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A G E N C Y

Calculating how much a customer will receive under the new State Pension

The new State Pension aims to make the State Pension simpler and easier to understand to help people plan for their retirement.

In the longer term, customers without qualifying years prior to 6 April 2016 will require 35 qualifying years for a full new State Pension.

Before then transitional arrangements will apply, whereby Pre 2016 contributions will be recognised and used to calculate each customer's starting amount.

Calculating the starting amount

For transitional customers the starting amount calculation will establish their starting position in the new State Pension scheme (note – the starting amount is only relevant to transitional customers – those with National Insurance contributions or credits before and after 2016).

The starting amount calculation ensures that people who qualify receive at least as much as they would have done, based on their own National Insurance record, under the current State Pension system.

Pre 2016 qualifying years will be used to calculate:

- the amount the customer would have received under the current State Pension rules (including a basic State Pension, any additional State Pension, SERPS and any Graduated Retirement Benefit); and
- the amount they would receive if the new State Pension had been in place at the start of their working life (this is calculated as 1/35th of the full new State Pension amount for each qualifying year).

Both calculations will take into account any period when the customer was [contracted-out](#) of the additional State Pension, which means they may have little or no additional State Pension.

The higher of these two amounts will become the customer's starting amount for the new State Pension.

This is the minimum amount they will receive, provided that they meet the minimum qualifying period of 10 years National Insurance contributions or credits when they reach State Pension age.

If their starting amount is below the full weekly rate of the new State Pension, they may be able to add to this amount with additional qualifying years, until they reach either State Pension age or the full weekly amount.

Will the starting amount be what a customer actually receives?

This will depend on the customer's starting amount and when they reach State Pension age. A customer's starting amount could be higher, the same as or lower than the full weekly amount. One of the main reasons for this difference will be if they have been contracted-out.

If their starting amount is higher than the full amount:

They will receive their starting amount, made up of:

- the full rate of new State Pension; and
- a **Protected Payment** – where their 'starting amount' exceeds the full weekly nSP amount, the difference will be paid as a Protected Payment.

This is the maximum amount they will receive (subject to uprating), even if they continue to work and make National Insurance contributions. They cannot add additional qualifying years as the full rate of new State Pension has already been reached.

If their starting amount is equal to the full amount:

They will receive their starting amount.

This is the maximum amount that they will receive (subject to uprating), even if they continue to work and make National Insurance contributions. They cannot add additional qualifying years as the full rate of new State Pension has already been reached.

If their starting amount is less than the full amount:

They may be able to increase their State Pension amount by adding additional qualifying years to their National Insurance record after April 2016 (provided they keep paying National Insurance contributions or receiving credits).

Their starting amount will increase by:

- 1/35th of the full rate of new State Pension for each qualifying year added to their record until they reach State Pension age or they reach the full weekly amount.

How can a customer find out what they will receive?

For customers aged 55 or older – the first step is to request a new State Pension statement.

This will tell the customer how much they're likely to receive based on their contributions to-date. We don't issue statements automatically, so you may need to advise a customer to request one.

Customers can request a statement via [nidirect](#) or by calling Newcastle Pension Centre, Futures Group on 0845 3000 168

For customers aged under 55 – you can direct them to [nidirect](#) to find out more about the new system and how much they're likely to receive.