

Freedom of Information request 597/2013

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Information request

You asked a number of questions which I have answered in turn below.

Please note that the single-tier pension will be introduced in April 2017 at the earliest, and that the White Paper outlines that the minimum qualifying year condition will be set at between seven and ten years.

1. How many people will not qualify for a state pension in 2017 because they have less than the new minimum 10 years NI where under existing rules they only require 1 year split men and women.

1a) The same as 1 but have some contracted out pension showing average contracted out pension and number of people split men and women.

This information is unavailable. It is expected that the minimum qualifying years condition will mainly affect people living overseas, and some estimates of the scale of the impact are presented in paragraph 90 of Chapter 3 of the Impact Assessment, available at <http://www.dwp.gov.uk/docs/single-tier-pension-impact-assessment.pdf>.

2. How many people will receive a reduced flat rate pension in 2017 because they don't have 35 years NI where they would have received a full pension under the existing rule of 30 years split men and women also showing average pension split men and women.

2a) The same as 2 including contracted out pension.

It is estimated that around 20,000 people will reach State Pension age in Great Britain in 2017/18 with between 30 and 34 qualifying years for basic State Pension. If single tier is implemented at this point, these people may still receive the full single-tier pension, as any additional State Pension they would have under the current system prior to implementation will be recognised. The proposed transitional arrangements will ensure that everyone's National Insurance record keeps its value at the point the single-tier pension is implemented.

Taking a simple example of someone with 30 qualifying years for the full basic State Pension in the current system, with no additional State Pension and who has never been contracted out; at the point the single tier is implemented they would have a single-tier valuation of 30/35ths of the full single-tier rate. This will still be more than the basic State Pension of £107.45 they would have under the current scheme (if we use the illustrative rate of £144 we can calculate that 30/35ths of this is £123.43, to the nearest penny).

This estimate is based on a very small number of sample cases in the Department's pensim2 model, and does not allow for further breakdowns or robust estimation of the amounts of pension involved.

3. The number of people and average state pension becoming payable in April 2017 with at least 35 qualifying years.

We estimate that around 350,000 individuals with more than 35 qualifying years will start to receive State Pension between April 2017 and March 2018. The average net State Pension (i.e. basic State Pension plus net additional State Pension) for people reaching State Pension age with at least 35 qualifying years in 2017/18 is estimated to be around £135 per week under the current system. This value excludes rights in lieu of additional State Pension accrued in private pension schemes during periods of contracting out.

4. The number of people and average state pension becoming payable in April 2017 with at least 35 qualifying split by men and women.

We estimate that around 280,000 men and 80,000 women with more than 35 qualifying years will start to receive State Pension between April 2017 and March 2018. The average net state pension for men reaching State Pension age with at least 35 qualifying years in 2017/18 is estimated to be around £136 per week under the current system. For women the equivalent amount is estimated to be around £134.

5. The number of people and average combined state and contracted out pension becoming payable in April 2017 with at least 35 qualifying years.

For the estimated number of people, see question 3. We estimate that the average gross State Pension for individuals reaching State Pension age with at least 35 qualifying years in 2017/18 is around £182 per week under the current system.

6. The number of people and average combined state and contracted out pension becoming payable in April 2017 with at least 35 qualifying years split men and women.

For the estimated numbers of people, see question 4. We estimate that the average gross State Pension for men reaching State Pension age with at least 35 qualifying years in 2017/18 is around £188 per week. For women the equivalent amount is estimated to be around £162 under the current system.

7. The number of people and average state pension becoming payable in 2017 split between men and women for people with less than 35 qualifying years.

We estimate that around 30,000 men and 20,000 women with less than 35 qualifying years will start to receive State Pension between April 2017 and March 2018. The average net state pension for men reaching State Pension age with less than 35 qualifying years in 2017/18 is estimated to be around £103 per week. For women the equivalent amount is estimated to be around £112 under the current system. Please note that these averages are based on small sample sizes and so should be treated with caution.

8. The number of people and average combined state and contracted out pension becoming payable in 2017 for people with less than 35 qualifying years.

We estimate that around 50,000 individuals with less than 35 qualifying years will start to receive State Pension between April 2017 and March 2018. The average gross State Pension for individuals reaching State Pension age with less than 35 qualifying years is estimated to be around £115 per week under the current system.

Figures have been rounded to the nearest 10,000 or £1.

All amounts are mean averages, and in 2012/13 earnings terms. The figures supplied in reply to your earlier requests were also means, although in the reply to your request reference number 4994 (2012) they were incorrectly described as medians. I apologise for any confusion this may have caused.

The answers provided are based on people reaching State Pension age in Great Britain only.

Estimates 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. 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.

The cohort used for this analysis is men and women who will reach State Pension age between April 2017 and March 2018. This cohort of women are affected by State Pension age equalisation. This is why there are significantly fewer women than men reaching State Pension age in this period.

The questions asked about both gross and net State Pension estimates. Some people will not receive all of their State Pension directly from the state as they will have contracted out of additional State Pension. Gross State Pension amounts include additional State Pension rights accrued in private pension schemes during periods of contracting out. Estimates of gross State Pension also include inherited and derived rights. These estimates do not include income from means-tested benefits.

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

Source:

**DWP Forecasting Division: Budget 2012 caseload forecasts
DWP PENSIM2 model**

Further benefit caseload forecast information is published at:

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