What is The Pension Service?
The Government set up The Pension Service in April 2002. It is part of the Department for Work and Pensions.

It has been set up to improve the service you receive, whether you are already a pensioner or are planning for your retirement, no matter how far off it might be.
Every State Pension forecast is different so not all the following will apply to you.

**About your State Pension forecast**  
What is a qualifying year?  
What are credits?  
Can I get automatic credits?  
What is Home Responsibilities Protection?  
What is the married women’s or widows’ reduced rate?  
I won’t get a full basic State Pension. Can my husband’s, wife’s or civil partner’s contributions help?  
How can I boost my State Pension?  
Can I stop paying National Insurance contributions when I have earned a full basic State Pension?  
Working out your additional State Pension  
What does contracted out mean?  
How will contracting out affect my additional State Pension?  
Changes in the law that could affect you  
**Where can I get more help and information?**  
Keeping us up to date
About State Pensions

A secure foundation

Everyone needs to plan ahead and decide how long to work, how much to save and when to retire. As people live longer, it is even more important to think about an income in retirement. The basic State Pension will give you a start. But, to have the lifestyle you may want in retirement, you need to think about a second pension. And, the sooner you can start, the better.

Some of the things you need to consider are:

- how much you earn;
- the career you choose;
- whether you are employed or self-employed;
- how much money you think you will need when you retire; and
- how long you plan to work for.

To help you understand the different options available, we have produced a series of impartial guides. Please see page 33 for details of how you can get copies of these guides.

Remember that this leaflet is only a general guide to your State Pension and is not a full statement of the law. We have made every effort to make sure that the information in this leaflet is correct at the date shown on the cover.
Your forecast letter

Your forecast letter tells you:

- how much State Pension you have earned so far; and
- how much we expect your State Pension to be when you reach State Pension age.

If you work and earn at least £4,368 a year in 2006/2007, your forecast will show how much we expect your State Pension to be when you reach State Pension age. This includes an estimate of the amount of additional State Pension (SERPS or State Second Pension, or both) you may build up between now and reaching State Pension age. We describe SERPS and the State Second Pension later in this leaflet.

If you are a carer or a disabled person on low wages (less than £4,368 a year in 2006/2007) or not earning at all, you may have been able to build up entitlement to additional State Pension from April 2002. We have included any amounts you have already earned, but we are not able to estimate what you may earn by State Pension age. (See page 10 for more information about State Second Pension for carers.)

The information we give in your forecast is based on the following.

- The rules about State Pension which apply now.
- The National Insurance contributions you have already made, you have been treated as having made or have been credited with (see page 17 What are credits?).
An estimate of the National Insurance contributions you will have made, will be treated as having made or will have been credited with by the time you reach State Pension age.

If appropriate, the effect of any contracted-out private pension (see page 28 What does contracted out mean?)

If appropriate, the effect of any pension-sharing order made by the court following a divorce or after a civil partnership has been dissolved (legally ended).

Today’s State Pension rates.

Your forecast may not include the value of contributions you have made or been credited with within the last tax year. This is because, when a tax year ends, it can take up to six months to add contributions from that year to your record. A tax year starts on 6 April one year and ends on 5 April the next year.

**State Pension age**

This is the earliest age at which you can start receiving your basic State Pension and is currently 65 for men and ranges from 60 to 65 for women. State Pension age for women will be increased gradually from 2010, so by 2020 the State Pension age will be 65 for both men and women.

- Women born on or before 5 April 1950 are not affected and can receive their State Pension at age 60.
- Women born between 6 April 1950 and 5 April 1955 can receive their State Pension between 60 and 65, depending on their date of birth.
Women born on or after 6 April 1955 can receive their State Pension at 65.

If you want to know more about changes to State Pension age, please see *Pensions for women – Your guide* (PM6). See page 33 for details of how you can get a copy of this guide.

The State Pension age for men is not changing.

**Basic State Pension**

The amount of basic State Pension you receive depends on the National Insurance contributions you have paid, you have been treated as having paid, or you have been credited with, before you reach State Pension age. (For more information about credits, see page 17.)

Since April 2000, if you are an employee, we treat you as having paid National Insurance contributions if your earnings fall within a certain range. (For more information, see page 9.)

Each year that you pay, are treated as having paid, or are credited with enough National Insurance contributions is called a ‘qualifying year’. See page 17 for an explanation of a qualifying year.

If you are a man, you normally need 44 qualifying years to get a full basic State Pension. If you have less than 44 qualifying years, you will normally get a percentage of the full amount. For example, a man with 22 qualifying years would normally get half the basic State Pension.

If you are a woman, you normally need 39 qualifying years – but this will change in line with the changes to State Pension age. If you have less than 39 qualifying years, you will normally get a
percentage of the full amount. (When the State Pension age is changed to 65 for both men and women, women will normally need 44 qualifying years to get the full basic State Pension.)

If you retire with less than a quarter of the qualifying years you need for a full State Pension, you will not normally get any basic State Pension.

At least one year must qualify because you have paid, or been treated as having paid, National Insurance contributions. You will not get any basic State Pension if you have only ever had National Insurance credits.

If you are a carer, Home Responsibilities Protection can reduce the number of qualifying years you need to get a basic State Pension (see page 19).

**Additional State Pension**

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

Additional State Pension was introduced in 1978 through the State Earnings-Related Pension Scheme (SERPS) to provide an earnings-related pension on top of the basic State Pension.

The amount of additional State Pension you get through SERPS depends on your earnings while you are working and paying or treated as paying full-rate Class 1 National Insurance contributions. Contributions you pay if you are self-employed do not count towards SERPS.

The amount of additional State Pension you get through SERPS may be affected by being a member of an occupational pension
scheme, an appropriate stakeholder pension scheme, or an appropriate personal pension scheme. (See page 28 What does contracted out mean?)

The last tax year in which you could build up an entitlement to additional State Pension through SERPS was 2001/2002. This is because the Government reformed SERPS, creating the State Second Pension to provide a more generous additional pension for people on low or moderate incomes and certain carers and people with long-term illnesses or disabilities. Any additional State Pension you have already built up under SERPS is not affected by the change. There are more details about the State Second Pension and how it works on page 9.

Inherited SERPS

From 6 October 2002, the Government introduced a new rule that may affect your entitlement to a SERPS pension. The most SERPS pension you may inherit from your late husband, wife or civil partner is being reduced from 100% to 50%. This change is being introduced over a period of time between 6 October 2002 and 5 October 2010.

The new rules mean the following:

- Anyone who was widowed before 6 October 2002 is not affected.
- If your husband, wife or civil partner reached State Pension age before 6 October 2002, you will not be affected.
- If your husband, wife or civil partner is due to reach State Pension age on or after 6 October 2002 but before 6 October 2010, you may receive between 60% and 90% of their SERPS pension when
they die. The exact amount will depend on when, in this period, they reach, or were due to reach, State Pension age.

- If your husband, wife or civil partner is due to reach State Pension age on or after 6 October 2010, you may receive up to 50% of their SERPS pension when they die.

For more information, please see *Important information for married people or civil partners – Inheritance of SERPS pension* (SERPSL1). See page 36 for details about how you can get a copy of this leaflet. Or, visit The Pension Service website at www.thepensionservice.gov.uk/serps

**State Second Pension**

The State Second Pension was introduced in April 2002 and provides a more generous additional State Pension for people on low or moderate incomes. For the first time, certain carers and people with long-term illnesses or disabilities, whose working lives have been interrupted or shortened, may be able to build up additional State Pension for periods when they cannot work.

The State Second Pension gives employees, earning between £4,368 and £28,800 a year in 2006/2007, a better pension than SERPS, with most help going to those on the lowest earnings – those earning between £4,368 and £12,500 in 2006/2007.

The amount of additional State Pension you get through the State Second Pension may be affected by being a member of a stakeholder pension scheme, an occupational pension scheme or an appropriate personal pension scheme. (See page 28 *What does contracted out mean?*)
How do I qualify for additional State Pension through the State Second Pension if I am caring for somebody?

Since 6 April 2002, you may be able to build up entitlement to an additional State Pension through the State Second Pension for each full tax year you do not work at all, or earn less than £4,368 in 2006/2007, and:

- you are looking after a child aged under six and you are the person who receives Child Benefit for that child; or
- you are looking after an ill or disabled person and you qualify for Home Responsibilities Protection (see page 19); or
- you are entitled to Carer’s Allowance (previously Invalid Care Allowance) – even if you do not get Carer’s Allowance because you get a benefit that pays more. For more information, please read the leaflet Carer’s Allowance (CAA5DCS). See page 33 for details about how you can get a copy of this leaflet.

How do I qualify for additional State Pension through the State Second Pension if I am ill or disabled?

Since 6 April 2002, you may be able to build up an entitlement to an additional State Pension through the State Second Pension for each full tax year you do not work, or earn less than £4,368 in 2006/2007, and:

- you are entitled to long-term Incapacity Benefit or protected Severe Disablement Allowance; and
- when you reach State Pension age, you pass a Labour Market Attachment Test.
What is the Labour Market Attachment Test?

The Labour Market Attachment Test will apply to you if you have been entitled to long-term Incapacity Benefit or protected Severe Disablement Allowance for any full tax year (or years) since 6 April 2002. The test will be used when you reach State Pension age. 10% of your working life since 1978 must qualify for basic State Pension using the Class 1 National Insurance contributions you have paid yourself.

In certain circumstances, we can assume that you pass the test before you reach State Pension age. If this applies to you, we will have told you in your forecast. We will also have included details of the additional State Pension you may have built up so far as a result of your disability.

For more information about State Second Pension, please see State pensions – Your guide (PM2) and State pensions for carers and parents – Your guide (PM9). See page 33 for details about how you can get a copy of these guides.

Inherited State Second Pension

The maximum amount of State Second Pension that a surviving husband, wife or civil partner can inherit is 50%.

Graduated Retirement Benefit

If you paid graduated National Insurance contributions between 6 April 1961 and 5 April 1975, you earned Graduated Retirement Benefit.
If you were working at that time and paid the increased contributions, any Graduated Retirement Benefit you earned is shown on your forecast.

If you were self-employed and paid Class 2 National Insurance contributions, these did not count towards Graduated Retirement Benefit.

**Claiming your State Pension**

You cannot get your State Pension until you reach State Pension age and claim it.

We will usually send you an invitation to claim your State Pension four months before you reach State Pension age. So it is important that you tell us if your address changes from the one shown on your forecast letter. If you have not been invited to claim three months before you reach State Pension age, get in touch with The Pension Service. You can phone Monday to Friday from 8am to 8pm on **0845 60 60 265**. If you speak Welsh and live in Wales, the number is **0845 60 60 275**.

If you have a speech or hearing problem, you can contact us by textphone on 0845 60 60 285. If you speak Welsh and live in Wales, the textphone number is 0845 60 60 295. Or, you can use the BT text-direct service by dialling 18001 followed by the textphone number.

Where we refer to numbers that begin with 0845, calls from BT landlines are charged at local rate. Charges for calls from mobile phones, cable and other network providers may be different. We can ring you back if you ask.
If you work past State Pension age, you can claim your State Pension while continuing to work. Your earnings and the hours you work will not affect your State Pension but you will pay tax on your State Pension as well as on your earnings. Or, you can put off claiming your State Pension to earn extra State Pension or a lump-sum payment. (See page 14 Putting off claiming your State Pension.)

If you carry on working after State Pension age and you are an employee, you do not have to pay National Insurance contributions after State Pension age. However, you will need to get a Certificate of Age Exception (form CA4140) to give to your employer, otherwise they will continue to take contributions from your earnings. We will send you this certificate automatically when you claim your State Pension, if you tell us that you are going to carry on working.

If you are self-employed, you do not have to pay Class 2 contributions after State Pension age. However, you may have to continue paying Class 4 contributions. For more information contact:

HM Revenue & Customs
National Insurance Contributions Office
Self-Employment Services
Benton Park View
Newcastle upon Tyne
NE98 1ZZ.
Putting off claiming your State Pension

State Pension Deferral is when you put off claiming your State Pension until a more convenient time, allowing you to build up a lump sum or extra income for your retirement.

If you choose to put off claiming your State Pension, depending on how long you delay you can then choose one of the following options when you start claiming your State Pension.

Option 1: extra State Pension

If you choose extra State Pension, you can earn an extra 10.4% of your pension entitlement for every year you put off claiming your State Pension. That’s the same as an extra £1 a week for every £10 of pension for each year you claim late. We add this amount to the weekly State Pension payments you receive when you start claiming – which you are paid for the rest of your life.

You must put off claiming for at least five weeks to get extra State Pension.

Option 2: A lump-sum payment

If you choose a lump-sum payment, you’ll receive a one-off lump sum that is based on the amount of State Pension you would have received in the period you have put off claiming. (You might have to pay tax on this depending on your other income.) The lump sum also includes interest that will never be less than 2% above the Bank of England base rate.

As well as getting your lump sum, you will also get your weekly State Pension paid at the normal rate. If you claim Pension Credit, Housing Benefit or Council Tax Benefit, the lump sum will not affect these benefits.
You must put off claiming your State Pension for at least 12 months before you can choose to take a lump-sum payment.

You can put off claiming for as long as you like to build up extra State Pension or a lump-sum payment.

If you are getting certain other benefits at the same time as you are putting off claiming your State Pension, the days you are getting these other benefits will not count towards any extra weekly State Pension or lump-sum payment.

If you are married or in a civil partnership, your husband, wife or civil partner may be entitled to extra State Pension or a lump-sum payment if you die while you are putting off claiming your State Pension.

If you put off claiming your State Pension and carry on working as an employee after State Pension age, you do not have to pay National Insurance contributions after State Pension age. However, you will need to get a Certificate of Age Exception (form CA4140) to give to your employer, otherwise they will continue to take contributions from your earnings. You should contact HM Revenue & Customs for a certificate. You may need to supply evidence of your date of birth.

Please write to:

HM Revenue & Customs
National Insurance Contributions Office
Contributor Caseworker
Benton Park View
Newcastle upon Tyne
NE98 1ZZ.
For more information, please see *Your guide to State Pension Deferral (SPD1)*. See page 33 for details about how you can get a copy of this guide.

If you are thinking about putting off claiming your State Pension, you may want to get independent financial advice. Remember, you may have to pay for this advice.
About your State Pension forecast

What is a qualifying year?
From April 1975 to April 1978, a qualifying year for basic State Pension is a tax year (6 April to 5 April) in which you have earned at least 50 times the National Insurance lower earnings limit. Since April 1978, a qualifying year for basic State Pension is a tax year (6 April to 5 April) in which you have earned at least 52 times the National Insurance lower earnings limit (in 2006/2007, the weekly lower earnings limit is £84 and the yearly limit is £4,368, so you would need to have earned at least £4,368 in that year for it to be a qualifying year). The National Insurance lower earnings limit is set at the start of each tax year.

What are credits?
In certain circumstances – for example, if you are registering for Jobseeker’s Allowance or you are registered unfit for work – you may get National Insurance credits instead of having to pay contributions yourself. These credits are added to contributions you actually paid and we count the total when we decide if a tax year is a qualifying year or not.

Can I get automatic credits?
You may get automatic National Insurance credits for up to five full tax years from the tax year in which you reach age 60 if you are:

- a man; or
- a woman born after 5 October 1950.
You do not have to claim automatic credits.

If you are paying, or thinking of paying, voluntary National Insurance contributions (see page 26), it is important that you take account of any automatic credits you may get.

If you are registering for Jobseeker’s Allowance, you can usually stop doing so from the tax year in which you reach the age of 60. But if you stop registering before you reach age 60, it may affect your entitlement to other benefits, such as Incapacity Benefit.

You cannot get automatic credits for any:

- tax year when you spend more than 182 days abroad; or

- week when you have to pay National Insurance contributions as a self-employed person.

You will receive credits automatically for the tax years containing your 16th, 17th and 18th birthdays if these fell on or after 6 April 1975. If you reached 16 before that date, credits are only available in certain circumstances. For more information, contact:

HM Revenue & Customs
National Insurance Contributions Office
Contributor Caseworker
Benton Park View
Newcastle
NE98 1ZZ.

If you want to know more about automatic credits, contact your Jobcentre Plus office.
What is Home Responsibilities Protection?

Home Responsibilities Protection is available for full tax years from April 1978 if 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 35 hours a week who is getting Attendance Allowance, Constant Attendance Allowance or the high- or middle-rate care component of Disability Living Allowance; or
- getting Income Support and do not need to register for work because you are caring for a sick or disabled person.

Home Responsibilities Protection may:

- help protect your basic State Pension and Bereavement Benefits if you cannot work because you are caring for children or a sick or disabled person at home; and
- from April 2002, help you build up additional State Pension through the State Second Pension.

Home Responsibilities Protection works by reducing the number of qualifying years you need for a basic State Pension. (See page 17 for more information about qualifying years.) It does not increase the number of qualifying years you have. It does not guarantee that you will get a basic State Pension. This is because after taking Home Responsibilities Protection from the number of qualifying years needed, you still have to pay National Insurance contributions for at least 25% of the other years. For a full basic State Pension, Home Responsibilities Protection cannot reduce the number of qualifying years below 20. From 6 April 2010 this will increase to 22 for men and will start to increase for women. By
2020, when State Pension age is 65 for both men and women, Home Responsibilities Protection will not be able to reduce the number of qualifying years below 22. If you already have a qualifying year from the National Insurance contributions you have paid, you would not be entitled to Home Responsibilities Protection in the same year.

Home Responsibilities Protection gives automatic entitlement to the State Second Pension from April 2002. If you are awarded Home Responsibilities Protection because you are looking after a sick or disabled person, or a child under six and you are the person Child Benefit is paid to, you could build up a year’s worth of entitlement to State Second Pension for that tax year. Home Responsibilities Protection will continue to protect your basic State Pension.

If you have a partner or share the role of caring for a child with another person, it is important for you to discuss who should claim the Child Benefit. This is because Child Benefit can help to protect your basic State Pension through Home Responsibilities Protection. Only the person claiming Child Benefit can get Home Responsibilities Protection. If you qualify for Home Responsibilities Protection because you get Child Benefit, you do not have to claim it. We will award it automatically up to 5 April before the child’s 16th birthday.

If your partner earns enough (at least £4,368 a year in 2006/2007) to build up their basic State Pension while you stop work to care for your children, it is you who is most likely to need help to protect your basic State Pension, not your partner.
From 6 April 2002, if you are not working or you earn less than the National Insurance lower earnings limit (£4,368 a year in 2006/2007) but you get Child Benefit for a full tax year for a child under the age of six, you could build up a year’s worth of State Second Pension for that tax year.

To change the person who is paid Child Benefit, contact the Child Benefit Office by calling 0845 302 1444 (if you have a speech or hearing problem, you can call them on 0845 302 1474), Monday to Friday, between 8am and 7pm. You will need to give your full name and your Child Benefit reference number. Calls from BT landlines are charged at local rate. Charges for calls from mobile phones, cable and other network providers may be different. The Child Benefit Office can ring you back if you ask.

Or, you can write to:

HM Revenue & Customs
Child Benefit Office
PO Box 1
Newcastle upon Tyne
NE88 1AA.

You can also e-mail child.benefit@hmrc.gsi.gov.uk

There are time limits for claiming Home Responsibilities Protection. For more information or to make a claim for Home Responsibilities Protection, please see Home Responsibilities Protection (CF411). You can get this leaflet from your Jobcentre Plus office or the HM Revenue & Customs National Insurance Contributions Office.
What is the married women’s or widows’ reduced rate?

If you were married or widowed before April 1977, you could choose to pay reduced-rate National Insurance contributions. Although this choice stopped in 1977, women who were already paying a reduced rate were allowed to continue doing this.

Reduced-rate contributions do not count towards your State Pension. You will automatically lose your right to pay reduced-rate contributions in the following circumstances.

• If your marriage ends in divorce or is annulled.
• If, since 6 April 1978, there are two tax years in a row during which either:
  – you have not paid, or not been treated as having paid, National Insurance contributions as an employee; or
  – you have not been self-employed at any time.
• If you are not entitled to bereavement benefit.
• If your entitlement to bereavement benefit ends and you are no longer entitled to pay reduced-rate contributions.
• If you decide to change to full-rate contributions.
Married women and widows cannot get Home Responsibilities Protection for any tax year in which they have the right to pay reduced-rate contributions. You should check your position by contacting:

HM Revenue & Customs
National Insurance Contributions Office
Contributions Caseworker
Benton Park View
Newcastle upon Tyne
NE98 1ZZ.

Since 6 April 2000, there have been various changes to the structure of National Insurance contributions. One of these changes means that employees earning between £84 and £97 a week in 2006/2007:

- do not have to pay National Insurance contributions; but
- are treated as having paid National Insurance contributions.

This means that if you are a woman paying reduced-rate contributions it might be better to change to paying full-rate contributions. By doing so, you might start to build up entitlement to certain benefits and a basic State Pension. For more information, please visit HM Revenue & Customs’ website at www.hmrc.gov.uk.
I won’t get a full basic State Pension. Can my husband’s, wife’s or civil partner’s contributions help?

**Married women**

We can use your husband’s contribution record when we work out your basic State Pension if, at State Pension age:

- you do not have enough National Insurance contributions to earn a basic State Pension of your own; or
- your own National Insurance contributions entitle you to less than 60% of the full basic State Pension.

Depending on your husband’s contributions, this could give you a basic State Pension that is up to 60% of the full amount.

You should take this into account if you are thinking about:

- changing from reduced-rate to full-rate contributions;
- paying voluntary contributions; or
- paying arrears of contributions.

We can use your husband’s contribution record only if he is getting his State Pension.

**Married men**

From 6 April 2010, we may be able to use your wife’s contribution record when we work out your basic State Pension if, at State Pension age:

- you do not have enough National Insurance contributions to earn a basic State Pension of your own; or
• your own National Insurance contributions entitle you to less than 60% of the full basic State Pension.

Depending on your wife’s contributions, this could give you a basic State Pension that is up to 60% of the full amount. You should take this into account if you are thinking about:

• paying voluntary contributions; or
• paying arrears of contributions.

From 6 April 2010, we can use your wife’s contribution record only if they:

• were born after 5 April 1950; and
• are getting their State Pension.

Civil partners

The rules for all civil partners (men and women) are the same as for married men. Please see the paragraph above.

People who are divorced or whose civil partnership has been dissolved (legally ended)

You may be able to use your ex-husband’s, ex-wife’s or ex-civil partner’s contributions to help boost your basic State Pension, as long as they have paid enough contributions. Their State Pension will not be affected by this.

If you remarry or form a new civil partnership before State Pension age, you will lose the right to use your ex-husband’s, ex-wife’s or ex-civil partner’s contributions.
How can I boost my State Pension?

We tell you in your forecast letter if you can get more basic State Pension by paying voluntary National Insurance contributions.

You can pay voluntary contributions to make years that would not otherwise be qualifying years count towards your basic State Pension. For example, this could apply if you did not work, your earnings were low or you were self-employed and held a small-earnings exception certificate.

You cannot pay voluntary contributions for any year in which you have the right to pay married women’s or widow’s reduced-rate contributions for the whole of the year. However, you can pay voluntary contributions for any year during which you choose to cancel your right to pay these reduced-rate contributions.

There are time limits for paying voluntary contributions. For more information, please visit HM Revenue & Customs’ website at www.hmrc.gov.uk

If you decide to pay voluntary contributions, please write to:

HM Revenue & Customs
National Insurance Contributions Office
Contributor Caseworker
Benton Park View
Newcastle upon Tyne
NE98 1ZZ.

Remember that if you get National Insurance credits, you will not normally need to pay voluntary contributions for the same period.
Can I stop paying National Insurance contributions when I have earned a full basic State Pension?

If you are working and your earnings are above a certain level, you have to pay National Insurance contributions until you reach State Pension age.

Once you have earned a full basic State Pension, you do not need to pay any voluntary contributions.

Working out your additional State Pension

Until you claim your State Pension, we can only estimate the amount of additional State Pension you will get.

The actual amount could be higher or lower than the amount in your forecast. See pages 28 to 30 for information about why your additional State Pension may change.

For the tax years from April 1978 until April 1997, we count all earnings on which you paid National Insurance contributions to work out your additional State Pension from SERPS.

For tax years from April 1997 to April 2002, we do not count any earnings on which you paid National Insurance contributions while you were a member of a contracted-out pension scheme. A contracted-out pension scheme could be an occupational pension scheme, an appropriate stakeholder pension scheme or an appropriate personal pension scheme. An appropriate stakeholder or personal pension is a pension you have instead of the additional State Pension and into which HM Revenue & Customs pays part of your National Insurance contributions.
What does contracted out mean?

‘Contracted out’ means you have left the additional State Pension scheme by joining either:

- an occupational pension scheme;
- an appropriate stakeholder pension scheme; or
- an appropriate personal pension scheme.

If you do this, **most or all** of the pension you get on top of your basic State Pension will come from that scheme. You will get a lower amount of additional State Pension because you are paying a lower level of National Insurance contributions.

- If you join a contracted-out occupational pension scheme, you and your employer pay a lower level of National Insurance contributions.

- If your contracted-out occupational pension scheme is a money purchase scheme (that is, the contributions you pay are used to buy an annuity when you retire), HM Revenue & Customs will pay a contribution to your pension provider for them to invest on your behalf. You and your employer will still pay a lower level of National Insurance contributions.

- If you contract out using an appropriate stakeholder pension or an appropriate personal pension, you and your employer pay standard-rate National Insurance contributions. Once a year, HM Revenue & Customs will pay a contribution to your pension provider for them to invest on your behalf. The contribution is made up of a refund of your National Insurance contributions and tax relief at the basic rate.
You do not have to contract out when you take out an appropriate personal pension or appropriate stakeholder pension. However, if you don’t contract out, you will not receive the yearly contribution from HM Revenue & Customs. Instead, this amount will go towards your additional State Pension.

It is also important to remember that contracting out is not a one-off decision. Under existing rules, every year you can decide whether you want to contract in or out of the additional State Pension.

**How will contracting out affect my additional State Pension?**

The way in which contracting out reduces the payment of additional State Pension is different for different periods.

**From April 1978 to March 1997 (SERPS)**

Your overall SERPS pension will be reduced by a ‘contracted-out deduction’. This deduction reflects the National Insurance rebates we paid while you were contracted out.

If the contracted-out deduction is higher than your SERPS pension, your forecast will show that you are not entitled to a SERPS pension. If the deduction is lower than your SERPS pension, your forecast will show how we worked it out.

The deduction and the SERPS pension in your forecast are based on today’s rates and both will increase before you reach State Pension age. Even if your forecast shows that you are entitled to some SERPS pension, this amount will change each year until you reach State Pension age, and it is possible that by the time you
claim your State Pension the deduction will be higher than your SERPS pension entitlement.

**From April 1997 to March 2002 (SERPS)**

The method of taking account of lower National Insurance contributions in SERPS changed from April 1997. Instead of a deduction being made from the overall figure, you are not entitled to any SERPS pension for each week you were contracted out.

**From April 2002 (State Second Pension)**

Your entitlement to State Second Pension is reduced for every week you were contracted out. This will mean that many people will not be entitled to any State Second Pension, but some people will be entitled to a reduced payment (a top-up) depending on how much they earn. The level changes each year, but:

- if you contract out into a personal pension and you earn between £4,368 and £12,500 in 2006/2007, you may get a State Second Pension top-up for the year; and

- if you contract out into an occupational pension and you earn between £4,368 and £28,800 in 2006/2007, you may get a State Second Pension top-up for the year.

For more information about contracting out, please see *Contracted-out pensions – Your guide* (PM7). See page 33 for details about how you can get a copy of this leaflet.
Changes in the law that could affect you

Changes to the law may affect some of the rules explained in this leaflet. In particular, you may want to note the following.

**Gender Recognition Act 2004**

From April 2005, if you have a full Gender Recognition Certificate, your State Pension age and the amount of State Pension you may get could change. You can get a full Gender Recognition Certificate if you successfully apply to the Gender Recognition Panel to be legally recognised as a person of the sex opposite to that recorded on your birth certificate. You can get more information on what effect a Gender Recognition Certificate has on your State Pension from the section 'Guidance on Benefits and Pensions' within the gender recognition application form. You can find a copy of the form on the Gender Recognition Panel website at [www grp gov uk](http://www.grp.gov.uk), or you can ask the Gender Recognition Panel Secretariat to send you a copy by calling them on 0845 355 5155. The line is open between 9am and 5pm, Monday to Friday. Or you can write to them at:

GRP
PO Box 6987
Leicester
LE1 6ZX.

If you already have a full Gender Recognition Certificate, please contact the Future Pension Centre (see page 32 for their contact details) to make sure we have taken this into account in working out your State Pension forecast.
Finally

There are a few things you should remember when reading your forecast.

- Your forecast is based on the rate of State Pension payable at the time of the forecast. You may receive a different amount if your circumstances change or if the Government changes the law.

- The amount of basic State Pension you receive will not be affected by any pension you receive from an occupational or private pension scheme.

- The amount of additional State Pension you receive might be affected by any pension you receive from an occupational or private pension scheme.

Where can I get more help and information?

Where we refer to numbers that begin with 0845, calls from BT landlines are charged at local rate. Charges for calls from mobile phones, cable and other network providers may be different. We can ring you back if you ask.

If you need any more help or information about your State Pension forecast, please get in touch with us. You can phone us between 8am and 8pm, Monday to Friday, or 9am and 1pm on Saturday. Our phone number is 0845 3000 168. If you have a speech or hearing problem, we have a textphone service you can ring on 0845 3000 169. Or, you can use the BT text-direct service by dialling 18001 followed by the textphone number.
Or, you can write to us at:

Retirement Pension Forecasting Team
Future Pension Centre
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA.

You can see details of our standards and targets and how we perform against them at

www.thepensionservice.gov.uk/futurepensioncentre

How can I get copies of the guides you have referred to in this booklet?

To order copies of the following guides you can call 0845 7 31 32 33. If you have a speech or hearing problem, you can call 0845 604 0210.

Or you can write to:

Pension Guide
Freepost
RLXH-JUEU-GZCH
Northampton
NN3 6DF

(You don’t need a stamp.)
A guide to your pension options (PM1)

This gives a general summary of the pension system and suggests points you should think about.

State pensions – Your guide (PM2)

This guide explains whether you are likely to get a State Pension and how we work State Pensions out. It includes more details about the State Second Pension, including examples of how it can help people in various circumstances.

Occupational pensions – Your guide (PM3)

You will find this guide helpful if you are working for an employer who runs a pension scheme, and you are a member of the scheme or thinking of joining it.

Personal pensions – Your guide (PM4)

If you are thinking about a personal pension scheme, this guide tells you the sort of questions you should be asking and how you can decide if a personal pension is best for you.

Pensions for the self-employed – Your guide (PM5)

If you are self-employed, you have fewer options but you still have important decisions to make. This guide tells you how you can decide what will be best for you.

Pensions for women – Your guide (PM6)

As a woman, the pattern of your working life may be different from a man’s. For example, you could have a career break to raise a family. This guide gives you an idea of the options available, and
what you should think about when you plan your pension.

_Contracted-out pensions – Your guide_ (PM7)

This guide gives you information about leaving (contracting out of) the State Second Pension.

_Stakeholder pensions – Your guide_ (PM8)

This guide tells you what you need to think about before joining a stakeholder pension scheme, and it will help you decide whether this kind of pension is best for you.

_State pensions for carers and parents – Your guide_ (PM9)

If you have given up work or aren’t earning very much because you are caring for someone, this guide may help you. It explains what you need to do to make sure you get as much State Pension as you can in the future.

You can also see and order all the nine guides listed above at [www.pensionguide.gov.uk](http://www.pensionguide.gov.uk)

_Your guide to State Pension Deferral_ (SPD1)

This guide tells you about the choices you have about claiming your State Pension. You can also see and order this guide on-line at [www.dwp.gov.uk](http://www.dwp.gov.uk)

_Carer’s Allowance_ (CAA5DCS)

You can see this guide on the Department for Work and Pensions website at [www.dwp.gov.uk](http://www.dwp.gov.uk)
Important information for married people or civil partners – Inheritance of SERPS pension (SERPSL1)

You can get this leaflet from your pension centre, or Jobcentre Plus office (details are in your phone book). Or, you can call The Pension Service on 0845 60 60 265 (0845 60 60 275 for Welsh-speaking customers living in Wales) from 8am to 8pm, Monday to Friday. If you have speech or hearing difficulties, a textphone service is available on 0845 60 60 285 (0845 60 60 295 for Welsh language). If English or Welsh is not your first language, you can use your own interpreter or we can provide one for you. Or, you can see this leaflet on the resource centre of The Pension Service website at www.thepensionservice.gov.uk

More information about occupational, stakeholder and personal pensions

The Pensions Advisory Service can give independent information about any aspect of occupational, stakeholder and personal pensions. You can contact them on 0845 601 2923, from 9am to 5pm Monday to Friday. Or, you can visit their website at www.pensionsadvisoryservice.org.uk
The Pension Tracing Service may be able to help you trace previous employers or their pension schemes. You can phone them on 0845 600 2537, from 9am to 5pm Monday to Friday. You can visit The Pension Service website at www.thepensionservice.gov.uk, or, you can write to them at:

Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA.

The Financial Services Authority (FSA) is the independent watchdog set up by the Government to regulate financial services and protect your rights. They produce a range of free, user-friendly factsheets and booklets. You can phone them on 0845 606 1234 or visit their website at www.fsa.gov.uk

Keeping us up to date

We may need to write to you from time to time to tell you about matters that affect your pension entitlement. If you move from your current address, it is important that you let us know. (See page 32 for details of how to contact us.)