



# Your State Pension Explained

The State Pension has changed for people who reach State Pension age on or after 6 April 2016.



Department  
for Work &  
Pensions

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## 1. Introduction

The State Pension changed on 6 April 2016 for people who reach State Pension age from then onwards. This is men born on or after 6 April 1951 and women born on or after 6 April 1953.

The old rules (which include basic State Pension and Additional State Pension) were complicated, making it difficult to know how much you'd get until you were close to State Pension age. With the new State Pension, people will know from a much younger age how much they're likely to get, providing a solid base for their saving and retirement planning.

## 2. What is the State Pension?

The State Pension is a regular payment from the government most people can claim when they reach State Pension age. Not everyone gets the same amount. How much you get depends on your National Insurance record.

For many people, the State Pension is only part of their retirement income. For example, they may also have money from a workplace pension, other pension and/or earnings.

## 3. How does the new State Pension work?

The new State Pension is based on people's National Insurance records.

People with no National Insurance record before 6 April 2016 will need 35 qualifying years to get the full amount of new State Pension, when they reach State Pension age.

However, most people will have made, or been credited with, National Insurance contributions before 6 April 2016. When they reach State Pension age, in most cases, their new State Pension will take into account their National Insurance record both before and after 6 April 2016. The new rules make sure that the amount of State Pension you get for your contributions to 6 April 2016 is no less under the new State Pension than you would have got under the old rules, provided you meet the 10 year minimum qualifying period.

For the new State Pension, you will normally need at least 10 'qualifying years' on your National Insurance record to get any State Pension. These can be from before or after 6 April 2016, and they don't have to be 10 years in a row.

Under the new State Pension, how much you get will usually be based on your own National Insurance record only.

### What is a 'qualifying year'?

A qualifying year for State Pension can be made up through combining earnings, National Insurance credits, self-employment and voluntary contributions.

A qualifying year can be built up if:

- you are employed and earning over £157 a week (2017/18) from one employer and paying National Insurance contributions
- you are employed and earning between £113 and £157 a week (2017/18) from one employer and are treated as having paid National Insurance contributions
- you are self-employed and paying Class 2 National Insurance contributions (£2.85 a week in 2017/18)
- you make voluntary National Insurance contributions (£14.25 a week in 2017/18)
- you receive National Insurance credits – see below

If you do not earn enough you can get National Insurance credits in certain circumstances, for example, when you're claiming certain working age benefits (including Child Benefit for a child under 12\*). It is important that you claim any credits you may be entitled to as soon as possible as it is not always possible to backdate them.

### 3a How much is the new State Pension?

Not everyone will get the full new State Pension, it will depend on your National Insurance record. The full amount of the new State Pension is set above the basic level of means-tested support (this is Pension Credit Standard Minimum Guarantee). The full amount of the new State Pension is £159.55 a week (2017 to 2018 rate).

### 3b What is a 'starting amount' for the new State Pension?

If you have qualifying years on your National Insurance record as at 5 April 2016 we work out a 'starting amount' for you for the new State Pension. It is the higher of either:

- the amount you would have got under the previous State Pension system up to 6 April 2016, or
- the amount you would get on your record to 6 April 2016 if the new State Pension had been in place at the start of your working life

Both amounts reflect any periods when you were contracted out of the Additional State Pension. Your 'starting amount' could be **less than, more than or equal to** the full new State Pension.

\* You need to apply for Child Benefit in order to receive your National Insurance credit even if you choose not to receive a payment.

**If your 'starting amount' is less than the full amount of the new State Pension -**

Each 'qualifying year' you add to your National Insurance record after 5 April 2016 will add a certain amount (about £4.55 a week, this is £159.55 divided by 35\*\*) to your 'starting amount', until you reach the full amount of the new State Pension or you reach State Pension age, whichever happens first.

**If your 'starting amount' is more than the full amount of the new State Pension -**

You will get this higher amount when you reach State Pension age. It will be possible to have a starting amount higher than the full new State Pension if you have some Additional State Pension. The difference between the full new State Pension and your 'starting amount' is called your 'protected payment'.

\*\*Totals do not sum due to rounding

**If your 'starting amount' is equal to the full new State Pension -**

You will get the full new State Pension when you reach State Pension age.

**3c How can I find out how much I could get?**

You can get a State Pension forecast online from the Check your State Pension service. This provides personalised information, including your State Pension age, an estimate of how much State Pension you may get at that point and if you can increase this amount. It also allows you to view your National Insurance contribution history.



Visit [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension) for more information

**4. Information on your National Insurance record and the State Pension**

How much State Pension you get depends on your National Insurance record. Generally, you build up your record by paying National Insurance contributions or getting National Insurance credits.

**4a Paying National Insurance contributions**

You pay National Insurance contributions when you work and are earning over a minimum amount (£157 a week in 2017/18). If you earn between £113 and £157 a week (2017/18) from one employer you may still be building up your National Insurance record. These figures relate to employed earners only. For more information on National Insurance contributions for self-employed earners, please see section 6.

- If you're employed, your employer takes your National Insurance contributions from your wages and pays them to HM Revenue & Customs (HMRC). It is a certain percentage of your pay. You can see the amount on your payslip.
- If you're self-employed, you are responsible for paying your own National Insurance contributions to HMRC.

When you reach State Pension age, you will not have to pay National Insurance contributions, even if you continue working.

\*\*Totals do not sum due to rounding

#### 4b Getting National Insurance credits

If you're not paying National Insurance contributions because, for example, you can't work due to illness, or you're caring for a child or an adult, you may be able to get National Insurance credits.

National Insurance credits help to build up your National Insurance record and so protect your entitlement to the State Pension. This means it's important you get your National Insurance credits.

With some benefits (such as Child Benefit\* for a child under 12, Jobseeker's Allowance, Employment and Support Allowance) you get National Insurance credits automatically, but there are some circumstances where you have to apply. For example, if you care for someone for at least 20 hours a week you may be able to apply for Carer's Credit.

Find out if you might be eligible for credits <https://www.gov.uk/national-insurance-credits>

#### 4c How might I have a gap in my National Insurance record? What can I do?

If there was a time when you did not pay enough National Insurance contributions or get enough National Insurance credits to give you a qualifying year, you may find you have a gap on your National Insurance record. For example, you may have been:

- living abroad
- working but with low earnings (in 2017/18 less than £113 a week)
- not working and not claiming any benefits
- self-employed but not paying National Insurance contributions because of small profits

If you weren't paying National Insurance contributions, but were claiming benefits, including Child Benefit for a child under 12 (or under 17 before 2010), then you may have been getting National Insurance credits, and therefore not have a gap.

If you do have a gap, you might not need to do anything. It is possible to have some gaps in your National Insurance record and still get the full new State Pension.

Gaps in your National Insurance record can affect the amount of new State Pension you get. You may be able to pay voluntary National Insurance contributions to fill these gaps.

Voluntary National Insurance contributions can help you to protect your National Insurance record if you are not building your National Insurance record through working or receiving credits. HMRC have extended the usual deadlines for making voluntary National Insurance contributions for the tax years from 2006-7 to 2015-16. You will have until 5 April 2023 to make the contributions.

Visit [www.gov.uk/voluntary-national-insurance-contributions](https://www.gov.uk/voluntary-national-insurance-contributions) for more information

### 5. What happens if I don't claim my new State Pension when I reach State Pension age? Will I get more money when I do claim it?

You don't have to claim the new State Pension as soon as you reach State Pension age. Deferring claiming your State Pension means you may get extra State Pension when you do claim it. The extra amount is paid with your State Pension and may be taxable.



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How much extra State Pension you get depends on how long you defer (put off) claiming it. The longer you defer, the more you'll get.

\* You need to apply for Child Benefit in order to receive your National Insurance credit even if you choose not to receive a payment.

You'll need to defer for at least 9 weeks - your State Pension will increase by 1% for every 9 weeks you put off claiming. This works out at just under 5.8% for every full year you put off claiming. After you claim, the extra amount you get because you deferred will usually increase each year in line with inflation.

If you are reclaiming certain benefits, deferring your State Pension will not increase its value, so check whether this applies to you.



Find out more about deferring the new State Pension at [www.gov.uk/deferring-state-pension](http://www.gov.uk/deferring-state-pension)

## 6. How does the new State Pension work for self-employed people, or people who have been self-employed in the past?

If you're self-employed, you pay Class 2 National Insurance contributions if your profits are above a certain amount (£6,025 in 2017/18). You pay both Class 2 and Class 4 National Insurance contributions when your profits rise above another level (£8,164 in 2017/18). From 6 April 2016, Class 2 National Insurance contributions made by self-employed people will be treated the same as employee contributions and count towards the new State Pension in the same way as everyone else's, including those Class 2 contributions made before 6 April 2016.

## 7. What if I have been a member of a workplace pension scheme (contracted out)?

State Pension under the old rules was made up of 2 parts: the basic State Pension and the Additional State Pension (the Additional State Pension is sometimes called State Second Pension or SERPS).

Members of 'Defined Benefit' pension schemes (normally a final salary or salary-related pension scheme), are likely to have been contracted out of the Additional State Pension. Any pension scheme at work before April 2012, some stakeholder and some personal pension schemes are also likely to have been contracted-out.

If you have been contracted-out of the Additional State Pension at any time before 6 April 2016, we have made a deduction when working out your starting amount for the new State Pension. The deduction was applied to both possible starting amounts: the one based on the old rules, and the one based on the new State Pension rules.

This is because, depending on the type of scheme:

- you would have paid National Insurance contributions at a lower rate, or
- some of the National Insurance contributions you paid were used to contribute to your stakeholder or personal pension instead of the Additional State Pension.

From 6 April 2016, these contracting-out rules no longer exist.



## 8. What if I qualify for only a small amount of State Pension or no State Pension?

You may be eligible for Pension Credit. Pension Credit is an income-related benefit that tops up your weekly income to a guaranteed minimum amount if you have reached the Pension Credit qualifying age. If you are in a couple, the amount you get depends on your joint income and capital (including savings and investments).

## 9. Getting or inheriting the State Pension from your husband, wife, civil partner

### 9a Can I get some State Pension based on the National Insurance record from my husband, wife, civil partner?

If you reach State Pension age from 6 April 2016 onwards, your State Pension will be based on your National Insurance record only. See part 4 to see how you can increase your National Insurance record. There is one exception to this: married women or widows who have opted to pay reduced-rate National Insurance contributions. This is called a Reduced Rate Election (previously known as 'Married Woman's Stamp').

A woman who made this choice may get a new State Pension based on different rules if these will give her more than the amount of new State Pension that she would otherwise get based on her own National Insurance record. Where these rules apply, she won't need 10 qualifying years of her own to get any State Pension.

She'll get a State Pension that will be about the same as:

- the lower rate basic State Pension of £73.30 a week (2017/18 rate) (if married and her husband has reached State Pension age)
- the rate of the basic State Pension of £122.30 a week (2017/18 rate) (if widowed or divorced)

She'll also get any Additional State Pension that she built up before 6 April 2016 on top of this basic amount.

To qualify, her Reduced Rate Election must have been in force at the start of the 35-year period ending on 5 April before she reaches State Pension age.

### 9b Can I inherit some of my husband's, wife's, civil partner's State Pension?

You may be able to inherit an extra payment on top of your new State Pension if you are widowed or a surviving civil partner. The extra payment may consist of Additional State Pension or a protected payment (if any).

This will depend on whether the deceased:

- reached State Pension age or died before 6 April 2016, or
- reached State Pension age, or died under State Pension age after 5 April 2016.

You might also be able to inherit an extra State Pension or a lump-sum payment if your late spouse or civil partner reached State Pension age before 6 April 2016 and put off claiming their State Pension.

### **9c What if I remarry or form a new civil partnership?**

If you are under State Pension age you won't be able to inherit anything from your deceased spouse or civil partner if you remarry or form a new civil partnership before you reach State Pension age.

### **9d Can my State Pension be affected if I get divorced or dissolve my civil partnership?**

The courts can make a 'pension sharing order' for those who get divorced or dissolve their civil partnership. The court can decide that a person must share their Additional State Pension or protected payment with their former husband, wife or civil partner. Their State Pension will be reduced accordingly and their former husband, wife or civil partner will get this amount as an extra payment on top of their State Pension.

## **10. What can I do to increase the amount of money I have in retirement?**

The State Pension is intended to be a part of your retirement income. You can decide to put plans in place to increase the money you have in retirement.

### **Working past State Pension age**

Some people decide to continue working after State Pension age. If you do work after State Pension age, you don't have to pay National Insurance contributions.

For most people there is no longer a fixed retirement age (the age at which you stop working). And all employees now have the right to request to work flexibly and have it seriously considered by their employer. You therefore could have more choice about when and how you retire.

By retiring at 65 instead of 55, an average earner could increase their pension pot by 60%

This booklet is only a guide and does not cover every circumstance. We have done our best to make sure that the information in this leaflet is correct as of November 2017. It is possible that some of the information is over simplified, or may become inaccurate over time, for example because of changes to the law.

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