

# Third State Pension Age Review

Pensions UK Response

October 2025

## *About Pensions UK*

*Pensions UK is the voice of pensions in the UK, trusted and heard by the Government and the pensions industry. For more than 100 years we've delivered influential thought leadership, practical guidance and research for our members; pro-actively solving the sector's biggest issues and setting the future direction.*

*As a not-for-profit organisation, we exist for the benefit of our members, and to deliver the best possible outcome for savers in the UK, so they can retire in confidence and with dignity.*

*We're the voice of pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest £2 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures.*

## **Executive Summary**

Pensions UK welcomes the opportunity to respond to the Government's Third State Pension Age Review. The State Pension Age (SPA) is a crucial lever for maintaining the long-term sustainability of the State Pension system, while the State Pension itself remains central to ensuring adequate retirement income. The following points are key to Pensions UK's response:

1. **Fair, Adequate, and Sustainable.** Pensions UK is committed to supporting a State Pension system that is fair, adequate, and sustainable for current and future generations. Achieving this will require careful consideration of demographic trends, economic realities, and the diverse needs of the UK population.

We urge the Government to take a balanced, evidence-based approach, grounded in transparency and public engagement, when considering any changes to the SPA or uprating mechanisms. By prioritising fairness, adequacy, and long-term sustainability, the State Pension can continue to provide security and confidence for millions of savers and pensioners across the UK.

2. **Healthy Life Expectancy.** Any increase in the SPA should be contingent on a corresponding rise in healthy life expectancy, to ensure fairness across the population. Significant and persistent disparities in both life expectancy and healthy life expectancy exist by region, occupation, and income group. Raising the SPA without consideration for these differences risks deepening inequalities, particularly for those in manual jobs, deprived areas, and minority groups.
3. **Communicating SPA Changes.** Changes to the SPA should be clearly communicated to savers and supported by complementary policies – such as flexible retirement options for those unable to work longer due to health or caring responsibilities – to maintain fairness and public confidence. Any changes to the SPA should allow 10 years notice, to allow savers ample time to prepare. Retaining a single SPA is best to avoid confusion amongst savers, but the Government should be open to ideas to increase flexibility to retire early, in certain circumstances.
4. **The Triple Lock.** Pensions UK acknowledges the importance of the Triple Lock in protecting pensioners' incomes in real terms, particularly while concerns persist around the adequacy of retirement outcomes across DC schemes. However, the OBR's projections indicate that, if maintained, the Triple Lock could increase state pension spending to approximately 7.7% of GDP by the early 2070s, up from around 5% today.<sup>1</sup> This significant rise presents long-term sustainability challenges, particularly considering demographic shifts and economic uncertainties. Pensions UK recommends establishing a clear adequacy level for the State Pension, ensuring it meets the minimum income standards necessary for a decent retirement. Once this baseline is achieved, consideration should be given to transitioning the Triple Lock to a more sustainable uprating mechanism. This approach would balance the need for adequate pension income with fiscal responsibility, ensuring the long-term sustainability of the State Pension system.
5. **Automatic Adjustment Mechanisms.** Although an Automatic Adjustment Mechanism (AAM) to make changes to the SPA, if appropriately designed, could help to maintain a consistent balance between working life and retirement across generations, retaining a single SPA is best to avoid confusion among savers. However, the Government should be open to ideas that would increase flexibility to retire early, in certain circumstances. Again, any changes to the SPA should allow 10 years notice, to allow savers ample time to prepare.

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<sup>1</sup> Office for Budget Responsibility (2024), Fiscal risks and sustainability, CP 1142, September 2024. Available at: <https://obr.uk/download/fiscal-risks-and-sustainability-report-september-2024>

6. **Broader Policy Review.** A sustainable State Pension system may require a broader policy review beyond changes to the SPA or Triple Lock. As part of this Third State Pension Age Review and through the ongoing work of the Pensions Commission, the Government should consider international experience and investigate a wider range of interventions that could be made, including around workforce participation. Crucially, any reforms must be fair, clearly communicated, and tailored to the UK’s unique demographic and economic context, ensuring long-term adequacy and public confidence.

## Introduction

The State Pension remains the cornerstone of retirement income in the UK, providing a vital source of financial security for older adults, particularly those on lower incomes or without access to substantial private savings. It supports millions of households and plays a disproportionately important role for women, single pensioners, and those who have experienced interrupted or lower-earning work histories. It forms the foundation of retirement planning for a significant proportion of the population, ensuring a minimum level of income in later life, and is key to working towards adequate retirement outcomes across a significant portion of the population.

Despite the expansion of workplace and private pensions, around 1.2 million retired households rely primarily on the State Pension for at least three-quarters of their income.<sup>2</sup> Further, 13% of all pensioners – and 18% of single pensioners – depend entirely on it and other state benefits for their income.<sup>3</sup> Benefit income – which includes the State Pension, Pension Credit, and other state benefits – accounts for 52% of total gross income for pensioners aged 75 and over and 38% for those under 75. Among single pensioners, it represents 59% of gross income for women and 51% for men.<sup>4</sup>

While the State Pension is essential to financial security in later life, adequacy remains a concern. The full new State Pension in 2025/26 (£230.25 per week) falls below both Pensions UK’s minimum Retirement Living Standards level (£257.69) and the Joseph Rowntree Foundation’s Minimum Income Standard for a single pensioner (£586.54 per week).<sup>5</sup> There is an ongoing risk of poverty among those who rely solely or predominantly on the State Pension, particularly individuals with

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<sup>2</sup> Just Group (2023), *1.2 million pensioner households primarily dependent on the State Pension*.

Available at: [https://www.justgroupplc.co.uk/~/\\_media/Files/J/Just-Retirement-Corp/news-doc/2023/1-2-million-pensioner-households-primarily-dependent-on-the-state-pension.pdf](https://www.justgroupplc.co.uk/~/_media/Files/J/Just-Retirement-Corp/news-doc/2023/1-2-million-pensioner-households-primarily-dependent-on-the-state-pension.pdf)

<sup>3</sup> Independent Age (2024), *Too little, too late: State Pension and social security safety net failing older people*. Available at: <https://www.independentage.org/news-media/press-releases/too-little-too-late-state-pension-and-social-security-safety-net-failing>

<sup>4</sup> Department for Work and Pensions (2024), *Pensioners’ Incomes Series: Financial Year Ending 2024*. Available at: <https://www.gov.uk/government/statistics/pensioners-incomes-financial-years-ending-1995-to-2024>

<sup>5</sup> Joseph Rowntree Foundation (2024), *Minimum Income Standard for the United Kingdom 2024*. Available at: <https://www.jrf.org.uk>

lower lifetime earnings, interrupted work histories, or limited access to private pension provision.

These challenges are magnified by broader demographic trends. The UK's population is ageing rapidly, with an increasing proportion of pensioners relative to working-age adults. This shift places additional pressure on the State Pension system and highlights the importance of ensuring that any policy changes are both sustainable and equitable across generations.

Against this backdrop, the Third State Pension Age Review provides an important opportunity to consider how policy can ensure intergenerational fairness, strong adequacy outcomes, and the sustainability of the State Pension overall. Within this it will be critical to consider key socio-economic factors including health outcomes, gender differences, workforce trends, and access to private pensions.

#### **4.1 Life Expectancy**

##### **a. What are the advantages and disadvantages of linking State Pension age to life expectancy? b. How would linking State Pension age to life expectancy impact upon intergenerational fairness?**

Recent data suggests that average life expectancy at age 66 continues to increase for both men and women, although the rate of increase is lower than previously forecasted. Since 2017–2019, healthy life expectancy at birth has fallen for both men and women, with regional variation across England, Scotland, and Wales.<sup>6</sup>

Pensions UK believes that any increase in the SPA should not take place unless there is a corresponding rise in healthy life expectancy, to ensure fairness across the population. There are significant and persistent disparities in both life expectancy and healthy life expectancy by region, occupation, and income group. People in manual or physically demanding jobs, those living in more deprived areas, and certain minority groups tend to have shorter healthy life expectancy and would be disproportionately affected by a higher SPA. Raising the SPA without regard to these differences risks deepening inequalities.

Changes to the SPA should be clearly communicated and supported by complementary policies – such as flexible retirement options for those unable to work longer due to health or caring responsibilities – to maintain fairness and public confidence. Any changes to the SPA should allow 10 years' notice, to allow savers ample time to prepare. Additionally, retaining a single SPA is best to avoid confusion amongst savers, but the Government should be open to ideas to increase flexibility to retire early, in certain circumstances.

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<sup>6</sup> Office for National Statistics (ONS), "Health state life expectancies, UK: 2020 to 2022", published 2024. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/healthstatelifeexpectanciesuk/2020to2022>

## 4.2 Sustainability

**c. What role, if any, should State Pension age have for managing the cost of the State Pension in the longer term? d. What are the advantages and disadvantages of using State Pension age to manage the cost of the State Pension in the longer term? e. What other factors relating to sustainability should the Government consider when determining State Pension age? What are the advantages and disadvantages of using these factors?**

Raising the SPA is one way to manage the cost of the State Pension, particularly in response to rising State Pension costs driven by increasing longevity and the Triple Lock. However, as previously noted, healthy life expectancy has not kept pace with overall life expectancy, and the SPA should not be raised until this gap is addressed. Other policy options should be considered simultaneously, particularly as adjustments to the SPA alone will not ensure the long-term sustainability of the State Pension. The broader policy framework should be considered, to ensure that the State Pension is not only fair and adequate, but also sustainable.

### *Increasing Cost Concerns*

The increasing cost of the State Pension due to the Triple Lock – particularly relative to GDP – as well as the increasing elderly population – raise questions about the State Pension’s overall sustainability.

There is an expected increase (55%) in the number of people of SPA or over the next 50 years.<sup>7</sup> In addition, State Pension as a proportion of GDP is increasing due to the relatively slow growth of GDP, coupled with the rise in the number of pensioners and the uprating of pensions with the Triple Lock. OBR forecasts that State Pension expenditure as a per cent of GDP will reach 7.7% of GDP by the early 2070s, around 50% higher than today.

### *The Triple Lock*

The Triple Lock helps ensure that the State Pension retains its value in real terms, providing financial security for pensioners. By uprating the State Pension each year according to the highest of CPI, average earnings, or 2.5%, it supports a strong baseline level of income. Over the longer term, however, demographic shifts – such as an ageing population and a shrinking proportion of working-age contributors – will place increasing pressure on the affordability and fiscal sustainability of this approach. These trends highlight the importance of considering how the State Pension can continue to deliver adequate retirement income while managing future budgetary challenges.

Adapting the Triple Lock should therefore be one of the policy levers the Government considers pulling to support the State Pension’s long-term fairness

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<sup>7</sup> Department for Work and Pensions (2023), State Pension age Review 2023: government report. Available at: <https://www.gov.uk/government/publications/state-pension-age-review-2023-government-report/state-pension-age-review-2023>

and sustainability. Pensions UK believes that the Triple Lock should be maintained in the short- to medium-term as a stable glide path to increase the State Pension until it reaches a defined adequacy level to prevent pensioner poverty. At present there is not a clear national policy objective in relation to the adequacy of the State Pension, despite it being the core of most savers retirement income. We would encourage Government to consider this as part of the work of the Pensions Commission. Once the State Pension has reached this minimum level, consideration should be given to a new form of indexation that prevents pensioner poverty while maintaining a strong State Pension.

The Government should begin work to determine a base State Pension level to protect pensioners from poverty and to ensure that they do not fall behind the average income level in society. As of this year, the current value of the new State Pension is £230.25 a week, or £11,973 per year. The current minimum value of Pensions UK's Retirement Living Standards (RLS) for a single person is £13,400. The Joseph Rowntree Foundation Minimum Income Standard (MIS) for a single person is £30,500.

These standards have been developed following extensive engagement with a wide range of people across the UK and reflect expected expenditure levels in retirement. As such, they also serve as a strong benchmark for public perception of the minimum income needed in retirement to live adequately and participate fully in society.

There is a clear gap between the current, annual value of the State Pension (£11,973) and Pensions UK's RLS (£13,400) and the Joseph Rowntree Foundation's MIS (£30,500). (Note: The large difference between the RLS and the MIS reflect their differing methodologies. The RLS estimates the income needed for a modest but secure retirement, assuming home ownership and lower housing costs. The MIS models the minimum income required for full social participation across the general population, including rent and broader living expenses). While these gaps remain, Pensions UK urges the Government to undertake a comprehensive analysis – one that considers existing metrics like the RLS and MIS. Using this analysis, the Government should look to:

1. Establish an adequate floor to ensure pensioners are protected from poverty; and
2. Develop a revised indexation framework to strengthen and future-proof the Triple Lock mechanism for when the floor is reached.

Given the political sensitivity of the Triple Lock, political parties have been reluctant to make changes to the system as it currently stands. While the Government has committed to maintaining the Triple Lock for the duration of this Parliament, we believe it is prudent to consider how the policy could be adjusted to ensure long-term sustainability. The Pensions Commission should therefore examine whether the Triple Lock remains viable in the long term and explore what alternative measures might look like.

Pensioners should be communicated to clearly and well in advance to prepare for any changes once the Triple Lock reaches an adequate poverty prevention level and a new form indexation is adopted. The Government should begin its analysis to determine these metrics.

### *International Models & Other Policy Levers*

International experience demonstrates that there is no single solution to the challenges of pension sustainability. While countries such as Germany and Italy have adopted mechanisms like indexation formulas and notional defined contribution systems, these models each involve trade-offs between adequacy, sustainability, and public confidence. Rather than advocating for any specific alternative, Pensions UK encourages the government to learn from international practice as part of a holistic, ongoing review of the State Pension through the Pensions Commission, ensuring that any reforms are tailored to the UK's unique demographic and economic context.

Beyond adjustments to the SPA and the Triple Lock, a sustainable State Pension system may require broader policy interventions – for instance in relation to workforce participation. Pensions UK urges the government to take an integrated approach, using the Pensions Commission's continued review process to assess the full range of options and ensure that reforms are fair, adequate, and sustainable for current and future generations.

### **4.3 Automatic Adjustment Mechanisms**

**f. What are the advantages and disadvantages of using Automatic Adjustment Mechanisms to make changes to State Pension age (i.e. if a certain factor changes, State Pension age is automatically increased or decreased as a result). g. What factors could be considered for use in an Automatic Adjustment Mechanism, and why?**

While Automatic Adjustment Mechanisms (AAMs) for the SPA could, in theory, account for factors such as economic growth, labour force participation, and changes in life expectancy, Pensions UK believes it is important to maintain a stable SPA.

Linking the SPA to an AAM could help ensure that the ratio of working years to retirement years remains broadly consistent over time, and adjustments could incorporate healthy life expectancy to support fairness across different groups. However, any such mechanism would need to be approached with caution, as AAMs may be difficult for the public to understand, could still disproportionately affect individuals in physically demanding jobs or with shorter life expectancy, and risk undermining the stability that pensioners and prospective pensioners rely upon.

If considered, any AAM should be transparent, predictable, and clearly communicated, with mechanisms to phase in changes gradually to avoid abrupt impacts. Crucially, it should form part of a broader package of policy measures, as

adjustments to the SPA alone are not sufficient to ensure the overall sustainability of the State Pension system.

Maintaining a stable SPA, alongside complementary measures, remains a key priority to balance sustainability, fairness, and public confidence.

#### **4.4 Factors for setting State Pension Age**

**h. What other factors do you think the government should consider when making decisions regarding State Pension age? What are the advantages and disadvantages of using these factors? i. Which of these factors (life expectancy, sustainability and other factors) do you think are most important for the Government to consider when making decisions regarding State Pension age, and why? j. How might changes to State Pension age impact people differently? Which groups of people, regions or nations may be most impacted by changes to the State Pension age, and why?**

When setting the SPA, the government should consider not only life expectancy and financial sustainability, but also healthy life expectancy, employment patterns, job demands, broader economic conditions, and individual characteristics. Healthy life expectancy is particularly important for fairness, as some people may be unable to work longer due to health limitations. Employment patterns and job types reflect the practical realities of remaining in the workforce, while economic indicators such as GDP or wage growth can help align SPA adjustments with the system's capacity to fund pensions.

With regards to employment patterns more specifically, the SPA review should reflect how the nature of work may evolve in the coming decades. The 'fourth industrial revolution' could lead to a shift in the labour market, with more roles in manual and relational occupations – such as personal and social care – replacing traditional white-collar jobs due to automation and AI. This transition may increase the risk of older working-age poverty, particularly if individuals are unable to continue in the types of jobs that remain available and are not yet eligible for pension support. These dynamics, though not central to previous reviews, warrant serious consideration in shaping future SPA policy.

Each factor involves trade-offs. For example, health- and occupation-based adjustments may be complex to implement, and economic indicators can fluctuate, creating unpredictability for individuals planning their retirement. The government should therefore prioritise healthy life expectancy and sustainability, while using employment and economic factors to refine policy and improve fairness.

Changes to SPA will not affect everyone equally. Individuals in physically demanding jobs, those with shorter life expectancy, lower-income groups, and certain regions may experience disproportionate impacts. Gender differences, such as career breaks and caregiving responsibilities, may also influence outcomes. To mitigate these risks, any changes should be phased in gradually, clearly

communicated, and accompanied by complementary policies. Flexible retirement options or targeted support are important to ensure the entire system, beyond the State Pension alone, remains equitable and sustainable.

In this context, the Government should also consider a proposal from the Institute for Fiscal Studies (IFS), which recommends enhancing Universal Credit for people approaching the SPA who are unable to work due to health conditions or caring responsibilities. Support of this kind could help mitigate the risk of increased inequality and financial hardship among those most affected by SPA changes and should form part of a broader package of reforms to ensure fairness and sustainability.

### **Additional Consideration for SPA Review**

The Government should also reflect on the interaction between the SPA and public sector pension scheme design. Many large public sector schemes currently link normal retirement age to the SPA, which can result in individuals retiring with income levels that exceed their working earnings, particularly where accrual rates are generous and National Insurance is no longer payable in retirement. Any conversation around increasing the SPA should therefore be accompanied by a broader discussion on public sector pension scheme parameters, including accrual rates and member contributions, as certain adjustments could improve fairness and reduce administrative inefficiencies (such as annual allowance breaches).