Your State Pension Explained

The State Pension has changed for people who reach State Pension age on or after 6 April 2016.

Department for Work & Pensions

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1. Introduction

The State Pension changed on 6 April 2016 for people who reach State Pension age on or after that date. This is men born on or after 6 April 1951 and women born on or after 6 April 1953.

The old rules (which include basic State Pension and Additional State Pension) were complicated, making it difficult to know how much you'd get until you were close to State Pension age. With the new State Pension, people will know from a much younger age how much they're likely to get, providing a solid base for their saving and retirement planning.

2. What is the State Pension?

The State Pension is a regular payment from the government most people can claim when they reach State Pension age. Not everyone gets the same amount. How much you get depends on your National Insurance record.

For many people, the State Pension is only part of their retirement income. For example, you may also have money from a workplace pension, other pension and/or earnings.

Your State Pension age depends on your date of birth. The government has announced that it will regularly review the State Pension age, beginning with the first review in May 2017.

3. How does the new State Pension work?

The new State Pension is based on people's National Insurance records.

People with no National Insurance record before 6 April 2016 will need 35 qualifying years to get the full amount of new State Pension, when they reach State Pension age.

However, most people will have made, or been credited with, National Insurance contributions before 6 April 2016. How much these are worth depends on the type of National Insurance contributions they are. These National Insurance contributions will be taken into account when your new State Pension is calculated. The new rules make sure that the amount of State Pension you get for your contributions to 6 April 2016 is no less under the new State Pension than you would have got under the old rules, provided you meet the minimum qualifying period.

For the new State Pension, you will normally need at least 10 'qualifying years' on your National Insurance record to get any State Pension. These can be from before or after 6 April 2016,and they don't have to be 10 years in a row.

Under the new State Pension, how much you get will usually be based on your own National Insurance record only. However, there will still be a few circumstances in which people get some State Pension through their spouse or civil partner.

What is a 'qualifying year'?

You can build a qualifying year for State Pension purposes if your earnings in a single job are at or above 52 times the Lower Earnings Limit (£5,876 in 2017/18). Or if you are self-employed you can build a qualifying year through paying 52 Class 2 contributions (£2.85pw in 2017/18).

If you do not earn enough you can get National Insurance credits in certain circumstances, e.g. when you're claiming certain working age benefits (including Child Benefit for a child under 12*).

If you are not eligible for credits you can make voluntary National Insurance contributions to gain a qualifying year. A qualifying year can be made up through combining earnings, credits, self-employment and voluntary contributions.

3a How much is the full new State Pension ?

The full amount of the new State Pension is set above the basic level of means-tested support (this is Pension Credit standard minimum guarantee). The full amount of the new State Pension is £159.55 a week (2017/18 rate).

Not everyone will get the full new State Pension, it will depend on your National Insurance record.

3b How will my 'starting amount' under the new State Pension be calculated?

We will use the qualifying years on your National Insurance record as at 5 April 2016 to work out your 'starting amount'. This is the higher of either:

- the amount you would get under the current State Pension, or
- the amount you would get if the new State Pension had been in place at the start of your working life.

Both amounts will reflect any periods when you have been contracted out of the Additional State Pension. Your 'starting amount' can be **less than, more than or equal to** the full new State Pension.

If your 'starting amount' is less than the full amount of the new State Pension – Each 'qualifying year' you add to your National Insurance record after 5 April 2016 will add a certain amount (about £4.55 a week, this is £159.55 divided by 35**) to your 'starting amount', until you reach the full amount of the new State Pension or you reach State Pension age, whichever happens first.

If your 'starting amount' is more than the full amount of the new State Pension – You will get this higher amount when you reach State Pension age. It will be possible to have a starting amount higher than the full new State Pension if you have some Additional State Pension. The difference between the full new State Pension and your 'starting amount' is called your 'protected payment'.

** You need to apply for Child Benefit in order to receive your National Insurance credit even if you choose not to receive a payment.*
***Totals do not sum due to rounding.*

If your 'starting amount' is the equal to the full new State Pension –
You will get the full new State Pension when you reach State Pension age.

3c How can I find out how much I could get?

You can get a State Pension forecast online from the Check your State Pension service. This provides personalised information, including your State Pension age, an estimate of how much State Pension may get at that point and if you can increase this amount. It also allows you to view your National Insurance contribution history.

Visit **www.gov.uk/check-state-pension** for more information

4. Information on your National Insurance record and the State Pension

How much State Pension you get depends on your National Insurance record. Generally, you build up your record by paying National Insurance contributions or getting National Insurance credits.

4a Paying National Insurance contributions

You pay National Insurance contributions when you work and are earning over a minimum amount (£157 a week in 2017/18). If you earn between £113 and £157 a week (2017/18) from one employer you may still be building up your National Insurance record. These figures relate to employed earners only. For more information on National Insurance contributions for self-employed earners, please see section 6.

- If you're employed, your employer takes your National Insurance contributions from your wages and pays them to HM Revenue & Customs (HMRC). It is a certain percentage of your pay. You can see the amount on your payslip.
- If you're self-employed, you are responsible for paying your own National Insurance contributions to HMRC.

When you reach State Pension age, you will not have to pay National Insurance contributions, even if you continue working.

4b Getting National Insurance credits

If you're not paying National Insurance contributions because, for example, you can't work due to illness, or you're caring for a child or an adult, you may be able to get National Insurance credits.

National Insurance credits help to build up your National Insurance record and so protect your entitlement to the State Pension. This means it's important you get your National Insurance credits.

With some benefits (such as Child Benefit for a child under 12, Jobseeker's Allowance, Employment and Support Allowance) you get National Insurance credits automatically, but there are some circumstances where you have to apply. For example, if you care for someone for at least 20 hours a week you may be able to apply for Carer's Credit.

4c How might I have a gap in my National Insurance record? What can I do?

If there was a time when you did not pay enough National Insurance contributions or get enough National Insurance credits to give you a qualifying year, you may find you have a gap on your National Insurance record. For example, you may have been:

- living abroad
- working but with low earnings (in 2017/18 less than £113 a week)
- not working and not claiming any benefits
- self-employed but not paying National Insurance contributions because of small profits.

If you weren't paying National Insurance contributions, but were claiming benefits, including Child Benefit for a child under 12 (or under 17 before 2010), then you may have been getting National Insurance credits, and therefore not have a gap.

If you do have a gap, you might not need to do anything. It is possible to have some gaps in your National Insurance record and still get the full new State Pension.

Voluntary National Insurance contributions can help you to protect your National Insurance record if you are not building your National Insurance record through working or receiving credits. HMRC have extended the usual deadlines for making voluntary National Insurance contributions for the tax years from 2006-7 to 2015-16. You will have until 5 April 2023 to make the contributions.

This means that you can leave making a decision on whether you want to pay voluntary National Insurance contributions until after April 2016.

5. What happens if I don't claim my new State Pension when I reach State Pension age? Will I get more money when I do claim it?

You don't have to claim the new State Pension as soon as you reach State Pension age. Deferring claiming your State Pension means you may get extra State Pension when you do claim it. The extra amount is paid with your State Pension and may be taxable.

How much extra State Pension you get depends on how long you defer (put off) claiming it. The longer you defer, the more you'll get.

You'll need to defer for at least 9 weeks - your State Pension will increase by 1% for every 9 weeks you put off claiming. This works out at just under 5.8% for every full year you put off claiming. After you claim, the extra amount you get because you deferred will usually increase each year in line with inflation.

If you are claiming certain benefits, deferring your State Pension will not increase its value, so check whether this applies to you.

Find out more about deferring the new State Pension at
www.gov.uk/deferring-state-pension

6. How does the new State Pension work for self-employed people, or people who have been self-employed in the past?

If you're self-employed, you pay Class 2 National Insurance contributions if your profits are above a certain amount (£6,025 in 2017/18). You pay both Class 2 and Class 4 National Insurance contributions when your profits rise above another level (£8,164 in 2017/18). From 6 April 2016, Class 2 National Insurance contributions made by self-employed people will be treated the same as employee contributions and count towards the new State Pension in the same way as everyone else's, including those Class 2 contributions made before 6 April 2016.

7. What if I have been a member of a workplace pension scheme (contracted out)?

State Pension under the old rules is made up of two parts: the basic State Pension and the Additional State Pension (the Additional State Pension is sometimes called State Second Pension or SERPS).

If you are or were in a 'Defined Benefit' pension scheme (normally a final salary or salary-related pension scheme), or you were in any pension scheme at work before April 2012, you are likely to have been contracted out of the Additional State Pension. Some stakeholder and personal pension schemes were also contracted-out.

If you have been contracted-out of the Additional State Pension at any time before 6 April 2016, we have made a deduction when working out your starting amount for the new State Pension. The deduction was applied to both possible starting amounts: the one based on the old rules, and the one based on the new State Pension rules.

This is because, depending on the type of scheme:

- you would have paid National Insurance contributions at a lower rate, or
- some of the National Insurance contributions you paid were used to contribute to your stakeholder or personal pension instead of the Additional State Pension.

From 6 April 2016, these contracting-out rules no longer exist.

8. What if I qualify for only a small amount of State Pension or no State Pension?

You may be eligible for Pension Credit. Pension Credit is an income-related benefit that tops up your weekly income to a guaranteed minimum amount if you have reached the Pension Credit qualifying age. If you are in a couple, the amount you get depends on your joint income and capital (including savings and investments).

9. Getting or inheriting the State Pension from your husband, wife, civil partner

9a Can I get some State Pension based on the National Insurance record from my husband, wife, civil partner?

If you reach State Pension age from 6 April 2016 onwards, your State Pension will be based on your National Insurance record only. See Q4 to see how you can increase your NI record. There is one exception to this: married women or widows who have opted to pay reduced-rate National Insurance contributions. This is called a Reduced Rate Election (previously known as 'Married Woman's Stamp').

A woman who made this choice may get a new State Pension based on different rules if these will give her more than the amount of new State Pension that she would otherwise get based on her own NI record. Where these rules apply, she won't need 10 qualifying years of her own to get any State Pension.

She'll get a State Pension that will be about the same as:

- the lower rate basic State Pension of £73.30 a week (2017/18 rate) (if married and her husband has reached State Pension age)
- the rate of the basic State Pension of £122.30 a week (2017/18 rate) (if widowed or divorced)

She'll also get any Additional State Pension that she built up before 6 April 2016 on top of this basic amount.

To qualify, her Reduced Rate Election must have been in force at the start of the 35-year period ending on 5 April before she reaches State Pension age.

9b Can I inherit some of my husband's, wife's, civil partner's State Pension?

You may be able to inherit an extra payment on top of your new State Pension if you are widowed or a surviving civil partner. The extra payment may consist of Additional State Pension or a protected payment (if any).

This will depend on whether the deceased:

- reached State Pension age or died before 6 April 2016, or
- reached State Pension age, or died under State Pension age after 5 April 2016.

You might also be able to inherit an extra State Pension or a lump-sum payment if your late spouse or civil partner reached State Pension age before 6 April 2016 and put off claiming their State Pension.

9c What if I remarry or form a new civil partnership?

If you are under State Pension age you won't be able to inherit anything from your deceased spouse or civil partner if you remarry or form a new civil partnership before you reach State Pension age.

9d Can my State Pension be affected if I get divorced or dissolve my civil partnership?

The courts can make a 'pension sharing order' for those who get divorced or dissolve their civil partnership. The court can decide that a person must share their Additional State Pension or protected payment with their former husband, wife or civil partner. Their State Pension will be reduced accordingly and their former husband, wife or civil partner will get this amount as an extra payment on top of their State Pension.

10. What can I do to increase the amount of money I have in retirement?

The State Pension is intended to be a part of your retirement income. You can decide to put plans in place to increase the money you have in retirement.

Working past State Pension age

Some people decide to continue working after State Pension age. If you do work after State Pension age, you don't have to pay National Insurance contributions. This applies whether you will reach State Pension age before, on or after 6 April 2016.

For most people there is no longer a fixed retirement age (the age at which you stop working). And all employees now have the right to request to work flexibly and have it seriously considered by their employer. You therefore could have more choice about when and how you retire.

By retiring at 65 instead of 55, an average earner could increase their pension pot by 60%.

Other pensions, savings or investments

You could be in a workplace pension, and/or have other savings or investments.

The State Pension is not 'means-tested'. This means when you reach State Pension age, if you have savings, investments and/or other pensions, and/or you continue to work and earn money this does not reduce your State Pension.

Getting money from your workplace, personal or stakeholder pension As part of the changes to simplify pension tax rules, from April 2015, individuals aged 55 and over with a Defined Contribution or Cash Balance pension pot will be able to take money from it however they want. You will no longer have to buy a regular income (called an 'annuity'). You could take some or all of it as a lump sum. You may have to pay tax on the money you take from it.