

From 12 October 2015 a scheme will be introduced to allow pensioners to top up their additional State Pension (also known as SERPS or S2P, which is paid along with basic pension). This new scheme will be called State Pension top up.

It will be available to all pensioners who reach State Pension age before the introduction of the new State Pension on 6 April 2016. The scheme will be open until 5 April 2017.

The State Pension top up will give pensioners an option to boost their pension by up to £25 a week, an index-linked return to protect them from inflation and offer protection to a surviving spouse or civil partner. In particular, it could help some women, and some people who have been self-employed, who have tended to have low earnings-related State Pension entitlement in the past.

Eligibility

From 12 October 2015 you can choose to top up your State Pension by up to £25 per week if you are:

- a man born before 6 April 1951; or
- a woman born before 6 April 1953; and
- eligible for a UK State Pension.

This will be through making voluntary Class 3A National Insurance contributions. The additional pension will be known as State Pension top up. Contributions can be made for the top up until 5 April 2017.

State Pension top up will not be payable until you are in receipt of your State Pension.

The main features of the State Pension top up are:

- a boost in your retirement income of up to £1,300 per year for life,
- an index-linked return,
- an income which can be inherited, so a surviving spouse or civil partner will be entitled to at least 50% of the top up.

How does it work?

You can choose to top up your State Pension by between £1 and £25 per week. How much you would need to contribute depends on:

- how much extra pension you want to get each week; and
- how old you are when you make the contribution.

The contribution you will need to make will depend on your age, with rates going down as you get older. For example, to get an extra £1 per week (£52 per year) State Pension for life, the lump sum contribution for a 65-year-old would be £890, compared to £674 for someone who is 75.

The rates are included in this Factsheet.

There is an on-line calculator for the State Pension top up which shows the lump sum contribution needed to increase pension income by between £1 and £25 per week, please visit www.gov.uk/state-pension-topup (or search State Pension top up).

State Pension top up (continued)

Class 3 Voluntary National Insurance contributions

You may be aware that existing voluntary Class 3 National Insurance contributions allow people to fill gaps in their record to improve their basic State Pension entitlement. If you have a shortfall in your basic State Pension, making Class 3 National Insurance contributions is likely to be more beneficial than the State Pension top up. If you are interested in the top up you should first consider Class 3 National Insurance contributions. You have the option of contributing to both Class 3 and State Pension top up if you wish.

Before paying voluntary National Insurance contributions you should also consider the impact on any income related benefits you receive, such as Pension Credit.

You may wish to seek financial advice when planning your income on retirement.

Please note the State Pension top up scheme in Northern Ireland is subject to the completion of the legislative process.

Cooling Off Period

There will be a 90 day cooling off period where HMRC will handle refunds of State Pension top up contributions - for example, if you change your mind.

Refunds can also be made to your surviving spouse or civil partner if you die within 90 days of making the contribution.

Inheritance

Your State Pension top up can be inherited by your surviving spouse or civil partner in line with the arrangements for inheritance of additional State Pension under SERPS (additional State Pension built up before April 2002). This means that between 50% and 100% can be inherited, depending on your date of birth.

The inherited top up will be payable immediately if your spouse or civil partner is already receiving their State Pension when they are widowed. If they are under State Pension age when you die and they are entitled to Widowed Parent's Allowance it will be paid as part of that benefit, or otherwise it will be payable when they get their State Pension.

There is a maximum amount of additional State Pension that can be paid to a surviving spouse or civil partner when both their own additional State Pension and any inherited additional State Pension are combined. However, State Pension top up will not be included when the maximum amount payable to your surviving spouse or civil partner is worked out. This means that they will receive the full inheritable amount of your top up (and any State Pension top up of their own) regardless of whether the cap applies.

Your spouse or civil partner will **not** be able to inherit your State Pension top up if:

- they are still under State Pension age when you die, and they remarry or form a new civil partnership before they reach State Pension age; or
- your marriage or civil partnership starts on or after 6 April 2016 **and** your spouse or civil partner reaches State Pension age on or after that date.

You can find out more about the SERPS inheritance rules here: <https://www.gov.uk/additional-state-pension/further-information>

There is more information about changes to the rules on inheriting State Pension for people reaching State Pension age on or after 6 April 2016 here: <https://www.gov.uk/state-pension-through-partner>

State Pension top up (continued)

Important information for Women

The scheme may be of particular interest to women, many of whom may have little, or no, additional State Pension entitlement.

Important information for Couples (including Self-Employed couples)

The scheme allows couples to determine which of them should make contributions (couples may wish to consider):

- Taxation – spouse/civil partner of higher rate tax payer to make contributions instead of higher rate tax payer;
- Relative ages to each other.

Important information for Self-Employed

This scheme enables self-employed people with capital, whose contributions did not count for additional State Pension, to gain entitlement to it.

Customers Living Overseas

Customers living overseas can top up their State Pension via State Pension top up.

Customers in receipt of State Pension living overseas in countries where cost of living increases are not paid will be able to top up their State Pension but the top up amount will not be increased.

Application process

To apply for the scheme or for further information, please visit www.gov.uk/statepensiontopup or call 0345 600 4270. A brief information booklet on the scheme is available here www.gov.uk/government/publications/state-pension-top-up-booklet

State Pension top up (continued)

FREQUENTLY ASKED QUESTIONS

What happens to my State Pension top up if I have deferred my State Pension?

You can still make State Pension top up contributions if you have deferred taking your State Pension. You will accrue increments until you decide to take your State Pension. When you decide to claim your State Pension, any State Pension top up entitlement plus increments accrued will be paid.

Will I still be able to pay voluntary Class 3 contributions?

- If you satisfy the eligibility conditions and are within the time limits for paying you may choose to pay Class 3. The State Pension top up will not replace the existing Class 3 Voluntary National Insurance contributions.
- Class 3 contributions can be paid to fill certain gaps in a person's NI contribution record to improve basic State Pension and bereavement benefits only.
- If you are still eligible to pay Class 3 contributions, we strongly recommend that you check about paying these before making a State Pension top up contribution.
- State Pension top up is not right for everyone. It depends on your own contribution record and individual circumstances such as whether you may be entitled to a State Pension from your spouse or civil partner's contribution record.
- If you have a shortfall in your basic State Pension, paying Class 3 contributions are likely to be more beneficial in most cases. If you then have a full basic State Pension eligibility, you may choose to make a contribution for a State Pension top up to boost your additional State Pension.
- You have the option of making both contributions if you wish.

Where can I get further information about Class 3 contributions?

Further information about topping up your National Insurance record can be found here <http://www.hmrc.gov.uk/ni/volcontr/whentop-up.htm>

Will State Pension top up go up each year?

Yes. It will be updated each year automatically in line with the Consumer Price Index.

Will State Pension top up be taxable?

Yes - like other income it will be taxable.

Will the additional State Pension have an impact upon my Pension Credit or other benefits?

The additional State Pension will have an impact on any current and future income related benefits including Pension Credit and any Housing Benefit. Any increase in State Pension will be fully taken into account as extra income for these benefits – in some situations overall you might not be better off if you increase your pension.

Are the rates for the contribution the same whether I am married or not?

Yes, the rates are the same for single or married/ civil partnered people. A surviving spouse/ civil partner will inherit (when they are of state pension age) at least 50% of the additional pension from the State Pension top up contribution.

State Pension top up (continued)

Can both my spouse/civil partner and I make voluntary contributions toward our own State Pension top up?

- Yes. It is available to people on an individual basis.
- You are eligible to make State Pension top up if you are:
 - a man born before 6 April 1951; or
 - a woman born before 6 April 1953; and
 - eligible for a UK State Pension.
- Inheritance rights will apply to a surviving spouse/civil partner on death. A surviving spouse or civil partner will normally be entitled to at least 50% of State Pension top up.
- Note – The payment to the survivor would be made alongside their own State Pension, so if the survivor was below State Pension age when widowed, it would be paid only when the survivor started claiming their own State Pension. It would not be payable if the survivor remarried or formed a civil partnership before they reached state pension age or if the marriage or civil partnership began after 5 April 2016 and the survivor had not reached State Pension age by that date. If the survivor was below State Pension Age and was claiming Widowed Parents Allowance (including Additional Pension) then again, inheritance rights apply and the survivor would be entitled to at least 50% of the State Pension top up.

Why do the State Pension top up rates differ on age?

Rates will be the same for both men and women but they will differ according to the age of the person making the contribution. The rates are calculated on average life expectancy for each specific age and will be based on the age of the person at the time they make their contribution.

Age at contribution date (Oct. 2015 to April 2017)	Amount (£) for each additional pension unit of £1 per week
62 (women only)	956
63 (women only)	934
64 (women only)	913
65	890
66	871
67	847
68	827
69	801
70	779
71	761
72	738
73	719
74	694
75	674
76	646
77	625
78	596
79	574
80	544
81	514
82	484
83	454
84	424
85	394
86	366
87	339
88	314
89	291
90	270
91	251
92	232
93	216
94	200
95	185
96	172
97	159
98	148
99	137
100	127