BBC NEWS

Pension age 'could rise further'

The state pension retirement age could be increased further, the UK's pensions regulator has told the BBC.

David Norgrove said rising life expectancy meant millions of people would "undoubtedly" have to wait longer in future to draw a state pension.

People will not save as much for retirement as in the past, with many people "frightened" to do so, he said.

The state pension age is due to rise to 68, and Pensions Minister Angela Eagle said there were no plans to raise that.

Government debt

Currently, the state pension age is 60 for women and 65 for men, but four years ago Lord Turner published a report calling for it to rise to 68 for everyone by 2050.

But Mr Norgrove said he thought it would end up higher.

Mr Norgrove said: "People are going to have to work longer, partly because we're not going, as a nation, to save as much for retirement as we did in the past."

STATE PENSIONS

- Currently, pensionable age is 60 for women, 65 for men
- For both sexes, that will rise to 66 in 2024, to 67 in 2034 and to 68 in 2044
- The time it takes to qualify for a full basic state pension will be cut to 30 years
- From 2012, people will be automatically enrolled in a low-cost, opt-out national savings scheme

He added: "The government's recent legislation is increasing the state retirement age progressively to 68. I think it will end up higher than that."

He said the ability of the current working generation to pay for the retirement of its predecessor would be "a real issue for the next 30 years", not least because of a lack of knowledge among the public about how to save.

"The evidence is that people generally are frightened of saving for pensions," he said.

"They think that pensions are very complicated. Actually, pensions in many ways are quite simple. Once you've made the initial decision you can let it run."

With life expectancy rising each year, many people argue that the government simply cannot afford to maintain state benefits at their current levels.

Any potential shortfall has come sharply into focus following the massive increase in government debt amid the financial crisis, during which it has spent billions of pounds trying to boost the UK economy.

HAVE YOUR SAY Money has got to be found to pay pensions as life expectancy increases. So either we have to pay more tax or the pension age has to increase Paul Goddard

However, Ms Eagle said there was "no point" raising the state retirement age beyond 68.

She told the BBC: "We believe that we've covered the predictions of increased life expectancy adequately in the legislation and unless these statistics change we'll have periodic reviews, but it won't happen for another generation.

"I think it's important that people can predict accurately when the retirement age is if we're trying to persuade them to save into pensions, and that's what we're trying to do. So there is certainty there."

Patrick South from the charity Age Concern and Help the Aged welcomed the government's response, arguing there were better ways to enable older people to continue working.

"Any increase in the state pension age would affect the poorest people disproportionately," Mr South said.

"Far better to focus on the barriers that currently prevent people working past 65, and chief among those is the default retirement age which enables employers to compulsorily retire people when they reach the age of sixty five."

Plummet in value

Experts say people will have to rely far more on company and private pensions arrangements in the future.

As part of his pensions review, Lord Turner called for employees to be enrolled automatically in their company's pension scheme to encourage more people to save for their retirement.

However, Mr Norgrove warned that generous company pension schemes, such as final salary arrangements, were in "long-term decline", partly because government rules had made them too expensive for businesses to run.

But he said: "I think there's a good chance that we'll see a core of companies continuing to offer final salary schemes, particularly big companies."

Earlier this week, figures from consultant Lane Clarke & Peacock showed that Britain's leading companies have seen their pension schemes plummet in value over the past year.

It said firms listed in the FTSE 100 index now had a combined deficit of £96bn, the largest on record.

“ **The good thing about pension schemes is that, by and large, they're a very slow matter** ”
David Norgrove

This compared with a £41bn deficit in mid-July 2008 and a surplus of £12bn in the same month of 2007.

Just as the government may struggle to keep paying state pensions, some companies already say they can no longer afford to pay out.

Earlier this month American Express announced that it had suspended pension contributions for all its UK employees for the next 18 months, saying payments had become unaffordable.

But Mr Norgrove said he expected the impact of the economic downturn on the majority of pension schemes to be "manageable".

"Inevitably, in a serious recession, we're going to see more companies going insolvent, but I don't think at the moment we see this as a crisis," he said.

"The good thing about pension schemes is that, by and large, they're a very slow matter. This isn't like the banking system that can collapse overnight.

"Generally speaking, if the sponsoring company stays in business there's time to work this out."

The full interview with David Norgrove can be seen on Leading Questions with Robert Peston on the BBC News channel at 2230 BST on Saturday.