Policy Position Paper

State Pensions

(United Kingdom)

See also policy position on Financial Entitlements

November 2018

All current and future pensioners should have enough money from state and private sources to live comfortably and participate fully in society

Key statistics

13 million

people in Great Britain receive a State Pension[i]

£7,226 a year

is the average State Pension received

59%

of pensioner households (single pensioners or couples) receive at least half their income from State Pensions and benefits[ii]

Key issues

Major changes to the State Pension system were introduced for people reaching State Pension age on or after 6 April 2016. Those who reached State Pension age before that date continue to receive their pension under the old rules which provides two main elements - the basic State Pension and the additional (earnings-related) State Pension.

The State Pension is the largest single source of income for the majority of pensioners although the UK spends a lower proportion of GDP on State Pensions than many other OECD countries.[iii]

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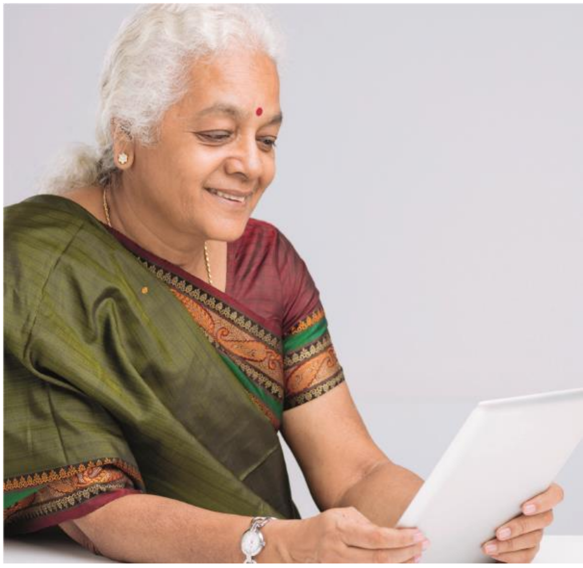
The new State Pension

The new State Pension is intended to provide a simpler flat-rate pension with less reliance on means-testing. The full rate, based on 35 years of contributions or credits, is £164.35 a week from April 2018. However past contributions, including time in a contracted-out workplace pension scheme, will be taken into account so, for some years, people may receive more or less than the full amount.



The new State Pension provides a higher pension than the old system for some people, especially those who have spent many years in low pay, caring or self-employment. However, overall it is not a more generous system and it is no longer possible to build up an earnings-related element, so while some new pensioners will benefit from the changes, other would have received more under the old system. One group who may lose out, for example, are those who were expecting to rely on their partner's contributions, in the event of their spouse or civil partner dying, as broadly speaking, the new State Pension is based on an individual's contributions.

The Government has made a commitment to increase the basic State Pension and the new State Pension by what is known as the 'triple lock. This means that, until the end of this Parliament, they will rise in line with increases in earnings, prices or 2.5% - whichever is higher.

Rising State Pension age

Current legislation increases State Pension age to 66 for both men and women by 2020 and then to 67 between April 2026 and 2028. Following an independent review of State Pension age led by John Cridland, the Government announced that it planned to increase it again in the 2030s, but there will be a further review by 2023 before a final decision is made.

Many people who have good health and good quality jobs may choose to keep working and may not be too concerned at having to wait longer for their State Pension. However, others with poor health or caring responsibilities may be forced to leave work and will find it very difficult to manage until they reach a higher State Pension age.

It is also important that people are aware of when they will receive their pension and have sufficient notice of any increase. Many women born in the 1950s expected to receive their State Pension at age 60, and some only found out that State Pension age had risen as they approached 60 so have had little time to change their plans.

Public Policy Proposals

- People should be able to achieve an adequate income in later life through state and private provision. State Pensions should minimise reliance on means-tested top-ups and provide a secure platform on which to build private saving.

- Age UK supports the aim of the new State Pension which overall should provide a fairer, simpler system for many, and particularly benefit those who have low life time earnings due to low pay and caring responsibilities. The triple lock should be maintained in order to help achieve this aim for future and current pensioners and should apply to all elements of the State Pension, including the additional pension under the old system.

- We are concerned at the lack of transitional protection for those who were expecting to rely on their spouse or civil partner's contributions and may receive lower support under the new system. As a minimum, the Government needs to ensure that all those affected are aware of the situation and are given information about any options to improve their future prospects.

- The position of pensioners under the old system, many of whom have low State Pension entitlements, should not be forgotten. The Government should consider how they can be brought into the new State Pension where this will benefit them, with no loss of current rights.

- The regular reviews to inform State Pension age should take into account employment opportunities and differences in life expectancies and healthy life expectancy between different groups, and there must be sufficient notice of any further rises to enable people to make alterative plans.

- There needs to be good communication about changes to State Pensions integrated with information about private pensions. The Government should proactively contact people who: are affected by rises in State Pension age; are likely to receive less under the new State Pension system than the old system; and/or could take action to increase their entitlement to the new State Pension.

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Want to find out more?

Age UK has agreed policy positions on a wide range of public policy issues. Our policies cover money matters, health and wellbeing, care and support, housing and communities. There are also some crosscutting themes, such as age equality and human rights, age-friendly government and information and advice

Further information

You can read our policy positions here; **https://www.ageuk.org.uk/ our-impact/policy-research/policypositions/**
Individuals can contact us for information or advice here; **https:// www.ageuk.org.uk/informationadvice/** or call us on **0800 169 8787**

Further information

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[i] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/734667/dwp-quarterly-benefits-summary-august-2018.pdf

[ii] https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-201617

[iii] https://data.oecd.org/socialexp/pension-spending.htm