

Work and Pensions Committee

Oral evidence: Transition to State Pension age, HC 1482

Wednesday 28 January 2026

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[Watch the meeting](#)

Members present: Debbie Abrahams (Chair); Rushanara Ali; David Baines; Johanna Baxter; John Milne.

Questions 38 - 87

Witnesses

[I](#): Phil Mawhinney, Poverty, Income and Work Policy Manager, Age UK; Morgan Vine, Director of Policy, Grants and Influencing, Independent Age; and Fabian Chessell, Central Government Lead, Policy in Practice.

[II](#): Dr Daniella Jenkins, Member of Policy Advisory Group and incoming Director, Women's Budget Group; Tiffany Tsang, Head of DB, LGPS and Investment, Pensions UK; and Justin Wray, Interim Assistant Director, Head of Long-term Savings Policy, Association of British Insurers.

Written evidence from witnesses:

[Age UK \(SPA0015\)](#)

[Independent Age \(SPA0019\)](#)

[Policy in Practice \(SPA0022\)](#)

[Pensions UK \(SPA0024\)](#)

[Association of British Insurers \(SPA0029\)](#)

[Women's Budget Group \(SPA0010\)](#)

[Department for Work and Pensions \(SPA0027\)](#)

Examination of witnesses

Witnesses: Phil Mawhinney, Morgan Vine and Fabian Chessell.

Q38 Chair: A very warm welcome to this oral evidence session, the second one in our transition to the state pension age inquiry. It is a pleasure to welcome Phil Mawhinney from Age UK, Morgan Vine from Independent Age, and Fabian Chessell from Policy in Practice. A very warm welcome. Thank you for coming along this morning.

We have a number of questions we would like to put to you. I am going to start and then we will go to other Members. Could we focus particularly on the Pensions Commission, which was set up last summer? What should the Pensions Commission be doing in relation to adequacy? We could start with Morgan and Phil, if that is okay.

Morgan Vine: The first thing to say is that we really welcome the commission. We think this could be a real game changer for future generations of older people, making sure that they have an adequate income. As you said, Debbie, there is a question about the role of the commission in that, and one thing we would really like to see the commission include is, what does the state pension mean and how does the state pension play its part in making sure people achieve an adequate income?

All the other interventions are welcome, but there will be people who we support at Independent Age who are living on a low income and who are relying almost solely on the state pension, so we want to make sure that the commission considers that as part of its review.

Phil Mawhinney: I have similar comments. We understand that the commission is looking to the future and will spend a lot of time looking at private pension saving, which is right. However, currently one in eight pensioners are fully reliant on the state pension and more people beyond that are mostly reliant on the state pension. That might change a bit, but there will always be people who fully rely on the state pension, so that has to be part of the discussion.

We understand that there are discussions of adequacy, fairness and sustainability, but the adequacy question is very important for us, and that will be one of the key tests: what can the state pension be to make sure that those people have an adequate income and are not living in poverty in a long-term way?

Fabian Chessell: We would make the point that pension-age poverty starts with working-age poverty, and a lot of it is entrenched well before people reach the pension age, so there is a big piece around how the Pensions Commission considers how we support people in near retirement—the run-up into retirement—so that they are not drawing down on their pensions and savings to meet basic costs of living.



Q39 **Chair:** What does “near retirement” mean? What age are you talking about—50s, early 60s?

Fabian Chessell: That is a good question. It is a difficult one to answer in some ways because one of the points we will make is that a lot of what we are dealing with, especially with the near-retirement cohort, is an ability-to-work issue. What we have got into the trap of in the past is using age as a proxy for ability to work. What we would always be counselling is that instead of looking at an exact number, you would be asking, “Are we properly recognising ability to work and are we supporting people who are unable to work?”

Q40 **Chair:** That is a very good point. We were talking before about a DWP report that shows that 25% of the increase in health-related benefits in recent years was down to the increase in state pension age from 2017.

Morgan, some commentators have said that raising the pension age is often framed as a trade-off to keep the triple lock, but what do you think?

Morgan Vine: We do not think those two things should be pitted against each other. The Government need to be thinking about what the end result is that we want everyone in later life to achieve. I know that the Committee has done a lot on this in its bigger pensioner poverty inquiry. What are we trying to get people to and what are the mechanisms that can be used to get there, rather than the triple lock or the state pension age, or which one do we decide on? It should be, what do we want to achieve and is the triple lock the right mechanism? Is it keeping the state pension age as it is? Are mitigations needed? It is about working out how we get people to that adequate income in later life.

Q41 **Chair:** Does anybody else want to comment on that?

Phil Mawhinney: Yes, and hopefully I will not just agree with Morgan on every single question. I do agree with what she said. I understand the point, but I don’t think it is helpful to see it as a direct trade-off. With the state pension age as it rises, there is obviously a regressive effect. That is an issue that should be looked at independently, and I think we will come on to how that can be mitigated for the people who are most badly affected by that. So both questions need to be looked at, but it is not helpful to see them as a seesaw.

Morgan Vine: It is important to think about why the triple lock was first introduced; pensioner poverty was incredibly bad, and it was to try to reduce it. It has played its part, but we know that pensioner poverty is back on the rise. What other mechanisms could help or be more effective to get people where they need to be?

Q42 **Chair:** Thank you. Fabian, do you want to add to that? No?

My last question is on pensioner poverty, which we have just been talking about. We know that just under half of spending in the Department for Work and Pensions is accounted for by the state pension and pensioner



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benefits. I think that many people will be surprised at that and at the fact that it is the biggest driver in the increase in DWP spending. How can we reduce pensioner poverty now and in the future, while containing spending on state pensions?

Phil Mawhinney: If we are talking about current pensioners, the primary issue is about the take-up of benefits, and particularly pension credit, which has been discussed a lot, including by this Committee. That is means-tested, and it is focused on the people who need it most.

At Age UK, we give advice to a lot of pensioners, including around benefits. We help them to apply for and receive the pension credit they are entitled to, and sometimes housing benefits, sometimes attendance allowance or other things, and that can make a huge difference to people's lives. It can increase their income by multiple thousands in a lot of cases.

We welcome that the DWP is trying different things to boost the rate of take-up on that, including things around data sharing. However, there is still a way to go. It is a bit of an old chestnut that is quite difficult to crack, but it is still a valid chestnut, and that needs to be the priority. I think that that will continue to be the case, even for future pensioners as well.

Q43 Chair: Fabian, you were talking about working-age poverty driving pensioner poverty, and that was certainly what we found in our pensioner poverty inquiry. Does it start at a working age? What would you say to my earlier question?

Fabian Chessell: Absolutely, it starts at working age. One of the interesting things about pension credit is that if you are on the UC standard element and you are moving on to pension credit, your increase in income is 2.4x. You are moving from £440 to £987 a month. No one will say £987 a month is generous, but it is difficult to imagine who is able to live on £440 a month.

When DWP gave evidence to this Committee about the impact of moving the state pension age, its comment on this was, "Well, the poverty ends when they retire. We put them on pension credit." I do not know how that is justification. That is a period of time when people are living on a really low income.

I think this leads to a few things. One is that we are calling for an increase to the UC standard element. That should be a liveable amount, and if we are willing to fund people—because we are with the triple lock—so they are not in poverty because they are unable to work, why does that only start at 67? That commitment should be wherever they are in life and unable to work. We would be pushing for the increase.

Q44 Chair: Is the UC standard allowance going up in April as part of the UC Act something you welcome?



Fabian Chessell: Absolutely. That is brilliant. It is the first time since universal credit was introduced that the basic element was increased. That is absolutely the direction of travel, and we should be doing that more. It should not be that UC is only liveable if you are on one of the health elements.

In terms of the take-up—just to go back to Phil's point and pick up on the data sharing, because I know that came up—of the top-up pension, you asked about pension, so I will focus on the pensioner data sharing. I think there is an opportunity and there is a risk. Let me talk about the opportunity. Before qualifying for pension credit, there is a 17-week window in which you can apply for pension credit. It is worth doing that because otherwise you can face a gap while you wait for your pension credit. This is somebody already on a very low income now facing an absolute cash shortfall. You sit there and you go, "Okay, why isn't DWP and/or the councils supported to work with more near-retirees to make sure that, if they qualify for pension credit, they have applied early?" That is a big opportunity.

There is a big risk with pensioner data. When I came to the last Committee, I pointed out that DWP withholds data from councils on 60% of universal credit households, meaning that 60% of low-income residents are invisible to councils and not getting support. That arose when DWP took universal credit benefits in-house and took over processing from councils. It looks like that is the direction of travel on housing benefit. We are facing the risk DWP may repeat the same mistake and make a large wave of low-income pensioner households invisible from councils. I think there is an opportunity for this Committee to ask DWP to give an assurance that this will not be repeated again—that as a result of changes to how housing benefit is processed, councils will not lose access to data.

Q45 **Chair:** That is a good point. Thank you very much. Morgan, do you want to add to that?

Morgan Vine: To talk to one of Fabian's points, it might seem like you move from working-age social security to pension age and everything is fine, but 20% of people who receive pension credit are still in poverty. That is the first thing: the income is not adequate. It is definitely not adequate for working-age adults living on a low income, and it is also not adequate for pensioners. We speak to people regularly who call us saying, "I think I am getting everything I am entitled to, but I just cannot afford my bills. I cannot afford my rent. I am cutting back"—to dangerous levels, we would say—"on food and warm water." They are cutting back in an unhygienic way often. We want to see that tackled.

The state pension is definitely one fundamental element of tackling pension but as Phil said, it is not the only element. Lots of older people believe that the state pension on its own may give them an okay quality of life. We know that that is not the case for many people. That is why it is so important that the other side of this coin is the social security



system. For those who do not need to rely on the state pension, because they are lucky enough to have savings, private pensions or workplace pensions, that is brilliant. However, for the people we support, who we are worried about, we just need to make sure that, whatever happens with the state pension, the social security system can make up that gap.

Q46 Rushanara Ali: Good morning. We know that improvements in life expectancy have stalled and healthy life expectancy has reduced, and that trend is likely to continue. What should this mean for the state pension age?

Phil Mawhinney: It has been discussed a lot that life expectancy and healthy life expectancy trends have flattened out and dipped in certain ways. Obviously, that is very varied for different groups. When we look at just average life expectancy, we are missing out the fact that people from certain deprived areas or socioeconomic backgrounds have much lower life expectancy and a much lower healthy life expectancy.

That means two things. One is that a lot of people then cannot work. Their healthy life expectancy technically might be around 60, but in reality that means that that person has no ability to work up to 66 or 67. Therefore, they are in that gap, which this Committee is helpfully focusing on. What that means—we have done research with people in this situation—is that they are just trapped in limbo.

Many of them want to work but cannot work because of their health conditions, disabilities or caring responsibilities, or because they are not being hired in the labour market. They are just in this limbo. The sense you get from the interviews is, "Gosh, I am stuck here and I am counting the months until I reach state pension age". That used to be 65, it used to be 66, and it is now 67. That is the key thing.

The second point is about how long they will receive their state pension for. People do not know exactly how long they are going to live for, but they do say in the interviews, "Because of my long-term health, I feel that the amount of time I am going to get my state pension isn't very long, but I am still trapped waiting for 67." That is why this inquiry is so important. It comes at the perfect time because the state pension age has risen twice quite quickly, and it is about to rise again, so this feels like the critical moment for action mitigations to be taken.

Morgan Vine: Just to build on that, obviously we should be looking at life expectancy, and if that is stalling, why would we be thinking about increasing the state pension age? However, you can also think about whether you could use it in a cleverer way to try to make sure that we are doing the right thing and we are giving people notice. We can use it in a more dynamic way.

Our concern would be that you can only do this on an average and, if you are doing it on an average, the groups that are going to be most impacted are the hidden groups. To give you an example, in Wokingham



healthy life expectancy is 69, so nearly 70. In Blackpool it is 51. People in Blackpool would be completely masked if an average were used, and then they could be waiting 15 years, or potentially more than that, to receive anything from the state pension.

Q47 Rushanara Ali: Yes. So you have geographical inequality, you have disability-related inequality, and then presumably there are specific other groups that are going to be worse off. The system has built-in disadvantages that feed through into the future. What specific recommendations would you make in terms of building that dynamic system so that we do not continue that trend of inequality?

Fabian Chessell: It is a really good question. What this is making me think about is health-seeking behaviours. Poverty reduction is prevention. It is easy for this Committee to think that life expectancy is DHSC's responsibility, but there is a big case that Work and Pensions has a significant role to play.

There is a quote that brought tears to my eyes. It is from a worker who had used data and then reached out to someone who had a health condition and who qualified for attendance allowance but did not know it. When that person was helped to apply, she said the extra £250 a week in benefits was life-changing. She said it allowed her to use taxis for her frequent hospital visits, and she could now meet her higher energy bills. The BBC had coverage of a lady in a similar situation, who said, "Now I can go to Specsavers and buy some glasses. I can visit my family once a month." For me, there is this cruelty that living in poverty reduces your life expectancy and your access to state pension and pension credit and the amount of time you get on that.

You asked about specific recommendations, and that is exactly the right question. I have already spoken about the UC standard element; that is the obvious one. The other one is making sure that people access the benefits to which they are entitled. We did some work earlier this year, the "Missing Out 2025" report, which found that 8 million low-income families are missing out on about £24 billion in support.

One of the key things is enrolling people in data or reaching out to them with communication. We know that that works. When we did the pension credit take-up campaign in London, the background rate of take-up was about 3%. We have got it to about 35% of those people we have been reaching out to for a while. To bring this to life, we are talking about moving from this notice on the bottom of your council bill to a letter that says, "Dear Rushanara Ali, it looks like you qualify for pension credit. Here is how to apply." Some councils will actually call up people with health conditions and other vulnerability markers. That dramatically increases take-up.

What is blocking that? Last time I raised with this Committee that 60% of data was being withheld by DWP. Thank you very much for taking those questions forward to DWP. I read DWP's responses and I think it is a case



of the good, the bad and maybe not the ugly, but the overlooked. The good news is that it was wonderful to see DWP talk about liberalising and making it easier for councils to use data. Asking 370-odd councils to interpret a thicket of legislation gives you 370 answers, and lots of them do not use the data as they are legally allowed to today. Simplifying that in the way the DWP is proposing would be a godsend. If you want to ask a question, it might be, "If that is your plan, do you have a legislative slot for that?"

The bad is that, in that response, the deadline for sharing 100% of UC data—or the system that will allow that—has slipped to 2027. That is quite unfortunate. That means another year of these households living in avoidable poverty up and down the country. My question to DWP would be, "Okay, these things happen, but is this project in delivery phase yet?" Just getting a yes or no on that would be quite illuminating as to whether DWP is running this as fast as it can.

The overlooked is employment support. That is part of the devolved responsibility of strategic authorities. I looked through the devolution Bill, and it is silent on data sharing. What are we doing here? If we are giving them power, we need to give them data. If you ask DWP, I am sure they will say, "Oh, it is in the discovery phase", "We are looking at it", or "The Mayoral Data Council will address it."

There may be a far simpler route here, which is—let me make sure I have got the Act right—the Welfare Reform and Pensions Act 1999. Section 72 creates the gateways for sharing employment data from DWP and HMRC with councils today. Just amend that. Let's do the simple thing. We have a lot of complex questions in front of us. This isn't one of those. Those would be my recommendations.

Q48 Rushanara Ali: Do the other witnesses have any further suggestions on what else could be done?

Morgan Vine: The Committee will know this from their inquiry, but the groups we are most worried about include not just the geographies, but women, carers, racially minoritised groups, private renters and one-person households. Independent Age, as well as being a charity, also takes calls from people. We also grant-fund community organisations. That has been one way that we have tried to make sure we are reaching groups. It is about trusted local support that is in their communities already and that they already interact with.

For example, at a lunch club for Bangladeshi women, we fund an adviser so that those women can have open chats about what is going on and how they are doing with their bills. They then feel comfortable to share with that person, and maybe speaking in the right languages and so on. Funding, whether it be local councils or community organisations, could play a big part in helping the Government target.

Q49 Rushanara Ali: That takes me to the point about the advice and



support. Over the last decade we have seen the usual organisations, like CAB and others, having their resources cut. People at that point in their lives—particularly those who are vulnerable—often need support to access benefits they may be eligible for, but the bureaucracy of doing that can be quite challenging. Is there a gap there?

Morgan Vine: We did some research with older people living on a low income, looking at the complexity of the social security system. It is all very well saying, “Oh, the awareness is low” or “People just don’t want it,” but the system itself is complicated. You could be a carer and you could get an underlying entitlement to carer’s allowance, and only then would you be eligible for pension credit. How on earth would you know that? Contacting national advice organisations, like Age UK, Independent Age and others, helps people look at the whole picture and what they might be entitled to.

Our advisers say that, for an older person, filling in an attendance allowance form on the phone with a specialist adviser can take up to two hours—and that is somebody who is filling in the form every day. There are definite small tweaks and changes that the Department could make that would make the system simpler. That would be a good start for take-up.

Q50 **Rushanara Ali:** Is there any work going on with you and the Department to do exactly those things?

Morgan Vine: The Department is moving forward a project looking at pension credit and housing benefit and at how those can be interlinked, which hopefully will mean that the number of people receiving pension credit will increase because housing benefit has a higher take-up. However, there are other things that the Government are not looking at at the moment—simple, small changes to forms or documents—that would make a big difference to people going through the system. I can share what those exact recommendations are afterwards.

Rushanara Ali: Yes, please send them in. Thank you.

Phil Mawhinney: Again, I would definitely echo what Morgan said. The Committee will know that the crisis and resilience fund is about to start, from April. As I understand it, part of the purpose of that is not just to give people emergency crisis support directly, but to build their resilience, and part of that funding can go towards local advice organisations. That is potentially very good, but it remains to be seen how that is going to pan out. Therefore, it might be a good thing for the Committee, as that fund beds in—I am sure local authorities will face all sorts of challenges—to look at what that actually means and what it translates into in terms of support for local advice organisations that, in a lot of cases, can build someone’s financial resilience, but that also just help people get benefits that they would not get otherwise.



Fabian Chessell: Credit where credit is due: moving the crisis and resilience fund to three years was very helpful because it means councils have the time and ability to engage with voluntary and community sector practices.

Chair: Thank you. Yes, we are already asking questions about that new fund. Just briefly, could you write to us about the impacts on frail older people and about how, if they are expected to work longer, that may in turn affect their health? We heard a lot about that in the pensioner poverty inquiry. So could you write to us about that particular group of frail older people and whether being expected to work longer worsens their health?

Q51 **John Milne:** I will put this question first to you, Fabian. I know you are a great advocate of data-led solutions. Do you believe that the DWP has the capabilities, data and processes to assess the impact of policies effectively before they are introduced?

Fabian Chessell: It is a good question. It is hard to tell entirely from the outside. I have a couple of observations. I am sure this Committee recognises that a decision of the size of state pension age is not going to be changed dramatically because we ask the analysis question one way or the other. We have to ask ourselves what additional and better analysis would do to influence our decisions in a meaningful way?

If I look back at the 2013 analysis on the state pension age increase, the absolute blind spot seemed to me to be, what is the downstream impact on other services—on health and justice for the younger cohorts, and social care for the older cohorts? We know that there is an effect. Age UK commissioned wonderful research that found that pension credit pays for itself £1—

Morgan Vine: That was us actually.

Fabian Chessell: Oh no, I think I am buying the coffees after this. Independent Age commissioned the fantastic research that found that for every £1 invested in pension credit, you get a £2 return through savings.

Research from Milton Keynes council, Cambridge council and Liverpool council has found payback ratios from 10:1 to 19:1 for discretionary funds like the crisis and resilience fund. That was reported by the NAO. We know that there is a downstream impact. This Government believe in prevention, and really embrace the prevention agenda, but I do not see that reflected in the DWP impact analysis.

If I were asking anything, it would be, do we not believe that poverty reduction is prevention? Can we not get a view on that? I would not accept anyone saying that you cannot do it or you cannot estimate it. You can never get it perfect. However, we are linking benefits data with healthcare data. We did it for the Nuffield Trust. We have been linking benefits data with children's social care data, and we can see the impact



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of financial impoverishment on poorer social care outcomes for children. We know that there are outcomes, and that link to prevention would be a big area that I would push on.

Q52 John Milne: I would agree that Governments have been very bad at estimating the benefits of prevention and costing them. Are there any further comments?

Phil Mawhinney: Yes, I can make two points briefly in terms of the DWP's assessment. Specifically with regard to the state pension age changes, first, there was quite a long gap after the legislation came in to set state pension age change—and that would be the point at which some of the impact analysis was done. There was a roughly 10-year gap between the legislation setting out the rise and then it actually happening.

I understand it would need to be tied to the legislation, but that is such a long time. Within that time you might have a pandemic or rising economic inactivity, and you have the mixed-age couples change. There are quite significant things that change. If you only or primarily have that initial analysis, and then 10 years later the state pension age rises and those impacts have not been systematically updated, the chance to mitigate those effects may have been missed. That gap is an issue, so analysis could be repeated closer to the time.

The second point is that the impact analysis on state pension age change was very good. It looked at changes in sources of income. It did not always translate that to changes in poverty rates and living standards. As Fabian said, I am sure it is quite difficult to do that—it is certainly imperfect—but it is one thing to know that someone's income from earnings might fall, but it would be helpful to know how many people that is likely to put into poverty. That would be my second point.

Morgan Vine: The only point to add is that the equality impact assessment looked at the impact for those with protected characteristics under the Equality Act. However, when you look at life expectancy data, it is not available by ethnic group or disability, which are two of the main groups that we are worried about. We think there is more that could be done to try to work out how it would affect the groups that are going to be most disadvantaged from the change.

Q53 John Milne: Thank you. That is great. For DWP to improve its policymaking, what should it concentrate on? Should it try to work harder at understanding the views of affected parties? Is it about looking at the cumulative impacts of its policies? Where do you think it is lacking? I will throw that out.

Phil Mawhinney: I do not have any specifics to add on that.

Morgan Vine: I think there is something on involving people with lived experience. Whether it is current pensioners or people who are about to go through something and who will be impacted by it, there is lots that



could be done with the support of charities like us that could help inform DWP and give it the real view of what this looks like. It is very easy when you are close to something to think, "Yes, that makes sense. Everyone will understand it. The rationale for that is clear." However, when you are talking to the people who are going through it, who are quite far away from the policy, you can get a completely different perspective. We would welcome DWP engaging as much as possible with people with lived experience of the issues.

Fabian Chessell: I think that is right. To build on that point that Morgan raised, as well as her earlier point about the role of local services, some fantastic work came out of Camden to test and learn on employment support for people receiving LCWRA, using data naturally to enrol people. They offered people no-pressure, confidential and very human conversations about where the situation is at and what they might need. I think they got 78 people into that process; 40% of those were ready for employment support and 90% showed up.

That yielded some interesting insights. First, the support worked. You can get people back on to an employment track, but they learned that people's fears hold them back, and that is quite important. People do not want to be pressured to do more than they are ready for. They fear a loss of benefits—the right to try was helpful in that regard. They also fear that they might try and fail and that might set them back further than they were. Also, they have often had past negative experience with services. One person said, "Everyone just keeps referring me elsewhere." There is something about making sure that the services are funded.

To underscore the fact that only 40% were ready for any employment support, these people face a multitude of challenges. Housing and financial resilience—having enough cash to live—are key blockers. To Morgan's point, understanding the complexity of people's situations if you are trying to get them into work is important.

Q54 **John Milne:** Phil, you alluded to this earlier, but the impact assessment of the rise to 67 was done a very long time ago. Do you think this needs updating?

Phil Mawhinney: Yes. It would have to happen quite soon, obviously. Like I said earlier, we are at the start of 2026 and state pension age is going to rise to 67 very soon, so it is a critical time. We may come in a bit more detail to the need for mitigations and what that might look like. Yes, there is definitely a case for the Department to look again at the risks. What is going to happen with the rise to 67 and how can we mitigate that? That is a critical question. It is a time-critical question.

The DWP's own analysis showed that when the state pension age rose to 66—it probably did not use this language—it essentially caused poverty among 65-year-olds, or an increase in absolute income poverty. That is helpful, and it is great that the Department did that, but it means the same is likely to happen again over the next couple of years. Where is



the action to mitigate that? It is a known thing that has already happened and will happen again. What is the next step? What can we do?

Morgan Vine: It could be even worse this time because we know that the group in the most poverty in working-age life is those who are 55 to 65. I know that the Government want that group to be a priority. We need to make sure that their living standards are kept, and mitigations will be essential for that.

Q55 John Milne: This last question is to you, Morgan. As far as we know, the Department has no plans to change the mixed-age couple rule. We do not know how many people are actually affected by it. Do you think the Department needs to take more steps to improve its understanding, and what could it do?

Morgan Vine: Yes. We think the mixed-age couple rule is not a good policy and needs to be reversed. This is a good time to reverse it because, in the context of the state pension age rising, the people we support are going to have to wait even longer if they are in a mixed-age couple. For example, one of our advisers recently helped somebody who was 79 years old, nearly 80. Their partner is 59, so there is a significant age gap. The younger partner is still working age. That younger partner cannot work, because they have long-term health conditions, and the person we were advising is nearly 80 and has not received their pension-age entitlements.

I saw the session you did with the Minister, where he said it is quite complicated and we have to do this on a household level. I do not think we disagree, but why does it have to be on a working-age household entitlement level? Why can't it be on a pensioner-age household entitlement level? Then you would largely be supporting somebody in the most at-risk group, in their 50s to 60s, who has an older partner. It would be a double win because you would also be helping them. If their income is low, which is why they would be entitled to that benefit anyway, they are not in work. If they were in work, neither of them would be entitled to that benefit, because it is a household benefit.

We definitely think it is something that should be looked at, and a lot of the people we support feel that they are being penalised for who they love, which isn't a situation anyone wants to be in. We think it is something small and specific that the Government could look at. They should also definitely look at the numbers, because those were done a long time ago. We do not know how many people are impacted by this or what the financial implications are. Some estimates said a loss of up to £5,000 a year; others said up to £7,000. This is really significant for the groups, households and couples living on a low income. As part of the state pension age, we think this issue should be raised again.

John Milne: Thank you very much.

Q56 David Baines: Thanks, everyone. You have just mentioned mitigation,



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so I would like to ask you about that. Obviously, we are concerned about the potential impacts of the forthcoming increase. There may be other increases in the future, in future decades, and I am sure you know Dr Suzy Morrissey has been asked to look at that.

I will leave it to you to decide who comes in first, but what would your views be on how we might best mitigate potential negative impacts? Would you ask the Government to focus on better information and guidance, so people can better plan for their retirement, or on support to keep them in work longer? What would your suggestions be for the best way to mitigate?

Phil Mawhinney: The first piece of the puzzle is helping people to stay in work for longer—for as long as possible, and ideally up to state pension age—and there are ways to support people to stay in work. It is easier to get people into work, but both are possible. That needs to be the underlying thing.

Our view is that there will always be a minority of people just below the state pension age who just cannot work; it is just not realistic. Even with the best will in the world from them, it is not going to happen. As I said earlier, there is a group of people with multiple health conditions, and often with caring responsibilities, possibly in a couple, and they are just stranded. Nothing is going to change that, and they are counting the months until they can get their state pension. For that group of people, we think there is a case for additional, supplemental financial support directly through the benefits system.

In the past, we said that there could be early access to the state pension. Our view at the minute is more that keeping the state pension age as when you get the state pension makes a lot of sense. The important thing is to get money to people, and that could be done through the working-age benefits system. The specifics of that are to be debated and discussed. We think there is a case that in the three years below state pension age, if people are in that situation, it is impossible for them to work and they are on various incapacity, disability or carer benefits, to be decided, there is a case for them to have some additional support. It is a bit like what the IFS has already said; it is that kind of model. I think that the general model the IFS has set out is very good. However, as I said, we think there is a case for that to be potentially extended and a bit more generous, so that would be our primary thing.

There might also be mitigations in terms of tweaking work conditionality for people. We hear stories of people just below state pension age really struggling with health conditions, sometimes after years of manual work, and they are still facing reasonably harsh conditionality through the jobcentre—that part of the system. Quite often people will want to get into work and will be applying for jobs, but for that minority it is not going to happen, and the conditionality is counterproductive and makes everything worse. Often those people will be providing care, and the



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conditionality, which is not going to lead to a job, is just making that more difficult.

We think there could be a case for easing. I know that that easing of conditionality can currently be discretionary, which is great, but it could be more formalised. Those would be my two main things.

Morgan Vine: We support the idea of enhanced financial support if you are unable to keep working up until the new state pension age. That could take place in lots of different ways. The amount could be discussed. For example, do you bring them up to the pension credit level, or is it a different level? We definitely think there should be support there. As I said to John, reversing the mixed-age couple rule is a mitigation that could take place.

The key thing to say is that, although it might feel like the first change is going to start impacting people soon, any mitigation at any point will be welcome. People are clinging on to living on working-age social security, which we all know is not enough money. They are using tiny pots of savings early. They are taking out small private pensions and using them up before they hit state pension age. These people are not in a good financial situation. Anything that the Government could do quickly would be welcome. Even if it was not for six months, it would still be welcome. I do not think any of us should be put off, thinking, "Oh, there is no point, because it is going to start rolling out". We also have another potential age rise, so getting ahead of that would be positive.

Fabian Chessell: To add to that, we agree with the increase in support, but we may be a bit different to the other panellists. We would not be looking to try to tie that to the age group. We would not be advising creating another cohort within universal credit of new retirees. I can see that it is tempting, but the working-age benefits system is on two principles. One is that support should be linked to need, and claimants are expected to work if they can. If your determination is that people cannot work, regardless of their age, we should be supporting them so that they are not living in poverty. That would be the one area where there might be some—

Morgan Vine: We would only be saying that for people who cannot work.

Fabian Chessell: Yes. It may be a different nuance or a different spin, to be fair.

I very much agree on the discretion. Conditionality discretion is fantastic, if it is there. If you wanted to expand that to consider other activities, such as voluntary contributions to society, grandchildren or care while the parents are working, there are options if you wanted to explore them.

The point I would make on mitigations is that there is a really simple one. The Government have made the CRF a three-year programme, which is excellent. However, they funded it, in nominal cash terms, at steady



levels. That is about £1 billion a year. This state pension age increase is going to save, what, £8 billion, £9 billion, £10 billion? Why not put £1 in £10 saved into the crisis and resilience fund? It is run by councils. It is dedicated to supporting people in the moment of need, and there is no one who is going to understand better what is happening individually. There is no other arm of government as close to the individual as councils. And the fund is there; it is set up. That would be the mitigation I would propose.

Morgan Vine: David, to your point on better planning, we can of course support people to make sure that they are aware of what is happening, and that there is advice and information for them. But a lot of the people we support are good planners; they just do not have the income to stretch. They have had part-time work, caring responsibilities or low-income job all their life, and have been looking after their kids. It is not that they have not planned; they do not have the money. Anything we can do early to support them would be great.

David Baines: They are already doing the best they can.

Morgan Vine: Yes.

Q57 **David Baines:** Phil, you mentioned early access to the state pension, which is something that people have suggested. You are against that, I presume. Are there any other opinions on early access to the state pension?

Morgan Vine: The tricky thing is that if you give early access to the state pension, you are muddying the age of the state pension, which gets complicated. A way that you could do something similar but different—it sounds almost the same, but it is not—would be if you gave early access to something like pension credit. That is not the state pension; it is an entitlement that lifts you up to a level close to the state pension. That is a different way of doing it, where you would not be suggesting that some people get their state pension at a much younger age. You would be suggesting that they get a social security entitlement a bit earlier, which was meant for somebody in later life.

To be clear, it is only for the group that cannot continue to work. There will be lots of people who are doing a job, who may be in an office and who enjoy it. One extra year? No problem—not even thinking about it. However, there are so many people we speak to, such as labourers, people who work in the NHS, farmers and factory workers—who cannot even make the current state pension age. Every single day is a struggle to get there. They are the group we need to be focused on.

Phil Mawhinney: I would like to reinforce that point as well. We see exactly the same thing—people who do manual work, but also people who have done paid care work. It is such an essential role, doing that for 30, 40 years. But then every day becomes a painful struggle to reach state pension age, or they give up because it is impossible.



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I was reading the Cridland report from 2017, which we will all be familiar with. It struck me how some of his arguments are completely relevant—even more relevant—today. He made the argument that you could give pension credit to people one year below the state pension age, I think when it rises to 68. His reasoning was that the people who should get that will have significant barriers to any level of employment because of ill health or caring responsibilities for a long period of time. They will have insufficient wealth to support themselves while they wait. They will have a lower life expectancy than average and, as a result, they will receive the state pension for a shorter period than everyone else. I just thought, “Wow, you could write that today and it is as true as it ever was.”

Coming back to the point about timing, that was written in 2017 and since then the state pension has risen and is about to start rising again. It feels a bit like things are getting quite time-critical.

Q58 Chair: Thanks very much. Is there a consensus on the panel about the age where we might be targeting additional support? Phil, I think you are suggesting within three years. Is there a consensus, Morgan?

Morgan Vine: Yes.

Chair: What about you, Fabian? What do you think?

Fabian Chessell: We would look at the ability to work, no matter the age. We would avoid creating a separate group of new retirees. However, there are going to be different considerations as you get older, so we are not ignoring that.

Morgan Vine: We would support three years. We understand that decisions might be taken just to mitigate for that one year that people are missing out, but both Age UK and Independent Age are worried about that group in their early 60s. Any interventions that would support people—and this is one that would—who are living on a low income and living in poverty would be welcome. So, yes, we support three years as well.

Q59 Johanna Baxter: Thank you for joining us this morning. Following on from the previous questions about mitigations, given that we have had plenty of notice of the forthcoming increase in the pension age, why do you think no mitigations have been put in place?

Phil Mawhinney: I do not have a lot to say. Obviously, mitigations bring a cost, and Governments are not overflowing with money. We understand that but, as Fabian said earlier, there is a preventive, downstream problem with that thinking. The DWP and IFS analysis showed that when the state pension age rises, you have an increase in poverty among the year below, and potentially long-term consequences from that, which bring their own costs. It depends how you look at it, but if you do nothing, you are effectively saying, “Okay, the state pension age is going to rise to 67, and 66-year-olds will see an increase in poverty.” They will



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have been out of work on very low incomes for a long time. That has an impact on their health, on the NHS and so on.

Looking at the unpaid care side as well, we think that doing an intensive amount of unpaid care for years below state pension age is something that keeps people from work. If you take that for granted and don't do anything about those people, you can lose some of that unpaid care. We have an ageing population; we have an ageing population of older old people. Unpaid care is just so critical. In terms of ways to enable people, it is partly about flexibility for work and carers' leave, but it is also about giving carers an amount to live on. To take some of the quotes from our research, people who were caring for their partner said, "Oh my goodness, the amount I get in carer's allowance! I feel so unvalued and worthless, and I cannot live on it." I think that bringing in that carer side is quite important as well. I do not know if that helps answer the question.

Morgan Vine: To build on that, lots of the people we support, who are living on a low income, are not thinking two years or five years ahead. They are thinking, "What am I going to eat tomorrow? Am I going to be warm enough at the weekend? Where could I go to see friends and family that is not going to cost me anything?" They are often not able to look that far ahead. One suggestion is that that group has not been shouting loudly about the impact of this rise, because they have been focused on their everyday.

I would also say that the people we support often share with us that they feel hidden and less confident to advocate publicly. These are not necessarily groups who feel confident engaging in policy debates, speaking to journalists or raising noise. That is why it is so important that this Committee is looking at this, because sometimes this group is hidden. They are ignored. They seem to be silent, and they are then overlooked. It is easier to say, "Oh, we are just going to do this. Nobody is kicking up a fuss about it." But we need to, because we all know—we speak to people in this situation every day—that this is going to have a massive impact on them when they get there. It is already having an impact on the people we support who do not have enough money in later life. That is one problem that they feel less confident to advocate on, so the public noise from the group may be less.

Fabian Chessell: To pick up the advocacy point, I think we end up in a situation where we are content and happy as a society to fund people at retirement age because we go, "Yes, they cannot work." We use age as a proxy for that, but there is not a single date where that happens. It is not like they were able to work when they were 66 and 364 days, and unable to work at 67. We have fallen into that shorthand where we have gone, "They are deserving. They are not deserving." One of the reasons advocacy does not land is that we need to recognise that there are lots of reasons people do not work and it does not just start at retirement age.



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That is not just feckless people trying to get on to disability. That is real barriers.

There is also a technocratic part to the answer. To refer back to the comments to John about preventions not being costed, Government are a giant system, with Treasury at the centre checking everything for cost-benefit analysis. If the cost-benefit analysis says, "The benefit is we can save all this money, and the only cost is that some people will go on to UC," of course the numbers are going to make sense, and the whole system will make that happen. We need to have a number that says, "This is the value of prevention," and Treasury needs to recognise that in business cases.

The Government have done stuff. There are 50PLUS champions. There have been interventions along the way. It is always worth recognising when some progress has been made, even though we would all say we want more.

Q60 Johanna Baxter: I was surprised by what you said earlier, Morgan, about any mitigations at any point being welcome. Given we have such a short time before the pension age starts to increase, what could the Government realistically do now?

Morgan Vine: It depends on the systems in place. One thing is making sure that working-age adults are getting everything they are entitled to, as a minimum; take-up is one thing. I completely agree with Fabian, though, and we work with a lot of charities in the working-age space; we all know that the money is not enough to live on. So get them everything that they are entitled to. On the point about adequacy, I know there is a big campaign for UC to be uprated, and things like that. We work less in that space, but I am sure that that would be welcome.

However, even with the enhanced support, and the mechanism to enact enhanced support, I do not know how long that would take, but it does not feel like it would be years and years in the making. The Government could act on that quite quickly if they decide to do it. The mixed-age couple rule would not be too difficult to undo quite quickly; that was the policy before, so that would just be undoing something, rather than having to create something from scratch. There are things that could happen quickly.

Q61 Johanna Baxter: Phil, I was struck by what you were saying about the Cridland report. Just looking at what he was saying about the flexibility to work part-time in the run-up to retirement, how do you see that working? Do you want to say a bit more about how that might help that particular age group?

Phil Mawhinney: Supporting people to work part-time?

Johanna Baxter: Yes, because obviously there are a lot of jobs where that move may be more difficult to achieve than others, so getting everybody that flexibility might be difficult. How do you see that working?



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Phil Mawhinney: I am not sure. We have our own insight, because some local Age UKs—there are 115 local Age UKs around the country—support people of this age to try to get into work and stay in work. That can be helpful. Sometimes they say part-time work is good and is the best that can be achieved for people. There might be ways to recognise that better within the universal credit system, but I am not sure. It is about making sure that there is enough employment support for people. Keep them working; get them into work.

In terms of some of the insight we get from local Age UKs that help people in their 60s, they talk about the barriers to work that people face. Quite often people say that they lose confidence, especially if they have been made redundant after being in the same job for 30 years or something. I do not want to get too much into mental health in different age groups, but there are definitely more serious mental health issues among people in their early to mid-60s than might be assumed, which can make it hard to get into work or to stay in work. On skills, there is more digital exclusion than people might realise. Then there are health issues that may be more common among 60 to 65-year-olds, musculoskeletal issues being an obvious one. But, again, if you look at the PIP statistics, mental health issues are pretty common as well.

So there is a set of challenges for 60 to 65-year-olds to stay in work and to get into work. Local Age UKs are an example of the services that can help with that. Obviously, we have had the Mayfield review. That seems promising, with the focus on return to work and staying in work. The only note of caution with Mayfield is that it is a three to seven-year programme and the state pension age will rise to 67 in the next couple of years. It is important to have those long-term things, but we cannot put all our eggs in the Mayfield basket.

Johanna Baxter: Yes. That is why I was asking the original question about what can realistically be done.

Morgan Vine: There is something on ageism as well, where there could be some quite tangible, quick changes. That is not to say that it is going to completely change the game, but there will be people in their mid to late 60s who read a job advert and think that the language in it rules them out, because it is language they associate with younger people, and there are also the interview processes. If people put their age or their birth date on a CV or job application, sometimes they could be ruled out. Ageism is prevalent in the workforce, so we need to make sure that that is not there, so that anyone who is able to work can work. That would be welcome.

Q62 **Johanna Baxter:** Can I take us back to another point you made earlier, about advice and information for people approaching their pension age? Following the maladministration in communicating pension age increases to 1950s women, how effectively do you think the Department has improved its communication with older people?



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Phil Mawhinney: I do not have a lot of detail to add on that. I am not entirely sure what has or has not happened. I know it is a live issue. We certainly support the ombudsman's finding of maladministration and the need for compensation.

In terms of the whole question of communication to people about their state pension age, we have had bits and pieces of insight from people we have interviewed. First, it is important to not assume that everybody aged 50 to 65 is online, because that is not the case, so communication has to be more than that.

Also, echoing something Morgan said earlier, some people are just too overwhelmed by the hardship they are facing to go on a website, to plan, and to know what their state pension age is and what they are likely to get from the state pension or other things. One full-time carer who spoke to us, who was aged around 60, was uncertain what retirement will mean and what she will be entitled to. She said she will look into the details but has no time at present. She said, "I am just about controlling what I have at the minute." So there is a sense of overwhelm.

That does not answer the question, because you still need to have effective communications. However, we need to remember that for some people who are struggling and in real hardship, it is almost an irrelevant question. The relevant point is, are they getting enough support through the system?

Morgan Vine: Some people think they will be able to continue working past state pension age, so they are carrying on. We work with a person who is a taxi driver, who says, "Oh, I will just keep going." He is in his 70s. Now his doctor has said, "No, you can't keep going. Your health is not good enough to be sitting all day. It is not good for you." Some people make an assumption.

Touching on your specific question, we did some nationally representative polling of people over 50: "What are you thinking about when you get to retirement? What is happening?" Some 64% were very worried about their future finances in retirement, and 67% of renters do not believe that their retirement income will cover their rent. In terms of awareness, only 7% of people over 50 felt they knew a lot about what their financial situation would be.

We get calls to our helpline from people who are, say, 65 saying, "What will happen when I hit state pension age? This is my current situation. What is going to change? What might I be entitled to? Please try to help me work it out." Some of them will continue working because they do not know if they might qualify for something at that point.

Johanna Baxter: Sorry, 7% of how many people polled?



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Morgan Vine: This was nationally representative polling. Seven per cent of people over 50 who we polled felt they knew a lot about what their financial situation would be when they retire. That obviously is tiny.

Chair: Yes, and 93% do not feel they know enough.

Morgan Vine: Yes, and 56% said they knew not much or nothing at all. I will send these figures to the Committee. So more definitely needs to be done. The Government are moving things forward, but it feels like things are at a slower pace. We could be utilising community organisations and councils. There are organisations out there that can get this information to people. Let's support them to do it.

Fabian Chessell: Thank you, Morgan. That was what I was going to say. It does not just have to be DWP doing all the communication. The councils are a big piece. Both DWP and HMRC have been really good on expanding use of the data for other reasons. Homelessness was added in the last month or two. Homelessness prevention? Brilliant! But we are still dealing with the fact that we only have 40% of the households on UC, which is silly.

Q63 **Johanna Baxter:** Very quickly, the DWP is committed to having an action plan to ensure maladministration of communication of state pension reforms is not repeated. Is there anything that specifically needs to be included in that action plan?

Morgan Vine: There should be clear, proactive, targeted communications to the groups most at risk, rather than communications going to everyone. We know who is more likely to be on low incomes, so let's go to them direct. There are also free schemes out there, such as Pension Wise. People do not know they exist. That scheme is free. The people we support cannot access paid-for independent financial advice, so anything the Government can do to proactively promote things such as Pension Wise would be a step in the right direction.

Q64 **David Baines:** You have sort of answered the question I was going to ask, but I will ask it anyway. Phil, you were talking about the carer who was overwhelmed, and that is a situation I recognise from conversations I have had with people I know personally, but especially constituents. What can councils and DWP do to encourage take-up of working-age benefits, particularly among those near retirement age—older people? Are there any quick wins you think they could do to help these people who are struggling now to get the support they are entitled to?

Fabian Chessell: We work with over 100 councils on doing that, and the key is that you want to move away from mass communication. We know that if you put signs up or do radio adverts—these are pension credit numbers—you get 3% of the people missing out signing up. What you can do is use targeted communication; you write to them, like you might for pre-approval for a credit card, and say, "David, we think you are missing out on attendance allowance." Or you can go one step further



and auto-enrol people. Councils are increasingly looking, at least for council tax support, which is under their control, at how we just put people on it. There is a big programme with Thames Water in London where they are going through boroughs and enrolling people automatically on to water social tariffs when they are in water arrears. That can be and is being done.

More councils could do it; more councils could do more programmes. I talked earlier about the enabling legislation. Even just endorsement from DWP has a big effect, because some councils are out there doing everything they can—they are within the law, and they are using their powers—and some are 10 or 20 feet behind the line.

David Baines: It is a postcode lottery.

Fabian Chessell: Yes, so I think there is a real opportunity on that.

Morgan Vine: It is a postcode lottery because some councils have the money to invest in teams that literally door-knock or phone people directly. They have the data and they go and help people fill the forms in. Other councils have had to cut all their social security support. The service you are going to get from your local provider depends on where you live. Anything central Government can do to make sure that councils are well resourced to do those calls would be welcome.

We did a project with councils across the country, and some are amazing; they are doing innovative things and being clever with their approaches. I can share with the Committee a toolkit we did based on good practice from different councils, just to help councils learn from other councils across the country. The problem for so many of them is that their funding has been cut and they must prioritise other things. Those social security teams within councils make a massive difference if they have them.

Chair: That concludes the questions to our first panel. Thank you so much for coming along today and for the excellent information you have provided to us.

Examination of witnesses

Witnesses: Dr Daniella Jenkins, Tiffany Tsang and Justin Wray.

Q65 **Chair:** A very warm welcome back to our transition to state pension age inquiry, and welcome to our second panel for this evidence session. We are joined by Dr Daniella Jenkins from the Women's Budget Group, Tiffany Tsang from Pensions UK, and Justin Wray from the Association of British Insurers. It is nice to see you here today. I am going to kick off the questions.

As you probably heard in the first panel, we are particularly interested in what the Pensions Commission is doing. Within its terms of reference, it is asked to consider a pensions framework that is strong, fair and sustainable. What do you think the main challenges are that it will face in



relation to this? In your response could you also reference adequacy, which it has also been asked to look at?

Tiffany Tsang: Thank you for the invitation this morning. It is nice to meet you, and to be here is an honour.

At Pensions UK we encourage, first and foremost, a holistic view of the entire pensions system. I mention that because I am going to insert some bits that are out of scope of the Pensions Commission but that I think it is important to have in the mix and the discussion.

Taking them in turn, you mentioned adequacy, and that is high on our agenda at Pensions UK, and always has been. We think that for the Pensions Commission there needs to be a focus on accumulation over the entire life course. What that looks like in practice has three main factors. One is raising contribution levels. This is something we have been championing at Pensions UK for a long time. Specifically, we recommend raising contribution levels to 12%, and we can get into that later, if it is helpful to the Committee. The second is improving participation among those we know are most likely to opt out. There is some data around that, which we can also talk about. The third is supporting long-term adequacy for future retirees: what can we do today for tomorrow's retirees and for young people? It is important under the adequacy umbrella to focus on three main cohorts: those closest to retirement, those in their mid-career—they face very specific financial pressures that are different to the other two—and younger folks, who have the advantage of a longer time horizon but the disadvantage of uncertainty.

The next objective you mentioned is fairness. A lot of debate needs to be had about what we mean as a collective by fairness, but at Pensions UK we are focusing on how different groups of people experience the pensions system. How you might experience it is not how I or someone who has particular characteristics might experience it, and it is important to break that down and look at the specific structural barriers that the previous panel were talking about.

For us, the factors that could be driving these structural barriers include low, volatile earnings, carer responsibilities, cycling in and out of work, multiple jobs, interrupted work histories, and certain characteristics, such as being a woman or being part of a certain ethnic group. The key question for us is, are these different groups being given a reasonable opportunity to build the adequate retirement income they need?

The last one is sustainability. For us, just on the bare bones, it is about affordability. That can take different forms, but it is about affordability that still protects people from poverty—so making sure the state pension and the triple lock are affordable, but they have to be there. It is also about making sure that it is affordable for employers, and making sure that they are all working in tandem to smooth the journey for savers.

Q66 **Chair:** Justin, would you like to comment on my question?



Justin Wray: Yes, and thank you to the Committee for the opportunity to speak today. Before I answer the question about adequacy and so on, I would like us to bear in mind that some things have got better, both in terms of what the first panel were discussing and now. We must remember that pensioner poverty has gone down and that, in relation to private pensions, the financial position of defined-benefit schemes has improved out of all recognition. There are definitely issues, but some things have improved.

Turning to adequacy, while pensioner poverty as a whole has improved, there are for sure groups of citizens with inadequate retirement income. Tiffany mentioned some of these: many women, Generation X, the self-employed and so on. Generally speaking, one can say that while pensioner poverty has improved, pensioner inequality has not. There are definitely vulnerable groups out there.

Specifically, it is entirely foreseeable that housing will worsen adequacy. The proportion of retirees renting privately is set to triple by 2040; that is only 14 years away, which in pension terms is the day after tomorrow. That is definitely an issue that is foreseeable and will have a significant impact.

Relating to sustainability—and, of course, there are issues in relation to the sustainability of the state pension—the other aspect I would emphasise is the interaction of the state pension with the private pension system. Changes to one have an impact on the other. We know, for example, that many people are withdrawing their entire defined-contribution pot as cash. According to the FCA, it is something like 56%. We know that some pensions are being drawn down at an unsustainable rate; something like 40% of plans are being drawn down at an unsustainable 8% or more. Changes to the state pension age will have an impact on the private pension and may influence those trends as well.

Finally, in terms of fairness, the system tends to benefit full-time, uninterrupted employment, and if you are one of the many for whom that is not the experience, the outcomes you will get in terms of your pensions may not be what you expect.

Q67 **Chair:** Am I right in saying that in recent years pensioner poverty has slightly increased? I am not quite sure what you are referring to when you say it has decreased. We will hold that one there. Daniella, would you like to give your contribution?

Dr Jenkins: Thank you for the invitation to give oral evidence today. I think it is very important to point out that, yes, I am here representing the Women's Budget Group, and pensions are an issue that disproportionately affect women. Women make up the majority of people of pension age and above. Women also make up the majority of pensioners who are living in poverty.



To put some numbers around that, 54% of those above pension age are women, 57% of pensioners living in poverty are women and 34% of pensioners living in poverty are single women. When we are talking about pensions policy, we are talking about a policy area that is primarily affecting women. Yet we know that when we ask those questions about sustainability and adequacy, the pensions system does not serve women well. We know this because we have a gender pensions gap of 35% if we look overall, looking at DWP's figures and ways of calculating that.

We also know that that becomes much more acute as we look at different age cohorts. It is worth pointing out that there is a gender pensions gap at every single age cohort. This is not an issue that affects older women; this is not an issue that is going to go away over time without intervention. We know that women are accumulating less pensions income right the way down the age spectrum, to 16 to 24. So if we do not make those changes, we are breeding a whole generation of women who face poorer pensions outcomes in decades to come.

Q68 Chair: Is your argument that the Pensions Commission should recognise that particular cohorts are experiencing pensioner poverty disproportionately and that their response should reflect that?

Dr Jenkins: Absolutely. I think it is even more important—because people often jump to, “What is it about women’s lives that means women have that?”—to recognise the UK has the second worst gender pensions gap in the OECD, only worsted by Japan. We know that there are aspects within the design of our current pension system that lead to the size of the gender pensions gap within the UK. It is how we framed our pensions system. It is the balance of state pension versus private pensions. It is the private pensions we have that are leading towards that gender pensions gap.

What is more, before we even start to say, “Well, this is a trade-off between women’s pensions and overall,” we know that systems that are more equal overall better serve the outcomes for women. So part of this is a result of the inequalities we see within our pensions system overall, which are partly driving that gender pensions gap. If we address those inequalities, we address women’s pensions outcomes overall across the generations and the age cohorts.

Q69 Chair: Perhaps you would like to start the response to this next question, which is about the state pension and whether this should be within the purview of the Pensions Commission. It is not explicit at all and, as you probably again heard from the previous panel, nearly half of the social security budget is spent on the state pension and pensioner benefits. What is the balance between ensuring the reduction in pensioner poverty and affordability of the welfare budget?

Dr Jenkins: On the affordability of the welfare budget, when we look at pensions, we absolutely must look at the interactions with other areas of welfare as well. Particularly in terms of the state pension, to answer your



question, I think we need to understand that the system is made up of a number of composite parts, and the state pension is a significant part of that. We know that women are much more financially reliant on the state pension in old age, so that is just part of the reality for women. We know of people who are likely to live only on the state pension; those are much more likely to be women and to be people who are living in poverty. It has always been thus. If we separate out those interactions, we are losing sight, when you talk about adequacy, of what people need to live on in older age.

There are other blind spots as well that also interact in terms of the welfare budget, most notably housing. If we get technical for a moment in terms of how we calculate adequacy, there are different measures of adequacy. We can look at things such as the target replacement rate. The Turner commission made some assumptions around that. Pensions UK, which Tiffany is representing today, also has some numbers around what adequacy might look like and some of the calculations around that. We know that a lot of those assumptions around housing have not been priced in, so that assumption that, as people age they are much more likely to own their own home, so their housing costs go to nil, is just not the lived reality for many cohorts coming up to retirement age.

Q70 Chair: Again, is this something that the Pensions Commission needs to consider.

Dr Jenkins: Absolutely.

Justin Wray: There is a separate review of state pension age by Suzy Morrissey, which is intended to feed into the commission, so I am sure some of the issues will be dealt with there.

In terms of those who rely only on the state pension, I agree with what Daniella said, that this may give you a minimum income according to Pensions UK, but it will not do more than that. She is right to highlight, as I did in my first answer, the impact of housing and how that is going to significantly change in the coming years.

Of relevance here is that, on the private pensions side, private pension income is also forecast to fall in the next few decades. The DWP forecasts that in around 2050 occupational pensions income will be 8% lower in real terms than it is today. So there is the state pension but there is also the private pension system as well.

Finally, I will come back to the point that you made on poverty. I would make two points in response. One is that if you look at who is a typical poor person now, previously it would have been a pensioner. Now it is typically someone of working age. Secondly, there is interesting work that DWP has done that relates to the 60 to 69 cohort, which the first panel addressed. What you can certainly see there is that the group who are 60 to 64 are markedly worse off on most indicators than those who



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are 65 to 69. Of course, there is pensioner poverty, but one can believe that and believe that pensioner poverty as a whole has declined.

Chair: Thank you for clarifying that. We did a lot on this last year in the pensioner poverty inquiry, so I will refer you to that, but we had to clarify that for the record. Thank you so much, Justin.

Tiffany Tsang: I am going to build on what my colleagues have said. We were also very surprised that the state pension was not included in the scope of the Pensions Commission, given that the majority of people rely on the state pension in their retirement. It seems unwise to not look at the system as a whole, so we would very much encourage the Pensions Commission to do that, if possible.

In terms of the issues flagged by Daniella, what is key here for us is what policy levers we can pull to help smooth the journey for certain groups. One of the things that we champion is removing the lower earnings limit and lowering the age at which people can qualify for automatic enrolment. This, in particular, would benefit women because we know that women tend to be the group that works the most in part-time hours and has the most interrupted work history. Those are structural things we can do to the system, to pull levers to help smooth that journey for women.

I would go back to my original point about contributions. We need to be able to control the things that we can control. There are some systemic inequalities in society that pensions cannot solve, but what we can do is try to make sure that people's first pound of earnings works for them in their savings, by removing the lower age and the lower earnings limit. We can also make sure that contribution rates are where they need to be, so that there is additional security—an additional safety net—when people come to retirement age.

I wanted to flag as well that we have not yet talked about the tax system, which is a huge and knotty thing that we cannot get into specifics about, but it would be remiss to not mention it. There must be incentives in the system for all the different actors involved. For savers it would mean, for instance, that if people are well enough and able and willing to work in later life, the tax incentives at the very end of one's working life encourage that. We need to monitor the money purchase annual allowance, over time to make sure it stays at a level that is incentivising for work. We did not support the salary sacrifice limit that was put in, particularly because it does not incentivise saving into a pension.

The last thing I wanted to touch on is our Retirement Living Standards, which I think Daniella was alluding to in her comments. This came from Pensions UK, and we view it very much as a tool, not a target. We will come on to talk about information and guidance, but even though it does not include housing, which is a key issue, it is meant to be a reflection of how people right now are experiencing retirement. It is a guide for what



people should be aiming for, but it is by no means is it a target; it is meant to be a tool.

Q71 Rushanara Ali: Chris Curry said to this Committee said that the Pensions Commission would need to look at how different parts of the pensions system interact and vary across different parts of the population. You have already touched on some of this. Can you say more about how the commission could go about doing that? Also, Chair, before the panellists answer the question, I just want to declare an interest. I am on the board of a trust that provides funding to the Women's Budget Group. Who would like to kick off?

Justin Wray: I can say a bit about that. We agree with what Chris Curry said, that you do need to look at the interaction. You need to look at the interaction between state and pension, and you need to look at those who are working and those who are not working. For example, for those who are working, it is self-evident that the workplace pension will be enhanced if you are in work and therefore that supportive measures to keep people in work are important and should be seen, as Tiffany said, in a holistic way. Measures such as health and protection insurance and flexible working are all important, and arguably more important as the workforce gets older.

In terms of those who are not working, two thirds of people stop working before state pension age, and one needs to consider those who are relying only on the state pension. As was discussed in the first panel, there are definitely consequences in terms of poverty when the state pension age is increased. It hits particularly hard for certain groups: those who are single, those who are renters. For those who are not working, there is also the interaction between their private pension and their state pension. As I said, the private pension is set to decline in real terms, and as changes are made to the state pension—particularly where the state pension age is increased—that increases the risks of people making suboptimal decisions on their private pensions, such as withdrawing all their defined-contribution pot in cash and taking a significant tax hit, or drawing down their pension in an unsustainable way. Supportive measures to address these things also need to be part of an overall package. We need to communicate these changes. Targeted support and dashboard reporting, particularly perhaps on certain groups, are all important.

Can I make one more point? Tiffany has mentioned contributions as well. In a DC pension system, in the end the size of the pot is the biggest problem. There is a lot of emphasis on things such as value for money, investment strategies, and decumulation choices. All these things matter, but in the end if the pot is inadequate, they do not make much difference. If adequacy—size of the pot—is the main thing, you cannot ignore contributions.

Tiffany Tsang: I completely agree with Chris Curry and Justin. How the different parts of the pension system interact really must be looked at in



tandem. This is a rare opportunity to pull the lens back and join the dots. The last Pensions Commission was 20 years ago, so this is our moment to get the solutions right for generations to come.

I will sound like a broken record by the end of this session, but contribution rates is really where we are coming from, because that is an additional safety net and additional security level to give people that sense of a bigger pot waiting for them. As Justin said, starting them early from the very beginning gives people a longer horizon and a longer time to accumulate the returns from investment. Contribution rates rising to 12%, lowering the age at which people can start automatic enrolment and removing the lower earnings limit will help make your first pound of savings work from the very beginning. That helps, as we know, women in particular who work more part-time and have interrupted work histories.

The other part of this, which I have already touched on, is the tax system, so again looking at MPAA, later life, and how that fits if people want to extend their working life into the future. It is also about ensuring that the guidance and tools, including our Retirement Living Standards, all work together in tandem in a complementary way.

Q72 Rushanara Ali: Thank you. Daniella, do you have anything to add on this? I also wanted to ask you about the gender pensions gap report.

Dr Jenkins: The system needs to be looked at as a whole. One area that is not within the terms of reference for the Pensions Commission is tax, which has been mentioned today. It is important to recognise that tax reliefs are regressive; they reward those who earn more, who have bigger pension pots, and they take money away from the state and give that to the rich. What we recognise is that tax reliefs could either be done away with altogether, or we could look at making them more progressive.

I also think we need to look at the lived reality of contributions. I absolutely endorse the view that we need to bring more people into the private pension system, and auto-enrolment has been fantastic at achieving that, but we know that a lot of women are lower earners; 69% of those who are earning under £10,000 a year are women. They are not benefiting from employer contributions or tax relief on those contributions. Yes, we could lower the limit to bring those women in—or all those lower earners in, in fact—but that is taking money away from what they are earning today to put into a private pensions pot for tomorrow. We all understand the benefits of compound interest, but we also understand the lived reality of, “I need money now.” Trading off tomorrow for today does not make sense.

Q73 Rushanara Ali: What should be done about that? It is clearly a problem that cannot be solved by just changing the contribution amount.

Dr Jenkins: We should look at the basis of contributions. Are there opportunities to make contributions more progressive? For example, we could make sure that lower earners can have non-contributory pensions.



Why are they taking out of their salaries to match what employers are putting in? We could look at employers only putting that in. Why are employers paying out a higher proportion to higher earners, for example? We could change that balance, as one idea. We can look at reliefs. We can look at how we ensure that people can have contributions when they are not working—for example, while women are on maternity leave or fathers are on paternity leave, when they lose those employer.

Q74 Rushanara Ali: Going back to the gender pensions gap report, you mentioned the comparison with OECD countries. What are other countries doing, that could be applicable or adaptable to a UK context, that we are not doing but could do?

Dr Jenkins: The biggest driver of the UK's position in relation to other OECD countries comes down to the design of our pensions system, which is about the balance between universalised—for us, that would be the state pension—versus private pensions, but also the make-up of private pensions. As Justin pointed out, we are talking very much about defined contributions, which are effectively individual savings with a tax wraparound, whereas with defined benefits we have a pool of risk, and you might take an average of somebody's lifetime salary, for example, or you might take their final income. That serves women much better in calculating these things. We know, looking at just the UK's figures, that for the 55 to 59 age cohort the gender pensions gap is 48% between 2020 and 2022, but once we take into account DC pensions, that rises to 75%. So you can that, in terms of our reliance on defined contributions and on investment strategy to make that up, all the gaps in employment, lower earnings and lower lifetime earnings become much more acute under the current design of the UK's pension system.

Q75 Rushanara Ali: Are you confident that the Government are developing the appropriate plans to smooth out these challenges?

Dr Jenkins: Speaking very frankly, Tiffany has talked about raising contributions to 12%, and I know that others have talked about raising contributions to 20%, for example. If we look at the long-term projections around adequacy, everybody within the industry, and everybody involved in pensions, knows that if we look at DC pensions, contributions will need to rise for people to be able to have enough to retire on in terms of their private pensions. Right now I am not sure, looking at stagnating wages, and the lived realities, that people can afford to put 20% of their current incomes into a pension to be able to afford to retire. I think we need to stare that very hard in the face and say, "How can we allow a system to perpetuate when we know that people do not have enough to be able to retire on?" If they do not have enough to be able to retire on, where is that money going to come from? If it is not coming from private pensions, it is going to have to come from the state.

Q76 Rushanara Ali: Tiffany and Justin, researchers from Southampton University told us that Pakistani and Bangladeshi communities are less



likely to take part in workplace pensions. Could you say a bit about work that you have done on this issue and whether DWP or industry has done any work on it to understand how it can be addressed? Are there other groups in a similar position?

Tiffany Tsang: We have not done any specific work as an institution on ethnic saving, but we know that this is an important area that other stakeholders in the industry have worked on. We would flag the IFS research that just came out in 2025, which laid out the landscape that opt-out rates are higher in Bangladeshi and Pakistani groups. Quite importantly, religious beliefs and/or norms in Islam also tend to drive the pension opt-out rates, given that Islamic teaching bans particular types of investment. That is one area to keep in mind when looking at the ethnic gender pensions gap. In 2022 LGIM flagged that there was not enough spare income in ethnic minority groups to save in the way that they need to, and that there is mistrust in the workplace pension system.

What I would also flag up, in terms of the wider canon of research—if it is okay to go back to what Daniella said about the importance of how to address low earners and the different groups that could be disadvantaged, such as ethnic minorities—is that Pensions UK is currently working on a project to look exactly at that issue. It is looking at what flexible options are available in the AE system to allow people to contribute in different ways, because one size does not fit all. So keep your eyes peeled in this space for that.

Justin Wray: You asked what we have done, and the ABI along with its member firms has funded research into the ethnicity pensions gap, which is genuine. For example, there are higher opt-out rates from auto-enrolment among workers from Pakistani and Bangladeshi backgrounds. Even when you adjust for factors such as differences in earnings, age or education levels, those differences persist. It is believed this may be related to Islamic teachings on savings and investment. It is perhaps worth noting that most pension funds now offer sharia-compliant funds, which may address this issue to an extent.

There are a couple of other points. Again, the ABI strongly supports reporting on the ethnicity pensions gap. We gave a strongly supportive response to the Government's consultation on the Draft Equality (Race and Disability) Bill for mandatory reporting on ethnicity and disability reporting.

Since it seems to be my role on this panel sometimes to be optimistic, there is some research indicating that differences by ethnicity are closing over time, albeit very slowly, so there is also some positive evidence out there, as well as the issues we have just described.

Q77 **Chair:.** Very quickly, given that we do not know the reason why there is lower investment, is any work going on to try to understand why? We only have the hard data, but we need to have the soft data that explains why Pakistani and Bangladeshi heritage employees are not investing in



pensions.

Tiffany Tsang: At Pensions UK—it is not our project—we are part of a research consortium. This issue is referred to in-house as a stacked disadvantage; it is a lot of the issues we have been talking about today. As a group, we are looking at how different factors might come together—how one experiences life or experiences the pensions system—to impact retirement outcomes. It is led by Daniela Silcock, and we are part of the research consortium.

Chair: We look forward to hearing about that. It is important. Thank you so much.

Q78 **John Milne:** Moving on to the financial circumstances of today's pre-pensioners, to what extent do you feel that the pensions system has enabled people in this group, so in their 60s, shall we say, to build up an adequate income for retirement?

Tiffany Tsang: Essentially, there are groups that we are concerned about. In particular, it would be Gen X and older millennials that we have a question mark drawn around right now. Particularly with these two groups, some will be coming into retirement without any DB or only some DB. For many individuals in these two groups, automatic enrolment arrived too late for them, so they have not had enough time to build up the size of pension pot that we would ideally like them to have. I think it is accepted that these two groups will struggle financially.

In terms of what to do about them, I think some of them who are lucky enough will be able to draw on housing wealth they will inherit, but obviously that is not everyone. Those who cannot will have to extend their working life where possible, and we as an industry and the Government need to make sure that that journey is smooth. I mentioned the tax system as well, and making sure that the incentives are there for people to work if they are able to and would like to. And then falling back on pension credit and social housing will have to be what happens.

Justin Wray: It is clear that there is an issue with this group and, as Tiffany alluded to, they were, broadly speaking, too late to benefit from DB, but too early to build up a substantial DC pot. The DWP's own report says that weekly occupational pension income is expected to fall in real terms from the next decade, so as this cohort reaches retirement. As I said before, someone retiring in 2050 is expected to have an 8% lower private pension income compared to someone retiring last year, in real terms.

There is more good work showing that if you look across the group in their 60s, you can see differences between younger 60s and older 60s. If you look at relative poverty, for example, singles always have more poverty than couples, but the figures are different between the different generations. If you look at housing tenure, again those who are in the



older 60s have greater rates of poverty than those who are in the early 60s, so it is definitely right to highlight such a group.

In terms of what can be done about them, we must be honest, as Tiffany said. If you are near retirement age, solutions are relatively limited. You can work for longer, and the state pension and the benefits system will provide some assistance when you become due for them, but there are perhaps limits to what you can do. Communication and guidance for such groups are very important. Again, the first panel gave a lot of very good evidence on this. Initiatives such as targeted support and pensions dashboards will be helpful here. Likewise, the Pay Your Pension Some Attention initiative by the industry and others to draw people's attention to their pension and their entitlements is a very worthwhile initiative.

Dr Jenkins: It is important when we look at age cohorts that we can compare cohorts against cohorts, but we also need to look within cohorts. What we see are two parallel processes of accumulative advantage. There are those that have purchased property and the value of that property has increased over time, and they have worked in jobs and roles that have given them sufficient pensions income. These are people who have both pensions wealth and other assets. They have choice and agency when they reach retirement age.

At the same time, people who have not had those advantages—who work within lower-income roles, who have periods of unemployment, who are perhaps on benefits at certain points in their working lives, and who have not been able to access property—have a cumulative disadvantage, which adds up over time. Even women who are working in their late 50s or early 60s, and who have managed to catch up in terms of their income, may not necessarily have been able to catch up in terms of their pensions accumulation over time, so they have less time to make good a lot of the accumulative disadvantages they have faced during their life course. When we look at pensions needs, we need to look at those interactions.

We also need to recognise that health outcomes are worse when we look at poverty—that people are in worse health. They are also potentially looking after family members. We have not talked about social care, and I know that that is not within the scope and purview of this, but there is a direct interaction between social care and older age. We look at how social care is funded—I know the Casey review is happening—and at the provision of unpaid care, and we see that those who perhaps need to work to make good their pension are also those who are providing unpaid social care. Carers UK, for example, did research showing that 61% of those providing unpaid care want to work more. People are trading off that provision of looking after relatives—both older relatives and potentially younger relatives as well, in terms of women—and that is taking away their ability to earn and save for their pension.

Q79 **John Milne:** I think you have answered the question I was about to ask you about care, but that is great. Sir Steven Webb, the former Pensions



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Minister, in talking specifically about the phasing down of DB and the cavalry of automatic enrolment not yet having come over the hill, described UK pensions policy as a “slow-motion car crash”. Do you agree with that? Justin, I think you were more optimistic earlier.

Justin Wray: Yes, I was more optimistic because pensioner poverty has reduced, but there are certainly problems within the system. There are issues in relation to state pension and in relation to private pensions. I guess the only thing I would say is that the benefit of slow motion is that it gives you time to do something about it.

John Milne: Very succinct. Very good.

Tiffany Tsang: I concur completely. There are huge red flags that, if we do not act now, there will be a car crash, but because we know it is coming there are things that we can do and that we can control. We cannot control systemic inequality within the pensions industry, but as I said, we can make sure that certain positive levers are pulled to give additional safety nets: we can immediately raise contribution rates, remove all the obstacles in the road that prevent people from saving from the very beginning, such as by lowering the automatic enrolment age—that will help women as well—and remove the lower earnings limit. It is about making sure that there is stability in the messaging to incentivise savings.

Tax has come up. We have not talked about the way people behave in accessing their pensions, but we know that in previous Budgets, when there has been a lot of speculation in the media about whether the tax system is going to be changed, there has been an unhelpful rush of people withdrawing their cash. We would urge stability in the tax system, and have that messaging clear from the Government, so that people know what to expect and there is not this rush of poor decision making.

Justin Wray: I strongly agree with Tiffany’s last point. Trust matters in pensions. People give their money to institutions for decades at a time, and they must really trust them. Part of that trust is in the stability of the system, and that is vital. Other initiatives will also help. Things such as value for money will help in building trust. Other steps being contemplated, such as the mandating of investment, will not. The point that Tiffany made about the need for trust is very important.

Dr Jenkins: Sadly, I agree with that assessment. It is interesting that we have that idea of a car crash and we talk a lot about dashboards as solving the problem. A dashboard only helps if you can course-correct. I think that we need to look at the incentives, we need to look at the interactions and we need to look at the assumptions that underpin how we frame our pensions. Are pensions serving people who need them? Can we call them pensions in any way, shape or form? We have moved very far away from the idea of pooled risk, of community risk, for example. We have moved very far away from that and into an environment of



individualised risk, where the most vulnerable are, as I see it, least well served by the system as it stands.

I think it is a point worth making that this is a very well-funded system as a whole. There are over £3.6 trillion of assets under management within our pensions system. There should be no reason why people are retiring without enough in old age. What we are looking at is a distribution issue and that is what we need to address. It is not that there is not enough money.

John Milne: Thank you. That is a powerful point.

Chair: We are against the clock, folks, so if you could reduce your responses, that would be very helpful. I will move to Rushanara Ali.

Q80 Rushanara Ali: This question is to Tiffany first. Picking up on the pensioners who draw down their pensions as soon as they are allowed to and who are on low incomes, how much understanding is there among policy makers about what is driving that and the extent to which it is being done to deal with immediate living costs?

Tiffany Tsang: The question is the understanding—

Rushanara Ali: Of policymakers of those who are on low incomes who are drawing on their pensions.

Tiffany Tsang: What was the second part of your question?

Rushanara Ali: Are immediate living costs what is driving it?

Tiffany Tsang: There is data, but the data is incomplete; it is an incomplete picture. The data we have is reliable, but the problem is we only know people's behaviour in terms of the particular pot that you are looking at. In terms of the data we have—I was just ferreting through my notes looking for the data my team gave me—we know, for instance, that 48% of people take full cash and withdraw completely, and 42% take partial cash-out. The problem with this is you are only looking at one pot in particular, so if someone takes out all their money, that may in itself not be a poor decision if they have 10 other pots to play with.

Q81 Rushanara Ali: Do you know?

Tiffany Tsang: We do not know. It is not possible to know. We do not have the facility to capture that data yet. In terms of what is driving it, some of the research that will be coming through with our stacked disadvantage work in the shared consortium should help answer some of those questions. It is important to think about the guidance we give people to make those decisions. We cannot control what is driving it, but we know it is happening, and we know that people are coming to retirement without enough, so we need to give them the right tools, the right guidance and the right advice.

Q82 Rushanara Ali: Is what is available appropriate, or does there need to



be more, better guidance?

Tiffany Tsang: I think the guidance is appropriate, but it is about engagement. There is not enough engagement.

Justin Wray: To build on what Tiffany said, in terms of personal pensions FCA figures show that 56% of people take the whole pot. We know that something like two thirds of people stop before state pension age, so they are presumably relying either on savings or on their private pension. This emphasises again the need to have regard to the interaction between the state pension age and the private pension age, and the point that changes that may address issues in the state pension system will have potentially adverse consequences for the private system.

Dr Jenkins: I am not going to take too long on this. All I would say is that I agree that this is an area that needs much greater research. We need to understand why people are doing that. We know that people with smaller pots behave very differently from people with larger pots and that they do tend to take out the cash. We know anecdotally that people say they are doing that because they need that money to live on until they reach state pension age. But building an evidence base around this is absolutely needed.

Q83 **Rushanara Ali:** Are any of you aware of anything the Government are doing on this issue to understand it better or of awareness among policymakers in the Department?

Tiffany Tsang: I am not, no.

Justin Wray: The DWP has produced quite a bit of research on the financial position of people in their 60s.

Q84 **Rushanara Ali:** But in terms of the drivers and the reasons behind why they are doing it.

Justin Wray: There is some information out there. To take the 60 to 64 age group for example, they know that the biggest reason that people are inactive is retirement, but the second biggest, and close behind, is ill health or disability. They have ideas of what is driving inactivity and the financial pressures.

Q85 **David Baines:** There have been changes in the pensions landscape such as pension freedoms, which, it could be argued, expose people to new risks. How do you see those changes affecting that cohort in their early 60s on low incomes? What do they need to know to help them plan for the future?

Tiffany Tsang: Pension freedoms is a tricky one because it has allowed people to have much-needed access to cash, as Daniella was saying. In and of itself, withdrawing money is not always a bad decision if people use that money in a particular way to help pay down debt such as mortgages. But the risk here, as you are alluding to, would be



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misunderstanding how much time or ability you have left to rebuild those savings, and the present bias of, “Oh, I need to do this now. It feels right” and discounting long-term consequences.

A question from the Committee earlier was about whether the guidance is correct. It is right, but I think it is about communicating it more to get the engagement. For instance, at Pensions UK we have something called Pay Your Pension Some Attention. That has been incredibly successful, and we do that in tandem with the ABI; we are partners in this campaign. That is not just for those we are targeting in their 60s. It is to the population to say, “Hey, we know you are very busy and very stressed, but please just stop, look and check to see what you have.”

Once we get their attention, the second part is that we direct them towards our Retirement Living Standards to say, “Okay, now that we have your attention, just check to see what you have in there and what you need to do to get the retirement lifestyle that you would imagine for yourself when you retire.” It is that in tandem with the guidance that is out there.

Signposting is very important. We are doing it, but we need to do more as an industry, and the Government need to do more as well. MoneyHelper, Pension Wise and the stuff that is in the Bill right now—the guided retirement choices, the targeted support—and the stronger nudge are all these, but we just need to get people to pay attention. We think the campaign that Justin’s organisation and mine have will help with that.

Justin Wray: There are benefits to the pensions freedom, and great care should be taken in restricting them, because people have very diverse circumstances. The idea of choice at and around retirement age is important, reflecting the different circumstances that everyone faces. There would be issues there.

As Tiffany said, communication is very important. She mentioned the Pay Your Pension Some Attention. In terms of targeted support, only 9% of people take regulated financial advice. Targeted support is an initiative that the ABI welcomes, which is intended to enable those who provide advice to offer something that is not fully personalised but will help different cohorts. In terms of helping people understand their situation and their choices, that is welcome.

Dr Jenkins: One point worth making—and I am not giving regulated advice—about that age cohort coming through, particularly in relation to women, is that one of the reasons we have so many older single women is that women live longer. Looking at dependence, and what that looks like for married couples and cohabiting couples, and also at divorce and the impact of divorce on older women’s pensions, we know that that has a very real impact. A key consideration we need to look at is the increasing number of single pensioners and what that means in terms of financial reality.



Q86 John Milne: The pension age is going up and will continue to go up. Where do you see the most important mitigations? Is it in helping people early enough to build up a proper pension pot, or is it in the recommendations in the Mayfield review—vanguard employers and so on? How do you see the balance? Who wants to go on that? We have very little time.

Justin Wray: Both are important. Helping people build up a pot is clearly desirable. In terms of Mayfield, to the extent that the recommendations of Mayfield help people stay in work, that is generally better for them and better for their pensions. The ABI is pleased to be a vanguard employer as part of the Mayfield initiative, and I would not weight either of these. Both are important.

Dr Jenkins: I agree, both. We also need to look at the work that people are doing. We know that women are much more likely to work in hospitality, retail, health and social care. So there is their ability to work full time. We should also look at the interaction or the expectation of full-time work in those age groups with in-work benefits.

Tiffany Tsang: I will go back to being a broken record. For us, the main thing is always to try to hammer home the message that we need to raise contribution rate. We know that the pots are not enough. Raise it to 12%. We can phase it in, and it gives people the best chance of having a bigger pot throughout their journey in their working life.

With the tax system, make it work and incentivise. We know that people are going to have to work for longer. It is already increasing now, and it might need to increase again. Make sure those incentives are there in the tax at the end.

Keep the system stable so people do not start withdrawing cash in a panic. Remove the lower earnings limit and lower the age of the automatic enrolment trigger as well, so that when people start to work the pound of first earnings works for them from the very beginning in their pension savings.

Q87 Chair: Thank you. The last question is from me. We know that the increase to the state pension age from 66 to 67 starts this April. What realistically can be done in such a short timescale to mitigate any issues that some people will experience? Can you give me your top priority? I will start with Daniella.

Dr Jenkins: Pension credit.

Justin Wray: Communication.

Tiffany Tsang: Communication—10 years.

Chair: We only have three months now.

Thank you all. You have been fantastic. I have really enjoyed this



HOUSE OF COMMONS

session.