

Freedom of Information request 2443/2013

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Information request

1. How much do women reaching State Pension age (SPa) from 2012 to 2015 lose out on per year because they receive a basic State Pension of around £110 per week rather than around £145 per week under the single-tier pension?
2. Can you estimate the number of women reaching SPa from 2013 to 2015 that will receive a State Pension at State Pension age of less than the full single-tier amount and what are their average amounts of State Pension?
3. Can you provide actual data from the 8 months to May 2013 on how many women receive a State Pension at State Pension age of less than the full single-tier amount and what are their average amounts of State Pension?
4. How many women who have already retired would be better or worse off by £10, £20 and £30 under the current system compared to the single tier?
5. How much will the Department for Work and Pensions spend/save by introducing single tier in 2016 rather than 2017?

DWP response

Your questions are answered in turn below. It may help if I explain that the Freedom of Information Act requires public authorities to provide copies of information they already hold in a recorded form, subject to certain exemptions. However, it does not require the Department to provide opinions, explanations, generate answers to questions, or create or obtain information it does not hold.

1. The Department does not hold information on how much women reaching State Pension age (SPa) from 2012 to 2015 would lose if they received a basic State Pension of £110 per week rather than £145 per week. The Department's analysis suggests that, if women in the April 1951 – April 1953 cohort were to be given a single-tier valuation, they would receive

approximately £6 more per week, on average, compared to their current system valuation. However the Department estimates that around 90% of women born between 6 April 1951 and 5 April 1953 would receive more in lifetime state pension and other benefits under the current system than they would if they had a State Pension age of 65 and received a single-tier pension. More information can be found at:

<https://www.gov.uk/government/publications/the-single-tier-pension-note-on-the-cohort-of-women-born-between-6-april-1951-and-5-april-1953>

In the current system, people may receive a pension made up of both the basic State Pension and also the additional State Pension. The basic State Pension is based on 30 qualifying years for both men and women (before April 2010, this was 44 qualifying years for men and 39 qualifying years for women). How much additional State Pension an individual receives is dependent on their earnings and whether they have claimed certain benefits. There is no fixed amount like the basic State Pension, but payments of additional State Pension can be in excess of £100 per week.

Under the single-tier pension, the basic State Pension and additional State Pension systems are closing and being replaced by a single, simpler system. That is why it is misleading to compare the £110.15 of today's basic State Pension with the illustrative figure of £144 of the single-tier pension.

The exact amount of single-tier pension people receive will depend on a range of circumstances. Most people reaching State Pension age in 2016, the first year of reform, will see no change to their State Pension entitlement compared to what they would have received under the current system. More information on how single-tier entitlement is calculated can be found in *The single-tier pension: a simple foundation for saving* from paragraph 82 at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181229/single-tier-pension.pdf.

More information on the impact of the single-tier on individual State Pension outcomes can be found in Chapter 3 of the Impact Assessment at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197841/single-tier-ia-april-2013.pdf.

2. Around 180,000 women are projected to start receiving State Pension between April 2013 and March 2014. Around 110,000 of these women are estimated to have a gross State Pension of less than £144 per week (in 2012/13 earnings terms), which is around 60% of all women in this cohort. The median gross state pension amount received by women in this cohort is estimated to be around £140 (in 2013/14 earnings terms).

Around 190,000 women are projected to start receiving State Pension between April 2014 and March 2015. Around 100,000 of these women are estimated to have a gross State Pension of less than £144 per week (in

2012/13 earnings terms), which is around 55% of all women in this cohort. The median gross state pension amount received by women in this cohort is estimated to be around £145 (in 2013/14 earnings terms).

Around 170,000 women are projected to start receiving State Pension between April 2015 and March 2016. Around 100,000 of these women are estimated to have a gross State Pension of less than £144 per week (in 2012/13 earnings terms), which is around 55% of all women in this cohort. The median gross state pension amount received by women in this cohort is estimated to be around £140 (in 2013/14 earnings terms).

3. The Department does not yet hold data in a format ready for analysis on people reaching State Pension age in the 8 months to May 2013.

4. The Department does not have information on the number of women who have already retired who would be better or worse off by £10, £20 and £30 under the current system compared to under the single-tier system. Information on notional outcomes under the single tier for people reaching State Pension age from 2016 can be found in Chapter 3 of the Impact Assessment at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197841/single-tier-ia-april-2013.pdf.

5. Government expenditure on State Pensions and pensioner benefits is broadly similar under a 2016 and a 2017 single-tier start date. Annex C of the Impact Assessment shows that expenditure in 2016, the first year of single tier, is similar to expenditure under the current system. This would also be the case if single tier were to begin in 2017. The Impact Assessment can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197841/single-tier-ia-april-2013.pdf.

Please note the following important points in respect of our answers to your requests:

Estimates for question 2 are of gross State Pension outcomes. Some people will not receive all of their State Pension directly from the state as they will have been contracted out of the additional State Pension. Gross State Pension amounts include Additional Pension rights accrued in private pension schemes during periods of contracting out. Estimates of gross State Pension also include inherited and derived entitlements. These estimates do not include income from means-tested benefits. Figures have been rounded to the nearest 10,000, 5% or £5, are in 2013/14 earnings terms, and relates to Great Britain only

Estimates of the proportion of individuals who are projected not to receive a gross State Pension above £144 were derived from the Department's Pensim2 model. This 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 that would not have a gross amount above £144. 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. Estimates of the number of people starting to receive State Pension by year are from DWP Forecasting Division.

The exact level of the single-tier pension at introduction will be decided by the Government nearer the time. It will be set above the basic level of means-tested support – the Pension Credit standard minimum guarantee (£145.40 in 2013/4). For illustrative purposes a start level of £144 in 2012/13 earnings terms was used in the White Paper (the standard minimum guarantee was £142.70 at the time). For simplicity, we are continuing to use this illustrative figure.

State Pension forecasts are presented by financial year rather than calendar year.