Public Service Pensioners' Council

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State Pension Age Review

Consultation Response from the Public Service Pensioners Council

The Public Service Pensioners' Council (PSPC) represents all of the main public service pensioners' organisations. It was established more than fifty years ago with the aim of protecting the interests of retired public servants. The Council has close links with a variety of other organisations and maintains regular contact with the Government and main political parties on issues of concern to public service pensioners.

For more information about the PSPC and its work, go to www.publicservicepensioners.org.uk

STATE PENSION AGE REVIEW

The review of the state pension age has raises issues of concern to our members in the public sector. Whilst we acknowledge that the legislation sets out a rise from the current State Pension Age (SPA) of 66 years to age 67 from April 2027-2028 then a rise to 68 from 2044 to 2046, although we understand that government are considering accepting the recommendations of the Cridland Review for a gradual rise to age 68 from 2037 to 2039 much earlier than current legislation.

The terms of reference for this Review discusses life expectancy as if all life remains the same quality. It is our view that healthy life expectancy is a more appropriate measure to inform the Review and would expect in particular the work of the Marmot Report both original and follow up and the All Party Parliamentary Group for Longevity would feature in the work of this Review.

The Public Service Pensioners' Council set out their policy position which is whilst accepting the current legislation has grave concerns and will campaign against increasing the age 68 earlier than currently in law and supports the singular issue of the "WAPSI" women those born in the 1950's who have been disadvantaged by the rapid equalization of SPA and subsequent rise to age 66. The PSPC opposes any future increases beyond age 68.

Intergenerational Fairness

Intergenerational Fairness is highlighted as a key feature in this review. Current pensioners are seen as had having a 'better deal' than the younger generation. Whilst this may be true for some, many pensioners live in poverty. The current average civil service pensions are for women £6K and men £12K. With a basic state pension this will leave many in need of pension credit, housing benefit and other state support. There will be other examples both within the public sector and outside.

How will forcing people to work longer help younger people? It certainly doesn't free up jobs, housing, help with the cost of living, indeed hinders grandparents helping with childcare. Jobs, housing and education all have cost challenges. Rents have risen by up by 19% in the last two years in certain parts of the country. Student loan interest rates could be 12% this year. The UK is a developed nation yet young people are facing cost of living increases not seen for decades and often poorer pension provision than the older generation.

Younger people both within and outside the public sector are either in schemes that have a state pension age link or in auto enrolment qualified defined contribution schemes. In both cases they will have to work longer than the traditional retirement ages of 60 and 65 that pension schemes previously had as their Normal Pension Ages. Unless the statistics on healthy life expectancy improve this will mean an increasing number retiring on grounds of ill health not always meeting the requirements of scheme ill health retirement rules.

State Pension Age Link in Public Service Reform schemes

This does not only affect younger people, the remedy in the public service age discrimination cases to move the goal posts for those retiring soon and those already partially retired to move people to a new pension scheme linked to SPA with little notice is an upsetting and detrimental change.

This move to address age discrimination as defined in the McCloud/Sargeant cases, has imposed a costly remedy on public service pension schemes and disrupted retirement plans of those much closer to retirement than the original 2014/15 reforms. People who are retiring on their occupational pension before state pension age for a variety of reasons including the nature of their work will be forced to work longer possibly to the detriment of their health and possibly impact on their work. Whilst occupational schemes give some people the opportunity to retire earlier, indeed in some occupations this is necessary, linking those schemes to a state pension that could be increasingly further away, is unethical. Scheme members may have paid extra for an early retirement date, such as in the civil service scheme. Moving the scheme and state pension age can cause stress and unhappiness to those working especially those close to retirement.

Proportion of Life after State Pension Age

The Cridland report accepted that 32% of life on average should be spent after state pension age. The Review will look at this, however, it should consider the healthy life expectancy of people and how much quality of life they have after state pension age. Healthy Life expectancy, which as well as covering a wide range is considerably lower than the current SPA. The difference in healthy life expectancy is 19.8 Years for women and 17.8 for men across upper tier local authority areas, the Health Foundation reports. Public Health England statistics show an average healthly life expectancy of 64 years for women and 63 years for men in 2015. In Scotland recent figures show healthy life expectancy for women is 61.8 having fallen over the past 5 years and 60.9 for men also decreasing in the past 3 years. And in Northern Ireland 2017-19 healthy life expectancy was 59.2 for men and 61 for women. The impact of Covid19 and the consequences of long covid may well impact this negatively. These figures support findings from 'Health Equity in England -The Marmot Review 10 years on' which talks about good health involving preventative measures.

The All Party Parliamentary Group for Longevity (APPGL) in it's February 2020 report have investigated how to implement 'for everyone to have 5 extra years of healthy life by 2035 and narrow the gap between richest and poorest.' It acknowledges the massive disparity between geographical area and socio-economic status. It reports that in some areas women develop a long term serious health condition on average at 47 whereas in others it is age 55. In light of these and similar statistics having a state pension age of 66 seems unrealistic! This report came out before the pandemic and its impact on the NHS and the as yet unknown impact of long covid on the working population.
It is not just life after state pension age but the quality of life, that is important.

Costs

This review will look at the funding of the state pension and how it can be paid for. The current method of reliance on national insurance records gives people reassurance that they are paying for their pension. It is not seen as a benefit, (although technically it is) people see it as an entitlement. It does depend on contributions, with pension credit (often unclaimed) as a top up. This should be automatic not means tested to ensure it reaches those in most need. It is already complex particularly for pre 2016 pensioners anything set out to replace it would be enormously time consuming and costly. In April 2022 national insurance contributions have increased to pay for social care costs. It is too early to see how this works in practice. The state pension is seen as something people have already paid for not something that future generations are burdened by. The pay as you go method has worked in the public service pension schemes for generations and this has avoided the difficulties of funded occupational schemes whilst still value for money for members and employers. The state pension is valued part of retirement income and for large proportion of people the main part of their retirement income. Pushing it further away when many people in their sixties work it is often in insecure jobs. Insolvencies jumped for every age group over the decade 2008-2018 but the increase was biggest in the over-65s, according to the analysis by Rest Less, a jobs, volunteering and advice site for the over-50s.

WASPI Women

This Review may need to look at longstanding issue of the women born in the 1950's who have suffered by the bringing forward of equalization of the state pension age and the increase to age 66. Many of these women have an incomplete national insurance record due to caring responsibilities before that was recognized with credits. Many are in debt. The number of insolvencies among women aged 65 and over increased from 1,109 in 2008 to 2,082 in 2018 – an increase of 88% – according to data from the government's Insolvency Service. Although, 2020 was the first time more women aged 60-64 outnumbered those not working, it doesn't mean that their work is well paid or pensionable. In 2021 the Parliamentary and Health Service Ombudsman confirmed that DWP had been found guilty of 'maladministration' in communicating the state pension age increase. The PSPC support compensation for those affected and urge this Review to recommend this.

Climate Change

Although Climate change is not an obvious factor in looking at the future age of state pension payment, unfortunately it will play an increasing role in the UK and global economy and therefore when considering any future policy change the government will need to ensure that despite other factors playing a role, net zero is on track and that society is stable and state pensions can be paid. Younger people face challenges after the pandemic but it is unclear now how coping with the climate crisis will cost in the longer term. It is short sighted to assume that funding provision for elderly people will be based on the same process as today but it would be unfair for the younger and older generations to allow pensioner poverty and a growing number of non working but not yet retirement age older people to live in poverty supported by state benefits. However, society changes people will always want to retire on their own terms with dignity and a reasonable state pension age is part of that.