

# Freedom of Information request 5035/2014

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## Information request

Can you provide me with distributional analysis data on the new single tier state pension? In particular I'm interested in the numbers (or percentages) of pensioners retiring after 2016 who will be eligible for the full basic state pension. I'd also be grateful if you can provide data on the distribution of entitlements above and below the full state pension, for example what percentage of pensioners will receive at least 90%, 80%, 70%, 60% of the full BSP. I am asking this question in the context of the new pension access freedoms to ascertain the extent of pensioner vulnerability to the expenditure of their private savings and the level of safety net available from the state pension. For the avoidance of doubt, this means that any contracted out entitlement is not relevant, as this could be accessed and spent in the same way as any other private savings; I'm looking for information on the entitlement to payments directly from the state.

## DWP response

I am assuming that your request referred to the new State Pension, which is replacing the basic State Pension for individuals reaching State Pension age after 2016.

Using the Department's PENSIM2 model, we are able to model the amount of state pension an individual in Great Britain will receive on reaching State Pension age.

Table 1 shows the proportion of individuals who will have at least 60%, 70%, 80% or 90% of the illustrative full rate of the new state pension (£148.40 in 2014-15).

Due to lower sample sizes (especially of those receiving less than 60% or 70%) we have provided this information by 5 year bands of reaching State Pension Age

After the mid 2035s we estimate the proportion of individuals in Great Britain who will have at least the full rate of the new State Pension remains at between 80% and 90%.

**Table 1: Proportion of individuals having at least a certain percentage of the full rate of the new State Pension by 5 year bands of State Pension Age.**

Percentage of the full New State Pension	When reaching State Pension Age			
	2016-20	2021-25	2026-2030	2031-35
<b>At least 60%</b>	96%	96%	98%	98%
<b>At least 70%</b>	95%	94%	97%	97%
<b>At least 80%</b>	90%	90%	94%	94%
<b>At least 90%</b>	70%	81%	89%	89%
<b>At least the full new State Pension</b>	45%	62%	77%	81%

Percentages rounded to the nearest 1%

Table 1 only takes into account the amount of new State Pension that an individual receives. If an individual does not receive the full new State Pension it does not necessarily mean they will be receiving Pension Credit even if they were to spend all of their income allowable under the Pension Flexibilities policy:

- Many defined benefit pensions accrued in the public sector will not be able to be accessed flexibly. If these were taken into account, the proportion of individuals who had the full rate of the nSP would increase significantly.
- For those individuals in couples it may be possible for one or both individuals to have less than the full rate of the nSP (£148.40), for instance £130 each but collectively have more than the couples rate of Pension Credit (£226.50 in 2014/15). This is because Pension Credit for couples takes into account the economies of scale that couples can take advantage of, whereas the new State Pension is based upon individual entitlement.

## Notes

The Department's PENSIM2 model is a dynamic micro-simulation model which is designed to assess long-term trends in pensioner incomes.

This analysis is conducted on a model consistent with the Department's 'Updated impact of the single-tier pension reforms' document (July 2014)