Smoothing the Transition

The Cridland Review of State Pension Age
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NATIONAL PENSIONERS CONVENTION

Introduction
Under the Pensions Act 2014, the government has the right to conduct a review of the State Pension Age (SPA) every five years. The first of these has been undertaken by the former CBI leader, John Cridland entitled *Smoothing the Transition*. Of course we should celebrate the fact that social progress now enables people to live longer, but we must also recognise that the right to retire can only really be exercised when individuals have financial security as well. Otherwise working longer becomes a necessity for many and a choice for just a few. This briefing outlines the main aspects of the review and offers some immediate analysis.

Recommendations
The Cridland review has made the following main recommendations:

- The State Pension age should rise to age 68 over a two year period starting in 2037 and ending in 2039. This brings forward the existing timescale by seven years (2044-46) and affects people currently aged 45 or younger.
- The SPA should not increase more than one year in any ten year period.
- The triple lock on the state pension should be replaced after 2020 by a simple link to earnings.
- Access to the means-tested Pension Credit should be set one year below SPA from the point at which the increase to 68 is introduced for a defined group of people who are unable to work through ill health or because of caring responsibilities.
- Those who defer their state pension should have the option to be rewarded through a lump sum once they start drawing it and people over SPA should be able to part drawdown their State Pension – leaving the balance to benefit from the deferral arrangements.
- The government has a responsibility to communicate directly with those affected by necessary changes to the SPA.
- The current review of Automatic Enrolment should look at how the growing group of self-employed people can be helped to save for their retirement and consideration should be given to allowing couples the option to combine their private pension savings into a joint pot, to help mitigate disadvantage caused by one partner taking time out of the labour market (eg. for childcare).

"Asking the right questions, but coming up with the wrong answers"
The final report from John Cridland is extremely disappointing given his interim findings and the weight of evidence he found surrounding the issue of health inequalities across the country. The Cridland review correctly identified a number of real problems, but has failed to draw the right conclusions:

- Raising the SPA inevitably has the greatest impact on those with shorter life expectancies, often in lower paid jobs, doing manual or stressful work, in poorer health and in the more deprived areas of the country. Therefore linking a future

SPA to average life expectancy is unlikely to help those whose longevity is already low. There should therefore be no further increase in SPA beyond 66 in 2020.

- The significant variations in life expectancy among the population mean that the politically driven 'one third' policy has a more regressive effect on those who have a shorter life span, and a fairer alternative would be to base retirement policy around the number of years of healthy life expectancy. Despite lots of evidence in the report to support this, it does not appear in the recommendations.
- Not everyone will be able to continue working up to SPA through ill health and some will find themselves out of work before they reach SPA and unable to get another job in the meantime. An ever rising SPA means this period of unemployment will inevitably widen. The latest evidence shows that almost half of all long-term unemployed are over 50[1]. These individuals should have been allowed to access Pension Credit up to five years before reaching SPA.
- Similarly, specific groups, such as disabled workers and unpaid family carers (eg. those receiving the Carer's Allowance) should be able to access their State Pension up to five years prior to reaching SPA, without any reduction in value. The review has offered them access to Pension Credit just one year before reaching SPA.
- Suggestions that the triple lock is too generous and unaffordable ignore the very real reduction in value that the state pension suffered when the link with earnings was broken by the Conservative government in 1980. In 2010, when the triple lock was introduced, the BSP would have stood at £161.30 a week had the earnings' link still been in place, compared to the actual figure of £97.65. This loss, including when the triple lock was in place, has never been recouped.
- For millions of future pensioners who will not benefit from generous final salary occupational pensions, the reliance on the state pension is set to grow and the need for the triple lock will therefore remain. Taking it away from existing pensioners will effectively mean future pensioners will end up working longer, paying more and getting less state pension.

Conclusion

Britain is just one of three OECD countries (the others being Ireland and the Czech Republic) that has legislated for a SPA of 68 by 2050. The government has said it will make a decision on the future of the SPA in May, but between now and then, pensioners and younger generations must make a clear stand for a retirement system that is more flexible and generous than that which the Cridland review suggests.

For more information visit: http://npcuk.org/wp-content/uploads/2017/03/NPC-Response-to-Interim-Report-on-SPA.doc

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[1] http://www.saga.co.uk/newsroom/press-releases/2015/feb/almost-half-of-the-long-term-unemploymed-are-aged-over-50.aspx