Department for Work & Pensions

The number of people receiving a new State Pension statement

November 2014

Background

The Pensions Act 2014 legislated for a new ‘single-tier’ state pension system to be introduced for individuals reaching State Pension age (SPa) after April 2016. For these pensioners, the new State Pension (nSP) will replace the basic State Pension and the additional State Pension. The full level of the new State Pension will not be set until next year but the illustrative rate is £148.40.

For those individuals who have not yet got a National Insurance record, 35 qualifying years will be required to get the full new State Pension.

Individuals who have contributed in the old scheme will have their individual National Insurance record valued at the point the new State Pension starts in April 2016. The first valuation, Amount A, will calculate how much pension an individual would have had based on their own National Insurance record based on current scheme rules. A second valuation, Amount B, will calculate how much pension they would have under the new scheme if these rules had existed when they entered the National Insurance system. In both cases, a deduction will be made to reflect any periods when individuals were contracted-out of the additional State Pension. The higher of these two valuations becomes the person’s new State Pension “starting amount”.

People can make up any difference between their starting amount and the full new State Pension by building further qualifying years until they reach SPa. Generally, people who have less than 10 qualifying years when they reach SPa will not be entitled to a state pension.

The State Pension Statement Service

Changes were introduced to the State Pension statement services following Royal Assent of the Pensions Act 2014 on 14 May 2014, to help individuals understand how they may be affected by the State Pension changes.

A new service giving people a personalised written estimate of what they can expect to receive under the new system, based on their work history and National Insurance contributions to date, has been running in a piloted form since the beginning of September 2014. This was then formally launched on 4th October 2014. This is in addition to the existing State Pension statement which covers State Pension based on the current rules.

This ‘on request’ service is initially available to the approximately 2.5 million people who reach SPa in the first five years of the new scheme and will gradually be expanded to people further away from State Pension age. This is now available for individuals reaching SPa between April 2016 and September 2021, but continues to be rolled out month-on-month.

The statements show their starting amount for the new State Pension based on their National Insurance record of contributions and credits to date.

This release sets out the number of estimates produced so far. It also provides an indication of how the transitional valuation of people's National Insurance contributions, described above, is likely to apply to those who have requested a statement so far.

Methodology

The data has been produced using management information which has been collected in the processing of these statements.

This information has then been broken down by gender and whether an individual's statement was based on Amount A or Amount B.

All estimates from the 1st September to the 7th November have been included in this analysis.

Limitations of analysis

- The data only accounts for individuals' National Insurance records up to the end of the tax year 2013/14 or the last year prior to that for which an individual's National Insurance contributions and credits are held. Therefore, this does not represent what the starting amount that these individuals will have in 2016. All individuals will have one or two additional tax years which could affect their starting amount, for instance by gaining additional qualifying years through work.
- As requests are voluntary, this is a self-selecting sample of individuals and as such the results may not be representative of the eligible population as a whole.

Results

In the period, 1st September to the 7th November 18,000 statements have been issued to individuals under the new State Pension rules.

Table 1 provides a breakdown of these statements by gender and by whether the statement is based upon the Amount A (current system) valuation or the Amount B (new system) valuation.

Table 1: Statements processed by gender and the basis of the starting amount

Starting Amount	**Starting Amount A**	**Starting Amount B**
All *18,000*	**80%** *14,300*	**20%** *3,700*
Male *10,700 (59%)*	**90%** *9,600*	**10%** *1,100*
Female *7,300 (41%)*	**65%** *4,700*	**35%** *2,600*

Note: figures rounded to nearest 100. As a result, components may not sum to totals.

Table 1 demonstrates that around four-fifths of individuals who have requested a statement have their starting amount based on the current system rules, whilst around a fifth are based upon the new system rules. Those who have had a statement based on the new system rules have seen an increase in the value of their individual previous National Insurance contributions; whilst those who have statement based on the old system rules have seen the value of their own previous National Insurance records stay the same. Of those who have requested a statement, women (35%) are over three times more likely than men (10%) to have their valuation based on the new system rules.

It is important to note that although more men have been issued statements, this should not be taken to mean that men are more likely to use the statement service. Owing to changes in the SPa, fewer women than men are reaching SPa in the first three years of the new State Pension.

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Department for Work and Pensions **18th November 2014**