Factsheet – A Brief Guide to State Pension - Post 6th April 2016

Over the past 30 years, many changes have been made to the State pension; this factsheet explains some of the key facts you should be aware of.

How do you qualify for the full state pension?

You will receive a State pension if you have made National Insurance (NI) contributions or you have NI credits. What you receive will depend on your NI contribution and when your reach state pension age (SPA).

If you reach State Pension Age after April 2016, you will need to have a minimum of 10 years National Insurance credits to qualify for a State Pension. To receive the full pension, you will also need to have National Insurance credits of 35 years.

The two-tier system of Basic and Additional State pension has been replaced by a single tier system. However, you may be entitled to Additional State Pension; otherwise known as State Second Pension (S2P), State Earnings Related Pension (SERPS) or the Graduated Retirement Benefit if you have accumulated some prior to 6.4.2016.

Additional state pension is not a fixed amount and it depends on your earnings on which you paid national insurance contributions and whether or not you were contracted out through your workplace or personal pension (there is a deduction made for any period you were contracted out).

Self Employment and the State Pension
Additional State Pension is not available to you if you were self-employed throughout your working life.

From 6 April 2016 Class 2 NI contributions made by self-employed people will be treated in the same way as employee contributions and will count towards the new State Pension.

Pension Post April 2016

If you have NI contributions prior to 6 April 2016, the new pension rules are designed so that the state pension you get for these contributions is no less under the new scheme than you would have received under the pre 2016 scheme. As at 6 April 2016, you will be entitled to a **starting pension** which is made of:

1. The basic state pension
2. Additional state pension

Your pension will be the **higher** of the new state pension or your existing state pension entitlement. Typically:

- If your starting pension is less than the new state pension, the amount you actually receive may be higher if further qualifying years are added before you reach SPA.
- If your starting pension is the same as the new state pension, this is what you will receive when you reach SPA.
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- If your starting amount on 6 April 2016 is higher than the new state pension then you will be paid the difference as a protected pension

State Pension Age (SPA)

The SPA has been rising over the last few years; it is increasing from 60 to 66 between April 2010 and October 2020. These changes affect you if you were born on or after 6 December 1953 but before 6 April 1960.

The State Pension age will increase to 67 between 2026 and 2028 and will affect everyone born between 6 April 1960 and 5 April 1969. It is expected that the Government will continue to review the State Pension age in the future. You can access a state pension age calculator at www.gov.uk/calculate-state-pension.

National Insurance (NI) Contributions

When you reach state pension age, you no longer have to pay National Insurance and you will start to receive your state pension. You cannot use your partner's NI record to qualify for basic state pension.

Buying Additional Pension

It is possible to pay voluntary National Insurance contributions in order to get a higher State Pension. You can get a statement to determine if there are any gaps in your NI record for which payment can be made.

For the 2019/20 tax year you will have to pay £15 a week for class 3 voluntary contributions and £3 a week for class 2 contributions.

State Pension Increases

Your pension increases each year by whichever is the highest of:

- Earnings – the average percentage growth in wages (in Great Britain)
- Prices – the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI)
- 2.5%

You won't get annual increases in the State pension if you live outside the European Economic Area (EEA), Switzerland and certain countries that have a social security agreement with the UK.

How to claim

You have to claim for it as you won't get it automatically. You can still receive your State Pension and continue to work if you wish.

You will receive a letter no later than 2 months before you reach state pension age containing details of how to claim so it is important to make sure your address details are always kept up to date.

How the State Pension will be paid

You will receive a regular payment every 4 weeks. It is paid in arrears and the first payment is usually made at the end of the first full week after you reach State Pension age.

If you spend part of the year abroad, you must choose which country you want your UK State pension paid into as you can't choose to have it paid in one country for part of the year and a different country for the rest of the year.

Deferring your State Pension

You can choose to put off claiming your State Pension which means you will get extra money when you do come to claim it.

If you reach State Pension age after 6 April 2016 you will need to defer for at least 9 weeks and your State Pension will increase by 1% for every 9 weeks you defer. This is equivalent to 5.8% for every full year you defer. The extra amount will usually increase each year and is paid with your State Pension every 4 weeks and may be taxable.

State Pension and Death Benefits

After 6 April 2016, benefits payable on your death will depend on when your partner reached or will reach their State Pension age. There will be transitional arrangements, so that in some circumstances, people who have made national insurance contributions under the current system will still be able to inherit state pension from a late spouse or partner.

Members of a couple in which only one of them reaches their State Pension age under the current system may be able to increase their State Pension using their partner's National Insurance record. They can also inherit some additional State Pension from their deceased spouse or civil partner as under the present system.

When both partners reach State Pension age after the New State Pension starts in April 2016, a surviving spouse or civil partner will be able to inherit 50% of any protected payment that exists.

How to get a State Pension statement

You can get an estimate of the State Pension you'll get when you reach State Pension age. You can request a statement by calling the Pension Service, going online at https://www.gov.uk/government/publications/application-for-a-state-pension-statement or you can complete a form "BR19" and send this to the Pension Service by post.

If you reach your State Pension Age after 6 April 2016, the pension forecast will show a comparison of the amounts you would have got under the current system, with that due under the new system. You will get the higher of these amounts.