STATES OF JERSEY

PENSION AGE: INCREASE

Lodged au Greffe on 14th April 2011
by the Minister for Social Security

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion −

(a) to agree –

(i) that the pensionable age should increase from 65 to 67 by 2031;

(ii) that increases in the pensionable age should begin on 1st January 2020;

(iii) that the pensionable age should increase by 2 months a year from 1st January 2020;

(b) to agree that the number of contribution years (including credited contributions) required for a full pension should increase from 45 to 47 over the time period set out in (a) above;

(c) to request the Minister for Social Security to bring forward legislation to give effect to the proposals outlined in (a) and (b) above as soon as possible.

MINISTER FOR SOCIAL SECURITY

REPORT

Proposals to increase the State Pension Age

Foreword by the Minister for Social Security

For more than 50 years, Jersey's social security pension has provided Islanders with a foundation for retirement. During this time, improved living conditions and developments in health care have increased our life expectancy considerably. We are living longer, healthier lives and, as a consequence, we are receiving pensions for many more years than envisaged when they were first introduced.

Recent increases in life expectancy have been nothing short of remarkable. For example, a man who was 65 years old in 1981 was expected, on average, to live to 79; nearly 30 years later, his son reaching the age of 65 can expect to live to 86.5 years – a rise in post-pension age life expectancy of over 50% in just one generation.

While, on average, we are living longer, the number of people of working age is declining. Consequently, the amount of money contributed into the pension fund in a year will soon be less than the sum being taken out to pay pensions, other benefits and associated costs. If we do nothing, our pension fund will run out completely at some point in the 2030s.

We cannot allow this to happen. I believe now is the time to act to safeguard pensions for people in Jersey and ensure the long-term sustainability of our pension fund.

Coverage in the press about proposals to simplify and increase the level of the basic State pension in the UK brings into sharp focus the arrangements we have in place here. And we should be proud of our pension system, which is relatively simple and straightforward and which pays out weekly sums that are higher than other jurisdictions, while being funded by much lower contribution rates.

I am proposing to increase the pension age to 66 by 2025 and to 67 by 2031. My intention is to adjust pension ages to make the amount of time that people receive a pension constant. Longevity is estimated to be increasing by at least one year every decade. A straightforward approach would be to increase the pension age by a year in the period between now and 2020 and by a further year in the next decade. However, as the pension age for many women remains at 60 until the end of 2019, I am not proposing any changes until after that date. I am also mindful that pensions involve long-term decisions and I want to make sure that people have enough time to plan for these changes.

I am firmly of the view that we are not doing enough to draw on the experience, skills and knowledge of older people. Raising the pension age means that more people will continue working and making a significant contribution to Jersey's economy. To realise this potential we need to be considering initiatives that encourage and allow older workers to play their full part in the labour market.

Increasing the pension age will help share the costs of an ageing population between generations and it will deliver savings to the Social Security Fund of over £28 million a year by 2036. It also reduces the level of contribution increases required to keep the income and expenditure of the Fund in balance by as much as a third. However, adjusting the pension age alone does not solve the funding issues we face, and other measures will also need to be implemented in the next few years.

One option could be to means-test the pension. Under this scenario, people whose income was above a set level would have their social security pension reduced accordingly. However, I am not in favour of this option and I am ruling it out. Pensions are a contributory benefit and we should all be entitled to the same flat-rate pension, based on the number of years that we have contributed towards it.

Another option would be to change the way social security pensions are increased. At the moment, pensions are increased annually in line with the Jersey Annual Earnings Index. The UK has recently restored its link with earnings. I am ruling out changing the current arrangements for increasing the pension as it could reduce the spending power of pensioners and potentially disadvantage most the people who rely heavily on their social security pension.

We are in the fortunate position that the link to earnings has meant that the value of the Jersey social security pension is well above that of its UK equivalent. A Jersey pensioner is better-off by around £75 a week, while a pensioner couple are £135 better-off. My intention is to maintain the value of our social security pension.

I believe that the specific challenges that the Social Security Fund faces are not insurmountable, but a combination of different measures will be needed to make sure that Jersey's social security pension remains financially sustainable. This will mean increasing social security contribution rates gradually in about 5 years' time. Raising the pension age will help to minimise these increases in contribution rates, but will not be sufficient on its own.

I hope that by setting out a clear and measured strategy on the pension age now, Islanders will have time to plan more effectively for their retirement. Increasing the pension age is a sensitive issue, but we cannot afford to put off making a decision on this matter any longer if we are to preserve our pension fund without increasing the burden excessively for our children and grandchildren.

Deputy I.J. Gorst of St. Clement

MINISTER FOR SOCIAL SECURITY

Contents

Section 1

Executive summary

Jersey's population is ageing and, as a result, more people are reaching pension age and claiming a social security pension for longer. At the same time, the proportion of people of working age in the population is diminishing. This trend places an increasing burden on the working-age population.

Historically, Jersey has operated a 'pay as you go' pension scheme, whereby contribution income in a particular year funds the pensions and benefits paid in that year. A surplus in the Social Security Reserve Fund, built up since 1998, means there is now a buffer of 4 years' worth of contributions. If nothing changes, this surplus will disappear by 2037/38. As things stand, by 2015/16 annual payments out of the Fund will outstrip the money coming in.

It is proposed to increase the State Pension Age from 65 to 67, phased in over a 12 year period from 2020. This will maintain the average life expectancy after pension age at the same level as in 2010. There will be no changes until 2020, to allow individuals to plan for their retirement, and each increase will be set at 2 months to avoid large differences in pension age for individuals born one day apart.

The universality of the social security pension will continue and its value will be maintained by retaining the link to earnings.

Raising the pension age will save the Fund around £28 million a year by 2036 and limit the required increase in contribution rates. Adjusting the pension age is not sufficient on its own to ensure the long-term viability of Jersey's social security system. Such moves are in addition to plans to increase social security contributions to fund long-term care and plans to raise the earnings ceiling on contributions.

The States Strategic Plan recognises the advantages of people working longer and the need to put measures in place to encourage this. A key aspect is for employers to recognise the benefits that can be gained by retaining and recruiting older workers. Jersey's Annual Social Survey (JASS) 2010 suggests that additional tax breaks and flexible working arrangements could encourage many people to work beyond pension age. Providing a higher rate of state pension for those who defer taking it is an option that will be pursued.

It can be argued that a rise in pension age could have a detrimental effect on those in manual occupations. However, there are also other reasons for differences in longevity between different social classes. The timescales for the proposed changes to pension age provide opportunities to review the situation in relation to social security benefits for individuals who are unable to work up to pension age.

There will be a steady reduction in the number of people aged 16 to 64 and it is unlikely that encouraging older people to remain in work will have any detrimental effect on job opportunities for younger workers.

The proposals include the option of claiming a reduced pension up to 2 years before State Pension Age and an enhanced pension after State Pension Age. The number of years of contributions to achieve a full pension will be increased. The current option of stopping paying contributions 5 years before State Pension Age will be reviewed.

Summary of recommendations

- Link future rises in pension age to post-pension age life expectancy.
- Maintain the universality of the old age pension, with no means-testing.
- Continue the link to average earnings to determine pension uprating.
- Increase the pension age from 65 to 67, by raising the pension age by 2 months a year from 2020 until it reaches 67 in 2031.
- Raise the number of years' contributions required for a full pension from 45 to 47 over the same time period.
- Review in 2020 the need to increase the pension age further in light of continued improvements in longevity, and the general economic situation.
- Review the range of benefits available for those unable to work to State Pension Age due to ill-health.
- Revise upwards the current arrangements that allow people to claim a reduced pension at any point between the ages of 63 and 65.
- Provide an enhanced pension if people delay claiming the social security pension until after pension age; the intention is to encourage people to remain in employment for longer.
- Undertake further research to identify measures to encourage people to work longer, to encourage employers to employ older workers and to consider legislation that may be needed (including discrimination and migration laws).
- Propose a States debate in 2011 on the proposals to increase the pension age.
- Introduce legislation as soon as possible to set the State Pension Age and make the other changes detailed above.

Financial and manpower implications

There are no financial and manpower implications. However, failure to address this issue will lead to an increasing strain on the Social Security Fund over the next 2 decades.

Section 2

The need for change – the demographic background

Jersey's population is ageing and, as a result, more people are reaching pension age and claiming a social security pension for longer. At the same time, the proportion of people of working age in the population is diminishing. This trend places an increasing burden on the working-age population.

2.1 Introduction

In common with most of the developed world, Jersey's population is ageing. More people are set to become pensioners and more of them will live for longer. This is happening at a time when the number of people of working age contributing to the Social Security Fund is set to fall. This combination of events is the principal reason for reviewing the State Pension Age (SPA). The social security scheme was never intended to support so many people for so long in old age and it is placing an increasing financial burden on a working population that – in relation to their retired peers – is diminishing in number. As longevity has increased markedly, the pension arrangements have failed to reflect this.

As the European Commission pointed out in a recent Green Paper[1]: 'On present trends the situation is untenable. Unless people, as they live longer, also stay longer in employment, either pension adequacy is likely to suffer or an unsustainable rise in pension expenditure may occur. The impact of the demographic challenge as aggravated by the crisis will tend to reduce economic growth and put pressure on public finances.'

The table below[2] shows how life expectancy in England is expected to continue to increase in the years ahead.

Life expectancy at 65

Year in which attain 65	*2010*	*2030*	*2050*
Men	21.5 years	23.5 years	25.4 years
Women	24.0 years	26.0 years	27.8 years

This compares with the situation in 1981, when a man aged 65 in England could expect to live, on average, for another 14.1 years; a man aged 65 in 2010 could expect to live, on average, for another 21.5 years. For women, the equivalent figures are 18.2 years and 24.0 years respectively. According to the States of Jersey Statistics unit, life expectancy in Jersey is similar to that in England in general terms and we can expect to see similar increases.

[1] European Commission Green Paper: 'Towards adequate, sustainable and safe European pension systems', July 2010 p.4.
[2] Office for National Statistics data – Cohort expectations of life (years). Based on historical mortality rates from 1981 to 2008 for England. (Data for England is said by the Statistics Unit to be a reliable indicator for the situation in Jersey.)

2.2 Increasing proportion of older people in the population

Increased life expectancy has led to an increase in the proportion of older people in the population.

By 2026 the number of people in Jersey who are over 80 will have nearly doubled and those aged 65 and over will account for nearly 25% of the Island's population compared to 15% in 2006 (see the table below). By 2036, those aged 65 and over will account for nearly 30% of the Island's population.

Proportion of Jersey population aged over 65[3]

	65 and over	*% of population*	*80 and over*	*% of population*
2006	13,600	15.2%	3,600	4.0%
2016	18,000	19.6%	4,800	5.2%
2026	23,400	24.6%	7,100	7.5%
2036	28,600	29.5%	10,000	10.3%

The ageing population would be less of a challenge if it was not accompanied by a corresponding reduction in the number and therefore proportion of people of working age. This mismatch can be illustrated by reference to the pensioner support ratio (PSR), which is defined as the number of people of working age per person over pension age.

In 2006, the PSR in Jersey is estimated to have been about 4.4 (i.e. for every pensioner, there were just under 4½ people of working age). Even with assumed immigration of 150 heads of household each year, the PSR is projected to decline to about 3.3 in 2016, 2.5 in 2026 and to 1.9 in 2036 (see table below).

Those 65 and over as a proportion of the working-age population of Jersey, assuming immigration of 150 heads of households a year from 2009[4]

	2006	*2016*	*2026*	*2036*	*2066*
65 and over	13,600	18,000	23,400	28,600	28,800
16–64	60,100	59,100	57,700	54,100	53,100
PSR	4.4	3.3	2.5	1.9	1.8

[3] Statistics Unit Population Model, assuming net immigration of 150 heads of households a year.

[4] Report by the Government Actuary on the financial condition of the Social Security Fund as at 31st December 2006 (September 2009), p.36. Figures have been rounded. [Hereafter referred to as the GAD Report.]

What do we mean by the State Pension Age?

The State Pension Age is the age at which people qualify to receive the Jersey social security pension. This is funded from social security contributions made by individuals, employers and the States. It is entirely separate from personal pensions or occupational pensions. These have their own rules as to when people can draw a pension.

The social security pension is intended to provide an income towards basic needs in old age. It has always been the intention that other 'second pillar' sources of income, such as private or occupational pensions, would supplement it.

The amount an individual receives from the social security pension is based on the contributions they have paid during their working life. It is not linked to their earnings – the pension payments are flat rate and linked to the number of years' contributions. So regardless of whether they are a low or high earner, someone who has contributed for the same number of years will receive the same weekly amount of social security pension.

The State Pension Age is not the same as 'retirement age'. The government sets down the age at which people may take their social security pension. People can carry on working beyond the age at which they can draw their pension if they wish, or retire before their pension is due, but once an employee reaches retirement age (whether the normal retirement age in their particular occupation or, in any other case, State Pension Age), the individual has reduced rights in respect of claiming unfair dismissal under the Employment (Jersey) Law 2003.

2.3 Fairness between generations

One of the main reasons for considering raising the State Pension Age relates to inter-generational fairness – the burden placed on contributors today to pay for those already in receipt of their pension. As the UK Department of Work and Pensions has pointed out: 'As life expectancy has increased, the burden this places on our younger generations has grown and it will continue to grow… [with the decline in the ratio of working age people to those of people of State Pension Age] …Consequently, each working age person will be paying proportionately more towards the state pensions of older people in the coming years.'[5]

If the SPA is left unchanged it will mean that, in the future, people will spend a greater proportion of their total adult life receiving a pension. This may not be good for economic growth, and subsequent working-age generations will bear the additional cost of paying out social security pensions for longer.[6]

The UK Pension Commission's Second Report, published in November 2005, in proposing a phased increase in the UK pension age stated that –

[5] A sustainable State Pension: when the State Pension Age will increase to 66, DWP, November 2010, p.41

[6] PPI Submission to the DWP's State Pension Age Review, p.4.

‘State Pension Ages will in the long term need to rise broadly in line with increases in life expectancy so that each generation spends a roughly similar proportion of adult life contributing to and receiving a state pension. This principle is fair between generations…’[7]

The Commission proposed the principle that State Pension Age should rise gradually so as to keep stable over the long term the proportion of adult life spent paying into and receiving state pensions. There was a strong argument that the cost of rising life expectancy should be met by each generation of pensioners, with the SPA rising over time at least in line with life expectancy.

The Pensions Policy Institute (PPI), an independent think tank, commented that: ‘If the SPA remains unchanged and longevity continues to improve then one would expect the proportion of adult life spent in receipt of the state pension to continue to increase. This will increase the cost to the government of providing state pensions and creates intergenerational unfairness.’[8]

The PPI went on to suggest that: ‘A useful guiding principle may be for policymakers to aim to maintain a roughly constant proportion of individuals’ total adult life in receipt of the state pension. This helps to ensure fair treatment of successive generations.’[9]

The issues of longevity and inter-generational fairness apply as much to Jersey as to other jurisdictions. As with the UK, advances in life expectancy have not been reflected in any changes to the Jersey SPA – so people reaching 65 now are, on average, receiving a social security pension for around half as long again compared to the situation if they had reached 65 some 30 years earlier.[10]

[7] Pensions Commission Second Report (Nov 2005), p.6
[8] PPI Submission to the DWP’s State Pension Age Review, p. 2
[9] ibid
[10] Figures from ONS Statistics (via GAD website) based on cohort expectations of life, based on historical mortality rates from 1981 to 2008 and assumed calendar year mortality rates.

Section 3

The current situation in Jersey

Historically, Jersey has operated a ‘pay-as-you-go’ pension scheme, whereby contribution income in a particular year funded the pensions and benefits paid in that year. A surplus in the Social Security Reserve Fund, built up since 1998, means there is now a buffer of 4 years’ worth of contributions. If nothing changes, this surplus will disappear by 2038.

3.1 The Jersey social security pension

Social security pensions in Jersey are funded from the Jersey Social Security Fund. This has been based historically on a ‘pay-as-you-go’ financing approach. In other words, contribution income received in a particular year covers the pensions and other benefits paid out in that year. When someone receives a pension, it is not paid for directly by the contributions they made in the past. As Jersey’s population ages, the proportion of the population with an entitlement to the social security pension will increase.[11]

The Jersey Social Security Fund

In 2009, the Social Security Fund paid out £132 million in social security pensions. This is by far the largest expenditure of any contributory benefit, representing almost three-quarters of all expenditure from the Social Security Fund. These payments were made to approximately 25,500 pensioners worldwide. Not everyone receives the maximum rate of pension. With regard to Jersey residents who draw a social security pension, over a third receive a pension worth more than 95% of the full amount; and around two-thirds receive a pension worth more than 70% of the full amount.

A short history of the Jersey social security pension and full details of the current system are at Appendix 1 of this document.

3.2 Social Security Reserve Fund

The impact of demographic changes on pension funding was acknowledged by the States of Jersey some years ago. Recognising that more people would be qualifying to draw a pension, contribution rates were raised above the required pay-as-you-go rate. The intention was to build up a Reserve Fund to a level of around 5 times the annual expenditure from the Social Security Fund. At the end of 2009, the Reserve Fund held £712 million. With annual expenditure of around £180 million from the Social Security Fund, the coverage is now roughly 4 times the level of expenditure.[12] This surplus was achieved by raising contribution rates by half a percentage point in each

[11] Jersey 2035: Preparing for the future – Summary of the findings of the Officer Working Group, November 2007, p.25.
[12] Social Security Report & Accounts 2009, p.8 and p.14.

year from 1998 to 2002.[13] This culminated in the present arrangement, where employers pay a total of 6.5% and employees 6%.[14]

The actions taken in the last decade mean that, at present, the total income of the Fund in a year is still greater than the cost of the benefits and pensions paid out. However, even with this buffer, the demographic challenge is of such magnitude that further action needs to be planned now to ensure the Fund can pay pensions in the future.

The current contribution rate of 10.5% (excluding the contribution to the Health Insurance Fund) can be compared with the 'break-even contribution rate' – the rate required to maintain a pay-as-you-go system. By 2016, the break-even rate is forecast to have increased to 10.8%; by 2026 to 13.5%; and by 2036 to 16.4%. Assuming future net immigration of 150 heads of household a year, the projected balance in the Social Security Funds would grow to a maximum of 4.8 times annual expenditure in 2015 if the current contribution rates continued. Thereafter, the balance would fall as a multiple of annual expenditure, until the surplus is completely extinguished in 2037/8.[15]

3.3 Jersey public opinion

Over recent years, various questions have been asked through the Jersey Annual Social Survey and the Imagine Jersey 2035 consultation to gauge people's reactions to different measures to tackle the funding challenges facing the social security pension. Reducing the value of pensions is regularly the least popular option, while removing the contribution ceiling or increasing the level of contributions are viewed as more acceptable if a change has to be made. Raising the pension age is somewhere in the middle. When faced with a specific challenge to address the Island's funding pressures in 2035, workshop participants all included an increase in pension age as one of the measures that would need to be taken. The options for change are discussed further in the next section.

[13] GAD Report , p.1.
[14] Employers pay 5.3% social security and 1.2% health contributions; employees pay 5.2% social security and 0.8% in health contributions.
[15] GAD Report p.19 and letter from GAD, 27th January 2011.

Section 4

Potential changes to Social Security

Increasing the pension age is only one aspect of a raft of possible changes that will be needed in the near future to ensure the long-term viability of Jersey's social security system. Options include adjusting contribution rates, means-testing pensions or revising the way pensions are increased annually. These are in addition to plans to increase social security contributions to fund long-term care and plans to raise the earnings ceiling on contributions.

Initiatives to reduce expenditure and/or increase income to the Fund are required to tackle the full effect of the demographic challenges that we face. If the pension age is not increased, then other changes would need to be more severe.

4.1 Increasing contribution income

Even if the SPA is raised, employees' and/or employers' contribution rates will still need to go up to maintain the value of the pension in the future. By 2015, the amount the Fund pays out in pensions and other benefits will exceed the income it receives. A substantial surplus has been built up in the Reserve Fund to help deal with this situation, but increases in contribution rates or reductions in the level of benefits paid will be needed within the next 5 to 10 years.

A review of the Social Security Fund by the UK Government Actuary will be published in the near future and the next review covering the period 1/1/2010 to 31/12/2012 will be undertaken in 2013.

Proposals to increase contribution rates will be drawn up following that review.

4.2 Changing the method of increasing pensions

At the moment, the social security pension is increased (uprated) every year by the increase in average earnings. This increase is generally higher than would be the case if the increase was linked to the Jersey Retail Prices Index. Since 1990, earnings have increased on average by almost one percentage point more a year than prices.[16] In its pensions uprating policy, Jersey has been more generous than Guernsey or the UK.

Guernsey's policy over the long term is to increase pensions at the mid-point of the increase in RPI and the increase in earnings. However, in any particular year, the benefit uprating policy may be more or less than the long-term target, depending on economic conditions and how this is affecting pensioners.[17] The argument made by Guernsey for having at least some linkage to earnings is that: 'If pensions are not increased in line with the increase in earnings, then pensioners do not share the generally increasing prosperity of the community. The buying power of the pension may well keep pace with the items against which RPI is measured, but the lifestyles and social inclusion of pensioners will fall, relative to that of the population of working age.'

[16] Index of Average Earnings in Jersey – June 2010 Statistics Unit.

[17] Letter (as Report) from the Minister for Social Security to the Chief Minister: 'Financing of contributory Social Security Schemes', 29th May 2009, in Billet d'Etat XXI Vol. 2, 29th July 2009, p.1621

The UK Coalition Government has restored the link to earnings from April 2011 and has put in place a ‘triple guarantee’ that the basic state pension will be raised each year by the higher of earnings, prices or 2.5%.

In Jersey, the cost of future pension liability could be reduced by linking uprating to a price index or the mid-point between earnings and prices. However, many low income pensioners already rely on a mixture of the state pension and Income Support and any move to reduce the level of the social security pension would create increased pressure on the Income Support budget.

The Minister is not proposing to pursue this option.

4.3. Means-testing the pension

A second option to reduce the overall cost of pensions is to means-test the benefit – so it is only paid to those with income below a set level. However, this would go against the philosophy of the Fund whereby everyone contributes – whatever their income – and therefore is entitled to the same level of pension when they retire, dependent only on the number of years for which they have contributed.

The Minister is not proposing to pursue this option.

4.4 Raising the ceiling on social security contributions

At the moment, neither employers nor employees pay social security contributions on any earnings over £44,232 a year. Following the Fiscal Strategy Review, employees and employers will each pay 2% social security contributions on earnings above the ceiling from 1st January 2012. This will make the Social Security Fund more self-sustaining and reduce the need to supplement the Fund from general taxation. Effectively it is replacing one source of income with another – there is no net effect on the income to the Fund. This has no direct impact on the viability of the Social Security Fund and other measures must be taken to balance future contributions and future liabilities.

4.5 Ring-fenced employee contribution to fund long-term care

The Minister for Social Security is proposing an additional 1.5% social security contribution on employees and pensioners to fund a new long-term care scheme that would move much of the financial responsibility for care costs away from individuals and onto the community. It is hoped the scheme will start in 2013. This scheme has no direct impact on the viability of the Social Security Fund.

Section 5

The importance of encouraging people to work longer

The States Strategic Plan recognises the advantages of people working longer and the need to put measures in place to encourage this. A key aspect is for employers to recognise the benefits that can be gained by retaining and recruiting older workers. Jersey's Annual Social Survey (JASS) 2010 suggests that additional tax breaks and flexible working arrangements could encourage many people to work beyond pension age. Providing a higher rate of social security pension for those who defer taking it could be another incentive.

5.1 States Strategic Plan

Increasing the pension age is just one of a number of initiatives designed to manage the effects of an ageing population. Priority 6 of the Council of Ministers' Strategic Plan 2009 – 2014 is to 'Provide for the ageing population'. Under this priority, it is recognised that 'measures are needed to encourage older people to continue working beyond present retiring ages, to keep them economically active and less reliant on public services'. Actions to achieve this include 'reviewing pension provision, including a review of the age at which the Social Security pension is first payable', and 'removing barriers and improving opportunities to enable people to work longer and ensure employers do not discriminate against older workers'.

This Report is concerned principally with issues relating to State Pension Age; however it is also important to consider these related issues. Working longer is key to our continued economic success. With the forecast reduction in the number of people of working age, the potential contribution of older workers is essential. Without their fuller participation in the labour market, there may well be a call for more inward migration to fill available vacancies, which, in turn, could put increased pressure on the Island's infrastructure.

The more people in work and contributing to the growth of the economy, the more money there will be to support those who are retired. Working longer also provides a greater opportunity for people to build provision for their retirement through higher social security and private pensions, and the ability to save more to enjoy a better standard of living. For this to happen, the government must provide a supportive environment where older members of the community are keen to work longer, and employers recognise the contribution they can make and make efforts to retain and recruit older workers.

5.2 Stopping work

The connection between the State Pension Age and when most people actually stop working is not straightforward. Many people are retiring before the SPA and there is a large untapped pool of people who could be actively employed, given the right working opportunity. In the UK, two-thirds of men have stopped working by their 65th birthday.

The State Pension Age is only one aspect of the decision an individual takes to retire. Occupational pension schemes may be available from an earlier age. Some professions currently require workers to retire well before the State Pension Age. As such, increasing the pension age will not deal automatically with the core problem of people ending their working lives early.

5.3 Initiatives to encourage people to work for longer

The report *Keeping Jersey Special* recognised the importance of increased participation in the workforce, including working longer. The older worker was identified as a target for increased participation. The report noted: 'There is scope to encourage more mature workers to remain in work, or indeed to return to work. This could be achieved by a more flexible approach to the age at which pensions can be drawn. In Jersey, we need to understand properly who these groups of people are, what would persuade them to return to work (if indeed they would) and what barriers need to be dismantled.'[18]

There are a number of different initiatives which could encourage people to work longer. These, or more likely a mix of them, need to be considered if the full gains from increasing the pension age are to flow through. With 10 years or so before the proposed changes start taking place, there is time for the necessary measures to be considered and introduced.

They might include[19]:

- policies to facilitate later working, particularly flexible options, including a gradual step down from full-time work to part-time work to full retirement;
- age discrimination legislation;
- incentivising people to delay the time when they stop work;
- financial incentives for employers to hire post-SPA workers – in Jersey, employees working beyond SPA pay no employees' social security contributions, but employers' social security contributions are still due, even though no further rights to the social security pension can be accrued; post-SPA, the States could consider a reduced rate of employers' social security or abolish it altogether;
- tax breaks for wages earned beyond pension age could be considered to encourage later working, although these might be targeted at those who needed to work;
- a strong focus on occupational health – people's ability to work at older ages, and to enjoy work, is heavily influenced by their health, which in turn is strongly determined by their own lifestyle choices, but also by occupational health factors earlier in life (such as the ergonomic design of workplaces and levels of stress);
- a strong focus on the education and training of older workers – at present, training expenditure is often skewed towards younger workers.

[18] Keeping Jersey Special, July 2008, p.21.
[19] Informed by House of Commons Library briefing note Pension Age, October 2009, p.8 (abridged).

5.4 JASS 2010 and options to encourage later working

The 2010 Jersey Annual Social Survey asked Islanders about their views on working after pension age. Respondents were asked which options might encourage them to work beyond normal retirement age: the results were –

- two-thirds (66%) said that extra tax breaks for wages earned beyond normal pension age would be an encouragement;
- nearly two-thirds (64%) said that opportunities for part-time working or job-sharing would be an encouragement to work beyond normal pension age;
- almost half (46%) of people indicated that a higher value pension would be a major encouragement to working beyond normal pension age, with a further quarter (28%) saying it would be some encouragement;
- around two-fifths (39%) of people indicated that re-training would be an encouragement at some level to working beyond normal pension age.

5.5 Incentivising people to delay claiming their pension

At the moment in Jersey there is no incentive for people to delay taking their social security pension when they become eligible, although there is a facility for pensions to be claimed up to 2 years early. In the UK, since April 2005, people can defer taking their state pension for as many years as they like. For every 5 weeks that they put off claiming their state pension, they can earn a 1% increase to their state pension. This equates to an extra 10.4% for each year of deferral. The UK pension is currently around £100 a week, so deferral for one year, assuming 30 years' qualifying contributions, would amount to about an extra £10 per week.

In the UK, people also have the option of a taxable lump sum as an alternative to this higher pension if they put off claiming their state pension for at least 12 consecutive months. This is in addition to their normal state pension. The lump sum is based on the amount of normal weekly state pension someone would have received, plus weekly interest added and compounded.[20]

The option of encouraging people to defer taking their pension by offering them financial incentives – along the lines of the UK State pension – is one which will be explored. As people can opt to take a reduced pension up to 2 years early, it seems only fair to have an incentive for those prepared to delay drawing it.

[20] House of Commons Library Pension Age briefing note, October 2009, p.4 and www.direct.gov.uk/en/pensionsandretirementplanning/statepension/

Section 6

Arguments against raising the State Pension Age

It can be argued that a rise in pension age could have a detrimental effect on those in manual occupations. However, there are also other reasons for differences in longevity between different social classes. Existing social security benefits could be amended to provide appropriate support for individuals who are unable to work up to pension age. There will be a steady reduction in the number of people aged 16 to 64, and it is unlikely that encouraging older people to remain in work will have any detrimental effect on job opportunities for younger workers.

6.1 Possible detrimental effect on those in manual occupations

The main argument put forward against a rise in the SPA is the possible effect such a move might have on low-income groups, working mainly in manual occupations. These groups, on average, have a lower life expectancy than those higher up the socio-economic scale and therefore are potentially disadvantaged by any rise in the SPA.

The Pensions Policy Institute (PPI) reported that in the UK there is a clear difference in life expectancy between individuals in different social classes. Men in class 1 (professional) have a life expectancy at age 65 that is around 5 years higher than for men in class 5 (unskilled). For women in class 1, life expectancy is around 4 years higher than for women in class 5.

However, the PPI also points out that the proportion of people in class 5 is now less than 5% of the population in the UK and declining. Therefore, differences in life expectancies between social classes should, it says, be used with caution. The majority of the population are in class 2, 3 or 4 where differences in life expectancy are smaller.[21]

UK data from the Office for National Statistics indicates that average life expectancy has increased for all socio-economic groups, and the number of healthy years has increased. In 1950, those who reached SPA constituted just 50% of their generation; today this proportion has risen to three-quarters and is likely to go on increasing.[22] Many more people are now capable of working after SPA, and the gap in life expectancies between social classes is narrowing.

When considering the manual worker grouping between 1997–2001 and 2002–05 (the latest period for which data is available), life expectancy at age 65 rose by 1.2 years among male manual workers and by 0.8 years among female manual workers.[23]

The comparative figures for non-manual men were 0.8 years and 0.6 years for non-manual women. Manual workers' life expectancy is therefore catching up with their non-manual colleagues.

[21] Pensions Policy Institute – Briefing Note Number 53 'Could increases in State Pension Age be brought forward?' December 2009, p.4.
[22] House of Commons Library Research Paper 07/05, p.65.
[23] A sustainable State Pension: when the State Pension Age will increase to 66, DWP November 2010, p.51 (based on ONS data).

During the course of its consultation exercise on increasing the SPA, Guernsey's Social Security Department received many comments regarding the impracticality of increasing pension age for people working in heavy, manual jobs. In response, while understanding and acknowledging these concerns, the Department pointed out that the great majority of Guernsey's labour force was not engaged in heavy manual labour, and it would be wrong to base pension policy on concerns for a small minority.

It was suggested in Guernsey that the special circumstances of the minority could be accommodated by other means – perhaps financial support through the award of an incapacity pension. It was also suggested that Guernsey States could look to invest further in retraining programmes, which could open up new employment opportunities in occupations that were less physically demanding.[24]

6.2 Reasons for differences in longevity

In any consideration of life expectancy, it has to be acknowledged that other differences between people also cause significant variations. Although manual workers have a life expectancy around 3 years shorter than non-manual workers, men die 5 years younger than women and smokers die around 7 years younger than non-smokers. The socio-economic difference in smoking behaviour drives much of the current and future gap in health and life expectancies by socio-economic group. Inequalities in healthy life expectancy will persist if this difference in smoking persists.[25] There are complex inter-related effects from different factors.

Lower life expectancy tends to be associated with poor health. The Pensions Commission noted that lower socio-economic groups may live for fewer years post-retirement, and that a smaller percentage of these years are free of sickness or disability. Moreover, lower wealth groups are far more likely to leave the workforce early for health reasons.[26]

The Pensions Policy Institute concluded overall that life expectancy has improved enough on average for an increase in SPA to be justified, taking into account the other means that could be used to support those who would be worse off by the change.[27]

6.3 Administrative challenges

In its consideration of these issues, the Department of Work and Pensions concluded that: 'The SPA cannot be calibrated to these differences in life, and healthy life, expectancy. There are limited data to do so, and the system would be complex and difficult to administer.' [28]

Administrative complexity is particularly important in a small jurisdiction such as Jersey, and it is important that any proposals put forward are straightforward and can be administered with the minimum of additional bureaucracy.

[24] Letter (as Report) from the Minister for Social Security to the Chief Minister: 'Financing of Contributory Social Security Schemes', 29th May 2009, in Billet d'Etat XXI, Vol. 2, 29th July 2009, p.1624
[25] Pension Policy Institute Raising State Pension Age: An Update (2003), p.11.
[26] House of Commons Library Research Paper 07/05, p.67.
[27] PPI ibid, p.14.
[28] A sustainable State Pension: when the State Pension Age will increase to 66, DWP, November 2010, p.19.

6.4 Incapacity pension

Under the current social security legislation, people assessed as never being well enough to work again and with no likelihood of an improvement in their condition may qualify for an incapacity pension. The amount of incapacity pension received is calculated on the same basis as qualification for the ordinary social security pension and is linked to the individual's actual contributions, but adjusted to assume a full contribution record from the date of the claim until their normal pension age. Payment of the benefit ceases once the individual reaches the State Pension Age and becomes eligible for the social security pension. At present, only a very small number of people receive this benefit. Under the terms of the benefit, they are not allowed to undertake any work or training activities.

By contrast, long-term incapacity allowance also provides a benefit for someone below pension age with a long-term medical condition, but this benefit also allows them to continue to work or receive training at the same time.

So the current system already provides for individuals who are unable to work past a certain age due to health problems to receive an incapacity pension or be supported through long-term incapacity allowance to take on part-time employment or re-train in a different area. There is scope to review and extend these benefits as the number of older workers increases.

At the same time, support through targeted health promotion policies such as encouraging a healthy diet and smoking cessation plans could have a general positive effect on the overall health of the working-age population.

6.5 Job opportunities for younger people

Another argument often quoted is that older people continuing to work will be denying job opportunities for the younger generation.

As has been alluded to earlier, the ageing population scenario is made worse in Jersey because at the same time as the number of older people increases, there will be fewer people of working age. Population projections show the working-age population (16–64) in steady decline from 2010 (see the table below). In particular, there is a predicted drop of 3,800 working-age people between 2025 and 2035. These figures are based on an assumption of inward migration of 150 households a year.

Without increased participation from older workers, there will be a need for additional inward migration. A shortage of workers would lead to a reduction in the overall economy of the Island, reducing living standards for everyone.

Estimates of the size of the Jersey working-age population[29]

Year	*2010*	*2015*	*2025*	*2035*	*2045*	*2055*
No. of adults aged 16–64	59,800	59,300	58,100	54,300	54,700	54,400

[29] The Jersey Population Model – Jersey Statistics Unit – based on net inward migration of +150 households a year.

Therefore, encouraging older workers to remain in or return to the labour market will be vital. Of course, not everyone who is older will necessarily want to stay in full-time employment. They may want to move to part-time work or take on a job with less responsibility. Employers will need to adapt to a changing labour market. As they are likely to have less family responsibilities, older workers may be more prepared to undertake roles or subscribe to working patterns that younger people find less attractive.

Section 7

Proposal to increase the Jersey State Pension Age

It is proposed to increase the Jersey State Pension Age from 65 to 67, phased over a 12 year period from 2020. Overall, the intention in future is to maintain the average life expectancy after pension age at the same level as in 2010. There will be no changes until 2020 to allow individuals to plan for their retirement and each increase will be set 2 months apart to avoid large differences in the pension age for individuals born one day apart. It will continue to be possible to claim a reduced pension up to 2 years before SPA, and the option of an enhanced pension after SPA will be explored. The number of years of contributions to achieve a full pension will be increased. The option to stop paying contributions 5 years before State Pension Age will be reviewed. Raising the pension age will save the Fund around £28 million a year by 2036 and limit the increase in contribution rates.

Given the dramatic increases in life expectancy during the 20th Century, one could argue in hindsight that changes to the pension age should have been considered much earlier. However, in light of the combination of an increasingly ageing population and a diminishing number of people of working age, action cannot be put off any longer.

7.1. Increase in pension age

In proposing changes to the pension age, Jersey is facing up to the challenges already being grasped by many other developed countries experiencing the same demographic pressures.

People are living longer and there is a strong argument that the number of years of adult life in receipt of the state pension should remain roughly constant. As longevity increases, so should the pension age. Longevity has already increased markedly and, as a result, people are receiving social security pensions for much longer than originally envisaged. For example, a man aged 65 in 2010 is expected to live half as long again as someone who reached that age in 1981.

Life expectancy in England at age 65[30]

Age 65 in:	Life expectancy men (years)	Additional years compared to 2010	Life expectancy women (years)	Additional years compared to 2010
2010	21.5		24.0	
2020	22.6	+1.1	25.1	+1.1
2025	23.1	+1.6	25.6	+1.6
2031	23.6	+2.1	26.1	+2.1

The increase in life expectancy between 2010 and 2031 is just over 2 years. It is therefore proposed that by 2031, the pension age should increase by 2 years from 65 to 67.

[30] ONS figures for England – cohort expectations of life (years) based on historic mortality rates from 1981 to 2008 and assumed calendar year mortality rates.

This will help to keep the social security pension sustainable and the cost of it fairer to each generation. Increasing the SPA will have a positive financial impact on the Social Security Fund by increasing contribution income and reducing pension expenditure. It will limit the cost increases that will have to be borne by today's young people to pay for the pensions of their parents and grandparents.

7.2. Phased increases over 12 years from 65 to 67

It is proposed that increases in pension age will commence in 2020. Until 2020 there are women who started paying contributions before 1975 who have a pension age of 60. There are no proposals to make changes to the pension age of this group. Once the youngest woman in this group has reached 60 by the end of 2019, all men and women in Jersey will have an SPA of 65.

By 2020, life expectancy is projected to have already increased by one year, and by another year by 2030. Raising the pension age in 2020 at the rate of 2 months each year will take the SPA from 65 to 67 by 2031.

This will mean that someone retiring at the age of 67 in 2031 can expect, on average, to be in receipt of a pension for the same length of time as someone reaching 65 in 2010.

How the pension age would increase in Jersey

Date of birth	Pension age	Year in which pension first paid
1 Jan 1955 to 31 Oct 1955	65 years and 2 months	2020
1 Nov 1955 to 31 Aug 1956	65 years and 4 months	2021
1 Sep 1956 to 30 June 1957	65 years and 6 months	2022
1 July 1957 to 30 April 1958	65 years and 8 months	2023
1 May 1958 to 28 Feb 1959	65 years and 10 months	2024
1 Mar 1959 to 31 Dec 1959	66 years	2025
1 Jan 1960 to 31 Oct 1960	66 years and 2 months	2026
1 Nov 1960 to 31 Aug 1961	66 years and 4 months	2027
1 Sep 1961 to 30 June 1962	66 years and 6 months	2028
1 July 1962 to 30 April 1963	66 years and 8 months	2029
1 May 1963 to 29 Feb 1964	66 years and 10 months	2030
1 March 1964 onwards	67 years	2031 onwards

This approach means that the pension age in Jersey would increase more rapidly than the former UK Government's proposals, but not as fast as the current Coalition Government is planning (see Appendix 3). As Appendix 2 shows, many countries that are increasing their SPA have, or are going to, increase it to 67, so Jersey is following a familiar route.

Phased increases avoid a 'cliff edge' or 'birthday lottery', where people born on one day have a very different SPA from those born a day later. The maximum difference, under this scheme, would be 2 months. For example:

Date of birth	Pension age
31st December 1954	65
1st January 1955	65 years, 2 months

The current UK Government's proposals that involve speeding up the increase in State Pension Age (see Appendix 3) for some 5 million men and women, have come in for much criticism on the grounds that a cohort of around 33,000 women born between 6th March 1954 and 5th April 1954 will face a delay of 2 years in when they will be able to claim their state pension. Most of those affected face a delay of only a year. The proposals in this paper avoid any such group being so adversely affected.

If, during the process of increasing the pension age longevity continues to improve, there would be scope for Jersey to increase the pension age further to reflect this, and to maintain constant the amount of time that people, on average, can expect to receive the social security pension.

7.3 Notice of changes

Delaying any move until 2020 when the pension age for all women will be 65 allows sufficient notice to be given of the changes and for men and women to be treated equally. A long lead-time gives people time to adjust their working arrangements and review their retirement plans. It is important to give notice to those who are still economically active now and in a position to respond, as once people have left the labour market it is harder to re-enter. It also allows measures to encourage people to work longer to be put in place. Phasing also means that those whose SPA increases most will have a longer period of notice of any change than those affected earlier for whom the changes will be smaller.

7.4 Impact on pension costs

Any increase in the Jersey pension age will increase the sustainability of the Fund as, on average, people will work (and therefore contribute) for longer, while, everything else being equal, claiming the pension for a shorter period of time. As a result, the break-even contribution rates necessary to sustain the Social Security Fund will be lower and the year in which the Fund is projected to be extinguished would be put back.[31] These estimates assume that the number of years to achieve a full contribution record will increase by a year (to 46 years) when the pension age is increased to 66 and by a further year (to 47 years) when it reaches 67. (See Section 7.6)

Figures from the Government Actuary[32] show that raising the pension age is projected to deliver substantial savings in pension costs. If no changes were made to the pension age then, in 2026, projected expenditure on pensions would have reached £184.4 million a year (in constant 2010 prices).

If the pension age increases to 66 as proposed, with the number of years required for a full social security pension also increased by a year – to 46 years – then expenditure on pensions in 2026 is projected to reach £172 million. (This assumes that working lives will increase broadly in line with the increase in pension age.) This represents a saving of over £12 million a year.

[31] Letter from GAD, 27th January 2011
[32] Letter from GAD, 27th January 2011

If the projection is carried further to 2036, by which time, it is proposed, the pension age will have increased to 67 (in 2031), the saving compared to a pension age still at 65 has risen to £28 million a year (£200.8 million compared to £228.9 million). While pension expenditure continues to increase, it is again lower than would have been the case if the pension age had remained at 65.

Projected annual expenditure on the social security pension

Year	Pension age maintained at current level	Taking into account proposed changes to pension age
2016	£140.6 million	£140.6 million
2026	£184.4 million	£172.2 million
2036	£228.9 million	£200.8 million

7.5 Impact on contribution rates

The effect of containing increases in pension expenditure means less money has to be raised for the Fund, and this flows through to lower contribution rates than would have been required if the pension age had remained at 65. Although contribution rates will still have to rise, the proposed changes to pension ages mean that the scale of this rise is tempered, and the contribution rate by 2036 is around two percentage points lower than it would have been if the pension age had not been adjusted.

Without any change to pension ages, the contribution rate in 2026 to fund projected pension expenditure is 13.5%, rising to 16.4% in 2036; following the rise in pension ages proposed in this paper, the figures are 12.7% and 14.5% respectively.[33]

7.6 Other linked changes

Increasing the number of years' contributions necessary for a full pension

At the moment, 45 years' contributions are required for a full pension. As one of the aims of this review of pension age is to encourage people to work longer, increasing the number of contributory years required for a full pension is a necessary accompaniment. Therefore, it is proposed to increase this to 46 years when the pension age reaches 66 and to 47 years when it reaches 67.

Contributions for pension purposes are recorded from the age of 18. The current social security system provides up to 36 months of contribution credits to cover time spent in full-time education as an adult and up to 10 years of contribution credits to cover time spent caring for a child aged under five.

[33] Ibid.

Arrangements for people wishing to take their pension early

Under the current arrangements, individuals can claim a reduced pension at any point between the ages of 63 and 65. Alongside the proposals for a phased increase in the Jersey pension age, it is proposed that the ages at which a reduced pension is available should be adjusted upwards to match the move to 66 and 67. So people would still be able to take a reduced pension early, but at ages 64 and 65 when the pension age is 66, and at 65 and 66 when it has reached 67. Of the new pension claims opened in 2009, around 20% comprised early claims. Maintaining this arrangement allows people some flexibility in when they retire and the reduction in pension is calculated so as to be cost neutral to the Social Security Fund.

Encouraging people to take their pension later

In addition to maintaining the flexibility for people to claim their pension up to 2 years before SPA, it is proposed that there should be the option to allow individuals to take an enhanced pension if they claim it after reaching SPA. (See section 5.5.)

Non-paying election at 60

At present, people who have reached 60 and have retired and do not intend to work again can choose to stop contributing to the Social Security Fund. This means that their pension entitlement in terms of the number of years is frozen, with the pension not payable until the SPA or earlier (with a reduction). This option will be reviewed in the period leading up to the proposed changes to the pension age.

Section 8

Summary of recommendations

- Link future rises in pension age to post-pension age life expectancy.
- Maintain the universality of the old age pension, with no means-testing.
- Continue the link to average earnings to determine pension uprating.
- Increase the pension age from 65 to 67, by raising the pension age by 2 months a year from 2020 until it reaches 67 in 2031.
- Raise the number of years' contributions required for a full pension from 45 to 47 over the same period.
- Review in 2020 the need to increase the pension age further in light of continued improvements in longevity, and the general economic situation.
- Review the range of benefits available for those unable to work to State Pension Age due to ill-health.
- Revise upwards the current arrangements that allow people to claim a reduced pension at any point between the ages of 63 and 65.
- Provide an enhanced pension if people delay claiming the social security pension until after pension age; the intention is to encourage people to remain in employment for longer.
- Undertake further research to identify measures to encourage people to work longer, to encourage employers to employ older workers and to consider legislation that may be needed (including discrimination and migration laws).
- Propose a States debate in 2011 on the proposals to increase the pension age.
- Introduce legislation as soon as possible to set the State Pension Age and make the other changes detailed above.

APPENDIX 1

A short history of the Jersey Social Security pension

Social Security in Jersey can be traced back to 1933 and an Act to introduce a Workers Compensation Scheme that paid benefits to workers injured at work. The UK introduced a National Insurance Scheme in 1947, following the Beveridge Report, and Jersey followed suit with the Insular Insurance (Jersey) Law 1950. This became effective on 10th September 1951. This Law established a 'system of insular insurance to provide pecuniary payments by way of sickness benefit, accident benefit, retirement pension, widow's benefit and guardian's allowance.'[34]

Under the 1951 Law, old age pensions (originally Retirement Pensions) were paid at 65 to men and at 60 for women. In 1974, for new entrants, this division was lost in a common pension age of 65. However, the right of women to receive their pension at 60 was maintained for those women already registered with Social Security before 31st December 1974. In effect, therefore, 2 systems are running side by side, but from 1st January 2020, everybody will have a common pension age of 65.[35]

The current system

The Social Security pension is normally paid when someone reaches 65 years of age.

Pension before age 65

Women who joined the Jersey Social Security Scheme before 1st January 1975 can claim a pension when they reach the age of 60.

Individuals can claim a reduced pension at any point between the ages of 63 and 65. For each month that the pension is paid early, the pension is reduced by 0.58% of their pension entitlement. So, for example, if someone has already built up an entitlement to a full pension (after 45 years' contributions), then at 63 they would receive approximately 86% of a standard rate pension (24 months x 0.58% = 13.92% deduction).

Contribution record

To receive a pension based on their own contribution record, an individual must have paid full contributions for at least 6 months, and their contribution record must give at least a 10% entitlement to a pension – i.e. they must have contributed or have credits equivalent to 4.5 years.

A 100% pension requires a contribution record of 45 years in total before the end of the month prior to their 65th birthday.

A woman who married before 1st April 2001 can choose to have a pension based on her own contribution record or on her husband's contribution record, whichever is more favourable to her. If she relies on her husband's record, the pension is only payable when her husband reaches pension age.

[34] Continuity and Change, p.25.
[35] Ibid p.38.

At pension age she receives the equivalent of the adult dependency increase (i.e. 66% of that payable to the husband), while the husband receives the equivalent of his single pension.

Non-paying election at age 60

Someone who is at least 60 and no longer working at all can elect to cease paying contributions.

Working beyond 65

If someone works in any capacity beyond 65, they are no longer liable for contributions themselves, but the employer continues to be liable for its element.

Incapacity pension

Paid to people who, because of illness or injury, are unlikely to ever work again and intended to make up for the loss of earnings. Incapacity pension is payable up to pension age. No work of any kind is allowed whilst on this benefit.

Pension rate

The pension rate is reviewed on 1st October every year and increased in line with the Jersey Earnings Index for the 12 months ending on 30th June of the same year. From 1st October 2010, a full single pension is £179.97 a week and a dependant's pension £118.79, so a married couple receive £298.76 a week.

APPENDIX 2

Revising the State Pension Age – what other countries are doing

State Pension Age increases by country[36]

State Pension Age	**66**	**67**	**68**
Date			
In 2010	USA	Iceland	
		Israel (men)	
		Norway	
By 2020	Ireland (2014)		
	Australia (2020)		
	Netherlands (2020)		
	UK (2020) [new plans]		
By 2030	Germany (2024)	Ireland (2021)	Ireland (2028)
	Denmark (2025)	Australia (2024)	
	UK (2026) [legislated]	Netherlands (2025)	
		Denmark (2027)	
		USA (2027)	
		Germany (2029)	
By 2040		UK (2036)	
By 2050			UK (2046)

[36] Taken from: A sustainable State Pension: when the State Pension Age will increase to 66, DWP, November 2010, p.16. Reference to table says: 'State Pension Ages in the table refer to legislated reforms except for the Netherlands and Ireland. Data from the US Social Security Online website, available at www.ssa.gov/policy/docs/progdesc/ssptw/ and from Mutual Information System on Social Protection/Social Security website, available at: http://ec.europa.eu/employment_social/missoc/db/public/compareTables.do '.

Current State Pension Ages across the world and expected changes[37]

	Current – Men	Current – Women	Future
Australia	65	64	Women's State Pension Age (SPA) to rise to 65 by 2013. Beginning in 2017, the qualifying age for both men and women will increase from 65 to 67 years, by 6 months every 2 years.
Czech Republic	62	56.7 – 60.7	SPA rising by 2 months (men) and 4 months (women) each year until age 63 for men (2016) and women without children (2019). It increases from 59 to 62 for women with children.
Denmark	65	65	SPA to rise from 65 to 67 between 2024 and 2027.
France	60	60	It has been announced that SPA will increase to age 62 by 2018. The number of contribution years required for a full pension is linked to life expectancy.
Germany	65	65	SPA to rise to 67 between 2012 and 2029. Benefit value linked to developments in dependency ratio.
Greece	65	60	Women's SPA to rise to 65 for those insured after 1993. Plans to link SPA to life expectancy.
Hungary	62	62	SPA rising from 62 to 65, by 6 months each year, from 2012 to 2017.
Iceland	67	67	No plans for increasing SPA.
Ireland	65	65	There are proposals to abolish the Transition State Pension, payable at age 65, by 2014. The age for the contributory pension, currently 66, will increase to 67 by 2021 and 68 by 2028.
Israel	67	62	There have been discussions about equalising SPA.

[37] Reproduced from UK State Pension Age Review: 'When should the State Pension Age increase to 66?' A call for evidence. DWP, June 2010, pp. 8 & 9. Footnote to original table states: 'Pension systems differ greatly across countries and in some people are able to access their pension at an earlier age depending on certain conditions. The data above focuses on the legal retirement age for the standard pension. Source: Social Security programs throughout the world, US Social Security Administration; Mutual Information System on Social Protection, EU.'

Italy	65	60	Women's SPA to rise to 65 by 2018. If people retire at 65 their benefit reduced in line with life expectancy.
Japan	65	65	State Pension Age for earnings-related part rising to 65 from 60 by 2025 (men), 2030 (women). Benefit value linked to developments in dependency ratio.
Latvia	62	62	SPA will increase from 62 to 65, by 6 months each year, from 2016 and 2021.
Netherlands	65	65	Social partners agreed SPA rise to 66 in 2020. New government coalition to consider further rise to 67.
Norway	67	67	No plans to increase the SPA.
Poland	65	60	If people continue to retire at current age, benefits will be reduced in line with life expectancy.
Spain	65	65	Government has announced its intention to increase SPA to 67.
Sweden	65	65	If people continue to retire at current age, benefits will be reduced in line with life expectancy.
UK	65	60	Women's SPA to rise to 65 by 2020, then SPA to rise to 68 by 2046. (Since revised – see Appendix 3.)
USA	66	66	SPA to rise to 67 by 2027.

APPENDIX 3

How the State Pension Age is changing in the UK

In October 2010, HM Treasury announced in its Spending Review that in response to 'increasing longevity and demographic challenges over the longer term', the Government was speeding up the pace of State Pension Age Equalisation for women from April 2016 (when it will be 63) so that Women's SPA reaches 65 by November 2018. The SPA will then increase to 66 for both men and women from December 2018 to April 2020. This increase will be phased in at a rate of 3 months' increase in SPA every 4 months.

The Review went on to say; 'Following the faster increase to 66, the Government is also considering future increases to the SPA to manage the ongoing challenges posed by increasing longevity, and will bring forward proposals in due course.'[38]

Unless and until any such proposals come forward, the next increase will be as set out under the Pensions Act 2007, with a move from 66 to 67 between April 2034 and April 2036, and from 67 to 68 between April 2044 and April 2046.

Under the Act, the SPA was going to rise from 65 to 66 between April 2024 and April 2026. At the time, the women's SPA was scheduled to rise in a series of steps from 2010 so that men and women's SPA would equalise at 65 by April 2020.

In July 2009, Lord Turner, whose work as head of the Pension Commission informed the Labour Government's policy in this area, told the BBC that there were arguments made during the review that the pension age should go up to 70 by as early as 2030 and he was quoted as saying: 'If I was redoing my report, I would be more radical, arguing for an even faster increase in the State Pension Age.'.

In light of the economic and financial pressures facing the country and with life expectancy continuing to rise[39], the UK Coalition Government indicated that it believed that the SPA would need to rise faster and further than set out in the Pensions Act 2007 and its proposals to speed up the increase to 66 are now progressing through Parliament.

[38] Spending Review 2010, HM Treasury, October 2010, p.69.

[39] At the time of the Pensions Act 2007, the latest projections of life expectancy were from 2004. However, subsequent gains in average life expectancy have outpaced the projections on which this timetable was based. Based on 2008 projections, life expectancy in 2026 shows an increase for both sexes of at least 1.5 years more than indicated by the 2004 projections. (A sustainable State pension: when the State Pension Age will increase to 66, DWP, November 2010, p.7.)