Your State Pension statement explained

May 2014

Department for Work & Pensions

Important information

The State Pension is changing. The government is introducing a new State Pension scheme on 6 April 2016.

Men born on or after 6 April 1951 and women born on or after 6 April 1953 will have their State Pension paid under the new State Pension rules.

What you should read.

If you are a **man born on or before 5 April 1951**, or a **woman born on or before 5 April 1953**, you should **read Sections 1, 2 and 4** of this leaflet.

If you are a **man born on or after 6 April 1951**, or a **woman born on or after 6 April 1953**, you should **read Sections 1, 3 and 4** of this leaflet.

If you live in Northern Ireland
The Pensions Act 2014, which includes the changes in the law required to introduce the new State Pension scheme, only applies to Great Britain. Subject to the approval of the Northern Ireland Assembly, it is expected the same changes will be made in Northern Ireland.

Contents

Section 1

Everyone should read this section.

Introduction

This leaflet will help you understand the information in your State Pension statement.

It explains how we have worked out the estimates in your State Pension statement, and gives you other information about the State Pension.

Men born on or after 6 April 1951 and women born on or after 6 April 1953.

A new State Pension is being introduced on 6 April 2016.

As you reach your State Pension age on or after that date, when you claim your State Pension it will be worked out using the new State Pension rules.

The amount of State Pension shown in your statement is not based on the new rules. It is based on the law if you were to reach State Pension age today.

The information in your statement is still relevant because, in the vast majority of cases, this existing scheme estimate will be the least amount that someone will get when they reach State Pension age. An important change under the new scheme is that you need at least 10 National Insurance qualifying years (the minimum qualifying period) when you reach State Pension age to get any State Pension.

We will be able to give you an estimate of how much your State Pension may be using the new rules after it starts in 2016.

In Section 3 of this leaflet there's more about what the changes may mean for you, and how they may affect the amounts shown in your State Pension estimate.

What is the State Pension?

The State Pension is a regular payment you may get when you reach State Pension age. You do not have to stop work when you reach State Pension age. You can carry on working and still claim your State Pension. Or you may decide to put off claiming your State Pension until later – see Section 2, page 11 or Section 3, page 23.

If you live in the UK, the State Pension is normally increased each year to take account of inflation. If you live outside the UK you will only be paid the increase if you live in certain countries - see page 34.

The State Pension is not means-tested. If you have savings, investments or other pensions when you reach State Pension age, they do not affect the value of your State Pension.

However, the State Pension does count as taxable income. You will have to pay Income Tax if your total income (including your State Pension) is more than your tax allowance.

Find out more at **www.gov.uk/tax-national-insurance-after-state-pension-age**

The State Pension is intended to be a part of your retirement income. You can decide to do things now to have more money to live on when you retire. For example, if you haven't done it already, you may be able to join a pension scheme at work, or you may have other savings or investments.

Find out more online about some of the things you may want to do to increase your retirement income.

www.gov.uk/plan-retirement-income

How do I get a State Pension?

The amount of State Pension you get is based on the number of qualifying years you have on your National Insurance (NI) contribution record and your earnings. You can get a qualifying year by paying NI contributions, getting NI credits – see below – or a mixture of both.

If you are working and earning above a certain amount, and have not yet reached your State Pension age, you have to pay NI contributions. The exact amount you pay depends on:

- how much you earn, and
- whether you're employed or self-employed.

If you are not working and not paying NI contributions, you may be able to get NI credits. These can help maintain your NI contribution record and so protect your entitlement to the State Pension and certain other benefits. You may get NI credits if, for example:

- you're unemployed and getting Jobseeker's Allowance or Universal Credit, (in Northern Ireland, the introduction of Universal Credit is subject to the approval of the Northern Ireland Assembly)
- you can't work because of illness and are getting Employment and Support Allowance
- you're caring for a child under 12 and are getting, or have applied for Child Benefit, or
- you're caring for someone and apply for Carer's Credits.

It is important to make sure you've got all the credits you are entitled to. You can get more information on NI credits and how to get them at

www.gov.uk/national-insurance-credits/overview

There are more detailed explanations of the State Pension later in this leaflet.

What is a qualifying year?

If you are employed, a 'qualifying year' is a tax year (6 April to 5 April) where you earned (or were credited with earning) a minimum amount. In 2014/2015 the minimum amount is £5,772.

If you are self-employed, a 'qualifying year' is a tax year (6 April to 5 April) where you have paid 52 Class 2 contributions. You have to pay these if you earn at least £5,885 a year, but you can pay them voluntarily if you are earning under this amount.

So if at the end of a tax year you have earned (or were credited with earning) the minimum amount or more, or have paid 52 Class 2 contributions, then that is a qualifying year. It doesn't matter if you worked part-time or full-time.

Why do I have to pay NI contributions when I already have enough qualifying years to get a full State Pension?

Even if you have enough qualifying years to get a full State Pension, if you have not yet reached State Pension age you must continue to pay NI contributions if you:

- are an employee earning above £153 a week, or
- are self-employed and earning over £5,885 a year.

NI contributions fund the State Pension and other state benefits that are in payment today (such as Jobseeker's Allowance, Employment and Support Allowance and bereavement benefits), as well as the National Health Service.

The NI contributions you pay may help protect you if you need to claim one of these other benefits before you reach State Pension age. The qualifying rules for these benefits are different from those for the State Pension.

Section 2

Read this section if you are a man born on or before 5 April 1951, or a woman born on or before 5 April 1953.

Your State Pension statement: Summary

Your estimate

The estimate of your State Pension shown on page 1 of your statement is the total amount you may get when your basic State Pension and additional State Pension (including any Graduated Retirement Benefit) are added together.

It is also based on:

- the State Pension rates at the time your statement was produced
- the information you have given us to help prepare your State Pension statement, and
- the information in your NI contribution record at the time your estimate was produced.

The estimate is based on your NI contribution record only, and does not take account of any further contributions that may be added to your NI contribution record before you reach your State Pension age.

If you are divorced or your civil partnership has been dissolved, as part of your settlement the courts may have made a pension sharing order. If we know you have a pension sharing order we will have taken it into account when working out your State Pension estimate.

Your State Pension age

The date shown in your statement is the earliest date you may get your State Pension.

When you claim your State Pension, it may not start from the exact day you reach your State Pension age - there may be a few days' gap. This is because the State Pension is paid in whole weeks on a fixed 'payday' that depends on your National Insurance number.

Claiming your State Pension

About four months before you reach State Pension age we will send you a letter. This will tell you what you need to do in order to get your State Pension when you reach State Pension age.

Find out more at
www.gov.uk/state-pension/how-to-claim

Do I have to claim it straight away?

You don't have to claim your State Pension when you reach State Pension age. You can put off claiming your State Pension until a later date. This is called deferring your State Pension, and the amount you get is called extra State Pension.

As long as you put off your claim for at least 5 weeks, and you are not getting certain state benefits during this period, when you eventually claim your deferred State Pension you may be able to get more State Pension for life. If you put off claiming for a year or more, you will have the option of getting a taxable lump-sum payment instead.

When you eventually claim your State Pension it will be paid under the State Pension scheme rules that apply on the date you reach State Pension age. This is the case, even if you choose to put off claiming your State Pension until after the new State Pension starts on 6 April 2016.

Find out more at
www.gov.uk/deferring-state-pension

Your State Pension statement: Breakdown

This part of your statement shows you how the amount in the summary is made up. It gives you separate amounts for the basic State Pension and additional State Pension (including any Graduated Retirement Benefit). It also explains how further qualifying years may affect the amounts shown.

Basic State Pension

The estimate of the basic State Pension you may get is based on the number of qualifying years you have on your NI contribution record as it stands now.

If you already have 30 or more qualifying years, the estimated basic State Pension amount shown will be the full rate of £113.10 a week. This is the most your basic State Pension can be.

You may not have 30 qualifying years yet. However, qualifying years may be added to your NI contribution record before you reach State Pension age. Each extra qualifying year added to your NI contribution record is worth about £3.77 a week in basic State Pension. Once you have the 30 qualifying years you need to get the full basic State Pension you cannot increase it any more.

On pages 14 to 20 of this leaflet we tell you about other ways that you may be able to improve your basic State Pension if you won't have 30 qualifying years by the time you reach State Pension age, and where to go for more information.

Additional State Pension – General

The additional State Pension is paid on top of the basic State Pension and is based on earnings. When it was introduced in April 1978 it was known as the State Earnings-Related Pension Scheme (SERPS). Since April 2002 it has been called the State Second Pension (S2P).

The estimate in your statement shows your additional State Pension based on your NI contribution record as it stands now. Your final amount may be higher, or in some circumstances lower than that shown in your estimate (see page 14). We will be able to give you a final amount for your additional State Pension when you claim your State Pension.

Unlike the basic State Pension, the additional State Pension does not have a limit of 30 qualifying years. So, unless you are contracted out of the additional State Pension (see below), or are paying voluntary or self-employed NI contributions, every further qualifying year you add to your NI contribution record is likely to give you at least £1.77 a week extra additional State Pension.

Example – how may I get more additional State Pension?

Hamid is due to reach his State Pension age on 29 June 2015. He is contributing to the additional State Pension.

He has 40 qualifying years on his NI contribution record, up to and including the tax year 2012/2013. These give him £113.10 a week basic State Pension (the maximum amount) and £42.08 a week additional State Pension.

Until Hamid reaches his State Pension age, each extra qualifying year added to his NI contribution record may give him an extra £1.77 a week additional State Pension.

So, if Hamid has 2 more qualifying years on his NI contribution record when he reaches his State Pension age, his basic State Pension would still be £113.10 a week, but his additional State Pension may have gone up to about £45.62 a week (an extra £3.54).

You cannot increase the amount of additional State Pension you may get by using the NI contribution record of your husband, wife or civil partner, but you may be able to inherit some of their additional State Pension after their death.

Additional State Pension – what if I'm in a pension at work or a private pension scheme?

If you are or were in an earnings related pension scheme or, before April 2012 you were in any pension scheme at work, you are likely to have "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 you may not get much additional State Pension. In some cases you may not get any additional State Pension. This is because, depending on the type of scheme:

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

The estimate of your additional State Pension in your State Pension statement is likely to change by the time you reach State Pension age. In some circumstances it could be lower, especially if you were contracted out at any time between 1978 and 1997, and you have already left the scheme or leave it before reaching State Pension age.

Graduated Retirement Benefit (GRB)

The amount of GRB you may get when you reach State Pension age will be based on how much you paid in graduated contributions.

You will have paid graduated contributions if, between April 1961 and April 1975, you:

- were over 18
- worked for an employer and paid Income Tax and NI through the ‘Pay as you Earn’ (PAYE) arrangements
- earned over £9 a week at that time.

In your statement we will have included any GRB you may get in your additional State Pension estimate - we have not shown the amount separately.

How your State Pension may be increased

If you don’t think you will get a basic State Pension based on your own NI contribution record, or that you will get one at less than the full rate, there are several ways you may be able to improve it.

If you are married or in a civil partnership

When you reach State Pension age, if you are married or in a civil partnership and you have fewer than 18 qualifying years, you may be able to improve your basic State Pension by using the NI contribution record of your husband, wife or civil partner. To do this your husband, wife or civil partner must also have reached their State Pension age. If you are in a civil partnership, same sex marriage or if you are a man married to a woman, your husband, wife or civil partner must also have been born on or after 6 April 1950. But see below if you are a married woman and your spouse legally changes gender from male to female during your marriage.

If, when you reach State Pension age, your husband, wife or civil partner has not yet reached their State Pension age, you may be able to increase your State Pension in this way from the date they reach their State Pension age. See page 16 if your husband, wife or civil partner reaches their State Pension age on or after 6 April 2016.

The maximum basic State Pension you can get using both your NI contribution record and that of your husband, wife or civil partner is 60% of the full rate (£67.80 a week in 2014/2015).

Changes introduced by the Marriage (Same Sex Couples) Act 2013 mean that a married person will be able to legally change their gender without having to end their marriage. The government aims to implement this towards the end of 2014.

If you are a married woman and your spouse legally changes gender from male to female during your marriage, you may be able to have your basic State Pension improved by using her contributions even if she was born before 6 April 1950. This is the same treatment as if she had not legally changed her gender.

Northern Ireland does not have same sex marriage; same sex couples who get married under the 2013 Act are treated as civil partners for the purposes of Northern Ireland law.

Example – how using the NI record of your husband, wife or civil partner may help increase your basic State Pension

Charlotte has been married to Philip for 38 years. She is due to reach her State Pension age on 6 March 2016. Philip has already reached his State Pension age, and is getting a basic State Pension at the full rate of £113.10 a week.

Charlotte has 12 qualifying years recorded on her NI contribution record. Based on these qualifying years she would get a basic State Pension at 12/30ths of the full rate, which is £45.24 a week.

Charlotte's basic State Pension may be improved if Philip's NI contribution record is also used to work out her basic State Pension. She may get a total of £67.80 a week, which is the most she can get by using both her own and Philip's NI contribution records.

Find out more at
www.gov.uk/state-pension/eligibility

If your husband, wife or civil partner reaches their State Pension age on or after 6 April 2016

A new State Pension scheme starts on 6 April 2016. When this is introduced, the rules about using the NI contribution record of your husband, wife or civil partner to increase your State Pension will change. These changes mean that you may be able to increase your basic State Pension from the date they reach their State Pension age, but you can only use their NI contributions for the tax years up to and including 2015/2016.

Find out more at
www.gov.uk/new-state-pension

If you are widowed or a surviving civil partner before you reach State Pension age

You may be able to improve your basic State Pension by using the NI contribution record of your late husband, wife or civil partner. The maximum basic State Pension you can get by doing this is £113.10 a week, which is the full rate of basic State Pension.

You may also be able to inherit some or all of the additional State Pension of your late husband, wife or civil partner. We will be able to tell you how much additional State Pension you may inherit when you claim your State Pension.

If you are widowed or a surviving civil partner, we can tell you now whether using the NI contribution record of your late husband, wife or civil partner may improve your basic State Pension. Contact us using the details shown on page 35.

If you remarry or form a new civil partnership before you reach State Pension age, you will not be able to:

- use the NI contribution record of a late husband, wife or civil partner to improve your basic State Pension, or
- inherit any of their additional State Pension.

However, you may be able to use the NI contribution record of your new husband, wife or civil partner to improve your basic State Pension.

If you are widowed or become a surviving civil partner after you reach State Pension age, but before 6 April 2016

You may be able to use the NI contribution record of your late husband, wife or civil partner to improve your basic State Pension. The most basic State Pension you can get by doing this is £113.10 a week, which is the full rate of basic State Pension.

You may also be able to inherit some or all of the additional State Pension of your late husband, wife or civil partner.

Find out more
www.gov.uk/state-pension/eligibility

If you are widowed or become a surviving civil partner on or after 6 April 2016

When the new State Pension scheme starts on 6 April 2016, the rules about using the NI contribution record of your late husband, wife or civil partner to increase your State Pension will change. These changes mean that if your late husband, wife or civil partner reached, or was due to reach, their State Pension age on or after 6 April 2016, you can only use their NI contributions for the tax years up to and including 2015/2016 to increase your basic State Pension.

Find out more at
www.gov.uk/new-state-pension

If you are divorced or have had your civil partnership dissolved before you reach State Pension age

You may be able to improve your basic State Pension by using the NI contribution record of your former husband, wife or civil partner. The most basic State Pension you can get by doing this is £113.10 a week, which is the full rate of basic State Pension.

If you are divorced or have had your civil partnership dissolved, we can tell you whether you may improve your basic State Pension by using the NI contribution record of your former husband, wife or civil partner. Contact us using the details shown on page 35.

If you remarry or form a new civil partnership before you reach State Pension age, you will not be able to use the NI contribution record of a former husband, wife or civil partner to improve your basic State Pension.

However, you may be able to use the NI contribution record of your new husband, wife or civil partner to improve your basic State Pension.

If you are divorced or have your civil partnership dissolved after you reach State Pension age, but before 6 April 2016

You may be able to improve your basic State Pension by using the NI contribution record of your former husband, wife or civil partner. The most basic State Pension you can get by doing this is £113.10 a week, which is the full rate of basic State Pension.

Find out more
www.gov.uk/state-pension/eligibility

If you are divorced or have your civil partnership dissolved on or after 6 April 2016

When the new State Pension scheme starts on 6 April 2016, the rules about using the NI contribution record of your former husband, wife or civil partner to increase your State Pension will change. These changes mean that if your former husband, wife or civil partner reached, or is due to reach, their State Pension age on or after 6 April 2016, you can only use their NI contributions for the tax years up to and including 2015/2016 to increase your State Pension.

Find out more at
www.gov.uk/new-state-pension

Paying voluntary NI contributions

You may be able to pay voluntary contributions to increase your basic State Pension or additional State Pension, but this is not right for everyone. It depends on your personal circumstances. You should think carefully about whether paying voluntary contributions is the right option for you.

If you are working or getting certain state benefits, further qualifying years may be added to your NI contribution record before you reach State Pension age. Or you may be able to increase your basic State Pension by one of the other ways mentioned on the previous pages.

Voluntary Class 2 and Class 3 NI contributions

You may be able to pay voluntary Class 2 or Class 3 NI contributions for previous years where there are not enough contributions or credits on your NI contribution record for a year to count as a qualifying year. All voluntary Class 2 and Class 3 NI contributions count towards the basic State Pension and bereavement benefits.

Find out more **www.gov.uk/voluntary-national-insurance-contributions**

Find out more **www.gov.uk/automatic-pension-credits-for-men**

New voluntary Class 3A NI contributions

You may be able to pay voluntary Class 3A NI contributions – the State Pension top up. These contributions will allow you to gain or increase your weekly additional State Pension by up to £25 a week. The State Pension top up will go up in line with prices each year and can be inherited by a husband, wife or civil partner.

You will be able to apply for the State Pension top up from October 2015 to April 2017.

Find out more at **www.gov.uk/state-pension-topup**, where you can use the personal calculator and register your interest. You can also register your interest by calling the pre-registration phone number **0345 600 4270**.

Section 3

Read this section if you are a man born on or after 6 April 1951, or a woman born on or after 6 April 1953.

As you reach State Pension age after the new State Pension scheme starts, when you claim it your State Pension will be worked out using the new State Pension scheme rules.

The amount of State Pension shown in your estimate is not based on the new rules. It is based on the law if you were to reach State Pension age today.

The information in your statement is still relevant because, in the vast majority of cases, this existing scheme estimate will be the least amount that someone will get when they reach State Pension age. An important change under the new scheme is that you need at least 10 National Insurance qualifying years (the minimum qualifying period) when you reach State Pension age to get any State Pension.

We will be able to give you an estimate of how much your State Pension may be using the new State Pension scheme rules after it starts in 2016, when all of your contributions and credits up to and including the 2015/2016 tax year are recorded on your NI contribution record. You may want to get a new State Pension statement at that time.

In this section we explain:

- how we have worked out the amounts in your statement – see page 22
- the new State Pension rules – see page 24, and
- the relevance of your estimate given in your statement (even though it is based on the existing rules) – see page 30.

Your State Pension statement: summary

Your estimate

The State Pension amount shown on page 1 of your statement is the total amount worked out using the law that applies to people who reach their State Pension age before the new State Pension starts.

It is also based on:

- the State Pension rates at the time your statement was produced
- the information you have given us to help prepare your State Pension statement, and
- the information in your NI contribution record at the time your statement was produced.

Your estimate does not take account of any further contributions that may be added to your NI contribution record before you reach State Pension age.

Once the new State Pension scheme starts in 2016, the basic State Pension, additional State Pension and Graduated Retirement Benefit schemes will no longer be paid.

However, the contributions that you have made into these old schemes will be used to work out your starting amount under the new scheme on 6 April 2016 (see page 26).

Your State Pension age

The date shown in your statement is the earliest date you may get your State Pension.

Further changes to State Pension age

The government has announced that it will regularly review the State Pension age. The first review will be completed before May 2017.

Claiming your State Pension

About four months before you reach State Pension age we will send you a letter. This will tell you what you need to do in order to get your State Pension when you reach State Pension age.

Find out more at
www.gov.uk/state-pension/how-to-claim

Do I have to claim it straight away?

You don't have to claim your State Pension when you reach your State Pension age. You can put off claiming your State Pension until a later date. This is called deferring your State Pension, and the amount you get is called extra State Pension.

More information, including how long you have to put off your claim in order to get a higher weekly new State Pension for life, will be made available at **www.gov.uk**

Your State Pension statement: Breakdown

This part of your estimate shows you how the amount in the summary is made up. It gives you separate amounts for the basic State Pension and additional State Pension (including any Graduated Retirement Benefit).

Basic State Pension

The estimate of the basic State Pension you may get is based on:

- the number of qualifying years you have on your NI contribution record as it stands now, and
- the rules that apply before the new State Pension scheme starts on 6 April 2016.

If you already have 30 or more qualifying years, the estimated basic State Pension amount shown will be the full rate of £113.10 a week. This is the most your basic State Pension can be.

Additional State Pension

The additional State Pension was introduced in April 1978 and was known as the State Earnings-Related Pension Scheme (SERPS). Since April 2002 it has been called the State Second Pension (S2P).

The estimate of your additional State Pension (including any Graduated Retirement Benefit) is based on your NI contribution record as it stands now. The amount of additional State Pension we will use to work out your starting amount under the new scheme on 6 April 2016 may be different from that shown in your statement.

If you are divorced or your civil partnership has been dissolved, as part of your settlement the courts may have made a pension sharing order. If we know you have a pension sharing order we will have taken it into account when working out the amount of additional State Pension shown in your statement. But see page 30 for more information about pension sharing orders.

Find out more
www.gov.uk/state-pension

The new State Pension

What is the new State Pension?

The new State Pension scheme is being introduced on 6 April 2016. It will replace the existing State Pension scheme, which is made up of basic State Pension, additional State Pension and Graduated Retirement Benefit.

As you reach State Pension age on or after 6 April 2016, you will get your State Pension under the new scheme.

The full rate of the new State Pension will be decided closer to the date it starts. For the examples in this leaflet, **we have used £148.40 a week as the full rate of the new State Pension.**

Under the new scheme there are different rules depending on whether or not you have NI contributions in the existing scheme. In both cases, to get a State Pension you must meet the minimum qualifying period – see below.

Have contributions under the existing scheme

Many people, like you, have contributions on their NI contribution record for tax years before the new scheme starts on 6 April 2016.

The rules make sure that the amount of State Pension you get for those contributions is no less under the new scheme than what you would have got under the existing scheme – as long as you meet the minimum qualifying period. To do this we will work out your starting amount for the new scheme – see page 26.

No contributions under the existing scheme

If you didn't have any qualifying years for the tax years before April 2016, you would get 1/35th of the full amount of the new State Pension for each qualifying year added to your NI contribution record after the new State Pension scheme starts.

Based on a full rate of State Pension of £148.40 a week, you would get about £4.24 a week for each qualifying year. You would get the full amount if you had at least 35 qualifying years when you reach State Pension age.

What is the minimum qualifying period?

You will need a minimum of 10 qualifying years (the minimum qualifying period) on your NI contribution record when you reach State Pension age to get **any** State Pension. This does not have to be 10 years in a row. See page 9 for what we mean by 'qualifying year'.

In some circumstances, time spent living or working outside the UK may also help you meet the minimum qualifying period for the UK State Pension – see page 34.

If you are divorced or have had your civil partnership dissolved, you may have been awarded a share of your former partner's State Pension. This is called a pension sharing order. You will be paid this at State Pension age, even if you do not meet the minimum qualifying period.

Your statement tells you how many qualifying years you have on your NI contribution record at the moment.

How will you work out my starting amount for the new State Pension?

We will use the qualifying years on your NI contribution record, up to and including the 2015/2016 tax year, to work out how much State Pension you would get under the rules of:

- the new State Pension scheme that starts on 6 April 2016, which is based on the 35 qualifying year rule, and
- the existing State Pension scheme.

The **higher** of these will be your starting amount. This will be the minimum you will get when you reach State Pension age, provided you meet the minimum qualifying period rule. But see page 30 if you have a pension sharing order.

We can tell you what your starting amount is when all of your contributions and credits up to and including the 2015/2016 tax year are recorded on your NI contribution record.

Example – the amount under the new scheme rules is higher

On 6 April 2016, Jim has 32 qualifying years on his NI contribution record. He has been self-employed for long periods of his working life.

Using the new State Pension scheme rules, Jim would get £135.68 a week (£148.40 x 32/35ths).

Using the existing scheme rules, Jim would get £126.50 a week (basic State Pension of £113.10 and £13.40 additional State Pension).

Jim's starting amount will be the **higher** of these two amounts, which is £135.68 a week.

Is my starting amount affected because I have been in a pension at work, or paid into a private pension?

If you are or were in an earnings-related pension scheme or, before 6 April 2012 you were in any pension scheme at work, you are likely to have "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 April 2016, we will make a deduction when working out your starting amount. The deduction will be made when working out both your new and existing scheme amounts.

This is because, depending on the type of scheme:

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

Example – the amount under the existing scheme rules is higher

On 6 April 2016, Yvonne has 30 qualifying years on her NI contribution record. During her working life, Yvonne has periods when she was contracted out of additional State Pension.

Using the new State Pension scheme rules, Yvonne would get £95.20 a week (£127.20 (£148.40 x 30/35ths) less a deduction of £32).

Using the existing scheme rules, Yvonne would get £137.10 a week (£113.10 basic State Pension and £56 additional State Pension less a deduction of £32).

Yvonne's starting amount will be the **higher** of these two amounts, which is £137.10 a week.

The amount of your additional State Pension we use to work out your starting amount after April 2016 may be different to the amount in your State Pension statement we have given you now. In some circumstances it could be lower, especially if you were contracted out at any time between 1978 and 1997, and you have already left the scheme or leave it before the new State Pension starts.

How much will I get when I reach my State Pension age?

As long as you meet the minimum qualifying period when you reach State Pension age, for most people your starting amount on 6 April 2016 is the least you will get – it may be more. But see page 30 if there is a pension sharing order in force when you reach State Pension age.

If your **starting amount on 6 April 2016 is less than** the full rate of new State Pension, the amount you get when you reach State Pension age may be higher than your starting amount if further qualifying years are added to your NI contributions record before you reach State Pension age. **For each extra qualifying year you will get 1/35th of the full amount of the new State Pension – about £4.24 a week**. However, your starting amount plus anything you add after 6 April 2016 cannot be more than the full rate of the new State Pension.

Example – the starting amount is less than the full rate of the new State Pension

Sonya is due to reach her State Pension age in March 2024. Her starting amount in April 2016 is £128.40 a week.

After April 2016, Sonya continues to work and pay National Insurance. After 5 years (at 6 April 2021) she has reached the full State Pension. This is because she has added £4.24 a week to her starting amount for each additional NI qualifying year (£4.24 x 5 years = £21.20).

When she reaches her State Pension age, Sonya's State Pension will be £148.40 a week. This is the maximum State Pension that Sonya can get – she cannot get more than the full rate.

If your **starting amount on 6 April 2016 is the same as** the full rate of the new State Pension, this is the amount you will get when you reach State Pension age - subject to any pension sharing order. Apart from the usual yearly increases, it will not go up even if further qualifying years are added to your NI contribution record after 6 April 2016.

If your **starting amount on 6 April 2016 is more than** the full rate of the new State Pension then, subject to any pension sharing order, you will get a full State Pension. You will be paid the difference between your starting amount and the full rate of the new State Pension as a protected payment.

Example – the starting amount is more than the full rate of the new State Pension

Adrian is due to reach his State Pension age in June 2020. His starting amount in April 2016 is £172.48 a week.

As his starting amount is more than the full rate of the new State Pension (£148.40 a week), this is the most that Adrian can get when he reaches his State Pension age. It will not go up, even if further qualifying years are added to Adrian's NI contribution record before he reaches his State Pension age.

So, when Adrian reaches his State Pension age he will get a State Pension of £148.40 a week, with the balance of £24.08 a week paid as a protected payment - £172.48 a week in total.

Will my new State Pension go up each year?

Every year your new State Pension will go up in line with at least the growth in average earnings. If you have extra State Pension (see page 23) or a protected payment (see page 29) it will usually go up each year in line with the rise in prices in the UK.

Your State Pension, extra State Pension and protected payment may not go up every year if you live outside the UK. See page 34 for more information about UK pension payments outside the UK.

My estimate is based on the existing rules. How relevant is it?

Although the estimate in your statement is worked out under the existing scheme rules, it is still relevant.

It is an up-to-date estimate of one of the amounts (the existing scheme amount) we will use to work out your starting amount for the new State Pension when it starts on 6 April 2016. In the vast majority of cases, as long as the minimum qualifying period is met, this existing scheme estimate will be the least amount that someone will get when they reach State Pension age.

What happens if I have a pension sharing order?

When we work out your State Pension starting amount on 6 April 2016, we will not take account of any pension sharing order that may be in force at that time. Your starting amount is worked out as if there was no pension sharing order in force.

The value of a pension sharing order in force when you reach State Pension age will be added to or taken from your State Pension when you claim it.

Example – effect of a pension sharing order

Brian is due to reach his State Pension age in June 2020. His starting amount in April 2016 is £168.50 a week.

When Brian got divorced in 2012, the court made a pension sharing order awarding part of his additional State Pension to his ex-wife, Sandra. When he reaches his State Pension age this is valued at £15 a week.

When Brian reaches State Pension age he gets £153.50 a week (£168.50 less £15). He will get a State Pension of £148.40 a week, with the balance of £5.10 a week paid as a protected payment.

Using her own NI contribution record, Sandra's State Pension is £125.30 a week. She will be paid a State Pension of £140.30 a week (£125.30 plus £15).

If you have a pension sharing order in force, the amount shown in your statement has the present value of the pension sharing order added to or taken away from your State Pension.

However, when we work out your starting amount for the new State Pension we will not take into account the value of any pension sharing order. It will be added to or taken from your State Pension when you claim it – see page 30.

Where can I find out more about the new State Pension?

More information about the new State Pension is available online.

Find out more at
www.gov.uk/new-state-pension

Improving your State Pension

Can I use the NI contribution record of my husband, wife or civil partner, or late or former husband, wife or civil partner to increase my State Pension?

No. You cannot use the NI contribution record of your husband, wife or civil partner, or late or former husband, wife or civil partner to increase your State Pension.

However, special rules may apply if, before 1977, you chose to pay reduced-rate NI contributions (the Married Women's and Widows Election).

What may I get if I've paid reduced-rate NI contributions?

If the rules apply to you, your State Pension will not be less than the total of the basic State Pension you could get under the existing system plus any additional State Pension of your own. If you are widowed you may also inherit either additional State Pension or half the protected payment from your late spouse, as explained below.

For these rules to apply to you, you must have paid reduced-rate contributions (the Married Women's and Widows Election) at some point within the 35 tax years immediately before the tax year in which you reach State Pension age.

Can I inherit any State Pension from my late husband, wife or civil partner?

You cannot inherit any of their basic State Pension.

However, if your marriage or civil partnership started (or starts) before 6 April 2016, you may be able to inherit some of your late husband's, wife's or civil partner's additional State Pension (you may know this as their SERPS or State Second Pension) if they:

- reached their State Pension age before the new State Pension scheme starts, or
- died before the new State Pension scheme starts.

You will not be able to inherit any of your late husband's, wife's or civil partner's additional State Pension if you remarry or form another civil partnership before you reach State Pension age.

If your marriage or civil partnership started (or starts) after 6 April 2016, you will not be able to inherit any of your late husband's, wife's or civil partner's additional State Pension.

Can I inherit anything if both my late husband, wife or civil partner and I reach State Pension age on or after 6 April 2016?

If your marriage or civil partnership started (or starts) before 6 April 2016, and your late husband's, wife's or civil partner's starting amount was more than the full rate of the new State Pension (see Adrian's example on page 29) you may be able to inherit half of their protected payment if you reach State Pension age on or after 6 April 2016 and:

- your late husband, wife or civil partner also reached State Pension age on or after that date, or
- died on or after that date before reaching State Pension age.

You will not be able to inherit any protected payment from your late husband, wife or civil partner if you remarry or form another civil partnership before you reach your State Pension age.

If your marriage or civil partnership starts after 6 April 2016, you will not be able to inherit any of your late husband's, wife's or civil partner's protected payment.

Find out more
www.gov.uk/new-state-pension

Paying voluntary NI contributions

You may be able to pay voluntary Class 2 or Class 3 NI contributions for previous years where there are not enough contributions or credits on your NI contribution record for a year to count as a qualifying year. All voluntary NI contributions count towards the State Pension and bereavement benefits.

You should think carefully about whether paying voluntary NI contributions is the right option for you. If you are working or getting certain state benefits, further qualifying years may be added to your NI contribution record before you reach State Pension age.

Before you decide to pay any voluntary NI contributions, you may wish to wait until we can tell you how much your starting amount will be. We will be able to do this when all of your contributions and credits up to and including the 2015/2016 tax year are recorded on your NI contribution record.

Find out more at **www.gov.uk/voluntary-national-insurance-contributions**

Section 4

Everyone should read this section.

Working or living outside the UK

Time spent working outside the UK

If you're working outside the UK, you may be able to pay into the state pension scheme of the country where you're working. You can do this in European Economic Area (EEA) countries and some other countries where there are special arrangements.

If you have paid into the pension scheme of another country, you should contact the department responsible for paying state pensions in that country to check what pension arrangements will apply.

Impact on UK State Pension

Depending on how long you work outside the UK, and the country where you work, any contributions you have paid abroad may be used when working out how much UK State Pension you are entitled to. Or you could get two pensions - one from the UK and one from the country where you lived and worked.

If you reach State Pension age on or after 6 April 2016, we may be able to use NI contributions you have made abroad to meet the minimum qualifying period for the new State Pension scheme (see page 25).

The amounts shown in your State Pension statement do not take account of any time you have spent in another country or of any overseas pension scheme you may have paid into.

UK State Pension payments outside the UK

Usually you can get your UK State Pension paid anywhere you live. However, if you live outside the UK and get a UK State Pension, you will not get annual increases unless you live in:

- a country that belongs to the European Economic Area (EEA)
- Switzerland, or
- a country that has an agreement with the UK to allow these increases.

If you live in a country where your UK State Pension is not increased, your UK State Pension may go up for the time when you visit the UK or other countries where the annual increase is paid. When you return to the country where you live permanently, your UK State Pension will be paid at its usual rate.

More information on the countries where the increase is paid, and how UK State Pensions are paid to people living outside the UK is available online.

www.gov.uk/state-pension-if-you-retire-abroad

Where can I get more information?

You can get more information about your State Pension estimate or pensions in general

www.gov.uk/state-pension

Phone: **0345 300 0168**.
Textphone: **0345 300 0169**
8am to 6pm, Monday to Friday.

From outside the UK
Phone: **+44 191 218 3600**
Textphone: **+44 191 218 2051**.
8am to 6pm, Monday to Friday.

Write to us at:
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Call charges

You can use the **0845** code to call any of our **0345** numbers. Check with your phone company which code is cheaper for you.

You can ask our operator to call you back – just give them your phone number.

Textphones – if you have speech or hearing difficulties

Our textphone numbers are for people who cannot speak or hear clearly. If you do not have a textphone, you could check if your local library or Citizens Advice has one. Textphones don’t receive text messages from mobile phones.

Important information about this leaflet

This leaflet is only a guide and does not cover every circumstance. We have done our best to make sure that the information in this leaflet is correct as of May 2014. It is possible that some of the information is oversimplified, or may become inaccurate over time, for example because of changes to the law.

More information from DWP about benefits and pensions is published online.

For benefits information
www.gov.uk/browse/benefits

For pensions information
wwww.gov.uk/state-pension
www.gov.uk/new-state-pension

ISBN 978-1-78425-131-4
DWP040(all) | v1.0 (May 2014)