

# Freedom of Information request 1036/2013

Received 04 March 2013

Published 03 May 2013

## Information request

*I have been reading the Single-Tier Impact Assessment and see under p 14 paragraph 56 4th paragraph that it states where an individual has previously been contracted out of the additional State Pension , a deduction will be made to reflect private pension benefit accrued through contracting out.*

*Can you please give me some examples showing how the contracting out pension effects the new single state pension of £144 pw and what will be paid by the DWP when the flat rate pension starts on 6 April 2017.*

*Previous to 6 April 2017.*

*1 Basic state pension £120, state second pension £10, no contracted out pension.*

*2)Basic state pension £120, state second pension £10, contracted out pension £10 .*

*3) Basic state pension £120,state second pension £10, contracted out pension £30 .*

*4)Basic state pension £120, contracted out pension £30 .*

*Examples 1 to 4 to be worked out assuming a full NI contribution record.*

*Use the same examples 1 to 4 on the basis that only 30 years NI have been paid and tell me what will be paid by the DWP.*

## DWP response

The information you have requested is not held. However, to illustrate how the transition calculation works I attach some examples based on the case study of Mr Clark used in the single-tier technical paper. They show that where the contracted-out pension is equal to, or higher than, the additional State Pension then, as under current scheme rules, this would result in the basic State Pension only being payable at State Pension age. However, in a significant departure from the current additional State Pension, a separate single-tier calculation is also done. Under the new calculation the contracted-out pension is based on rebated contributions paid before and after 1997 (when guaranteed minimum pension accruals end). The contributor would have a Foundation Amount (at the point the single tier is implemented) that is the higher of the two calculations

Table 1: Foundation Amount calculation – 35 or more qualifying years at State Pension age

<b>Single-tier valuation</b>	<b>Current scheme valuation</b>
Not contracted-out	
£144	£152 (£107 + £45)
Wholly contracted-out	
£144 - £92 = £52	£152 - £45 = £107

Table 2: Foundation Amount calculation – 30 qualifying years at State Pension age

<b>Single-tier valuation</b>	<b>Current scheme valuation</b>
Not contracted-out	
£123.43 (30/35 x £144)	£152 (£107 + £45)
Wholly contracted-out	
£123.43 - £92 = £31.42	£152 - £45 = £107

Notes:

1. The analysis assumes basic state pension is £107 a week, single-tier pension is £144 a week and the contributions made before single-tier implementation would provide additional State Pension entitlement of £92 a week comprising £45 for accruals before 1996/97 and £47 a week for accruals after that date.