

## **State pension and working part-time**

### **Facts you need to know**

#### **Basic state pension**

##### **How do you get a state pension?**

You do not automatically get one. From age 16 years of age, you pay national insurance on your earnings as long as you earn above the lower earnings limit (LEL) which in 2007-8 was £4,524. Your annual national insurance contributions credit you with one year toward your state pension.

You have to earn above the LEL for 44 years if you are man or 39 years if you are a woman to qualify for a full basic state pension. In April 2010 it is proposed that you will only need to have build 30 years pension credit to qualify for a full state pension.

If your earnings are less than the LEL then you will not receive any credit. It is important to remember that if you are in multiple employments (that is working for more than one employer), and each employment earns less than £4,524 then again, you will not be credited for state pension – even if your total earnings are above the LEL.

##### **What happens if you are not earning?**

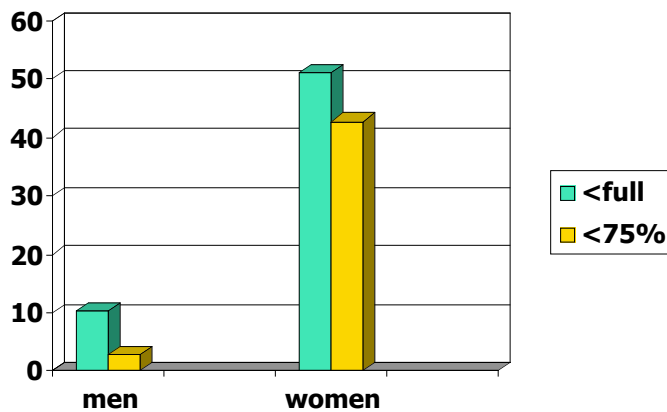
If you are registered as unemployed, are on statutory sick benefit or incapacity benefit then you are automatically credited for the state pension for the time you are receiving such benefits. If you are caring full-time you may also be credited (if you have caring allowance you cannot earn above £87 per week). If you are bringing up children then you are credited for the time until your child is 12 years old (older if the child is registered disabled).

However, pension credits are only allocated for a full year – so if you start and stop receiving benefits within a year you will lose any credit for that year.

Until 2010, to be able to utilise the pension credits that you have allocated whilst on certain state benefits you will still have had to earn 25% of the pension contribution through employment to qualify for any state pension. This means that women will have had to work above the LEL for at least 10 years. In 2010 this will change and there will be no earnings qualification so you will be able to have all pension credits allocated in any year counted.

The present system means a lot of women do not qualify for full state pensions.

The chart below shows the proportion of men and women receiving less than full state pension and those receiving less than 75% of the full state pension (31.03.04)<sup>1</sup>.



10.2 % of men receive less than the full basic state pension (BSP) but only 2.9% of men receive less than 75% of the BSP.

However, 50.9% of women receive less than the full BSP and 42.7% receive less than 75% of the BSP.

### **Backdating contributions**

If you have a broken contributions record then you will be contacted and asked if you wish to pay a certain amount to purchase the full credit. You need to consider this carefully to ensure that you will obtain the full state pension if possible. You may not need to purchase these credits if you qualify for the credit through caring.

Remember, if you cannot afford to purchase backdated credits in that particular year you are able to purchase them for up to 6 years from the date you are notified.

### **Changes due in 2010.**

There are a number of changes due in 2010 on the way state pension qualifications work- for more details see <http://www.thepensionservice.gov.uk/pensions-reform/home.asp> .The government predicts that more individuals will benefit from these changes and in particular women – with up to 80% of women qualifying for a full state basic pension in the future.

---

<sup>1</sup> Source: PPI, from a PQ

## **What will you get when you draw your state pension?**

If you qualify for a full state pension you would get £87.30 (2007-8), or £139.60 if you are a couple. You will get less than this if you have not built up a full basic state pension through earnings and credits during the period of your working life, 16- 60 years (up to age 60 years for women until 2010).

If you do not have this, then you may qualify on your spouse or civil partner's national insurance record for a 'non contributory pension' of £52.30 per week (2007-80).

If you do not qualify this way then you will have to apply for means tested income support.

## **SECOND STATE PENSION**

Above the basic state pension you can also earn a second state pension which is additional state pension that sits on top of the basic state pension and is related to your actual earnings.

If you are not a member of one of the occupation pension schemes in the sector you are likely to be reliant on second state pension. As the second state pension is income linked it will not build very much for members on low earnings such as part-time staff.

The second state pension was called SERPS until 5th April 2002. When it was designed it was predicted to build to an equivalent of 25% of average earnings, to supplement the basic state pension. The dream was for all individuals to be able to build at least three quarters of average earnings as their basic state pension. This dream was scrapped when the link with earnings was removed in 1988. The value of both second state pension and the basic state pension have declined since that time and now pay out below the poverty threshold.

## **AGENCY WORKERS**

If you are working part-time through an agency you need to check whether you are paying Class One or Class Two national insurance contributions, as Class Two for self employed people does not build any second state pension. You are also normally not eligible for an occupational pension scheme.

## **WHEN CAN YOU DRAW YOUR STATE PENSION?**

Up to April 2010 women can draw their pension at age 60 years of age and men at 65 years of age. After that time, there is a sliding scale where women have to work longer before they can claim their pension so by 2010 both men and women can draw their state pension at age 65 years of age. To check the date and the age at which you can draw your state pension go to [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk) and select 'State Pension Age Calculator'.

If you do not have much state pension you can increase it by deferring your state pension, either to increase the amount when you start to draw it, or to take the deferred period with interest as a lump sum. Many women opt to do this if they work past 60 years of age. Details are on the above site and select 'Deferred State Pension'.

In the future women and men will have to work longer before they can draw their state pension.

Date of birth	Age at which state pension due
06.04.1959-05.04.1960	65-66 years of age
06.04.1960 –05.04.1968	66 years of age
06.04.1968 –05.04.1969	66-67 years of age
06.04.1969 –05.04.1977	67 years of age
06.04.1977 –05.04.1978	67-68 years of age
after 5.04.1978	68 years of age

### **HOW DO I FIND OUT ABOUT WHAT MY STATE PENSION WILL BE?**

If you are in Teachers Pension you receive annually a 'Combined Benefit Statement' which gives you your occupational pension and state pension together, so you know what you will be living on in the future.

If you are in other pension schemes you will need to contact the Department for Work and Pensions (DWP) and ask for a state pension forecast. To do this, go to website [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk) and use the search engine for 'Form BR19', you can then complete the form, print it off and send it to the Pensions Service (part of the DWP). They will then send an estimate of your service to date.

If you are over 50 you will have been automatically sent a state pensions forecast.

## **UCU CAMPAIGNS AROUND THE STATE PENSION**

UCU supports TUC and the National Pension Convention, for an improvement in the basic state pension now.

UCU believes its members need basic state pension paid out at a level at least equal to the pension credit level of £124 (2008), and that the state pension should be linked to average earnings as well as price increases.

UCU believes that as a matter of urgency the government needs to reform the system so that occupational, or personal pensions sit on top of the pension credit, and not the present overlap which makes it difficult for individuals on low income to decide whether or not it is worth contributing towards other pensions. There needs to be no disincentive to saving for pensions.

A measure of a country's civilization is how it treats its citizens and pensioners should not receive poverty level pensions, they should receive pensions that are adequate without having to resort to means testing.

March 08