NEW STATE PENSION – YOUR QUESTIONS ANSWERED

Hi,

We thought that this would be a handy guide to help answer the questions you may face when talking to people about the changes in the State Pension.

As you'll see, it covers the top ten questions that we're being asked by customers and it also goes into detail on some of the topics - for when you need a more specific answer.

For further help, we've provided links to our website on gov.uk and Pension Tube in "More Information".

CONTENTS

1. Top 10 questions 2

2. Specific topics: More detailed Q&A 5

    2.1 Eligibility and entitlement 5

    2.2 Transitional arrangements 6

    2.3 Contracting-Out 6

    2.4 Derived entitlement/Inheritance 7

    2.5 Workplace and personal pensions 8

    2.6 The Self-Employed 8

    2.7 Pension Credit 9

    2.8 New State Pension impact on other benefits and services 10

3. MORE information 10

1. TOP 10 QUESTIONS

1. WHAT'S WRONG WITH THE CURRENT STATE PENSION AND WHY IS IT CHANGING?

The old State Pension system was extremely complex with layers of rules, with a flat rate basic State Pension part and several earnings related additional pensions parts (at different times). People didn't know how much State Pension they would get and this made it difficult to make an informed choice about saving for retirement. The new system is much clearer and provides a solid foundation upon which people can build up their retirement savings.

The old system benefited some groups more than others. Some women, carers and self-employed people haven't previously received much by way of additional State Pension, and are likely to benefit from the changes.

2. SO WHAT IS THE NEW STATE PENSION?

The new State Pension is a regular payment from the government most people can claim when they reach State Pension age. The new State Pension system changes how people's State Pension is calculated. It was introduced in April 2016 and will affect everyone who reaches State Pension age from 6 April 2016 onwards. The full amount is £155.65 a week in 2016/17. Not everyone gets the same amount. How much you get depends on your National Insurance (NI) record.

In future, each extra year on someone's NI record will add the same extra amount of future pension, just one flat rate extra amount, until SPA or the full new State Pension are reached.

3. HOW MUCH STATE PENSION WILL I GET?

Most people will have an existing National Insurance record. This record will be taken into account when their new State Pension is calculated. If they start the new State Pension with less than the full amount, they may be able to build up further pension under the new system.

Under the new system, in the long run, people will need 35 qualifying years of making or being credited with National Insurance contributions to get the full amount of new State Pension. That will be £155.65 per week (2016/17 rate). This will be simple for younger people who haven't been part of the National Insurance system up to now – they just need to have 35 qualifying years when they reach State Pension age and they will get the full weekly amount

4. SO NOT EVERYONE WILL BE GETTING £155.65 A WEEK UNDER THE NEW STATE PENSION?

It's important to remember that what you receive depends on your National Insurance record, so not everyone will be entitled to £155.65 a week. Some people may be entitled to more and others to less, when they reach State Pension age.

We are taking account of people's National Insurance records made up to the 2015/16 tax year to ensure their pre-existing National Insurance contributions will be taken into account under the new system.

We will apply a one-off adjustment to people's State Pension to take account of some periods when people were contracted out of the additional State Pension. Contracting out is where people will have paid National Insurance contributions at a lower rate or some of the contributions paid will have been used to contribute to a private pension instead of additional State Pension. People who have been contracted out will normally have additional income from their workplace or personal pension.

If you are eligible for more pension under the existing system than the full amount of the new State Pension, you will also still get this higher amount when you reach State Pension age.

4A. WILL I BE ABLE TO INCREASE THE AMOUNT I GET?

If you have a few years to go before reaching State Pension age, you may be able to increase your State Pension under the new system by continuing to make or be credited with National Insurance contributions. If you have less than the full amount as a starting amount, you may be able to increase your pension until you reach the full weekly amount of new State Pension or until you reach State Pension age.

5. SO HOW DO I FIND OUT HOW MUCH I WILL GET?

Anyone of working age can now get information on their State Pension by using the new online Check your State Pension service. This is currently being tested by the Government and is available to those who live in the UK. The online service is a quick and simple way to access information about your State Pension in only a few minutes. In order to use the online service you will need to confirm your identity using an identity verification service. The Check your State Pension service will give you a forecast of the new State Pension you may get at State Pension age. It will also tell you if there are any gaps in your NI record, and whether you can pay voluntary NI contributions to fill these gaps. To test this online service, visit www.tax.service.gov.uk/checkmystatepension.

If you are aged 50 or over you can also get a State Pension statement by post. You can contact the Future Pension Centre to request a statement by phone. Your statement will give you an estimate of your new State Pension worked out using your NI record at the time your statement is produced.

You will normally receive your statement in around 10 days. Telephone: 0345 3000 168 (statements and enquiries). Telephone from outside the UK: +44 (0)191 218 3600. People can find out how to request a statement at www.gov.uk/check-state-pension.

6. HOW DO I FIND OUT IF I HAVE GAPS ON MY NATIONAL INSURANCE RECORD?

If you think you may have a gap in your National Insurance record, you can ask for a National Insurance statement. You can do this online via Gov.uk or by calling HMRC's National Insurance helpline. Your statement will show your National Insurance payments or credits and highlight gaps. It will also tell you whether you can pay voluntary contributions to fill any of these gaps and how much it will cost to do so.

7. WILL I HAVE TO WORK LONGER TO GET MY STATE PENSION?

State Pension age is changing in response to rising life expectancy. The aim is to ensure that the system remains sustainable in the long term. State Pension age for women has been increasing gradually since 2010, so that it will equalise with men's at 65 by 2018. State Pension age will then rise to 66 between 2018 and 2020, for both men and women. Further changes have also been timetabled. You can check the date you'll reach State Pension age by searching 'State Pension age' on gov.uk

8. I AM THINKING OF DEFERRING MY STATE PENSION. WILL THESE CHANGES MAKE A DIFFERENCE?

There are new rules for deferring if you reach State Pension age on or after 6 April 2016. You will have to defer for at least nine weeks and your new State Pension will increase by 1% for every nine weeks you defer. That's just under 5.8% for a full year. The extra State Pension is paid on top of your new State Pension and counts as taxable income.

9. WHAT EFFECT WILL HAVING CARING RESPONSIBILITIES OR BRINGING UP CHILDREN HAVE?

If you've spent time out of work caring for children or you've provided regular and substantial care to a sick or disabled person, you may have built State Pension qualifying years through getting National Insurance credits. Credits are provided in a range of circumstances and can help to fill gaps in your National Insurance record, to make sure you qualify for certain benefits including the State Pension. You can find out more about eligibility for these credits by searching for 'National Insurance credits' on Gov.uk.

10. WHAT DOES IT MEAN IF I'VE BEEN SELF-EMPLOYED?

Under the old system, if someone was self-employed all their working life they would only be entitled to £119.30 per week of basic State Pension at State Pension age. Under the new system however, a self-employed person's National Insurance contributions count in full, so from April 2016, everything else being equal, their entitlement for 35 years' contributions will be £155.65.

2. SPECIFIC TOPICS: MORE DETAILED Q&A

2.1 ELIGIBILITY AND ENTITLEMENT

ARE QUALIFYING YEARS ONLY THOSE IN WHICH I HAVE PAID NATIONAL INSURANCE CONTRIBUTIONS?

No. Even if your National Insurance record only contains qualifying years based on when you received National Insurance credits, you can still get a new State Pension, (provided you have the minimum 10 qualifying years).

CAN I USE 'SOCIAL SECURITY CONTRIBUTIONS' I HAVE MADE WHEN WORKING OVERSEAS TO MEET THE REQUIREMENTS OF THE MINIMUM QUALIFYING PERIOD?

If you have worked outside the UK, we may be able count the National Insurance contributions you have made abroad (called 'Social Security contributions') towards the minimum period of 10 qualifying years if they are from an EU or reciprocal agreement country. This can only be used to meet the Minimum Qualifying Period and will not count towards your new State Pension amount.

I'VE WORKED ABROAD – CAN I STILL MEET THE MINIMUM QUALIFYING PERIOD?

If you have worked outside the UK, your NI contributions made in the EEA or other countries where the UK has a reciprocal agreement may be used to satisfy the minimum qualifying period of 10 years. This can be used to meet the Minimum Qualifying Period but the years from contributions made overseas will not count towards your new State Pension amount.

HOW CAN I GET MORE STATE PENSION?

If you reach State Pension age on or after 6 April 2016 and your State Pension is going to be less than the full rate, you can:

- Continue to work (and gain 1/35th of the full rate for each year up until you reach the full rate or you reach State Pension age).
- Make voluntary National Insurance contributions to fill in any gaps in your record in order to gain extra qualifying years – for more information visit https://www.gov.uk/voluntary-national-insurance-contributions/deadlines web
- If applicable, claim National Insurance credits for any years where you have gaps in your record – for an explanation of how to do this please go to https://www.gov.uk/national-insurance-credits web

WILL MY NEW STATE PENSION GO UP EACH YEAR?

Every year your new State Pension should go up in line with the triple lock until 2020, and with at least the growth in average earnings thereafter. If you have extra State Pension or a Protected Payment it will usually go up in line with the rise in prices in the UK.

If you live outside the UK, your new State Pension may not go up every year.

2.2 TRANSITIONAL ARRANGEMENTS

WHAT WILL HAPPEN FOR CURRENT WORKERS AND PEOPLE WHO HAVE NATIONAL INSURANCE QUALIFYING YEARS BEFORE THE NEW SYSTEM STARTS?

Calculations will be made based on your National Insurance record as at 6 April 2016. These calculations will compare the amount of State Pension you may get based on:

- The new State Pension rules; and
- The old State Pension rules.

The higher of these two amounts will become your ''starting amount'' for the new State Pension system.

Both calculations will take into account periods of time when you were contracted out of the additional State Pension, because whilst contracted-out of SERPS or State Second Pension you either paid National Insurance at a lower rate or some of your National Insurance contributions were used to contribute to a private pension instead of the Additional State Pension.

This is the minimum amount you will receive of the new State Pension, provided you meet the minimum requirement of 10 qualifying years when you reach State Pension age. If you start the new State Pension with less than the full amount, you may be able to build up further pension under the new system.

2.3 CONTRACTING OUT

I AM CURRENTLY CONTRACTED OUT – WILL THIS CONTINUE?

Under the new State Pension there is no Additional State Pension element (which was related to earnings). The ability to 'contract out' of the Additional State Pension (in return for paying less National Insurance or having NI go directly towards a private pension) ended when the new State Pension was introduced.

I AM CURRENTLY A MEMBER OF A 'CONTRACTED-OUT' SCHEME. WILL I HAVE TO PAY HIGHER NATIONAL INSURANCE CONTRIBUTIONS WITH THE NEW STATE PENSION?

Yes, as contracting out ended in April 2016, you will need to pay National Insurance contributions at the full standard rate. The reduction in NI that contracted-out employers get now will also end. Don't forget that you have been paying lower NI during the years that you were contracted out.

HOW DOES CONTRACTING OUT WORK?

Anyone who has been contracted out of the Additional Pension (SERPS or State Second Pension) either paid National Insurance at a lower rate or some of their National Insurance contributions were used to contribute to and to build up a private pension to replace the Additional State Pension.

In most cases the pension people get from their workplace or personal pension(s) should include an amount that will be equivalent to the additional State Pension they would have go if they hadn't been contracted out.

SINCE MY CONTRACTED-OUT YEARS MEAN I WILL RECEIVE LESS THAN THE FULL NEW STATE PENSION, AM I BEING PENALISED FOR BEING CONTRACTED OUT?

You are not being penalised. When we calculate the new State Pension we will make an adjustment for being contracted out – just the same as we did when people got to State Pension age previously. We need to do this because you will have been building up a separate part of your pension outside the state system, to replace the part of the State Pension that you opted out of. If this adjustment wasn't made then people who were contracted out would be paid twice for the same contributions.

Some people will have a starting amount that is more than the full new State Pension because they have paid into the additional State Pension – this is called their protected payment. They will get this amount when they get to State Pension age. People with less than the full rate may also be able to boost their State Pension income by continuing to work and pay National Insurance contributions, through National Insurance credits or through making voluntary National Insurance contributions.

Contracted out deductions have applied to people who have been contracted out since SERPS was introduced in 1978.

2.4 DERIVED ENTITLEMENT/INHERITANCE

I AM ALREADY A PENSIONER BUT MY SPOUSE WILL REACH STATE PENSION AGE AFTER 5 APRIL 2016. WILL I STILL BE ABLE TO CLAIM AN INCREASE ON HIS NI CONTRIBUTIONS?

As you reached State Pension age before 6 April 2016, the rules on increasing or inheriting State Pension based on your spouse/civil partner's NI contributions will still apply to you. However, any State Pension you get based on their contributions will be based on their NI record up to 5 April 2016 only – it won't include any contributions they make for tax years starting on or after 6 April 2016. The other change is that you won't be able to inherit any extra State Pension if they put off claiming their State Pension.

I WILL BE REACHING STATE PENSION AGE UNDER THE NEW SYSTEM. WILL I BE ABLE TO INCREASE MY STATE PENSION USING MY SPOUSE'S /CIVIL PARTNER'S/ FORMER SPOUSE'S / LATE SPOUSE'S NI CONTRIBUTIONS?

Generally, no. There are transitional arrangements for certain women who paid reduced-rate NI contributions, and for people who are widowed. But unless this applies to you, your State Pension will be based just on your own NI contributions.

I'M ALREADY A WIDOW [I.E. WIDOWED PRE-6/4/2016] – WILL I STILL BE ABLE TO INHERIT ANY OF MY LATE SPOUSE/CIVIL PARTNER'S STATE PENSION WHEN I REACH STATE PENSION AGE IN THE NEW SYSTEM?

Provided you don't remarry or form a new civil partnership before you reach State Pension age you may be able to inherit some of their additional State Pension and Graduated Retirement Benefit, if you would have been entitled to inherit under the old rules. This will be paid on top of any State Pension you are entitled to from your own National Insurance contributions. [For detail see "additional information" section.]

2.5 WORKPLACE AND PERSONAL PENSIONS

The age when you can take a workplace pension can vary and is set by your pension scheme rules. The earliest age you can access your workplace or personal pension is 55, although there are some exceptions for those who have health problems.

If you are unsure about what age you can access your workplace or personal pension, contact your current employer, previous employer or pension provider who will confirm what the rules are for your scheme.

2.6 THE SELF-EMPLOYED

HOW DOES THIS AFFECT SELF-EMPLOYED PEOPLE?

Under the old system the National Insurance contributions paid by self-employed people (class 2 and class 4) did not build entitlement to additional State Pension, and class 2 only built entitlement to basic State Pension. In the new system these contributions will be treated in the same way as the contributions of employed people.

This means that each qualifying year will be worth more. This allows self-employed people to build a larger new State Pension than is possible under the old arrangements.

It also means National Insurance contributions paid by self-employed people will count towards the new State Pension in the same way as contributions paid by employees do.

2.7 PENSION CREDIT

WHAT ARE THE CHANGES?

CHANGES TO SAVINGS CREDIT

The Savings Credit part of Pension Credit closed for people reaching State Pension age on or after 6 April 2016.

If they reached State Pension age before 6 April 2016 they may still get Savings Credit, depending on their circumstances, regardless of when they apply.

If they are a couple where one person reached State Pension age before 6 April 2016, and the other on or after 6 April 2016 they can only get Savings Credit if one of them:

- was already getting it immediately before 6 April 2016 and
- has been entitled to it at all times since 6 April 2016.

The Guarantee Credit part of Pension Credit will continue to provide a safety net for all pensioners.

CHANGES TO ASSESSED INCOME PERIODS (AIPS)

An Assessed Income Period is a period when people do not have to tell us about changes to their pensions.

As of 6 April 2016, no new AIPs will be set.

If they already have an AIP that is due to end between 6 April 2016 and 31 March 2019 it will end - either on the original date on their Pension Credit award letter, or earlier if their household circumstances change. Their AIP may end early in this way if for example they move into a care home or if they become a member of a couple.

If they already have an AIP that is due to end on or after 1 April 2019, it will end early and will not be renewed.

We will send them a letter telling them the new end date six months in advance or they can find the new date on GOV.UK

If they are aged 75 or over and have an AIP with no end date, it will remain in place until their household circumstances change for example if they move into a care home or if they become a member of a couple.

When their AIP ends they must tell us about any change to their circumstances, including pensions.

2.8 NEW STATE PENSION IMPACT ON OTHER BENEFITS AND SERVICES

PENSION CREDIT / WINTER FUEL PAYMENT

The qualifying age for Pension Credit / Winter Fuel Payment for both men and women is linked to women's State Pension age. This means that the qualifying age will rise in line with the increase in women's State Pension age from 60 to 65.

Once State Pension age is equalised for men and women in 2018, the qualifying age for Pension Credit / Winter Fuel Payment will rise to 66, 67 and then 68 in line with the increases in State Pension age.

DLA / PIP AND AA **DN – SPELL OUT IN FULL**

The age limits for DLA/PIP and AA will increase in line with the future State Pension age increases to 66 and beyond.

FREE PRESCRIPTIONS

The Government is considering how best to implement the change of State Pension age for free prescriptions. In the meantime, the age of entitlement to free prescriptions remains at 60.

FREE BUS-PASS

England: The age of eligibility for the concessionary bus pass is linked to women's State Pension age. This means that it will rise in line with the increase in women's State Pension age from 60 to 65.

Wales, Scotland or Northern Ireland: The age of eligibility is usually 60 but you should check with your local council for more information.

There is more information on how to apply for a bus pass at www.gov.uk/apply-for-elderly-person-bus-pass web]

3. MORE INFORMATION

You can get more information on: www.gov.uk/new-state-pension or by searching for 'new State Pension' on YouTube. More detailed information can be found on GOV.UK, including:

State Pension top up:

www.gov.uk/state-pension-topup

State Pension toolkit:

www.gov.uk/government/collections/state-pension-toolkit

PensionTube:

www.youtube.com/pensiontube

Check your State Pension:

https://www.gov.uk/check-state-pension