

Third State Pension age review

Club Vita's response to the call for evidence

October 2025

Executive summary

The State Pension is a vital component of retirement income in the UK, serving both as a safety net against poverty and as a supplement to private savings. Its sustainability depends on balancing affordability, fairness, and certainty for current and future generations of retirees. Club Vita advocates for a **clear, long-term roadmap** for State Pension age increases as opposed to an Automatic Adjustment Mechanism. Under the Government's existing 2:1 approach – reflecting their view that for every 2 years of adult life up to State Pension age, individuals should spend a maximum of 1 year in receipt of the State Pension – this could be as simple as increasing State Pension age by **one year per decade**. This would provide predictability for all working generations and avoid the volatility of an Automatic Adjustment Mechanism.

This roadmap should be supported by monitoring three key drivers: life expectancy, average working years, and population health, particularly among disadvantaged groups of society, to ensure the safety net remains effective.

Intergenerational fairness requires reciprocity between contributions and benefits, transparency, and certainty. Intragenerational inequalities, where affluent pensioners live longer and benefit more, remain a challenge. Mechanisms such as ill-health early retirement and better communication on deferral options could help mitigate these disparities. Improving population health is identified as the most powerful lever for sustainability, delivering fiscal, social, and economic benefits beyond pensions.

1 Introduction

The State Pension provides a baseline income to individuals in retirement. For many retirees it is a crucial source of income, relied upon as a safety net against poverty in retirement. For others, it is used to supplement private pensions and other retirement savings, enhancing lifestyle in retirement and providing flexibility in the use of accumulated pension savings.

The State Pension represents a social contract which obliges that current workers contribute to the retirement income of former workers through national insurance contributions, with the expectation that they will receive a state pension in turn paid for by the next generation of workers. The universality and open-ended nature of this promise is useful for both inter- and intragenerational social cohesion but comes at a large and uncertain cost.

One tool for managing this cost is the age from which the State Pension age is paid. The State Pension age is 66 for current retirees, with increases to ages 67 and then 68 already timetabled.

The State Pension age is subject to periodic reviews, with the third review falling in 2025. As part of that review, Club Vita have provided a set of answers to the specific questions for which evidence was sought. This Supporting Document represents our comprehensive response, providing additional analysis and further discussion supporting our answers to the specific questions.

One lever in a complex machine

Previous State Pension reviews have focussed on how projected increases in life expectancy should be reflected when setting a timetable for future increases in the State Pension age.

However, the affordability and sustainability of the State Pension system rely on more than just tracking increases in life expectancy. Levels of **workforce participation** drive affordability both directly, via contributions to the National Insurance Fund and indirectly, via overall taxation levels and productivity. **Population health** also plays a key role. Increasing the State Pension age in line with life expectancy is only sustainable if population health keeps pace. Otherwise, many older individuals will still rely on the State via other parts of the benefit system. Population health and workforce participation are themselves intertwined, with poor health a key factor in lower workforce participation amongst older workers.

Taking a holistic perspective would require pursuing a long-term roadmap for a gradually rising State Pension age which allows for all these factors. By tracking experience against expectations for each of these factors, the ongoing sustainability of the system can be monitored, and remedial action can be taken.

Factors to consider when setting the State Pension age

In our view, there are three key considerations when setting the State Pension age:

1. Given the State Pension represents a safety net, from what age should that safety net apply?

This could (for example) represent the age from which a certain proportion of disadvantaged workers are unable to work. This age is likely to change over time in line with population health, with a focus on the health of more disadvantaged workers who most need the safety net.

In our view, a key requirement for a sustainable State Pension system is that the effectiveness of this safety net is maintained.

2. Given the universality of the State Pension, from what age is it affordable to pay everyone an adequate State Pension?

This second consideration primarily depends on how long on average individuals receive a State Pension. A natural measure to look at here is life expectancy.

A secondary factor is the average amount of time each generation spends working prior to reaching State Pension age. This is also key to a sustainable system. Maintaining a balance between working lives and time spent receiving a State Pension requires that working lives grow in line with life expectancy.

3. How does the State Pension age influence wider retirement planning behaviour?

In the past, many retirees based their decision on when to retire on the Normal Retirement Age in their defined benefit pension scheme. In the new environment of widespread defined contribution membership, this anchor is less common. The State Pension age represents an opportunity to influence retirement planning, both by helping ensure adequacy and increasing workforce participation amongst older workers.

Setting clear expectations based on longer-term trends

A key focus of the call for evidence is **intergenerational fairness**. There are different ways to define intergenerational fairness which could lead to different conclusions. We agree that intergenerational fairness requires **reciprocity** between generations. This can be measured in terms of maintaining the balance between working lives and time in retirement. However, we also believe **certainty** and **transparency** to be equally important considerations. We expand on this in **Section 2**.

Based on longevity trends over the last century and more, it seems likely that the State Pension age will need to continue to rise beyond the increases already established in legislation to reflect increasing life expectancies. However, the exact pace of longevity increases is impossible to predict, and common projection methodologies are sensitive to short-term fluctuations in mortality trends. This means that any Automatic Adjustment Mechanism is likely to be overly sensitive to emerging data and fail to provide certainty to future generations of pensioners.

We believe that it would be better to set out a defined **roadmap of future increases for the entire current working population**, such as increasing State Pension age by **one year per decade**. This roadmap should be based on longer-term longevity trends and described and justified in a clear and easy to understand way.

We discuss the challenges of devising an Automatic Adjustment Mechanism and how a roadmap based on longer-term trends might be devised in **Sections 3 and 4**.

Ensuring long-term sustainability

Another key aspect of intergenerational fairness is the contributory principle: that the State Pension age is a “reward” for a lifetime of work and National Insurance contributions. Therefore, alongside life expectancy, another consideration within intergenerational fairness is the average period spent working **prior** to State Pension age. This also impinges on affordability: we need to increase working lifetimes in lockstep with increases in life expectancy to help pay for the State Pension. We discuss this second driver of sustainability in **Section 5**.

We then explore the safety net aspect of the State Pension, and how this might be more explicitly defined and monitored using population health data in **Section 6**.

Inevitably, life expectancies, average working lifetimes and population health will all evolve in unexpected ways. A sustainable State Pension system will need to track all three of these drivers. We illustrate the benefit of scenario analysis to explore potential future outcomes for State Pension sustainability in **Section 7**.

Considering intragenerational fairness

There is a wide diversity of life expectancies across the socioeconomic spectrum. This means that whilst the State Pension age is universal, outcomes for different types of pensioners is unequal. In **Section 8**, we look at the implications of this.

2 A fairness metric for setting the State Pension age

Intergenerational fairness refers to the principle of ensuring that different generations are treated equitably. In this context, this would require that the State Pension age which applies to different birth cohorts is set in a fair and just manner. However, the difference between fairness (objective fairness) and perceived fairness (subjective fairness) is subtle but important.

Objective fairness is based on principles, rules, or measurable standards. In pensions, for example, fairness might be defined by actuarial principles, ensuring that contributions and benefits are balanced over time.

Perceived fairness is how individuals or groups feel about the fairness of the situation. It is often influenced by transparency, communication and expectations. Even if a pension scheme is actuarially fair, if individuals feel it favours a certain group of workers or lacks clarity, they may perceive it as unfair.

In the context of State Pension, perceived intergenerational fairness may relate to the following themes:

- **Reciprocity:** each generation pays National Insurance contributions during their working lives and in return receives a State Pension on retirement paid for by the following generations of workers.
- **Transparency:** any changes to the State Pension age should be well explained and make sense.
- **Certainty:** the state should minimise any “moving the goalposts”. It is not fair to increase someone’s State Pension age if they have made substantial plans around it.

The success of any mechanism that is introduced to increase State Pension age over time, regardless of its actuarial sophistication, will live and die by its perceived fairness. In our view, the introduction of an Automatic Adjustment Mechanism, however well-intentioned and carefully designed, is likely to fall foul of these tests, particularly that relating to certainty.

Feasibility of an Automatic Adjustment Mechanism

Perceptions of fairness, especially regarding certainty and transparency, are crucial to the public acceptance of any changes to the State Pension age, and automatic mechanisms may struggle to meet these standards.

2.1 Measuring Reciprocity: Ratio of working to retirement years

An attractive objective standard of reciprocity in the context of intergenerational fairness is:

The ratio of working years to retirement years should be consistent across different generations.

In terms of transparency, communication and setting expectations for individuals, this means:

Each generation spends on average a similar proportion of their lifetime in retirement compared to the amount of time they spent working.

A similar core principle was introduced by the Coalition Government before the first periodic review of the State Pension age¹. The government proposed a 2:1 ratio to reflect their view that individuals should spend on average up to one third of their adult life receiving a State Pension (with adult life defined as beginning at age 20). In other words, for every two years of adult life up to State Pension age, individuals should spend a maximum of one year in receipt of State Pension. Where projections indicate that the average proportion of adult life that a particular birth cohort receives a State Pension will exceed one-third, this would function as a trigger for increasing the State Pension age.

¹ [Future State Pension age rises: DWP background note - GOV.UK](#)

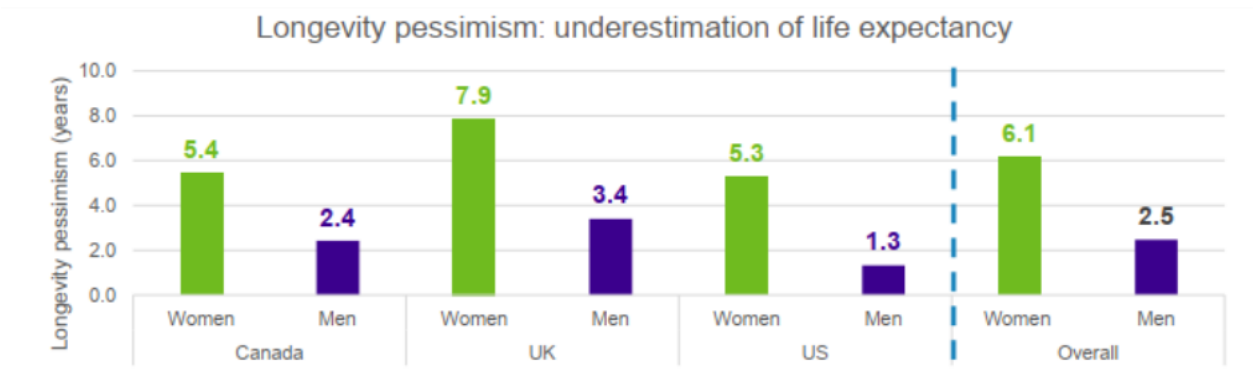
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The concept of achieving a stable ratio over time seems an intuitive one and one which, if transparent and clearly explained, could achieve the aims of both objective and perceived fairness. In the next three sections we look at how this proposed measurable standard (**a ratio of X working years : Y retirement years**) could be formulated and how we might define appropriate values for X and Y.

2.2 Achieving Transparency: Communicating why the State Pension age needs to increase

Whilst a mechanism based on balancing working life and time in retirement seems objectively fair, and straightforward to explain, it may not be perceived as fair by the public. This could be, among other things, because people tend to underestimate how long they will live and so underappreciate how long they will receive State Pension compared with previous generations. It is natural for people to anchor their own life expectancy expectations to their experience of older generations and when they die (e.g. the age at which their parents died).

Club Vita’s 2022 Lifestyle and Retirement Perception Survey² highlighted this longevity pessimism. In the chart below we compare the average survey response to the question “To what age do you expect to live?” with the average expected age at death calculated by Club Vita² for the individuals in our survey. Respondents underestimated how long they are expected to live by 4.7 years. ***This is equivalent to individuals underestimating the period for which they will receive State Pension by 20-25%.***



Importance of communicating the fairness of an increasing State Pension age

A key objective of the release strategy for any changes to State Pension age that is introduced should be to address this understanding gap and make clear that a ratcheted State Pension age based on current evidence is entirely fair and just.

2.3 Providing Certainty: The State Pension age as an anchor for retirement planning

Many current pensioners benefitted from membership of defined benefit pension schemes (“DB schemes”). As well as often providing for a healthy guaranteed retirement income, the normal retirement age applying to these schemes functioned as an anchor to help with retirement planning.

Future generations of pensioners are less likely to benefit from DB scheme membership. For such generations, the State Pension age could function as an alternative anchor to build retirement planning around. Indeed, the considerations of affordability and ability to continue in the workforce associated with setting the State Pension age has parallels with the considerations an individual might need to make when deciding when to retire.

² See <https://www.clubvita.net/assets/images/backgrounds/Club-Vita%E2%80%99s-Longevity-Lifestyle-and-Retirement-Perception-Survey-2022.pdf>

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In our view, providing certainty to future retirees trumps all other considerations, both in terms of perceived fairness and in providing solid foundations on top of which individuals can build up adequate retirement savings in the current defined contribution landscape.

For this reason we advocate setting out a long-term roadmap for future State Pension age which covers all working generations. Deviation from this roadmap should only occur when there is a profound reason to do so. We describe such a roadmap in **Section 4**. But first we expand on why we believe an Automatic Adjustment Mechanism based on a measure of life expectancy would not meet the standards of fairness.

3 Measuring years in retirement

In the DWP paper referred to in the previous section, the mechanism of a 2:1 ratio requires two inputs – the number of years of working life and the number of years in retirement. Years in retirement was estimated based on an individual's cohort life expectancy from State Pension age. Years of working life was the period between age 20 and the State Pension age, ignoring the possibility of absences from the labour market and death before State Pension age. However, these are not the only possible measures that could be used.

We look at an alternative definition of years in working life in Section 5. In this section we review different approaches to measuring years in retirement.

3.1 Period and Cohort Life Expectancy

Life expectancy, or expectation of life, is the length of time that an individual can expect to live. It is measured in years.

There are two common measures of life expectancy:

- **Period life expectancy** is a snapshot of life expectancy at a specific time. It is based on observed death rates at each age and makes no allowance for how life expectancy may vary in the future. Period life expectancy is a useful measure in understanding how population death rates are evolving over time but does not represent a good measure of a population's average expected lifespan.
- **Cohort life expectancy** is the average number of years a person is expected to live, based on their year of birth and allowing for expected future improvements in mortality. Unlike period life expectancy, which uses death rates from a single point in time, cohort life expectancy makes assumptions as to whether medical advances, healthier lifestyles and other factors will continue to improve (or degrade) longevity over a person's lifetime.

Both measures are potentially useful for setting State Pension age. Period life expectancy allows us to objectively track changes in population life expectancy through time. Cohort life expectancy allows us to estimate future lifespans for a given birth cohort and thereby the expected cost of future State Pension provision. However, in our view, neither measure is suited for setting an Automatic Adjustment Mechanism. We discuss why, and suggest an alternative approach, in the remainder of this section.

3.1.1 Age from which to calculate life expectancy

It is possible to calculate life expectancies from different ages. A widely used measure is period life expectancy from birth. However other measures are possible: for example we could calculate either a period or cohort life expectancy from age 65. Similarly, we can calculate life expectancy from State Pension age, which might be more relevant to State Pension considerations.

An area of potential complexity here is the "moving target" nature of the State Pension age. This makes life expectancy from State Pension age a slippery measure to work with. This is because it applies from different ages for different birth cohorts, including at non-integer ages.

In any case, comparing life expectancies from a fixed retirement age across different generations will present a misleading picture of how the overall cost of the State Pension is changing. A better assessment of intergenerational fairness in State Pension provision would also allow for the increasing proportion of lives reaching State Pension age over time. In other words, if the State Pension age is held constant whilst mortality rates continue to fall, not only will younger pensioners receive their pension for longer, but a greater proportion of those younger pensioners will survive to State Pension age in the first place.

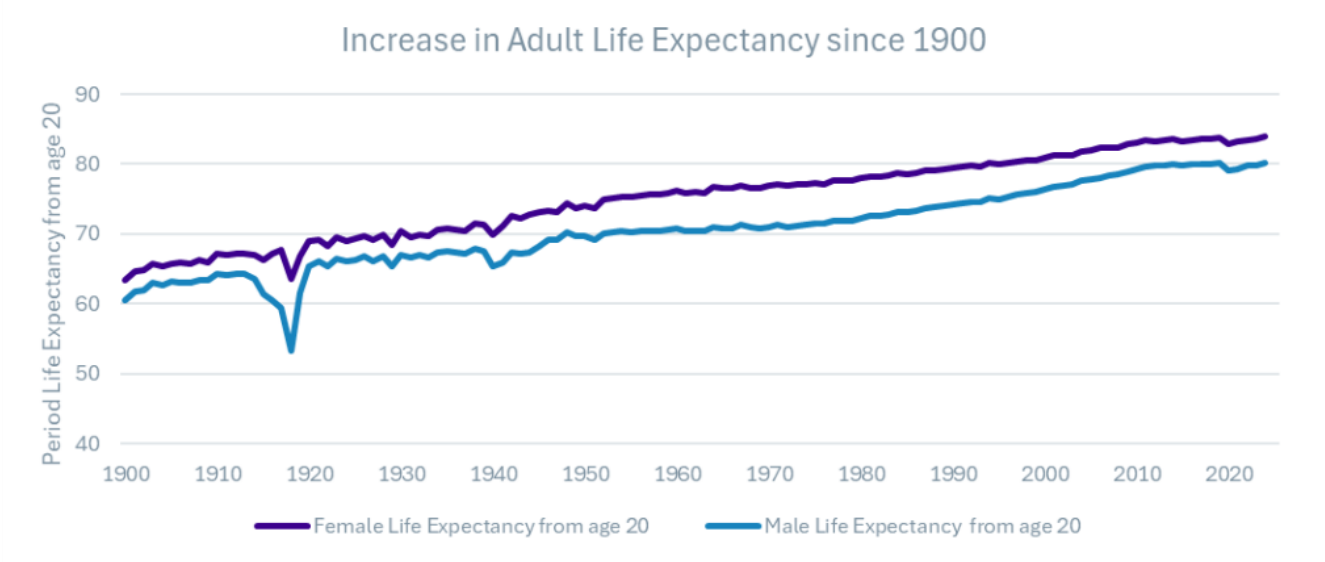
We advocate cutting through this complexity by instead focussing on life expectancy from a fixed age. This is what we have done in our analysis, by focussing on life expectancy from age 20 (which we describe as “Adult Lifespan”).

Avoid the use of Life Expectancy from State Pension age as a measure

Life expectancy from State Pension age is an unhelpful measure because it is calculated from a different age for different birth cohorts. It also fails to capture how likelihood of survivorship to State Pension age will also change over time. We believe there is an argument for instead using life expectancy from a younger age as a more stable measure, and one which acknowledges the possibility of dying prior to State Pension age.

3.2 Tracking Period Life Expectancy through time

We can use period life expectancy to track trends in longevity. For example, in the chart below we show how life expectancy from age 20 has evolved since the start of the 20th century in England & Wales.

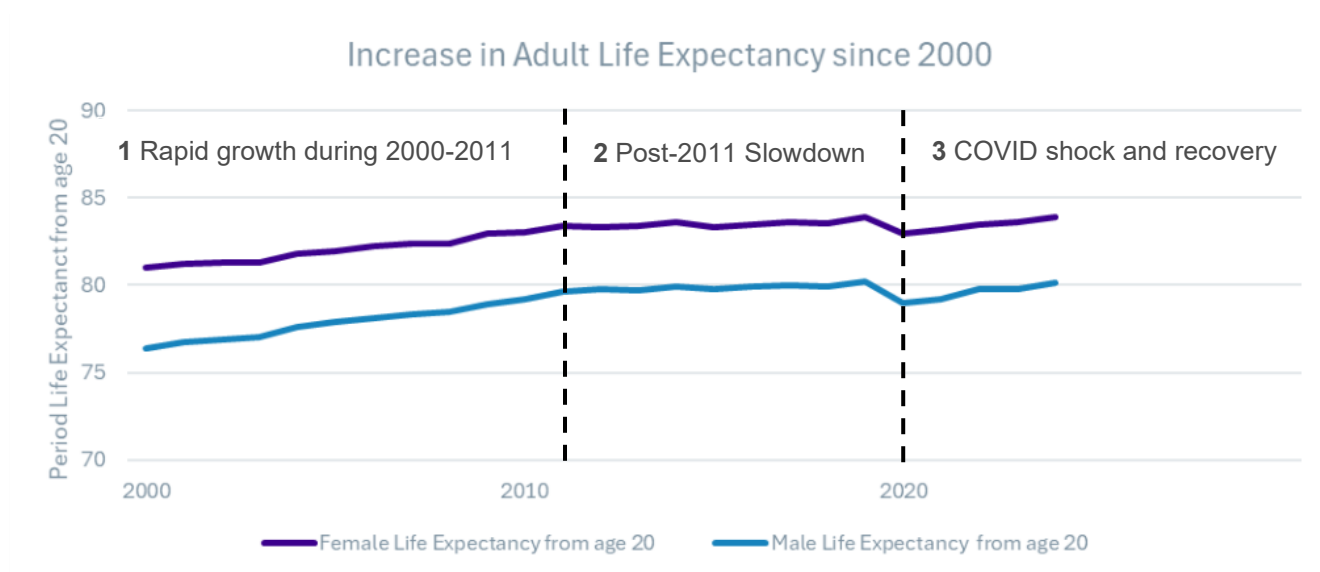


Based on HMD³ England & Wales, Civilian National Population life tables up to 2022 and Office of National Statistics data for 2023 and 2024

We can see that whilst there are kinks in the trend (most noticeably due to the Spanish flu pandemic, world wars, and most recently due to COVID), over a 125-year period there is a remarkably consistent pattern of gradual improvements in life expectancy. The average rate of improvement over the entire period is **slightly over 1.5 years per decade, or around 2 months per year for both men and women**.

Whilst period longevity can be considered an objective measure, it is a snapshot of a point in time. This means it can be volatile from year to year. If we zoom the chart in on trends since 2000, we can explore this volatility.

³ Human Mortality Database. Max Planck Institute for Demographic Research (Germany), University of California, Berkeley (USA), and French Institute for Demographic Studies (France). Available at www.mortality.org.



We see that progress in increasing life expectancy since 2000 can be divided into three distinct periods:

- 1 Up until 2011, life expectancy was increasing faster than the long-term average, particularly for men. Male life expectancy was growing by around three years per decade and female life expectancy by around two years per decade for women.
- 2 Between 2011 and 2019, increases slowed below the long-term average, at less than one year per decade.
- 3 The start of the COVID pandemic in 2020 led to a short-term shock, wiping out around a decade of progress, but by 2024 life expectancy had bounced back to the pre-COVID level.

This variation in shorter term trends and potential for shocks mean that any Automatic Adjustment Mechanism linked to period life expectancy would also be subject to volatility. For example, if an Automatic Adjustment Mechanism been in place which referred to period life expectancy in 2020, this would have led to a downwards revision in State Pension age. Basing an Automatic Adjustment Mechanism on such a volatile measure does not aid fiscal planning or instil public confidence.

Life expectancy has tended to increase by around 1.5 years per decade but is subject to periods of significant stagnation and acceleration. Period life expectancy, being a snapshot, does not represent a reasonable estimate of the actual expected lifespan of a person of any birth cohort. To assess this, we need to use a measure of lifespan which allows for how mortality rates change over time.

Usefulness of Period Life Expectancy

Period life expectancy is a useful measure of how life expectancy changes over time. However, it is unsuitable for any calculations which require an accurate estimate of the lifespan of a group of lives.

3.3 Cohort life expectancies: relevant to the job in hand, but subjective and volatile

As we will show, cohort life expectancy is also not well-suited for use in an Automatic Adjustment Mechanism. We stand by the remarks we made in previous reviews:

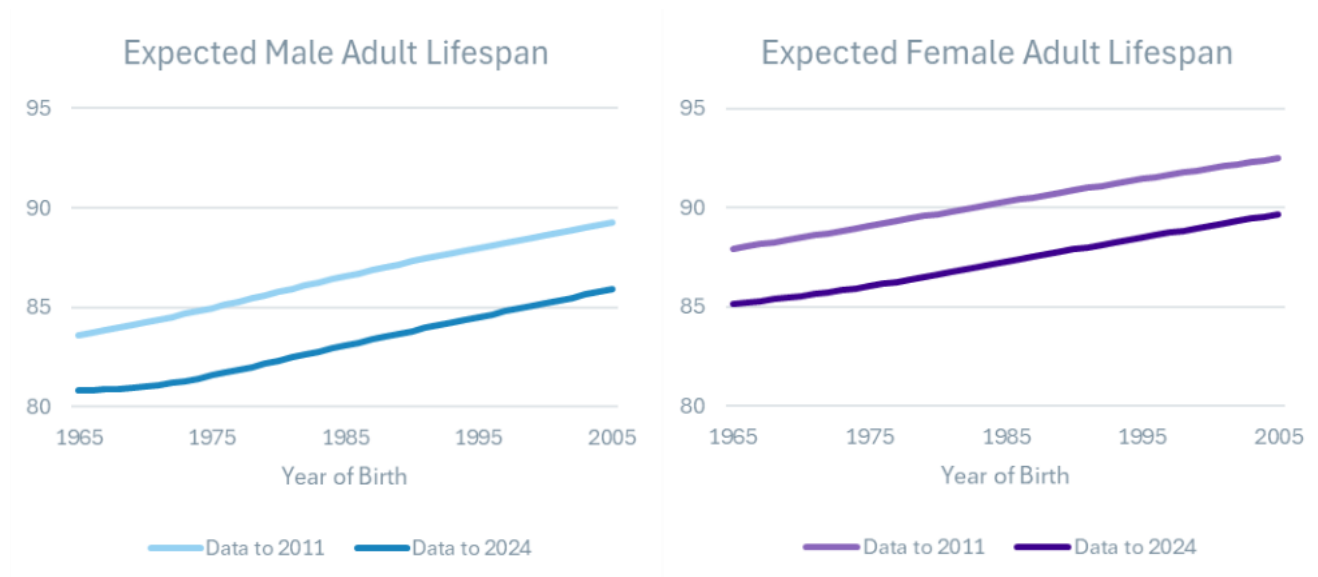
- Cohort life expectancies are inherently uncertain. Whilst important for fiscal planning and individuals planning their retirement savings, they risk being highly subjective and volatile when used to set State Pension age.

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- Where cohort life expectancies are used, care must be taken to ensure that the projections used are realistic, and accompanied by clear communication, otherwise it is liable to fail on achieving intergenerational fairness.

An example of the sensitivity of cohort life expectancies to emerging trends can be seen in the pair of charts below. Here we compare cohort life expectancies based on two different projections, one based on data up to the end of 2024, and one based on data up to the end of 2011.

In each case we have used the current core version of the widely used CMI Projections Model⁴ with the long-term rate of improvement set at 1.5% p.a. We show the predicted adult lifespan in England & Wales across different birth cohorts (1965 to 2005) under these two projections.



How to interpret this chart

The value for each year of birth represents the expected lifespan (assuming survival to age 20) of a person born in that year. As an example, for the 1965 calculation based on data to 2024, the lifespan will be calculated based on observed mortality rates up to 2024 (when a man born in 1965, if he survived to that age, would be 59), and then projected mortality rates in 2025 and beyond.

Including an additional thirteen years of data makes a remarkable difference to expected lifespans. Lifespans are up to 3.5 years **lower** based on the 2024 projection.

This reduction in expected lifespan is due to two related reasons. Firstly, mortality rates between 2011 and 2024 reduced much more slowly than expected, meaning actual mortality rates in 2024 are higher than we might have predicted back in 2011. Secondly, because of this slowdown, short-term improvements to those 2024 rates are also assumed to be much lower than we would have predicted back in 2011.

We can therefore see that using cohort life expectancy as an input to an Automatic Adjustment Mechanism would have led to unhelpfully volatile results over the last two decades due to the unpredictability of short-term longevity trends.

⁴ The CMI Mortality Projections model is widely used in the UK actuarial community for projecting mortality and longevity trends and is based on similar principles to the ONS projections. The model estimates current rates of mortality improvement based on England & Wales population mortality data and blends these into the user-defined long-term rate. We have used this model rather than the ONS projections for this piece of analysis for convenience of access to all relevant outputs.

We should also note that emerging longevity trends are only one reason predictions based on cohort life expectancies can change. Here we have applied the same model to two periods of data. Another key aspect of uncertainty in life expectancy is often called “model risk”, which could be described as the risk of experts (such as demographers and actuaries) changing their mind on exactly how to interpret and project mortality trends.

This need for expert judgement overlay in setting cohort life expectancies would make any Automatic Adjustment Mechanism which relied on them untransparent and subjective.

Usefulness of Cohort Life Expectancy

Experience since 2011 tells us that any mechanism based on cohort life expectancy will lead to volatile outcomes as longevity trends fluctuate over time. This would inevitably lead to uncertain outcomes for future generations of retirees.

Further, even with a fixed set of data, cohort life expectancy is a subjective measure, with different modelling approaches and assumptions leading to different predictions. Any approach based on cohort life expectancy would be subjective and any increases to State Pension age could be contentious. This lack of transparency could hinder public support.

3.4 Conclusion

In our view, any Automatic Adjustment Mechanism, however carefully designed and well-intentioned, is likely to fail the tests of certainty and transparency.

It is however important to signpost that future increases in State Pension age will be needed if life expectancy continues to improve. We believe there are benefits in setting out a clear road map for future increases in State Pension age for all current working generations. This should be done in a transparent way. One approach might be to set future expectations based on longer-term trends in increases in period life expectancy. We expand upon this in **Section 4**.

4 A road map for future State Pension age increases

We have seen that life expectancy projections are very unstable. This is because they rely heavily on short-term fluctuations in longevity trends, which themselves are subject to peaks, troughs and one-off shocks.

However we have also seen that over the longer run, increases in life expectancy have been remarkably consistent.

One key aspect of perceived fairness of the State Pension system is certainty. In our view, an appealing approach to setting State Pension age would be to set out an expectation of ongoing increases in line with long term trends. **This provides certainty to all those of working age.**

We have seen that on average, adult lifespans increase at around 1.5 years per decade. As a motivating example (based on the DWP's original 1 in 3 years in receipt of State Pension formulation) one approach might be to simply set out in advance that **State Pension age should increase by 1 year per decade going forward**. As we will see in the next subsection, we believe there are benefits in such a simple construction.

4.1.1 Simplicity in communication leading to clearer understanding

The way that increases in State Pension age are currently communicated are hard to fathom, even for numerate readers. We show below an excerpt from the government's State Pension age timetables in relation to the increase from 67 to 68.

Table 5: Increase in State Pension age from 67 to 68, men and women

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

Source: <https://assets.publishing.service.gov.uk/media/5a7f02e640f0b62305b84929/spa-timetable.pdf>

Individuals born between 6 April 1977 and 5 April 1978 are likely to find this impenetrable and be left feeling they have a State Pension date which is at an entirely arbitrary date with reference to their birthday.

In our view, it would be much clearer to set out State Pension age for any given date of birth directly in rounded numbers, with the boundaries applying to cohorts born in different decades. As an example (based on our one year per decade motivating example) the schedule for increasing State Pension age beyond 67 might be recast as follows:

Date of Birth	State Pension age
1 January 1970 – 31 December 1979	67
1 January 1980 – 31 December 1989	68
1 January 1990 – 31 December 1999	69
1 January 2000 – 31 December 2009	70

Alternative formulations might be to increase the State Pension age by 0.5 years every five birth years, or (with a slightly slower pace of growth) by one month for each birth year. These would reduce the birthday “cliff-edge” for those born at the cusp of the decade. There is however some intuitive appeal in keeping the State Pension age as an integer number for all future generations due to its use in wider financial planning. (For example, retirement planning tools will often ask users to define their intended retirement age using an integer age.)

Adopting this roadmap approach would provide clarity and certainty to those cohorts born in 1970 and beyond, without accelerating any foregrounded increases. The message that life expectancy is expected to increase by 1.5 years per decade, and that this means that State Pension age must increase by one year per decade in lockstep seems a clear and reasonable one.

4.2 Achieving sustainability under a fixed roadmap

Apparent sustainability of the State Pension system could be achieved by using State Pension age as the “balancing item” but this comes at the cost of great uncertainty to the population in the face of the unpredictability of future life expectancy increases. Further, because lifespans are uncertain, the true sustainability of the system when considering a particular cohort of lives will remain unknowable until that cohort has fully passed through the system.

In our view, it would be better to consider the ongoing sustainability of the State Pension holistically. This would allow for not just the amount of State Pension will be received by each successive generation but also how much each successive generation is contributing or has contributed to tax revenues and to economic growth.

To perform this assessment we need to look beyond increasing lifespans, to consider how long different generations are participating in the workforce. As a simple example, under the 1-in-3 formulation, increasing the State Pension by one year per decade in light of increases in adult lifespan of 1.5 years per decade would require that working lives also be extended by a consistent proportion.

To ensure the safety net aspect of the State Pension is maintained, we also need to ensure that population health amongst the retiring population keeps track with increases in life expectancy. For example we would want to ensure that the average 69-year-old born in the 1990s has similar or better health to the average 67-year-old born in the 1970s. We would also want to ensure that inequalities in health had remained stable or had reduced, so that a 69-year-old born in the 1990s in (for example) the highest deprivation quintile had similar or better health to an equivalent 67-year-old born in the 1970s.

Finally, we would want to track how period life expectancy had increased versus the long-term trend to ensure the 1.5 years per decade trend remains appropriate.

By actively monitoring these three key drivers (life expectancy, workforce participation and population health), any threat to ongoing sustainability of the State Pension can be identified and solutions considered. In the next three sections we explore what data could be used to monitor workforce participation and population health, then consider different scenarios for the State Pension.

5 Measuring years in work

5.1 Working years or years as an adult?

In the DWP paper referred to in section 2.1, the proposed calculation is based on the proportion of adult life spent in receipt of a State Pension.

We would first observe that defining adult life as starting at 20 is an extremely blunt instrument. Some individuals begin work at 16, others stay in full-time education well into their twenties. And the average age of starting work will change over time and will be higher now than in previous decades, leading to a lower period in the workforce amongst younger workers for current generations compared to previous generations, all other things being equal.

More importantly, not everyone spends their entire adult life prior to State Pension age working. Recent research by the International Longevity Centre indicates that Britons spend an average of just over 31 years in work up to age 65⁵. Given that individuals receiving a State Pension in 2025 can be estimated to survive around 20 years, this means that on average, current retirees from the State Pension are working considerably less than two years for each year of State Pension they will receive.

That is not to say that the State Pension age should be set far higher (to rebalance the position from the current approximate 3:2 ratio between working years and state pension receipt years). The key point is that placing the State Pension age on a sustainable and reciprocal footing requires that the number of years spent working grows in lockstep with increases in State Pension. The DWP's proposed measure of adult life fails to capture this important dynamic.

We advocate that a measure of working years (rather than years spent as an adult) should be allowed for when considering how the ongoing sustainability of the State Pension.

Working years rather than years spent as an adult as denominator in any “ratio” type approach

In our view, it is important to consider average years working when contemplating the setting of State Pension age. This is relevant to both fairness and to affordability.

5.2 How to measure the number of working years?

There are different ways to calculate “working years”. There is not one *correct* answer. Regardless of the measurement chosen, it should be straightforward to estimate and communicate and should capture how long each generation is expected to work on average.

One measurement is **the number of qualifying years of national insurance contributions**. This information is easy to find in national insurance records and is understood by the public. National Insurance records are already used to establish eligibility for a full or partial State Pension. Further, at least amongst older generations, there is a perceived strong link between National Insurance contributions and eligibility for the State Pension.

Credits for carers, jobseekers and those with caring responsibilities ensures fairness across society and ensure unpaid but productive work are included. The longer individuals remain employed, the greater the National Insurance contributions the government will receive. This creates an incentive to maintain the health of the workforce, encouraging longer employment periods and thereby maximising revenue (as opposed to minimising expenditure by increasing State Pension age).

⁵ See <https://ilcuk.org.uk/preventionindex/>

5.3 Using working years to monitor State Pension sustainability

We set out in **Section 4** that a clear roadmap for future State Pension age increases would be a better approach than trying to create an Automatic Adjustment Mechanism. So where does “working years” fit into this roadmap?

We suggest that the average number of years in work per generation is monitored to ensure that it is increasing broadly in line with increases in life expectancy (as allowed for in broad terms in the State Pension age roadmap).

If this is the case, or indeed if the average number of years in work is increasing faster than life expectancy, this should provide no cause for concern. However, if the increase in the number of years in work fails to track increases in life expectancy, this should give rise to concern about the ongoing sustainability of the system. In such instances a review might be needed to consider if this is normal economic cyclicalities or a more structural shift.

5.4 Ability to work

When it comes to implementing the clearly defined roadmap of State Pension increases, we need to pay attention to “working years” and how average working years is evolving over time. When doing so, we must also consider how the health of the population is evolving. This impacts both on ability to work, but also on the ongoing effectiveness of the safety net aspect of the State Pension. We explore this further in the next section.

6 Population health and maintaining the safety net

6.1 Keeping the safety net at the right level

An important consideration for setting the State Pension age is the age from which workers are unable to work. If too high a proportion of individuals of a given age are unable to work and have no alternative source of income, then the state pension's role as a safety net has failed. Those individuals will need to rely on other parts of the benefit system. This is of particular relevance to more disadvantaged workers who are most likely to have little or no retirement savings.

A useful metric that could be used to assess such a threshold would need to:

- 1 Assess what proportion of the population can engage in paid work;
- 2 Provide results split by individual age or age band;
- 3 Provide results split by a measure of socioeconomic status.

We would also need to consider at what level any threshold should be set at and how we define disadvantaged workers. As an example, it would be possible to define a threshold of representing the age at which more than 50% of individuals in the highest deprivation quintile are unable to participate in the workforce due to poor health. In this section we review available measures of population health to see how they might be used to inform such an approach.

6.2 Healthy Life Expectancy

Healthy Life Expectancy ("HLE") is a measure published by the ONS. The ONS describe it as the number of years people are expected to spend in "good" general health in England and in Wales. A similar measure is also published by the equivalent statistical bodies of Scotland and Northern Ireland. The health data relied upon is based on census data and annual population surveys.

The surveys used by the ONS only look at a sample population and rely on self-reporting by participants of their general health. This subjectivity means that HLE in its current form would not be suitable for use in any Automatic Adjustment Mechanism. Nevertheless, it is useful to explore HLE as a motivating example of how a population health measure might be used to help inform State Pension age.

Health Life Expectancy currently unsuited to Automatic Adjustment Mechanism

An Automatic Adjustment Mechanism for State Pension age which takes no account of population health risks the ongoing effectiveness of the State Pension as a safety net. However current measures of population health are based on self-reporting and hence do not represent an objective measure to build a mechanism around.

6.2.1 How should we interpret Healthy Life Expectancy?

Healthy Life Expectancy is calculated based on the results of the ONS's UK-wide Annual Population Survey (covering 320,000 households per year). Participants rate their general health on a five-point scale between "very bad" to "very good". Those reporting "very bad", "bad", or "fair" health are categorised as being in "poor health" for the purposes of calculating HLE.

In the context of State Pension age, it is tempting to interpret Healthy Life Expectancy as representing a measure of the average age at which individuals in a population being measured become unable to work due to poor health. This would in turn represent a useful measure for considering from what age any safety net should apply.

However, the threshold for “good health” is potentially set too high for those purposes. It would be interesting to explore what respondents mean when they respond that they are in “fair” health and whether this category would be better interpreted as being able (or partially able) rather than unable to work.

Is Healthy Life Expectancy a useful measure of ability to work?

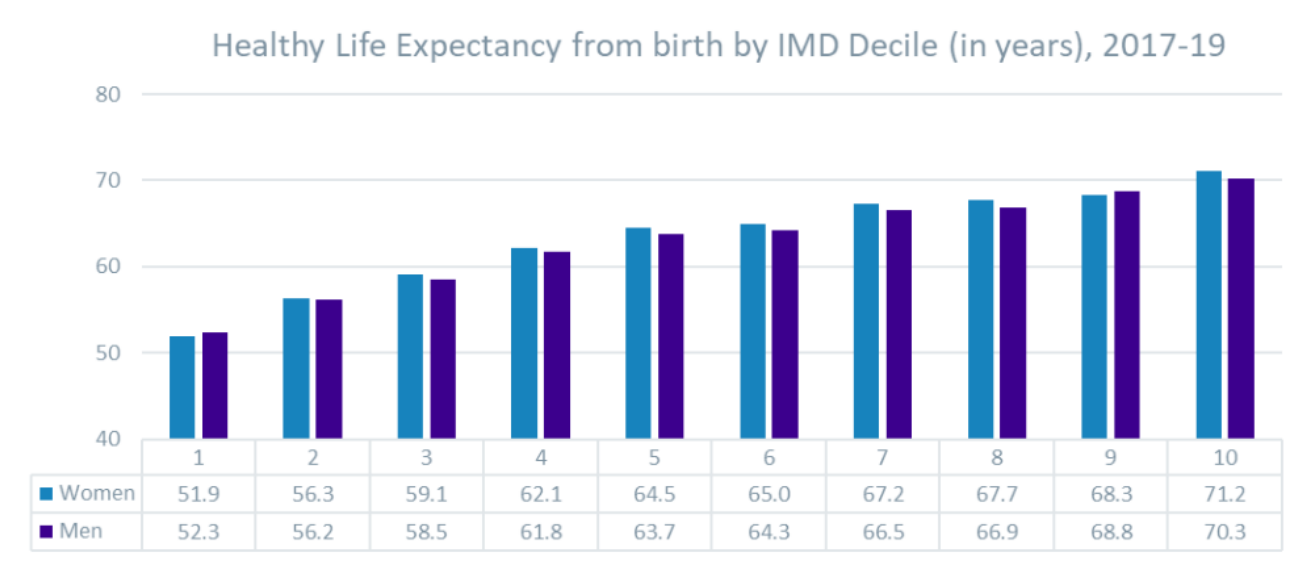
There are two key issues here.

Firstly, the self-reported nature and limited sample size mean that whilst Healthy Life Expectancy is a useful measure for measuring changes in population health over time and across different subpopulations (assuming consistent reporting), it does not necessarily provide an accurate measure of ability to work. In particular, the threshold for being in good health is set at too high a bar, with those in “fair” health included as being in poor health.

Secondly, Healthy Life Expectancy represents an average period spent in alive and in good health. What would be more useful would be the proportion of individuals at each age who are considered in poor health. This would enable us to better identify any “cliff edge” ages where population health starts to rapidly decline.

6.2.2 Variation in Healthy Life Expectancy by deprivation decile

Each year, the ONS publishes Healthy Life Expectancy split by Index of Multiple Deprivation (“IMD”) decile. In the chart below we show how this varied during 2017 to 2019 (the latest available data which excludes the pandemic period). An IMD decile is a way of ranking areas from most (decile 1) to least deprived (decile 10), based on factors such as income, employment, health, education, and housing.



Data source :

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/datasets/healthstatelifeexpectancyallagesuk>

The Health Life Expectancy gap across the socioeconomic spectrum, at nearly 20 years, is stark. The extremely low HLE for more deprived groups calls into question the usefulness of this metric for setting an affordable State Pension age in the context of the current State Pension age.

Plausibility of using healthy life expectancy for deprived population as a mechanism for setting State Pension age

We have discussed the possibility of using Healthy Life Expectancy (or a similar measure) for more deprived individuals to set State Pension age, reflecting the State Pension's perceived role as a safety net.

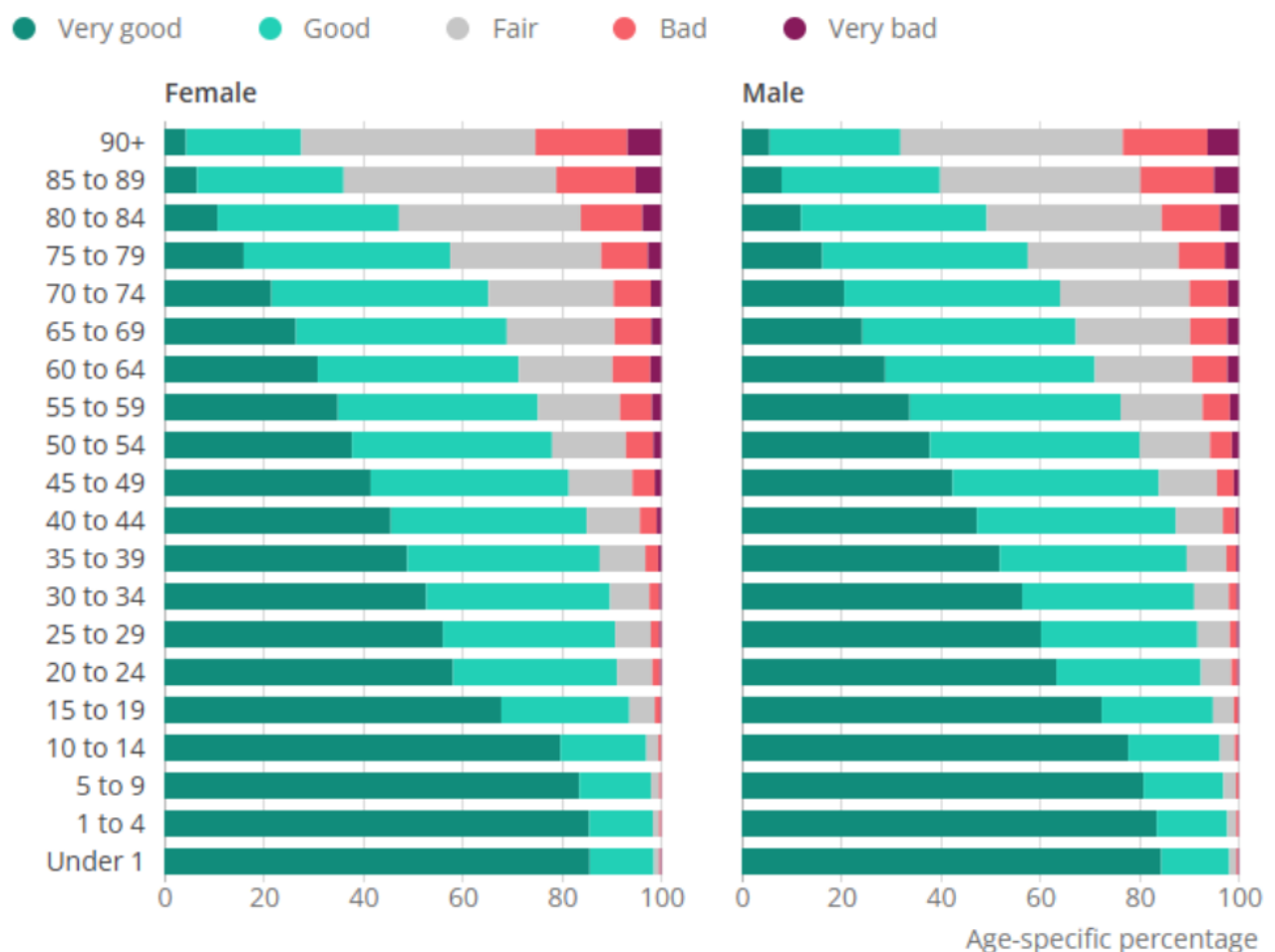
The chart above highlights that any threshold based on the current definition of Healthy Life Expectancy **is likely to be set at far too low a level to be affordable.**

6.3 Alternative measures for population health

6.3.1 Age-specific percentages of general health by age and sex

The data underlying the calculation of Healthy Life Expectancy can also show the proportion of different age groups falling in the different health statuses. We show below a chart of how health status varied by age and by sex in the 2021 census data.

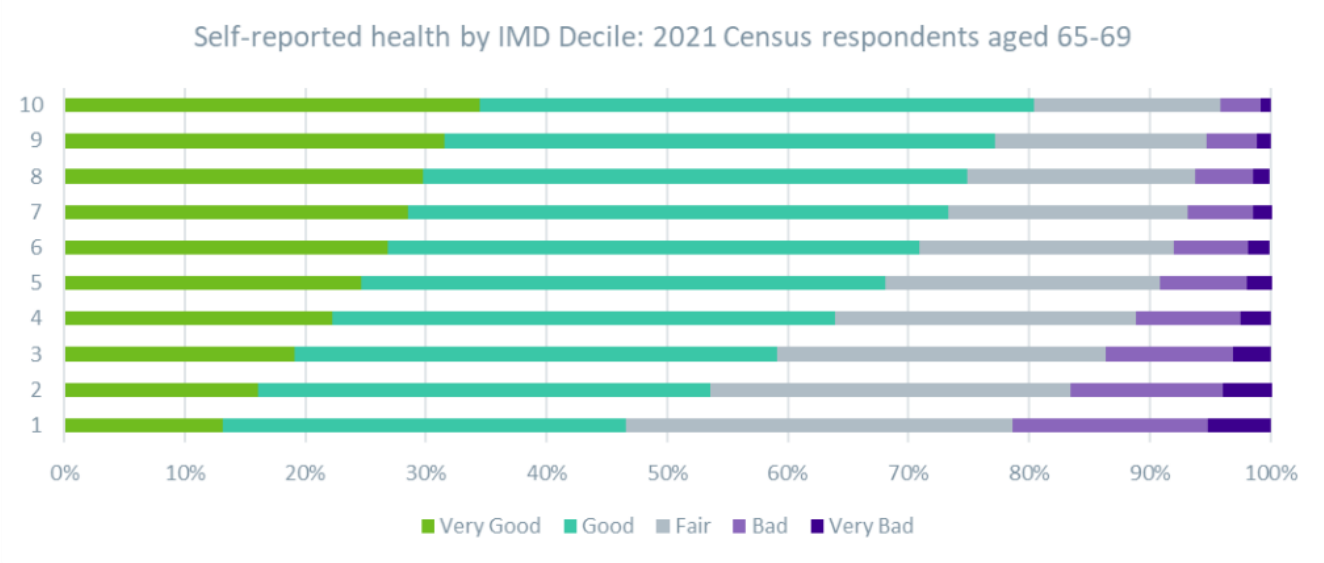
Age-specific percentages of general health by age and sex, in England, 2021



Source: [General health by age, sex and deprivation, England and Wales - Office for National Statistics](#)

Interestingly, we see that a "fair" health rating is a common response amongst older respondents. Using a definition of poor health as "bad" or "very bad" would lead to quite a different calculation for Healthy Life Expectancy to the current one. We also see no obvious "cliff-edge" where health starts to decline.

We can also explore this dataset split by IMD decile. The chart below shows the proportion of 65- to 69-year-olds (men and women combined) in each IMD decile falling in each general health category.



Source: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/datasets/generalhealthbyagesexanddeprivationenglandandwales>

Presenting the data this way presents quite a different picture, and in our view a more positive one, in relation to population health amongst 65-to-69-year-olds than that implied by the HLE metric split by IMD decile. Even in the highest deprivation decile, nearly 50% of respondents age 65-69 report being in Good or Very Good health. However, the inequality in health outcomes across the socioeconomic spectrum is still clear.

We could interpret this data as indicating that across all IMD deciles, close to 50% of 65- to 69-year-olds were in Good or Very Good health and therefore capable of participating in the workforce.

Monitoring the evolution of self-reported health amongst the most deprived IMD groups (1 and 2) over time might represent a useful mechanism for monitoring the ongoing effectiveness of the State Pension as a safety net.

Usefulness of age- and deprivation-based health measures to set a threshold for State Pension age

Whilst Healthy Life Expectancy as currently constructed is in our view an unhelpful measure for tracking average health levels at retirement, we believe there is useful data available from the underlying self-reported health data compiled by the ONS.

Such an approach would rely on self-reported health representing a consistent measure over time. We note the potential for mischief and "gaming the system" if census or survey respondents to be aware that reporting one's health as "bad" or "very bad" could have an influence on the setting of State Pension age. Any mechanism relying directly on measures of population health would need to find a way to be more objective.

6.3.2 Disability Free Life Expectancy

Disability Free Life Expectancy (DFLE), as published by the ONS, estimates the average number of years an individual can expect to live without a limiting long-term illness or disability. Like Healthy Life Expectancy, this measure is calculated using census and national survey data. In this case, respondents are asked whether they have any physical or mental health conditions or illnesses that have lasted or are expected to last 12 months or more. If they respond "yes" they are asked to what extent the condition(s) reduce their ability to carry out normal

day to day activities, with “Yes, a lot”, “Yes, a little” and “Not at all” as options. Individuals answering “Yes, a lot” or “Yes, a little” are considered as not being disability free.

Disability Free Life Expectancy is slightly lower than Healthy Life Expectancy, leading to similar challenges in its use for assessing average health amongst retirees. Further, the questions asked to establish whether an individual is disability-free have not been entirely consistent between censuses and annual surveys and across constituent countries of the UK. Also, the ability to carry out “normal” day-to-day activities has potential for subjectivity depending on an individual’s perception of normal.

However, the data underlying the calculation of DFLE could be used in a consistent way to that described in the previous section, and the question about “normal day to day activities” relates more directly to ability to work.

6.3.3 Other sources

Health Survey for England Data

An alternative source of data on public health is the Health Survey for England, and the equivalent for other constituent countries of the UK. More granular Health Survey England data has also been used to construct a Quality Adjusted Life Expectancy (QALE), a method which adjusts years lived for the quality of those years based on health and wellbeing⁶. Health survey data could represent an alternative source of data, albeit still one that relies on self-reporting.

UK Biobank and Healthcare Record Data

The UK Biobank tracks the lives of half a million volunteers across the UK and is building up a rich dataset, including linkages to healthcare records and self-reported health data. The NHS also holds a great deal of objective health data, including for example the results of NHS Health Checks.

Leveraging this data could represent an alternative approach to assessing population health, providing a more objective set of measurements for use when considering the setting of State Pension age. This data could be used to compute an objective “health index” by age to monitor the population health over time. This would be objective and avoid the need to rely on subjective survey information. We would encourage the review to recommend that such an index is created – both to aid state pension age planning but also more generally to assess the “health of the nation” which influences labour force participation and demand for health services.

6.4 How to build population health into State Pension age considerations?

An important consideration when setting a State Pension age is the provision of a safety net for individuals who are likely to be most in need of an income in retirement. To assess the efficacy of this safety net, we need reliable data to be able to assess whether the health levels of retirees, and in particular more deprived retirees is keeping track with increases in the State Pension age.

We propose that, alongside trends in average working lives, population and subpopulation health at State Pension age are considered when monitoring the ongoing sustainability of the State Pension system. If public health is consistently failing to improve at the rate anticipated in the road map, this could trigger a review.

Objective measure of population health as a component of State Pension age sustainability monitoring

Currently available measures of population health are subjective and rely on self-reporting of a small sample of the population. Ongoing monitoring of any State Pension age roadmap would require an objective, evidence-based measure of population health. Such a measure would also have wider uses beyond State Pension age considerations. We would encourage the review to recommend that such a measure is created.

⁶ See <https://pubmed.ncbi.nlm.nih.gov/35965226/>

7 Sustainability under different scenarios

7.1 How to monitor and manage the cost of the State Pension

To effectively manage the long-term costs of the State Pension, we believe it is essential to measure and monitor the following factors:

- Life expectancy
- Labour force participation (average working years)
- Population health

It is crucial to understand how each of these factors are evolving over time and, most importantly, how they are evolving relative to one another. This understanding helps reduce the risk of substitution effects. For example, a proportion of the savings associated with a higher State Pension age will be offset if a high proportion of those with a delayed State Pension need to rely on other state benefits to provide them a living income. It also provides decision makers with insights that can be used to inform policy decisions, not only those related to State Pension age and the affordability of the State Pension but also related to broader health and welfare reforms.

To achieve this, it is necessary to measure and monitor these factors over time. Our perspective on the best way to measure each factor has been set out in **Sections 3, 5 and 6** respectively. In this section we use scenario analysis to help understand the interaction between these three factors on the sustainability of the State Pension.

7.2 Which factor is most important?

Across these factors, we believe population health has the biggest impact on the sustainability of the State Pension system.

There is a waterfall effect associated with measuring, monitoring, and enhancing population health, particularly if the 20-year Healthy Life Expectancy gap between most and least deprived individuals (as highlighted in **Section 6.2**) can be reduced.

If population health is successfully improved, especially within the most deprived segments of society, the following benefits can be achieved:

- Labour force participation will naturally increase, as more individuals are able to work or are able to work for longer periods.
- The State Pension will become more affordable, via higher National Insurance contributions topping up the National Insurance Fund.
- There will be broader macroeconomic benefits, including:
 - A reduction to the cost of the NHS and welfare benefits (such as employment and support allowance) due to improved national health.
 - Increased economic productivity, as healthier individuals work and spend more money in the economy, positively impacting GDP and tax revenues.
- Over the longer term, improving the health of the nation should also lead to a faster pace of life expectancy growth (but that is likely to take many decades to fully unfold).

7.3 Forecasting the future

It is impossible to predict the future. Life expectancies, labour force participation and population health will inevitably change in unexpected ways. Further, labour force participation is cyclical and will fluctuate in line with the ups and downs of the economy, and so we need to be careful to distinguish between these usual cyclical effects and more systemic changes when monitoring it.

Before we consider potential scenarios, let us outline the possible impacts of each factor in isolation on the affordability of the State Pension as well as the wider macroeconomic implications. The pair of tables below outline the implications for the State Pension and the broader economy if each of these factors were to increase faster and slower than expected.

If the factor is increasing <u>faster</u> than expected		
Factor	Impact on the cost of the State Pension	Wider macroeconomic implications
Life expectancy	State Pensions will be paid over a longer period than anticipated. This increases the cost of the State Pension.	If the additional years of life are in poor health, there are likely to be additional funding strains (e.g. rising costs of the NHS, social care and pre-State Pension age benefits). If the additional years of life are associated with improved population health, there may be net funding gains .
Labour force participation	National Insurance contributions will be higher than anticipated and working age benefits lower than expected. This reduces the cost of the State Pension via a slower pace of net withdrawal from the National Insurance Fund.	Individuals are on average more economically productive, positively impacting GDP and tax revenue and reducing the cost of out-of-work benefits.
Population health	Improved population health will increase the proportion of older workers able to participate in the workforce.	Additional funding gains should emerge (e.g. reduced burden on the NHS, social care and other welfare benefits). Older workers are more likely to be economically productive too, positively impacting GDP.

If the factor is increasing <u>slower</u> than expected		
Factor	Impact on the cost of the State Pension	Wider macroeconomic implications
Life expectancy	State Pensions will be paid over a shorter period, decreasing the cost of the State Pension.	If the slowdown in life expectancy growth is associated with worsening population health, there are likely to be additional funding strains (e.g. rising costs of the NHS, social care and pre-State Pension age benefits).

Labour force participation	National Insurance contributions will be lower than anticipated, increasing the net cost of the State Pension.	Individuals are on average less economically productive, negatively impacting GDP and tax revenue and increasing the cost of out-of-work benefits.
Population health	Declining population health amongst older workers will impact negatively on their ability to participate in the labour force. This likely increases the importance of the State Pension as a safety net owing to reduced alternative pensions savings.	This should lead to additional funding strains (e.g. increasing the burden on the NHS, social care and other welfare benefits). Older workers are less likely to be economically productive.

7.4 Future Scenarios

Constructing different scenarios helps capture a range of tangible and plausible examples of how the world may evolve over time. The table below illustrates the benefit of this by outlining three ‘what if’ scenarios and the conclusions that might be drawn from each scenario.

Here, we assume that there is a timetable of State Pension age increases in place, alongside a set of expectations as to how population health, labour force participation and life expectancy will change over time.

Scenario	Population health	Labour force participation	Life expectancy	Impact on State Pension age roadmap
Healthy Horizons	Improves faster than expected, inequalities reduce	Improves faster than expected	Improves faster than expected	This is the utopian scenario, where all of society lives longer, healthier, and more economically productive lives. Whilst State Pension age increases could be brought forward to maintain the 2:1 ratio and ensure intergenerational fairness, affordability of the roadmap may be less of an issue.
Decline Dilemma	Improves slower than expected or deteriorates, inequalities increase	Improves slower than expected or deteriorates	Improves slower than expected or deteriorates	This is the dystopian scenario, where health inequalities grow wider and the average life become shorter, unhealthier, and less productive. There are major macroeconomic strains under this scenario, things are at risk of spiralling out of control.

				Intergenerational fairness and the maintenance of the safety net would require the postponement of State Pension age increases, but this may be considered unaffordable.
Silver Tsunami	Improves more slowly than expected, inequalities persist	Improves more slowly than expected	Continues to improve in line with longer-term trends	This scenario helps highlight the challenges of relying solely on life expectancy for setting State Pension age. Society is living longer but in poor health and is less able to work. There are wider macroeconomic strains as the State Pension, the NHS, social care and welfare benefits all become more expensive. The increasing State Pension age helps make State Pension outgo more affordable when State pension payments are considered in isolation, but the National Insurance Fund is under strain from pre-State Pension age benefit claims as are wider Treasury budgets via other welfare benefits and declining tax take.

The pace of change relative to each other is important too. For example:

- What if all three are improving but population health and/or labour force participation are improving more slowly than life expectancy?
- What if labour force participation is decreasing while population health and/or life expectancy is improving?
- What if all three are deteriorating but life expectancy is deteriorating more slowly than population health and/or labour force participation?

Decision makers must ask: What is driving this scenario? Is it normal economic cycles or is it more systemic? What are the broader macroeconomic effects?

The scenarios and questions above are illustrative. Exploring these questions can help inform which policy lever to pull (State Pension age or otherwise) to keep the entire system sustainable for current and future generations.

Setting out a clear roadmap for future State Pension age increases alongside a set of underlying expectations for future trends in life expectancy, labour force participation and population health provides a framework to assess the ongoing sustainability of the State Pension system. Where experience diverges from expectations, this could act as a trigger for a further independent review.

A clear roadmap with triggers for further review

We have seen that a clear roadmap for future State Pension age increases would set the State Pension on the path of sustainability and help address concerns about fairness.

By also setting out a set of measurable expectations for future increases in life expectancy, labour market participation and population health, ongoing sustainability and fairness versus these expectations can be tracked. Further, a set of trigger points requiring a further independent review could be set out in advance.

7.5 What role should State Pension age have for managing the cost of State Pension?

In our view, the State Pension age should be one of the last levers that is pulled to manage the cost of the State Pension *provided* there is a long-term plan for its gradual increasing.

- Increasing State Pension age for older workers would be hugely unpopular and perceived as unfair.
- Increasing the State Pension age by one year or so for retirees further down the line does not significantly impact the affordability of the State Pension in the short term.
- However, even a one-year increase in the State Pension age disproportionately affects the most deprived members of society. They may not reach State Pension age, and if they do, they may be in poor health and thus unable to fully benefit from the social contract.
- It is preferable for the State Pension age to be set a long way in advance at a defined age for each birth generation, to:
 - Restore confidence in the system by providing certainty to the younger generations.
 - Manage expectations and anchor individuals to an age to which to remain economically productive, after which they can benefit from the social contract (i.e. they retire and receive the State Pension)

We believe a much more important lever is population health. Improving population health, rather than raising the State Pension age, is more likely to:

- make the State Pension more affordable;
- bring wider macroeconomic benefits; and
- be better accepted by the public.

8 Intragenerational inequalities in Life Expectancy

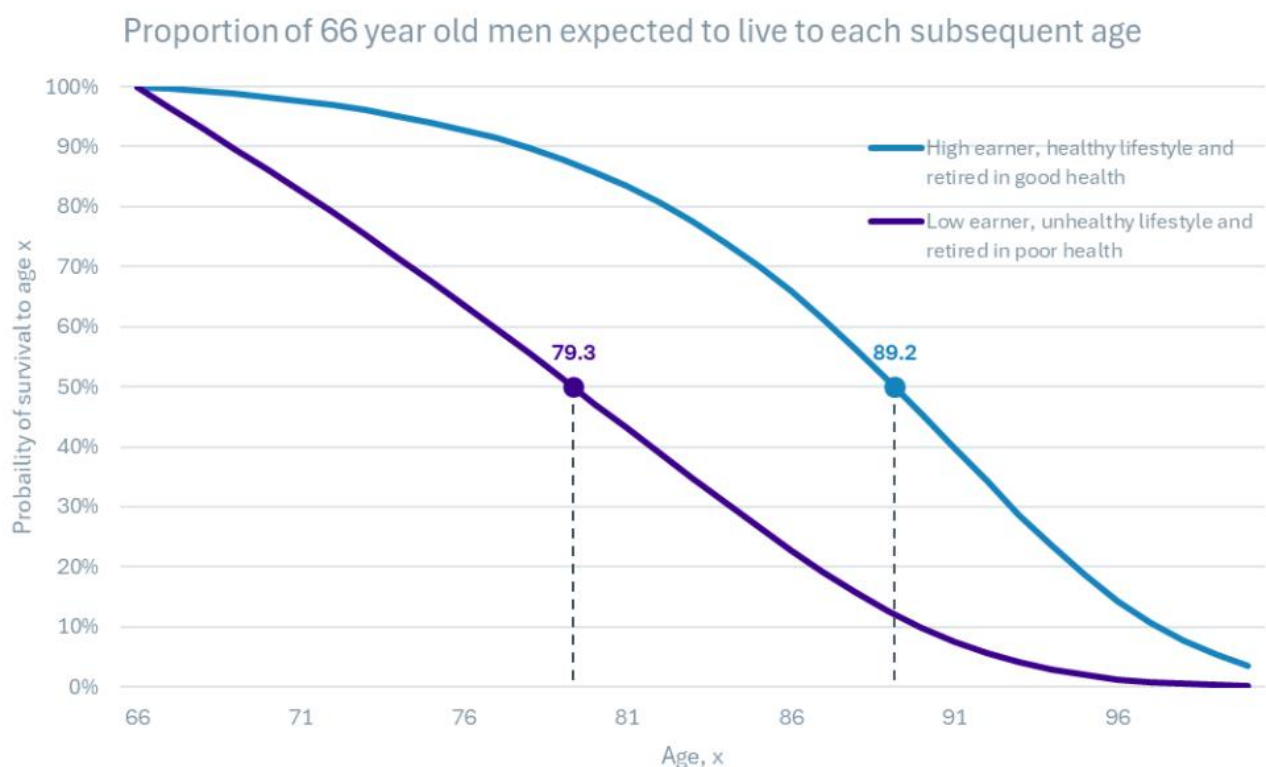
So far, we have looked at how State Pension age could be used as a balancing item to ensure different generations of pensioners get paid a fair amount of State Pension in return for their workforce participation. We expect successively younger generations to live longer, and therefore the State Pension age needs to increase over time.

We have also seen how health varies across the socioeconomic spectrum, and how this can impact on the safety net aspect of setting State Pension age. In this section we explore how life expectancy varies across diverse types of *current* pensioner and highlight the fact that there is currently a high level of *intragenerational* inequality.

8.1 How period life expectancy varies by socioeconomic group

At Club Vita, we specialise in collecting and analysing data related to defined benefit pensioner longevity. Our dataset comprises extensive, anonymised records on the life expectancy of pension scheme members, capturing a wide range of demographic and socio-economic characteristics. Using this data, we can gain a detailed understanding of how longevity varies within different segments of the population.

In the chart below, we show how different types of male pensioner in our dataset show different survival patterns. Here we focus on survival patterns from age 66, the current State Pension age⁷.



A typical healthy, wealthy male pensioner can expect to receive a State Pension for 23.2 years (over a third of his “adult life” from 20). A typical male pensioner at the other end of the spectrum can expect to receive a State

⁷ Based on our latest VitaCurves model (CV25v2) of UK defined benefit pension scheme mortality, built using data covering 2021-23 and stripping out excess mortality associated with the COVID-19 pandemic. Mortality rates apply in 2022, no future improvements are allowed for.

Pension for only 13.3 years (or only 22% of his of adult life). A similar spread is seen amongst female pensioners.

Note these calculations are based on 2021-23 mortality rates (i.e. they represent the survival pattern associated with a period life expectancy). They make no allowance for future improvements in life expectancy. They also based on the DWP approach – so make no allowance for the difference in likelihood of these two groups surviving to State Pension age in the first place: pension scheme members in our purple group are also significantly more likely to die before age 66.

8.1.1 Best value to those who need it least

The high earner data used to construct our blue line relates to individuals receiving a pension in payment of **£43,000 p.a. or more** (in 2024 terms) from their defined benefit pension scheme. In contrast, the purple line relates to individuals who are receiving **£9,000 p.a. or less**. A fixed State Pension age across the socioeconomic spectrum fails to reflect the reality that more affluent pensioners live longer. This means that those in least need of a State Pension end up on average receiving the biggest overall payouts.

8.2 Mechanisms to reduce intragenerational fairness

We note that the question of a variable State Pension age dependent on factors like affluence and geography are not up for consideration as part of this review⁸. However, other mechanisms are possible to increase either fairness or sustainability of the State Pension. We discuss four of these briefly below.

8.2.1 Ill-health early retirement

It is widespread practice in defined benefit pension schemes to permit early retirement without reduction subject to meeting certain health criteria. For example, an individual could be allowed to retire early based on medical evidence that they were no longer able to work.

Such a mechanism has intuitive appeal in the context of making State Pension provision less unequal. It is also relevant to our previous discussions about maintaining an adequate safety net and the monitoring of changes in population health.

The additional cost of providing such a mechanism could be offset by setting the general State Pension age slightly higher, helping with affordability considerations. At the level of the National Insurance Fund and broader welfare state, introducing ill-health early retirement may be broadly neutral as it replaces pre-State Pension age benefits that these individuals are likely to already be receiving.

8.2.2 Linking State Pension age to life expectancy amongst more deprived groups

One option to ensure that more deprived groups are not “left behind” by increasing State Pension age is to link rises in State Pension age to subpopulation life expectancy. For example, increases to State Pension age could only be enacted if life expectancy for the most deprived Index of Multiple Deprivation quintile had increased past a certain threshold.

This appeals because it ensures the safety net aspect of the State Pension is maintained as well as providing a financial incentive to government to improve population health.

However, if applied as an Automatic Adjustment Mechanism, it suffers from the same challenges as a mechanism based on overall life expectancy.

⁸ Club Vita has in the past given considerable thought to how a variable State Pension age might be applied in practice. Please see our paper with the Oxford Institute of Ageing: <https://www.clubvita.net/assets/images/general/Living-longer-and-prospering-copy.pdf>

8.2.3 Better publicity for deferring the State Pension

Individuals can currently choose to defer their State Pension. In return they will receive an enhanced State Pension when they do choose to retire.

If the act of deferring the State Pension leads to an individual choosing to work for longer, then considered holistically, those who can work past State Pension age should be actively encouraged to do so. The late retirement factors associated with deferral are generous for individuals with higher-than-average life expectancy, making deferral a potentially attractive proposition for those who can afford to do so.

Greater publicity of this option would mean that individuals are more likely to actively plan around it. The potential increased cost associated with a greater take up will likely be more than offset by the associated higher tax take and increased productivity.

8.2.4 Realigning National Insurance contributions to better reflect inequalities in State Pension provision

National Insurance contributions are subject to an upper threshold, above which contributions are significantly lower (currently 2%). The predecessor of this threshold, the Upper Earnings Limit, was established to reflect the flat rate nature of the State Pension and other benefits. However, as we have seen, whilst the State Pension is a flat benefit per year of payment, the average period it is paid for is materially longer for higher earners. An assessment which takes into account the fact that higher earners can expect to receive the State Pension for longer may support a reshaping of the upper threshold, for example by setting it at a higher value or increasing the contribution rate above that threshold.

Further, National Insurance contributions currently cease at State Pension age. Another potential area for clawback would be if higher earners were to continue to pay National Insurance contributions after State Pension age to reflect their expected longer period of receiving the State Pension.

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RELIANCES AND LIMITATIONS

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