State Pension Age

Independent State Pension Age Review Team
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Stephen Timms MP
House of Commons

9 February 2022

Dear Stephen,

INDEPENDENT REVIEW OF STATE PENSION AGE

I have been appointed by The Secretary of State for Work and Pensions, the Rt Hon. Thérèse Coffey, to lead an independent review into State Pension age as required by the Pension Act 2014. I will be publishing a report later this year which the Government will take into account as part of the Second Government Review of State Pension age, launched on 14 December 2021.

I am delighted to have been asked to lead this review. State Pension is a subject which will have an impact on every citizen at some point in their lives.

The latest evidence suggests that life expectancy is increasing at a slower rate than previously forecast. Nevertheless, figures show that the number of people aged over 66 is expected to increase from 12m in 2021 to around 19m in the 2060s. The Office for Budget Responsibility forecasts that the proportion of GDP spent on State Pensions is expected to rise from 4.5% (2019/20) to 6.9% (2069/70).

I am attaching the terms of reference for my review. You will see that my focus is to explore what metrics should be taken into account when considering how to set State Pension age. In particular, I will be considering:

- recent trends in life expectancy
- intergenerational fairness
- the question of whether it is right for there to be a fixed proportion of adult life people should, on average, expect to spend over State Pension age

- what additional or alternative metrics it would be appropriate to take into account when making State Pension age decisions.
- sustainability and long term affordability
- external views

It is very important to me to consult widely as part of my review. I want to ensure that everyone who wishes has an opportunity to input into my review. I have launched a public Call for Evidence to gather views from as many people, organisations and interested parties as possible.

I would very much welcome any comments you may have and would be happy to arrange a call or meeting to discuss these issues. If so I would be grateful if your officials could contact the head of my team, to take matters forward.

Warm regards
Lucy

Baroness Neville-Rolfe DBE CMG

GOVERNMENT REVIEW OF STATE PENSION AGE: TERMS OF REFERENCE FOR THE INDEPENDENT REPORT ON OTHER SPECIFIED FACTORS

1. Purpose

1.1 The Government is required by the Pensions Act 2014 to conduct a periodic Review of State Pension age. The independent report on other specified factors (independent report) will provide evidence to inform that Review.

2. Context

2.1 As part of the evidence-base that informs the Government Review of State Pension age, the Secretary of State must commission two reports. These are:

- a report from the Government Actuary that provides an analysis of the latest life expectancy projections using specified proportions of adult life over State Pension age; and
- a report on other factors she considers relevant. The terms of reference (TOR) for the latter are set out below.

3. Scope

3.1 The independent report should explore what metrics Government should take into account when considering how to set State Pension age. It should include the following factors:

- a consideration of recent trends in life expectancy in every part of the United Kingdom;
- whether it remains right for there to be a fixed proportion of adult life people should, on average, expect to spend over State Pension age?
- what metrics would enable State Pension costs, and the importance of sharing these fairly between generations, to be taken into account when making State Pension age decisions?
- what additional or alternative metrics would be appropriate to take into account when making State Pension age decisions?

3.2 In conducting analysis and reaching conclusions, the independent report should have regard to both the sustainability and long-term affordability of the State Pension and the views of organisations, individuals, and other interested parties.

3.3 The Government Review is expected to take account of a range of evidence including: life expectancy, socio-economic issues and the future affordability and sustainability of the State Pension. The independent report is not expected to cover questions related to the structure of State Pension including, for example, how State Pension is uprated.

4 Deliverables

4.1 The Government will consider the findings as part of its Review of State Pension age, therefore, emerging findings and recommendations must be submitted to the Secretary of State for Work and Pensions at a date to be determined by the Minister for Pensions and Financial Inclusion/Secretary of State. The content of the independent report is the sole responsibility of the person appointed to conduct the work who will have the final say on all key outputs and recommendations. The timing and manner of the publication of the independent report will be determined by the Secretary of State.