



The state pension is the foundation for many people's retirement income and serves to protect individuals from falling into poverty in old age. But knowledge is poor and misconceptions are commonplace. With decisions ahead over its future, any changes to the system need to be effective, fair and trusted.

The future sustainability of the state pension

The state pension is at a critical juncture, facing serious questions of intergenerational fairness and affordability as large numbers reach retirement in the coming decades.

Phoenix Insights offers recommendations for the future of the state pension, drawing on a ground-breaking year-long study working with the public to understand their views and expectations of the system.

State Pension and Modern Society

The foundation of a universal, contribution-related basic State Pension was laid in the 1940s and implemented by the National Insurance Act 1946 from 5 July 1948. Just like our culture and way of life, over the last 75 years the state pension has changed in response to societal and public needs.

1940s >-----> **2023**

1.4 years (men)
11.5 years (women)

< **Length of time lived in retirement** >

22.3 years (men)
26.2 years (women)

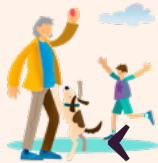


65.9 years (men)
70.3 years (women)

< **Life expectancy** >

85 years average
(men and women)

The world's first stored program computer was the room-sized **Manchester Mark One** developed at the University of Manchester



< **Computer ownership** >

90% of households own at least one computer and 93% of households own at least one smartphone



£1,751

< **Average house price** >

£288,000



Morris Minor
£400

< **Best-selling car** >

Nissan Qashqai
£26,400



Est. 30,000
non-white residents

< **Ethnic diversity** >

White British 80.6%
Asian 9.3%, Black 4.0%
Mixed 2.9%, Other 3.2%



An intergenerational contract – policy recommendations for the future of the state pension

Delaying access to the state pension alongside widespread could create a perfect storm for worsening poverty. Many people will need support to help them to work up to a higher state pension age.

The state pension is the foundation for many people's retirement income, it's important the public are fully involved in any decisions to it that might affect them.

Our research with the public show:

- Understanding of the state pension is poor, with people often struggling to explain the basics
- Many people believe that National Insurance contributions are kept in a 'personal pot' accessed when they reach state pension age. In reality, today's workers pay for today's state pensioners.
- People are worried about equity in the system, and support reforms to ensure the long-term sustainability of the state pension and to help those most in need

The public are supportive for changes to the state pension system that will help it continue to serve its role as part of a social contract into the 21st century. They feel it should be focused on helping the most vulnerable without adding complexity.

While some changes should be considered in the next state pension age review, we believe there are policy reforms which could be introduced now to make a real difference.

Our recommendations

- 1 Building trust, engagement and understanding of the state pension**

The next state pension age review should include public deliberation and engagement to create buy in and trust in the system. Long-term decisions should be scrutinised by an independent body like a new Pension Commission.
- 2 Balancing fairness, sustainability and simplicity in eligibility**

The state pension should remain non-means tested and linked to average life expectancy, but it requires supplemental support in the wider social security system to help people manage changes. The next state pension age review should combine both a review of age as well as the uprating system.
- 3 Ensuring the state pension system supports those most in need**

Increase uptake of Pension Credit for those eligible through targeted local level outreach and uprate it in line with the state pension triple lock.

Introduce a bridging benefit through Universal Credit equivalent to Pension Credit for people at risk of poverty one year before their state pension age.

Allow early access to a pro-rated payment equivalent to state pension for adults of any age with a terminal illness.
- 4 Supporting good work for more, for longer**

Create a £300m Sustainable Work Fund to engage and support employers and workers, to create opportunities for better, healthier and more sustainable working lives for all ages, through a major boost to lifelong learning, interventions such as mid-life MOTs, workplace health, flexible working and careers advice.
- 5 Promoting personal saving for those who can**

Improve the coverage and effectiveness of AE to help people to save more for their retirement alongside the state pension system.
- 6 Funding any changes to the state pension system in a balanced way**

Whenever state pension age increases, invest the equivalent of 20% of the fiscal savings to create opportunities for better work and help those most in need to bridge the transition to higher state pension ages.