

State Pension

State Pension Age

- The State Pension Age (SPA) is currently 65 for men and for women, it's gradually increasing from 60 to 65 for those born after 6 April 1950 and before 5 December 1953.
- From December 2018, for both men and women born after 5 December 1953 and before 6 April 1960, the SPA will start to increase and will reach age 66 by October 2020.
- For men and women born after 5 April 1960, further increases have been introduced to raise the SPA from 66 to 67 between 2026 and 2028 and from 67 to 68 between 2044 and 2046.
- The Pensions Act 2014 provides for a regular review of the SPA, at least once every five years. The next review is due in 2017.
The review will:
 - Be based around the idea that people should be able to spend a certain proportion of their adult life drawing a state pension.
 - Take into account a range of factors relevant to setting the pension age.
- Once published, the Government may choose to bring forward changes to the SPA. Any proposals would have to go through Parliament before becoming law.

Entitlement for members reaching State Pension Age before 6 April 2016

- The state provides a basic State Pension, payable from your State Pension Age, based on the National Insurance contributions you have paid – or been credited with – during your working life.
- The Basic State Pension is payable in addition to any company pensions you may have.
- Some Additional Pension may be payable depending on whether you have been contracted-out of the State Earnings Pension Scheme and/or the State Second Pension.
- If you would like to check your National Insurance record for your State Pension, you can get an online statement by visiting: www.gov.uk/check-state-pension.

Reaching State Pension Age on or after 6 April 2016

- Members reaching State Pension Age (SPA) on or after 6 April 2016 will have their State Pension based on a single tier system.
- Members who have reached SPA before April 2016 won't be affected.

The new State Pension from 6 April 2016

- The new State Pension will be £155.65 per week.
- The amount received is based on National Insurance (NI) contributions paid and any NI credits received during your working life.
- You need a minimum of 35 qualifying years to receive the full State Pension.

Understanding the new State Pension

Primary Protection

- You can request a State Pension statement*, which tells you how much State Pension you may get and the number of qualifying years on your National Insurance record.
- Your State Pension statement is likely to include the State Pension foregone as a result of being a member of a contracted-out pension scheme at some time during your working life.
- This amount is referred to as the Contracted-out Pension Equivalent (COPE), and on retirement an equivalent benefit will be paid from your employer's pension plan.
- The comparable amount is covered by the overall pension you receive, but will not be shown separately.

***To request your State Pension statement, contact Future Pensions Centre on 0345 3000 168.**

Contracting-out

- Members of an IBM Defined Benefit pension plan are likely to have been 'contracted-out' from the Additional State Pension (previously called State Earnings Related Pension Scheme (SERPS) or the State Second Pension), and may therefore receive a lower State Pension.
- Any amount deducted from your State Pension as a result of being 'contracted-out' will be paid by your IBM pension plan, or previous employer's pension plan, as appropriate (please note that this will be included in your IBM pension and not added on when you start to receive your State Pension).
- The new State Pension from 6 April 2016 is based on the higher of two amounts:
 - The 'starting amount'. This is your theoretical State Pension as at April 2016 based on the old rules. The 'starting amount' is made up of the Basic State Pension plus any Additional State Pension (previously called SERPS) less any Guaranteed Minimum Pension.
 - The new State Pension, which is based on the new rules and your qualifying service, less any Contracted-Out Pension Equivalent (COPE).
- If your starting amount is less than the full new State Pension, and you have not reached your SPA, each additional qualifying year on your National Insurance record after 5 April 2016 will add about £4.44 a week to your new State Pension (until you reach the full new State Pension amount or reach your SPA, whichever is first).

The detail

Contracting-out

- On 6 April 1978, the State Earnings Related Pension Scheme (SERPS) was created. In exchange for additional National Insurance contributions, you could receive a top up State Pension paid in addition to the Basic State Pension.
- Occupational pension plans, such as the IBM defined benefit pension plans, were able to contract-out of SERPS.
- Members and employers benefited by paying lower NI contributions. In return, the pension plan is required to pay benefits at least equal to a Guaranteed Minimum Pension (GMP).
- From 6 April 1997 the Government changed the rules to remove the GMP, and replaced SERPS with the State Second Pension. The overall principles were unchanged.

Effect on the IBM Pension Plans

- Both the IBM Pension Plan and the IBM IT Solutions Pension Scheme were contracted-out of SERPS and the State Second Pension.
- For service between 6 April 1978 and 5 April 1997 your IBM pension will include a GMP element.
- GMP earned on or after 6 April 1988 is required to be increased in line with the Consumer Prices Index (CPI) measure of inflation each September with a maximum of 3%.
- These increases take effect from age 60 for a female and age 65 for a male.
- With the introduction of the Single State Pension from 6 April 2016, the Government will no longer be paying any increases related to pre/post 6 April 1988 GMP along with the State Pensions.
- Members of the M Plan are unaffected by the changes to contracting-out introduced from 6 April 2016 as this Plan has never been contracted-out.

More information

- For further information on your State Pension, please follow the link below.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/607128/your-state-pension-explained-apr-2017.pdf