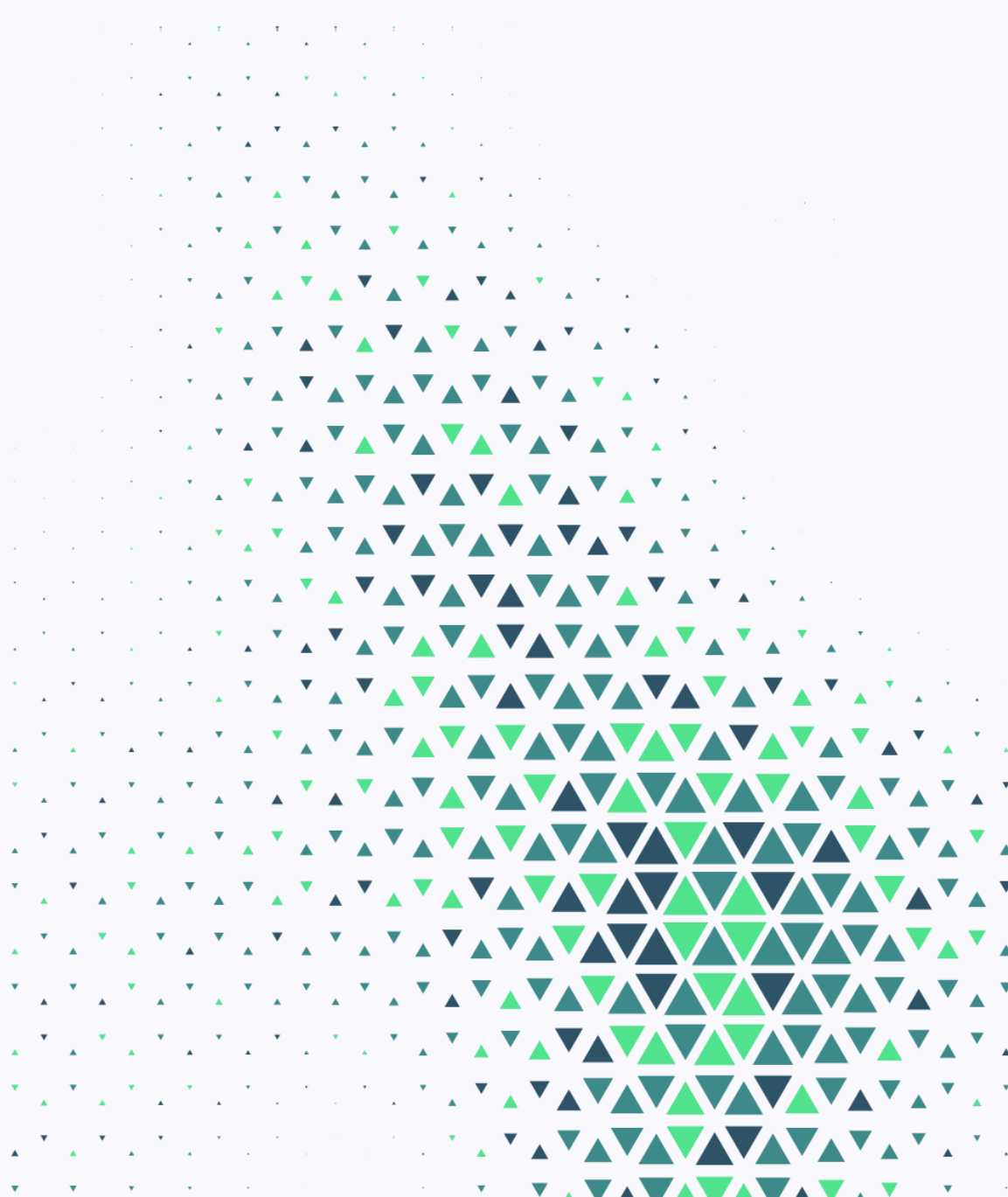




Government Actuary's  
Department

# The role of the UK social security system in supporting living standards in retirement

Jan Claisse | 13 November 2025



# UK Government Actuary's Department

Bold and trusted partners on risk and finance



## WHO WE ARE

A non-ministerial department that provides impartial actuarial advice and analysis.



## OUR CLIENTS

We support the UK government, devolved administrations, local authorities and wider public sector.



## OUR PEOPLE

A multidisciplinary teams of actuaries, analysts and specialist consultants



## PARTNERS WITHIN THE CIVIL SERVICE

We work collaboratively with our clients, including secondments, providing an understanding of government and the public sector.



## OUR IMPACT

Since 1919, we have a proud history of navigating risk and cutting through complexity for our clients.

## OUR OFFICE LOCATIONS



# Purpose of session

UK pension system and reforms

Challenges facing the system

Private pension savings and adequacy

The road ahead

# Current UK pensions system

## 1<sup>st</sup> Pillar – State Pension

- Significant reforms in 2016
- Low compared to many European countries

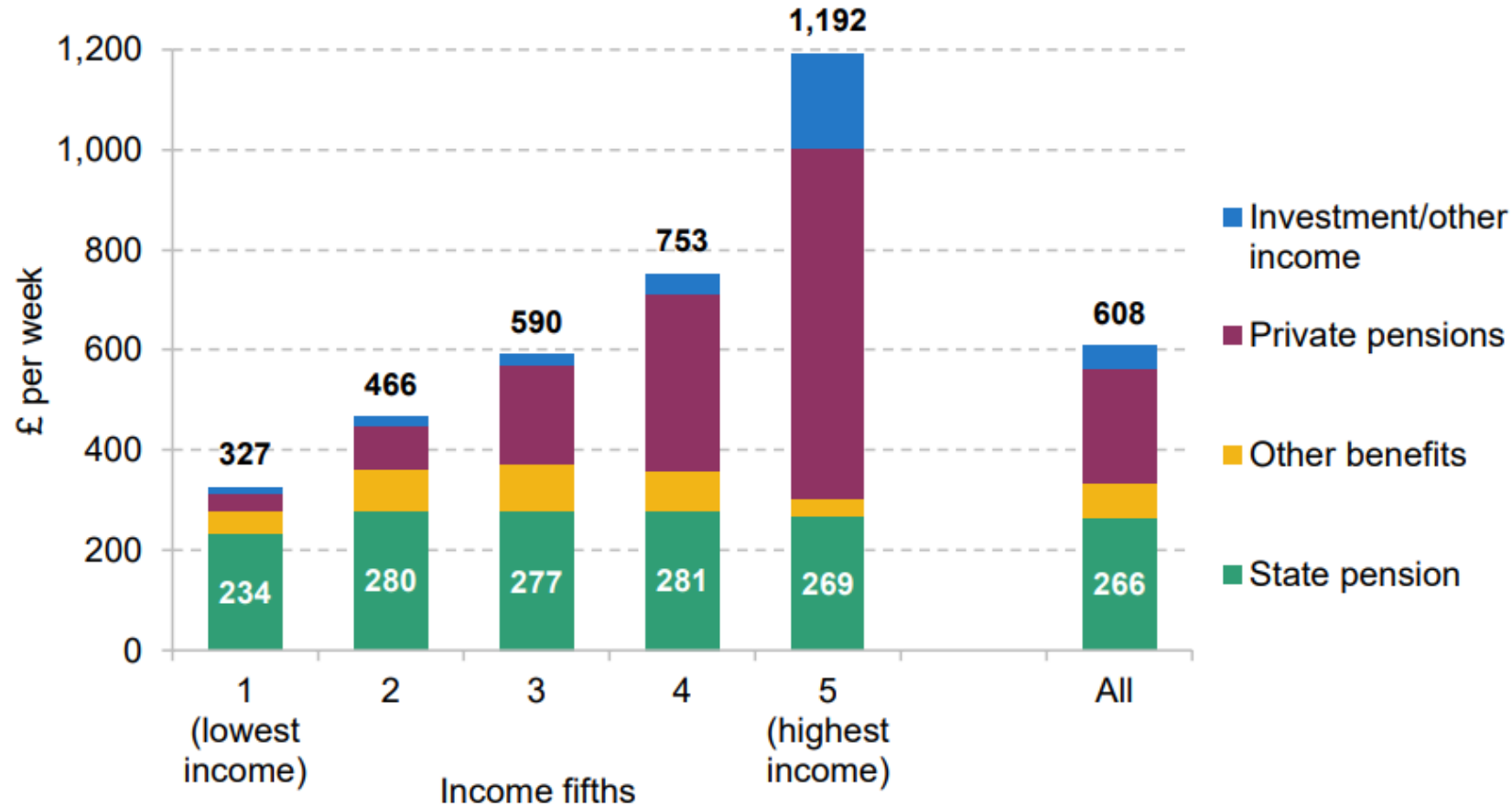
## 2<sup>nd</sup> Pillar – Workplace Pensions

- mandatory auto enrolment
- minimum contributions
- largely defined contribution except in public sector

## 3<sup>rd</sup> Pillar – Private/voluntary savings

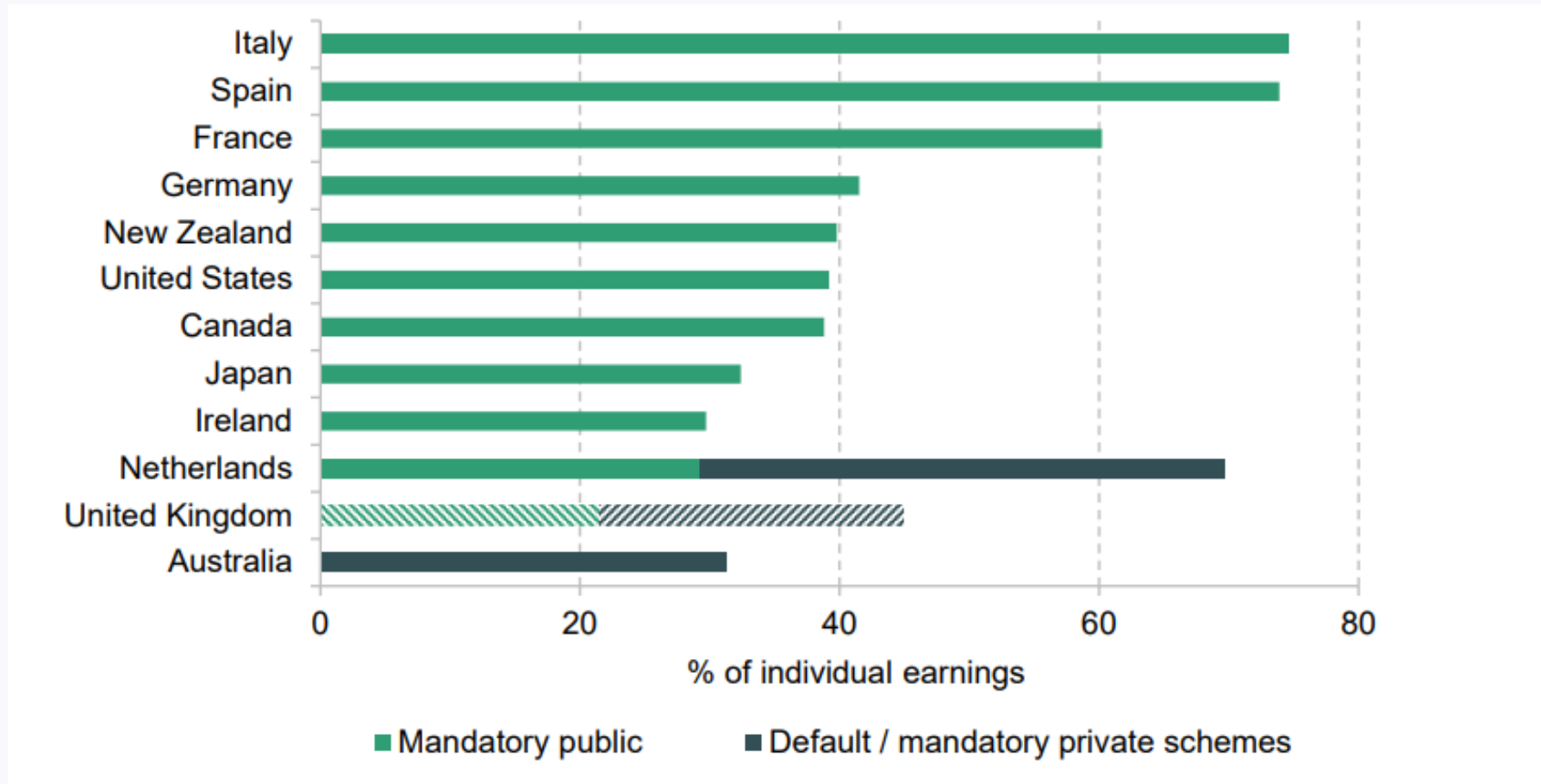
- Personal pensions, Individual Savings Accounts, property wealth

# Mean income from different sources



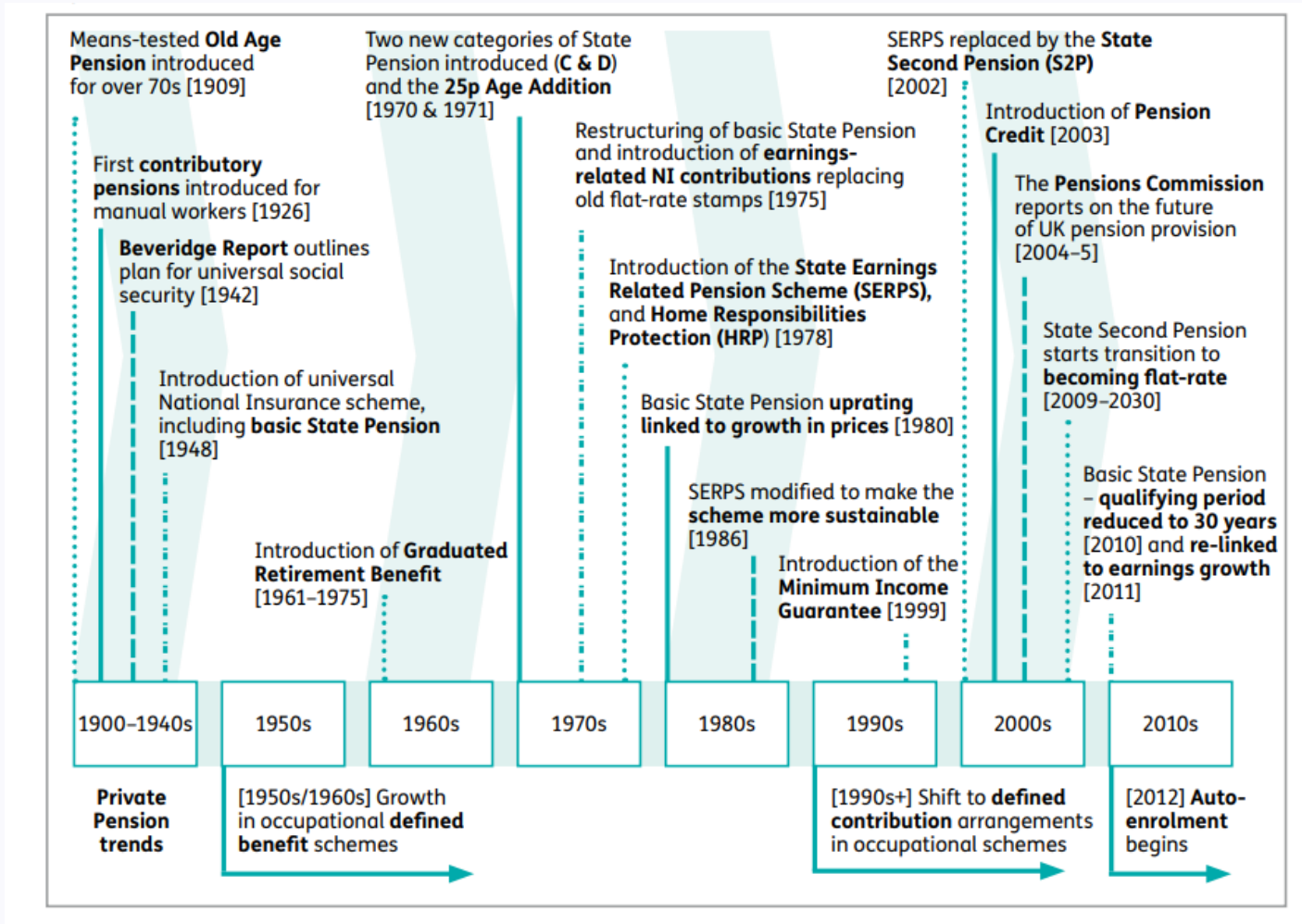
<https://ifs.org.uk/sites/default/files/2024-03/IFS-R291-The-future-of-the-state-pension.pdf>

# Replacement ratios



<https://ifs.org.uk/sites/default/files/2024-03/IFS-R291-The-future-of-the-state-pension.pdf>

# UK state pension system



<https://assets.publishing.service.gov.uk/media/5a7b622940f0b64646935cb1/single-tier-pension.pdf>

# 2016 State Pension reforms



Single, higher flat rate



Replaced complex legacy system



Clearer link between contributions and entitlement



Triple lock uprating to continue



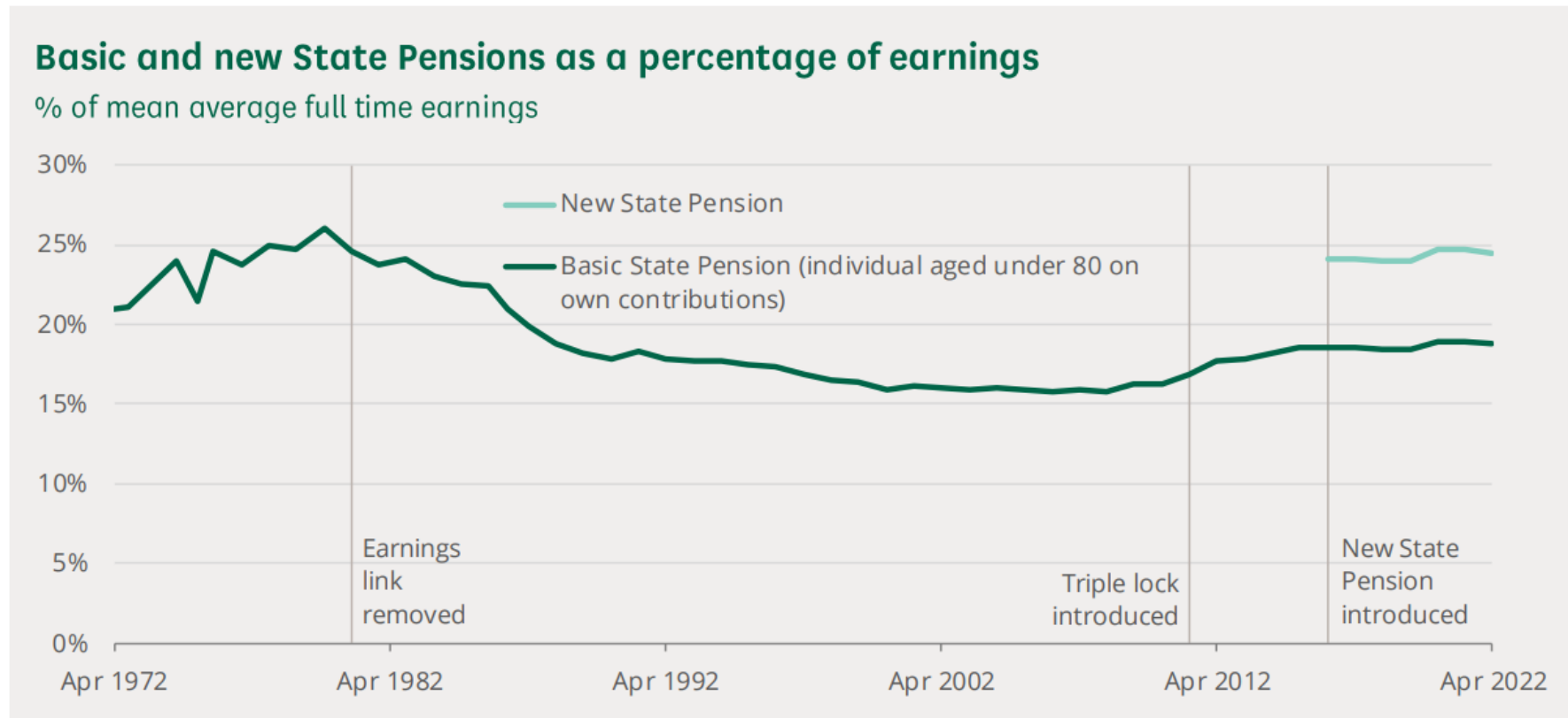
Requires 35 qualifying years, minimum of 10 years



Currently £230.25 per week (around €260)



# Value of state pension over time

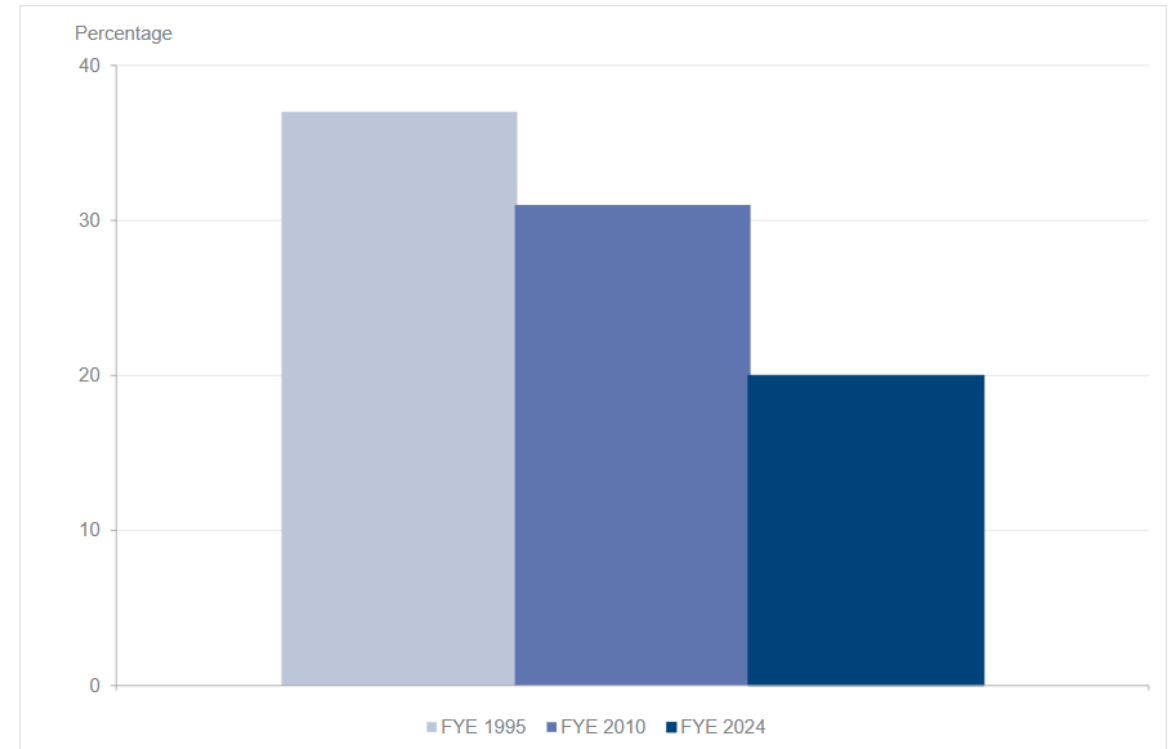


Source: DWP, [Abstract of DWP benefit rate statistics 2022](#); ONS, [Annual Survey of Hours and Earnings \(ASHE\): Table 1](#) (various editions)

# Features of UK state pension

- Received by 98% of population
- Most receive the full rate, but income assessed benefits also available eg Pension Credit
- Around £138bn spent on state pensions in 2024/25, around 5% of GDP
- Expected to rise to 7.7% of GDP by early 2070s

Percentage of pensioners receiving income-related benefits, FYE 1995, FYE 2010 and FYE 2024



<https://www.gov.uk/government/statistics/pensioners-incomes-financial-years-ending-1995-to-2024/pensioners-incomes-financial-years-ending-1995-to-2024>

# State Pension Age

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Originally 65 for men and 60 for women

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Equalised at 65 between 2010 and 2018

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Rise to 66 between 2018 and 2020

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Legislated to increase to 67 over 2026 to 2028

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Planned increase to 68

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Government committed to regular reviews





# State pension challenges

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Rising longevity vs healthy life expectancy

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Regional and other disparities

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Fiscal pressures

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Unpredictability of triple lock

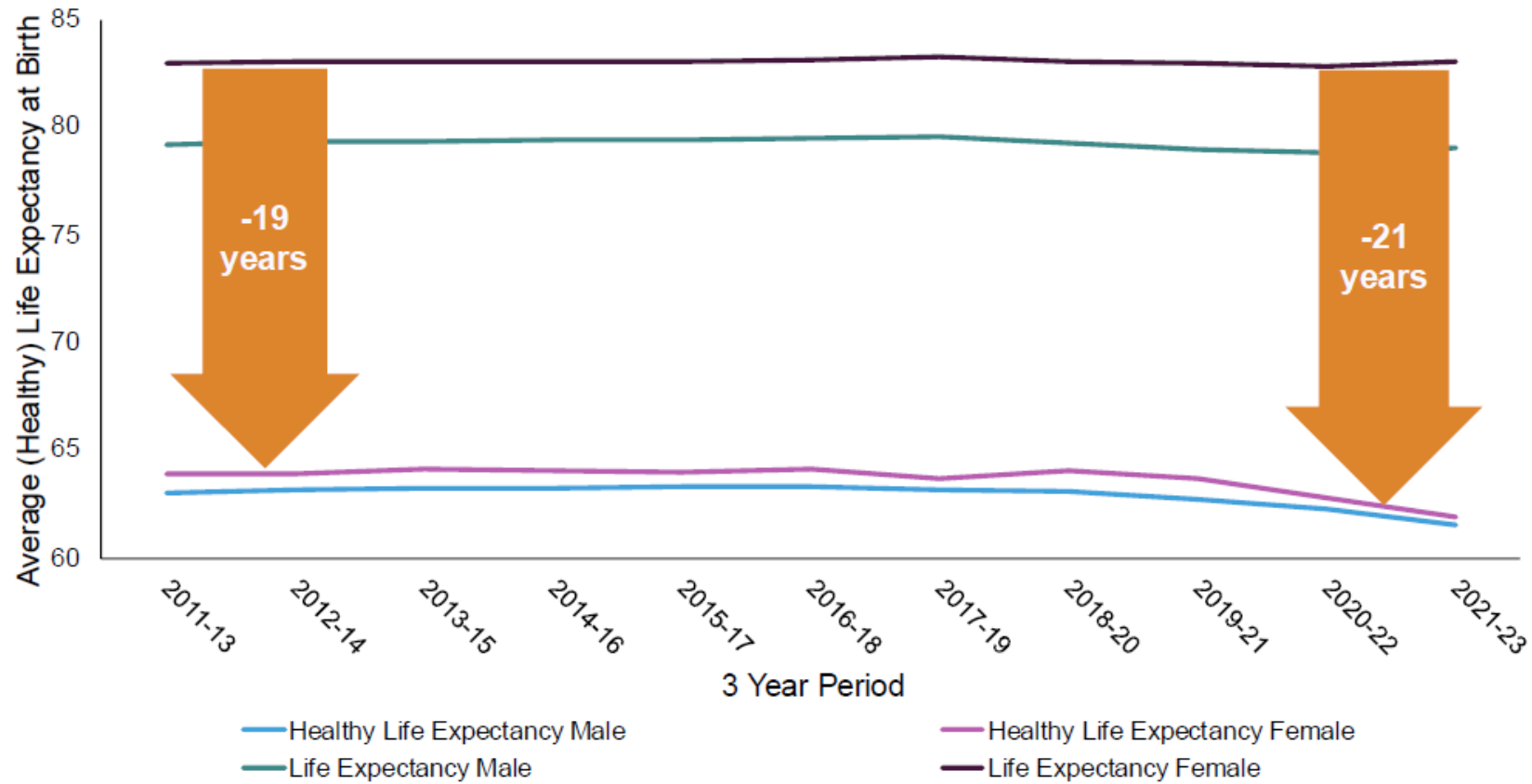
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Political sensitivity

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Intergenerational fairness

# Healthy life expectancy



Source: [GAD calculations based on ONS data](#)



# State pension challenges

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Rising longevity vs healthy life expectancy

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Regional and other disparities

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Affordability and triple lock

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Political sensitivity

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Intergenerational fairness

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# Intergenerational fairness



Change in generosity over time



Rising dependency ratio



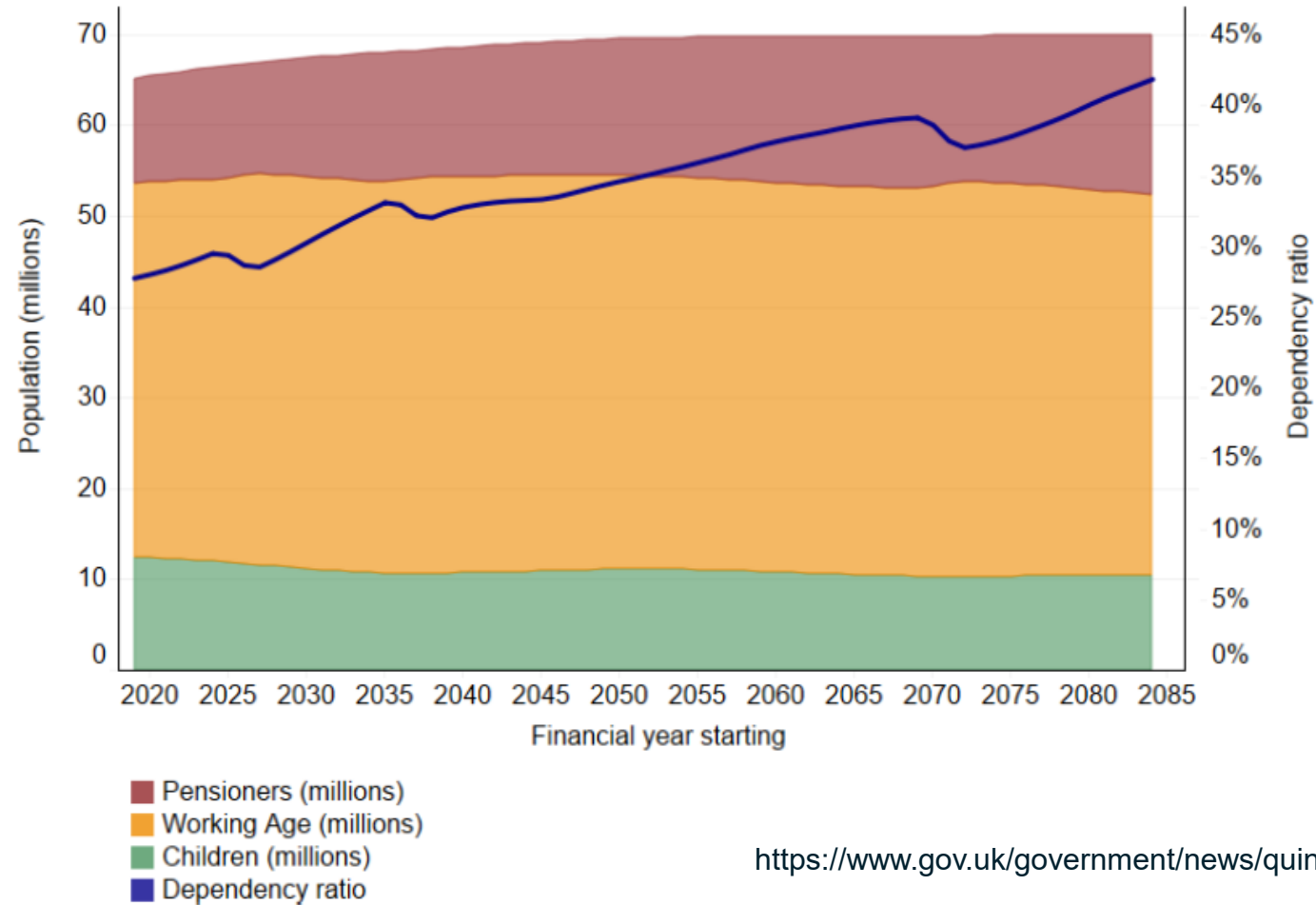
Housing and wealth inequalities



Fiscal concentration

# Demographic challenges

Chart 2.3 – Projected population of Great Britain and dependency ratio

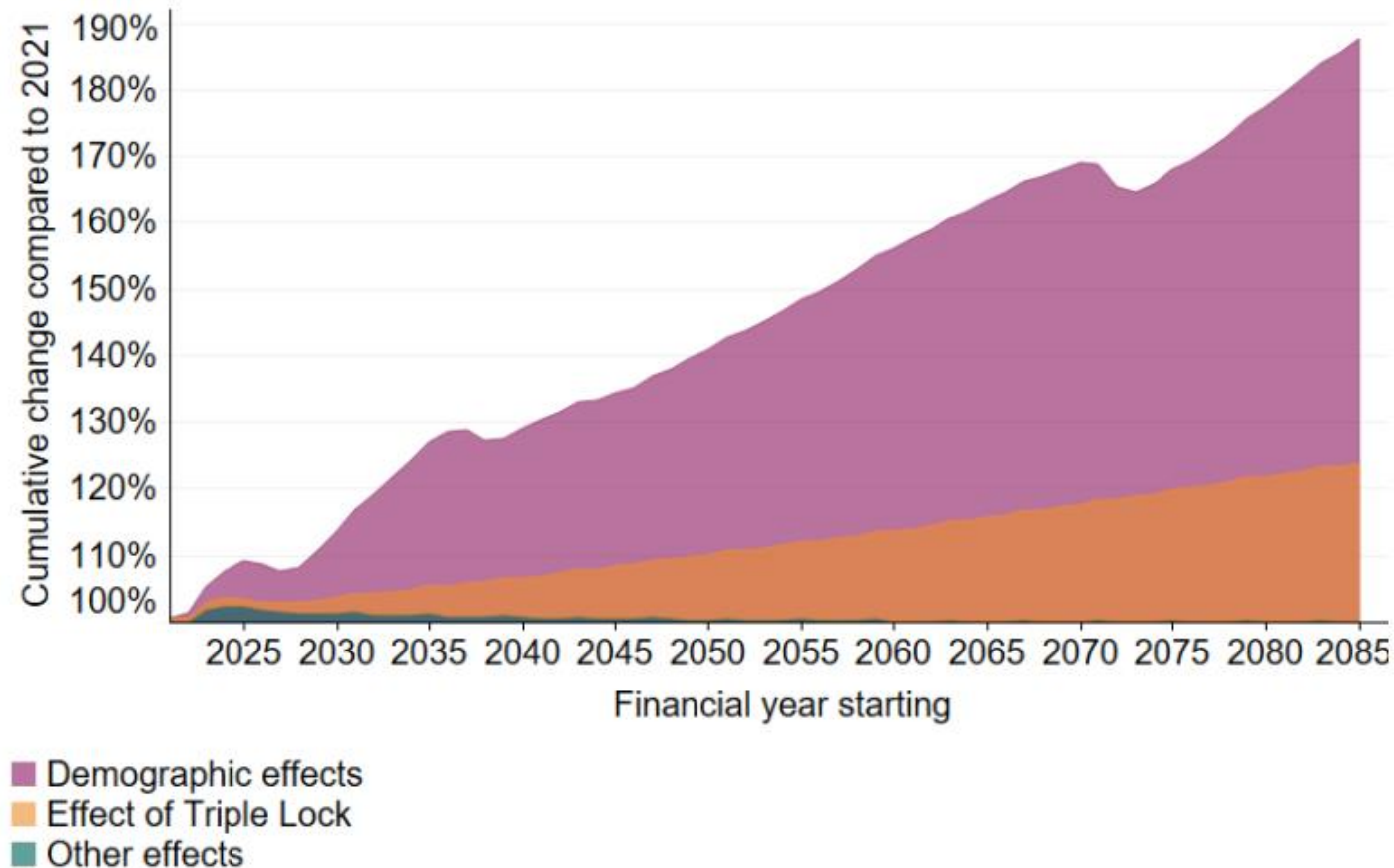


<https://www.gov.uk/government/news/quinquennial-review-2020>



# Demographic challenges

Chart 2.4: Factors driving increases in total benefit expenditure (in real earnings terms)



<https://www.gov.uk/government/news/quinquennial-review-2020>

# Intergenerational fairness



Change in generosity over time



Rising dependency ratio



Housing and wealth inequalities



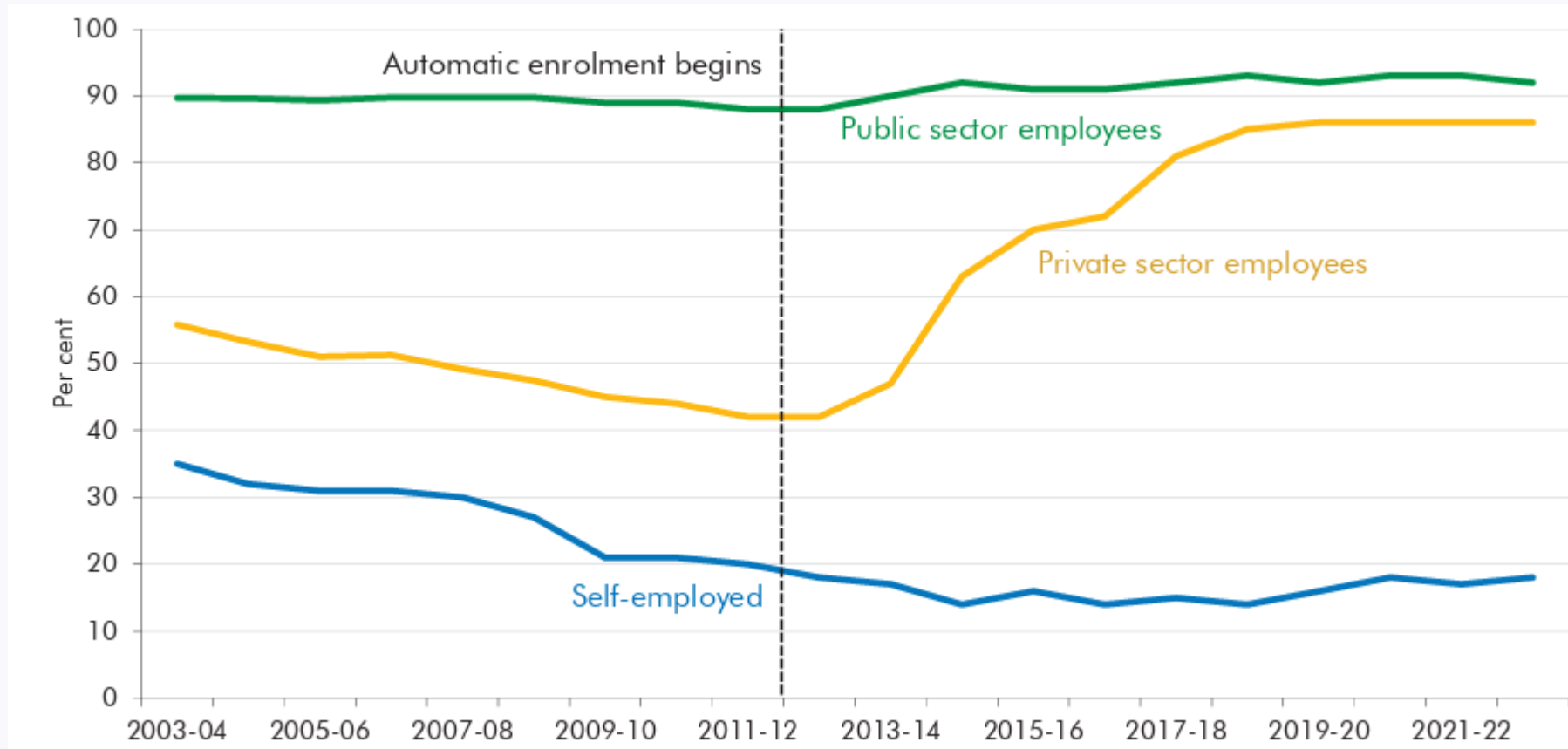
Fiscal concentration

# Workplace pensions and Auto-enrolment

- Introduced 2012-2018
- Employers must enrol staff in a pension scheme
- Employee and employer must pay minimum contribution levels
- Very successful in increasing pension scheme membership
- Is 8% enough?



# Pension scheme membership



[https://obr.uk/docs/dlm\\_uploads/Fiscal-risks-and-sustainability-report-July-2025.pdf](https://obr.uk/docs/dlm_uploads/Fiscal-risks-and-sustainability-report-July-2025.pdf)



# Adequacy challenges

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Modest state pension

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Auto-enrolment limits

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Coverage gaps

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Rising state pension age

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DB to DC shift

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Housing wealth

# Pensions Commission

**Objective: Building a strong, fair and sustainable pension system fit for the middle of the 21<sup>st</sup> century.**

- Consider adequacy, fairness and sustainability
- State Pension Age review
- How to measure adequacy - Target replacement rates or minimum income levels
- At least 40% of people not on track to meet target replacement rates



# Final observations

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The UK social security system effectively reduced pensioner poverty since the 1990s but gaps remain.

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Adequacy depends on supplementary provision; risks for those without sufficient workplace/private pensions.

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Fiscal pressures and demographic shifts will shape future policy trade-offs.

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Role of social security system in retirement is politically important and widely supported.





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