



S O C I A L  
S E C U R I T Y  
A G E N C Y

## How the new State Pension is calculated

The State Pension will change for people who reach State Pension age on or after the **6 April 2016**. This means:

- Women born on or after 6 April 1953
- Men born on or after 6 April 1951

The new State Pension will be easier to understand, meaning people will be able to know from a much younger age how much they're likely to get.

### How your new State Pension will be calculated

For illustrative purposes, this factsheet assumes the full amount of new State Pension will be £151.25 a week. The actual amount will be set in autumn 2015.

The amount of State Pension you get is based on the number of 'qualifying years' you have on your National Insurance record.

Your National Insurance record before 6 April 2016 is used to calculate your 'starting amount' in the new scheme. Your starting amount will be the higher of either:

- the amount you would get under the current State Pension rules (which includes basic State Pension and additional State Pension)
- the amount you would get if the new State Pension had been in place at the start of your working life

Your starting amount will include a deduction if you were contracted out of the additional State Pension. You may have been contracted out because you were in a certain type of workplace, personal or stakeholder pension.

A 'qualifying year' on your National Insurance record means that you were doing one or more of the following:

- working and paying National Insurance contributions, including if you were self employed and paying Class 2 National Insurance contributions

- receiving National Insurance credits, for example for unemployment, sickness or as a parent or carer - you get National Insurance credits when you claim certain benefits, such as Child Benefit for a child under 12 (under 16 before 2010)
- paying voluntary National Insurance contributions

Under the new system, from April 2016, each qualifying year you get on your National Insurance record will add 1/35th of the full amount of the new State Pension to your starting amount. This means that you would get £4.32 (the £4.32 is £151.25 divided by 35) a week for each qualifying year up to a maximum of £151.25.

If your starting amount on 6 April 2016 is more than the full rate of the new State Pension, you'll get this when you reach State Pension age.

You'll usually need at least 10 qualifying years to get any new State Pension.

## **Examples**

### **Sonya**

Sonya is due to reach her State Pension age in March 2024. Her starting amount in April 2016 is £127.90 a week.

After April 2016, Sonya continues to work and pay National Insurance. After 5 years (at 6 April 2021) she has reached the full State Pension. This is because she has added £4.32 a week to her starting amount for each additional National Insurance qualifying year ( $£4.32 \times 5 \text{ years} = £21.60$ ). She will continue to pay National Insurance until she reaches State Pension age.

When she reaches her State Pension age, Sonya's State Pension will be £151.25 a week. This is the maximum State Pension that Sonya can get – she cannot get more than the full rate.

## **Tim**

Tim doesn't have a National Insurance record before April 2016, meaning that he doesn't have a starting amount.

After April 2016, Tim gets 35 qualifying years on his National Insurance record before he reaches State Pension age. For every qualifying year he gets he adds £4.32 per week to his State Pension, up to the full rate of £151.25 a week which he will get after 35 qualifying years ( $£4.32 \times 35 = £151.25$ ).

This is the maximum amount of State Pension he will get, even if he gained more qualifying years on his National Insurance record.

## **Get a State Pension statement**

Find out how to get an estimate of your State Pension based on your current National Insurance record at: [www.nidirect.gov.uk/getting-a-state-pension-statement](http://www.nidirect.gov.uk/getting-a-state-pension-statement)