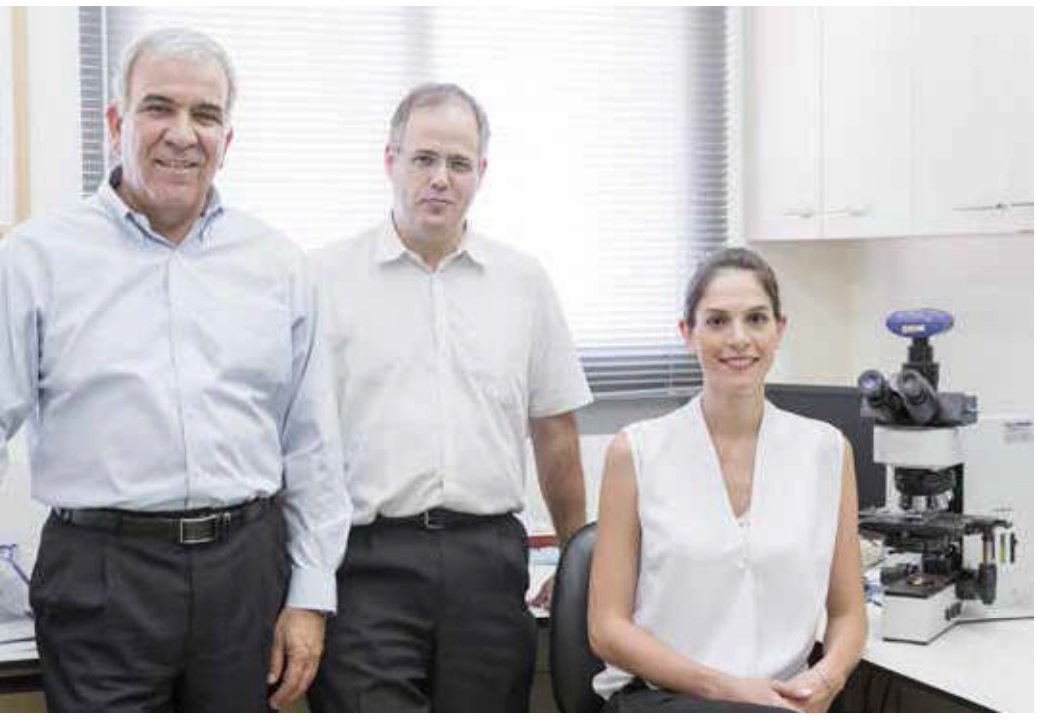
One size fits none

Does the flexible workforce of the future need a flexible State Pension Age?



pwc

pwc.blogs.com/pensions

“A problem can never be solved on the same level of thinking as identified it”

Contents

Foreword

We feel there is a better way and so we pose the question ***"does the flexible workforce of the future need a flexible state pension age?"***

We are living longer than ever before and staying fitter for longer. That is good news, but it brings challenges.

These challenges include defining what retirement represents and how society can continue to benefit from the wealth of experience accumulated by those of greater years. That is a subject too big to be contained in a paper of this size but no doubt is a conversation that will continue to develop in the coming years.

A more immediate challenge is how we make sure that we bequeath to future generations a state pension system that can be afforded. The traditional solution is to push back the point at which people begin to receive state pension.

Instinctively this feels right because in that way we reduce the burden of state pension falling on future generations. We have written this paper to highlight that there are choices in how we achieve this end and to explore if there are better options than the one currently selected.

We believe there is a better way and so we pose the question "does the flexible workforce of the future need a flexible state pension age?". This question is important for all of us to address whether as individuals (as future recipients of state pension), companies (the retirement decisions of employees will be significantly affected by the size and availability of state pension) or policymakers (needing to ensure the affordability of the system).

In his Budget 2014 speech the Chancellor said *"we will fix the roof when the sun is shining to protect Britain from future storms"*. Announcing the removal of the requirement to buy an annuity at retirement, he then went on to say *"pensioners will have complete freedom to draw down as much or as little of their pension pot as they want"*. But we know that State Pension is an important component of retirement income for the majority of retirees. So for this bold reform to work we need to apply flexibility to the timing of when State Pension can start and to the way that it starts.

This paper is intended to contribute to the debate. We do not claim to have all the answers although we do make a specific proposal that **State Pension Age should be replaced with a State Pension Window**. We do hope that putting forward this idea will stimulate discussion that will help create a state pension system for the future which is designed to meet the future needs of an agile and flexible UK workforce.

Raj Mody
Actuary and Partner, PwC
raj.mody@uk.pwc.com

Simon Wasserman
Actuarial research, PwC
simon.l.wasserman@uk.pwc.com

April 2014

1. Executive summary

A fixed, rising State Pension Age isn't working...

Everyone retiring at the same age is leading to **unfairness** and people falling short of their plans

Why?

- Different socio-economic groups benefit more/less
- Affordability
- Ongoing uncertainty
- Working li
- No choice/flexibility

What are the issues?

The majority of the public don't want a rising State Pension Age

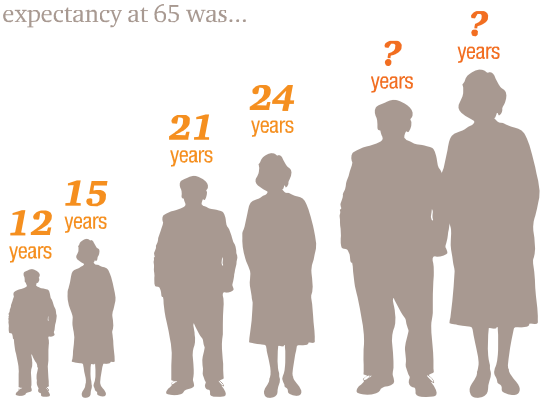
55%

of people in our survey said they wanted to retire before or at 65. 21% said they wanted to retire later, and 24% said they didn't know.

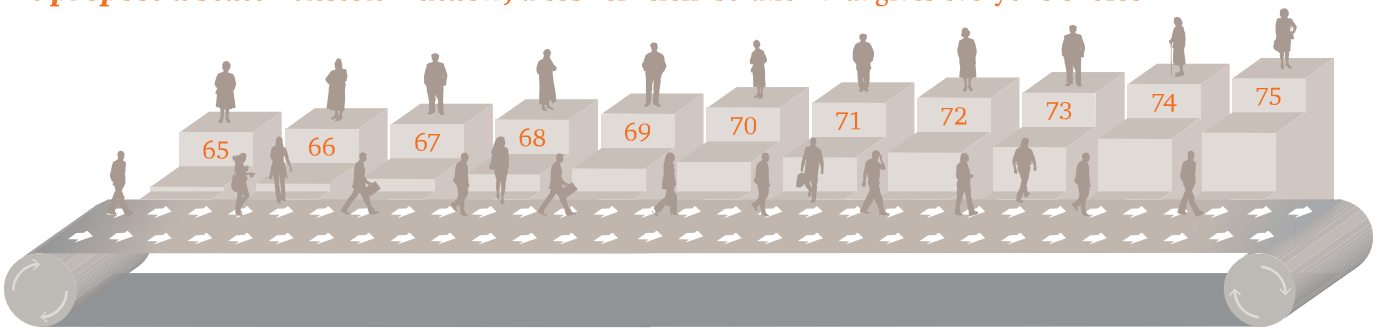
61%

said the State Pension age is important to their retirement plans. **Only 8% said it is unimportant**

People are li longer. Longevity is expected to increase. Affordability is a key issue. Average life expectancy at 65 was...



We propose a State Pension Window, a **cost-efficient** solution that gives everyone **choice**



This paper proposes a complementary approach which builds on current policy and thinking

State Pensions discriminate

State pensions have always discriminated in favour of the well-off. They were first introduced in 1909 on reaching age 70. At that time life expectancy at birth for a man was 47 years and for a woman was 50 years[1]. Only the fittest (which also means the better off financially) survived to receive these pensions.

How long we li

(SPA) favours the well-off at the expense of the less well-off.

We are living longer

As the population ages, the current state pension system is projected to become an increasing and unsustainable percentage of GDP. As lifespans increase still further and we spend more time in retirement than any previous generation this effect will be exacerbated.

It is suggested by the Government that SPA increases should be designed to keep the proportion of adult life post retirement to around a third. While such a target is a step in the right direction, it is an incomplete approach. An additional concern is the cost to society of state pension as well as the length of time spent in retirement.

Governments have sought to remedy this situation by (i) reducing the overall level of state pensions and (ii) gradually increasing SPA to 68 for both men and women. Concerned about the ad hoc nature of these increases, the current government proposes to formally reconsider SPA every 5 years allowing for a 10 year waiting period before any increase would take effect.

A State Pension Window

This paper proposes a complementary approach which builds on current policy and thinking. This is to dispense with the concept of a single SPA completely

ld:

- allow people to choose when they begin receiving state pension within an acceptable age band
- introduce more fairness between the different socio-economic groups
- introduce consistency with the private sector (where the Default Retirement Age has been abolished) and hence allow employers to take more effective actions to maintain and renew their workforces
- produce a long-term cost that is more stable as a proportion of GDP in the long term.

In the background the Government's proposed 5 year analysis and decision-making would still proceed but to inform a "pivot age" within the State Pension Window. The pivot age would help determine the amount of state pension payable depending when in the window an individual chose to start their state pension.

This would mean that the State Pension Window would need to be reconsidered perhaps once in a generation unless exceptional changes occur. Having a State Pension Window in this form would also make it easier to adjust for decreases in longevity as well as for increases in longevity.

Controlling the cost

There are three main cost levers that can be used for a State Pension Window. These are:

i. The earliest age at which retirement is available with a state pension
ii. The choice of "early" and "late" pension adjustment factors[2]
iii. The imposition of conditions on who may take "early" retirement.

The paper models the projected financial impact of introducing a State Pension Window and then considers how various alternative models might be evaluated.

[1] http://www.longevitypanel.co.uk/docs/life-expectancy-by-gender.pdf
[2] An early retirement factor specifies by how much the pension is reduced when taking state pension before the pivot retirement age. Similarly a late retirement factor specifies the amount of uplift that someone would receive by retiring after the pivot age. In this context, early and late retirement is used loosely as (strictly speaking) in a State Pension Window there is no one specific retirement age only a pivot age on which the calculations are based.

Seeing the long term

Part of fiscal maturity must be the ability of government to distinguish between speculative short-term investment (i.e. short-term expenditure increases because the government *hopes* that a saving will emerge in future) as opposed to guaranteed short-term investment (i.e. short-term expenditure increases because the system *has been designed* to ensure future savings arising from the acceptance of the short-term extra cost). The conclusion of this paper is that a State Pension Window is in the second category and is to be greatly preferred by government, employers and individuals to a system of sequential upward revisions to SPA.

Moving to a State Pension Window will result in a system which supports better workforce planning by companies and results in a state pension system which is more sustainable in the long term.

SPA matters

A survey conducted for PwC indicated that:

- a quarter of the population is uncertain about when they hope to retire
- only 8% of people regard SPA as unimportant when making their decision on their retirement age
- 20% of people would like to retire with state pension before the official SPA with a reduced pension (and another 24% don't know).

This indicates that the issue is one of some importance to a great many people and that many approach retirement without a clear understanding of what they want or can expect.

A solution for a flexible workforce?

This paper follows two earlier papers published by PwC[3] and taken together these papers propose that

- As longevity increases we have to encourage people to stay in the workforce for longer
- The workforce of the future will require flexibility and a mass customisation approach
- We need to encourage people to take more responsibility for their futures
- Just increasing SPA can lead to discrimination between socio-economic groups

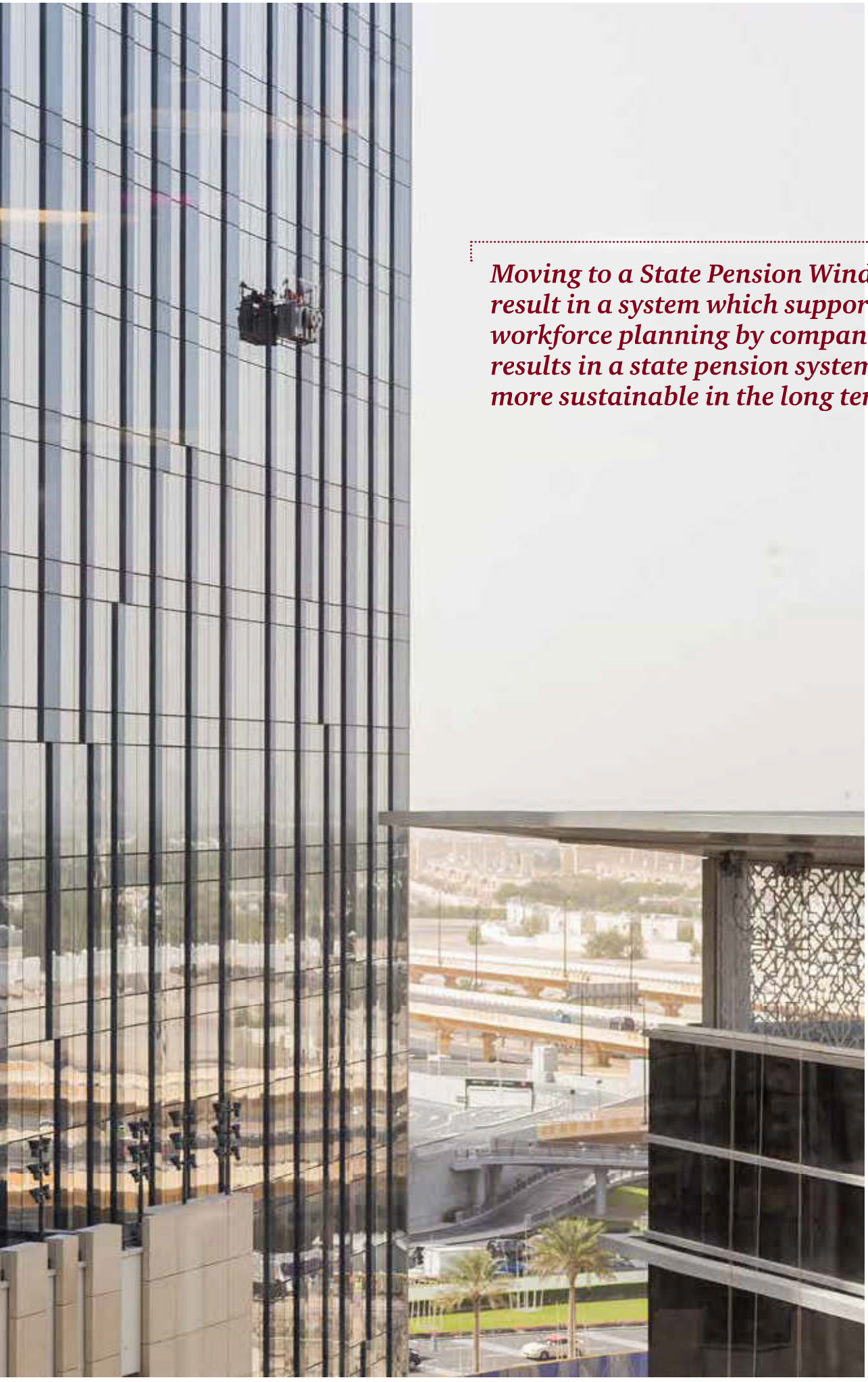
This implies allowing access to state pension within a window on terms that do not endanger state finances.

A solution is to have a State Pension Window with the ability to access state pension starting from any age between 65 and 75. If we are able to do this, it would allow "60 somethings" to:

- Continue working part-time while taking a partial state pension
- Balance this with looking after elderly relatives who would find it easier to remain in their homes as a result
- Pursue and develop other interests to ease the transition into full retirement.

This solution would provide a flexible state pension platform to support the flexible workforce of the future that this country needs to underpin future economic success.

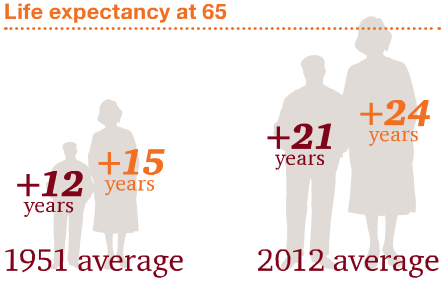
[3] *"Working longer, living better: A Fiscal and Social Imperative"*, PwC Public Sector Research Centre, 21 October 2009 http://pwc.blogs.com/files/working-longer-living-better---extending-working-lives-final.pdf and *"The future of r forming workplace"*, PwC, 2010 http://www.pwc.com/gx/en/psrc/united-kingdom/future-of-retirement-in-transforming-workplace.jhtml



Moving to a State Pension Window will result in a system which supports better workforce planning by companies and results in a state pension system which is more sustainable in the long term

2. Background and history

We describe how universal state pensions developed and the way that increases have been given to pensions in payment.



Increasing longevity over the last 50–70 years has led to an increase in life expectancy in retirement. In 1951 a man at age 65 could expect to live for a further 12 years and a woman could expect 15 years. By 2012 these expectations had risen to 21 years and 24[4] years respectively and are projected to increase still further. That future longevity increase is uncertain. Most predict that it will occur but there is little agreement as to whether the rapid rise of the past 50 years will be maintained. Some predict a levelling off as lifestyle factors undermine medical advances.

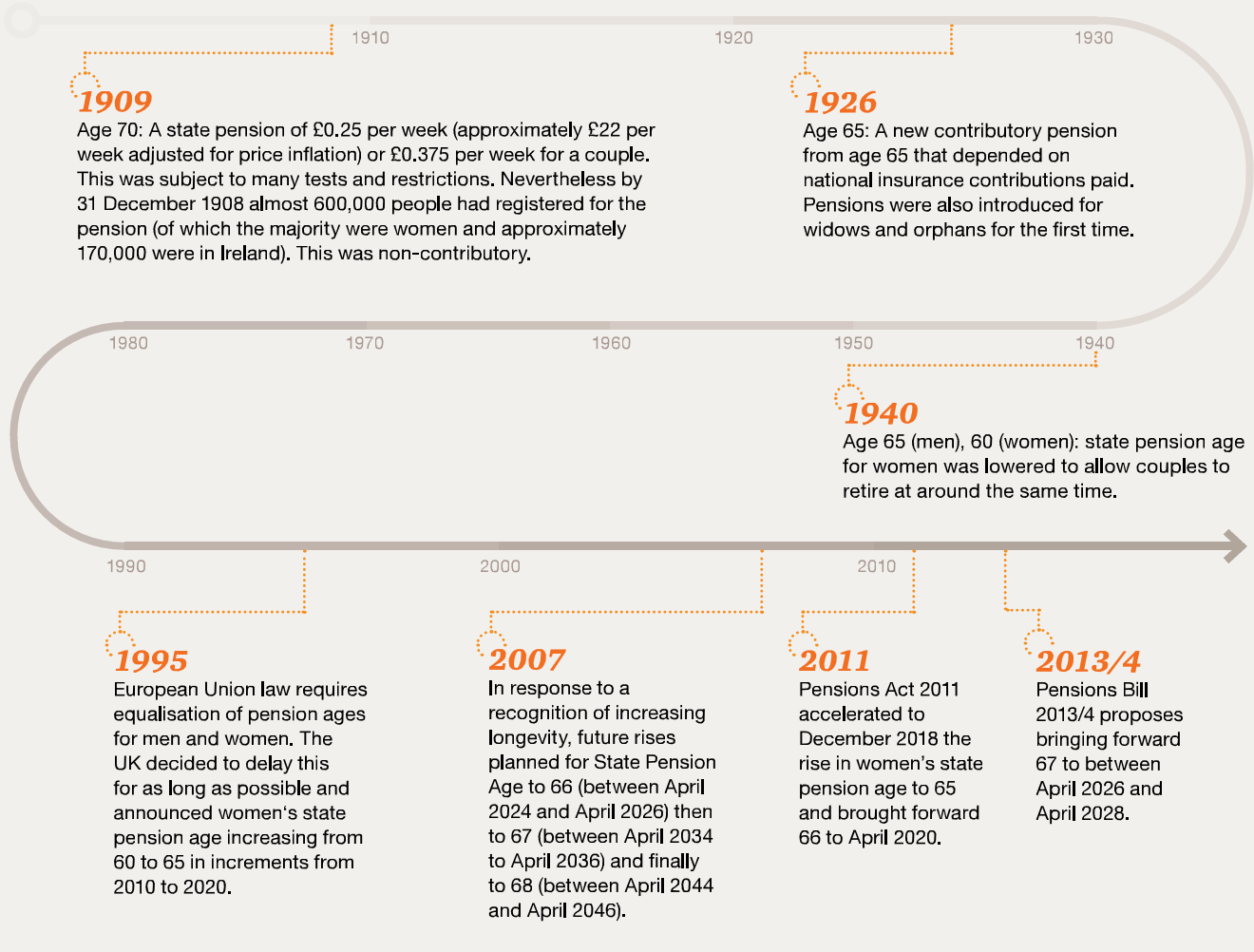
As a result, the Government has introduced a mechanism into the Pensions Bill to systematically review State Pension Age (SPA) every 5 years and to provide 10 years advance notice of increases.

As can be seen in Figure 1, the history may be stated in two parts:

- State Pension was introduced at the beginning of the 20th century. Then throughout most of the 20th century state pension was increased and state pension ages were on a downward trend increasing the number of people who could expect to receive a state pension and the amount of that pension.

- From near the end of the 20th century the trend has reversed due to the twin pressures of EU non-discrimination legislation and (more importantly) due to a recognition that we are li longer than previously understood.

Figure 1: History of UK State Pension Ages



[4] ONS 2012 cohort figures

"Large streams from little fountains flow, Tall oaks from little acorns grow."

D. Everett, from The Columbian Orator, 1797

The second tier earnings related state pension (SERPS) was introduced in 1978. With hindsight it was felt that the terms were too generous and subsequent governments have been trying to reduce this additional pension.

As stated by the Institute for Fiscal Studies *"The history of the UK pension system is the story of one mainly designed to avert poverty at older ages, which has been at times tempted by the higher replacement rate of the earnings-related social insurance systems of its continental neighbours. This ambiguity about the objectives of the UK pension system, and the difficulty of balancing different objectives in the impossibility triangle, largely explain the complexity of the current system."* [5]

As we confront the fundamental review of pensions prompted by the recent government consultation on Defined Ambition pensions, it is time to finally get to grips with the role and positioning of state pensions in the UK in the context of societal objectives and values and how it complements (and is complemented by) company sponsored occupational pension schemes.

State Pension increases

While not affecting State Pension Age, it is worthwhile considering briefly the recent history of policy towards pension increases. This is because the choice of State Pension Age is really to do with the cost of pensions as a proportion of GDP and the increases given impact the cost directly

lly at the higher of wages and prices. The philosophy was that pensioners should retain a share of the GDP cake but should also have their buying power protected. In 1979 the link to wages was removed and between 1979 and 2000 increases were linked to price increases. Given that wages tend to rise faster than prices, this linkage to prices led to the basic state pension falling from 26% of average earnings in 1979 to 15.9% by 2000.[6]

To stop this continual erosion of pensioner incomes as a proportion of GDP, indexation was restored to the higher of wages and prices from 2001. Then in 2011 concern about deflation prompted a triple guarantee for pension increases (highest of wages, prices or 2.5%). This guarantee has become known as the triple lock.[7]

The triple lock has become favoured by both main political parties and there is a strong case for embracing agreement and not destabilising a political accord in this respect. However, we should be questioning the logic underlying the triple lock as a long-term guarantee. The triple lock is guaranteed to increase the pensioners' share of GDP through all economic conditions and in January 2014 David Cameron pledged to retain the triple lock until 2020.[8]

We should be asking why this is necessary. If it represents a statement that pensioners' share of GDP is still too low than why do governments not prioritise increasing that share in a more structured and immediate way? In reality there must be a concern that – as a country – we have never established what percentage of GDP should be applied as a long-term norm to pensioners.

The rest of this paper concerns itself with SPA alone and does not consider the way that pension increases should be applied.

[5] http://www.ifs.org.uk/bns/bn105.pdf page 8
[6] https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/20130828_PPI_Pensions_Primer_Update_-_FINAL_with_addition.pdf
[7] The original triple lock referred to the Smith & Wesson .44 Hand Ejector 1st Model 'New Century' "Triple Lock". This was manufactured between 1908 and 1915. It is regarded as the finest handgun ever produced but production was stopped in 1915 for two main reasons. Firstly the British and Canadian military were concerned that the gun was too complex for the real world. Secondly Smith & Wesson found that they could save $2 per gun production cost by reverting to a double lock. So, a brilliant concept was found to be unnecessarily complex and too expensive to be needed for the real world of the time. This is a message that we would do well to ponder.
[8] http://www.thesundaytimes.co.uk/sto/news/Politics/article1359541.ece

While there is a strong case for not destabilising a political accord, we should be questioning the logic underlying the triple lock as a long-term guarantee

Figure 2. Case study: Felicity's lifeline (all figures in today's money terms)

2000s 2010s 2020s 2030s 2040s 2050s 2060s 2070s 2080s 2090s

Birth 2000

Starts work 2022

State Pension Age 2070

Death 2095

First job:
Let's assume Felicity goes to university and starts work with a private sector employer, aged 22, and with average earnings for a graduate (roughly £27,000 a year).

She'll be auto-enrolled into a defined contribution (DC) pension scheme, with minimum annual contributions of about £1,700 i.e. 8% of qualifying earnings (£27,000 - £5,668).

Career employment savings:
Felicity will have 10 or more jobs during her career, with pension pots from each job being automatically consolidated.

Ignoring salary inflation, if she's in work for, say, 40 of the 48 years between age 22 and age 70, total contributions will be 40 x £1,700 = £68,000. A real rate of return of 3% each year, might double those contributions to a fund of about £135,000 at age 70 (again ignoring price & salary inflation).

State pension age:
Felicity's projected life expectancy is currently 95, meaning her adult life (from age 20) will be 75 years.

In order for her to spend a third of her adult life in receipt of the state pension, her state pension age (SPA) must be 70.

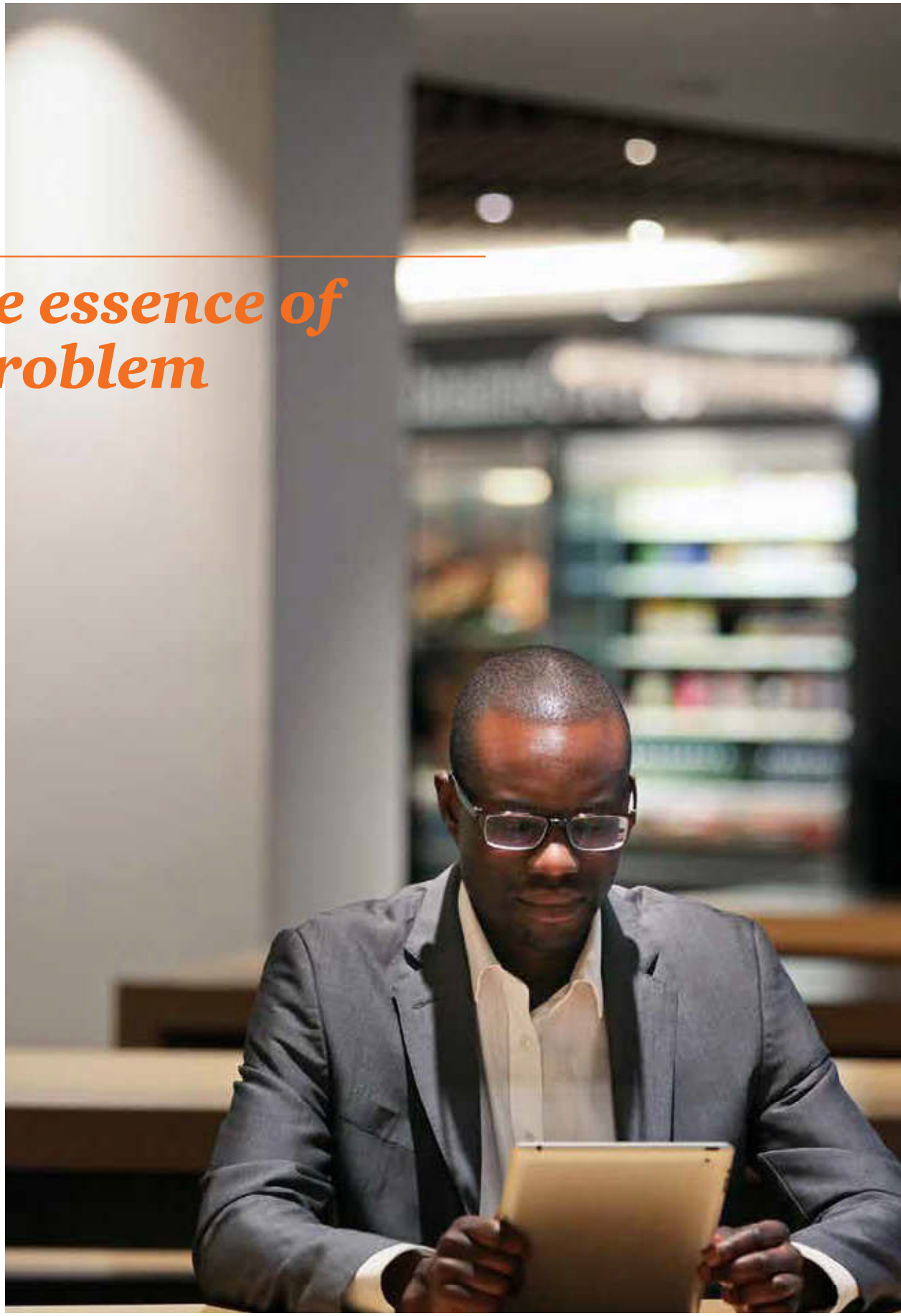
Retirement:
She can take 25% of her £135,000 tax free, leaving about £100,000. Spread over 25 years, she draws down £4,000 a year. With her single tier state pension of £7,500 a year, that's a total retirement income of £11,500 a year. Is that enough?

Figure 3: How State Pension Age is currently planned to increase

State Pension Age	Current law	Proposed further changes	Who is affected?
Women's SPA reaches men	April 2018	none	Women born after April 1953
66	October 2020	none	All born after October 1954
67	April 2036	April 2028	All born after April 1961
68	April 2046*	none	All born after April 1978*

*It is to be expected that the increase of SPA to age 68 may well be brought forward from this year.

3. The essence of the problem



"Public debate is now essential over the public expenditure versus pension age trade-off."

Pensions Commission

If we cannot afford our state pensions should we work longer, protect the poorest or encourage everyone to save more? We need to be aware of the inequality between longevity in retirement of people at different levels of the socio-economic groupings. Arguably, state pensions have always discriminated against those at the lower socio-economic levels.

However it has arisen, the fundamental issue is that we cannot afford the pensions that we have promised ourselves. This is true at national level and also true for many companies. The three solutions proposed universally are a combination of one or more of:

1. Work longer (including linking SPA to longevity either directly or indirectly)
2. Concentrate resources on the poor (which would involve a return to means-testing as a primary policy for testing state pension eligibility and would imply discrimination in the private sector)
3. Encourage individuals to save for their own retirement income (as for example Auto Enrolment).

Solutions in family 2 tend to be socially difficult or unacceptable and seen as retrograde.

Solutions in family 3 are partial at best unless the public can be persuaded or coerced to save at levels that currently seem unachievable. As an aside, in the private sector there has been a noticeable reduction in the level of support that employers have been willing or able to supply to pension schemes. In particular the type of support that protects against uncertainty has become particularly difficult for employers to provide and as a result we have seen a mass migration from final salary pensions to defined contribution pensions with contributions at a much lower level than implied by the former final salary schemes. Defined Ambition is an attempt to slow or halt this movement. However, it swims against a tide of corporate sentiment.

This leaves us with solutions in family 1 as the main thrust of public policy. The government has proposed formal reviews of SPA every 5 years based on actuarial input from the Government Actuary and based also on wider input. However the final decision-making is left to the discretion of the then Secretary of State and any change would be preceded by a 10 year interim period. While this formalisation is well meaning, it is a recipe to create ongoing uncertainty for any private sector schemes or workforce management that relies on SPA as a component in decision-making.

The 5-yearly reviews make the assumption that longevity will continue to increase. This is a widely held view but there is considerable uncertainty over future longevity trends[9,10,11] and therefore it is highly unlikely that anyone will be able to predict the outcome of future reviews with any confidence in advance. It is probable that this review process will undermine any effort to establish Defined Ambition pensions or to rescue Defined Benefit.

[9] http://www.prb.org/pdf06/nia_futureoflifeexpectancy.pdf
[10] http://abcnews.go.com/Health/ActiveAging/humans-live-longer-2050-scientists-predict/story?id=9330511
[11] http://www.actuaries.org.uk/research-and-resources/documents/life-expectancy-how-certain-are-we-about-future-trends-and-what-dr-0

But there is a further problem. This has been the subject of recent research and is highlighted effectively in the paper by the International Longevity Centre UK[12]. The issue is that longevity improvements have been fuelled (at least in significant part) by improved hygiene, diet, lifestyle and other similar factors. These improvements have not accrued equally to all socio-economic groups and there remain significant differences in longevity between the socio-economic groups.

Even more than this, the ILC UK paper examines how Life Expectancy (LE), Healthy Life Expectancy (HLE) and Disease Free Life Expectancy (DFLE) vary between the socio-economic groups.[13]

This was explored previously by the Marmot Review[14] and is kept under review.

Getting back to basics, pensions are about sustaining a standard of li longer has the ability (or willingness) to generate an income and provide for oneself. Those who are financially better off expect to live longer and to receive the state pension for longer. Therefore there is an (unintentional) inequality both in state pensions and in employer-sponsored defined benefit pensions that do not recognise this cost differential.

This issue is particularly difficult to solve. However, it is not a new issue. Since inception, SPA has always been discriminatory in this way[15].

However, what does seem clear is that increasing SPA uniformly for all discriminates against lower income and socio-economic groups and benefits higher income groups who expect to live longer after State Pension Age.

So the question is whether there is a way to address increasing longevity that does not worsen this inequality and which provides a sounder base on which companies can plan. That question is the subject of this paper.

[12] *"Linking state pension age to longevity"* February 2014 available from http://www.ilcuk.org.uk/index.php/publications/publication_details/linking_state_pension_age_to_longevity_tackling_the_fairness_challenge

[13] These are measures that allow comparison of how long someone can expect to live after retirement in general compared with if they reach retirement either basically healthy or completely disease free. Not surprisingly the three longevity measures are different (the healthier you are when you reach retirement the longer you can expect to live after retirement) but also show differences in how long we can expect to suffer ill health in later life. These measures vary significantly by socio-economic group.

[14] *"Fair Society Healthy Lives"* The Marmot Review, February 2010

[15] http://touchstoneblog.org.uk/wp-content/uploads/2013/08/Life-expectancy-inequalities-and-state-pension-outcomes.pdf as an example

So the question is whether there is a way to address increasing longevity that does not worsen this inequality and which provides a sounder base on which companies can plan

4. What is the role of state pension and SPA?

There is a great deal of variation in pensioner income and average values are not helpful in setting public policy. We must learn from occupational pension schemes and from overseas practice.

*"Only **8%** of people regarded SPA as unimportant in their decision of when to retire"*

Opinium survey conducted on behalf of PwC (2014)

DWP statistics[16] show the mean gross income of pensioners to be £456pw[17] compared to £653pw for households in work. On paper, pensioners are not badly off compared to the working population. This gross income is estimated to comprise 43% from the state, 27% from occupational pensions, 18% from earnings, 7% from investment income and 4% from personal pensions.

However, this mean figure conceals significant differences by

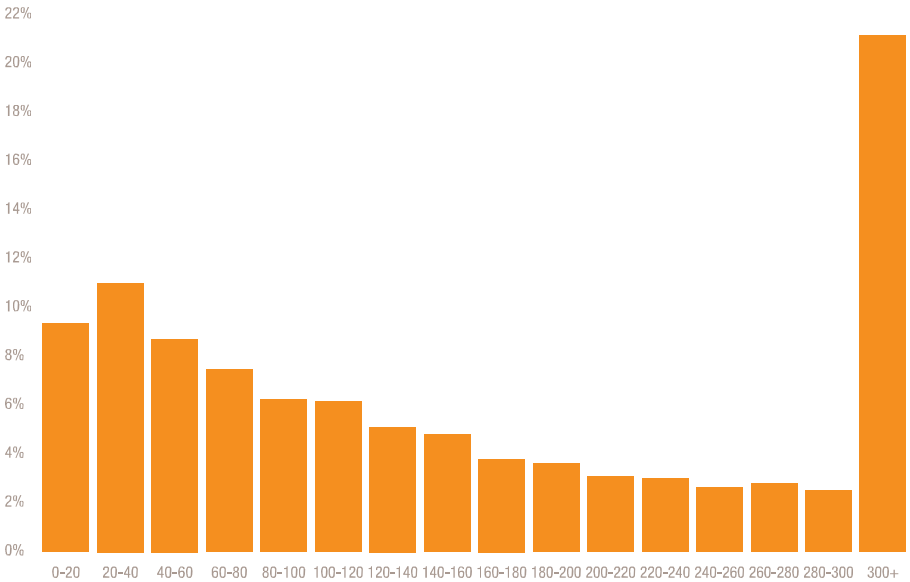
- Region (f)[18]
- Age (recently retired £538, under 75 £517 and over 75 £374)
- Gender (single male £346 and single female £282)[19]

Close analysis of these statistics yields interesting observations, but for the purpose of this paper it is sufficient to note that the mean figures conceal very large differences between pensioners and the means are not useful in considering public and occupational scheme policy.

As an example, Figure 4 from the DWP publication shows the distribution of occupational pension income in £20pw bands. It shows a peak at £20–£40pw and then steady decline until a catch-all of £300+pw. With this sort of distribution the mean is of limited value and gives too optimistic a picture for typical pensioners.

Figure 4

Distribution of occupational pension income (£)



Source: DWP *Pensioner Income Series 2011/12*, July 2013

[16] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211685/pi-series-1112.pdf *Pensioner Income Series 2011/12*, July 2013

[17] Strictly this is the mean for pensioner *units*. A unit is either a single person (where the pensioner is single) or the combined income of a married couple where at least one of the two people is over SPA. The mean of £456 reflects a mean of £626pw for pensioner couples and a mean of £299pw for single pensioners.

[18] couples

[19] single

What is clear is that state pension is a significant proportion of the total retirement income on which most pensioners depend. In a recent survey conducted for PwC[20] only 8% of people surveyed regarded SPA as unimportant in making their decision on when to retire.

The DWP statistics and the survey results both indicate that decisions on increasing SPA will ha l impact on whether individual pensioners are able to retire at a particular age. Those who are able to retire regardless of increases to SPA will be those pensioners on the extreme right of the above graphic as they do not need state pension to the same degree. They are also likely to be those in higher socio-economic groups.

In other words, increasing SPA will be more effective at preventing those in lower socio-economic groups from retiring but much less so for the higher socio-economic groups. However, those in lower socio-economic groups can be expected to have a shorter life expectancy and be more likely to suffer illness and disability earlier than those in higher groups.

Interaction with Occupational Pension Schemes

A further dimension is how SPA complements practice within occupational pension schemes. The Default Retirement Age (DRA)[21] has been abolished. This means that retirement age is much more individually based rather than being a "one size fits all" age. By contrast a fixed SPA (even one that is increasing to reflect increasing longevity) appears anachronistic and creates a frictional imbalance with the reality of workforce management in companies post-DRA.

Lessons from other countries

The supplementary paper considers experience in OECD countries[22]. In particular:

- SPA does not necessarily inhibit earlier retirement
- A concern across many countries is how to encourage longer participation in the workforce and later retirement. As may be seen in the supplementary paper, SPA does not appear to encourage retirement later than this age except where there is a culture that lends itself to this (Japan, Korea and Mexico)
- It is possible for countries to provide a state pension before SPA (in fact it is more common than not)
- Allowing earlier retirement with state pension does not seem to generate earlier withdrawal f labour market provided appropriate constraints are in place
- A limited number of countries have a state pension window (notably Finland, Italy, Norway and Sweden). Introducing this window has usually been part of a process to increase the age at which people exit the workforce.

[20] Opinium Research survey conducted on behalf of PwC, February 2014. See Tab 35 of the Supplement for further details
[21] The age at which employers could force employees to retire. This was commonly 65 up till 1st October 2013 when it was made illegal.
[22] http://www.oecd-ilibrary.org/finance-and-investment/pensions-at-a-glance-2013_pension_glance-2013-en

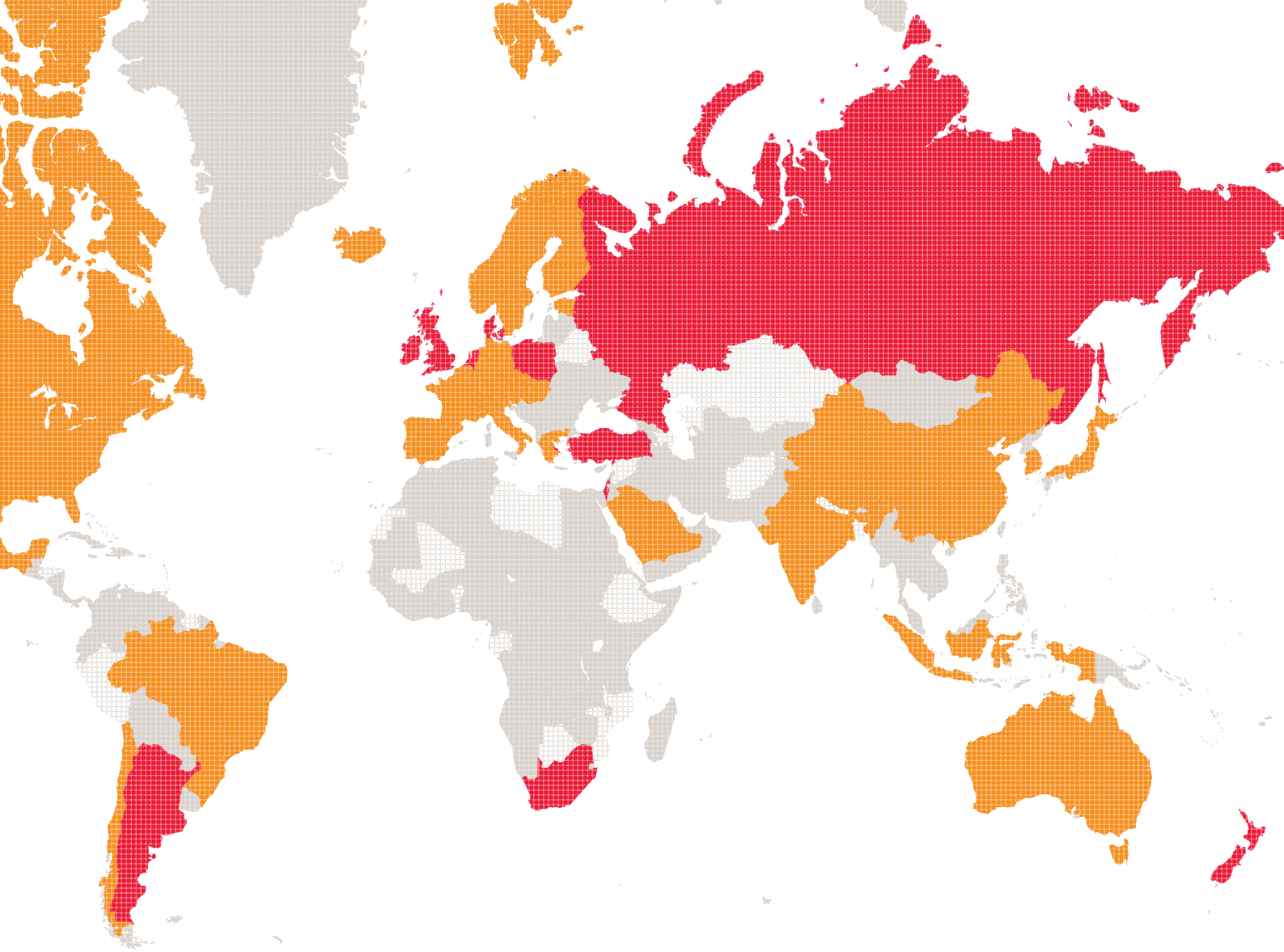


Figure 5
Early access to State Pension in OECD countries

Figure 5 shows OECD countries (plus Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia and South Africa) coloured either orange (if they allow access to state pension before the official SPA) or red (if they do not allow early access).

There are 31 countries that do allow early access and 11 (including Russia) that do not. Those that do allow early access typically impose conditions.

5. Changing the paradigm

A specified SPA which is then adjusted to reflect average longevity increases is a 20th Century paradigm. It is likely to be increasingly out of the step with the culture and values of a 21st Century society which is increasingly expectant of mass customisation in all aspects of products and services.

"A problem can never be solved on the same level of thinking as identified it"

Albert Einstein

There are various assumptions that underpin SPA and the proposed 5-yearly reviews. These include:

- A fixed percentage of adult lifetimes should be spent after SPA (taken to be a third)[23]
- The choice of SPA must help protect the state against excessive payments as a percentage of GDP to pensioners in future
- The state cannot differentiate between different pensioners except on the basis of how many years' National Insurance Contributions have been paid (this was less true when the paradigm included an additional component linked to earnings but that is now being phased out)
- SPA may be set independently of practice within the private sector
- SPA must be equalised for both men and women to comply with EU legislation.

No doubt there are others, but these serve to illustrate that the paradigm is not one that is fit for purpose for the 21st Century.

Mass customisation is the dominant trend within production (whether of physical goods or of services)[24]. In 2011 Joseph Pine wrote *"Recognize that mass customization is not being everything to everybody; rather, it is doing only and exactly what each individual customer wants and needs"* [25].

In other words the paradigm for the 21st Century is to provide a structured platform which is streamlined yet provides the flexibility that different customers require of the product/ service. A one size fits all approach is not fit for purpose for the coming years.

As populations become accustomed to mass customisation of products and services they are likely to require their pension schemes and state benefits to offer the same as far as can be achieved.

With this observation let's consider the above assumptions.

[23] https://www.gov.uk/government/policies/reviewing-the-state-pension-age
[24] First identified by Stan Davis in *"Future Perfect"* in 1987 and picked up by B. Joseph Pine II in his book *"Mass Customisation"* in 1999
[25] http://blogs.hbr.org/2011/05/beyond-mass-customization/

It may be possible to correlate health with socio-economic status or other factors, but the State will find it difficult to differentiate SPA effectively on these grounds

Fixed percentage of adult lifetime post SPA

While this is needed to control the cost of state pensions as longevity increases it provides the wrong emphasis. Each individual will have different life experiences and will reach SPA in different health. It may be possible to correlate health with socio-economic status or other factors, but the State will find it difficult to differentiate SPA effectively on these grounds.

More generally, there are benefits to people remaining in the workforce for longer. These were explored in a PwC publication in 2009[26] in which it was commented that

- If there is general agreement that SPA needs to rise then it needs to rise faster and further than planned in 2009
- The issue is one of great importance and will continue to be so for the next few years
- There are benefits to remaining in the workforce for longer (these include financial and health benefits)
- There is an advantage to facilitating flexibility and retirement in stages.

A central theme of that paper was to encourage people to retire later and that remains a desirable objective. This is considered further in Section 7. But the key point is that there is now evidence that – while retirements do spike at SPA[27] – the correlation between SPA and the average age at retirement is very weak as shown in Tab 30 of the Supplement.

Protecting future GDP

This objective is appropriate but does not necessarily imply that the solution is to maintain a fixed SPA which increases over time.

The state cannot differentiate between pensioners

Longevity and health vary by gender, postcode and income in retirement. However, none of these characteristics provide a suitable basis on which to differentiate either SPA or level of state pension for obvious reasons. An insurance company finds it easier to use postcode as a differentiator because it is concerned with purely commercial transactions and has to get its sums right only across the entire portfolio. However, a government or an employer concerned with fairness finds it more difficult.

[26] *"Working longer, living better: A Fi l and Social Imperative"*, PwC Public Sector Research Centre, 21 October 2009
[27] See *"Working longer…"* page 23

S

lation. However, SPA sends a strong signal to employers with regard to lower paid employees. An employer that sets its own scheme retirement age below SPA is likely to find it hard to persuade employees to actually retire (now that the DRA has been abolished) and those who set scheme retirement age higher than SPA risk both negative publicity[28] and also difficulty persuading employees to work beyond SPA.

The supplementary paper does show a degree of independence between when people actually retire and SPA. However, SPA still acts a beacon drawing retirement towards it by its signal. Although the average age of leaving the workforce does not appear to be linked strongly to SPA, nevertheless there is a definite spike of people who do retire at – or close to – SPA.

Therefore, it is best practice for SPA to be set including reference to the needs of industry's workforce planning.

SPA must be gender-equalised

This is a clear constraint from the EU. Again, however, this does not force a specific age at which both men and women receive state pension. The key issue is qualification for benefit.

Although the average age of leaving the workforce does not appear to be linked strongly to SPA, nevertheless there is a definite spike of people who do retire at – or close to – SPA

[28] Of course, in a defined contribution pension scheme having a later retirement age presents no problems as long as there are no penalties associated with taking the pension before this later date.

6. The inter-relationship of occupational pension schemes, state pensions and personal circumstance

The workforce of the future will be more fluid and will require more fluid pensions and retirement ages that can support that fluidity. In the private sector, legacy issues will complicate ongoing changes.

"Flexibility could be the key to future working"
The Times, 26th August 2013

It is hazardous to try and predict the characteristics of the workforce of the future[29]. Many predictions are given but they typically include some or all of the following[30, 31, 32]:

- Increased teleworking with office visits only for specific interactions
- Higher demand for highly skilled individuals (a shortage of such people) simultaneously with persistently high unemployment statistics
- A much more fluid employer-employee relationship (perhaps with employees having a "portfolio of employers" simultaneously)
- Employees being expected to take more responsibility and be more creative/innovative
- Employers becoming more involved in higher education curricula to ensure that "new graduates" are better equipped for the workplace.
- (Virtual) global teams linked together on specific projects
- Automatons and computers taking over much or all of the routine and deli

loyer may not know when the employee has finally stopped working (to retire) and the individual may not know much in advance when they intend to retire. Without a Default Retirement Age there will be no specific reference point around which retirement is to be expected.

In our survey[33] we asked people at what age they hoped to retire. 24% of the people surveyed did not know. What was surprising is that among those aged over 55 the percentage of "don't knows" remained high at 21%. Even in the current environment (where we have an identified SPA and where most participants stated that SPA is important in their decision on the timing of their retirement) many people are still undecided about when they wish to retire, even when approaching retirement age.

Many of the above workforce changes are already becoming apparent and they all speak to the need for mass customisation of pay and benefit packages provided by employers to employees (who may be part-time, interim or "consultant" employees).

Key to success in this environment will be flexibility of approach within a structured process so that economies of scale can still be achieved. Integration with a state pension system which is similarly flexible will make life much easier for both employers and employees.

Of course, a key capability will be the ability to react in real time to emerging information and situational developments. Effecti tion will be facilitated by sophisticated software that allows decision-makers to model "what-if" scenarios in real time[34] as a precursor to appropriate action.

Defined Benefit pensions really took off in the 1950s when the employment model was an expectation of employees staying with an employer for life (we then had overfull employment). Moving to the 1980s the model had moved towards more mobility and fragmented careers and the new model of Defined Contribution found fertile ground in which to grow.

If Defined Ambition is not only to catch the imagination but also to take hold, then it must contain models which will be fit for purpose for the workforces of the future. Defined Ambition must be built around the philosophy of mass customisation.

[29] As someone once said *"it is difficult to make predictions, especially about the future"*.
[30] http://changingwinds.wordpress.com/2013/09/22/workforce-of-the-future-7-major-trends/
[31] http://realbusiness.co.uk/article/24153-a-futuristic-sci-fi-saga-awaits-the-future-workforce
[32] http://www.globaltrends.com/monthly-briefings/180-gt-briefing-february-2013-the-workforce-of-the-future
[33] See Tab 35 of the Supplement
[34] Such software has already emerged. A leading example is Skyval. For more details see http://www.skyval.com/

It may be necessary to break free from this paradigm of balancing the books by making short-t

The limit and extent of realistic choices for governments

Governments – like companies – do not act in a vacuum. Like companies, governments need to balance the books and avoid unexpected adverse outcomes. However, governments are politically as exposed to short-term performance as public companies. Over the last 30 years some commentators would suggest the emphasis has been almost exclusively on balancing the current account rather than on investing for the best long-term results[35].

The recent legislation establishing a Single Tier Pension from 2016 was constrained not to exceed the cost of the current system in any future tax year. This type of constraint (which is likely to be present irrespective of the party in power) means that any future planning for state pensions is conducted with one and a half hands tied behind our backs. But it appears to be a result of current thinking globally on how to manage economies effectively limits what governments feel that they can do and it may be necessary to break free from this paradigm of balancing the books by making short-term decisions if we are to establish a solution fit for purpose for the 21st Century.

Part of fiscal maturity must be the ability of government to distinguish between speculative short-term investment (i.e. short-term expenditure increases because the government *hopes* that a saving will emerge in future) as opposed to guaranteed short-term investment (i.e. short-term expenditure increases because the system *has been designed* to ensure future savings arising from the acceptance of the short-term extra cost).

Wider than pensions

In this paper we focus on the old age pension payable by the state. But within the DWP budget there are also other benefits that are paid. Their significance varies by decile of household income and also significantly by whether the household is "retired" or "non-retired". These benefits are impacted by income and therefore a reduction in income (and specifically in state pension) may interact unpredictably with other benefits. The interaction of state pension with other benefits would need to be considered carefully in any change that is made to state pension or to SPA. This is considered further in Tab 32 of the Supplement although further analysis and consideration would need to be made.

The future

If longevity continues to increase in line with that experienced in recent years it should be expected that SPA will need to rise to 69 by 2040 and to 70 by 2050. Therefore given the structure proposed we are likely to see frequent realignment (each time signposted 10 years in advance) and there will be continual instability as a result of everyone anticipating uncertain future SPA increases.

In his 2013 Autumn Statement the Chancellor of the Exchequer said *"We think a fair principle is that, as now, people should expect to spend up to a third of their adult life in retirement. Based on latest life expectancy figures, applying that principle would mean an increase in the state pension age to 68 in the mid-2030s and to 69 in the late 2040s.*

The exact dates will be set by the future statutory reviews and in line with the most up-to-date demographic data, of which the next update is published next week. This is one of those difficult decisions governments have to take if they're serious about controlling the public finances."

This comes very shortly after proposing to bring forward the increases to age 68 and illustrates how fluid and fragile will be any SPA where there are 5-yearly reviews.

As society ages in the future

Even now we are seeing an increasing number of 60+ year olds looking after elderly parents or relatives. We should anticipate that this trend will continue to increase strongly as we li longer even if further longevity improvements fail to materialise.

These carers will not want necessarily to retire all at once or all at the same age. They may value part-time working with partial state and private pensions to allow them a reasonable proportion of their time to look after their relatives and/or to pursue or develop interests that will help them transition to full retirement.

[35] *"Thinking the Twentieth Century"* by Tony Judt and Timothy Snyder

Governments choosing this route would also (by definition) be successfully integrating with private sector practice

Such flexibility would also help employers to manage the effective renewal of their workforces by transitioning new employees while allowing deep experience to transition out gradually.

Linking to key principles

As part of forward looking strategy for occupational pensions, DWP has proposed the six principles shown in Figure 6 as the direction of travel[36]. These principles are concerned with communicating pension information and understanding but can serve equally well as the foundation for future development of State Pension.

Taking the lead from the private sector, so completing the circle

The solution for government may well be that commonly applied in practice within occupational pension schemes. Therefore governments choosing this route would also (by definition) be successfully integrating with private sector practice.

That solution is to adopt a State Pension Window. The idea of a window of retirement originated as a response to EU direction on gender discrimination whereby occupational pension schemes were compelled to equalise the ages at which men and women are allowed to retire.

The past – legacy and transition

When occupational schemes formulated their solutions to EU gender discrimination (and to the Barber judgment in particular) many adopted a window of retirement solution.

They needed to recognise the rights that scheme members had built up prior to the date of the Barber judgment. This left them facing the difficult choice of either opting for simplicity of design (which meant increasing costs) or accepting different structures pre and post Judgment Day.

Government is in a slightly different (and more fortunate) position. The same legal constraints to preserve the value of previously accrued rights do not apply to state pension. Nevertheless, the complexity of the transition arrangements when the Single Tier Pension was proposed indicates how seriously the issue of transition is treated.

In the same way thought needs to be given to minimising disruption or violation of previously built up rights when making any change to SPA. The State Pension Window may be the closest way of achieving that minimisation of disruption.

Figure 6
Key principles for pension information

- Give people control – they must know they have a choice.
- Focus on the benefits to individuals, not on their responsibilities.
- Make it relevant now – engage with people as they are in their working li l examples to help people understand the context.
- Keep the presentation simple and let the facts speak for themselves.
- Build understanding of basic concepts but tailor the level of information to the individual.

[36] *"Reinvigorating Workplace Pensions"* DWP November 2012 Cm 8478 Chapter 4

7. A practical solution – a State Pension Window

"People want to be able to retire either before, at or after the official SPA for reasons that vary by individual"

Opinium survey conducted on behalf of PwC (2014)

A State Pension Window may accept higher outgo in early years, but produces a fairer system, reduces long-term cost and increases sustainability of our state pensions in the long term.

In March 2004 Harvard Business review ran an article *"It is time to retire retirement?"*[37]. This article was written before the financial collapse of 2007-8 and focused on the need to keep the baby boomers engaged. More recent opinion has focused on reducing the hours of older workers to allow space for the young unemployed to enter the workforce. Although the economic backgrounds differed fundamentally, the conclusions were strikingly similar – a one size fits all retirement age does not work anymore.

The solution proposed under recent legislation to combat increasing costs associated with increasing longevity is "clunky". It requires individuals to reassess their plans (because the state pension would not be available till a year later than they had anticipated) and therefore requires a 10 year changeover period. Further, the solution is not in keeping with the 21st century possibilities of greater choice and "mass customisation".

[37] http://hbr.org/2004/03/its-time-to-retire-retirement/ 1

This suggests that it may be more effective (and more in keeping with 21st century philosophies) either to allow "early retirement" with a state pension or better to move away from a fixed SPA to a window of flexible retirement (as done by Norway, Sweden and others). Such a move would also be consistent with the removal of the Default Retirement Age in employment.

This is best illustrated by giving an example (Figure 7).

If the flexible retirement window is wide enough it would not be necessary to change the window for the foreseeable future.

The pivot age (at which a standard level of pension is paid) will move upwards but it would not be necessary to provide 10 years advance warning of the change because an individual's choice of retirement age would not be materially affected by increasing the pivot age.

Figure 7: **SPA increases from age 67 to 68 under the current system of fixed increasing SPA**

Consider where the SPA is 67 and the pension is £100pw. State pension is not payable before SPA but may be deferred increasing by 5% pa. If longevity increases are such that SPA must increase by 1 year the following changes occur.

If the individual has a private pension of £125pw from age 67 then putting SPA back by 1 year would reduce their income by 44% at age 67. Effectively they would be unable to retire.

Pivot age[xx] increases from 67 to 68 where a State Pension Window applies

Consider now if (instead of a fixed SPA) retirement is allowable any time from 65 to 70. Initially age 67 is the pivot age (equivalent to paying the full state pension). Longevity increases are such that this must be increased by 1 year. We now have the following scenario.

If the individual has a private pension of £125pw at age 67, then putting the "pivot age" back by 1 year would leave them with an income of £220pw instead of £225pw (i.e. a reduction of only 2.2%) at age 67. In this scenario they can still retire.

[xx] Pivot age is the age within the State Pension Window at which, if an individual chooses to start their state pension from that age, then a standard level of pension is payable

Provided any "early retirement factor"[38] is set appropriately, the overall long term value of a reduced pension beginning at age 65 (for example at £91pw) will be the same as the value of a pension beginning at age 67 (at £100pw). Alternatively, the early retirement factor could be set at a slightly higher rate if a prime concern is to protect state finances against early year excess outgo.

The effect of introducing the window (rather than progressively increasing SPA) is to bring forward payments (i.e. more paid in earlier years but savings in later years).

The impact is:

- to increase benefit outgo in early years
- to improve the sustainability of state pension outgo in the long term
- while at the same time allowing individuals the choice of being able to retire when they had originally planned.

Linking to key principles

How well does the concept of a State Pension Window fit with the DWP principles?

The conclusion from Figure 8 is that it fits very well.

M

lts of modelling the cost of the State Pension Window on various assumptions from which we can draw tentative conclusions based on the outcomes.

We project outgo based on a State Pension Window compared with a baseline outgo projected under the current system (but allowing for the already agreed changes to SPA).

Figure 8

Principle	Does a State Pension Window fit?	
Give people control	Yes	By allowing individuals to judge when it is best for them to start State Pension, real control is placed in their hands in a way that increasing a fixed State Pension Age denies.
Focus on benefits to individuals	Yes	The basis for a State Pension Window is that individuals benefit from State Pension to varying degrees based on their personal circumstances. The Window recognises and caters for this.
Make it relevant	It depends	Even with a specified State Pension Age many people do not understand what State Pension means to them. Whether a Window will be more relevant will depend on how well it is communicated and in particular for that communication to be appropriate to the behaviours that it intends to promote.
Give real examples	It depends	Again it depends on the communication.
Keep it simple	Yes	A window which does not change (and where it is just the level of state pension that varies) is simpler than a system which has State Pension Age increasing serially and over a number of months each time.
Build understanding of the basics but tailor to the individual	Yes	The concept is fundamentally simple but allows individuals to customise their retirement plans to suit their circumstances.

[38] An early retirement factor is a measure of how much the pension reduces by virtue of retiring earlier than the date on which it is normally due. In this paper we are using the term loosely to refer to a measure of how much the pension reduces by being taken before a "pivot age". The pivot age is purely an age within the window on which the retirement calculations are based but would have no other visible role.

The graphs in figures 9 to 12 show results with and without longevity improvements.

Assuming that longevity continues to increase we see that the cost of state pension continues to rise unless SPA is increased continually in the future and well beyond age 70[41].

From figure 10 we can see that there are initial extra costs of around £1bn per tax year between 2020 and 2040 followed by very significant savings in future years. These figures are all in 2013 values and therefore figure 10 shows a significant long-term reduction in costs in present value terms.

Figure 9: Monthly outgo on state pension with everyone retiring at SPA compared to outgo under a State Pension Window[39]

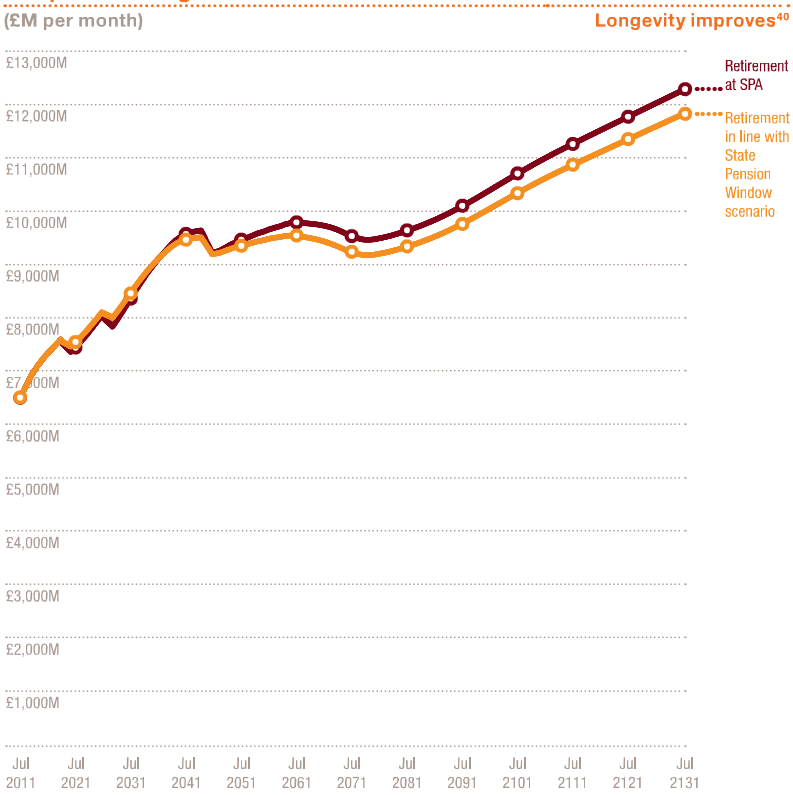
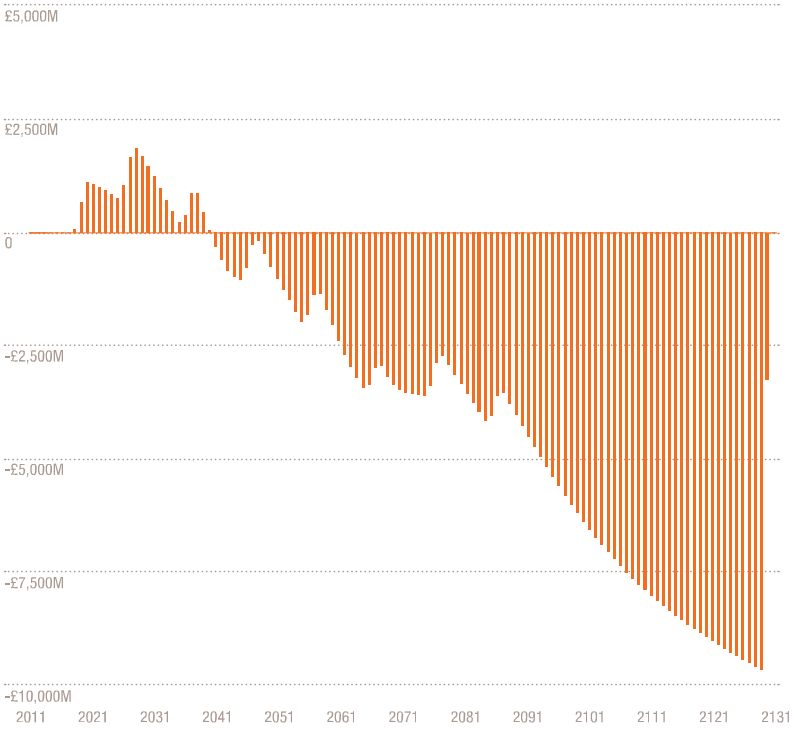


Figure 10: Excess outgo by tax year of State Pension Window less retirement at SPA[42]



[39] The State Pension Window scenario assumes people choose to retire at ages within the window. Further details on this specific scenario can be found in Tab 18 of the supplementary data pack. SPA is assumed to increase in line with current legislation to age 68. When taking state pension at age 65 it is assumed that state pension will be reduced by 0.75% for each month that this is earlier than SPA that applies at retirement.

[40] It is assumed that longevity increases by approximately 1 year for every 10 calendar years that pass. So, for example, the longevity of a man at 65 is assumed to increase by 2 years (from 21 to 23) by the mid-2030s.

[41] See Supplementary Data pack Tabs 20 - 25.

[42] See note 39.

[43] See note 40.

If we now consider the situation where longevity improvements from current levels do not materialise the graphs becomes as shown in figures 11 and 12.

In the early years the outgo under the State Pension Window exceeds the outgo if everyone takes their state pension at SPA. However, from around 2040 onwards the savings emerge consistently

lusions from figures 9–12 are that (i) an age adjustment factor of 0.75% per month protects the state's finances while facilitating a State Pension Window and (ii) provides a degree of protection against the costs associated with continuing longevity improvements.

These four graphs are indicative of those in the supplementary data pack[46] where we examine the projected financial outcomes from various State Pension Window models and behaviours.

From figures 9 and 11 we can see how similar the outgo associated with retirement at SPA with that associated with a State Pension Window where 25% of people choose to take their state pension at age 65. This highlights that we are looking at large impacts due to small differences between two very large numbers. In other words we do not need to make large changes in order to achieve large impacts.

Other projections in the supplementary data pack provide runs based on variations of assumptions and behaviours.

Figure 11: Monthly outgo on state pension with everyone retiring at SPA compared to outgo under a State Pension Window[44]

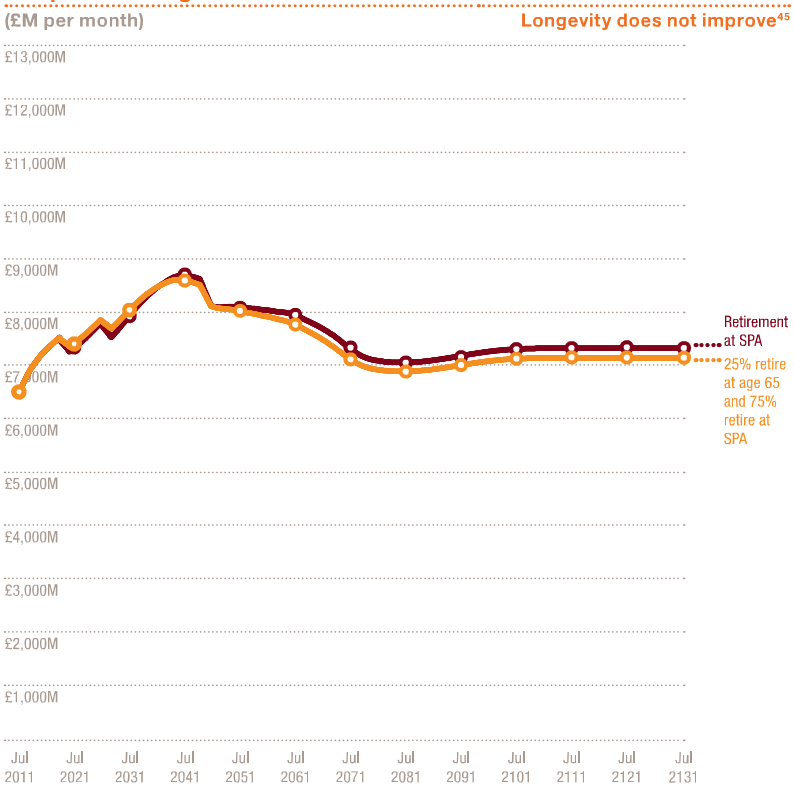
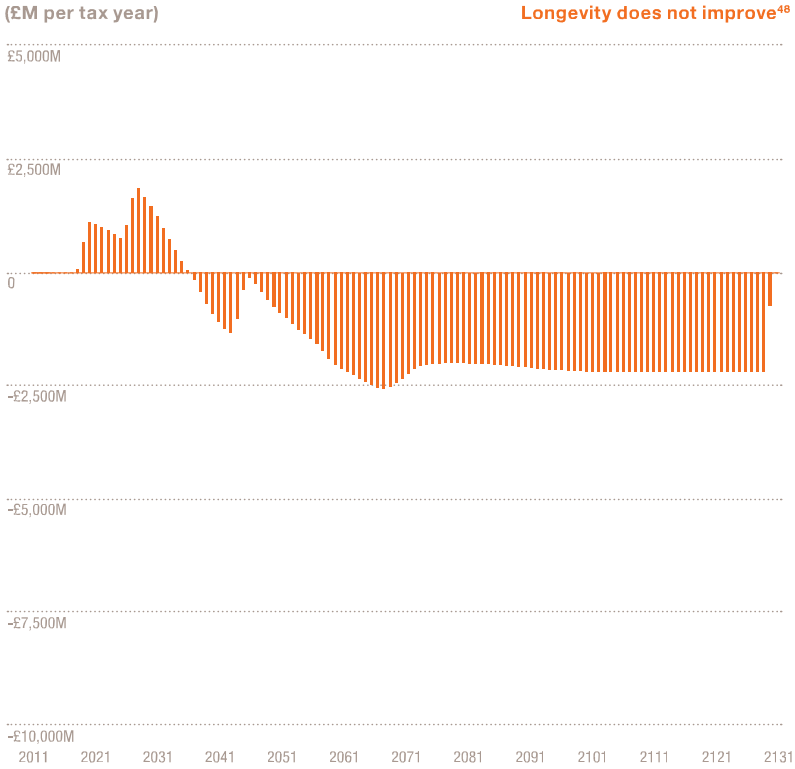


Figure 12: Excess outgo by tax year of State Pension Window less retirement at SPA[47]



[44] See note 39.
[45] It is assumed that longevity remains at the same level as currently.
[46] See the supplementary paper for more details of these and other graphs. Amounts shown are in 2013 monetary values.
[47] See note 39.
[48] See note 45.

Levers to control the cost

Given the concern that governments have to balance the national current account spend, we examined 3 levers that can control the size of the strain in the early years. These are

- Moving the bottom age at which the window applies
- The choice of "early" and "late" retirement factors[49]
- Imposing conditions on who can take "early" retirement and when e.g.
  - Only if unemployed (earned income reducing or eliminating the ability to retire before the pivot age) and State Pension Age replaces Jobseekers Allowance which would be withdrawn
  - Completing a specified number of years NI contributions (e.g. 35 years contributions or even 40 years).

Conclusions that may be drawn from these projections are discussed in section 8.

Sending the right signals

As demonstrated in the 2009 PwC paper[50], SPA acts as a magnet to a certain extent and there is a spike of exits from the workforce around SPA. This has also been demonstrated as the age of the spike in female retirements has increased in line with increasing female SPA.

Therefore, if it is desirable for people to exit later from the workforce on average, then (in the absence of a published official SPA) it would be necessary to signal and communicate in other ways to encourage such delayed workforce exit.

This is considered further in Tab 33 of the Supplement.

Let's be radical

If we are brave enough to go further, the theoretically correct answer is for the state to promote retirement in flexible stages. At the moment taking state pension is a "yes/no" decision. In a mass customisation future it would make sense for state pension to be able to be unlocked in stages.

In 2010, PwC published a paper[51] considering retirement in a future world which is more flexibility orientated. It concluded that both the state and private systems need to

- Encourage personal saving for retirement
- Encourage flexibility in how people withdraw from the workforce.

Earlier, in November 2005 the Pensions Commission produced its second report[52]. On the topic of encouraging a flexible approach to promote later retirement it stated on page 336:

"We recommend two measures to encourage take-u

, to take 25%, 50%, or 75% of their state pensions, while deferring receipt of the rest. At present only 100% deferral is allowed. This more flexible deferral rule would fit with people's desire to have flexible options, e.g. part-time work plus some pension receipt.

- *Publicising the option much more aggressively, with publicity focused not just on people actually reaching SPA but also say five years before, allowing people to think through in advance the age at which they would like to retire."*

[49] See Tab 35. Our survey implies that those who would want to take state pension "early" would find acceptable a 5% reduction for each year.
[50] *"Working longer, living better"*
[51] *"The future of r forming workplace"*, PwC 2010
[52] *"A New Pension Settlement for the Twenty-First Century The Second Report of the Pensions Commission"*, 2005. It may be found at this address http://webarchive.nationalarchives.gov.uk/+/http:/www.dwp.gov.uk/publications/dwp/2005/pensionscommreport/main-report.pdf

Then, on page 341 the report considers inequality by socio-economic group. The differences by socio-economic group have increased over the last few years and it is impossible to predict with any certainty whether they will increase further or diminish in future. The intent of the Pensions Commission was clear – we should allow those individuals who expect to have shorter longevity to be able to access at least a part of their state pension earlier.

The theoretical answer is to have a State Pension Window with the ability to access that pension in tranches (the Pensions Commission had in mind 4 tranches).

Back in 2005 suggesting this was very brave and it is doubtful that social security IT systems could have coped with the resultant complexity of State Pension beginning by stages. Whether it is possible even now is a major question, but it is a debate worth having.

In a mass customisation future it would make sense for state pension to be able to be unlocked in stages.

8. Evaluating choices

Which variation of a State Pension Window is most appropriate depends on which objectives are most important.

"Whenever a theory appears to you as the only possible one, take this as a sign that you have neither understood the theory nor the problem which it was intended to solve."

Objective Knowledge: An Evolutionary Approach (1972) Karl Popper

The supplementary analysis contains a matrix used to evaluate the various models in the analysis. The factors considered are:

- To what extent does the structure increase short-term cost?
- To what extent is the structure likely to be politically acceptable?
- How does it compare to other systems in use overseas?
- To what extent does the structure encourage desired behaviours
- What is the overall long-term cost relative to the overall long-term cost of the current system?

In that analysis it is assumed that the desired outcomes are:

- No short-term increase in cost
- Retirement with state pension available from early age
- Other countries use similar concepts or systems
- Structure encourages later actual retirement
- In the long term the system reduces cost and increases stability.

The actual scoring is subjecti t follows the assumptions.

Of course, many of these desired outcomes are mutually exclusive and therefore it is necessary to balance a "gain" in one factor against a "loss" in another.

The evaluation is done both based on no preference between these objectives and also looking at biases towards one or more of the objectives.

Various conclusions may be drawn from the projections[xx]:

- A State Pension Window with an age adjustment of 0.75% per month throughout the window is effective at protecting the state from pension cost increasing as a percentage of GDP. This conclusion is true whether people retire earlier or later.

- In fact, increasing SPA turns out to be almost the most expensive way of combating the increased costs of longevity improvements.

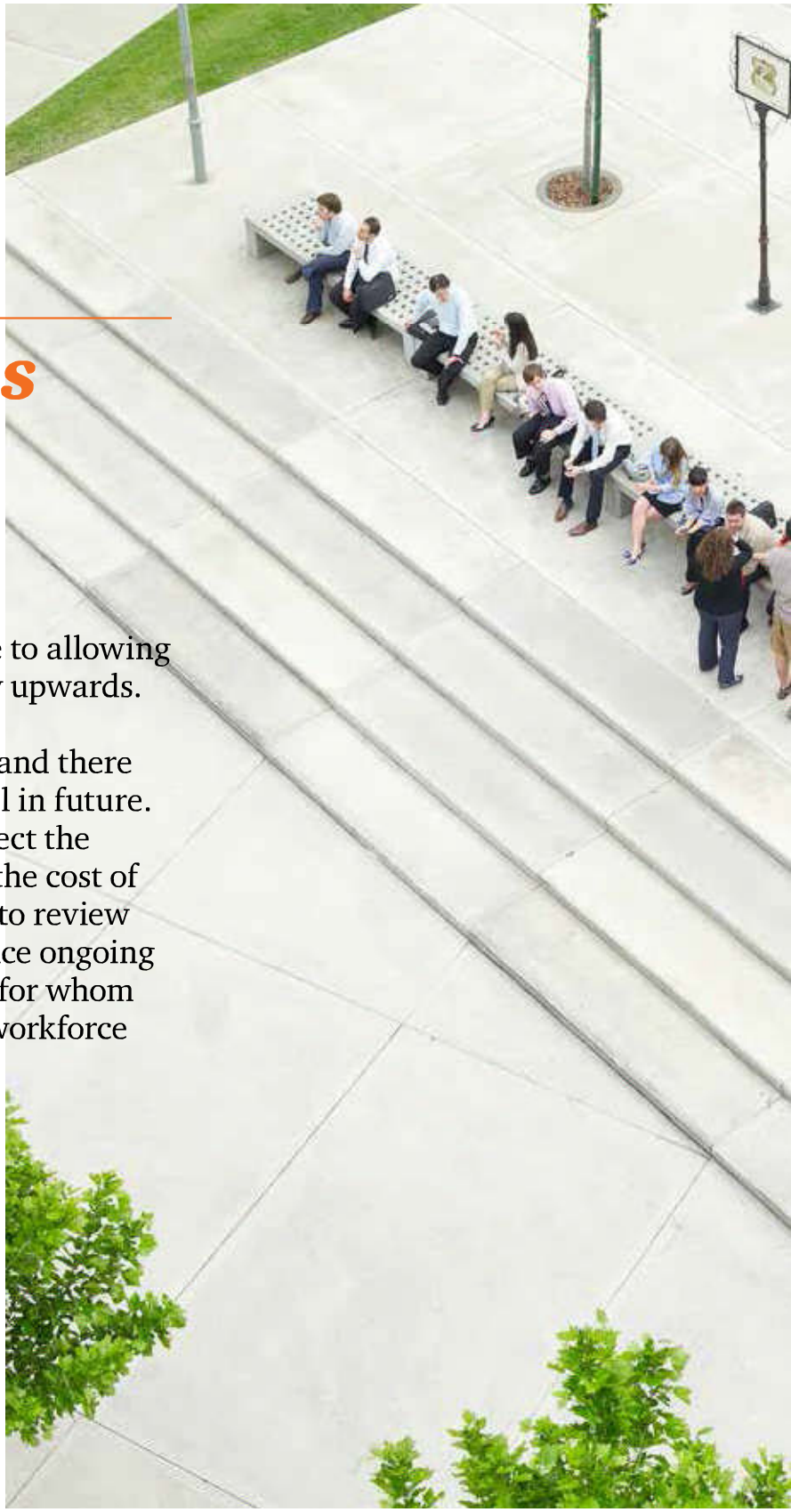
- If it remains a priority to encourage later retirement then a campaign would have to emphasise the behavioural economics aspects. For example:

  - Not focusing on a specific SPA
  - Emphasising the length of the window to encourage people to view the mid-point as a natural retirement age
  - Emphasising the decision to retire later as a sound investment decision (a sound bite might be "You can double your pension by deferring it to the end of the Window")
  - An active campaign encouraging preventative healthcare to those in their 60s to encourage a higher proportion of people reaching the window in good health.

- Allowing retirement f ly if unemployed does not increase the early years' cost very much if Jobseekers Allowance is replaced by the pension.

[xx] See Tab 27 in the supplementary data pack for more detail.

9. Conclusions



A State Pension Window is preferable to allowing State Pension Age to drift continually upwards.

We are living longer than previously and there is a chance people will live longer still in future. Therefore public policy needs to protect the state from unaffordable increases to the cost of state pensions. The current proposal to review SPA every five years is likely to produce ongoing uncertainty among those companies for whom SPA is a significant consideration in workforce planning and renewal.

"We cannot avoid meeting great issues. All that we can determine for ourselves is whether we shall meet them well or ill"

Theodore Roosevelt 1899

A State Pension Window (i.e. allowing individuals to choose within a range of ages when they start taking their state pension) is preferable provided there are suitable controls and adjustments to the level of pension depending when it commences. It produces a system which is fairer, more stable and more sustainable in the long term.

Specifically we recommend a State Pension Window for state pension from age 65 to age 75.

The "pivot age" should be calculated by the Government Actuary with independent input as currently proposed. The adjustment of the pension (before or after the pivot age) could be set at 0.75% per month to encourage later retirement and to protect state finances against earlier retirement.

As longevity increases we have to encourage people to stay in the workforce for longer

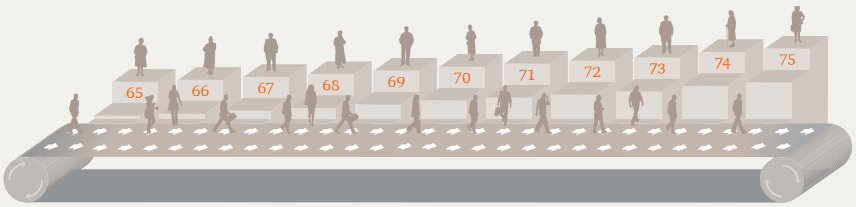
The workforce of the future will require flexibility and a mass customisation approach

We need to encourage people to take more responsibility for their futures

Just increasing SPA can lead to discrimination between socio-economic groups

This implies allowing access to state pension within a window on terms that do not endanger state finances

We propose a State Pension Window, a cost-efficient solution that gives everyone choice



www.pwc.co.uk

PwC UK helps organisations and individuals create the value they're looking for. We're a member of the PwC network of firms in 157 countries with more than 184,000 people committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com/uk.

Design Services 28539 (03/14).