



New State Pension April 2016

From April 2016 there are some major changes happening to the state pension. For many the state pension forms the core of their income after retirement, together with any workplace or personal pension provision they may have. The new system aims to simplify the process and sees the end of the additional state pension (S2P) and the state earnings related pension scheme (SERPS).

While the current basic state pension is worth around £120 a week, the new one will start at £155.

Who will be eligible for the new state pension?

Men born after 6 April 1951 and women born after 6 April 1953.

To qualify for any pension, individuals will need to have 10 years of National Insurance contributions (NICs). Whereas previously there was no minimum. However, NICs do not have to be paid in consecutive years, and some parents, carers and jobseekers have special exemptions. Each year of NICs will add £4.44 a week to the pension, at current prices.

To qualify for the full new state pension, individuals will also be required to have 35 qualifying years. Previously this was 30.

As a result of these changes, Age UK has calculated that 70,000 people will no longer qualify for any state pension.

What happens if an individual has already retired?

If an individual has already retired before 6 April 2016, they will continue on the old two-tier system, i.e. basic state pension, plus top-ups.

Will anyone get less than £155 per week?

Anyone who contracted out of the second state pension before 6 April 2016 will get less. Such workers will have

paid a lower rate of NICs. Instead they will have paid extra into a workplace pension scheme. As a result, they will be paid a reduced state pension. How much less will be dependent upon how long they were contracted out for.

Government figures show that only 45% of pensioners will get the full amount in the first five years of the new state pension and as many as two million will not get the full amount.

State pension: what's changing?

	Before 6 April 2016	After 6 April 2016
Qualifying years needed	30	35
What you get	Basic state pension plus additional state pension	Single payment
Full level of state pension	Basic state pension £119.30	New state pension £155.65
Deductions	Deductions for years contracted out of additional state pension (during transitional period)	Deductions for years contracted out of additional state pension (during transitional period)
Contracting out	Yes	No – additional state pension no longer exists
Pension credit	Guarantee credit and savings credit	Guarantee credit

This information is based on our understanding of the changes to the state pension payments.

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