The single-tier pension: Progress in communicating the changes

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DWP pension reforms

Government seeking to address challenge of undersaving through a number of measures:

• Automatic enrolment
• Reinvigorating private pensions
• Extending working lives
• State pension reform
Current System

- Disability and Carer benefits: e.g. Carer’s Allowance, Attendance Allowance
- Housing Benefit & council tax support
- Pension Credit: an income related benefit made up of two different parts, Guarantee Credit and Savings Credit.
- Additional/Graduated Pension (AP): including Grad, SERPS and S2P, amount can vary depending on earnings and the years over which contributions were paid (range of AP from £0.01 - £160)
- Inherited AP on bereavement or shared AP on divorce
- Contracted-out deduction - those in certain occupational pension schemes could contract out of AP.
- 25p Age addition (80 yrs+)
- Derived entitlement to BSP - those who do not have full BSP in their own right may get some BSP based on the NI record of their spouse or civil partner.
- Basic State Pension (BSP) - full amount is £110.15
- Plus private / workplace pension entitlement where applicable

Single tier System

- Disability and Carer benefits: e.g. Carer’s Allowance, Attendance Allowance
- Housing Benefit & council tax support
- Guarantee Credit with higher rate for those with additional needs
- Plus private/ workplace pension saving boosted by automatic enrolment
Simplifying the state pension

- 35 years contributions for a full single tier pension (30 years for current Basic State Pension). Minimum 10 years required
- Greater clarity about what people will get at State Pension age (66 by 2020, 67 by 2028)
- Pre-2016 NI records will be converted into a “foundation amount”
- A much simplified system of Qualifying Years will apply to NI paid or credits awarded after April 2016
- Savings Credit element of Pension Credit ends

Same total spending on state pensions but more predictable amount when you retire - narrower range of weekly payments
Key misconceptions

• The Government is spending more money on the new system

• The single-tier pension is higher than the current state pension

• Everyone will get £144 under single tier
Questions

1. How have you heard about the State Pension reforms – through the media? Gov.uk? White Paper? Followed passage of Pensions Bill?
2. Have you encountered any of these misconceptions?
3. Have you encountered any others?
4. Why do you think these misconceptions have arisen?
5. Do you have any suggestions for:
   • How we can best communicate these reforms to current pensioners and people reaching State Pension age before April 2016?
   • How we can involve older people as we take this work forward to ensure that our communications meet people’s needs?