

# Freedom of Information request 200/2014

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## Information request and response

*1. May I have the SP outcomes of the groups of women born April 51 to Oct 51 just 6months  
as those statistics would be over a year ago now so would expect that they are now done  
if not will you provided whatever statistics you have on those that are now at SPA and as it  
is now entitled to their contributory state pension from the April 51's to whatever you have.  
thank you.*

*2 Also please would tell me ( this is referred to in the cohort note DWP)  
What specifically and in detail and fully what are the  
'other(automatic)benefits that would make these women better off than  
'anyone else; that is men of their age+women second younger\* and for some months after that age also who will all be 63 and not 65.  
so that would exclude P Cr as not automatic/Same with savings  
" widow derived as one(if one had one) prtnr's would  
have to die  
W Fuel goes to all  
Bus Pass goes to all  
this would also exclude the women mentioned in earlier cohort note\*  
as they get the better amount ST 22mths before men and some 18 months and it works  
out better even in those months compared to numbers of our age women as they are getting  
less for slightly longer and then of course the worse pension for life.*

I have tried to address all your questions below. I think the crucial point which is worth stressing before going into detail is that most of the women reaching State Pension age shortly after April 2016 will not receive a full single-tier pension and that the same would be true of the women born between 6<sup>th</sup> April 1951 and 5<sup>th</sup> April 1953 if the single-tier reforms were extended to cover them.

## **The derivation of the £131 estimate of median pension under the single-tier system**

The figure of £131 is our estimate of the median state pension entitlement that women born between 6<sup>th</sup> April 1951 and 5<sup>th</sup> April 1953 would receive if their pension was based on the single-tier system that will apply to women born from 6<sup>th</sup> April 1953 onwards. The median average is the mid-point of the distribution of outcomes, in the sense that we estimate that half would have more than £131 and half would have less.

The estimate was derived using the Pensim2 micro-simulation model which has informed most of our analysis of the impact of pension reform. It is a simulation based on survey and administrative data (including National Insurance records) representing 2006/07, so is not directly informed by examination of more recent National Insurance records.

There are two main reasons that this figure is significantly less than the illustrative single-tier value of £144 per week. Firstly, as you have noted, not everyone will have made sufficient National Insurance contributions to receive a full single-tier pension. It is also worth noting that under the single-tier system, most women with gaps in their contribution record will no longer be able to derive any pension from their husband or civil partner's National Insurance record. This means that for some women with fewer than thirty qualifying years, the single-tier pension may be less generous than the current system.

Secondly, some people who are or were members of certain private or workplace pension schemes will have paid lower National Insurance rates due to being 'contracted out' of SERPs and/or State Second Pension. When we calculate the value of their single-tier pension, an amount will be deducted to reflect the lower National Insurance that they paid during these periods. As a result, they may not receive the full single tier amount, even where they have 35 or more qualifying years of National Insurance contributions. This is described in more detail on our website at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/210299/single-tier-valuation-contracting-out.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210299/single-tier-valuation-contracting-out.pdf).

These two points mean that we expect less than half of the people reaching State Pension age in the first couple of years after the introduction of the new system to receive the full amount. In many cases, particularly for people who have been contracted out, they would receive the same amount of pension as under the current system, and in some cases they could receive less. This means that the women reaching State Pension age shortly before April 2016 cannot be regarded as missing out on an amount calculated by comparison of their current system pension against the full value of the single-tier pension.

You also mentioned a figure of £150 as your view of the likely actual value of the single-tier pension. It is important to note that the illustrative single-tier value of £144 per week and the £131 median figure are expressed in 2012/13 terms. A direct comparison against an estimate of what the cash value of the single-tier pension would be now or in 2016 can therefore be misleading.

**Women born on or after 6<sup>th</sup> April 1951 who are already receiving their state pension**

The latest available administrative data is for May 2013. At this point, women born between 6<sup>th</sup> April 1951 and 5<sup>th</sup> November 1951 had reached State Pension age. The table below gives the distribution of weekly state pension amounts for those who were receiving their state pension at the end of May 2013.

At May 2013 there were 173,000 women born between 6<sup>th</sup> April 1951 and 5<sup>th</sup> November 1951 claiming their state pension in Great Britain. The median award was £127. The table below gives the decile distribution of awards for this group.

These amounts are not directly comparable with the estimated distribution given in the previous response as the amounts are in cash terms and may include deferral increments or inherited amounts.

**Figure 1: Distribution of weekly state pension amounts at May 2013 for women born after 6<sup>th</sup> April 1951**

Percentile	Weekly state pension at May 2013
10 <sup>th</sup>	£95
20 <sup>th</sup>	£112
30 <sup>th</sup>	£117
40 <sup>th</sup>	£122
50 <sup>th</sup>	£127
60 <sup>th</sup>	£131
70 <sup>th</sup>	£134
80 <sup>th</sup>	£140
90 <sup>th</sup>	£150

Source: Work and Pensions Longitudinal Study administrative data, consistent with the tabulation tool ([http://83.244.183.180/100pc/sp/tabtool\\_sp.html](http://83.244.183.180/100pc/sp/tabtool_sp.html) )

## **What proportion of women would be better off under the current system?**

You refer to DWP having said that 10% would be better off under the current system. We do not recognise this figure. The comparison made in our publication was between the total state pension and other benefits that women born between 6<sup>th</sup> April 1951 and 5<sup>th</sup> April 1953 would receive over their retirement under two different scenarios.

In the first scenario they receive state pension under the current system from their State Pension age (between 62 and 64) and still have access to the Savings Credit element of Pension Credit once they reach the age of 65.

In the alternative scenario they receive a single-tier pension (though as described above, this is likely to be less than the full amount), but have to wait until they are aged 65 to receive it, and do not have access to Savings Credit.

The comparison includes an assessment of entitlement to Pension Credit, Housing Benefit and council tax support, meaning that in some cases where state pension is higher under the single-tier system, the gains are offset by reduced entitlement to means-tested benefits.

On this basis we estimate that around 90% would be entitled to a greater amount of pensioner benefits over their retirement under the current system, compared to the treatment they would receive if they were a man born on the same day (with the same lifespan and National Insurance record).

## **What are the other benefits that may make this cohort of women better off than those who receive a single-tier pension?**

There are no automatic benefits which will make these women better off than anyone else. However some parts of the state pension system and various aspects of the means-tested benefit system are changing or being withdrawn for people who reach State Pension age after April 2016, for example:

### *Savings Credit*

As discussed above, women born before 6th April 1953 will still be able to access to the savings credit element of Pension Credit once they reach the qualifying age of 65 unless they are in a mixed age couple where their partner retires under single tier. Savings Credit will not be available to women born later, who reach State Pension age on or after 6th April 2016.

### *Derived and inherited state pension*

Women born before 6<sup>th</sup> April 1953 will also retain the ability to derive basic State Pension from their spouse or civil partner's National Insurance contributions. If widowed they may also be able to inherit a larger amount of Additional Pension than would be the case under the single-tier system.