

What should be the age to receive your State pension?

We have received a couple of reports this week discussing the age at which people should be entitled to a State pension based on their NI contributions.

Current policy is to raise the age from 65 to 66 in 2020, and to 67 in 2028. As people live longer, so the cost of their pensions rises without a proportionate increase in their contributions over their working lives. Whilst the state retirement scheme is a pay as you go one, where each generation pays for its parents generation out of current NI payments, individual pension entitlement is still based on your past contribution record.

The Cridland report suggests raising the age to 69 between 2037 and 2039 and going higher thereafter. The Government Actuary suggests 69 by 2053-5, with another variant bringing in 69 as early as 2040.

The Report also raises the issue of whether after the end of this Parliament there should be some change to the triple lock. Currently the government is pledged to increase pensions each year by the highest of earnings, prices (CPI) or 2.5%. Dropping one or two of these requirements could make progressive savings to the total cost. In recent years the 2.5% minimum has meant pensioner incomes rising faster than incomes in work.

I would be interested in your thoughts on all this. There does seem to be a good case to say that as longevity rises there should be a proportionate rise in the pension age to keep some balance between an individual's contributions when working and their pension receipts. Allowing the triple lock has helped narrow the gap between pensioner incomes and working incomes. There is an issue in how much further people think that should go.