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Information request

Under current pension regulations a woman who has paid reduced rate National Insurance contributions during her working life (married woman stamp) will receive (as long as the criteria is reached) a state pension of not more than 60% of the basic pension based on her spouse's national insurance contributions.

Under the proposed legislation it appears that woman born in Great Britain between 6th July 1953 and 5th April 1955 will not qualify for a single tier pension as their spouse's contributions will not qualify them.

Are there any transitional arrangements being made for people who reach State Pension age after the reforms are implemented but who would have qualified through their spouse's contributions under the current system?

Also will any transitional arrangements ensure that nobody will get a State Pension lower than the valuation of their National Insurance record in the current scheme when single-tier is introduced, providing they meet the minimum qualifying years requirement?

DWP response

We published analysis of the impact of ending the current arrangements for deriving State Pension based on another person's National Insurance record in December 2013. This details the impacts on individuals reaching State Pension age in the first 15 years of the reforms by 5 year bands and can be found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/265470/single-tier-derived-entitlement.pdf

The proposals contained in the Pensions Bill include transitional arrangements for certain women who elected to pay reduced-rate NI contributions. These are explained at pages 17 – 20 of the paper published in February 2013, which may be found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181235/derived-inherited-entitlement.pdf

In summary, these arrangements will apply where the election was still current at the start of the tax year beginning 35 years before the tax year in which the woman reaches State Pension age. Where this condition is met, her State Pension will be the higher of:

- the rate applicable under the normal rules for calculating the new State Pension, based on her own NI contributions (“normal rules” includes the transitional provisions for people who have made contributions in the current system); or
- the rate equivalent to the maximum current system basic State Pension applicable to a married woman, widow or divorcee as the case may be; plus the value of any additional State Pension and Graduated Retirement Benefit based on her own NI contributions.

If she is widowed, she may also be entitled to an inherited amount under the transitional arrangements applicable to all surviving spouses or civil partners, comprising either:

- the additional State Pension that would have been inheritable under the current system, where the deceased spouse or partner reached State Pension age or died before 6 April 2016, or otherwise
- half the deceased spouse’s or partner’s “protected payment”, if any (the amount by which the valuation of a person’s State Pension as at April 2016 under current rules exceeds the full rate of the new State Pension).

With reference to your second question, the transitional arrangements ensure that an individual’s foundation amount – or starting amount for the new State Pension – will be the higher of the valuation of their own National Insurance record as at April 2016 under the rules of the current system and the new system (with both accounting for time spent contracted out of the additional State Pension). Individuals whose starting amount is less than the full rate of the new State Pension may be able to add to their foundation amount up to a maximum of the full rate of the new State Pension by gaining qualifying years after 2016, but only individuals who, by the time they reach State Pension age, have met the minimum qualifying period of 10 years, will receive any State Pension. However, entitlement to State Pension under the arrangements for women with a current or past reduced-rate election, or to an inherited amount under the transitional arrangements for surviving spouses or civil partners, will not depend on satisfying the minimum qualifying period.

More details of the foundation amount can be found in the White Paper at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181229/single-tier-pension.pdf