[124] DWP, *A sustainable State Pension: when the State Pension age will increase to 66,* CM 7956, November 2010, page 15-6

State pension age	66	67	68
Date			
In 2010	USA	Iceland, Israel (men), Norway	
By 2020	Ireland (2014); Australia (2020), Netherlands (2020), UK (2020) [new plans]		
By 2030	Germany (2024), Denmark (2025), UK (2026) [legislated]	Ireland (2012), Australia (2024), Netherlands (2025), Denmark (2027), USA (2027), Germany (2029)	Ireland (2028)
By 2040		UK (2036)	
By 2050			UK (2046)

A European Commission Green Paper of July 2010 encouraged Member States to consider how to achieve a sustainable balance between time in work and in retirement:

> Ensuring that the time spent in retirement does not continue to increase compared to time spent working would support adequacy and sustainability. This means increasing the age at which one stops working and draws a pension. Many Member States have already decided to raise the eligibility age for a full pension in their public pension schemes (see figure 6). There is a growing awareness that this represents an important signal to workers and employers, which motivates them to aim for higher effective retirement ages. A number of Member States have demonstrated that a promising policy option for strengthening the sustainability of pension systems is an automatic adjustment that increases the pensionable age in line with future gains in life expectancy. While this approach of contingent adjustments could be contemplated for other risks as well, committing to periodic reviews of the adequacy and sustainability of pensions could be an alternative or complementary way to facilitate a timely and smooth response to changing conditions many of which are hard to predict.[125]

In France, normal pension age for the earnings-related public pension is from 60. The minimum contributory pension ("*minimum contributif*") is paid when the retiree reaches the full contribution condition or is aged 65 and over.[126] The French National Assembly recently

[125] European Commission, Green Paper: towards adequate, sustainable and safe European pension systems, SEC(2010)830, Brussels, 7 July 2010, COM(2010)365 final
[126] OECD, 'Pensions at a Glance 2009 – Retirement income systems in OECD countries'. Online country profile: France

voted to increase the normal pension age from 60 to 62 and the full pension age from 65 to 67.[127]

[127] Ben Hall,' French protests on pensions start to run out of steam', *Financial Times,* 28 October 2010; For a description of the pension system in France, see Institute for Fiscal Studies website, French Pension Reform (viewed 6 May 2011)

6 Annex – the State Pension age timetable

The Government has produced a note outlining the current State Pension age timetable.

Women's State Pension age under the *Pensions Act 1995*

Date of birth	Date State Pension age reached
6 April 1950 to 5 May 1950	6 May 2010
6 May 1950 to 5 June 1950	6 July 2010
6 June 1950 to 5 July 1950	6 September 2010
6 July 1950 to 5 August 1950	6 November 2010
6 August 1950 to 5 September 1950	6 January 2011
6 September 1950 to 5 October 1950	6 March 2011
6 October 1950 to 5 November 1950	6 May 2011
6 November 1950 to 5 December 1950	6 July 2011
6 December 1950 to 5 January 1951	6 September 2011
6 January 1951 to 5 February 1951	6 November 2011
6 February 1951 to 5 March 1951	6 January 2012
6 March 1951 to 5 April 1951	6 March 2012
6 April 1951 to 5 May 1951	6 May 2012
6 May 1951 to 5 June 1951	6 July 2012
6 June 1951 to 5 July 1951	6 September 2012
6 July 1951 to 5 August 1951	6 November 2012
6 August 1951 to 5 September 1951	6 January 2013
6 September 1951 to 5 October 1951	6 March 2013
6 October 1951 to 5 November 1951	6 May 2013
6 November 1951 to 5 December 1951	6 July 2013
6 December 1951 to 5 January 1952	6 September 2013
6 January 1952 to 5 February 1952	6 November 2013
6 February 1952 to 5 March 1952	6 January 2014
6 March 1952 to 5 April 1952	6 March 2014
6 April 1952 to 5 May 1952	6 May 2014
6 May 1952 to 5 June 1952	6 July 2014
6 June 1952 to 5 July 1952	6 September 2014
6 July 1952 to 5 August 1952	6 November 2014
6 August 1952 to 5 September 1952	6 January 2015
6 September 1952 to 5 October 1952	6 March 2015
6 October 1952 to 5 November 1952	6 May 2015
6 November 1952 to 5 December 1952	6 July 2015
6 December 1952 to 5 January 1953	6 September 2015
6 January 1953 to 5 February 1953	6 November 2015
6 February 1953 to 5 March 1953	6 January 2016
6 March 1953 to 5 April 1953	6 March 2016

Changes under the *Pensions Act 2011*

Women's State Pension age will increase more quickly to 65 between April 2016 and November 2018. From December 2018 the State Pension age for both men and women will start to increase to reach 66 by October 2020.

Women only	
Date of birth	**Date State Pension age reached**
6 April 1953 to 5 May 1953	6 July 2016
6 May 1953 to 5 June 1953	6 November 2016
6 June 1953 to 5 July 1953	6 March 2017
6 July 1953 to 5 August 1953	6 July 2017
6 August 1953 to 5 September 1953	6 November 2017
6 September 1953 to 5 October 1953	6 March 2018
6 October 1953 to 5 November 1953	6 July 2018
6 November 1953 to 5 December 1953	6 November 2018

Men and women	
Date of birth	**Date State Pension age reached**
6 December 1953 to 5 January 1954	6 March 2019
6 January 1954 to 5 February 1954	6 May 2019
6 February 1954 to 5 March 1954	6 July 2019
6 March 1954 to 5 April 1954	6 September 2019
6 April 1954 to 5 May 1954	6 November 2019
6 May 1954 - 5 June 1954	6 January 2020
6 June 1954 - 5 July 1954	6 March 2020
6 July 1954 – 5 August 1954	6 May 2020
6 August 1954 – 5 September 1954	6 July 2020
6 September 1954 – 5 October 1954	6 September 2020
6 October 1954 – 5 April 1968	66th birthday

Increase from 66 to 67 and 67 to 68 under the *Pensions Act 2007*

The information provided in the two tables below is based on the current law. The Government has consulted on a mechanism for future increases. Any change to the timetable would require the approval of Parliament.

Increase from 66 to 67	
Date of birth	**Date State Pension age reached**
6 April 1968 to 5 May 1968	6 May 2034
6 May 1968 to 5 June 1968	6 July 2034
6 June 1968 to 5 July 1968	6 September 2034
6 July 1968 to 5 August 1968	6 November 2034
6 August 1968 to 5 September 1968	6 January 2035
6 September 1968 to 5 October 1968	6 March 2035
6 October 1968to 5 November 1968	6 May 2035
6 November 1968to 5 December 1968	6 July 2035
6 December 1968 to 5 January 1969	6 September 2035
6 January 1969 to 5 February 1969	6 November 2035
6 February 1969 to 5 March 1969	6 January 2036
6 March 1969to 5 April 1969	6 March 2036
6 April 1969 to 5 April 1977	67th birthday

Increase from 67 to 68	
Date of birth	**Date State Pension age reached**
6 April 1977 to 5 May 1977	6 May 2044
6 May 1977 to 5 June 1977	6 July 2044
6 June 1977 to 5 July 1977	6 September 2044
6 July 1977 to 5 August 1977	6 November 2044
6 August 1977 to 5 September 1977	6 January 2045
6 September 1977 to 5 October 1977	6 March 2045
6 October 1977 to 5 November 1977	6 May 2045
6 November 1977 to 5 December 1977	6 July 2045
6 December 1977 to 5 January 1978	6 September 2045
6 January 1978 to 5 February 1978	6 November 2045
6 February 1978 to 5 March 1978	6 January 2046
6 March 1978 to 5 April 1978	6 March 2046
6 April 1978 onwards	68th birthday