



State pensions: not quite what was advertised

Most people reaching state pension age today are receiving less than the new state pension.

A Freedom of Information (FoI) request from the *Sunday Times* revealed an interesting fact about the new state pension, which started life just over a year ago on 6 April 2016. The newspaper asked how many people who had reached state pension age (SPA) since that date had received at least the new state pension (originally £155.65 a week, now £159.55).

The response from the Department for Work and Pensions (DWP) was that between 6 April 2016 and 31 August 2016 – so roughly in the first five months – 41% of people reaching their SPA (65 for men, about 62 and a half for women) had pensions at least equal to the new state pension. Or, to put it another way, 59% got less than the headline ‘single-tier’ amount which the government so heavily promoted.

It was always the case that what was promoted as a ‘flat rate’ pension was going to produce anything but that for many people, with the numbers receiving less than the full amount gradually declining as the new scheme matured. According to the DWP’s own calculations, by 2020 slightly under half of new state pensioners will receive less than the full rate, while by 2030 that proportion shrinks to just under 20%.

This was well-known to pension experts, but not made clear in much of the information supplied to the public. The House of Commons Work and Pensions Select Committee, in its report on “Communication of the new state pension” said that the potential shortfalls had “...not been made sufficiently clear in government communications that...focused on the full flat rate of £155.65”.

If you want to see what you are currently projected to receive when you reach state pension age (which, don’t forget, may be changing again from 2027), then the starting point is the government website <https://www.gov.uk/check-state-pension>. Even if you are entitled to the full amount (or more), it is worth putting that figure into context: for a 35-hour week, the newly increased National Living Wage provides £262.50, almost two thirds more than the full flat rate state pension. Which means you may want to review your non-state private pension provision...

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