

Freedom of Information request 4639/2012

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Information request and response

Your questions relate to the analysis, "*Average State Pension estimates for 2011/12 and 2012/13*", published on the Department's website in April 2012 at:

http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2012/average_state_pension_estimate_apr12.pdf

You asked four questions which I have answered in turn below:

Question 1: Were the figures worked out on the basis that people now only require 30 years for a full basic state pension?

The average State Pension estimates presented in the above note were calculated on the basis of the State Pension received by all individuals resident in Great Britain in receipt of some State Pension, as of 31st March 2011.

Of these individuals, those who reached State Pension age on or after 6th April 2010 will have had their basic State Pension calculated on the basis of a 30 qualifying years contribution condition. These are men who were born on or after 6th April 1945 and women who were born on or after 6th April 1950. However, the majority of people resident in Great Britain and receiving some State Pension as of 31st March 2011 were born before these dates. This means that they reached State Pension age before 6th April 2010 and thus had their basic State Pension calculated on the basis of a contribution condition that required 90% of the years in their working life to be qualifying years – the length of the working life varied depending on whether or not the person qualified for Home Responsibilities Protection and whether or not the person had been insured prior to 1948.

Question 2: What would the average state pensions be if you took out the people who did not have any basic state pension because they did not have enough qualifying years but did have some state second pension?

People who do not have any basic State Pension but have some Additional Pension or Graduated Retirement Benefit comprise less than 0.5 per cent of the people receiving State Pension in Great Britain. Given this, removing these people from the average estimates is not expected to make a significant difference to the estimates.

Statistics on the numbers of people receiving Additional Pension only is available from 5% sample data and are published on the Department's website at: <http://research.dwp.gov.uk/asd/index.php?page=tabtool>.

The table at the following link shows that, at March 2011, only 0.4 per cent of people receiving a State Pension in Great Britain received Additional Pension only or Graduated Retirement Benefit only:

http://83.244.183.180/5pc/sp/cccntry/ccbentyp/a_stock_r_cccntry_c_ccbentyp_mar11.html

Question 3: What would the average state pension be if you took out people who only had a small state additional pension and contracted out pension which made their pension more than £140 per week?

For clarity, the average State Pension estimates presented in the note are estimates for sum of basic State Pension and Additional Pension. Additional Pension includes Graduated Retirement Benefit and refers to net Additional Pension. Net Additional Pension is the Additional Pension received directly from the State, excluding any rights in lieu of Additional Pension accrued in private pension schemes during periods of contracting out. The estimates do not include income from means tested benefits.

The average State Pension estimates (as defined above) shown in the note are below £140 per week in 2011/12 and in 2012/13. An individual would need a higher than average net Additional Pension, rather than a small state Additional Pension, to receive a State Pension of more than £140 per week.

The majority of people do not receive all of their State Pension directly from the state as they will have been contracted out of Additional Pension at some point in their working life. Gross State Pension amounts include rights in lieu of Additional Pension accrued in private pension schemes during periods of contracting out. They do not include income from means tested benefits.

The following information about gross State Pension was given in response to a Parliamentary Question tabled by Rt Hon Frank Field MP (see answer of 26 November 2012, *Official Report*, column 153W):

Based on the Department's forecasting models, around 11.5 million individuals were projected to be receiving a State Pension in Great Britain in September 2012. Around 5.2 million (around 45%) of these individuals were projected to have a gross State Pension amount in excess of £140 a week (in 2012/13 earnings terms).

Sources: The Department's PENSIM2 simulation model November 2012 and DWP Forecasting Division: Budget 2012 medium term caseload forecast. Figures relate to Great Britain only.

Notes: The State Pension caseload estimate is given at September 2012. Estimates of the number of these individuals who will have a gross State Pension amount in excess of £140 are derived from the Department's PENSIM2 model. PENSIM2 is a dynamic micro-simulation model designed to project pensioners' incomes to 2100. As such, the model is best suited to comparing long-term trends and differences between groups rather than to providing short range estimates. The figures above should only be used as an indication of the number of individuals who would have a gross amount above £140. Please also note that the Pensim2 model is based on a sample of the population so the estimates given above are subject to sampling uncertainty. Figures have been rounded to the nearest 100,000 or 5%. Estimates of gross State Pension include inherited and derived rights.

Question 4: What would be the average state pension be if you took out my questions two and three combined?

See responses to questions 2 and 3.

It may be helpful to note that statistics about average State Pensions in payment and other State Pensions statistics are available from the Department's Tabulation tool:

<http://research.dwp.gov.uk/asd/index.php?page=tabtool>.

Guidance for users is available at:

http://83.244.183.180/flows/flows_off/Guidance%20for%20Users.pdf

Further benefit caseload forecast information is published at:

<http://research.dwp.gov.uk/asd/asd4/index.php?page=expenditure>