

State Pensions

(United Kingdom)

See also policy position on Financial Entitlements

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All current and future pensioners should have enough money from state and private sources to live comfortably and participate fully in society

Introduction

The State Pension is the largest single source of income for most pensioners and is particularly important for lower income older people. People who reached State Pension age on or after 6 April 2016 claim the new State Pension. Those who reached State Pension age before that date receive their pension under the old rules which provides two main elements - the basic State Pension and the additional (earnings-related) State Pension.

Key issues

1. Level and annual increases

Since April 2012, the basic State Pension and new State Pension have been increased by what is known as the 'triple lock'. This means that annual increases are in line with increases in average earnings, prices or 2.5% - whichever is highest. Although the level of the State Pension has increased, average payments are still less than £9,000 a year and many people need to rely on additional support from means-tested benefits. Some commentators have suggested the uprating mechanism should be changed. Due to special circumstances caused by the pandemic, average earnings in 2021 rose by more than 8% so the Government has changed the rules so that in April 2022 the State Pension will rise by the higher of prices or 2.5%. However, the Government has said that after that the triple lock will remain for the rest of the Parliament.

2. Rising State Pension age

State Pension age has risen steeply over the last decade, especially for women. It is currently 66 and is due to rise to 67 between 2026 and 2028. Before 2010 it was 60 for women and 65 for men. For people in their early 60s who are unable to work due to poor health, caring responsibilities, or long-term unemployment, it can be very difficult to manage financially until they reach State Pension age. State Pension age is subject to regular reviews and the next review is due by May 2023.

Public policy proposals

- People should be able to achieve an adequate income in later life through state and private provision. State Pensions should minimise reliance on means-tested top-ups and provide a secure platform on which to build private saving.
- The triple lock must be reinstated in 2023 and maintained on an ongoing basis. It should apply to all elements of the State Pension, including the additional pension under the old system.
- The position of those pre-2016 pensioners who have low incomes should not be forgotten. The Government should consider how they can be brought into the new State Pension where this will benefit them, with no loss of current rights.
- The regular reviews to inform State Pension age should look at differences in life expectancy and healthy life expectancy between different groups, as well as employment opportunities. There must be sufficient notice of any future changes to enable people to make alternative plans.
- There should be greater financial support for groups who are unlikely to be able to work again due to caring responsibilities, a disability, or long-term unemployment. Options to consider include early access to the State Pension for specified groups who are close to State Pension age, a lowering of the age of eligibility for benefits such as Pension Credit, and/or additional support in working age benefits for people over 60.

Want to find out more?

Age UK has agreed policy positions on a wide range of public policy issues. Our policies cover money matters, health and wellbeing, care and support, housing and communities. There are also some crosscutting themes, such as age equality and human rights, age-friendly government and information and advice.

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