

# 60-second summary

Phase two launch: Commission is a go

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On the eve of the House of Commons' summer recess, the UK Government [announced](#) (with an unseasonal blizzard of publications) the formation of a new Pensions Commission, tasked with bringing forward proposals for improving outcomes for future pensioners. The Commission's inauguration fulfils the promise of a 'Phase Two' to the Pensions Review, focusing on adequacy of benefits. A review of State Pensionable Age (SPA) will operate alongside it.

## Setting the scene

A sandcastle-shaped-bucket load of Department for Work and Pensions (DWP) research and statistical releases paved the way for the announcement:

- [Analysis of Automatic Enrolment saving levels](#);
- [Planning and Preparing for Later Life 2024](#);
- [Gender Pensions Gap in Private Pensions: 2020 to 2022](#); and
- [Analysis of Future Pension Incomes 2025](#).

In a nutshell, the analysis shows there are still large sections of the population under-saving for retirement.

## Personnel

The Commissioners are Baroness Jeannie Drake, Sir Ian Cheshire, and Professor Nick Pearce. Baroness Drake was (before her elevation to the House of Lords) part of the Adair Turner-led Pensions Commission that in November 2005 recommended (amongst other things) the system of automatic enrolment. Sir Ian Cheshire's past business roles include Chief Executive Officer of Kingfisher PLC. Nick Pearce is Professor of Public Policy and Director of the Institute for Policy Research at the University of Bath.

## The task at hand

The Commission's terms of reference charge it with the job of considering the long-term future of the UK's pensions system, including factors such as:

- the outcomes and risks for future pensioners, to 2050 and beyond;
- ways to improve those outcomes, especially for those at greatest risk of under-saving for retirement;
- the roles played by state and private pensions, and wider savings; and
- the challenges of an ageing population.

The Commission is expected to produce a final report, in 2027, making proposals for changes ‘beyond the current Parliament’ (which could last until 2029). The goal is a mid-21st century pensions framework that ‘delivers financial security in retirement’ whilst being ‘strong, fair and sustainable.’

## SPA review

The Government has also announced a statutory review of the rules underlying SPA. For the purposes of each review, the Secretary of State for Work and Pensions is required to commission two reports: one from an independent reviewer, and the other from the Government Actuary (GA). The independent review for the recently announced review will be Dr Suzy Morrissey, who is Deputy Director of the Pensions Policy Institute, and manages its research programme and policy research and modelling teams. Her role is to advise on certain factors relevant to the review, as specified by the Secretary of State. Dr Morrissey’s terms of reference accordingly instruct her to consider:

- the merit of linking SPA to life expectancy, with a view to intergenerational fairness;
- the sustainability of the State pension system; and
- other countries’ usage of automatic SPA-adjustment mechanisms

She is tasked with advising the Government with advice on the factors that should inform its decisions on SPA, and their relative weights, with the injunction that they ‘*should be part of an enduring framework which underpins the... State pension system.*’ She is to provide, amongst other things, impact assessments for different groups of people, age cohorts and regions, and report on the views of organisations and experts with an interest in the subject.

The [GA’s terms of reference](#) instruct her to consider the implications of the current SPA rules for the proportion of people’s adult lives that is spent in retirement. The GA is directed to assess the provisions made for phasing in an increase to SPA 68, currently scheduled to occur between 2044 and 2046. The terms of reference require her to consider whether the current rules will mean that those reaching SPA from 2030 will spend (on average) 32%, 31% or 30% of their adult lives in retirement, and if not, how the rules might be changes to achieve those target proportions. Actually, the working assumption is that SPA would increase if at any time the proportion spent in retirement is projected to come within 0.1 per cent of the target proportion in the following two years, so the targets would never be reached.

The announcement of a Pensions Commission marks a pivotal moment, presenting a real opportunity to forge a sustainable pensions system. We would have preferred to see changes sooner – the Pensions Minister has been [quoted](#) as ruling out contribution rises in this Parliament, but recognise the political and economic realities. The SPA review might seem a little premature, given it was last reviewed in 2023, but honours the undertaking given by the previous Government, and makes sense given the importance of SPA to the sustainability of the state pension system.

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