

# Pensions for women

What you can get, and when



Part of the Department for Work and Pensions





# Contents

Pensions for women – your guide .....	Page 6
Changes to the rules on state pensions .....	Page 6
Why should I think about my pension? .....	Page 9
My pension – do I need to do more? .....	Page 10
When can I get my State Pension? .....	Page 11
How do I claim my State Pension? .....	Page 11
What is my State Pension age? .....	Page 12
When will I get my State Pension? .....	Page 19
The effect increasing State Pension age has on other social security benefits and payments ..	Page 19
How can I build up a basic State Pension and are the rules different for women? .....	Page 20
What are married women’s contributions? .....	Page 26
Home Responsibilities Protection .....	Page 28
Forecasting your State Pension .....	Page 32
What happens if I haven’t paid or been credited with enough National Insurance contributions? ...	Page 35
Can I get a State Pension based on my husband’s or civil partner’s contributions? .....	Page 36

What happens if my marriage ends by divorce or is annulled, or my civil partnership is dissolved or annulled? .....	Page 37
What happens if my husband or civil partner dies? .....	Page 38
What happens if I'm not entitled to the basic State Pension? .....	Page 38
Adult dependency increases .....	Page 39
Non-contributory State Pension for people who are aged over 80 .....	Page 40
The additional State Pension .....	Page 41
The State Earnings-Related Pension Scheme (SERPS) .....	Page 41
The State Second Pension .....	Page 42
How is the State Second Pension worked out? ...	Page 43
Opting out (contracting out) of the additional State Pension .....	Page 46
Inherited State Second Pension .....	Page 48
Graduated Retirement Benefit .....	Page 49
Putting off claiming your State Pension to get extra State Pension later .....	Page 49
Putting off claiming your State Pension to get a lump sum .....	Page 50
More advice and information on putting off your State Pension .....	Page 50

What about non-state pensions? .....	Page 51
What is an occupational pension scheme? .....	Page 51
The Pension Protection Fund .....	Page 53
The Pensions Regulator .....	Page 54
What is a stakeholder pension? .....	Page 54
Personal pensions .....	Page 57
What second pensions would I get if my husband or civil partner dies before they retire? .....	Page 58
What second pensions would I get if my husband or civil partner dies after they retire? .....	Page 59
Pension sharing .....	Page 60
Checking your pension .....	Page 61
Other recent changes in the law that could affect you .....	Page 62
The Civil Partnership Act 2004 .....	Page 62
The Gender Recognition Act 2004 .....	Page 63
Pension tax rules made simpler: The Finance Act 2004 .....	Page 63
Useful contacts .....	Page 64
Organisations you may find useful .....	Page 65
Other leaflets and guides you may find useful ...	Page 69

## **Pensions for women – your guide**

We all need to make sure we have enough money to live on when we retire. The basic State Pension is a start. (Basic State Pension is the part of your State Pension that is based on the National Insurance contributions you pay, are treated as having paid or are given as credits.) But to have the lifestyle you want, you may need to think about a second pension too. You may also need to look at what you think you'll get from the State Pension. Your State Pension can be made up of basic State Pension, additional State Pension or both.

The sooner you start paying money into a pension, the longer you will have to build it up.

This leaflet gives you information about pensions and tells you about issues that may affect pensions for women. It looks at some of the things you may need to think about, and tells you where you can find more information.

## **Changes to the rules on state pensions**

In the Pensions Act 2007, changes were made to the rules for building up a State Pension. These changes were made to help more people, particularly women, build up a basic State Pension. The changes could affect your State Pension.

Different rules apply depending on when you reach State Pension age. This leaflet can help you work out your State Pension age and find out which rules apply to you.

Most of the changes made by the Pensions Act 2007 will affect people who reach State Pension age on or after 6 April 2010. This applies to women born on or after 6 April 1950 (or men born on or after 6 April 1945).

The main changes made by the Act include the following:

- The number of qualifying years needed for a full basic State Pension will be reduced to 30 for women and men. A qualifying year is a tax year where you have paid, are treated as having paid or are credited with a minimum amount of National Insurance contributions (for more information, see pages 20 to 23). Currently, women normally need 39 qualifying years to get a full basic State Pension (and men normally need 44 years). Just one qualifying year of paid or credited National Insurance contributions will give you some basic State Pension. Each qualifying year of contributions will be worth  $\frac{1}{30}$  of the full basic State Pension.
- Home Responsibilities Protection (which reduces the number of qualifying years needed to get a full basic State Pension) will be replaced with National Insurance credits if you are:
  - getting Child Benefit for a child aged under 12
  - an approved foster carer, or
  - caring for at least 20 hours a week for someone or people who are severely disabled.

These credits will count towards basic State Pension and State Second Pension.

- If you have built up years of Home Responsibilities Protection before 6 April 2010 under the current rules, we will convert this into qualifying years of National Insurance credits.

Learn more from our website at:

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[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

These changes will mean that people with very few qualifying years, particularly women, will be able to get at least some basic State Pension. You can find more information about these changes on pages 22, 30 and 31.

The existing rules for building up a State Pension will continue to apply to people who reach State Pension age before 6 April 2010. This applies to women born before 6 April 1950 (and men born before 6 April 1945). However, a few changes made by the Pensions Act 2007 may also apply to these people.

This leaflet 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 February 2008. It is possible that some of the information is oversimplified, or may become inaccurate over time, for example because of changes to the law. You could think about getting independent advice, which you may have to pay for, before making any financial decisions based on the information within this leaflet. You can find details of organisations that can provide advice on pages 66 and 67.

The amounts quoted in the leaflet apply from April 2007 and usually change every April.

You can get more detailed information about pensions from other leaflets and booklets. To find out about these leaflets and get free copies you can:

- call **0845 7 31 32 33**
- call textphone **0845 604 0210** if you have speech or hearing difficulties, or
- order online at **[www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk)**.

You can also get information from us or other organisations shown in the section 'Organisations you may find useful' on page 65.

This leaflet gives you helpful information, but only you can make decisions about your pension.

### **Why should I think about my pension?**

Most people can get some money from a basic State Pension. People who work may also have an occupational pension scheme (sometimes called a company pension), which is an arrangement some employers set up to give the people who work for them a pension when they retire. But women often have work patterns and career patterns which are very different from men's, so they need to think carefully about their pensions.

This leaflet will help you to understand:

- your current situation
- what your choices are for a second pension, and
- how your pensions might fit in with your plans for retirement.

This leaflet also tells you what questions you should ask, and things you need to think about, when deciding what to do about a second pension. You can get more information about pensions from The Pensions Advisory Service, from your employer or from your trades union (if you belong to one). To find out how to contact The Pensions Advisory Service, see page 66. If you are not sure what to do, you can get advice from an independent financial adviser. You may have to pay for their advice.

## **My pension – do I need to do more?**

More and more women are building up their own pension, with or without a partner.

A lot of women are building up state pensions and private pensions through work, but the pattern of a woman's working life is often different from a man's. Many women work fewer hours than men. Women are more likely to work part-time than men and are more likely to take time out of work to care for children or to look after relatives who are ill, disabled or elderly.

These circumstances can affect your ability to build up pensions or other income for when you retire. You need to make sure that you choose a pension which takes account of your personal circumstances. If you are married or in a civil partnership, you may be able to get a State Pension which is based on your husband's or civil partner's National Insurance contributions. A civil partner is someone who has entered into a formal arrangement (known as a civil partnership) with a same-sex partner so they have similar rights and responsibilities as a married couple. You should read pages 36 to 37 to find out about using your husband's or civil partner's National Insurance contribution record to improve your State Pension.

## Your State Pension

### When can I get my State Pension?

If you are entitled to a State Pension you can only get it when you have reached State Pension age and you claim it. You do not get your State Pension automatically, you have to claim it.

### How do I claim my State Pension?

We will usually write to you four months before you reach State Pension age and tell you how to claim. To do this we need to have your up-to-date address, so you must make sure you tell us if you move.

Your State Pension can normally be paid every week, every four weeks or every 13 weeks.

If you haven't received a letter from us three months before you reach State Pension age and you want to claim your State Pension, please get in touch with us:

- Call **0845 60 60 265** (English) or **0845 60 60 275** (for Welsh-speaking customers living in Wales).
- Call textphone **0845 60 60 285** (English) or **0845 60 60 295** (Welsh) if you have speech or hearing difficulties.
- Go to our website at **[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)**.

## What is my State Pension age?

The date you reach State Pension age depends on when you were born. If you are a woman and you were born before 6 April 1950, your State Pension age will be 60.

However, if you are a woman born on or after 6 April 1950, your State Pension age is changing. There are two main changes to State Pension age.

The first change is that the age at which women reach State Pension age will gradually increase to 65, which is the same as for men currently. This gradual increase will happen in stages between 2010 and 2020 and will affect you if you are a woman born on or after 6 April 1950 but before 6 April 1955. Women born on or after 6 April 1955 but before 6 April 1959 have a State Pension age of 65.

### **Table 1 on pages 13 to 15 shows the State Pension age for women born on or after 6 April 1950 but before 6 April 1959.**

The second change is that the State Pension age for both men and women will gradually increase from 65 to 68 between 2024 and 2046. This will affect everyone born on or after 6 April 1959. The increase will happen in stages as follows:

- The increase from 65 to 66 will be introduced between April 2024 and April 2026.
- The increase from 66 to 67 will be introduced between April 2034 and April 2036.
- The increase from 67 to 68 will be introduced between April 2044 and April 2046.

### **Table 2 on pages 16 to 18 shows the State Pension age for people born on or after 6 April 1959.**

You can also use the State Pension age calculator to work out your State Pension age. You can find the calculator on our website at [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk).

**Table 1: Your State Pension age if you are a woman and you were born on or after 6 April 1950 but before 6 April 1959, based on your date of birth**

<b>Date you were born</b>	<b>Date you will reach State Pension age</b>
6 April 1950 to 5 May 1950	6 May 2010
6 May 1950 to 5 June 1950	6 July 2010
6 June 1950 to 5 July 1950	6 September 2010
6 July 1950 to 5 August 1950	6 November 2010
6 August 1950 to 5 September 1950	6 January 2011
6 September 1950 to 5 October 1950	6 March 2011
6 October 1950 to 5 November 1950	6 May 2011
6 November 1950 to 5 December 1950	6 July 2011
6 December 1950 to 5 January 1951	6 September 2011
6 January 1951 to 5 February 1951	6 November 2011
6 February 1951 to 5 March 1951	6 January 2012
6 March 1951 to 5 April 1951	6 March 2012
6 April 1951 to 5 May 1951	6 May 2012
6 May 1951 to 5 June 1951	6 July 2012
6 June 1951 to 5 July 1951	6 September 2012
6 July 1951 to 5 August 1951	6 November 2012
6 August 1951 to 5 September 1951	6 January 2013
6 September 1951 to 5 October 1951	6 March 2013
6 October 1951 to 5 November 1951	6 May 2013
6 November 1951 to 5 December 1951	6 July 2013
6 December 1951 to 5 January 1952	6 September 2013

**Table 1: Your State Pension age if you are a woman and you were born on or after 6 April 1950 but before 6 April 1959, based on your date of birth**

<b>Date you were born</b>	<b>Date you will reach State Pension age</b>
6 January 1952 to 5 February 1952	6 November 2013
6 February 1952 to 5 March 1952	6 January 2014
6 March 1952 to 5 April 1952	6 March 2014
6 April 1952 to 5 May 1952	6 May 2014
6 May 1952 to 5 June 1952	6 July 2014
6 June 1952 to 5 July 1952	6 September 2014
6 July 1952 to 5 August 1952	6 November 2014
6 August 1952 to 5 September 1952	6 January 2015
6 September 1952 to 5 October 1952	6 March 2015
6 October 1952 to 5 November 1952	6 May 2015
6 November 1952 to 5 December 1952	6 July 2015
6 December 1952 to 5 January 1953	6 September 2015
6 January 1953 to 5 February 1953	6 November 2015
6 February 1953 to 5 March 1953	6 January 2016
6 March 1953 to 5 April 1953	6 March 2016
6 April 1953 to 5 May 1953	6 May 2016
6 May 1953 to 5 June 1953	6 July 2016
6 June 1953 to 5 July 1953	6 September 2016
6 July 1953 to 5 August 1953	6 November 2016
6 August 1953 to 5 September 1953	6 January 2017

**Table 1: Your State Pension age if you are a woman and you were born on or after 6 April 1950 but before 6 April 1959, based on your date of birth**

<b>Date you were born</b>	<b>Date you will reach State Pension age</b>
6 September 1953 to 5 October 1953	6 March 2017
6 October 1953 to 5 November 1953	6 May 2017
6 November 1953 to 5 December 1953	6 July 2017
6 December 1953 to 5 January 1954	6 September 2017
6 January 1954 to 5 February 1954	6 November 2017
6 February 1954 to 5 March 1954	6 January 2018
6 March 1954 to 5 April 1954	6 March 2018
6 April 1954 to 5 May 1954	6 May 2018
6 May 1954 to 5 June 1954	6 July 2018
6 June 1954 to 5 July 1954	6 September 2018
6 July 1954 to 5 August 1954	6 November 2018
6 August 1954 to 5 September 1954	6 January 2019
6 September 1954 to 5 October 1954	6 March 2019
6 October 1954 to 5 November 1954	6 May 2019
6 November 1954 to 5 December 1954	6 July 2019
6 December 1954 to 5 January 1955	6 September 2019
6 January 1955 to 5 February 1955	6 November 2019
6 February 1955 to 5 March 1955	6 January 2020
6 March 1955 to 5 April 1955	6 March 2020
6 April 1955 to 5 April 1959	Your 65th birthday

**Table 2: Your State Pension age (rising from 65 to 68) if you were born on or after 6 April 1959, based on your date of birth**

<b>Increase in State Pension age from 65 to 66</b>	
<b>Date you were born</b>	<b>Date you will reach State Pension age</b>
6 April 1959 to 5 May 1959	6 May 2024
6 May 1959 to 5 June 1959	6 July 2024
6 June 1959 to 5 July 1959	6 September 2024
6 July 1959 to 5 August 1959	6 November 2024
6 August 1959 to 5 September 1959	6 January 2025
6 September 1959 to 5 October 1959	6 March 2025
6 October 1959 to 5 November 1959	6 May 2025
6 November 1959 to 5 December 1959	6 July 2025
6 December 1959 to 5 January 1960	6 September 2025
6 January 1960 to 5 February 1960	6 November 2025
6 February 1960 to 5 March 1960	6 January 2026
6 March 1960 to 5 April 1960	6 March 2026
6 April 1960 to 5 April 1968	Your 66th birthday

**Table 2: Your State Pension age (rising from 65 to 68) if you were born on or after 6 April 1959, based on your date of birth**

<b>Increase in State Pension age from 66 to 67</b>	
<b>Date you were born</b>	<b>Date you will reach State Pension age</b>
6 April 1968 to 5 May 1968	6 May 2034
6 May 1968 to 5 June 1968	6 July 2034
6 June 1968 to 5 July 1968	6 September 2034
6 July 1968 to 5 August 1968	6 November 2034
6 August 1968 to 5 September 1968	6 January 2035
6 September 1968 to 5 October 1968	6 March 2035
6 October 1968 to 5 November 1968	6 May 2035
6 November 1968 to 5 December 1968	6 July 2035
6 December 1968 to 5 January 1969	6 September 2035
6 January 1969 to 5 February 1969	6 November 2035
6 February 1969 to 5 March 1969	6 January 2036
6 March 1969 to 5 April 1969	6 March 2036
6 April 1969 to 5 April 1977	Your 67th birthday

**Table 2: Your State Pension age (rising from 65 to 68) if you were born on or after 6 April 1959, based on your date of birth**

<b>Increase in State Pension age from 67 to 68</b>	
<b>Date you were born</b>	<b>Date you will reach State Pension age</b>
6 April 1977 to 5 May 1977	6 May 2044
6 May 1977 to 5 June 1977	6 July 2044
6 June 1977 to 5 July 1977	6 September 2044
6 July 1977 to 5 August 1977	6 November 2044
6 August 1977 to 5 September 1977	6 January 2045
6 September 1977 to 5 October 1977	6 March 2045
6 October 1977 to 5 November 1977	6 May 2045
6 November 1977 to 5 December 1977	6 July 2045
6 December 1977 to 5 January 1978	6 September 2045
6 January 1978 to 5 February 1978	6 November 2045
6 February 1978 to 5 March 1978	6 January 2046
6 March 1978 to 5 April 1978	6 March 2046
6 April 1978 onwards	Your 68th birthday

## **When will I get my State Pension?**

State Pension age is the earliest age you can claim your State Pension. However, you don't have to claim your State Pension as soon as you reach State Pension age. Some people decide to carry on working after they have reached State Pension age. If you don't need the money from your State Pension straight away, you could decide to put off claiming it until later (see page 49).

## **The effect increasing State Pension age has on other social security benefits and payments**

Some social security benefits, such as Jobseeker's Allowance and Incapacity Benefit, can be paid to people up to their State Pension age. The increase in women's State Pension age will mean that the maximum age limits for women to receive these benefits will rise gradually from 60 to 65 between 2010 and 2020.

Some other social security benefits and payments are currently paid to people up to age 60, for example Income Support. Other social security benefits and payments are paid only from age 60, for example Pension Credit and Winter Fuel Payments. The age limits for these benefits will also rise gradually from 60 to 65 between 2010 and 2020. So, from 2020 you could claim Income Support up to age 65, Pension Credit from age 65 and will be able to receive a Winter Fuel Payment from age 65.

The law allows for the age limits for benefits to rise again gradually in line with the increases in State Pension age from 65 to 68 that will take place between 2024 and 2046.

## **How can I build up a basic State Pension and are the rules different for women?**

### **Building up your basic State Pension**

You can build up your basic State Pension by:

- paying (or being treated as having paid) National Insurance contributions, or
- being credited with contributions.

You need to have a minimum amount of contributions to make a tax year count as a qualifying year. The amount of basic State Pension you get is worked out based on the number of 'qualifying years' during which you have built up your contributions or credits before reaching State Pension age.

You may be able to reduce the number of qualifying years you need for a basic State Pension if you get Home Responsibilities Protection. See page 28 for more information.

If you are a married woman or a widow and you chose to pay reduced-rate National Insurance contributions as an employee (sometimes known as the 'small stamp' or 'married woman's stamp'), years when you paid these contributions do not count towards qualifying years for the State Pension. See page 26 for more information on this.

### **What counts as a qualifying year?**

The amount of basic State Pension you receive at State Pension age is based on your National Insurance record over your working life from age 16 to State Pension age. This record is made up of National Insurance contributions you have paid, are treated as having paid, or have had credited to you in each tax year. You need to have a minimum amount of contributions to make a tax year count as a qualifying year.

## **The tax year**

When we talk about the 'tax year', we mean 6 April to 5 April the following year. For example, the tax year 2007/2008 runs from 6 April 2007 to 5 April 2008.

## **If you reach State Pension age before 6 April 2010**

If you are a woman and you reach State Pension age before 6 April 2010, you normally need to have 39 qualifying years to get a full basic State Pension.

To get any basic State Pension, you normally need to meet the following two conditions.

The first condition is that you must normally have at least one qualifying year where you have paid, or have been treated as having paid, enough National Insurance contributions (when you are working) or voluntary Class 3 National Insurance contributions (see page 25).

You cannot normally get a basic State Pension based on National Insurance credits alone. You will normally get National Insurance credits if you are not working because you are ill, or if you are unemployed or getting Carer's Allowance. See page 24 for more information about getting National Insurance credits.

The second condition is that you must normally have at least 25% of the qualifying years needed for a full basic State Pension (that is around 10 years for women) to get any basic State Pension.

If you do not meet these conditions, you cannot get a refund of the National Insurance contributions you have paid. This is because those contributions pay towards other benefits (for example, Incapacity Benefit, Jobseeker's Allowance and bereavement benefits) as well as the State Pension.

If you do not qualify for a full basic State Pension, but you have more than 25% of the qualifying years needed at

State Pension age, you will be entitled to a basic State Pension between the minimum amount (£21.83 a week in 2007/2008) and the maximum amount (£87.30 a week in 2007/2008).

The amount you receive will depend on the number of qualifying years you have.

### **If you reach State Pension age on or after 6 April 2010**

If you will reach State Pension age on or after 6 April 2010, different conditions will apply to you. The number of qualifying years needed to get a full basic State Pension will be reduced to 30 for women and men.

The current minimum contribution conditions will be removed. This means you will no longer have to have at least one qualifying year where you have paid (or are treated as having paid) National Insurance contributions. Also, you will no longer need to have 25% of the qualifying years needed for a full basic State Pension to get any basic State Pension.

You will need at least one qualifying year of either paid or credited contributions to give you some basic State Pension. Each qualifying year of paid or credited contributions will be worth  $\frac{1}{30}$  of the full basic State Pension. So, one qualifying year of paid or credited contributions will give you  $\frac{1}{30}$  of the full basic State Pension, 15 qualifying years will give you half of the full basic State Pension, and so on.

### **How do I build up my basic State Pension through paid work?**

You can build up your basic State Pension by paying National Insurance contributions from your wages or salary. The amount of National Insurance contributions you pay depends on how much you earn.

If you work for an employer and you earn more than £100 a week (in 2007/2008), you will pay National Insurance contributions for that week. This limit of £100 is called the 'primary threshold'. Your employer takes these contributions out of your pay.

For each week that you work for an employer and earn between £87 a week (the lower earnings limit for 2007/2008) and the primary threshold of £100 a week, you will be treated as if you have paid National Insurance contributions even though you do not have any contributions taken out of your pay. This means that you will continue to build up entitlement to the State Pension and other benefits, such as Jobseeker's Allowance and Incapacity Benefit, even though you are not paying National Insurance contributions.

To build up a qualifying year of entitlement to a State Pension through earnings in 2007/2008, you need to have earnings of at least £4,524 a year on which you have paid National Insurance contributions, or are treated as having paid them. In certain cases there are ways you can protect your State Pension, or build it up, even if you earn a low amount (less than £4,524 in 2007/2008) or you are taking time out of paid work (see page 24).

If you are self-employed, you pay National Insurance contributions yourself. You will have to pay flat-rate Class 2 contributions however much you earn, unless you have a Certificate of Small Earnings Exception which says you do not have to pay Class 2 National Insurance contributions. Class 2 contributions count towards basic State Pension so if you do not pay them for any period this may affect your basic State Pension. You can contact HM Revenue & Customs to find out about a Certificate of Small Earnings Exception and to get more information about Class 2 National Insurance contributions.

## **Can I build up entitlement to a basic State Pension if I am not working or I am earning a low amount?**

You can still protect your entitlement to the basic State Pension if you:

- give up work or do lower-paid work while you look after your children
- give up work or do lower-paid work while you look after someone who is seriously ill or disabled, or
- are a registered foster carer.

There are special rules about protecting your State Pension in this way, called Home Responsibilities Protection, and we explain them in this leaflet (see page 28). Home Responsibilities Protection mainly helps women but it can help some men as well.

If you are not working, you can also build up a basic State Pension through National Insurance credits or by paying voluntary Class 3 National Insurance contributions.

## **How do I get National Insurance credits?**

When you are not able to work, you may be given National Insurance credits to help you protect your entitlement to the basic State Pension. You may be given credits if you are off work because you are ill, or you are unemployed and registered as looking for work. You may get credits with certain benefits or payments, for example Jobseeker's Allowance, Incapacity Benefit, Carer's Allowance and Working Tax Credit.

National Insurance credits are put into your National Insurance account and count towards a qualifying year for basic State Pension in the same way as National Insurance

contributions. You cannot normally get a basic State Pension based on National Insurance credits alone. There are certain conditions you need to meet before you can get a credit and these will depend on the reason you are not able to work.

### **Paying voluntary contributions**

You may be able to pay voluntary Class 3 National Insurance contributions for previous years that are not qualifying years because you did not pay (or were not treated as having paid) enough contributions at the time. You must normally pay the contributions within six years of the end of the tax year the payment is for. So you must pay Class 3 contributions for the tax year 2007/2008 by 5 April 2014 (the end of the tax year 2013/2014). This would help you qualify for the basic State Pension or increase the amount of State Pension you will get. For more information about paying voluntary contributions, contact HM Revenue & Customs. (They used to be called the Inland Revenue and you can find their number in your local phone book.)

## What are married women's contributions?

From 6 April 1975 to April 1977, if you were a married woman, you could choose:

- to pay a reduced rate of Class 1 National Insurance contributions, if you were an employee, or
- not to pay Class 2 National Insurance contributions, if you were self-employed.

These reduced-rate Class 1 National Insurance contributions do not count for the basic State Pension or other benefits covered by National Insurance contributions such as contribution-based Jobseeker's Allowance or Incapacity Benefit.

While you continue to pay reduced-rate contributions, you are not building up a basic State Pension in your own right. You will not usually get credits or Home Responsibilities Protection. When you get to State Pension age you may need to rely on contributions paid by your husband or civil partner to get a State Pension based on their National Insurance contribution record.

This choice stopped in 1977, but if at this time you were a married woman who had already chosen to pay the reduced rate, you have been allowed to carry on paying the reduced rate, unless your circumstances have changed.

For details of what circumstances are relevant, and more information about married women paying reduced-rate National Insurance contributions, you should visit the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or phone them on the number shown on page 68.

### **What happens if I am paying National Insurance contributions at the reduced rate and I now choose to pay them at the standard rate?**

If you decide to start paying National Insurance contributions at the standard rate, you may be able to increase the amount of State Pension you will get. You can do this at any time before you reach State Pension age. If you want to know if it would be worth changing to standard-rate contributions, you can visit the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or contact them on the number shown on page 68.

If you are going to reach State Pension age before 6 April 2010, you will normally need to pay standard-rate contributions for at least 10 years before you qualify for any basic State Pension at all in your own right. If you reach State Pension age on or after 6 April 2010, you will need at least one qualifying year of paid or credited contributions to get any basic State Pension. This would give you  $\frac{1}{30}$  of the full basic State Pension.

### **What happens if I continue to pay National Insurance contributions at the reduced rate?**

If you continue to pay reduced-rate Class 1 National Insurance contributions those contributions will not build up your basic State pension and will not count for other benefits which are paid to you if you have paid enough National Insurance contributions (for example, Incapacity Benefit or contribution-based Jobseeker's Allowance). For more information about additional State Pension, read page 41.

## Home Responsibilities Protection

### How does Home Responsibilities Protection work?

Home Responsibilities Protection is not a benefit. It helps protect your State Pension when you aren't paying, being treated as paying or being credited with National Insurance contributions. It does this by reducing the number of qualifying years you need for a full basic State Pension. It has been available since 1978. Since April 2002 it has also helped people build up extra money through the State Second Pension (see page 42).

With Home Responsibilities Protection, carers (both women and men) need fewer qualifying years than normal to build up a full basic State Pension. However, to get a full basic State Pension, you will still need at least 20 qualifying years on top of any years when you had Home Responsibilities Protection. So, Home Responsibilities Protection does not guarantee you will get a basic State Pension.

### Can I get Home Responsibilities Protection?

You can get Home Responsibilities Protection if, for a full tax year you are:

- receiving Child Benefit for a child under 16
- a registered foster carer (for tax years from April 2003 only)
- caring for a sick or disabled person (for at least 35 hours a week) who is getting Attendance Allowance, Disability Living Allowance (the middle- or highest-rate care component) or Constant Attendance Allowance, or
- getting Income Support and you don't need to register for work because you're caring for someone who is sick or has a disability.

If you already have a qualifying year from National Insurance contributions, you won't be able to get Home Responsibilities Protection in the same year.

### **Working out who should claim Child Benefit**

Men and women can get Home Responsibilities Protection. If you have a partner, or care for a child with someone else, it's important that you consider who should claim Child Benefit, because only the person claiming Child Benefit can get Home Responsibilities Protection to help protect their basic State Pension.

If your partner works for an employer and earns enough to build up their basic State Pension (at least £4,524 a year in 2007/2008) while you stop work to care for your children, you are more likely than your partner to need help protecting your basic State Pension.

For example, with Home Responsibilities Protection, you could get a full basic State Pension after you've cared for a child or relative for 19 years, and have built up 20 qualifying years as a result of having paid standard-rate National Insurance contributions.

If you qualify for Home Responsibilities Protection because you get Child Benefit, you don't have to claim it. We will give it to you automatically up to the end of the tax year (5 April) before your child's 16th birthday.

Remember that to be able to get Home Responsibilities Protection you need to have been receiving Child Benefit for the full tax year.

If you want to change the person in your household who gets Child Benefit, you need to transfer the claim to them as early as possible in the new tax year (6 April to 5 April) so that they can get Home Responsibilities Protection for that year.

You will need to claim Home Responsibilities Protection if you are:

- a foster carer, or
- caring for at least 35 hours a week for a seriously sick or disabled person including a child over the age of six (and you have not been getting Income Support throughout the tax year).

There are time limits for claiming Home Responsibilities Protection if you are caring for a sick or disabled person. You need to fill in the claim form no later than three years after the end of the tax year in which you were providing care.

For more information, or to make a claim for Home Responsibilities Protection, please read the Home Responsibilities Protection leaflet, CF411. You can get this from HM Revenue & Customs' National Insurance Contributions Office (see page 68 for details on how to contact them).

### **If you reach State Pension age on or after 6 April 2010**

Home Responsibilities Protection is being replaced for people reaching State Pension age on or after 6 April 2010.

From 6 April 2010, parents and other people with children and carers will be able to build up qualifying years through new weekly credits for the basic State Pension and additional State Pension (see page 41 for information about additional State Pension). If you are bringing up children, or are a carer, you will get a credit for each week you are:

- getting Child Benefit for a child aged under 12
- an approved foster carer, or
- caring (for at least 20 hours a week) for someone or people getting Attendance Allowance, Disability Living Allowance (middle- or highest-rate care component) or Constant Attendance Allowance.

We are also looking at giving a credit to people who are caring for at least 20 hours a week for other people who need care. The details of this are still being developed.

After 2010 there is no limit on the number of years you can get these credits for, as long as you meet the qualifying rules.

If you reach State Pension age on or after 6 April 2010, we will convert any years of Home Responsibilities Protection you have already built up before that date under the current rules into qualifying years for the basic State Pension under the new rules. We will convert up to 22 years of Home Responsibilities Protection into qualifying years. (Home Responsibilities Protection also counts towards bereavement benefits. If the person dies after 5 April 2010, we can convert years of Home Responsibilities Protection into qualifying years for bereavement benefits for up to half the working life of the person who died. The working life is from age 16 up to the year before the person died.)

## Forecasting your State Pension

### What is a pension forecast?

A State Pension forecast tells you, in today's money values:

- the amount of State Pension you may get based on your National Insurance contributions so far, and
- the amount of State Pension you may get when you claim your State Pension.

### How much is my State Pension likely to be?

If you want to know how much State Pension you are likely to get when you reach State Pension age, you can apply for a pension forecast. This could help you decide whether you are saving enough money to cover your retirement, and if you need to save more.

However, we temporarily cannot provide a State Pension forecast to customers who reach State Pension age on or after 6 April 2010. This is because we need to update the computer systems that are used to provide State Pension forecasts to reflect the recent changes to the State Pension rules.

**Over the next year we will be updating the computer systems used to provide State Pension forecasts, to allow us to provide a service that will be available for everybody to use.**

**We aim to have the system changes in place by autumn 2008. In the meantime, if you reach State Pension age on or after 6 April 2010 the information in this leaflet explains how the changes might affect your State Pension. Or, you can speak to us by calling us on **0845 3000 168** (English) or **0845 300 2084** (Welsh).**

**If you will reach State Pension age before 6 April 2010, you can continue to ask for a State Pension forecast as normal.** If this applies to you and you want to find out the amount of State Pension you may get when you reach State Pension age, there are four ways to get a State Pension forecast. You can:

- visit our website at [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk) and follow the link to the online service
- print out an application form from the resource centre of our website and post the filled-in form to the State Pension Forecasting Team
- contact the State Pension Forecasting Team either in writing or by phone and ask them to send you an application form, or
- call the State Pension Forecasting Team and ask them to fill in the form with you over the phone.

You can write to them at:

The State Pension Forecasting Team  
The Pension Service  
Tyneview Park  
Whitley Road  
Newcastle-upon-Tyne  
NE98 1BA.

You can also call them on the following phone numbers.

Phone: **0845 3000 168** (English) or **0845 300 2084** (Welsh)

Textphone: **0845 3000 169** (English) or **0845 300 2085** (Welsh) if you have speech or hearing difficulties

### **How do you work out my pension forecast?**

We look at several things, including:

- the amount of National Insurance contributions you have paid, have been treated as having paid or have been credited with already
- the amount of National Insurance contributions we think you may have paid, have been treated as having paid or have been credited with by the time you reach State Pension age
- whether you have a private pension
- whether you are divorced or your marriage has been annulled
- whether your civil partnership has been dissolved (legally ended) or annulled
- if you are in Scotland, whether you and your husband are separated, and
- whether the court has agreed a special arrangement for your pension. (See the section on pension sharing on page 60).

**We use the State Pension rules that will apply to you.**

**If you reach State Pension age before 6 April 2010, we use today's rules.**

You'll see we give two amounts for your basic State Pension. These are estimates only.

The first shows the basic State Pension you may get when you reach State Pension age, based on the National Insurance contributions you have paid, have been treated as having paid or have been credited with at the time of the forecast, and any Home Responsibilities Protection you may have had.

If the amount is 'NIL', it's because our records show you don't have the minimum number of qualifying years needed to get any basic State Pension (see page 21).

The second amount is an estimate of the basic State Pension you may get when you reach State Pension age. This also includes an estimate of what we expect your future National Insurance contributions to be between the time we issue the forecast and the time you reach State Pension age. It doesn't include any Home Responsibilities Protection you may get.

The amount of State Pension you receive may be lower than that shown in the forecast if your National Insurance contributions were less than we expected them to be when we prepared your forecast.

If you're a married woman or widow who has chosen to pay reduced-rate National Insurance contributions as an employee, we will assume you will continue to pay reduced-rate contributions when we work out your estimated State Pension.

### **What happens if I haven't paid, or been credited with, enough National Insurance contributions?**

If you haven't paid, or been credited with, enough National Insurance contributions to get a full basic State Pension, there may be other ways you can improve what you can get:

- You may be able to get a basic State Pension based on your husband's or civil partner's National Insurance contribution record (see page 36).
- If you are divorced, your marriage has been annulled or your civil partnership is dissolved (legally ended) or has been annulled, you may be able to get a State Pension based on your ex-husband's or ex-civil partner's National Insurance contribution record (see page 37).

- If your husband or civil partner dies, you may be able to get a State Pension based on their National Insurance contribution record (see page 38).
- You may be able to get other financial support such as Pension Credit which can top up your income to a guaranteed minimum amount if you are 60 or over (see page 38).
- If you are 80 or over, you may be able to get a special State Pension (see page 40). You do not have to have paid National Insurance contributions to get this pension.
- You may be able to pay voluntary National Insurance contributions for previous years that are not qualifying years because you did not pay (or were not treated as having paid) enough contributions at the time (see page 25).

### **Can I get a State Pension based on my husband's or civil partner's contributions?**

If you have not paid or been credited with enough National insurance contributions to get a full basic State Pension of your own, you may be able to get a basic State Pension based on your husband's or civil partner's National Insurance contribution record. There are different rules for women and men, married people and civil partners.

A civil partnership is a formal arrangement that gives same-sex partners similar rights and responsibilities as a married couple. Each person who enters into a civil partnership is known as a civil partner.

If you are a married woman you may be able to get a basic State Pension based on your husband's National Insurance contribution record if your husband is over State Pension age and (until 6 April 2010 – see the next page for more information) has claimed his own State Pension. Depending on the amount of contributions your husband has made, you

could get a basic State Pension of up to 60% of the full basic State Pension. You do not have to be living with your husband to get this basic State Pension.

If you are married and have built up a basic State Pension (through your own contributions) that is less than 60% of the full basic State Pension, and you also qualify for a basic State Pension based on your husband's National Insurance contribution record, we will pay you a basic State Pension of up to 60% of the full amount, based on your and your husband's contributions. We will not pay both.

At the moment a husband or civil partner cannot get a basic State Pension based on their wife's or civil partner's National Insurance contribution record. From 6 April 2010, your husband or civil partner may qualify for a basic State Pension based on your National Insurance record, as long as you were born on or after 6 April 1950 and have reached State Pension age. You do not need to have claimed your own State Pension.

From 6 April 2010, you will be able to claim a State Pension based on your husband's National Insurance contribution record even if he has not claimed his own State Pension, as long as he has reached State Pension age and would qualify for a State Pension if he claimed it.

### **What happens if my marriage ends by divorce or is annulled, or my civil partnership is dissolved or annulled?**

If you are divorced, or your marriage has been annulled, or your civil partnership is dissolved (legally ended) or annulled, you may be able to use your ex-husband's or ex-civil partner's National Insurance contribution record to help top up your basic State Pension. This won't affect your ex-husband's or ex-civil partner's basic State Pension. If you remarry or form a new civil partnership before you reach State Pension age, you lose this right. (See also section on pension sharing on page 60.)

### **What happens if my husband or civil partner dies?**

If your husband or civil partner dies, you may be able to use their National Insurance contribution record to help you get a better State Pension.

If you haven't reached State Pension age yet and your husband or civil partner dies, you may be able to get bereavement benefits (under the Bereavement Benefit Scheme).

If you are over State Pension age and your husband or civil partner was not entitled to a State Pension based on their own National Insurance contributions when they died, you may be entitled to a Bereavement Payment (a single lump sum which you can claim after your husband or civil partner dies).

If you are already getting benefits under the previous Widow's Benefit Scheme (for people widowed on or before 8 April 2001), you can continue to receive these benefits for as long as you meet the qualifying conditions. You will not be able to get the new bereavement benefits. Although benefits under the Widow's Benefit scheme can continue until age 65, you may be better off claiming your State Pension when you reach State Pension age. You should contact your Pension Centre shortly before you get to State Pension age to find out about this.

You can get more information on bereavement and widows benefits from Jobcentre Plus, see page 70 for contact details.

### **What happens if I'm not entitled to the basic State Pension?**

As well as the State Pension, the Government provides a range of help to provide extra financial support to pensioners.

Pension Credit is a tax-free payment for people aged 60 and over who are living in Great Britain. You do not need to have paid National Insurance to get it. There are two parts to Pension Credit – the Guarantee Credit and the Savings Credit.

The Guarantee Credit may be paid to people aged 60 and over and may top up your weekly income to a guaranteed minimum amount. You may also get extra amounts in the Guarantee Credit if you:

- are severely disabled
- are getting Carer's Allowance, or would be getting it if you did not already have another higher benefit (we call this 'underlying entitlement'), or
- have certain housing costs.

The Savings Credit is an extra amount you may receive if you or your partner are aged 65 and over for some of your savings or a second pension. You can get the Savings Credit on top of the Guarantee Credit. You may still get Pension Credit if you live with your family or own your own home. See page 8 to find out how to get a copy of the Pension Credit leaflet.

If you are 60 or over, you may also be entitled to other help towards paying your rent and council tax. For more information, you should contact your local council.

### **Adult dependency increases**

An adult dependency increase is an increase in your State Pension for a wife, husband or someone who is looking after your children.

If you are married, your husband may get an increase in his State Pension for you if he normally gets some basic State Pension and you are not getting a State Pension or any other state benefit yourself. Whether he gets the increase will depend on the amount of earnings you have, if any.

If you are married, you may be able to get an increase in your State Pension for your husband if you were getting an increase in Incapacity Benefit for him just before you

qualified for your State Pension. Whether you get the increase will depend on the amount of earnings he has, if any, and any other state benefit he receives.

You may also get an increase in your State Pension for someone who is looking after your child, depending on whether or not you are getting any basic State Pension and whether you are entitled (or treated as being entitled) to Child Benefit for the child. Any earnings the person looking after your child has may affect how much we increase your State Pension by.

From 6 April 2010, people will no longer be able to claim an adult dependency increase. If you have already been awarded an adult dependency increase by that date, you will continue to receive it until 5 April 2020 at the latest, as long as you continue to meet the qualifying conditions.

### **Non-contributory State Pension for people who are aged over 80**

If you are over 80 and don't have a State Pension, or have only a small State Pension, you can get a special State Pension. It is 'non-contributory' which means you don't have to have paid National Insurance contributions to get it. This State Pension is £52.30 a week in 2007/2008.

We will pay this to you if you:

- are aged 80 and over
- live in Great Britain at the time you claim
- have lived in Great Britain for 10 years or more during the 20 years since your 60th birthday, and
- have no State Pension, or have a basic State Pension of less than £52.30 in 2007/2008.

## **The additional State Pension**

### **What is the additional State Pension?**

The additional State Pension is money you can get on top of your basic State Pension. You don't have to be getting a basic State Pension to receive it. The amount of additional State Pension you get depends on how much you have earned (or are treated as having earned) and the amount of National Insurance contributions you have paid (or are treated as having paid) since 5 April 1978.

Your additional State Pension may be made up of:

- a State Earnings-Related Pension Scheme (SERPS) pension
- a State Second Pension, or
- both.

### **The State Earnings-Related Pension Scheme (SERPS)**

You may be entitled to additional State Pension through the State Earnings-Related Pension Scheme (SERPS).

The amount you will get depends on how much you earned and the amount of National Insurance contributions you paid (or are treated as having paid) before 2002. It also depends on whether you contracted out (opted out) of SERPS so you could take out another pension such as a work pension or personal pension.

If you contracted out of SERPS, this will reduce the amount of additional State Pension you will get. If you worked for yourself before 2002 and paid Class 2 National Insurance contributions during that time this won't have counted towards SERPS.

The Government changed the SERPS scheme in 2002 when they introduced the State Second Pension. Any additional State Pension you built up through SERPS before 2002 will be added to your State Second Pension.

## The State Second Pension

The State Second Pension gives people who earn lower wages, or aren't able to work as much as other people, the chance to earn a better additional State Pension.

You may be able to build up additional State Pension through the State Second Pension if:

- you are an employee earning above £4,524 a year (in 2007/2008), or
- you are a carer or someone with a long-term illness or disability.

If you have worked for yourself and paid Class 2 National Insurance contributions for any period since 2002 this won't count towards State Second Pension.

To build up State Second Pension, you need to:

- have earnings above the National Insurance lower earnings limit throughout the tax year
- be a carer throughout the tax year, or
- have a long-term illness or disability throughout the tax year.

Until 2010 you cannot combine periods of earnings, caring or illness within a tax year to build up entitlement to State Second Pension.

You can 'contract out' of the State Second Pension and build up another second pension by joining an occupational, personal or stakeholder pension scheme at any time during your working life. This may affect the amount of additional State Pension you will get.

## How is the State Second Pension worked out?

If you are entitled to a State Second Pension, what you get is based on:

- the earnings you pay standard-rate National Insurance contributions on, or
- the earnings you are treated as having paid standard-rate National Insurance contributions on.

Under current rules, you build up a State Second Pension at different rates depending on how much you earn (but this will change from 2010 – see page 46). There are three bands of earnings, which we have set out below.

- Earnings up to (but not above) the low earnings threshold (£13,000 in 2007/2008).
- Earnings above the low earnings threshold but not above the upper earnings threshold (£30,000 in 2007/2008).
- Earnings above the upper earnings threshold but not above the upper earnings limit (£34,840 in 2007/2008).

## I'm a carer. Can I get a State Second Pension?

If you're a carer, you can build up a State Second Pension if you're not working at all or you're earning less than £4,524 a year (in 2007/2008), and one of the following applies to you.

- You are looking after a child under six and are receiving Child Benefit for that child.
- You are looking after an ill or disabled person and getting Home Responsibilities Protection.
- You are entitled to Carer's Allowance – even if you're not getting it because you get another benefit that pays you more.

If this applies to you, you will be treated as if you are earning at the low earnings threshold (£13,000 a year in 2007/08).

## **I'm ill or disabled. Can I get a State Second Pension?**

You can build up a State Second Pension if:

- you're not working at all, or you're earning less than £4,524 a year (in 2007/2008), and
- you're entitled to long-term Incapacity Benefit – even if you're not getting it because you get another benefit that pays you more, or
- you get protected Severe Disablement Allowance or Income Support.

If you reach State Pension age before 6 April 2010, you also need to pass the Labour Market Attachment Test.

### **What is the Labour Market Attachment Test?**

The Labour Market Attachment Test tells us whether you have built up State Second Pension for tax years when you were entitled to long-term Incapacity Benefit or protected Severe Disablement Allowance. If you have worked and paid National Insurance contributions for at least 10% of your working life since 1978 by the time you reach State Pension age, then you have passed the Labour Market Attachment Test. Sometimes we can tell you if you have passed this test before you reach State Pension age – if this applies to you, we'll tell you in your pension forecast (page 32 tells you how we work out your State Pension forecast).

We are temporarily unable to provide a State Pension forecast to customers who reach State Pension age on or after 6 April 2010 (see page 32).

## **How does the State Second Pension build up?**

- If you are a carer and qualify for the State Second Pension, you will earn just over £1 a week of State Second Pension for each full tax year you are a carer. You will receive this as part of your State Pension when you reach State Pension age and claim your State Pension. There is no limit to the number of years that can count in this way.
- If you can't do paid work because you are ill or disabled, and you qualify for the State Second Pension, you will earn just over £1 a week of State Second Pension for each full tax year you are ill or disabled. You will receive this as part of your State Pension when you reach State Pension age and claim your State Pension.

## **If you reach State Pension age on or after 6 April 2010**

At the moment, credits you have received for caring, illness or disability only count towards your State Second Pension if you have been a carer throughout the tax year, or have a long-term illness or disability throughout the tax year.

From 6 April 2010, changes in the rules will allow you to combine any credits you have been awarded during the tax year with any earnings above the lower earnings limit so that both can count towards your State Second Pension.

The range of benefits that will allow you to get a credit for the State Second Pension will be extended to people getting the new National Insurance credits replacing Home Responsibilities Protection (see pages 30 and 31).

If you are entitled to Severe Disablement Allowance or Incapacity Benefit, you will no longer need to pass the Labour Market Attachment Test to qualify for the State Second Pension. This means that, to qualify for State Second

Pension, you will not need to have worked and paid Class 1 National Insurance contributions for at least 10% of your working life since 1978.

The way we work out State Second Pension will also be made simpler from 2010/2011. Instead of using three bands of earnings to work out State Second Pension, we will only use two. We will do this by bringing the top two earnings bands together.

In future you will get a standard flat-rate amount of State Second Pension, worth around £1.50 a week (based on earnings in 2007/2008), for each qualifying year that you build up. Also, people earning above the low earnings threshold are entitled to an extra earnings-related payment. We will gradually withdraw this earnings-related payment so that by around 2030 State Second Pension will be made up of the flat-rate amount only.

## **Opting out (contracting out) of the additional State Pension**

### **What does 'contracting out' mean?**

'Contracting out' means you have joined an occupational, stakeholder or personal pension scheme that can be used to replace all, or part, of the additional State Pension (SERPS or State Second Pension).

The Pensions Act 2007 also includes changes to end contracting out of the State Second Pension into a money-purchase (defined-contribution) scheme (the date this change takes place will be decided later). This means you will no longer be able to contract out of the State Second Pension by joining a money-purchase occupational pension scheme (a pension scheme run by an employer) or through a personal or stakeholder pension scheme. These pension schemes, where the

money paid in is invested to provide you with an income, are known as 'defined-contribution schemes'.

You will still be able to contract out into a salary-related (defined-benefit) occupational pension scheme. If you are contracted out into a salary-related (defined-benefit) pension scheme, the pension you get when you retire will be based on your earnings and the number of years you have been a member of your pension scheme.

If you want more information on contracting out, you can contact us to get a copy of our leaflet on contracting out of the State Second Pension (see page 8 for our contact details).

### **Examples of how the State Second Pension can help low earners**

Margaret works part-time in a supermarket. She earns £7,500 a year. She doesn't have enough spare money to save for a private pension. Under the rules for the State Second Pension, people who earn above the lower earnings limit (£4,524 in 2007/2008) but below the low earnings threshold (£13,000 in 2007/2008) are treated as if they had earnings at the low earnings threshold. So Margaret is treated as if she had earnings of £13,000 (in 2007/2008) and can build up some additional State Pension through the State Second Pension.

Sajda is taking time out of paid work so that she can care for her two children until they are both at primary school. Her children were born in September 2001 and December 2004. Under the current rules for the State Second Pension, Sajda can build up some State Second Pension while she is not working for each full tax year until her youngest child reaches age six. This will happen in December 2010 so she could build up State Second Pension for eight years (from 6 April 2002 to 5 April 2010). She will be treated as if she

had earnings of £13,000 (in 2007/2008) for each one of those eight years – as long as she receives Child Benefit for a child aged under six in each of those years.

Under the new rules from 6 April 2010, Sadjja could build up State Second Pension for further years until her youngest child reaches age 12.

Jane has an elderly mother who is disabled. She cares for her for 35 hours a week. Under current rules Jane gets Home Responsibilities Protection which means she is building up additional State Pension while she looks after her mum. In a few years Jane's sister plans to cut down her hours at work so that she can help Jane look after their mum. When that happens Jane plans to go back to work part-time as she will still need to care for her mum for some of the week. From 6 April 2010, Jane could still build up State Second Pension under the new rules if she is caring for her mother for at least 20 hours a week.

### **Inherited State Second Pension**

Do I get extra pension if I'm a widow?

If you're a widow or your civil partner has died, you may inherit:

- between half and all of your husband's or civil partner's SERPS pension (the amount you receive depends on when you were widowed or your civil partner died, and when your husband or civil partner reached State Pension age), or
- up to half of your husband's or civil partner's State Second Pension.

You can get a leaflet about inheriting SERPS from us. See page 8 for our contact details.

## **Graduated Retirement Benefit**

If you were an employee and paid graduated National Insurance contributions between 6 April 1961 and 5 April 1975, you will get some extra money with your State Pension called Graduated Retirement Benefit.

Women and men had to pay different rates of contributions to earn one unit of Graduated Retirement Benefit. The amount of Graduated Retirement Benefit you are awarded is based on the number of 'units' you built up while the Graduated Retirement Benefit scheme was in place (between 1961 and 1975).

If Parliament approves, women who reach State Pension age on or after 6 April 2010 will have their Graduated Retirement Benefit units worked out in the same way as men's.

## **Putting off claiming your State Pension to get extra State Pension later**

Deciding when to claim your State Pension is an important decision. If you don't need the income from your State Pension as soon as you reach State Pension age (perhaps because you are still working or have other income), you could put off claiming it until later. This is called deferring your State Pension. Many people choose to do this as staying in work for even a year or two after reaching State Pension age can help give you a better income while you are in work and for the future.

If you decide to put off (defer) claiming your State Pension when you reach State Pension age, you could choose to get extra State Pension (also called 'increments') or a one-off lump sum payment (see page 50).

If you choose to get extra State Pension, you won't be paid any State Pension for the weeks you put off claiming it, but will get a higher State Pension when you do claim.

You must put off claiming for at least five weeks for it to make a difference to the amount of State Pension you receive later. You can get an extra 1% of State Pension for every five weeks you put off claiming. This comes to about 10.4% extra for every year you put off claiming.

### **Putting off claiming your State Pension to get a lump sum**

If you put off claiming your State Pension, you could choose to get a lump sum instead of extra State Pension. You can only do this if you put off claiming your State Pension for at least 12 months in a row.

Your lump sum is worked out by adding up the amount of normal weekly State Pension you would have got, plus interest. You may have to pay tax on the lump sum depending on how much income you have.

If you are getting certain other benefits, including Carer's Allowance, while you are putting off claiming your State Pension, you will not build up extra State Pension or a lump sum. See the next section about getting more advice and information about deferring your State Pension.

### **More advice and information on putting off your State Pension**

If you want to discuss your options for putting off your State Pension you could talk to an independent financial adviser. They may charge you for this advice. You may also want to talk to family or friends about what to do. We also have a more detailed leaflet to putting off claiming your State Pension. You can get this by contacting us. See page 65 for details on how to get in touch with us. You can also see the leaflet by going to our website at [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk) and following the links to the resource centre.

## What about non-state pensions?

'Non-state pensions' are pensions which are not provided by the Government. They include:

- occupational pensions (sometimes known as company or work pensions)
- stakeholder pensions, and
- personal pensions.

If you are working in paid employment (full-time or part-time), and your employer has an occupational pension scheme, you can probably join it. If they don't have one, in most cases they have to arrange for you to be able to pay into a stakeholder or a personal pension scheme.

Even if you do not work, you can also join a stakeholder pension scheme or a personal pension scheme.

When you consider any pension, you need to think about your career and family plans. For example, if you think you will take a fairly long break away from paid employment, perhaps because you want children, you need to think about how this will affect the pensions you choose.

## What is an occupational pension scheme?

An occupational pension scheme is an arrangement some employers set up to give the people who work for them a pension when they retire. Occupational pensions are sometimes also called company pensions.

As well as a pension, some occupational pension schemes may also:

- pay a tax-free lump sum when you retire, or
- provide benefits for your dependants (your partner or children, for example) if you die before them.

Things you should think about if you are considering whether to join an occupational pension scheme are:

- how long is it until I retire?
- what are my future career and retirement plans?
- what savings have I set aside for my retirement?
- do I already have some pension from previous jobs?

Ask your employer whether they run a pension scheme and if you can join it. Read any information they give you about their scheme.

### **What if I work part time?**

You should usually be allowed to join your employer's occupational pension scheme, even if you work part-time.

But some employers' schemes won't let you join them if you work part-time. In that case, it's worth thinking about making a different arrangement to get a good second pension. For example, you could join a stakeholder pension or a personal pension.

You can find out more about occupational schemes and other pension schemes and your rights to join them if you contact the Financial Services Authority (see page 67) for information or guides about this. You may also find some useful information in our leaflet about contracting out of the State Second Pension.

## The Pension Protection Fund

The Pension Protection Fund was set up on 6 April 2005 to protect members of eligible salary-related pension schemes (including those that aren't contracted out of the State Second Pension). The fund pays compensation if the pension doesn't have enough money to pay back its members, and the employer goes bust.

If this happens, the fund will pay:

- 100% compensation to people who have already reached the scheme's pension age when the employer goes bust; and to people under that age who are receiving a pension because their partner worked for the company and died, or had a pension because of ill health, and
- up to 90% compensation to people who don't fall into the categories above.

The Pension Protection Fund is paid for by charging eligible salary-related pensions.

The Pension Protection Fund also takes over any of the pension scheme's assets if the scheme ends and doesn't have enough money to pay its members.

In September 2005, the Board of the Pension Protection Fund replaced the Pensions Compensation Board as the organisation responsible for paying compensation for losses caused by fraud. It may pay compensation to all types of company pensions (including money-purchase and mixed-benefit schemes) where there has been fraud or the scheme assets have been misused.

If your salary-related scheme is ending (being wound up), and you want to find out more about how it affects your benefits, contact the scheme trustees. If you're in any doubt about your position, you can get advice from an authorised financial adviser. But remember, you may have to pay for their advice.

## Financial Assistance Scheme

If you are, or have been, a member of an under-funded occupational pension scheme which began winding up between 1 January 1997 and 5 April 2005 you could be eligible for help from the Financial Assistance Scheme. For more information on who can get help, visit our website at [www.dwp.gov.uk/fas](http://www.dwp.gov.uk/fas) or contact the Financial Assistance Scheme on **0845 601 9941**

## The Pensions Regulator

Another new organisation, the Pensions Regulator, was set up in April 2005. The Pensions Regulator focuses on protecting the benefits which members of pension schemes should receive. The regulator concentrates on schemes where members are at risk from fraud, poor management or poor administration of a scheme.

## What is a stakeholder pension?

Stakeholder pensions can be especially useful for women, although they are available to everyone.

Stakeholder pensions are another way to save for your retirement and might be right for you if you:

- are not a member of a company pension
- don't have any other savings
- don't earn very much or work for yourself, or
- don't have a job but are still able to save money regularly.

A company pension will usually be better than any pension you only pay into yourself.

But if you want to have your own pension and your employer will pay into it too, a stakeholder pension may be a good choice.

If your employer does not have their own pension scheme which everyone can join (see page 51), they may suggest a stakeholder pension to you instead.

Your employer does not have to provide access to a stakeholder scheme if they:

- have fewer than five employees
- offer an occupational pension scheme that all staff can join within a year of working for them, or
- offer to pay at least 3% of wages into an employee's personal pension (if the employee has set one up).

The big advantage of stakeholder pensions is that you can make changes to them easily. There's also a limit on the costs a pension company can charge each year.

They work like this. You pay money to a pension company. The pension company invests your money, usually in stocks and shares and other investments, so that the total should grow. Remember, though, that the value of investments may go up or down. Then when you decide you want to start getting money from your pension, the final total is used to pay for your pension. As a rule, you cannot start to take your pension before age 50. From 2010 this rises to age 55.

You can pay in as little as £20 a month, and your savings will usually be invested in ways that get safer as you get closer to retirement.

You can also carry on paying into a stakeholder pension if you stop working, but you can still afford to save.

The companies which run them have to stick to very strict rules.

For more information on stakeholder pensions you can contact the Financial Services Authority to get their leaflet about this (see page 67).

You'll also find a list of organisations which can give you help and information on pages 65 to 68. Your employer or trade unions may also be able to help. The pensions telephone helpline, run by The Pensions Advisory Service, can give you more information about stakeholder pensions. See page 66 for details.

Stakeholder pensions must meet minimum standards set down by the Government.

One of the standards is that management charges are limited. Management charges are charges made by the financial services company for running the scheme. If you joined a stakeholder pension scheme on or after 6 April 2005, or if you decide to join one now, the limit is a management charge each year of 1.5% of the value of the pension fund for the first 10 years you are a member.

If you stay in the scheme for more than 10 years, the management charge will go down to 1% for every year after that.

You must think carefully about what pension or pensions you have, and make sure they are right for you.

### **Example of how a stakeholder pension can help you**

Caroline works full-time and earns £18,000 a year. She wants to start a family in the next few years. When she has children, she expects to take some time out of paid employment. Caroline joined her employer's stakeholder pension scheme, as she likes the flexibility it gives her. If she can afford it, she wants to go on paying into the scheme while she has time off. But if she can't afford to do so, she can stop making payments and she won't have to pay any extra management charges on top of the maximum of 1.5% (and these charges are only 1% if Caroline has been in the scheme for 11 years or more).

## **Personal pensions**

### **What is a personal pension?**

A personal pension is simply a pension that's personal to you. You can get a personal pension from insurance companies, banks, investment companies and building societies. If you set one up, a personal pension will give you extra money on top of your State Pension when you retire.

### **How do they work?**

They work like this. You pay money into your pension every month. Your employer can also pay into it. The money is then invested so the amount you save should grow even more. The money is then paid back to you when you retire, so you can use it to get a regular income. As a rule, you cannot start to take your personal pension before age 50. From 2010, this rises to age 55.

Because personal pensions offer you more choices than stakeholder pensions, sometimes you have to pay higher management charges to the financial services company providing the pension.

They work like this. You pay money to a pension company. The pension company invests your money, usually in stocks and shares and other investments, so that the total should grow. Remember, though, that the value of investments may go up or down. Then when you decide you want to start getting money from your pension, the final total is used to pay for your pension. As a rule, you cannot start to take your pension before age 50. From 2010 this rises to age 55.

If you want to find out more about personal pensions, you can contact the Financial Services Authority to get their leaflet about this (see page 67).

### **What second pensions would I get if my husband or civil partner dies before they retire?**

If you are married or in a civil partnership and your husband or civil partner dies before they retire, the following will apply:

- If your husband or civil partner was a member of a salary-related occupational pension scheme (see page 47), you will normally get a reduced pension. This can include payments for your children.
- If your husband or civil partner was a member of a money-purchase pension scheme (see page 46), a stakeholder pension scheme or a personal pension scheme, you will normally get some pension or a lump-sum payment.

## **What second pensions would I get if my husband or civil partner dies after they retire?**

If your husband or civil partner is a member of an occupational pension defined-benefit scheme and dies after retirement, you should contact their occupational pension scheme to find out if you are entitled to a survivor's pension. Individual schemes rules will be used to determine what, if any, survivor benefits will be paid.

If your husband or civil partner is a member of an occupational money-purchase pension scheme, or has a stakeholder pension or a personal pension, their pension is used to buy an annuity when they retire. An annuity is a series of payments made until the person dies. If your husband or civil partner dies after they retire, you will only get a pension if the annuity they bought included payments for a survivor's pension. If you want to know more about annuities, the Financial Services Authority has a leaflet. For details about how you can get a copy of this leaflet, see page 67.

## Pension sharing

What happens to my pension if I get divorced or my civil partnership is dissolved?

If you get divorced or your civil partnership is dissolved (legally ended), or your marriage or civil partnership is annulled, the courts will decide how all your assets should be divided up. The courts will take into account the value of your pension, as it is part of your assets.

Pension sharing gives you and the courts more choice about what to do. You don't have to share your entitlement, but it is an option available to couples who are entitled to a second pension such as:

- the additional State Pension (SERPS or State Second Pension)
- an occupational pension
- a stakeholder pension, or
- a personal pension.

Pension sharing does not apply to the following.

- The basic State Pension. This is because people can already replace their own National Insurance contributions record with their husband's, wife's or civil partner's record for the period the marriage or civil partnership lasted (see page 37).
- Couples who applied for a divorce or annulment before 1 December 2000.
- Couples who separate but do not divorce or dissolve their civil partnership.

## England and Wales

If you live in England or Wales, you can get a copy of the leaflet *I want to apply for a Financial Order* (leaflet D190) from your county court (the details are in your phone book) or the HM Courts Service website at [www.hmcourts-service.gov.uk](http://www.hmcourts-service.gov.uk)

## Northern Ireland

In Northern Ireland, a court can make a pension sharing order to make sure you and your ex-husband or ex-civil partner share your second pensions if one of you applies to the court for divorce, annulment or dissolving a civil partnership.

## Scotland

In Scotland, a financial order to share your second pension may be part of a divorce or a civil partnership being dissolved.

### **More advice and information about pension sharing when your marriage or civil partnership ends**

To find out more about how your pension could be affected, you could get advice from a lawyer or an independent financial adviser (or both). They may charge you for this advice.

## Checking your pension

If you have a pension scheme with money-purchase benefits (this includes stakeholder pensions and personal pensions), the financial services company which provides it must give you a statement every year. This statement, called an illustration, shows you the amount of pension you should receive from the scheme when you retire.

You should use your statement every year to check that enough money is going into your pension to give you the income you think you will need when you retire. If it isn't, you may need to pay more money in. Remember to take

account of any changes you think there might be in your life and make sure you know what changes in the law will mean to you. Changes to the law will usually be announced a long time before any changes take effect.

### **So, what do I need to do?**

It's really important to think about what money you will get when you retire. Think about how you are going to make sure you have enough money to live the lifestyle you want.

This leaflet gives you some ideas and information. But if you are having difficulty deciding, there is lots of other information to help you. The more you understand, the more likely you are to make the right decisions. Only you can decide whether it is best for you to have an occupational, stakeholder or personal pension, and how much to pay into it.

It is usually better to make plans and act on them than to put things off. And remember to check your pension and review it regularly.

### **Other recent changes in the law that could affect you**

Laws change, and some of them affect pensions. Here are some recent changes to the law which may apply to you.

#### **The Civil Partnership Act 2004**

This Act came into force on 5 December 2005. Couples of the same sex who have formed a civil partnership are treated, as far as possible, in the same way as a married couple. Same-sex couples who are living together but have not formed a civil partnership are treated in the same way as unmarried couples.

## **The Gender Recognition Act 2004**

If you were registered as male when you were born but you are now registered as female, and you have been given a full Gender Recognition Certificate, your State Pension age and the amount of State Pension you may get could change.

The same applies if you were registered as female when you were born and you are now registered as male.

You can get more information about how this might affect your State Pension from the section on the Gender Recognition Panel website called 'Forms and Guidance'.

You can find a copy of the gender recognition application form, and other information, on the Gender Recognition Panel website at [www.grp.gov.uk](http://www.grp.gov.uk). You can also ask the Gender Recognition Panel Secretariat. For details of how to contact them, see page 68.

## **Pension tax rules made simpler: The Finance Act 2004**

The Finance Act 2004 brought in a simpler tax system for pension schemes. The new system started on 6 April 2006. It makes pension schemes more flexible and easier to understand. Pension providers and financial advisers can tell you about this new system. You can also contact HM Revenue & Customs (see page 68) for more information about the changes.

## Useful contacts

### Call charges

From 1 August 2007, calls to **0845** numbers from BT landlines should cost no more than 4p a minute (plus a 6p charge for connecting the call). You may have to pay more if you use another phone company or a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider.

If you prefer, you can ask us to call you back. Tell our operator that this is what you want them to do and give them your phone number.

### Textphones

The textphone numbers we provide are for people who find it hard to speak or hear clearly. If you do not have a textphone, some libraries or Citizens Advice Bureaus may have one. Textphones do not receive text messages from mobile phones.

## Organisations you may find useful

### The Pension Service

You can contact us if you have general questions about pensions.

- Call **0845 60 60 265** (English) or **0845 60 60 275** (for Welsh-speaking customers living in Wales).
- Call textphone **0845 60 60 285** (English) or **0845 60 60 295** (Welsh) if you have speech or hearing difficulties.
- Go to our website at **[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)**.

Lines are open from 8am to 8pm, Monday to Friday. If English or Welsh is not your first language, you can use your own interpreter or one that we provide. We can usually arrange a phone interpreter straight away.

Our phone lines tend to be less busy in the afternoon and towards the end of the week so you may prefer to call then.

We record phone calls to help us provide an accurate and consistent service and for training and security purposes.

### The Pension Tracing Service

The Pension Tracing Service is a free service at The Pension Service that may be able to help you trace an old company or personal pension scheme you have lost touch with.

- Phone: **0845 600 2537**
- Textphone (if you have speech or hearing difficulties): **0845 3000 169**
- Website: **[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)**
- Address:

#### The Pension Tracing Service

Whitley Road  
Newcastle upon Tyne  
NE98 1BA

## **The Pensions Advisory Service**

The Pensions Advisory Service can give you information about anything to do with your pension, including occupational pensions, stakeholder pensions and personal pensions.

Phone: **0845 601 2923**. Lines are open Monday to Friday, 9am to 5pm.

Website: **[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)**

E-mail: **[enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)**

Address:

### **The Pensions Advisory Service**

11 Belgrave Road

London

SW1V 1RB

## **The Financial Ombudsman Service**

The Financial Ombudsman Service deals with complaints that are mainly about selling or marketing stakeholder and personal pensions. You need to complain to the firm that advised you first. If you're not happy with their reply, you can contact the Financial Ombudsman Service.

Phone: **0845 080 1800**

Website: **[www.financialombudsman.org.uk](http://www.financialombudsman.org.uk)**

E-mail: **[complaint.info@financialombudsman.org.uk](mailto:complaint.info@financialombudsman.org.uk)**

Address:

### **Financial Ombudsman Service**

South Quay Plaza

183 Marsh Wall

London

E14 9SR

## **The Financial Services Authority (FSA)**

The Financial Services Authority (FSA) regulates the financial services industry in the UK and provides a helpline and leaflets on pensions and personal finance.

Phone: **0845 606 1234**

Minicom or textphone: **08457 300 104**

Lines are open Monday to Friday, 8am to 6pm.

Website: **[www.fsa.gov.uk](http://www.fsa.gov.uk)**

E-mail: **[consumerhelp@fsa.gov.uk](mailto:consumerhelp@fsa.gov.uk)**

You can also download copies of leaflets and find more useful information on the FSA's 'Money made clear' website at **[www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk)**.

## Gender Recognition Panel

Phone: **0845 355 5155**

Website: [www.grp.gov.uk](http://www.grp.gov.uk)

Address:

### GRP

PO Box 6987

Leicester

LE1 6ZX

## HM Revenue & Customs (HMRC)

Phone: **0845 302 1479** (England, Scotland and Wales)

**0845 603 2000** (Northern Ireland).

Lines are open from 8am to 8pm every day except Christmas Day, Boxing Day, New Year's Day, Good Friday and Easter Sunday.

For the Welsh language line, phone **0845 302 1489**. This line is open from 8.30am to 5pm, Monday to Friday.

Textphone: **0845 300 3909** (England, Scotland and Wales)

**0845 607 6078** (Northern Ireland)

Employer Helpline: **0845 7143 143**

Website: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## The Life Academy

The Life Academy is a charity that helps people prepare for their next steps in life. It has produced an easy-to-use guide to the basics of managing your money.

Website: [www.life-academy.co.uk](http://www.life-academy.co.uk)

Website guide: [www.learnaboutmoney.org](http://www.learnaboutmoney.org)

## **Other leaflets and guides you may find useful**

These are listed in alphabetical order, by subject.

### **Applying for a financial order**

If you live in England or Wales, you can get a leaflet from your local county court about applying for a financial order (details are in your local phone book). Or, you can get the leaflet from the HM Courts Service website at [www.hmcourts-service.gov.uk](http://www.hmcourts-service.gov.uk).

### **Contracting out of the State Second Pension**

You can get a leaflet about this from us or from the National Insurance Contributions Office at HM Revenue & Customs (see page 68).

### **Deferring your State Pension**

You can get a leaflet about this from us (see page 8 for our contact details).

You can also get a leaflet about this from the leaflet application line (see page 8 for our contact details).

### **Going abroad and social security benefits**

You can get a leaflet about this from us (see page 8). Or you can get a copy from your Pension Centre or Jobcentre Plus office. To contact Jobcentre Plus, visit their website at [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk) or look in your local phone book.

## **Inheriting SERPS**

You can get a leaflet about this from us. You can get a leaflet about this from us (see page 8 for our contact details).

## **Pensioners' guides**

Pensioners' guides include information on the wide range of help and advice the Government provides to pensioners. You can get copies of guides that cover England, Scotland and Wales. You can get a leaflet about this from us (see page 8 for our contact details).

## **Pensions**

You can get the following leaflets from the Financial Services Authority.

### **Starting a pension**

### **Reviewing your plans**

### **Annuities and income withdrawal**

### **Stakeholder pensions and decision trees**

See page 67 for their contact details.

## **Pensions for people who are widowed**

You can get a leaflet about this from us (see page 8 for our contact details). Or you can get a copy from your Pension Centre, or from Jobcentre Plus. To contact Jobcentre Plus, visit their website at [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk) or look in your local phone book.



## Important information about this leaflet

This leaflet 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 February 2008. It is possible that some of the information is oversimplified, or may become inaccurate over time, for example because of changes to the law. You could think about getting independent advice, which you may have to pay for, before making any financial decisions based on the information in this leaflet. You can find details of organisations that can provide advice on page 65.

### This leaflet is available in other formats.

Call **0845 7 31 32 33** to find out more.

If you find it difficult to hear or to speak clearly, there is a textphone service available on **0845 604 0210** where you can order these leaflets.

For general enquiries about pensions, contact us by:

- phone on **0845 60 60 265** (**0845 60 60 275** for Welsh-speaking customers living in Wales);
- textphone on **0845 60 60 285** (**0845 60 60 295** Welsh textphone); or
- visiting our website: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

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