

# IN44ORM

## ‘Single Tier’ State Pension

On the 14 January 2013 the Government announced plans to simplify the state pension with a ‘single tier’ pension. From 2017 instead of a basic pension of £107 a week plus various means tested top ups, recipients will receive £144.

Currently full state pension is £107.45 a week but this can be topped up to £142.70 with means tested pension credit and the state second pension which is based on National Insurance contributions.

From April 2017 the second state pension will be abolished for new pensioners, the state second pension will be merged with the basic state pension, to create one flat-rate payment. The Savings Credit element of Pension Credit will also close to pensioners reaching State Pension age after the implementation of the single tier pension.

For the full amount you will be required to have 35 qualifying years of National Insurance Contributions (NICs) or credit. There will also be a minimum qualifying period of between seven and ten qualifying years. Those with fewer than 35 qualifying years will receive a proportionally smaller single tiered amount.

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### State Pension Age

Under the announced plans, the state pension age is rising to 66 for both men and women by

2020, with further plans to increase to 67 between 2026 and 2028. The Government plans to carry out a review of the State Pension age every five years, this is based around the principle that people should maintain specific proportion of adult life receiving the state pension.

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### How will this effect Employers?

From April 2017 those employees in Final Salary pension schemes will have to pay more NI, amounting to a further 1.4% of the relevant earnings on which NI is levied. To reflect the lower previous NI contributions they will only be eligible to receive a reduced version of the single tier pension when they retire.

Employers will also have to pay higher NI from 2017, amounting to 3.4% of their employees’ relevant earnings. However to offset this, employers will be allowed to reduce their employees’ pension benefits or increase their members’ contributions. The law will be changed to allow this, even if pension scheme rules currently allow scheme trustees to object.



44 BENEFIT SOLUTIONS