Parliamentary Briefing
State and Private Pensions
January 2020

State Pensions
The State Pension is the most important source of income for the majority of pensioners. State Pensions and benefits make up more than half of income for around three out of five (61%) of pensioner households. However, the amounts received are modest – the average annual State Pension is around £7,700 a year. Women receive lower average payments than men.

For those who reached State Pension before 6 April 2016 the State Pension has two main parts – the basic pension and the additional pension. The new State Pension introduced on 6 April 2016 is intended to provide a simpler flat-rate pension although, as past contributions are taken into account, people may receive more or less than the full amount for some years.

State Pension Age has risen steeply for women – from 60 in 2010 to 65 in 2018, - it is now rising for both men and women and will reach 66 in 2020 and 67 in 2028. There will be a further review of State Pension Age by 2023.

Age UK's position
Age UK supports the government's commitment to uprate the basic State Pension and new State Pension by the 'triple lock' – that is, in line with increases in earnings, prices or 2.5% - whichever is highest. This will help both current and future pensioners. It should apply to all elements of the State Pension, including the additional pension under the old system.

Rises in State Pension Age (and Pension Credit age) have been too rapid and have hit hardest those unable to work into their 60s. The government should look at better support for people in this position. This should include early access to the State Pension for those who are within three years of their State Pension Age and are highly unlikely to work again – this includes carers and people with a disability.

The State Pension system need to ensure current and future pensioners are able to avoid poverty in later life. The State Pension system should provide an income sufficient to cover basic needs, and in addition people need opportunities to build up private incomes which allow a comfortable retirement.

Private Pensions
The private pensions landscape has changed considerably in recent years. The introduction of automatic enrolment has meant many more people are now saving into

a pension through their employer, and the end of compulsory annuitisation – known as pensions 'freedom and choice' – has given people a wider range of options for what happens . These changes have raised new challenges for consumers as well as a number of concerns for Age UK, including:

Automatic enrolment
All employees meeting the eligibility criteria – being aged between 21 and State Pension Age and earning at least £10,000 a year – are now automatically enrolled into their employer's pension scheme. This means that their employer puts them into the scheme, but the individual can opt-out if they do not wish to save. This has led to over 10 million new pension savers since 2012.

Auto-enrolment is widely supported by all stakeholders, crucially including employees and small employers. The 2017 government review recommended some changes that should be made in future, including lowering the age limit to 18 and applying pension contributions from the first pound of earnings. The government also said it will do further work to assess whether the current contribution rates are sufficient to deliver an adequate income in retirement.

However, while these changes are welcome, Age UK is disappointed that they will not be considered before the 'mid 2020s', which we believe is a missed opportunity to improve retirement incomes in future. We would like to see these issues taken forward by this Parliament.

Pensions 'freedom and choice'
From April 2015, instead of having to purchase an annuity, most savers have been able to access their pension savings more flexibly. While the increased flexibility is welcome, it also increases complexity. Many people are disengaged with their pension saving, which can make choosing the right product difficult and exposes people to a range of risks, including pension scams.

Age UK would like to see more done to help savers without a financial adviser get the most from freedom and choice. This includes encouraging people to access the Pension Wise guidance service by changing it into an opt-out system, and by working with the industry and consumer groups to create 'Lifetime Pathways' to help people navigate the complex product marketplace and fully utilise the benefits that freedom and choice has to offer.

Get in touch with us

If you have any questions or would like to meet with us to discuss pensions or how we can help your constituents, please contact Rob Henderson, Senior Public Affairs Manager, at robert.henderson@ageuk.org.uk or 020 3033 1354.