

25th April 2022

Phoenix Insights response: State Pension Age Review call for evidence

Background

Phoenix Group is the UK's largest long-term savings and retirement business with c.13 million customers and c.£310 billion of assets under administration. As a purpose-led organisation we are committed to delivering better outcomes for all of our stakeholders, including our customers, colleagues, investors and wider society.

Phoenix Insights is a new think tank launched by Phoenix Group in November 2021 which aims to transform the way society responds to the possibilities of longer lives. We use high quality research to lead fresh debate, prompt a national conversation, and inspire the action needed to make better longer lives a reality for all of us. The core of our work looks at financial security, work, and learning and skills, to enable more of us, to live better longer lives.

Our first report, the Longer Lives Index, was published on 30th March. It provides a comprehensive look at who is and isn't ready for longer lives across the UK, and demonstrates clearly the scale of the challenge – 18 million adults in the UK are not adequately preparing financially for later life, and 10 million of us are not confident in their ability to secure work, worried that ill health and a lack of skills will stop them from earning what they need to save for retirement.

New polling from Phoenix Insights shows that 84% of people believe that providing the State Pension is an essential role for government. Despite this, one in three (34%) think that there probably won't be a State Pension by the time they retire. This rises to more than half (53%) of people aged 25 to 49, the age group who are most likely to be impacted by future changes to the State Pension being considered by this Independent Review. (YouGov / Phoenix Insights April 2022).

The future can feel uncertain for many people as they try to think about what their longer lives might bring. This highlights the importance of this Independent Review in terms of fairness, sustainability and affordability for current and future generations.

This submission draws on the following sources:

1. Phoenix Insights (2022) The [*Longer Lives Index: A Crisis of Confidence*](#) (London: The Phoenix Group). Conducted in partnership with Frontier Economics, it is based on a survey of approximately 16,500 people, aged over 25, who are not yet retired. This represents a population of 41.7 million people in the UK. It explores their expectations for and confidence in their financial wellbeing in later life across five; savings; work and retirement age; housing; health and financial support networks
2. New polling data from YouGov: 'Attitudes to Pensions 2022' commissioned by Phoenix Insights. Total sample size was 2,003 adults. Fieldwork was undertaken online 21st-22nd April 2022. The figures have been weighted and are representative of all GB adults (aged 18+). This repeats questions from the Attitudes to Pensions survey commissioned by DWP in 2006, 2009 and 2012 as well as new questions. It covers GB not UK to replicate these previous surveys. (**Appendix A**)

3. [‘Slipping between the cracks? Retirement income prospects for Generation X’](#) an independent ILC-UK report, produced with the support of Phoenix Group. Authors: Sophia Dimitriadis, Patrick Swain and Professor Les Mayhew
4. Additional secondary analysis of the Longer Lives Index data in partnership with Frontier Economics on average expected retirement age for different age groups and characteristics (**Appendix B**)

Phoenix Insights plan to publish a fuller version of the YouGov polling as well as other evidence and policy analysis later in 2022. We offer to share these findings and support the Independent Review team with other data and insights. For any additional information please contact Patrick Thomson, Head of Research, Analysis and Policy, Phoenix Insights

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Consultation questions

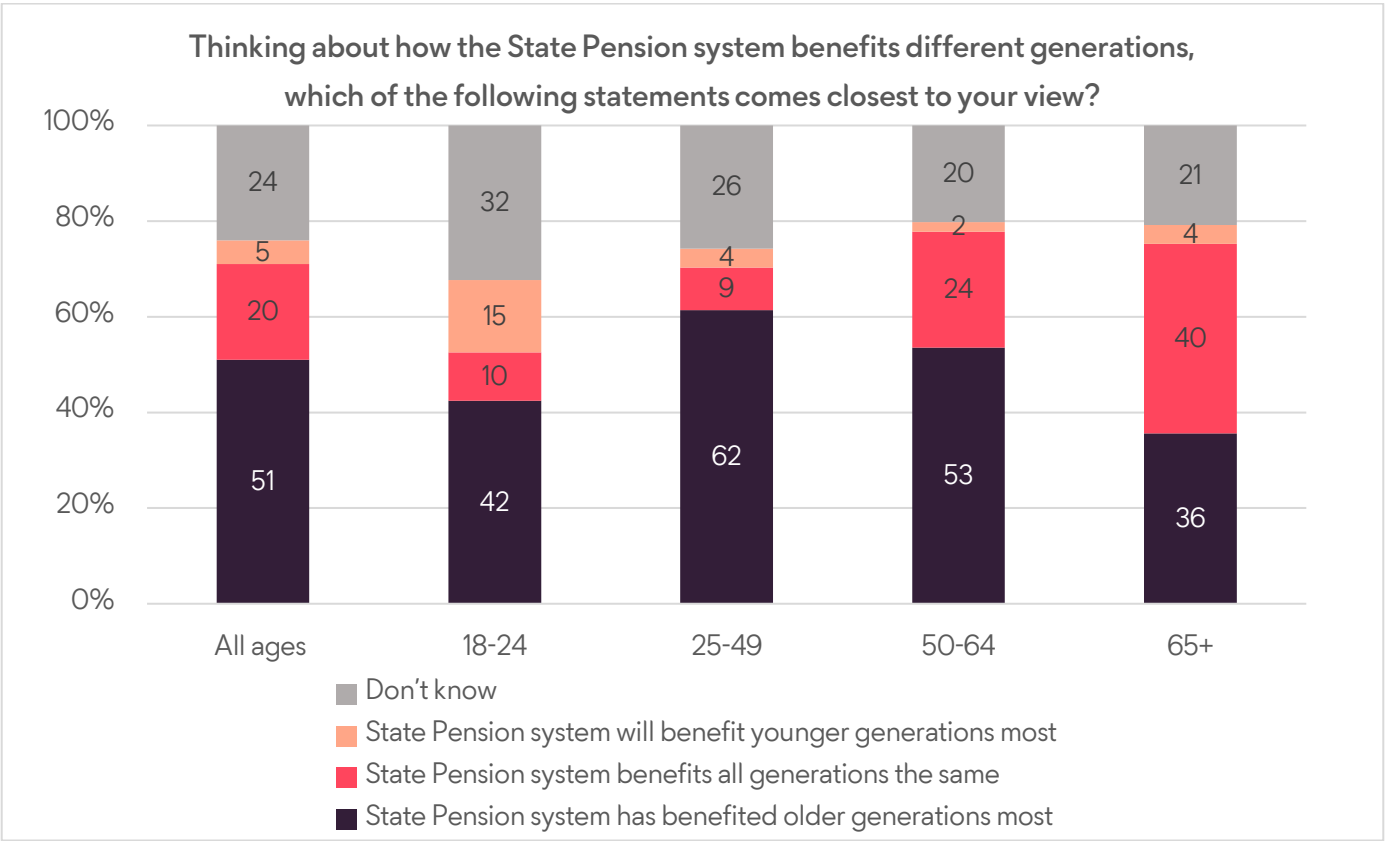
What factors relating to intergenerational fairness should be considered in determining the State Pension age?

Perceived generational differences of who has benefited from the State Pension system

Our recent YouGov polling asked a representative sample of adults in Great Britain whether they thought the State Pension system benefited some generations more than others. This asked whether older or younger generations benefited the most, or if all generations benefit the same amount.

Respondents were more than twice as likely to say that the State Pension system has benefited older generations more than it will benefit younger generations. Half of adults (51%) think that the State Pension system has benefited older generations the most, compared to just one in five (20%) who believe it will benefit younger generations the most. All age groups were more likely to say that older generations were likely to benefit more than younger generations when it comes to the State Pension.

Those over the age of 65 were most likely to say that the State Pension benefits 'all generations equally' (40%), but even among this age group 36% believe that older generations benefit the most compared to just 4% who believe younger generations will benefit more. 25 to 49 year olds, who will potentially be the age group most impacted by this State Pension review, are the age group most likely to believe that older generations have benefited the most from the State Pension system, with 62% believing this is the case.



Intergenerational fairness and housing in retirement

Housing is a key factor impacting intergenerational fairness and people's confidence about retirement. The Longer Lives Index finds that home ownership is significantly lower in younger age groups, an age effect of asset accumulation as well as a generational effect of the housing market. Of the four in 10 current renters, less than a third expect to buy a house, leaving close to 11 million people facing ongoing rental costs in retirement. The share of those expecting to rent in retirement is generally higher for under 65s, likely reflecting the fact that getting on the property ladder in the UK is harder nowadays than in the past. 25–34 year olds at the moment are somewhat more optimistic than those over 35. It remains to be seen how those expectations pan out over time given changing housing costs over time, the future of housebuilding as well as the impact of inheritance in the long term.

People's confidence around housing in retirement varies depending on the expectation about how housing will be paid for. Not surprisingly, those already owning a house are more confident than renters. Among those expecting to buy a house before they retire, around 30% are not confident about their ability to do it. Over half of those expecting to rent in retirement worry about how they can afford their rental payments, even though many should expect housing support in the future. This low confidence is concerning and signals potential large scale financial resilience issues among renting retirees in the future.

A need to understand those aged 40 to 55 who are potentially most impacted by changes in this review

Research from ILC-UK supported by Phoenix Group ([‘Slipping between the cracks? Retirement income prospects for Generation X’](#)) shows a worrying picture for the 13.8 million Gen Xers in the United Kingdom. In 2020, Gen Xers were aged between 40 and 55, and at the middle or later stages of their careers. Over a third (39%) of those yet to retire expect to rely on either the property they live in, e.g. via downsizing, or an inheritance. However, these incomes may not be reliable or may be needed for other reasons. One in ten hope to use their home to support their retirement, and 11% who expect this to be their main income source in retirement, either don't currently own a home or don't expect to pay off their mortgage by the time they retire.

Gen X is an extremely diverse cohort. Some are well prepared for retirement – including a number of the 44% who have defined benefit (DB) pensions to look forward to. However, some sub-groups of Gen X are at particular risk of financial difficulty in later life. A particular concern are a cohort of people who were too young to receive widespread DB pensions but too old to have benefited from Auto-Enrolment for the bulk of their working lives. The Review needs to consider how this group might be impacted by any proposed changes.

Is it reasonable to give people a fixed period of notice for State Pension age changes, and if so what period?

Phoenix Insights' recently commissioned YouGov polling asked a representative sample of 2,003 adults in Great Britain the question:

“If the Government were to raise the age at which you were eligible to receive the State Pension by one year, how much time would you need to prepare financially?”

Of those who had not yet retired, four out of five (80%) answered 'do not know' to this question. This highlights the challenge that the vast majority of people have in knowing how to plan for the future, or conceptualising a question that they may never have considered before. Among people who are not already retired, 12% said they would need 0 to 10 years to prepare financially, and 7% said 10 years or more. It is worth considering that those who felt able to answer this

question may already be in a more prepared financial situation and so may not be representative of the majority of people who said 'don't know'.

Many people may feel unable to assess how long they would need to prepare for a change to the State Pension age as they are already struggling to save adequately for the future, or may not have a realistic view of what their savings and outgoings will look like in retirement. Evidence from the Longer Lives Index shows that close to 18 million individuals (over 2 in 5 aged 25 to 75) are not confident about saving enough to meet their financial goals in retirement. 36% of those who say they are confident about saving enough for retirement actually have a substantial saving gap of over £100k, showing a huge disconnect between perceptions and reality. This disconnect is not explained by over-optimism among younger generations that might hope to adjust their saving behaviours over time.

The lack of savings confidence and the mismatch between people's confidence and reality must be considered carefully when reviewing any further changes to the State Pension age. It is also important to learn lessons about how and when any changes are communicated following the experience of many women who felt unaware or unprepared for the revised equalisation of female State Pension age timetable.

What factors do people consider when making decisions about when to retire?

Recent YouGov polling commissioned by Phoenix Insights included a question relating to the main factors that people who have not yet retired think will determine their retirement decision making, and the main factors that people who have retired said determined their retirement decision making.

Factors influencing retirement decision: people who have not yet retired

Health (66%) and affordability (62%) are the top factors that people who are yet to retire give for determining when they expect to retire. Only 18% of people state being eligible for the State Pension is important in determining when they will retire. Women (21%) are more likely than men (15%) to say that State Pension eligibility is important for determining the age that they think they will retire.

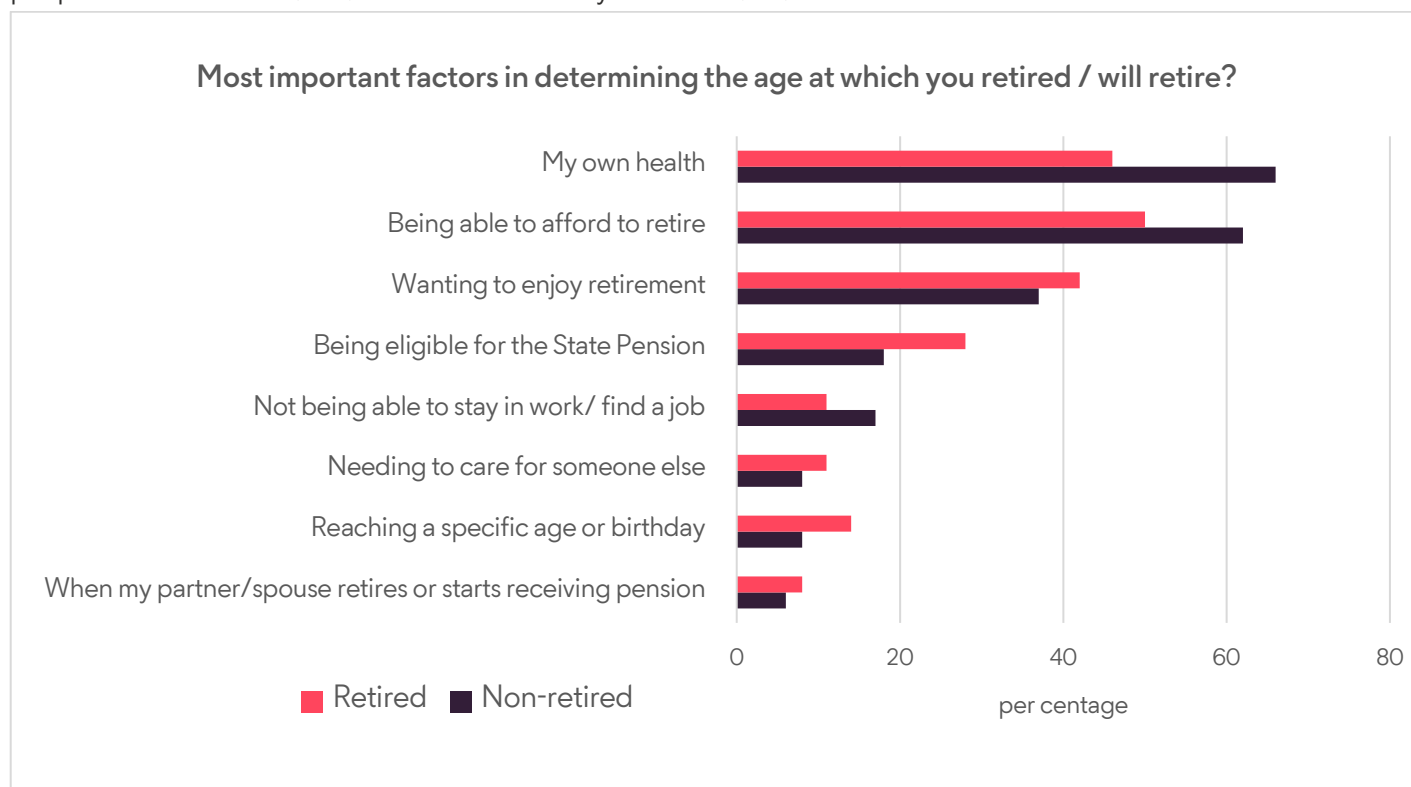
This Independent Review of State Pension is considering whether the increase in State Pension age to 68 should be brought forward to 2037-39 from the current timetable of 2044-46. Therefore it is particularly important for this review to consider the situation of those most potentially impacted by those changes (those aged 45-51 in 2022). The age group most closely meeting this in our sample (aged 25-49) are more likely than any other age group to say that being able to find and stay in work is an important factor in determining when they retire, with 19% giving it as an important factor. This may indicate the need to consider how this age group will be supported in the job market in the future as they age.

Factors influencing retirement decision: people who have retired

Of those who have already retired, affordability (50%), health (46%) and wanting to enjoy retirement (42%) were the most important factors determining the age at which they retired. This gives us an indication of the views of people who have been through the transition to retirement, but it is worth considering that this would have taken place in a very different context for older age groups in terms of the State Pension age (particularly for women pre-equalisation), higher rates of DB pension schemes, and different occupational histories.

Needing to care for someone else was a particular factor for those retiring much earlier than average (21% of 25-49 year olds who had retired gave this as a reason compared to just 11% of the overall retired sample). Being eligible for the State Pension was given as a more important factor in determining age of retirement for those who have already retired (28%),

than those who have yet to retire (18%). Reaching a specific age or birthday was similarly a more important factor for people who had retired (14%) than those who had yet to retire (8%).



The Longer Lives Index also highlights that different groups have concerns about their ability to work for longer in order to prepare for retirement. For example, while the youngest age group worry relatively more about career progression (28% of 25-34 year olds cite career progression as a barrier to working for longer), the oldest group is more concerned with age-based discrimination progression (31% of 65-74 year olds who are not yet retired cite older workers being discriminated against as a barrier to working for longer). The youngest group is more worried about mental health being a barrier to employment over time (25% of 25-34 year olds cite mental health as a factor in continued employment), while those who are older are more anxious about physical health (45% of 65-74 year olds who have not yet retired, cite physical health as a barrier to continued employment).

Appendix B gives further information about when different groups expect to retire.

Do you have any other comments which relate to the Terms of Reference of this review, that you wish to share?

The second independent review of State Pension age needs to consider the wider factors impacting people's circumstances and decisions across their longer lives. While the State Pension is predominantly a financial mechanism we need to think more broadly about what enables people to be confident in a good financial future. People's ability to save enough throughout their life depends on a wider set of resources – their work and skills, their health, their housing and their relationships with others. Actions by both policymakers and industry to increase financial preparedness must consider these holistically.

Recommendations that we have outlined in the Longer Lives Index report are also relevant to the Independent Review of State Pension, and we hope that they are of value in providing context and ideas for the Review team:

- We need to make access to good information and support about our future finances the norm for all of us, and something that starts early in adult life. People also need this information and advice to be holistic, covering things like pensions and housing together.
- Defaults like auto-enrolment can help but we need to go further, particularly to make it easier for people to save more when their circumstances allow it. Additional defaults should be explored, such as auto-escalation of pension contributions when salary increases, along with nudges when personal circumstances might change that enable greater interest/ capacity for saving – e.g., children leaving home. We also need to expand the coverage of auto-enrolment to those not yet covered, including people who are self-employed or aged under 22.
- People expecting to give financial support to others in their retirement face additional pressures. The government and the industry should help these individuals in making the right decisions to ensure their preparation is adequate. Equally, those living without a partner or ageing without children, or those living geographically isolated from family or support networks will also all have different experiences and needs. Service providers and businesses need to tailor their offers to better reflect this diversity and the role that family and social networks, or the lack of them, play in people's financial wellbeing.
- We need to redesign the world of work for longer lives, and shift employers' attitudes and actions. Not everyone will want and need to work for longer, but by making work more age-inclusive, we will help reduce age as a barrier to people being able to earn and save when they need to meet their financial goals over their longer lives. Employers must be proactive about tackling age-bias in recruitment and hire age-positively, enable flexible working, support staff with caring responsibilities, and encourage career development for staff of all ages.
- We also need to do more to support people with health conditions and disabilities to find and remain in good work. Too many people are forced into early retirement due to health problems, limiting their income and capacity to save, and wasting their skills.
- Many people who worry about saving enough for retirement do so because they are concerned about their ability to stay employed over time. This shows the important role of policy in supporting reskilling, upskilling and higher labour mobility, particularly later in life. We need to see a revolution in adult education so that many more people are supported to retrain and reskill at different points throughout their working lives, and not just rely on the education they received at the start of their lives.
- Housing costs play a huge role in determining who is or isn't financially secure as they enter later life. Addressing housing affordability and availability, and renters' rights, will be critical to supporting people to afford a decent standard of living in later life, particularly for younger generations.

- We need a national conversation on longer lives and what they mean for all of us. We need to support people to take time to think about where they want to be in later life, and what this means for their work and finances at younger ages. Interventions to support and guide people in mid-life could also play an important role here.

We have made the Longer Lives Index dataset fully available to anyone who would like to use it, and have built a digital data hub that can be accessed here: <https://www.thephoenixgroup.com/views-insights/phoenix-insights/longer-lives-index> We hope this dataset will prove useful to the Independent Review team as well as policy makers.

Appendix A: Attitudes to Pensions polling (YouGov April 2022)

How much do you agree or disagree with these statements?							
There probably won't be a State Pension by the time I retire							
		Gender		Age			
	Total	Male	Female	18-24	25-49	50-64	65+
Agree strongly	11	10	11	12	19	3	3
Agree	23	19	26	37	34	16	3
TOTAL AGREE	34	29	37	49	53	19	6
Neither agree nor disagree	31	29	32	39	27	25	38
Disagree	24	25	23	9	16	42	27
Disagree strongly	12	17	8	3	4	15	29
TOTAL DISAGREE	36	42	31	12	20	57	56

How much do you agree or disagree with these statements?							
Providing the State Pension is an essential role for government							
		Gender		Age			
	Total	Male	Female	18-24	25-49	50-64	65+
Agree strongly	43	44	27	40	53	49	43
Agree	39	41	41	42	35	42	39
TOTAL AGREE	82	85	68	82	88	91	82
Neither agree nor disagree	13	13	24	15	10	6	13
Disagree	3	1	6	1	1	2	3
Disagree strongly	2	1	2	2	1	0	2
TOTAL DISAGREE	5	2	8	3	2	2	5

Thinking about how the State Pension system benefits different generations, which of the following statements comes closest to your view?							
		Gender		Age			
	Total	Male	Female	18-24	25-49	50-64	65+
The State Pension system has benefited older generations the most	51	51	52	42	62	53	36
The State Pension system will benefit younger generations the most	5	4	5	15	4	2	4
The State Pension system benefits all generations about the same amount	20	22	18	10	9	24	40
Don't know	24	22	26	32	26	20	21

Which of the following factors, if any, will be most important in determining the age at which you retire? (please choose up to three)							
		Gender		Age			
Shown only to respondents who have not yet retired; n=1382	Total	Male	Female	18-24	25-49	50-64	65+
My own health	66	64	67	57	67	68	59
Being able to afford to retire	62	60	64	49	65	65	52
Wanting to enjoy retirement	37	40	34	35	38	37	35
Being eligible for the State Pension	18	15	21	10	16	27	19
Not being able to stay in work/ find a job	17	19	15	15	19	14	14
Needing to care for someone else	8	6	10	11	9	6	8
Reaching a specific age or birthday	8	9	7	7	7	9	9
When my partner/spouse retires or starts receiving pension	6	4	9	8	7	5	2
I do not plan to retire	4	5	3	3	2	6	19
Reaching the age that my parents retired	1	1	1	2	1	0	0
When my friends will retire	1	1	1	1	1	1	0
Other	1	1	1	0	1	1	7
Don't know	6	7	6	15	5	3	5

Which of the following factors, if any, were most important in determining the age at which you retired? (please choose up to three)							
		Gender		Age			
Shown only to respondents who have retired; n=621	Total	Male	Female	18-24	25-49	50-64	65+
Being able to afford to retire	50	57	44	0	21	73	48
My own health	46	49	43	0	34	44	46
Wanting to enjoy retirement	42	44	40	0	66	50	41
Being eligible for the State Pension	28	25	31	0	0	5	31
Reaching a specific age or birthday	14	14	13	0	0	9	14
Needing to care for someone else	11	8	13	0	21	11	11
Not being able to stay in work/ find a job	11	13	9	0	0	14	11
When my partner/spouse retired or started receiving pension	8	4	11	0	0	12	8
Reaching the age that my parents retired	0	1	0	0	0	1	0
When my friends retired	0	0	0	0	0	0	0
Other	7	7	6	0	0	6	7

Fieldwork: 21st - 22nd April 2022

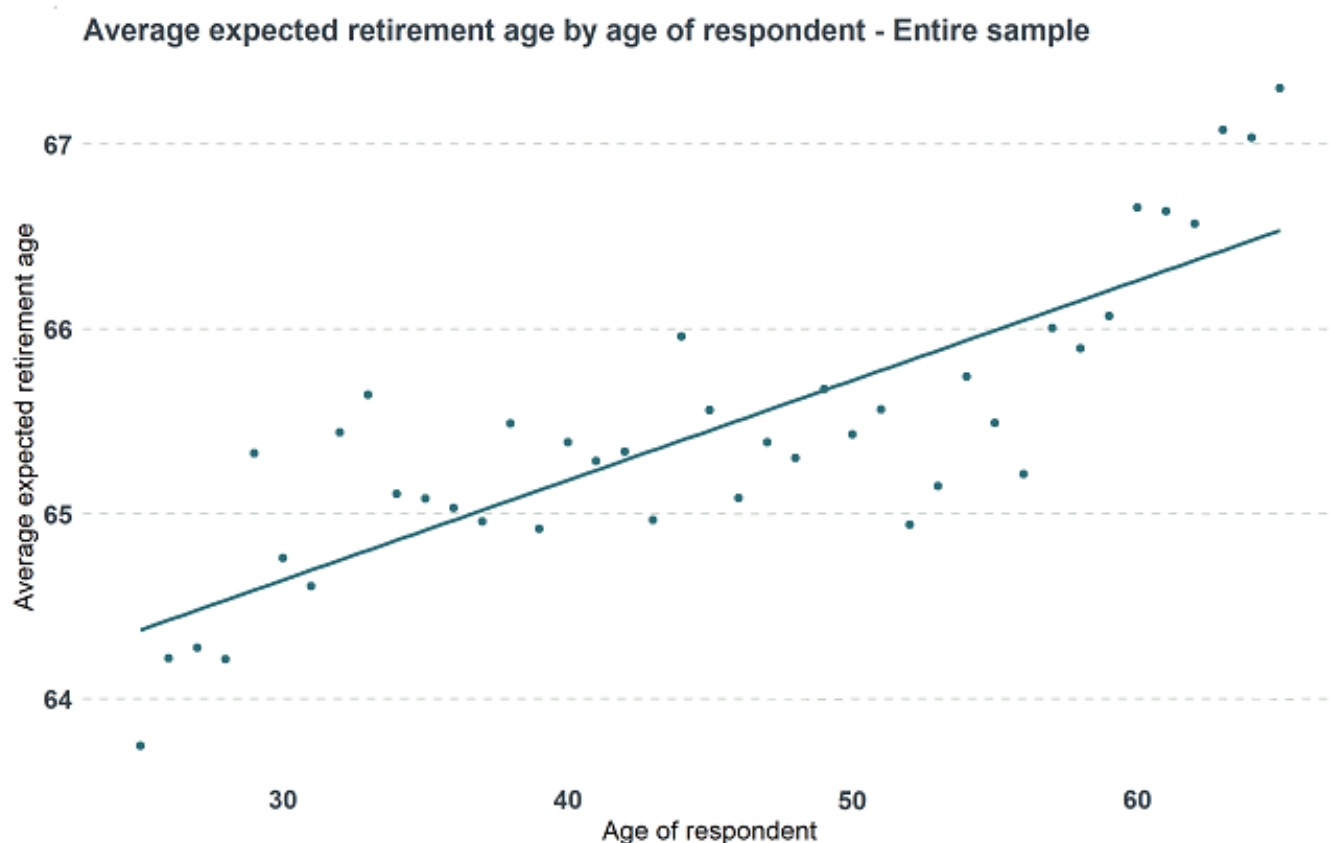
YouGov polling on behalf of Phoenix Insights

Sample Size: 2003 adults in GB

Appendix B: Longer Lives Index analysis of expected retirement ages

Findings from the Longer Lives Index show that the majority of people expect to retire earlier than the current State Pension age: 53% expect to retire by the age of 65. 65 is the most popular single year of age to plan to retire, indicated by one in four respondents. This appendix contains additional secondary analysis on the Longer Lives Index data set from Frontier Economics.

The age at which people say that they expect to retire increases with age. This may not be surprising, as individuals themselves age they also extend the age at which they expect to retire as they do not want to retire or feel that they need to continue working for financial or other reasons. The Longer Lives Index has a degree of 'survivor bias' as it does not include currently retired people in its sample. Therefore we have cut off the scatter plots at the age of 65 so that those working beyond the current State Pension age are not included.



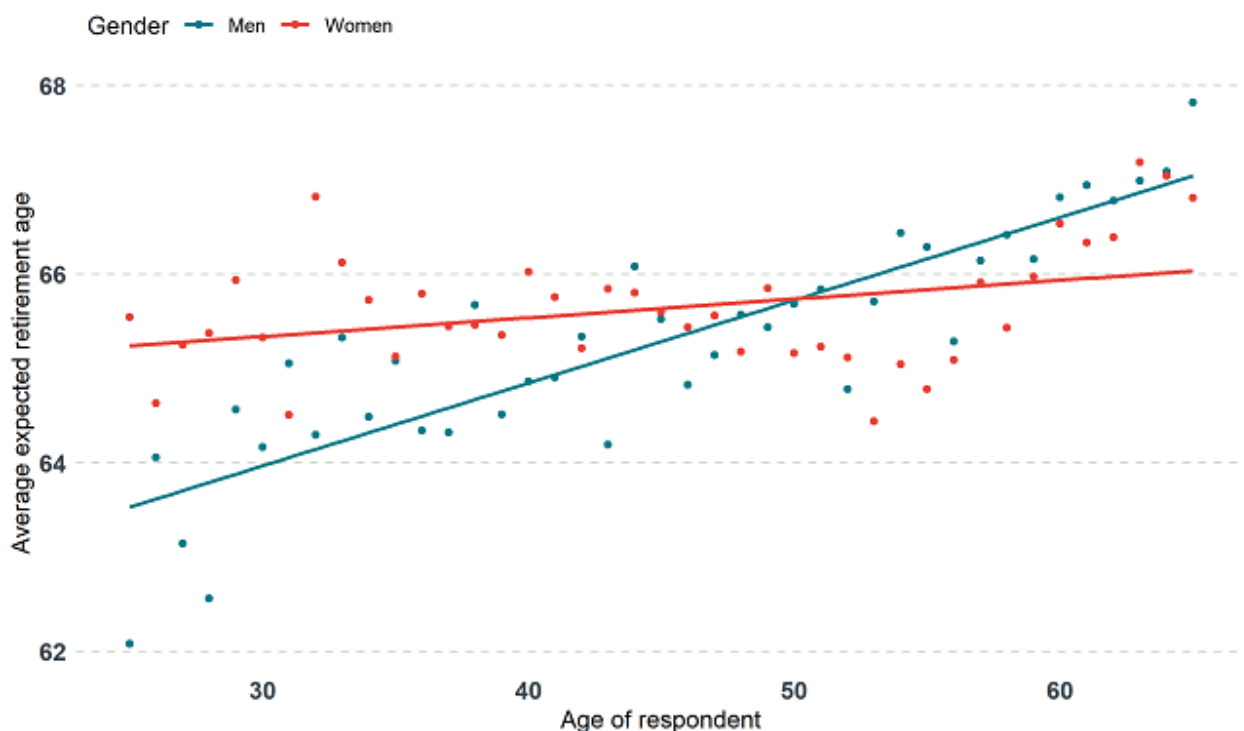
The following scatter plots use data from the Longer Lives Index to show the average expected retirement age for each individual year of age in the sample. For example the average 25 year old in the sample has an expected retirement age of less than 64, while the average 65 year old has an expected retirement age of over 67. We repeat these scatter plots and analysis for different demographic characteristics including; gender; income; health; and housing status.

Age

- Young people expect to retire earlier. Almost 58% of 25-34 expect to retire by 65, compared to just under 54% of 45-54 year olds.
- Older respondents are more likely to expect to retire at 66, while for younger respondents the retirement age expectations are more polarised. Both the shares of people expecting to retire by 50 and after 75 are the highest among the 25 to 34 year olds, and decrease with age.

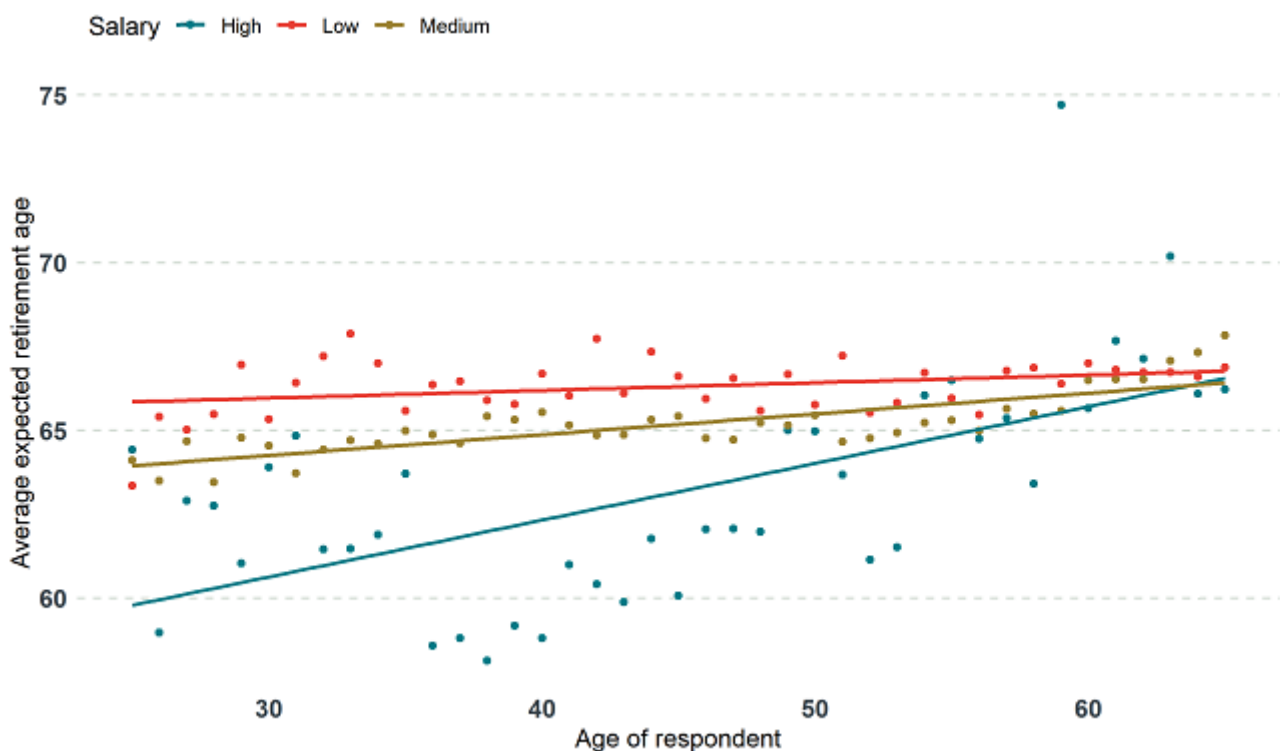
Gender

- Men and women are equally likely to expect to retire by 65, with around half of both men and women expecting this. However, more men than women expect to retire by the age of 50.
- For the half of respondents expecting to retire after 65, women are more likely to expect to retire at 66 and less likely to expect to work after 75.
- The average expected retirement age of men increases with age, while for women it remains roughly constant until the age of 64. For 65-75 year olds, men expect to retire on average by 1.5 years later than women in that age group, at almost 72 years on average compared to just over 70 years for women.
- Both men and women have a modal retirement age of 65. However, for men the increase in the expected retirement age as the age of respondents' increases is stronger than for women. For younger groups, men expect to retire earlier than women but as the age of respondents increases, the expected retirement age is higher than for older women.



Income

- People on high incomes (over £80k) are more likely to expect to retire earlier, with over 70% expecting to retire by 65. This compares to just under 44% of people on low incomes (under £80k) expecting to retire by 65.
- However, people on high income are more likely to expect to work beyond 75 than those on medium incomes (at almost 5% compared to 3.5%).
- The average expected retirement age of people on low incomes remain roughly constant across age groups. In contrast, the expected retirement time follows a u-shape pattern for people on medium and higher income. For high-income earners, this is particularly pronounced, with average retirement income dropping by over 2 years for those aged 35-44.
- Those with high salaries see a higher upward trend in their expected retirement age as the age of respondents increase. Young affluent people are more likely to state lower retirement age than peers with lower incomes, while older affluent people's expectations are more in line with those of their less affluent peers – or they expect even higher retirement age. This type of “adjustment” in expected retirement age as respondents are older appears to be somehow correlated with income, as the slope of the trend is least steep for low income earners.



Health

- People with health issues are more likely to expect to remain in employment for longer. Only around 3% of those with mental health issues expect to retire at 66, while around 55% expect to retire after that age. This group has the highest modal expected retirement age, and are the most likely to expect to retire between 63 and 70. However, for the 50-55 with mental health issues, the retirement age expectations appear to be more optimistic than for younger respondents, with mode age at 65 compared to 70 for younger respondents.

- The share of those expecting to retire by 65 is the highest among individuals without a health condition (53%), followed by those with physical and mental health issues (47%), and is lower for those with physical issues (43%). Having another health issue (either physical health, or both mental and physical health issues) does not affect the modal expected retirement age compared to having no health issues.
- Younger people with mental health issues are more likely to expect to retire later than older individuals, compared to people with different health status where expected retirement age is more likely to be increasing with age of respondents.

Housing status

- Those with their mortgage paid off are least likely to expect to retire between 63 and 70 across all age groups. While for 40-49 year olds in that group, the mode is at 65 (in line with other housing groups), for the younger and older groups (30-35 and 50-55), the modal expected retirement age is lower, at 60.
- Current owners consistently expect to retire earlier than current renters across all ages, but the increase in expected retirement age with the age of respondents is more pronounced than for current renters – such that for older respondents, the differences in expectations in retirement age between owners and renters are pretty small.

