

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

Meanstested benefits

Pension Credit an income related benefit made up of two different parts, Guarantee Credit and Savings Credit. Savings

Guarantee
Credit – top
up to
£145.40

Higher rate
for
additional

needs

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

Meanstested benefits

Contributory benefit

Single-tier Pension

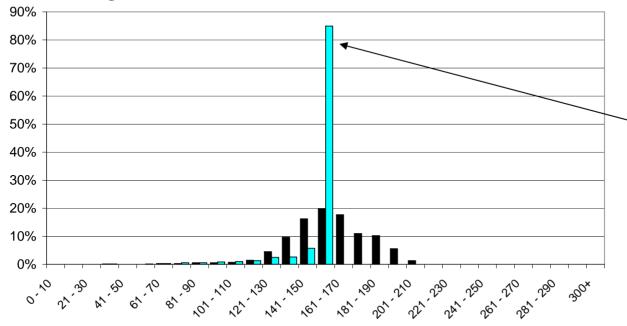
Plus private/ workplace pension saving boosted by

automatic enrolment

Contributory benefits

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

Weekly State Pension amount (£s, 2012/13 earnings terms)

■ Current System □ Single Tier

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?
- 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?