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Gateway Policy Explorer: Retirement Series

United Kingdom

Public Own Old-Age Benefit Plan Details

1992-2022

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Version: 2.1 (August 2023)

This project is funded by the National Institutes of Health, National Institute of Aging, R01 AG030153.

Please cite as "Gateway to Global Aging Data (2024). *Gateway Policy Explorer: United Kingdom, Public Own Old-Age Benefit Plan Details, 1992-2022*, Version: 2.1 (August 2023), University of Southern California, Los Angeles. https://doi.org/10.25553/gpe.ret.oa.gbr"

Preface

This document is intended for researchers who want to understand the evolution of policy or the policy in place at a particular point in time. This document is not intended for financial advice or to aid in decision-making. The authors have made significant effort to identify and collect historical information pertaining to these policies, to accurately represent these policies, and to communicate how policies may interact to determine legal requirements, eligibility for benefits, and/or benefits levels. The policies presented in this document focus on rules applicable to most individuals aged 50 and older from 1992. Many systems include special policies or alternative eligibility rules for specific groups. We encourage all users to complete their own review of literature in this area depending on the research questions they have in mind.

If you have feedback or questions or identify an error, please contact policy@g2aging.org.

Background — *Gateway Policy Explorer: Retirement Series*

The *Gateway Policy Explorer* (http://g2aging.org/policy-explorer) is part of the Gateway to Global Aging Data (http://g2aging.org) project. The *Retirement Series* captures historical policy that affects the birth cohorts of respondents in the surveys covered by the Gateway. It was motivated by the rapid evolution of policies affecting older people across the world. As the Health and Retirement Study (HRS) began in 1992 and many of the international network of studies (HRS-INS) cover more than a decade, understanding the policies in place at the time of the survey has become more demanding for researchers.

Why are we tracking past policy? Individuals make choices based on current policies and the outcomes we see today may reflect responses to past policies. When interpreting the survey responses of individuals, an understanding of the policy environment under which those individuals operate is critical. The collection of contextual information in the *Gateway Policy Explorer* aims to support researchers who want to understand or use policy changes in their research and provide context for longitudinal or cross-country differences. Over the period 2023–2026 the *Gateway Policy Explorer* will be expanded to include information on retirement, long-term care, education, and other policies affecting the life cycle.

The key dimensions to the *Gateway Policy Explorer: Retirement Series* are country and time. We prioritize data collection for each country based on its first interview wave and are continuing to expand our data collection back in time to 1992, the earliest survey date in the HRS-INS.

A separate document, like this one, is developed for each country and each broad category of policies covered in the *Gateway Policy Explorer: Retirement Series*.

Author and Contributor Disclaimers

† The opinions expressed here are those of authors and do not necessarily reflect the views of the OECD or of its member countries.

United Kingdom

Own Old-Age Benefits
Plan details 1992-2022 * †

The United Kingdom (UK) has a complex pension system, which mixes public and private pension benefits. Prior to April 6, 2016, the pension system consisted of a flat-rate basic pension and an additional earnings related pension. The pension systems underwent a number of major reforms between 1995 and 2014, culminating in the creation of the flat-rate new state pension for individuals reaching the pension eligibility age after April 5, 2016. The previous systems still exists for individuals reaching the pension eligibility age before this date and the previous systems still influence the computation of benefits in the new state pension based on entitlements accrued under the previous systems.

Key Dates
First law: 1908
Major changes since 1992: 1995, 2000, 2004, 2007, 2011, 2014

Contents

* If you have questions or suggestions, please contact policy@g2aging.org.
† Detailed information and definitions are provided in tables, formulas and a glossary at the end of this document. To facilitate switching back and forth, this document is designed with hyperlinks. Most PDF readers have shortcuts that permit a reader to return to the previous location after selecting a hyperlink. In Adobe Acrobat on a PC: "Alt" + "←"; In Adobe Acrobat on a MAC: "command" + "←"; In Preview on a MAC: "command" + "[".

Chapter 1: Policy enacted 1992-1994

Overview

During this period, the UK had two public pension systems, one based only on years contributed and the other based on years contributed and earnings history. The pension systems were financed through earnings-related National Insurance contributions (NIC). Participation in the contribution-only system was mandatory. Workers defaulted into the earnings-related system, but could "contract-out" if they participated in a qualified private pension plan.

- Basic State Pension (BSP): Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate. A full basic state pension typically requires 44 years of contribution for men and 39 years of contribution for women, but the number may vary depending on sex and birth date.
- Additional State Pension (ASP): Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history).

These pensions cannot be taken up before the state pension age (65 for men, 60 for women), which we refer to as the statutory retirement age (SRA) for consistency with other countries in this series. A state pension can be deferred in return for a higher benefit.

Contributions

- **Employee contribution rate**
  In 1992, the employee contribution rate was 9% of salary below the upper earning limit (UEL). See Table 1 for employee contribution rates by year.

  Notes
  1. Workers do not have to make contributions if they earn below the lower earning limit (LEL) —See Table 2 for values of the LEL and UEL by tax year
  2. Married women who were married before April 6, 1977 were allowed to elect to pay a reduced rate of NICs if they were working, in return for not building up any entitlement to a BSP in their own right. This is sometimes known as the married women's NIC rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NICs do not count as qualifying years. However, they may be able to claim:
     - Benefits based on the husband's contributions (such as Bereavement or Widow Allowance)
     - Statutory payments (such as Statutory Sick Pay)
     - Benefits that are not based on their own contributions (such as Carer's Allowance)
  3. Women who married on or after April 6, 1977 were not able to pay reduced-rate contributions, and women married before April 6, 1977 had to have started paying reduced-rate contributions before May 12, 1977 in order to be eligible. Even women who originally chose to pay reduced-rate NICs will lose the right to continue doing so if either of the following conditions are satisfied:
     - They get divorced or the marriage is annulled
     - Since April 6, 1978, there are two consecutive tax years during which they have not: 1) paid, or been treated as paying, class 1 NICs, or 2) been self-employed at any time

- **Employer contribution rate**
  In 1993, the employer contribution rate was 10.4% of salary. See Table 3 for employer contribution rates by year.
- **Self-employed contribution rate**
  Self-employed paid a flat-rate contribution per week for a Class 2 NIC and then pay a percentage rate based on annual profits above a lower profit limit —See Table 4 for self-employed contribution rates by tax year (historical rates are not currently available before 1999)

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; Age 60 for women
- **Does SRA vary by birth year?** Answer: No
- **Does SRA vary by sex?** Answer: Yes

Contribution requirements to be eligible to receive benefit

Benefit systems differ by birth year as does qualification for those systems. In all systems, qualification for benefits depends on reaching at least the SRA and on the number of qualifying years. Number of qualifying years are based on National Insurance Contributions (NIC). There are six classes of NICs. Class 1, 2 and 3 NICs paid are credited to an individual's National Insurance account, which determines eligibility for certain benefits - including the state pension. Class 1A, 1B and 4 NIC do not count towards benefit entitlements but must still be paid if due. See Table 5 for details on NIC categories.

Basic State Pension (BSP - Category A pension)

A person becomes eligible for a BSP Category A benefit if they satisfy all of the following conditions:

- Age requirements: Age 65 for men; Age 60 for women
- Contribution requirements
  - Men: 11 qualifying years[1,2]
  - Women: 10 qualifying years[1,2]

Eligibility Exceptions

- Married women's reduced rate: Working women who were married before 6 April 1977 were allowed to elect to pay a reduced rate of National Insurance Contributions (NIC) in return for not accruing their own BSP entitlement. This is sometimes known as the married women's National Insurance rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NI contributions do not count as qualifying years. By paying this reduced rate, they are choosing to accrue a pension entitlement based only on their husband's contribution record (see *UK: Spousal Old-Age Benefit Plan Details*).

Additional State Pension[3]

- Age requirements: Age 65 for men; Age 60 for women
- Contribution requirements: An individual must have paid Class 1 NICs on earnings greater than the annual lower earnings limit (LEL) in at least one tax year since 1978.

For detailed reference tables used in determining benefit eligibility, see:

- Class 1 NIC contribution rates: Table 1
- NIC definitions: Table 5
- LEL values by tax year: Table 2

Notes

1 Definition of Qualifying Year
  - For those reaching SRA after April 1975, a qualifying year is defined as:
    * In any one tax year since 1978: Class 1, 2 or 3 NICs on earnings equal to 52 times the LEL —See Table 2 for values by tax year
    * In any one tax year from 1975 to 1977: Class 1, 2 or 3 NICs on earnings equal to 50 times the LEL.
  - For tax years prior to 1975: Qualifying years determined from total flat rate contributions —The total number of qualifying years are determined by the total number of flat rate contributions divided by 50

2 Home responsibilities protection (HRP): Many individuals, particularly women, spend significant periods of their working lives caring for children. From the 1979 tax year, complete tax years during which one is caring for a child (or disabled person) qualify for home responsibilities protection. Individuals entitled to HRP have these years of HRP deducted from their requisite number of years, unless their earnings for that year were at or above 52 times the LEL. This reduction cannot, however, lead to a requisite number of years below 20 years or half of what it would otherwise have been, whichever is lower. Women are not entitled to HRP for any year in which they pay the *married women's reduced rate*.

3 Contracting out (Bozio et al., 2010): Individuals may opt out of the ASP if they had an alternative earnings-related pension arrangements that are sufficiently generous. This is known as "contracting out." A contracted-out employee pays lower NICs and forgoes some or all of their ASP entitlement.
  - From 1978, individuals were permitted to contract out of ASP if their employer sponsored a contracted-out occupational pension scheme that promised to pay a guaranteed minimum pension (GMP). These were known as contracted-out salary-related (COSR) schemes. If an individual was part of a COSR scheme, then both employer and employee paid NICs at a lower rate.
  - From 1988, employees could also contract out of the ASP by joining an appropriate personal pension or a contracted-out money-purchase scheme.
  - Individuals who contracted out of ASP in years after 1997 do not have any entitlement to ASP accruing for the years in which they were contracted out.

– Individuals who contracted out of the ASP between April 1978 and April 1997 are entitled to some reduced payment from the ASP for that period. The reduced ASP payments are equal to the gross SERPS entitlement (what the individual would have been entitled to from SERPS had they not contracted out) less a *contracted-out deduction* (COD). The COD is equal to the value of the GMP that the individual accrued during their period of contracted-out employment.

Alternative eligibility requirements that permit starting benefits early, but with a penalty

- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type

- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuity

Factors effecting computation of benefit entitlement

- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Yes
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer:
  BSP
  Yes

  ASP
  No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  Note: Credits are provided for each complete week receiving statutory maternity pay, maternity allowance or statutory adoption pay
- **Does an individual receive credits for unemployment?** Answer: Yes
  Note: Periods of unemployment on insurance or assistance benefits are credited for the BSP. There are no credits for periods on these benefits for the ASP.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Benefits are adjusted annually according to changes in the retail price index (RPI) from the previous September.

Benefit formula for claiming at SRA

Basic State Pension (BSP - Category A pension)

A BSP is payable on a weekly basis to an individual if they are over the SRA and have sufficient qualifying years (see section on *Minimum Qualifications* for this definition). The amount of BSP income received each week depends on the number of qualifying years credited during an individual's working life.

If an individual has fewer qualifying years than the amount required for a full benefit (i.e., 44 for men and 39 for women born after July 5, 1932), the BSP benefit is paid at a reduced rate.[1] This rate is found by multiplying the full BSP rate by the proportion of the requisite number of years for which an individual had a qualifying contribution record. See Formula 1 for computational details.[2]

For detailed reference tables used in the calculation of BSP benefits, see:

- Required qualifying years based on length of working life: Table 6
- Working life based on birth date: Table 7
- BSP full rate by year: Table 8

Additional State Pension[3]

During this time period, the ASP was known as the State Earnings-Related Pension (SERP). The amount payable under SERP is based on an individual's "surplus" earnings between the Lower Earnings Limit (LEL) and the Upper Earnings Limit (UEL) in tax years since 1978, from the tax year in which the individual reached age 16 up to the tax year prior to the one in which the individual reaches the SRA. The ASP is calculated by Formula 2 for those reaching SRA.

For detailed reference tables used in the calculation of ASP benefits, see:

- UEL and LEL by tax year: Table 2
- An example of revaluation factors in 2020: Table 9

Under the original formula, 20 years of entitlement were required to receive the full amount of additional pension. If an individual had contributed for more than 20 years, the best 20 years of earnings were used to calculate the additional pension. The accumulation rate was 25%, so that in effect the full additional pension entitlement would have been roughly 25% of an index-linked average of earnings between the LEL and the UEL, using an individual's 20 best years of earnings during their life.

Notes

[1] It is possible to earn or buy credits towards BSP entitlement even during periods when one is not paying NICs. The Social Security (Credits) Regulations 1975 introduced a provision to credit individuals with earnings in periods when it was felt they had an "acceptable" reason for not making contributions, in order that their pension entitlement should be protected. Earnings credits available include:

- Credits for unemployment or incapacity for work (Class 1 credits)
- Credits for caring for a disabled person (Class 1 credits)
- Credits for the maternity pay and adoption pay period (Class 1 credits)
- Credits for jury service (Class 1 credits)
- Credits following bereavement (Class 1 credits)
- Credits for individuals received working tax credits (Class 1 credits)
- Credits for quashed conviction (Class 1 credits)
- Credits for official error (Class 1 credits)
- Starting credits - aged 16-18 (Class 3 credits)
- Credits for education and training (Class 1 credits)
- Credits for people aged 60 and over (Class 1 credits)

[2] Age addition: Since 1971, individuals aged 80 and over have been paid an additional 25p per week. This is paid in addition to any BSP, or with some other benefits (industrial disablement pension, war disablement pension, widow's pension, severe disablement allowance, carer's allowance, pension credit). If a couple are both aged 80 or over and the woman is not receiving a pension or any of the above benefits, then her husband will receive her age addition (in addition to his own) on her behalf. This age addition represented an increase of 4.2% in 1971 when it was introduced. The amount remains fixed in nominal terms.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: Five years after the SRA
- **Adjustment formula**

  Basic State Pension (BSP - Category A pension)

  Since 1975, benefits have been increased if their start is deferred after the beneficiary reaches SRA.[1] Rate for benefits increases from deferral are expressed as a fraction of weekly pension income. See Formula 3 for how these rates affect the benefit paid.

  Additional State Pension

  An individual can increase their ASP by delaying the start of benefits until after the SRA. The deferral rates and conditions that apply are the same as for the BSP. See Formula 4 for how these rates affect the benefit paid.

  The applicable rates are the same across pension systems, but vary by SRA —See Table 10 for rates by tax year.

  Notes

  [1] Individuals are not entitled to any extra pension rights for periods during which they are deferring their state pension and claiming any of the following:

  * carer's allowance
  * employment support allowance
  * any state pension
  * severe disablement allowance
  * unemployment supplement

    * widow's pension or widowed mother's allowance

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: No

Chapter 2: Policy enacted 1995-1999

Policy change in 1995

The Pensions Act 1995, enacted July 19, 1995, made the following changes:

- Gradually increased the SRA for women from 60 to 65 so that it would match men's state pension age by April 2020
- For those reaching SRA after April 5, 1999, adjusted the formula for computing the additional state pension benefit and reduced its accrual rate

Overview

During this period, the UK had two pension systems, one based only on years contributed and the other based on years contributed and earnings history. The pension systems were financed through earnings-related National Insurance contributions (NIC). Participation in the contribution-only system was mandatory. Workers defaulted into the earnings-related system, but could "contract-out" if they participated in a qualfied private pension plan.

- Basic State Pension (BSP): Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate. A full basic state pension typically requires 44 years of contribution for men and 39 years of contribution for women, but the number may vary depending on sex and birth date.
- Additional State Pension (ASP): Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history).

These pensions cannot be taken up before the state pension age, which we refer to here as the statutory retirement age (SRA) for consistency with other countries in this series. A state pension can be deferred in return for a higher benefit.

Contributions

- **Employee contribution rate**
  In 1995, the employee contribution rate was 9% of salary below the upper earning limit (UEL). See Table 1 for employee contribution rates by year.

  Notes

  1. Workers do not have to make contributions if they earn below the lower earning limit (LEL) —See Table 2 for values of the LEL and UEL by tax year
  2. Married women who were married before April 6, 1977 were allowed to elect to pay a reduced rate of NICs if they were working, in return for not building up any entitlement to a BSP in their own right. This is sometimes known as the married women's NIC rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NICs do not count as qualifying years. However, they may be able to claim:
     - Benefits based on the husband's contributions (such as Bereavement or Widow Allowance)
     - Statutory payments (such as Statutory Sick Pay)
     - Benefits that are not based on their own contributions (such as Carer's Allowance)
  3. Women who married on or after April 6, 1977 were not able to pay reduced-rate contributions, and women married before April 6, 1977 had to have started paying reduced-rate contributions before May 12, 1977 in order to be eligible. Even women who originally chose to pay reduced-rate NICs will lose the right to continue doing so if either of the following conditions are satisfied:
     - They get divorced or the marriage is annulled
     - Since April 6, 1978, there are two consecutive tax years during which they have not: 1) paid, or been treated as paying, class 1 NICs, or 2) been self-employed at any time

- **Employer contribution rate**
  In 1995, the employer contribution rate was 10.2% of salary. See Table 3 for employer contribution rates by year.
- **Self-employed contribution rate**
  In 1999, self-employed paid a flat-rate contribution of £6.55 per week for a Class 2 NIC and then paid a percentage rate based on annual profits above a lower profit limit —See Table 4 for self-employed contribution rates by tax year (historical rates are not currently available before 1999)

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; Age 60 for women born before April 6, 1950 and gradually increasing to age 65 for women born after April 5, 1955
- **Does SRA vary by birth year?** Answer: Yes
- **Does SRA vary by sex?** Answer: Yes
- **Details by birth year**: For women, Table 11 provides details.

Contribution requirements to be eligible to receive benefit

Benefit systems differ by birth year as does qualification for those systems. In all systems, qualification for benefits depends on reaching at least the SRA and on the number of qualifying years. Number of qualifying years are based on National Insurance Contributions (NIC). There are six classes of NICs. Class 1, 2 and 3 NICs paid are credited to an individual's National Insurance account, which determines eligibility for certain benefits - including the state pension. Class 1A, 1B and 4 NIC do not count towards benefit entitlements but must still be paid if due. See Table 5 for details on NIC categories.

Basic State Pension (BSP - Category A pension)

A person becomes eligible for a BSP Category A benefit if they satisfy all of the following conditions:

- Age requirements: Age 65 for men; Age 60 for women and gradually increasing for women born after April 5, 1950 to age 65 for women born after April 5, 1955 —See Table 11 for SRA by birth date
- Contribution requirements
  - Men: 11 qualifying years[1,2]
  - Women: 10 qualifying years[1,2]

Eligibility Exceptions

- Married women's reduced rate: Working women who were married before 6 April 1977 were allowed to elect to pay a reduced rate of National Insurance Contributions (NIC) in return for not accruing their own BSP entitlement. This is sometimes known as the married women's National Insurance rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NI contributions do not count as qualifying years. By paying this reduced rate, they are choosing to accrue a pension entitlement based only on their husband's contribution record (see *UK: Spousal Old-Age Benefit Plan Details*).

Additional State Pension[3]

- Age requirements: Age 65 for men; Age 60 for women
- Contribution requirements: An individual must have paid Class 1 NICs on earnings greater than the annual lower earnings limit (LEL) in at least one tax year since 1978.

For detailed reference tables used in determining benefit eligibility, see:

- Class 1 NIC contribution rates: Table 1
- NIC definitions: Table 5
- LEL values by tax year: Table 2

Notes

[1] Definition of Qualifying Year
  - For those reaching SRA after April 1975, a qualifying year is defined as:
    * In any one tax year since 1978: Class 1, 2 or 3 NICs on earnings equal to 52 times the LEL —See Table 2 for values by tax year
    * In any one tax year from 1975 to 1977: Class 1, 2 or 3 NICs on earnings equal to 50 times the LEL.
  - For tax years prior to 1975: Qualifying years determined from total flat rate contributions —The total number of qualifying years are determined by the total number of flat rate contributions divided by 50

[2] Home responsibilities protection (HRP): Many individuals, particularly women, spend significant periods of their working lives caring for children. From the 1979 tax year, complete tax years during which one is caring for a child (or disabled person) qualify for home responsibilities protection. Individuals entitled to HRP have these years of HRP deducted from their requisite number of years, unless their earnings for that year were at or above 52 times the LEL. This reduction cannot, however, lead to a requisite number of years below 20 years or half of what it would otherwise have been, whichever is lower. Women are not entitled to HRP for any year in which they pay the *married women's reduced rate*.

[3] Contracting out (Bozio et al., 2010): Individuals may opt out of the ASP if they had an alternative earnings-related pension arrangements that are sufficiently generous. This is known as "contracting out." A contracted-out employee pays lower NICs

and forgoes some or all of their ASP entitlement.
- From 1978, individuals were permitted to contract out of ASP if their employer sponsored a contracted-out occupational pension scheme that promised to pay a guaranteed minimum pension (GMP). These were known as contracted-out salary-related (COSR) schemes. If an individual was part of a COSR scheme, then both employer and employee paid NICs at a lower rate.
- From 1988, employees could also contract out of the ASP by joining an appropriate personal pension or a contracted-out money-purchase scheme.
- Individuals who contracted out of ASP in years after 1997 do not have any entitlement to ASP accruing for the years in which they were contracted out.
- Individuals who contracted out of the ASP between April 1978 and April 1997 are entitled to some reduced payment from the ASP for that period. The reduced ASP payments are equal to the gross SERPS entitlement (what the individual would have been entitled to from SERPS had they not contracted out) less a *contracted-out deduction* (COD). The COD is equal to the value of the GMP that the individual accrued during their period of contracted-out employment.

Alternative eligibility requirements that permit starting benefits early, but with a penalty
- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type
- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuity

Factors effecting computation of benefit entitlement
- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Yes
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer:

  BSP

  Yes

  ASP

  No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes

  Note: Credits are provided for each complete week receiving statutory maternity pay, maternity allowance or statutory adoption pay
- **Does an individual receive credits for unemployment?** Answer: Yes

  Note: Periods of unemployment on insurance or assistance benefits are credited for the BSP. There are no credits for periods on these benefits for the ASP.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**

  Benefits are adjusted annually according to changes in the retail price index (RPI) from the previous September.

Benefit formula for claiming at SRA

Basic State Pension (BSP - Category A pension)

A BSP is payable on a weekly basis to an individual if they are over the SRA and have sufficient qualifying years (see section on *Minimum Qualifications* for this definition). The amount of BSP income received each week depends on the number of qualifying years credited during an individual's working life.

If an individual has fewer qualifying years than the amount required for a full benefit (i.e., 44 for men and 39 for women born after July 5, 1932), the BSP benefit is paid at a reduced rate.[1] This rate is found by multiplying the full BSP rate by the proportion of the requisite number of years for which an individual had a qualifying contribution record. See Formula 1 for computational details.[2]

For detailed reference tables used in the calculation of BSP benefits, see:

- Required qualifying years based on length of working life: Table 6
- Working life based on birth date: Table 7
- BSP full rate by year: Table 8

Additional State Pension[3]

During this time period, the ASP was known as the State Earnings-Related Pension (SERP). The amount payable under SERP is based on an individual's "surplus" earnings between the Lower Earnings Limit (LEL) and the Upper Earnings Limit (UEL) in tax years since 1978, from the tax year in which the individual reached age 16 up to the tax year prior to the one in which the individual reaches the SRA.

The formula for calculating SERP benefits varies based on SRA:

- Before April 6, 1999: Formula 2
- Between April 6, 1999 and April 5, 2000: Formula 5
- After April 5, 2000: Formula 6

Under the original formula, 20 years of entitlement were required to receive the full amount of additional pension. If an individual had contributed for more than 20 years, the best 20 years of earnings were used to calculate the additional pension. The accumulation rate was 25%, so that in effect the full additional pension entitlement would have been roughly 25% of an index-linked average of earnings between the LEL and the UEL, using an individual's 20 best years of earnings during their life.

For those reaching SRA after April 5, 1999, two major changes were introduced:

- SERP benefits are based on earnings in all the years of working life since 1978 (including zero for the years in which the individual had no earnings above the LEL)
- Earnings from 1988 are treated with an accrual rate that depends on when the individual reached SRA
  - This accrual rate was gradually reduced from 25% (for those reaching SRA in 1999) to 20% (for those reaching SRA after April 5, 2009
  - The precise accrual rates that apply to different cohorts of individuals are shown in Table 12
  - Existing rights to the additional pension were protected, so that surplus earnings for the years 1978 to 1987 continue to be treated with an accrual rate of 25%

For detailed reference tables used in the calculation of SERP benefits, see:

- UEL and LEL by tax year: Table 2
- An example of revaluation factors in 2020: Table 9
- Accrual rates for those retiring after April 5, 1999: Table 12

Notes

[1] It is possible to earn or buy credits towards BSP entitlement even during periods when one is not paying NICs. The Social Security (Credits) Regulations 1975 introduced a provision to credit individuals with earnings in periods when it was felt they had an "acceptable" reason for not making contributions, in order that their pension entitlement should be protected. Earnings credits available include:

- Credits for unemployment or incapacity for work (Class 1 credits)
- Credits for caring for a disabled person (Class 1 credits)
- Credits for the maternity pay and adoption pay period (Class 1 credits)
- Credits for jury service (Class 1 credits)
- Credits following bereavement (Class 1 credits)
- Credits for individuals received working tax credits (Class 1 credits)
- Credits for quashed conviction (Class 1 credits)
- Credits for official error (Class 1 credits)
- Starting credits - aged 16-18 (Class 3 credits)
- Credits for education and training (Class 1 credits)
- Credits for people aged 60 and over (Class 1 credits)

[2] Age addition: Since 1971, individuals aged 80 and over have been paid an additional 25p per week. This is paid in addition to any BSP, or with some other benefits (industrial disablement pension, war disablement pension, widow's pension, severe disablement allowance, carer's allowance, pension credit). If a couple are both aged 80 or over and the woman is not receiving a pension or any of the above benefits, then her husband will receive her age addition (in addition to his own) on her behalf. This age addition represented an increase of 4.2% in 1971 when it was introduced. The amount remains fixed in nominal terms.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: Five years after the SRA
- **Adjustment formula**

  Basic State Pension (BSP - Category A pension)

  Since 1975, benefits have been increased if their start is deferred after the beneficiary reaches SRA.[1] Rate for benefits increases from deferral are expressed as a fraction of weekly pension income. See Formula 3 for how these rates affect the benefit paid.

  Additional State Pension

  An individual can increase their ASP by delaying the start of benefits until after the SRA. The deferral rates and conditions that apply are the same as for the BSP. See Formula 4 for how these rates affect the benefit paid.

  The applicable rates are the same across pension systems, but vary by SRA —See Table 10 for rates by tax year.

  Notes

  [1] Individuals are not entitled to any extra pension rights for periods during which they are deferring their state pension and claiming any of the following:
  * carer's allowance
  * employment support allowance
  * any state pension
  * severe disablement allowance
  * unemployment supplement
  * widow's pension or widowed mother's allowance

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: No

Chapter 3: Policy enacted 2000-2003

Policy change in 2000

The Child Support, Pensions and Social Security Act 2000, enacted July 28, 2000, made the following changes:

- Effective April 6, 2002, the ASP became the State Second Pension (S2P), replacing the State Earnings Related Pension Scheme (SERPS) —The main aim of this change was to increase the progressivity of earnings-related pension benefits in SERPS and to extend access to include certain carers and people with long-term illness or disability for the first time
- Introduced additional contributions for employees earning above upper earnings limit

Overview

During this period, the UK had two pension systems, one based only on years contributed and the other based on years contributed and earnings history. The pension systems were financed through earnings-related National Insurance contributions (NIC). Participation in the contribution-only system was mandatory. Workers defaulted into the earnings-related system, but could "contract-out" if they participated in a qualfied private pension plan.

- Basic State Pension (BSP): Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate. A full basic state pension typically requires 44 years of contribution for men and 39 years of contribution for women, but the number may vary depending on sex and birth date.
- Additional State Pension (ASP): Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history).

These pensions cannot be taken up before the state pension age, which we refer to here as the statutory retirement age (SRA) for consistency with other countries in this series. A state pension can be deferred in return for a higher benefit.

Contributions

- **Employee contribution rate**
  In 2002, the employee contribution rate was 10% of salary below the upper earning limit (UEL) (UEL) but in 2004 it was increased to 11% below the UEL and 1 percent above the UEL. See Table 1 for employee contribution rates by year.

  Notes
  1. Workers do not have to make contributions if they earn below the lower earning limit (LEL) —See Table 2 for values of the LEL and UEL by tax year
  2. Married women who were married before April 6, 1977 were allowed to elect to pay a reduced rate of NICs if they were working, in return for not building up any entitlement to a BSP in their own right. This is sometimes known as the married women's NIC rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NICs do not count as qualifying years. However, they may be able to claim:
     - Benefits based on the husband's contributions (such as Bereavement or Widow Allowance)
     - Statutory payments (such as Statutory Sick Pay)
     - Benefits that are not based on their own contributions (such as Carer's Allowance)
  3. Women who married on or after April 6, 1977 were not able to pay reduced-rate contributions, and women married before April 6, 1977 had to have started paying reduced-rate contributions before May 12, 1977 in order to be eligible. Even women who originally chose to pay reduced-rate NICs will lose the right to continue doing so if either of the following conditions are satisfied:
     - They get divorced or the marriage is annulled
     - Since April 6, 1978, there are two consecutive tax years during which they have not: 1) paid, or been treated as paying, class 1 NICs, or 2) been self-employed at any time

- **Employer contribution rate**
  In 2002, the employer contribution rate was 11.8% of salary. See Table 3 for employer contribution rates by year.
- **Self-employed contribution rate**
  In 2000, self-employed paid a flat-rate contribution of £2.00 per week for a Class 2 NIC and then paid a percentage rate based on annual profits above a lower profit limit —See Table 4 for self-employed contribution rates by tax year

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; Age 60 for women born before April 6, 1950 and gradually increasing to age 65 for women born after April 5, 1955
- **Does SRA vary by birth year?** Answer: Yes
- **Does SRA vary by sex?** Answer: Yes
- **Details by birth year**: For women, Table 11 provides details.

Contribution requirements to be eligible to receive benefit

Benefit systems differ by birth year as does qualification for those systems. In all systems, qualification for benefits depends on reaching at least the SRA and on the number of qualifying years. Number of qualifying years are based on National Insurance Contributions (NIC). There are six classes of NICs. Class 1, 2 and 3 NICs paid are credited to an individual's National Insurance account, which determines eligibility for certain benefits - including the state pension. Class 1A, 1B and 4 NIC do not count towards benefit entitlements but must still be paid if due. See Table 5 for details on NIC categories.

Basic State Pension (BSP - Category A pension)

A person becomes eligible for a BSP Category A benefit if they satisfy all of the following conditions:

- Age requirements: Age 65 for men; Age 60 for women and gradually increasing for women born after April 5, 1950 to age 65 for women born after April 5, 1955 —See Table 11 for SRA by birth date
- Contribution requirements
  - Men: 11 qualifying years[1,2]
  - Women: 10 qualifying years[1,2]

Eligibility Exceptions

- Married women's reduced rate: Working women who were married before 6 April 1977 were allowed to elect to pay a reduced rate of National Insurance Contributions (NIC) in return for not accruing their own BSP entitlement. This is sometimes known as the married women's National Insurance rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NI contributions do not count as qualifying years. By paying this reduced rate, they are choosing to accrue a pension entitlement based only on their husband's contribution record (see *UK: Spousal Old-Age Benefit Plan Details*).

Additional State Pension[3]

- Age requirements: Age 65 for men; Age 60 for women
- Contribution requirements: An individual must have paid Class 1 NICs on earnings greater than the annual lower earnings limit (LEL) in at least one tax year since 1978.

For detailed reference tables used in determining benefit eligibility, see:

- Class 1 NIC contribution rates: Table 1
- NIC definitions: Table 5
- LEL values by tax year: Table 2

Notes

[1] Definition of Qualifying Year
- For those reaching SRA after April 1975, a qualifying year is defined as:
  - In any one tax year since 1978: Class 1, 2 or 3 NICs on earnings equal to 52 times the LEL —See Table 2 for values by tax year
  - In any one tax year from 1975 to 1977: Class 1, 2 or 3 NICs on earnings equal to 50 times the LEL.
- For tax years prior to 1975: Qualifying years determined from total flat rate contributions —The total number of qualifying years are determined by the total number of flat rate contributions divided by 50

[2] Home responsibilities protection (HRP): Many individuals, particularly women, spend significant periods of their working lives caring for children. From the 1979 tax year, complete tax years during which one is caring for a child (or disabled person) qualify for home responsibilities protection. Individuals entitled to HRP have these years of HRP deducted from their requisite number of years, unless their earnings for that year were at or above 52 times the LEL. This reduction cannot, however, lead to a requisite number of years below 20 years or half of what it would otherwise have been, whichever is lower. Women are not entitled to HRP for any year in which they pay the *married women's reduced rate*.

[3] Contracting out (Bozio et al., 2010): Individuals may opt out of the ASP if they had an alternative earnings-related pension arrangements that are sufficiently generous. This is known as "contracting out." A contracted-out employee pays lower NICs

and forgoes some or all of their ASP entitlement.

- From 1978, individuals were permitted to contract out of ASP if their employer sponsored a contracted-out occupational pension scheme that promised to pay a guaranteed minimum pension (GMP). These were known as contracted-out salary-related (COSR) schemes. If an individual was part of a COSR scheme, then both employer and employee paid NICs at a lower rate.
- From 1988, employees could also contract out of the ASP by joining an appropriate personal pension or a contracted-out money-purchase scheme.
- Individuals who contracted out of ASP in years after 1997 do not have any entitlement to ASP accruing for the years in which they were contracted out.
- Individuals who contracted out of the ASP between April 1978 and April 1997 are entitled to some reduced payment from the ASP for that period. The reduced ASP payments are equal to the gross SERPS entitlement (what the individual would have been entitled to from SERPS had they not contracted out) less a *contracted-out deduction* (COD). The COD is equal to the value of the GMP that the individual accrued during their period of contracted-out employment.

Alternative eligibility requirements that permit starting benefits early, but with a penalty

- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type

- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuity

Factors effecting computation of benefit entitlement

- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Yes
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer:

  BSP
  Yes

  ASP
  No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  Note: Credits are provided for each complete week receiving statutory maternity pay, maternity allowance or statutory adoption pay
- **Does an individual receive credits for unemployment?** Answer: Yes
  Note: Periods of unemployment on insurance or assistance benefits are credited for the BSP. There are no credits for periods on these benefits for the ASP.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Benefits are adjusted annually according to changes in particular price indices from the previous September. These are:

  BSP
  Better of the retail price index or 2.5%

  ASP
  Retail price index

Benefit formula for claiming at SRA

Basic State Pension (BSP - Category A pension)

A BSP is payable on a weekly basis to an individual if they are over the SRA and have sufficient qualifying years (see section on *Minimum Qualifications* for this definition). The amount of BSP income received each week depends on the number of qualifying years credited during an individual's working life.

If an individual has fewer qualifying years than the amount required for a full benefit (i.e., 44 for men and 39 for women born after July 5, 1932), the BSP benefit is paid at a reduced rate.[1] This rate is found by multiplying the full BSP rate by the proportion of the requisite number of years for which an individual had a qualifying contribution record. See Formula 1 for computational details.[2]

For detailed reference tables used in the calculation of BSP benefits, see:
- Required qualifying years based on length of working life: Table 6
- Working life based on birth date: Table 7
- BSP full rate by year: Table 8

Additional State Pension[3]
State second pension (S2P) was introduced by the Child Support, Pensions and Social Security Act 2000 and came into force in April 2002, replacing the State Earnings Related Pension (SERP) as the ASP available based on earnings received after April 2002. S2P was introduced as an earnings-related pension but it is set, in the very long term, to become a flat-rate pension. SERPS entitlements from contributions made to the ASP before April 6, 2002 are protected and become payable when the individual reaches SRA. The ASP is accrued and claimed independently of whether the individual is entitled to and/or claims a BSP.

The formula for calculating ASP benefits varies based on SRA:
- Before April 6, 1999: Formula 2
- Between April 6, 1999 and April 5, 2000: Formula 5
- Between April 6, 2000 and April 5, 2003: Formula 6
- After April 5, 2003: The sum of SERPS (Formula 7) and S2P benefits (Formula 8)

For detailed reference tables used in the calculation of SERP and S2P benefits, see:
- UEL and LEL by tax year: Table 2
- An example of revaluation factors in 2020: Table 9
- Accrual rates for those retiring after April 5, 1999: Table 12
- Earnings bands used in the computation of the S2P benefit: Table 13

Notes

[1] It is possible to earn or buy credits towards BSP entitlement even during periods when one is not paying NICs. The Social Security (Credits) Regulations 1975 introduced a provision to credit individuals with earnings in periods when it was felt they had an "acceptable" reason for not making contributions, in order that their pension entitlement should be protected. Earnings credits available include:
- Credits for unemployment or incapacity for work (Class 1 credits)
- Credits for caring for a disabled person (Class 1 credits)
- Credits for the maternity pay and adoption pay period (Class 1 credits)
- Credits for jury service (Class 1 credits)
- Credits following bereavement (Class 1 credits)
- Credits for individuals received working tax credits (Class 1 credits)
- Credits for quashed conviction (Class 1 credits)
- Credits for official error (Class 1 credits)
- Starting credits - aged 16-18 (Class 3 credits)
- Credits for education and training (Class 1 credits)
- Credits for people aged 60 and over (Class 1 credits)

[2] Age addition: Since 1971, individuals aged 80 and over have been paid an additional 25p per week. This is paid in addition to any BSP, or with some other benefits (industrial disablement pension, war disablement pension, widow's pension, severe disablement allowance, carer's allowance, pension credit). If a couple are both aged 80 or over and the woman is not receiving a pension or any of the above benefits, then her husband will receive her age addition (in addition to his own) on her behalf. This age addition represented an increase of 4.2% in 1971 when it was introduced. The amount remains fixed in nominal terms.

Adjustments for starting benefits before SRA (Early claiming or retirement)
- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)
- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: Five years after the SRA

- **Adjustment formula**
  Basic State Pension (BSP - Category A pension)
  Since 1975, benefits have been increased if their start is deferred after the beneficiary reaches SRA.[1] Rate for benefits increases from deferral are expressed as a fraction of weekly pension income. See Formula 3 for how these rates affect the benefit paid.

  Additional State Pension
  An individual can increase their ASP by delaying the start of benefits until after the SRA. The deferral rates and conditions that apply are the same as for the BSP. See Formula 4 for how these rates affect the benefit paid.

  The applicable rates are the same across pension systems, but vary by SRA —See Table 10 for rates by tax year.

  Notes
  [1] Individuals are not entitled to any extra pension rights for periods during which they are deferring their state pension and claiming any of the following:
    * carer's allowance
    * employment support allowance
    * any state pension
    * severe disablement allowance
    * unemployment supplement
    * widow's pension or widowed mother's allowance

Adjustments for starting benefits and continuing to work (Earnings Test)
- **Are benefits reduced or eliminated while working?** Answer: No

Chapter 4: Policy enacted 2004-2006

Policy change in 2004

The Pensions Act 2004, enacted November 18, 2004, made the following changes:

- Effective April 6, 2005, increases in the regular benefit payment for deferring the start of benefits increased from 7.4% to 10.4% per year deferred and the maximum number of years an individuals can defer the start of their state pension and receive the increment was eliminated
- Effective April 6, 2006, it is possible to take a lump-sum payment rather than increases in the regular benefit payment, provided the individual defers claiming their pension for at least 12 months

Overview

During this period, the UK had two pension systems, one based only on years contributed and the other based on years contributed and earnings history. The pension systems were financed through earnings-related National Insurance contributions (NIC). Participation in the contribution-only system was mandatory. Workers defaulted into the earnings-related system, but could "contract-out" if they participated in a qualfied private pension plan.

- Basic State Pension (BSP): Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate. A full basic state pension typically requires 44 years of contribution for men and 39 years of contribution for women, but the number may vary depending on sex and birth date.
- Additional State Pension (ASP): Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history).

These pensions cannot be taken up before the state pension age, which we refer to here as the statutory retirement age (SRA) for consistency with other countries in this series. A state pension can be deferred in return for a higher benefit or, depending on birth year, a one-off lump sum payment with interest.

Contributions

- **Employee contribution rate**
  In 2005, the employee contribution rate was 11% of salary below the upper earning limit (UEL) and 1% above the UEL. See Table 1 for employee contribution rates by year.

  Notes
  1. Workers do not have to make contributions if they earn below the lower earning limit (LEL) —See Table 2 for values of the LEL and UEL by tax year
  2. Married women who were married before April 6, 1977 were allowed to elect to pay a reduced rate of NICs if they were working, in return for not building up any entitlement to a BSP in their own right. This is sometimes known as the married women's NIC rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NICs do not count as qualifying years. However, they may be able to claim:
     - Benefits based on the husband's contributions (such as Bereavement or Widow Allowance)
     - Statutory payments (such as Statutory Sick Pay)
     - Benefits that are not based on their own contributions (such as Carer's Allowance)
  3. Women who married on or after April 6, 1977 were not able to pay reduced-rate contributions, and women married before April 6, 1977 had to have started paying reduced-rate contributions before May 12, 1977 in order to be eligible. Even women who originally chose to pay reduced-rate NICs will lose the right to continue doing so if either of the following conditions are satisfied:
     - They get divorced or the marriage is annulled
     - Since April 6, 1978, there are two consecutive tax years during which they have not: 1) paid, or been treated as paying, class 1 NICs, or 2) been self-employed at any time

- **Employer contribution rate**
  In 2005, the employer contribution rate was 12.8% of salary. See Table 3 for employer contribution rates by year.
- **Self-employed contribution rate**
  In 2004, self-employed paid a flat-rate contribution of £2.05 per week for a Class 2 NIC and then paid a percentage rate based on annual profits above a lower profit limit —See Table 4 for self-employed contribution rates by tax year

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; Age 60 for women born before April 6, 1950 and gradually increasing to age 65 for women born after April 5, 1955
- **Does SRA vary by birth year?** Answer: Yes
- **Does SRA vary by sex?** Answer: Yes
- **Details by birth year**: For women, Table 11 provides details.

Contribution requirements to be eligible to receive benefit

Benefit systems differ by birth year as does qualification for those systems. In all systems, qualification for benefits depends on reaching at least the SRA and on the number of qualifying years. Number of qualifying years are based on National Insurance Contributions (NIC). There are six classes of NICs. Class 1, 2 and 3 NICs paid are credited to an individual's National Insurance account, which determines eligibility for certain benefits - including the state pension. Class 1A, 1B and 4 NIC do not count towards benefit entitlements but must still be paid if due. See Table 5 for details on NIC categories.

Basic State Pension (BSP - Category A pension)

A person becomes eligible for a BSP Category A benefit if they satisfy all of the following conditions:

- Age requirements: Age 65 for men; Age 60 for women and gradually increasing for women born after April 5, 1950 to age 65 for women born after April 5, 1955 —See Table 11 for SRA by birth date
- Contribution requirements
  - Men: 11 qualifying years[1,2]
  - Women: 10 qualifying years[1,2]

Eligibility Exceptions

- Married women's reduced rate: Working women who were married before 6 April 1977 were allowed to elect to pay a reduced rate of National Insurance Contributions (NIC) in return for not accruing their own BSP entitlement. This is sometimes known as the married women's National Insurance rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NI contributions do not count as qualifying years. By paying this reduced rate, they are choosing to accrue a pension entitlement based only on their husband's contribution record (see *UK: Spousal Old-Age Benefit Plan Details*).

Additional State Pension[3]

- Age requirements: Age 65 for men; Age 60 for women
- Contribution requirements: An individual must have paid Class 1 NICs on earnings greater than the annual lower earnings limit (LEL) in at least one tax year since 1978.

For detailed reference tables used in determining benefit eligibility, see:

- Class 1 NIC contribution rates: Table 1
- NIC definitions: Table 5
- LEL values by tax year: Table 2

Notes

1 Definition of Qualifying Year
  - For those reaching SRA after April 1975, a qualifying year is defined as:
    * In any one tax year since 1978: Class 1, 2 or 3 NICs on earnings equal to 52 times the LEL —See Table 2 for values by tax year
    * In any one tax year from 1975 to 1977: Class 1, 2 or 3 NICs on earnings equal to 50 times the LEL.
  - For tax years prior to 1975: Qualifying years determined from total flat rate contributions —The total number of qualifying years are determined by the total number of flat rate contributions divided by 50

2 Home responsibilities protection (HRP): Many individuals, particularly women, spend significant periods of their working lives caring for children. From the 1979 tax year, complete tax years during which one is caring for a child (or disabled person) qualify for home responsibilities protection. Individuals entitled to HRP have these years of HRP deducted from their requisite number of years, unless their earnings for that year were at or above 52 times the LEL. This reduction cannot, however, lead to a requisite number of years below 20 years or half of what it would otherwise have been, whichever is lower. Women are not entitled to HRP for any year in which they pay the *married women's reduced rate*.

3 Contracting out (Bozio et al., 2010): Individuals may opt out of the ASP if they had an alternative earnings-related pension arrangements that are sufficiently generous. This is known as "contracting out." A contracted-out employee pays lower NICs

and forgoes some or all of their ASP entitlement.

- From 1978, individuals were permitted to contract out of ASP if their employer sponsored a contracted-out occupational pension scheme that promised to pay a guaranteed minimum pension (GMP). These were known as contracted-out salary-related (COSR) schemes. If an individual was part of a COSR scheme, then both employer and employee paid NICs at a lower rate.
- From 1988, employees could also contract out of the ASP by joining an appropriate personal pension or a contracted-out money-purchase scheme.
- Individuals who contracted out of ASP in years after 1997 do not have any entitlement to ASP accruing for the years in which they were contracted out.
- Individuals who contracted out of the ASP between April 1978 and April 1997 are entitled to some reduced payment from the ASP for that period. The reduced ASP payments are equal to the gross SERPS entitlement (what the individual would have been entitled to from SERPS had they not contracted out) less a *contracted-out deduction* (COD). The COD is equal to the value of the GMP that the individual accrued during their period of contracted-out employment.

Alternative eligibility requirements that permit starting benefits early, but with a penalty

- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type

- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuity

Factors effecting computation of benefit entitlement

- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Yes
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer:

  BSP
  Yes

  ASP
  No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  Note: Credits are provided for each complete week receiving statutory maternity pay, maternity allowance or statutory adoption pay
- **Does an individual receive credits for unemployment?** Answer: Yes
  Note: Periods of unemployment on insurance or assistance benefits are credited for the BSP. There are no credits for periods on these benefits for the ASP.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Benefits are adjusted annually according to changes in particular price indices from the previous September. These are:

  BSP
  Better of the retail price index or 2.5%

  ASP
  Retail price index

Benefit formula for claiming at SRA

Basic State Pension (BSP - Category A pension)

A BSP is payable on a weekly basis to an individual if they are over the SRA and have sufficient qualifying years (see section on *Minimum Qualifications* for this definition). The amount of BSP income received each week depends on the number of qualifying years credited during an individual's working life.

If an individual has fewer qualifying years than the amount required for a full benefit (i.e., 44 for men and 39 for women born after July 5, 1932), the BSP benefit is paid at a reduced rate.[1] This rate is found by multiplying the full BSP rate by the proportion of the requisite number of years for which an individual had a qualifying contribution record. See Formula 1 for computational details.[2]

For detailed reference tables used in the calculation of BSP benefits, see:
- Required qualifying years based on length of working life: Table 6
- Working life based on birth date: Table 7
- BSP full rate by year: Table 8

Additional State Pension[3]
State second pension (S2P) was introduced by the Child Support, Pensions and Social Security Act 2000 and came into force in April 2002, replacing the State Earnings Related Pension (SERP) as the ASP available based on earnings received after April 2002. S2P was introduced as an earnings-related pension but it is set, in the very long term, to become a flat-rate pension. SERPS entitlements from contributions made to the ASP before April 6, 2002 are protected and become payable when the individual reaches SRA. The ASP is accrued and claimed independently of whether the individual is entitled to and/or claims a BSP.

The formula for calculating ASP benefits varies based on SRA:
- Before April 6, 1999: Formula 2
- Between April 6, 1999 and April 5, 2000: Formula 5
- Between April 6, 2000 and April 5, 2003: Formula 6
- After April 5, 2003: The sum of SERPS (Formula 7) and S2P benefits (Formula 8)

For detailed reference tables used in the calculation of SERP and S2P benefits, see:
- UEL and LEL by tax year: Table 2
- An example of revaluation factors in 2020: Table 9
- Accrual rates for those retiring after April 5, 1999: Table 12
- Earnings bands used in the computation of the S2P benefit: Table 13

Notes

[1] It is possible to earn or buy credits towards BSP entitlement even during periods when one is not paying NICs. The Social Security (Credits) Regulations 1975 introduced a provision to credit individuals with earnings in periods when it was felt they had an "acceptable" reason for not making contributions, in order that their pension entitlement should be protected. Earnings credits available include:
- Credits for unemployment or incapacity for work (Class 1 credits)
- Credits for caring for a disabled person (Class 1 credits)
- Credits for the maternity pay and adoption pay period (Class 1 credits)
- Credits for jury service (Class 1 credits)
- Credits following bereavement (Class 1 credits)
- Credits for individuals received working tax credits (Class 1 credits)
- Credits for quashed conviction (Class 1 credits)
- Credits for official error (Class 1 credits)
- Starting credits - aged 16-18 (Class 3 credits)
- Credits for education and training (Class 1 credits)
- Credits for people aged 60 and over (Class 1 credits)

[2] Age addition: Since 1971, individuals aged 80 and over have been paid an additional 25p per week. This is paid in addition to any BSP, or with some other benefits (industrial disablement pension, war disablement pension, widow's pension, severe disablement allowance, carer's allowance, pension credit). If a couple are both aged 80 or over and the woman is not receiving a pension or any of the above benefits, then her husband will receive her age addition (in addition to his own) on her behalf. This age addition represented an increase of 4.2% in 1971 when it was introduced. The amount remains fixed in nominal terms.

Adjustments for starting benefits before SRA (Early claiming or retirement)
- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)
- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No limit on deferral

- **Adjustment formula**

  Basic State Pension (BSP - Category A pension)

  An individual can increase their BSP benefit if the start of benefits is deferred past the beneficiary's SRA.[1] Rate for benefits increases from deferral are expressed as a fraction of weekly pension income. See Formula 3 for how these rates affect the benefit paid.

  Alternatively, beneficiaries delaying for 12 months or more may receive a one-time lump sum payment (see section on *Benefit: Lump Sum Payment for details*).

  Additional State Pension

  An individual can increase their ASP by delaying the start of benefits until after the SRA. The deferral rates and conditions that apply are the same as for the BSP. See Formula 4 for how these rates affect the benefit paid.

  The applicable rates are the same across pension systems, but vary by SRA —See Table 10 for rates by tax year.

  Notes

  [1] Individuals are not entitled to any extra pension rights for periods during which they are deferring their state pension and claiming any of the following:
  * carer's allowance
  * employment support allowance
  * any state pension
  * severe disablement allowance
  * unemployment supplement
  * widow's pension or widowed mother's allowance

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: No

Chapter 5: Policy enacted 2007-2010

Policy change in 2007

The Pensions Act 2007, enacted July 26, 2007, made the following changes effective April 6, 2010:

- Established a gradual process for raising the SRA from 65 to 68 for individuals born after April 5, 1955
- Reduced the number of qualifying years for a full BSP to 30 years
- Reduced the minimum qualifying years for any BSP benefit to 1 year
- Reduced the number of income bands, which define the amount of earnings that allow an employee to qualify for state pension, to two
- Abolished Home Responsibility Protections and replaced them with a pension credit for parents

Overview

During this period, the UK had two pension systems, one based only on years contributed and the other based on years contributed and earnings history. The pension systems were financed through earnings-related National Insurance contributions (NIC). Participation in the contribution-only system was mandatory. Workers defaulted into the earnings-related system, but could "contract-out" if they participated in a qualfied private pension plan.

- Basic State Pension (BSP): Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate. A full basic state pension requires at least 30 years of contributions, depending on sex and birth date.
- Additional State Pension (ASP): Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history).

These pensions cannot be taken up before the state pension age, which we refer to here as the statutory retirement age (SRA) for consistency with other countries in this series. A state pension can be deferred in return for a higher benefit or, depending on birth year, a one-off lump sum payment with interest.

Contributions

- **Employee contribution rate**
  In 2007, the employee contribution rate was 11% of salary below the upper earning limit (UEL) and 1% above the UEL. See Table 1 for employee contribution rates by year.

  Notes
  1. Workers do not have to make contributions if they earn below the lower earning limit (LEL) —See Table 2 for values of the LEL and UEL by tax year
  2. Married women who were married before April 6, 1977 were allowed to elect to pay a reduced rate of NICs if they were working, in return for not building up any entitlement to a BSP in their own right. This is sometimes known as the married women's NIC rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NICs do not count as qualifying years. However, they may be able to claim:
     - Benefits based on the husband's contributions (such as Bereavement or Widow Allowance)
     - Statutory payments (such as Statutory Sick Pay)
     - Benefits that are not based on their own contributions (such as Carer's Allowance)
  3. Women who married on or after April 6, 1977 were not able to pay reduced-rate contributions, and women married before April 6, 1977 had to have started paying reduced-rate contributions before May 12, 1977 in order to be eligible. Even women who originally chose to pay reduced-rate NICs will lose the right to continue doing so if either of the following conditions are satisfied:
     - They get divorced or the marriage is annulled
     - Since April 6, 1978, there are two consecutive tax years during which they have not: 1) paid, or been treated as paying, class 1 NICs, or 2) been self-employed at any time

- **Employer contribution rate**
  In 2007, the employer contribution rate was 12.8% of salary. See Table 3 for employer contribution rates by year.
- **Self-employed contribution rate**
  In 2007, self-employed paid a flat-rate contribution of £2.20 per week for a Class 2 NIC and then paid a percentage rate based on annual profits above a lower profit limit —See Table 4 for self-employed contribution rates by tax year

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men born before April 6, 1959 and gradually increasing to age 68 for men born after April 5, 1978; Age 60 for women born before April 6, 1950 and gradually increasing to age 68 for women born after April 5, 1978
- **Does SRA vary by birth year?** Answer: Yes
- **Does SRA vary by sex?** Answer: Yes
- **Details by birth year**: For women born before April 6, 1959, Table 11 provides details. For men and women born after April 5, 1959, Table 14 provides details.

Contribution requirements to be eligible to receive benefit

Benefit systems differ by birth year as does qualification for those systems. In all systems, qualification for benefits depends on reaching at least the SRA and on the number of qualifying years. Number of qualifying years are based on National Insurance Contributions (NIC). There are six classes of NICs. Class 1, 2 and 3 NICs paid are credited to an individual's National Insurance account, which determines eligibility for certain benefits - including the state pension. Class 1A, 1B and 4 NIC do not count towards benefit entitlements but must still be paid if due. See Table 5 for details on NIC categories.

Basic State Pension (BSP - Category A pension)

A person becomes eligible for a BSP Category A benefit if they satisfy all of the following conditions:

- Age requirements:
  - Men: Age 65 for men born before April 6, 1959 and gradually increasing to age 68 for men born after April 5, 1978 —See Table 14 for SRA by birth date for men born after April 5, 1959
  - Women: Age 60 for women born before April 6, 1950 and gradually increasing to age 68 for women born after April 5, 1978 —See Table 15 for SRA by birth date for women born before April 6, 1959 and Table 14 for women born after
- Contribution requirements
  - Persons reaching SRA before April 6, 2010
    - Men: 11 qualifying years[1,2]
    - Women: 10 qualifying years[1,2]
  - Persons reaching SRA between April 6, 2010 and April 5, 2016: 1 qualifying year minimum[1]

Eligibility Exceptions

- Married women's reduced rate: Working women who were married before 6 April 1977 were allowed to elect to pay a reduced rate of National Insurance Contributions (NIC) in return for not accruing their own BSP entitlement. This is sometimes known as the married women's National Insurance rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NI contributions do not count as qualifying years. By paying this reduced rate, they are choosing to accrue a pension entitlement based only on their husband's contribution record (see *UK: Spousal Old-Age Benefit Plan Details*).

Additional State Pension[3]

- Age requirements: Same as BSP
- Contribution requirements: An individual must have paid Class 1 NICs on earnings greater than the annual lower earnings limit (LEL) in at least one tax year since 1978.

For detailed reference tables used in determining benefit eligibility, see:

- Class 1 NIC contribution rates: Table 1
- NIC definitions: Table 5
- LEL values by tax year: Table 2

Notes

[1] Definition of Qualifying Year
  - For those reaching SRA after April 1975, a qualifying year is defined as:
    - In any one tax year since 1978: Class 1, 2 or 3 NICs on earnings equal to 52 times the LEL —See Table 2 for values by tax year
    - In any one tax year from 1975 to 1977: Class 1, 2 or 3 NICs on earnings equal to 50 times the LEL.
  - For tax years prior to 1975: Qualifying years determined from total flat rate contributions —The total number of qualifying years are determined by the total number of flat rate contributions divided by 50

[2] Home responsibilities protection (HRP): Many individuals, particularly women, spend significant periods of their working lives caring for children. From the 1979 tax year, complete tax years during which one is caring for a child (or disabled person) qualify for home responsibilities protection. Individuals entitled to HRP have these years of HRP deducted from their requisite number of years, unless their earnings for that year were at or above 52 times the LEL. This reduction cannot, however, lead to a requisite number of years below 20 years or half of what it would otherwise have been, whichever is lower. Women are not entitled to HRP for any year in which they pay the *married women's reduced rate*.

[3] Contracting out (Bozio et al., 2010): Individuals may opt out of the ASP if they had an alternative earnings-related pension arrangements that are sufficiently generous. This is known as "contracting out." A contracted-out employee pays lower NICs and forgoes some or all of their ASP entitlement.
  - From 1978, individuals were permitted to contract out of ASP if their employer sponsored a contracted-out occupational pension scheme that promised to pay a guaranteed minimum pension (GMP). These were known as contracted-out salary-related (COSR) schemes. If an individual was part of a COSR scheme, then both employer and employee paid NICs at a lower rate.
  - From 1988, employees could also contract out of the ASP by joining an appropriate personal pension or a contracted-out money-purchase scheme.
  - Individuals who contracted out of ASP in years after 1997 do not have any entitlement to ASP accruing for the years in which they were contracted out.
  - Individuals who contracted out of the ASP between April 1978 and April 1997 are entitled to some reduced payment from the ASP for that period. The reduced ASP payments are equal to the gross SERPS entitlement (what the individual would have been entitled to from SERPS had they not contracted out) less a *contracted-out deduction* (COD). The COD is equal to the value of the GMP that the individual accrued during their period of contracted-out employment.

Alternative eligibility requirements that permit starting benefits early, but with a penalty
- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type
- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuity

Factors effecting computation of benefit entitlement
- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Yes
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer:

  BSP
  Yes

  ASP
  No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  Note: Credits are provided for each complete week receiving statutory maternity pay, maternity allowance or statutory adoption pay
- **Does an individual receive credits for unemployment?** Answer: Yes
  Note: Periods of unemployment on insurance or assistance benefits are credited for the BSP. There are no credits for periods on these benefits for the ASP.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Benefits are adjusted annually according to changes in particular price indices from the previous September. These are:

  BSP
  Better of the retail price index or 2.5%

ASP
- Before April 2010: Retail price index
- From April 2010: Consumer price index (2007 Pension Act)

Benefit formula for claiming at SRA

Basic State Pension (BSP - Category A pension)

A BSP is payable on a weekly basis to an individual if they are over the SRA and have sufficient qualifying years (see section on *Minimum Qualifications* for this definition). The amount of BSP income received each week depends on the number of qualifying years credited during an individual's working life.

If an individual has fewer qualifying years than the amount required for a full benefit (i.e., 30 for individuals reaching SRA after April 5, 2010), the BSP benefit is paid at a reduced rate.[1] This rate is found by multiplying the full BSP rate by the proportion of the requisite number of years for which an individual had a qualifying contribution record. See Formula 1 for computational details.[2]

For detailed reference tables used in the calculation of BSP benefits, see:
- Required qualifying years based on length of working life: Table 6
- Working life based on birth date: Table 7
- BSP full rate by year: Table 8

Additional State Pension[3]

State second pension (S2P) was introduced by the Child Support, Pensions and Social Security Act 2000 and came into force in April 2002, replacing the State Earnings Related Pension (SERP) as the ASP available based on earnings received after April 2002. S2P was introduced as an earnings-related pension but it is set, in the very long term, to become a flat-rate pension. SERPS entitlements from contributions made to the ASP before April 6, 2002 are protected and become payable when the individual reaches SRA. The ASP is accrued and claimed independently of whether the individual is entitled to and/or claims a BSP.

The formula for calculating ASP benefits varies based on SRA:
- Before April 6, 1999: Formula 2
- Between April 6, 1999 and April 5, 2000: Formula 5
- Between April 6, 2000 and April 5, 2003: Formula 6
- Between April 6, 2003 and April 5, 2009: The sum of SERPS (Formula 7) and S2P benefits (Formula 8)
- After April 5, 2009: The sum of SERPS (Formula 7) and S2P benefits (Formula 9)

For detailed reference tables used in the calculation of SERP and S2P benefits, see:
- UEL and LEL by tax year: Table 2
- An example of revaluation factors in 2020: Table 9
- Accrual rates for those retiring after April 5, 1999: Table 12
- Earnings bands used in the computation of the S2P benefit: Table 13

Notes

[1] It is possible to earn or buy credits towards BSP entitlement even during periods when one is not paying NICs. The Social Security (Credits) Regulations 1975 introduced a provision to credit individuals with earnings in periods when it was felt they had an "acceptable" reason for not making contributions, in order that their pension entitlement should be protected. Earnings credits available include:
- Credits for unemployment or incapacity for work (Class 1 credits)
- Credits for caring for a disabled person (Class 1 credits)
- Credits for the maternity pay and adoption pay period (Class 1 credits)
- Credits for jury service (Class 1 credits)
- Credits following bereavement (Class 1 credits)
- Credits for individuals received working tax credits (Class 1 credits)
- Credits for quashed conviction (Class 1 credits)
- Credits for official error (Class 1 credits)
- Starting credits - aged 16-18 (Class 3 credits)
- Credits for education and training (Class 1 credits)
- Credits for people aged 60 and over (Class 1 credits)

[2] Age addition: Since 1971, individuals aged 80 and over have been paid an additional 25p per week. This is paid in addition to any BSP, or with some other benefits (industrial disablement pension, war disablement pension, widow's pension, severe disablement allowance, carer's allowance, pension credit). If a couple are both aged 80 or over and the woman is not receiving a pension or any of the above benefits, then her husband will receive her age addition (in addition to his own) on her behalf. This age addition represented an increase of 4.2% in 1971 when it was introduced. The amount remains fixed in nominal terms.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No limit on deferral
- **Adjustment formula**

Basic State Pension (BSP - Category A pension)

An individual can increase their BSP benefit if the start of benefits is deferred past the beneficiary's SRA.[1] Rate for benefits increases from deferral are expressed as a fraction of weekly pension income. See Formula 3 for how these rates affect the benefit paid.

Alternatively, beneficiaries delaying for 12 months or more may receive a one-time lump sum payment (see section on *Benefit: Lump Sum Payment for details*).

Additional State Pension

An individual can increase their ASP by delaying the start of benefits until after the SRA. The deferral rates and conditions that apply are the same as for the BSP. See Formula 4 for how these rates affect the benefit paid.

The applicable rates are the same across pension systems, but vary by SRA —See Table 10 for rates by tax year.

Notes

[1] Individuals are not entitled to any extra pension rights for periods during which they are deferring their state pension and claiming any of the following:

* carer's allowance
* employment support allowance
* any state pension
* severe disablement allowance
* unemployment supplement
* widow's pension or widowed mother's allowance

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: No

Chapter 6: Policy enacted 2011-2013

Policy change in 2011
The Pensions Act 2011, enacted November 3, 2011, accelerated the timetable for women's SRA for women born after April 5, 1953 so that it reaches parity with men by December 6, 2018 and accelerated the increase in the SRA from 65 to 66 for individuals born after December 5, 1953 and before April 6, 1960.

Overview

During this period, the UK had two pension systems, one based only on years contributed and the other based on years contributed and earnings history. The pension systems were financed through earnings-related National Insurance contributions (NIC). Participation in the contribution-only system was mandatory. Workers defaulted into the earnings-related system, but could "contract-out" if they participated in a qualfied private pension plan.

- Basic State Pension (BSP): Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate. A full basic state pension requires at least 30 years of contributions, depending on sex and birth date.
- Additional State Pension (ASP): Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history).

These pensions cannot be taken up before the state pension age, which we refer to here as the statutory retirement age (SRA) for consistency with other countries in this series. A state pension can be deferred in return for a higher benefit or, depending on birth year, a one-off lump sum payment with interest.

Contributions

- **Employee contribution rate**
  In 2011, the employee contribution rate was 12% of salary below the upper earning limit (UEL) and 2% above the UEL. See Table 1 for employee contribution rates by year.

  Notes
  1. Workers do not have to make contributions if they earn below the lower earning limit (LEL) —See Table 2 for values of the LEL and UEL by tax year
  2. Married women who were married before April 6, 1977 were allowed to elect to pay a reduced rate of NICs if they were working, in return for not building up any entitlement to a BSP in their own right. This is sometimes known as the married women's NIC rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NICs do not count as qualifying years. However, they may be able to claim:
     - Benefits based on the husband's contributions (such as Bereavement or Widow Allowance)
     - Statutory payments (such as Statutory Sick Pay)
     - Benefits that are not based on their own contributions (such as Carer's Allowance)
  3. Women who married on or after April 6, 1977 were not able to pay reduced-rate contributions, and women married before April 6, 1977 had to have started paying reduced-rate contributions before May 12, 1977 in order to be eligible. Even women who originally chose to pay reduced-rate NICs will lose the right to continue doing so if either of the following conditions are satisfied:
     - They get divorced or the marriage is annulled
     - Since April 6, 1978, there are two consecutive tax years during which they have not: 1) paid, or been treated as paying, class 1 NICs, or 2) been self-employed at any time

- **Employer contribution rate**
  In 2011, the employer contribution rate was 13.8% of salary. See Table 3 for employer contribution rates by year.
- **Self-employed contribution rate**
  In 2011, self-employed paid a flat-rate contribution of £2.50 per week for a Class 2 NIC and then paid a percentage rate based on annual profits above a lower profit limit —See Table 4 for self-employed contribution rates by tax year

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men born before April 6, 1959 and gradually increasing to age 68 for men born after April 5, 1978; Age 60 for women born before April 6, 1950 and gradually increasing to age 68 for women born after April 5, 1978
- **Does SRA vary by birth year?** Answer: Yes
- **Does SRA vary by sex?** Answer: Yes
- **Details by birth year**: For women born before December 6, 1953, Table 15 provides details. For men and women born after December 5, 1953, Table 16 provides details for years 2011-2013.

Contribution requirements to be eligible to receive benefit

Benefit systems differ by birth year as does qualification for those systems. In all systems, qualification for benefits depends on reaching at least the SRA and on the number of qualifying years. Number of qualifying years are based on National Insurance Contributions (NIC). There are six classes of NICs. Class 1, 2 and 3 NICs paid are credited to an individual's National Insurance account, which determines eligibility for certain benefits - including the state pension. Class 1A, 1B and 4 NIC do not count towards benefit entitlements but must still be paid if due. See Table 5 for details on NIC categories.

Basic State Pension (BSP - Category A pension)

A person becomes eligible for a BSP Category A benefit if they satisfy all of the following conditions:

- Age requirements:
  - Men: Age 65 for men born before April 6, 1959 and gradually increasing to age 68 for men born after April 5, 1978 —See Table 16 for SRA by birth date for men born after April 5, 1959
  - Women: Age 60 for women born before April 6, 1950 and gradually increasing to age 68 for women born after April 5, 1978 —See Table 15 for SRA by birth date for women born before December 6, 1953 and Table 16 for women born after
- Contribution requirements
  - Persons reaching SRA before April 6, 2010
    - Men: 11 qualifying years[1]
    - Women: 10 qualifying years[1]
  - Persons reaching SRA between April 6, 2010 and April 5, 2016: 1 qualifying year minimum[1]

Eligibility Exceptions

- Married women's reduced rate: Working women who were married before 6 April 1977 were allowed to elect to pay a reduced rate of National Insurance Contributions (NIC) in return for not accruing their own BSP entitlement. This is sometimes known as the married women's National Insurance rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NI contributions do not count as qualifying years. By paying this reduced rate, they are choosing to accrue a pension entitlement based only on their husband's contribution record (see *UK: Spousal Old-Age Benefit Plan Details*).

Additional State Pension[2]

- Age requirements: Same as BSP
- Contribution requirements: An individual must have paid Class 1 NICs on earnings greater than the annual lower earnings limit (LEL) in at least one tax year between 1978 and 2015

For detailed reference tables used in determining benefit eligibility, see:

- Class 1 NIC contribution rates: Table 1
- NIC definitions: Table 5
- LEL values by tax year: Table 2

Notes

[1] Definition of Qualifying Year
- For those reaching SRA after April 1975, a qualifying year is defined as:
  - In any one tax year since 1978: Class 1, 2 or 3 NICs on earnings equal to 52 times the LEL —See Table 2 for values by tax year
  - In any one tax year from 1975 to 1977: Class 1, 2 or 3 NICs on earnings equal to 50 times the LEL.
- For tax years prior to 1975: Qualifying years determined from total flat rate contributions —The total number of qualifying years are determined by the total number of flat rate contributions divided by 50

[2] Contracting out (Bozio et al., 2010): Individuals may opt out of the ASP if they had an alternative earnings-related pension arrangements that are sufficiently generous. This is known as "contracting out." A contracted-out employee pays lower NICs and forgoes some or all of their ASP entitlement.

- From 1978, individuals were permitted to contract out of ASP if their employer sponsored a contracted-out occupational pension scheme that promised to pay a guaranteed minimum pension (GMP). These were known as contracted-out salary-related (COSR) schemes. If an individual was part of a COSR scheme, then both employer and employee paid NICs at a lower rate.
- From 1988, employees could also contract out of the ASP by joining an appropriate personal pension or a contracted-out money-purchase scheme.
- Individuals who contracted out of ASP in years after 1997 do not have any entitlement to ASP accruing for the years in which they were contracted out.
- Individuals who contracted out of the ASP between April 1978 and April 1997 are entitled to some reduced payment from the ASP for that period. The reduced ASP payments are equal to the gross SERPS entitlement (what the individual would have been entitled to from SERPS had they not contracted out) less a *contracted-out deduction* (COD). The COD is equal to the value of the GMP that the individual accrued during their period of contracted-out employment.
- Since April 2012, contracting out into defined contribution plans is prohibited.

Alternative eligibility requirements that permit starting benefits early, but with a penalty

- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type

- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuity

Factors effecting computation of benefit entitlement

- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Yes
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer:

  BSP
  Yes

  ASP
  No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  Note: Credits are provided for each complete week receiving statutory maternity pay, maternity allowance or statutory adoption pay
- **Does an individual receive credits for unemployment?** Answer: Yes
  Note: Periods of unemployment on insurance or assistance benefits are credited for the BSP. There are no credits for periods on these benefits for the ASP.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Benefits are adjusted annually according to changes in particular price indices from the previous September. These are:

  BSP
  Better of the consumer price index, earnings, or 2.5%.

  ASP
  Consumer price index

Benefit formula for claiming at SRA

Basic State Pension (BSP - Category A pension)

A BSP is payable on a weekly basis to an individual if they are over the SRA and have sufficient qualifying years (see section on *Minimum Qualifications* for this definition). The amount of BSP income received each week depends on the number of qualifying years credited during an individual's working life.

If an individual has fewer qualifying years than the amount required for a full benefit (i.e., 30 for individuals reaching SRA after April 5, 2010), the BSP benefit is paid at a reduced rate.[1] This rate is found by multiplying the full BSP rate by the proportion of the requisite number of years for which an individual had a qualifying contribution record. See Formula 10 for computational details.[2]

For detailed reference tables used in the calculation of BSP benefits, see:

- Required qualifying years based on length of working life: Table 6
- Working life based on birth date: Table 7
- BSP full rate by year: Table 8

Additional State Pension[3]

State second pension (S2P) was introduced by the Child Support, Pensions and Social Security Act 2000 and came into force in April 2002, replacing the State Earnings Related Pension (SERP) as the ASP available based on earnings received after April 2002. S2P was introduced as an earnings-related pension but it is set, in the very long term, to become a flat-rate pension. SERPS entitlements from contributions made to the ASP before April 6, 2002 are protected and become payable when the individual reaches SRA. The ASP is accrued and claimed independently of whether the individual is entitled to and/or claims a BSP.

The formula for calculating ASP benefits varies based on SRA:

- Before April 6, 1999: Formula 2
- Between April 6, 1999 and April 5, 2000: Formula 5
- Between April 6, 2000 and April 5, 2003: Formula 6
- Between April 6, 2003 and April 5, 2009: The sum of SERPS (Formula 7) and S2P benefits (Formula 8)
- After April 5, 2009: The sum of SERPS (Formula 7) and S2P benefits (Formula 9)

For detailed reference tables used in the calculation of SERP and S2P benefits, see:

- UEL and LEL by tax year: Table 2
- An example of revaluation factors in 2020: Table 9
- Accrual rates for those retiring after April 5, 1999: Table 12
- Earnings bands used in the computation of the S2P benefit: Table 13

Notes

1. It is possible to earn or buy credits towards BSP entitlement even during periods when one is not paying NICs. The Social Security (Credits) Regulations 1975 introduced a provision to credit individuals with earnings in periods when it was felt they had an "acceptable" reason for not making contributions, in order that their pension entitlement should be protected. Earnings credits available include:
   - Credits for unemployment or incapacity for work (Class 1 credits)
   - Credits for caring for a disabled person (Class 1 credits)
   - Credits for the maternity pay and adoption pay period (Class 1 credits)
   - Credits for jury service (Class 1 credits)
   - Credits following bereavement (Class 1 credits)
   - Credits for individuals received working tax credits (Class 1 credits)
   - Credits for quashed conviction (Class 1 credits)
   - Credits for official error (Class 1 credits)
   - Starting credits - aged 16-18 (Class 3 credits)
   - Credits for education and training (Class 1 credits)
   - Credits for people aged 60 and over (Class 1 credits)
2. Age addition: Since 1971, individuals aged 80 and over have been paid an additional 25p per week. This is paid in addition to any BSP, or with some other benefits (industrial disablement pension, war disablement pension, widow's pension, severe disablement allowance, carer's allowance, pension credit). If a couple are both aged 80 or over and the woman is not receiving a pension or any of the above benefits, then her husband will receive her age addition (in addition to his own) on her behalf. This age addition represented an increase of 4.2% in 1971 when it was introduced. The amount remains fixed in

nominal terms.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No limit on deferral
- **Adjustment formula**

  Basic State Pension (BSP - Category A pension)

  An individual can increase their BSP benefit if the start of benefits is deferred past the beneficiary's SRA.[1] Rate for benefits increases from deferral are expressed as a fraction of weekly pension income. See Formula 3 for how these rates affect the benefit paid.

  Alternatively, beneficiaries delaying for 12 months or more may receive a one-time lump sum payment (see section on *Benefit: Lump Sum Payment for details*).

  Additional State Pension

  An individual can increase their ASP by delaying the start of benefits until after the SRA. The deferral rates and conditions that apply are the same as for the BSP. See Formula 4 for how these rates affect the benefit paid.

  The applicable rates are the same across pension systems, but vary by SRA —See Table 10 for rates by tax year.

  Notes

  [1] Individuals are not entitled to any extra pension rights for periods during which they are deferring their state pension and claiming any of the following:

  * carer's allowance
  * employment support allowance
  * any state pension
  * severe disablement allowance
  * unemployment supplement
  * widow's pension or widowed mother's allowance

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: No

Chapter 7: Policy enacted 2014-2022

Policy change in 2014

The Pensions Act 2014, enacted May 14, 2014, created the new State Pension (nSP) to replace the previous two-tier system that consisted of the basic state pension and the additional state pension (i.e., earning-related pension) for men born after April 5, 1951 and women born after April 5, 1953. It also accelerated the increase in the SRA from age 66 to age 67 for individuals born between April 6, 1960 and April 5, 1961.

Overview

During this period, the UK had three pension systems based on sex and birth year. The pension systems were financed through earnings-related National Insurance contributions (NIC). Participation in at least one of the systems is mandatory.

- Men born before April 6, 1951 and women born before April 6, 1953
  - Basic State Pension (BSP): Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate. A full basic state pension requires at least 30 years of contributions, depending on sex and birth date.
  - Additional State Pension (ASP): Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history). Individuals contributing to private pension plans could "contract-out" of the ASP.
- Men born after April 5, 1951 and women born after April 5, 1953
  - New State Pension (nSP): Qualified beneficiaries receive a flat-rate pension. A full nSP requires 35 years of contributions. The nSP replaces the BSP and S2P. A transitionary system exists for entitlements earned under the previous systems.

Regardless of the system, a state pension cannot be taken up before the state pension age, which we refer to here as the statutory retirement age (SRA) for consistency with other countries in this series. A state pension can be deferred in return for a higher benefit or, depending on birth year, a one-off lump sum payment with interest.

Contributions

- **Employee contribution rate**
  In 2016, the employee contribution rate was 12% of salary below the upper earning limit (UEL) and 2% above the UEL. See Table 1 for employee contribution rates by year.

  Notes
  1. Workers do not have to make contributions if they earn below the lower earning limit (LEL) —See Table 2 for values of the LEL and UEL by tax year
  2. Married women who were married before April 6, 1977 were allowed to elect to pay a reduced rate of NICs if they were working, in return for not building up any entitlement to a BSP in their own right. This is sometimes known as the married women's NIC rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NICs do not count as qualifying years. However, they may be able to claim:
     - Benefits based on the husband's contributions (such as Bereavement or Widow Allowance)
     - Statutory payments (such as Statutory Sick Pay)
     - Benefits that are not based on their own contributions (such as Carer's Allowance)
  3. Women who married on or after April 6, 1977 were not able to pay reduced-rate contributions, and women married before April 6, 1977 had to have started paying reduced-rate contributions before May 12, 1977 in order to be eligible. Even women who originally chose to pay reduced-rate NICs will lose the right to continue doing so if either of the following conditions are satisfied:
     - They get divorced or the marriage is annulled
     - Since April 6, 1978, there are two consecutive tax years during which they have not: 1) paid, or been treated as paying, class 1 NICs, or 2) been self-employed at any time

- **Employer contribution rate**
  In 2016, the employer contribution rate was 13.8% of salary. See Table 3 for employer contribution rates by year.
- **Self-employed contribution rate**
  In 2011, self-employed paid a flat-rate contribution of £2.75 per week for a Class 2 NIC and then paid a percentage rate based on annual profits above a lower profit limit —See Table 4 for self-employed contribution rates by tax year

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men born before April 6, 1959 and gradually increasing to age 68 for men born after April 5, 1978; Age 60 for women born before April 6, 1950 and gradually increasing to age 68 for women born after April 5, 1978
- **Does SRA vary by birth year?** Answer: Yes
- **Does SRA vary by sex?** Answer: Yes
- **Details by birth year**: For women born before December 6, 1953, Table 15 provides details. For men and women born after December 5, 1953, Table 17 provides details.

Contribution requirements to be eligible to receive benefit

Benefit systems differ by birth year as does qualification for those systems. In all systems, qualification for benefits depends on reaching at least the SRA and on the number of qualifying years. Number of qualifying years are based on National Insurance Contributions (NIC). There are six classes of NICs. Class 1, 2 and 3 NICs paid are credited to an individual's National Insurance account, which determines eligibility for certain benefits - including the state pension. Class 1A, 1B and 4 NIC do not count towards benefit entitlements but must still be paid if due. See Table 5 for details on NIC categories.

New State Pension (nSP - Category A pension)[1]

Only persons reaching their SRA after April 5, 2016 are eligible for nSP. A person becomes eligible for a nSP Category A benefit if they satisfy all of the following conditions:

- Age requirements:
  - Men: Age 65 for men born before April 6, 1959 and gradually increasing to age 68 for men born after April 5, 1978 —See Table 17 for SRA by birth date for men born after April 5, 1959
  - Women: Age 60 for women born before April 6, 1950 and gradually increasing to age 68 for women born after April 5, 1978 —See Table 15 for SRA by birth date for women born before December 6, 1953 and Table 17 for women born after
- Contribution requirements: 1 qualifying year minimum[2]

Basic State Pension (BSP - Category A pension)

Only persons reaching their SRA before April 6, 2016 are eligible for BSP. A person becomes eligible for a BSP Category A benefit if they satisfy all of the following conditions:

- Age requirements: Same as nSP age requirements
- Contribution requirements
  - Persons reaching SRA before April 6, 2010
    - Men: 11 qualifying years[3]
    - Women: 10 qualifying years[3]
  - Persons reaching SRA between April 6, 2010 and April 5, 2016: 1 qualifying year minimum[3]

Eligibility Exceptions

- Married women's reduced rate: Working women who were married before 6 April 1977 were allowed to elect to pay a reduced rate of National Insurance Contributions (NIC) in return for not accruing their own BSP entitlement. This is sometimes known as the married women's National Insurance rate or the "half stamp." Any tax years during which a woman chose to pay reduced-rate NI contributions do not count as qualifying years. By paying this reduced rate, they are choosing to accrue a pension entitlement based only on their husband's contribution record (see *UK: Spousal Old-Age Benefit Plan Details*).

Additional State Pension[4]

Only persons reaching their SRA before April 6, 2016 are eligible for ASP. A person becomes eligible for an ASP benefit if they satisfy all of the following conditions:

- Age requirements: Same as nSP age requirements
- Contribution requirements: An individual must have paid Class 1 NICs on earnings greater than the annual lower earnings limit (LEL) in at least one tax year since 1978.

For detailed reference tables used in determining benefit eligibility, see:

- Class 1 NIC contribution rates: Table 1
- NIC definitions: Table 5
- LEL values by tax year: Table 2

Notes

[1] The option of contracting out was abolished in the nSP
[2] Definition of Qualifying Year for nSP: Any year where NICs equal or exceed the annual LEL
[3] Definition of Qualifying Year for BSP and ASP
- For those reaching SRA after April 1975, a qualifying year is defined as:
  - In any one tax year since 1978: Class 1, 2 or 3 NICs on earnings equal to 52 times the LEL —See Table 2 for values by tax year
  - In any one tax year from 1975 to 1977: Class 1, 2 or 3 NICs on earnings equal to 50 times the LEL.
- For tax years prior to 1975: Qualifying years determined from total flat rate contributions —The total number of qualifying years are determined by the total number of flat rate contributions divided by 50

[4] Contracting out (Bozio et al., 2010): Individuals may opt out of the ASP if they had an alternative earnings-related pension arrangements that are sufficiently generous. This is known as "contracting out." A contracted-out employee pays lower NICs and forgoes some or all of their ASP entitlement.
- From 1978, individuals were permitted to contract out of ASP if their employer sponsored a contracted-out occupational pension scheme that promised to pay a guaranteed minimum pension (GMP). These were known as contracted-out salary-related (COSR) schemes. If an individual was part of a COSR scheme, then both employer and employee paid NICs at a lower rate.
- From 1988, employees could also contract out of the ASP by joining an appropriate personal pension or a contracted-out money-purchase scheme.
- Individuals who contracted out of ASP in years after 1997 do not have any entitlement to ASP accruing for the years in which they were contracted out.
- Individuals who contracted out of the ASP between April 1978 and April 1997 are entitled to some reduced payment from the ASP for that period. The reduced ASP payments are equal to the gross SERPS entitlement (what the individual would have been entitled to from SERPS had they not contracted out) less a *contracted-out deduction* (COD). The COD is equal to the value of the GMP that the individual accrued during their period of contracted-out employment.
- Since April 2012, contracting out into defined contribution plans is prohibited.

Alternative eligibility requirements that permit starting benefits early, but with a penalty
- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type
- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuity

Factors effecting computation of benefit entitlement
- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Yes
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer:

  nSP
  Yes

  BSP
  Yes

  ASP
  No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  Note: Credits are provided for each complete week receiving statutory maternity pay, maternity allowance or statutory adoption pay
- **Does an individual receive credits for unemployment?** Answer: Yes
  Note: Periods of unemployment on insurance or assistance benefits are credited for the BSP. There are no credits for periods on these benefits for the ASP.

- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Benefits are adjusted annually according to changes in particular price indices from the previous September. These are:

  nSP
  Better of the consumer price index, earnings, or 2.5%

  BSP
  Better of the consumer price index, earnings, or 2.5% (for computing starting amount of the nSP)

  ASP
  Consumer price index (for computing starting amount of the nSP)

Benefit formula for claiming at SRA

New State Pension (nSP)

The Pensions Act 2014 replaced the complex old rules with the New State Pension (nSP) for men born after April 5, 1951 and women born after April 5, 1953. Under the new system, people need at least 10 qualifying years to receive any state pension. Those with no National Insurance record before April 6, 2016 will receive the full amount if they have 35 years of NICs when they reach SRA. Partial nSP is paid at a rate of 1/35th of the full amount for each qualifying year for those with more than 10 but fewer than 35 years. See Formula 11 for computational details.

There are transitional arrangements in place for those with NICs from before April 6, 2016. For people reaching SRA on or after April 6, 2016, a "starting amount" calculation is used to work out a person's entitlement to the nSP from their NIC record up to April 6, 2016. If the starting amount is less than the full nSP, they can get more old-age benefits by adding more qualifying years to their NIC record after April 5, 2016.[1] They can do this until they reach the full nSP amount or reach SRA - whichever is first. If the starting amount is more than the full nSP, the part of the starting amount which is above the full nsP is called the "protected payment." This is paid on top of the full nSP. See Formula 12 for how to compute the starting amount.

For detailed reference tables used in the calculation of nSP benefits, see:
- Benefit levels (nSP) by year: Table 18

Notes
- For men born before April 6, 1951 and women born before April 6, 1953 see pension rules in effect before the 2014 Pension Act (see time periods before 2014) to compute the amount an individual would have been entitled to receive under the Basic State Pension and Additional State Pensions.
- The starting amount will include a deduction if they were contracted out of ASP

[1] Each qualifying year on the NIC record after April 5, 2016 will add about £5 a week to the nSP. The exact amount they get is calculated by dividing full rate (see Table 18) by 35 and then multiplying by the number of qualifying years after April 5, 2016.

Adjustments for starting benefits before SRA (Early claiming or retirement)
- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)
- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No limit on deferral
- **Adjustment formula**

  New State Pension (nSP)

  An individual can increase their state pension benefits if the start of benefits is deferred past the beneficiary's SRA. Rate for benefits increases from deferral are expressed as a fraction of weekly pension income and vary based on whether an individual reaches SRA before April 6, 2016. See Formula 13 for how these rates affect the benefit paid.

  The applicable rates are the same across pension systems, but vary by SRA —See Table 19 for rates by tax year.

  Notes
  - For men born before April 6, 1951 and women born before April 6, 1953 see pension rules in effect before the 2014 Pension Act (see time periods before 2014) to compute the amount an individual would have been entitled to receive under the Basic

State Pension and Additional State Pensions.

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: No

Tables and Formulas

Table 1: Employee Contribution Rate

Tax year	Main contribution rate	Additional contribution rate[1]	Reduced rate for qualified married women and widows
1992-1998	9 %	0 %	0.00 %
1999-2003	10	0	0.00
2004-2010	11	1	4.85
2011-2022	12	2	5.85

Sources: See National Insurance Limits, Contracted-In Contribution Rates (Royal London, 2022) for tax years 2000-2015. From 2016, the UK produces annual guidance on rates and thresholds for employers (see, for example, GOV.UK, 2016)

Notes

[1] The additional contribution rate applies above the upper earnings limit (UEL)

Table 2: Weekly Upper and Lower Earnings Thresholds

Year	LEL	UEL	Year	LEL	UEL
1978	£ 17.5	£ 120	2001	72	575
1979	19.5	135	2002	75	585
1980	23.0	165	2003	77	595
1981	27.0	200	2004	79	610
1982	29.5	220	2005	82	630
1983	32.5	235	2006	84	645
1984	34.0	250	2007	87	670
1985	35.5	265	2008	90	770
1986	38	285	2009	95	844
1987	39	295	2010	97	844
1988	41	305	2011	102	817
1989	43	325	2012	107	817
1990	46	350	2013	109	797
1991	52	390	2014	111	805
1992	54	405	2015	112	815
1993	56	420	2016	112	827
1994	57	430	2017	113	866
1995	58	440	2018	116	892
1996	61	455	2019	118	962
1997	62	465	2020	120	962
1998	64	485	2021	120	967
1999	66	500	2022	123	967
2000	67	535			

Sources: See National Insurance Limits, Lower & Upper Earnings Limits (Royal London, 2022) for tax years before 2015. From 2016, the UK produces annual guidance on rates and thresholds for employers (see, for example, GOV.UK, 2016)

Table 3: Employer Contribution Rate

Tax year	Main contribution rate
1993-1994	10.40 %
1995-1996	10.20
1997-1998	10.00
1999-2000	12.20
2001	11.90
2002	11.80
2003-2010	12.80
2011-2021	13.80
2022	15.05

Sources: See National Insurance Limits, Contracted-In Contribution Rates (Royal London, 2022) for tax years 2000-2015. From 2016, the UK produces annual guidance on rates and thresholds for employers (see, for example, GOV.UK, 2016)
Note: Further verification recommended for contribution rates from 1993-1998

Table 4: Self-Employed Contribution Rate

Year	Weeklly flat-rate contribution	Main contribution rate[1]	Secondary contribution rate[2]
1999-2000	£ 6.55	6 %	0 %
2000-2002	2.00	7	0
2003	2.00	8	1
2004	2.05	8	1
2005-2006	2.10	8	1
2007	2.20	8	1
2008	2.30	8	1
2009-2010	2.40	8	1
2011	2.50	9	2
2012	2.65	9	2
2013	2.70	9	2
2014	2.75	9	2
2015-2016	2.80	9	2
2017	2.85	9	2
2018	2.95	9	2
2019	3.00	9	2
2020	3.05	9	2
2021	3.05	9	2
2022	3.15	10.25	3.25

Source: See Official Statistics, National Insurance Contribution Rates (GOV.UK, 2022) for values from 2000 to 2021. Also seem "Rates and allowances: National Insurance contributions" for more recent values (GOV.UK, 2022)

Note

[1] The main contribution rate applies for profits between Lower profits limit (LPL) and Upper profits limit (UPL)

[2] The secondary contribution rate applies for profits babove the UPL

Table 5: National Insurance Contributions by Class

Class	Contributions
Class 1	Class 1 contributions are paid by employers and their employees.
Class 1A	Class 1A contributions were introduced from April 6, 1991, and are paid by employers on the value of company cars and certain other benefits in kind provided to their employees and directors, at the standard employer contribution percentage rate for the tax year. Class 1A contributions do not provide any benefit entitlement for individuals.
Class 1B	Class 1B contributions were introduced on April 6, 1999 and are payable by employers as part of a PAYE Settlement Agreement (an arrangement whereby the employer meets the tax liabilities on certain benefits). Class 1B contributions are paid at the same rate as Class 1A contributions and do not provide any benefit entitlement for individuals.
Class 2	Class 2 contributions are fixed weekly amounts paid by the self-employed. They are due regardless of trading profits or losses, but those with low earnings can apply for exemption from paying and those on high earnings with liability to either Class 1 or 4 can apply for deferment from paying.
Class 3	Class 3 contributions are voluntary NICs paid by people wishing to fill a gap in their contributions record which has arisen either by not working or by their earnings being too low.
Class 4	Class 4 contributions are paid by self-employed people as a portion of their profits. The amount due is calculated with income tax at the end of the year, based on figures supplied on the SA100 tax return.

Source: Part I, Social Security Contributions and Benefits Act 1992, as amended

Formula 1: Basic State Pension Benefit (Category A Formula) for Individuals Reaching SRA Before April 6, 2010

$$B_{OA(BSP),i,t} = min\left\{\left(\frac{Q_i}{R_i - HRP_i}\right), 1\right\} \times Rate_t$$

- $B_{OA(BSP),i,t}$ = Individual i's weekly BSP benefit entitlement at time t if they start their benefit on the date of their SRA
- Q_i = Individual i's number of qualifying years accrued
- R_i = Individual i's requisite number of qualifying years (may vary by birth date but typically 44 for men, 39 for women reaching SRA before April 6, 2010) —See Table 6 and Table 7 for details and values by birth date
- T_i = The tax year individual i reaches SRA
- HRP_i = Reduction in requisite years based on individual i's Home Responsibility Protection adjustment

$$HRP_i = min\left(\sum_{t=1979}^{T_i-1} HRPQ_{i,t}, 0.5 \times R_i\right)$$

  - $HRPQ_{i,t}$ = Indicator of whether individual i qualifies for Home Responsibility Protection in tax year t

$$HRPQ_{i,t} = \begin{cases} 1 & \text{if } E_{i,t} < LET_t \text{ and } i \text{ is engaged in HRP qualifying activities (e.g., caring for a child under 16)} \\ 0 & \text{otherwise} \end{cases}$$

    * $E_{i,t}$ = Individual i's earnings in tax year t
    * LEL_t = Annual LEL in the tax year t —See Table 2 for values by tax year
- $Rate_t$ = Full weekly rate of the BSP at time t —See Table 8 for values by tax year

Note: The UK tax year runs from April 6 of a calendar year to April 5 of the following calendar year.

Table 6: Rules to Compute the Requisite Number of Years for Persons Reaching SRA or Dying Before April 6, 2010

Length of "working life"	Requisite number of years for a full BSP
1-10 years	Length of working life - 1
11-20 years	Length of working life - 2
21-30 years	Length of working life - 3
31-40 years	Length of working life - 4
More than 40 years	Length of working life - 5

Source: Schedule 3, Social Security Contributions and Benefits Act 1992, as amended

Table 7: Definition of Working Life

Birth Date	Start Date 1	Start Date 2	End Date	Working Life Calculation
Before July 6, 1932	April 6, 1948	April 6 of the year between 1936 and 1948 when (and only if) contributions were first paid	Date of Birth (DOB) + SRA or Date of Death	Difference between End Date and Start Date 1 or 2 (whichever is larger)
After July 5, 1932	DOB+16		DOB + SRA or Date of Death	Difference between End Date and Start Date 1
Examples				
April 6, 1930	April 6, 1948		April 6, 1995	47
April 6, 1940	April 6, 1956		April 6, 2005	49
April 6, 1920	April 6, 1948	April 6, 1940	April 6, 1985	45

Source: Schedule 3, Social Security Contributions and Benefits Act 1992, as amended

Table 8: Weekly Full Rate for Basic State Pension Benefit (Category A Pension)

Year	Single Rate (Category A Pension)
1992	£ 54.15
1993	56.10
1994	57.60
1995	58.85
1996	61.15
1997	62.45
1998	64.70
1999	66.75
2000	67.50
2001	72.50
2002	75.50
2003	77.45
2004	79.60
2005	82.05
2006	84.25
2007	87.30
2008	90.70
2009	95.25
2010	97.65
2011	102.15
2012	107.45
2013	110.15
2014	113.10
2015	115.95
2016	119.30
2017	122.30
2018	125.95
2019	129.20
2020	134.25
2021	137.60
2022	141.85

Formula 2: SERP Benefit for Individuals Reaching SRA Before April 6, 1999

$$B_{OA(SERP),i,t} = \frac{1}{20}\left\{ \sum_{\text{best 20 years}} max\Big([min(E_{i,t}, UEL_t) \times rf_{t,T_i}] - LEL_{T_i-1}, 0 \Big) \times 0.25 \right\}$$

- $B_{OA(SERP),i,t}$ = Individual i's annual benefit from SERP at time t if they start their benefit on the date of their SRA
- $E_{i,t}$ = Individual i's earnings up to the UEL in tax year t
- T_i = The tax year individual i reaches SRA
- rf_{t,T_i} = Revaluation factor, which is equal to the average earnings growth between the tax year in which the income is earned (t) and the tax year in which individual i reaches the SRA (T) —See Table 9 for values by tax year
- LEL_{T_i-1} = Annual LEL in the tax year before the individual reaches SRA —See Table 2 for values by tax year
- UEL_t = Annual UEL in tax year t —See Table 2 for values by tax year

Note: The UK tax year runs from April 6 of a calendar year to April 5 of the following calendar year.

Table 9: Percentage Increase of Earnings Factors for Specified Tax Years

Year	Revaluation factor in 2020
1992	151.3 %
1993	139.3
1994	132.1
1995	122.4
1996	116.3
1997	106.0
1998	96.0
1999	89.0
2000	77.8
2001	71.0
2002	63.9
2003	58.2
2004	52.4
2005	46.4
2006	41.6
2007	36.0
2008	30.6
2009	26.6
2010	25.1
2011	22.3
2012	20.1
2013	18.0
2014	17.0
2015	15.2
2016	13.0
2017	10.1
2018	6.9
2019	4.0

Formula 3: Delayed BSP Pension Benefit

$$B_{OA(BSP,delayed),i,t,t_c} = (1 + r_{T_i} \times n_{i,t_c}) \times B_{OA(BSP),i,t}$$

- $B_{OA(BSP),i,t,t_c}$ = Individual i's weekly BSP benefit entitlement in tax year t based on deferring until week t_c after i's SRA
- T_i = The tax year individual i reaches SRA
- r_{T_i} = Rate of increase for each week the insured defers benefits beyond SRA (varies based on tax year i reaches SRA) —See Table 19 for rates by tax year
- n_{i,t_c} = Number of weeks between individual i's SRA and the week i claiming their benefit, t_c
- $B_{OA(BSP),i,t}$ = Individual i's weekly BSP benefit entitlement at time t if they start their benefit on the date of their SRA —See Formula 1 for details on the old-age benefit

Note: While this formula is written for a BSP Category A benefit, the same adjustment formula for delayed claiming applies to other categories of BSP benefits

Formula 4: Delayed ASP Pension Benefit

$$B_{OA(ASP,delayed),i,t,n} = (1 + r_{T_i} \times n_{i,t_c}) \times (B_{OA(SERP),i,t} + B_{OA(S2P),i,t})$$

- $B_{OA(ASP,delayed),i,t,t_c}$ = Individual i's annual SERP/S2P benefit entitlement in tax year t based on deferring until week t_c after i's SRA
- $B_{OA(SERP),i,t}$ = Individual i's SERP benefit entitlement in tax year t based on claiming at SRA. See applicable formula based on SRA in *UK: Own Old-Age Pension Benefits Plan Details*
- $B_{OA(S2P),i,t}$ = Individual i's S2P benefit entitlement in tax year t based on claiming at SRA. See applicable formula based on SRA in *UK: Own Old-Age Pension Benefits Plan Details*
- T_i = The tax year individual i reaches SRA
- r_{T_i} = rate of increase for each week the insured defers benefits beyond SRA (varies based on tax year i reaches SRA) —See Table 10 before Pension Act of 2014 and Table 19 after Pension Act of 2014
- n_{i,t_c} = Number of weeks between individual i's SRA and the week i claiming their benefit, t_c

Table 10: Deferral Rate by Tax Year (Before April 6, 2016)

Tax year reaching SRA	Deferral rate
1975 to 1979	1/8 of 1% per week (≈ 6.5% p.a.) until retiring age
1979 to 2004	1/7 of 1% per week (≈ 7.4% p.a.) until retiring age, with a minimum of seven weeks' deferment
2005 to 2016 (2004 Pension Act)	1/5 of 1% per week (≈ 10.4% p.a.), with a minimum of five weeks' deferral but no upper limit

Table 11: Statutory Retirement Age for Women Born Before April 6, 1955 (Effective 1995 – 2010)

Date of Birth (DOB)	Date SRA Reached
Before April 6, 1950	DOB + 60
April 6, 1950 - May 5, 1950	May 6, 2010
May 6, 1950 - June 5, 1950	July 6, 2010
June 6, 1950 - July 5, 1950	September 6, 2010
July 6, 1950 - August 5, 1950	November 6, 2010
August 6, 1950 - September 5, 1950	January 6, 2011
September 6, 1950 - October 5, 1950	March 6, 2011
October 6, 1950 - November 5, 1950	May 6, 2011
November 6, 1950 - December 5, 1950	July 6, 2011
December 6, 1950 - January 5, 1951	September 6, 2011
... (see Table 15 for complete history)	
November 6, 1952 - December 5, 1952	July 6, 2015
December 6, 1952 - January 5, 1953	September 6, 2015
January 6, 1953 - February 5, 1953	November 6, 2015
February 6, 1953 - March 5, 1953	January 6, 2015
March 6, 1953 - April 5, 1953	March 6, 2016
April 6, 1953 - May 5, 1953	May 6, 2016
May 6, 1953 - June 5, 1953	July 6, 2016
June 6, 1953 - July 5, 1953	September 6, 2016
July 6, 1953 - August 5, 1953	November 6, 2016
August 6, 1953 - September 5, 1953	January 6, 2017
September 6, 1953 - October 5, 1953	March 6, 2017
October 6, 1953 - November 5, 1953	May 6, 2017
November 6, 1953 - December 5,1953	July 6, 2017
December 6, 1953 - January 5, 1954	September 6, 2017
January 6, 1954 - February 5, 1954	November 6, 2017
February 6, 1954 - March 5, 1954	January 6, 2018
March 6, 1954 - April 5, 1954	March 6, 2018
April 6, 1954 - May 5, 1954	May 6, 2018
May 6, 1954 - June 5, 1954	July 6, 2018
June 6, 1954 - July 5, 1954	September 6, 2018
July 6, 1954 - August 5, 1954	November 6, 2018
August 6, 1954 - September 5, 1954	January 6, 2019
September 6, 1954 - October 5, 1954	March 6, 2019
October 6, 1954 - November 5, 1954	May 6, 2019
November 6, 1954 - December 5, 1954	July 6, 2019
December 6, 1954 - January 5, 1955	September 6, 2019
January 6, 1955 - February 5, 1955	November 6, 2019
February 6, 1955 - March 5, 1955	January 6, 2020
March 6, 1955 - April 5, 1955	March 6, 2020
After April 5, 1955	DOB + 65

Source: Schedule 4, Pensions Act 1995

Formula 5: SERP Benefit for Individuals Reaching SRA Between April 6, 1999 and April 5, 2000

$$B_{OA(SERP),i,t} = \frac{1}{N_i}\left\{\sum_{TYOB_i+16}^{1987} max\Big([min(E_{i,t}, UEL_t) \times rf_{t,T_i}] - LEL_{T_i-1}, 0\Big) \times 0.25 + \sum_{1988}^{T_i-1} max\Big([min(E_{i,t}, UEL_t) \times rf_{t,T_i}] - LEL_{T_i-1}, 0\Big) \times AR_i\right\}$$

- $B_{OA(SERP),i,t}$ = Individual i's annual benefit from SERP at time t if they start their benefit on the date of their SRA
- N_i = Number of years in individual i's working life since April 6, 1978
- $TYOB_i$ = The tax year individual i is born
- T_i = The tax year individual i reaches SRA
- $E_{i,t}$ = Individual i's earnings up to the UEL in tax year t
- rf_{t,T_i} = Revaluation factor, which is equal to the average earnings growth between the tax year in which the income is earned (t) and the tax year in which individual i reaches the SRA (T) —See Table 9 for values by tax year
- LEL_{T-1} = Annual LEL in the tax year before the individual reaches SRA —See Table 2 for values by tax year
- UEL_t = Annual UEL in the tax year t —See Table 2 for values by tax year
- AR_i = Accrual rate based on tax year individual i reaches SRA —See Table 12 for values by tax year

Note: The UK tax year runs from April 6 of a calendar year to April 5 of the following calendar year.

Formula 6: SERP Benefit for Individuals Reaching SRA from April 6, 2000 - April 5, 2003

$$B_{OA(SERP,i,t} = \frac{1}{N_i}\left\{\sum_{TYOB_i+16}^{1987} max\Big([min(E_{i,t}, UEL_t) - LEL_t] \times rf_{t,T_i} \times 0.25, 0\Big) + \sum_{1988}^{T_i-1} max\Big([min(E_{i,t}, UEL_t) - LEL_t] \times rf_{t,T_i} \times AR_i, 0\Big)\right\}$$

- $B_{OA(SERP),i,t}$ = Individual i's annual benefit from SERP at time t if they start their benefit on the date of their SRA
- N_i = Number of years in individual i's working life since April 6, 1978
- $TYOB_i$ = The tax year individual i is born
- T_i = The tax year individual i reaches SRA
- $E_{i,t}$ = Individual i's earnings up to the UEL in tax year t
- rf_{t,T_i} = Revaluation factor, which is equal to the average earnings growth between the tax year in which the income is earned (t) and the tax year in which individual i reaches the SRA (T) —See Table 9 for values by tax year
- LEL_t = Annual LEL in the tax year t —See Table 2 for values by tax year
- UEL_t = Annual UEL in the tax year t —See Table 2 for values by tax year
- AR_i = Accrual rate based on tax year individual i reaches SRA —See Table 12 for values by tax year

Note: The UK tax year runs from April 6 of a calendar year to April 5 of the following calendar year.

Table 12: Baseline Accrual Rates for Persons Retiring After April 5, 1999

Tax year SRA reached	Accrual rate
April 6, 1999 - April 5, 2000	25.0 %
April 6, 2000 - April 5, 2001	24.5
April 6, 2001 - April 5, 2002	24.0
April 6, 2002 - April 5, 2003	23.5
April 6, 2003 - April 5, 2004	23.0
April 6, 2004 - April 5, 2005	22.5
April 6, 2005 - April 5, 2006	22.0
April 6, 2006 - April 5, 2007	21.5
April 6, 2007 - April 5, 2008	21.0
April 6, 2008 - April 5, 2009	20.5
After April 5, 2009	20.0

Note: The accrual rate corresponds to the percent of surplus earnings on which the Additional State Pension (ASP) benefits are based for tax years from April 6, 1988

Formula 7: SERP Entitlements Ater Introduction of S2P for Individuals Reaching SRA After April 5, 2003

$$B_{OA(SERP),i,t} = \frac{1}{N1_i}\left\{\sum_{TYOB_i+16}^{1987} max\Big([min(E_{i,t}, UEL_t) - LEL_t] \times rf_{t,T_i} \times 0.25, 0\Big) + \sum_{1988}^{2002} max\Big([min(E_{i,t}, UEL_t) - LEL_t] \times rf_{t,T_i} \times AR_i, 0\Big)\right\}$$

- $B_{OA(SERP),i,t}$ = Individual i's annual benefit from SERP at time t if they start their benefit on the date of their SRA
- $N1_i$ = Number of years in individual i's working life between April 6, 1978 and April 5, 2003
- $TYOB_i$ = The tax year individual i is born
- T_i = The tax year individual i reaches SRA
- $E_{i,t}$ = Individual i's earnings up to the UEL in tax year t
- rf_{t,T_i} = Revaluation factor, which is equal to the average earnings growth between the tax year in which the income is earned (t) and the tax year in which individual i reaches the SRA (T) —See Table 9 for values by tax year
- LEL_{T_i-1} = Annual LEL in the tax year before the individual reaches SRA —See Table 2 for values by tax year
- UEL_{T_i-1} = Annual UEL in the tax year before the individual reaches SRA —See Table 2 for values by tax year
- AR_i = Accrual rate based on tax year individual i reaches SRA —See Table 12 for values by tax year

Note: The UK tax year runs from April 6 of a calendar year to April 5 of the following calendar year.

Formula 8: S2P Pension Benefit for Individuals Reaching SRA Between April 6, 2003 and April 5, 2009

$$B_{OA(S2P),i,t} = \frac{1}{N2_i}\left\{\sum_{2002}^{T_i-1}[(B_1(E_{i,t}) \times rf_{t,T_i} \times AR_{i,1})] + [(B_2(E_{i,t}) \times rf_{t,T_i} \times AR_{i,2})] + [(B_3(E_{i,t}) \times rf_{t,T_i} \times AR_{i,3})]\right\}$$

- $B_{OA(S2P),i,t}$ = iIdividual i's annual benefit from S2P in tax year t if they start their benefit on the date of their SRA
- $N2_i$= Number of tax years in an individual i's working life since April 6, 2002
- T_i = The tax year individual i reaches SRA
- $E_{i,t}$ = Individual i's earnings up to the UEL in tax year t
- rf_{t,T_i} = Revaluation factor, which is equal to the average earnings growth between the tax year in which the income is earned (t) and the tax year in which individual i reaches the SRA (T) —See Table 9 for values by tax year
- $AR_{i,n}$ = Accrual for each earnings band n based on tax year individual i reaches SRA —See Table 13 for accrual rates by earnings band
- $B_1(E_{i,t})$ = Pensionable earnings in band 1 (LEL-LET)

$$B_1(E_{i,t}) = \begin{cases} 0 & \text{if } E_{i,t} < LEL_t \\ E_{i,t} - LEL_t & \text{if } LEL_t \leq E_{i,t} < LET_t \\ LET_t - LEL_t & \text{if } LET_t \leq E_{i,t} \end{cases}$$

- $B_2(E_{i,t})$ = Pensionable earnings in band 2 (LET-UET)

$$B_2(E_{i,t}) = \begin{cases} 0 & \text{if } E_{i,t} < LET_t \\ E_{i,t} - LET_t & \text{if } LET_t \leq E_{i,t} < UET_t \\ UET_t - LET_t & \text{if } UET_t \leq E_{i,t} \end{cases}$$

- $B_3(E_{i,t})$ = Pensionable earnings in band 3 (UET-UEL)

$$B_3(E_{i,t}) = \begin{cases} 0 & \text{if } E_{i,t} < UET_t \\ E_{i,t} - UET_t & \text{if } UET_t \leq E_{i,t} < UEL_t \\ UEL_t - UET_t & \text{if } UEL_t \leq E_{i,t} \end{cases}$$

- LEL_t = Annual LEL in the tax year t —See Table 2 for values by tax year
- LET_t = Annual lower earnings threshold in the tax year t
- UET_t = Annual upper earnings threshold in the tax year t
- UEL_t = Annual UEL in the tax year t —See Table 2 for values by tax year

Note: The UK tax year runs from April 6 of a calendar year to April 5 of the following calendar year.

Table 13: Accrual Rate by Earnings Band

Band	Accrual rate
Band 1	$2\times$ the baseline SERP accrual rate
Band 2	$0.5\times$ the baseline SERP accrual rate
Band 3	$1\times$ times the baseline SERP accrual rate

Source: Schedule 4, Tables 1 and 2, Child Support, Pensions and Social Security Act 2000
Notes: For the baseline accrual rate under SERP, see Table 12

Table 14: Statutory Retirement Age for All Individuals Born After April 5, 1955 (Effective 2007 – 2010)

Date of Birth (DOB)	Date SRA Reached
April 6, 1955 - April 5, 1959	DOB + 65 years
April 6, 1959 - May 5, 1959	May 6, 2024
May 6, 1959 - June 5, 1959	July 6, 2024
June 6, 1959 - July 5, 1959	September 6, 2024
July 6, 1959 - August 5, 1959	November 6, 2024
August 6, 1959 - September 5, 1959	January 6, 2025
September 6, 1959 - October 5, 1959	March 6, 2025
October 6, 1959 - November 5, 1959	May 6, 2025
November 6, 1959 - December 5, 1959	July 6, 2025
December 6, 1959 - January 5, 1960	September 6, 2025
January 6, 1960 - February 5, 1960	November 6, 2025
February 6, 1960 - March 5, 1960	January 6, 2026
March 6, 1960 - April 5, 1960	March 6, 2026
April 6, 1960 - April 5, 1968	DOB + 66 years
April 6,1968 - May 5,1968	May 6, 2034
May 6, 1968 - June 5, 1968	July 6, 2034
June 6, 1968 - July 5, 1968	September 6, 2034
July 6, 1968 - August 5, 1968	November 6, 2034
August 6, 1968 - September 5, 1968	January 6, 2035
September 6, 1968 - October 5, 1968	March 6, 2035
October 6, 1968 - November 5, 1968	May 6, 2035
November 6, 1968 - December 5, 1968	July 6, 2035
December 6, 1968 - January 5, 1969	September 6, 2035
January 6, 1969 - February 5, 1969	November 6, 2035
February 6, 1969 - March 5, 1969	January 6, 2036
March 6, 1969 - April 5,1969	March 6, 2036
April 6, 1969 - April 5, 1977	DOB + 67
April 6, 1977 - May 5, 1977	May 6, 2044
May 6, 1977 - June 5, 1977	July 6, 2044
June 6, 1977 - July 5, 1977	September 6, 2044
July 6, 1977 - August 5, 1977	November 6, 2044
August 6, 1977 - September 5, 1977	January 6, 2045
September 6, 1977 - October 5, 1977	March 6, 2045
October 6, 1977 - November 5, 1977	May 6, 2045
November 6, 1977 - December 5, 1977	July 6, 2045
December 6, 1977 - January 5, 1978	September 6, 2045
January 6, 1978 - February 5, 1978	November 6, 2045
February 6, 1978 - March 5, 1978	January 6, 2046
March 6, 1978 - April 5, 1978	March 6, 2046
April 6, 1978 onwards	DOB + 68

Source: Schedule 3, Pensions Act 2007

Table 15: Statutory Retirement Age for Women Born Before December 6, 1953 (Effective 2011 – present)

Date of Birth (DOB)	Date SRA Reached
Before April 6, 1950	DOB + 60
April 6, 1950 - May 5, 1950	May 6, 2010
May 6, 1950 - June 5, 1950	July 6, 2010
June 6, 1950 - July 5, 1950	September 6, 2010
July 6, 1950 - August 5, 1950	November 6, 2010
August 6, 1950 - September 5, 1950	January 6, 2011
September 6, 1950 - October 5, 1950	March 6, 2011
October 6, 1950 - November 5, 1950	May 6, 2011
November 6, 1950 - December 5, 1950	July 6, 2011
December 6, 1950 - January 5, 1951	September 6, 2011
January 6, 1951 - February 5, 1951	November 6, 2011
February 6, 1951 - March 5, 1951	January 6, 2012
March 6, 1951 - April 5, 1951	March 6, 2012
April 6, 1951 - May 5, 1951	May 6, 2012
May 6, 1951 - June 5, 1951	July 6, 2012
June 6, 1951 - July 5, 1951	September 6, 2012
July 6, 1951 - August 5, 1951	November 6, 2012
August 6, 1951 - September 5, 1951	January 6, 2013
September 6, 1951 - October 5, 1951	March 6, 2013
October 6, 1951 - November 5, 1951	May 6, 2013
November 6, 1951 - December 5, 1951	July 6, 2013
December 6, 1951 - January 5, 1952	September 6, 2013
January 6, 1952 - February 5, 1952	November 6, 2013
February 6, 1952 - March 5, 1952	January 6, 2014
March 6, 1952 - April 5, 1952	March 6, 2014
April 6, 1952 - May 5, 1952	May 6, 2014
May 6, 1952 - June 5, 1952	July 6, 2014
June 6, 1952 - July 5, 1952	September 6, 2014
July 6, 1952 - August 5, 1952	November 6, 2014
August 6, 1952 - September 5, 1952	January 6, 2015
September 6, 1952 - October 5, 1952	March 6, 2015
October 6, 1952 - November 5, 1952	May 6, 2015
November 6, 1952 - December 5, 1952	July 6, 2015
December 6, 1952 - January 5, 1953	September 6, 2015
January 6, 1953 - February 5, 1953	November 6, 2015
February 6, 1953 - March 5, 1953	January 6, 2015
March 6, 1953 - April 5, 1953	March 6, 2016
April 6, 1953 - May 5, 1953	July 6, 2016
May 6, 1953 - June 5, 1953	November 6, 2016
June 6, 1953 - July 5, 1953	March 6, 2017
July 6, 1953 - August 5, 1953	July 6, 2017
August 6, 1953 - September 5, 1953	November 6, 2017
September 6, 1953 - October 5, 1953	March 6, 2018
October 6, 1953 - November 5, 1953	July 6, 2018
November 6, 1953 - December 5, 1953	November 6, 2018

Source: §1, Pensions Act 2011

Formula 9: S2P Pension Benefit for Individuals Claiming at SRA and Reaching SRA After April 5, 2009

$$B_{OA(S2P),i,t} = \frac{1}{N2_i}\left\{\sum_{2002}^{T_i-1}[(B_1(E_{i,t}) \times rf_{t,T_i} \times 0.4) + (B_2(E_{i,t}) \times rf_{t,T_i} \times 0.1) + (B_3(E_{i,t}) \times rf_{t,T_i} \times 0.2)]\right\}$$

- $B_{OA(S2P),i,t}$ = Individual i's annual benefit from S2P in tax year t if they start their benefit on the date of their SRA
- $N2_i$= Number of years in individual i's working life since April 6, 2002
- T_i = The tax year individual i reaches SRA
- $E_{i,t}$ = Individual i's annual earnings up to the UEL in year t
- $B_1(E_{i,t})$= Annual earnings in band 1 (LEL-LET). See Formula 8 for definition
- $B_2(E_{i,t})$= Annual earnings in band 2 (LET-UET). See Formula 8 for definition
- $B_3(E_{i,t})$ = Annual earnings in band 3 (UET-UEL). See Formula 8 for definition
- rf_{t,T_i} = Revaluation factor, which is equal to the average earnings growth between the tax year in which the income is earned (t) and the tax year in which individual i reaches the SRA (T) —See Table 9 for values by tax year

Note: The UK tax year runs from April 6 of a calendar year to April 5 of the following calendar year.

Table 16: Statutory Retirement Age for All Individuals Born After December 5, 1953 (Effective 2011 – 2013)

Date of Birth (DOB)	Date SRA Reached
Before December 6, 1953	DOB + 65
December 6, 1953 - January 5, 1954	March 6, 2019
January 6, 1954 - February 5, 1954	May 6, 2019
February 6, 1954 - March 5, 1954	July 6, 2019
March 6, 1954 - April 5, 1954	September 6, 2019
April 6, 1954 - May 5, 1954	November 6, 2019
May 6, 1954 - June 5, 1954	January 6, 2020
June 6, 1954 - July 5, 1954	March 6, 2020
July 6, 1954 - August 5, 1954	May 6, 2020
August 6, 1954 - September 5, 1954	July 6, 2020
September 6, 1954 - October 5, 1954	September 6, 2020
October 6, 1954 - April 5, 1968	DOB + 66
April 6,1968 - May 5,1968	May 6, 2034
May 6, 1968 - June 5, 1968	July 6, 2034
June 6, 1968 - July 5, 1968	September 6, 2034
July 6, 1968 - August 5, 1968	November 6, 2034
August 6, 1968 - September 5, 1968	January 6, 2035
September 6, 1968 - October 5, 1968	March 6, 2035
October 6, 1968 - November 5, 1968	May 6, 2035
November 6, 1968 - December 5, 1968	July 6, 2035
December 6, 1968 - January 5, 1969	September 6, 2035
January 6, 1969 - February 5, 1969	November 6, 2035
February 6, 1969 - March 5, 1969	January 6, 2036
March 6, 1969 - April 5,1969	March 6, 2036
April 6, 1969 - April 5, 1977	DOB + 67
April 6, 1977 - May 5, 1977	May 6, 2044
May 6, 1977 - June 5, 1977	July 6, 2044
June 6, 1977 - July 5, 1977	September 6, 2044
July 6, 1977 - August 5, 1977	November 6, 2044
August 6, 1977 - September 5, 1977	January 6, 2045
September 6, 1977 - October 5, 1977	March 6, 2045
October 6, 1977 - November 5, 1977	May 6, 2045
November 6, 1977 - December 5, 1977	July 6, 2045
December 6, 1977 - January 5, 1978	September 6, 2045
January 6, 1978 - February 5, 1978	November 6, 2045
February 6, 1978 - March 5, 1978	January 6, 2046
March 6, 1978 - April 5, 1978	March 6, 2046
April 6, 1978 onwards	DOB + 68

Source: §1, Pensions Act 2011

Formula 10: Basic State Pension Benefit (Category A Formula) for Individuals Reaching SRA After April 5, 2010

$$B_{OA(BSP),i,t} = min(\left\{\frac{Q_i}{(R_i}, 1\right\}, 1) \times Rate_t$$

- $B_{OA(BSP),i,t}$ = Individual i's weekly BSP benefit entitlement at time t if they start their benefit on the date of their SRA
- Q_i = Individual i's number of qualifying years accrued
- R_i = Individual i's requisite number of qualifying years (30 for individuals reaching SRA after April 5, 2010, otherwise see Table 6 and Table 7)
- $Rate_t$ = Full weekly rate of the BSP at time t (See Table 8)

Table 17: Statutory Retirement Age for All Individuals Born After December 5, 1953 (Effective 2014 – present)

Date of Birth (DOB)	Date SRA Reached
Before December 6, 1953	DOB + 65
December 6, 1953 - January 5, 1954	March 6, 2019
January 6, 1954 - February 5, 1954	May 6, 2019
February 6, 1954 - March 5, 1954	July 6, 2019
March 6, 1954 - April 5, 1954	September 6, 2019
April 6, 1954 - May 5, 1954	November 6, 2019
May 6, 1954 - June 5, 1954	January 6, 2020
June 6, 1954 - July 5, 1954	March 6, 2020
July 6, 1954 - August 5, 1954	May 6, 2020
August 6, 1954 - September 5, 1954	July 6, 2020
September 6, 1954 - October 5, 1954	September 6, 2020
October 6, 1954 - April 5, 1960	DOB + 66
April 6, 1960 - May 5, 1960	DOB + 66 years and 1 month
May 6, 1960 - June 5, 1960	DOB + 66 years and 2 months
June 6, 1960 - July 5, 1960	DOB + 66 years and 3 months
July 6, 1960 - August 5, 1960	DOB + 66 years and 4 months
August 6, 1960 - September 5, 1960	DOB + 66 years and 5 months
September 6, 1960 - October 5, 1960	DOB + 66 years and 6 months
October 6, 1960 - November 5, 1960	DOB + 66 years and 7 months
November 6, 1960 - December 5, 1960	DOB + 66 years and 8 months
December 6, 1960 - January 5, 1961	DOB + 66 years and 9 months
January 6, 1961 - February 5, 1961	DOB + 66 years and 10 months
February 6, 1961 - March 5, 1961	DOB + 66 years and 11 months
March 6, 1961 - April 5, 1977	DOB + 67
April 6, 1977 - May 5, 1977	May 6, 2044
May 6, 1977 - June 5, 1977	July 6, 2044
June 6, 1977 - July 5, 1977	September 6, 2044
July 6, 1977 - August 5, 1977	November 6, 2044
August 6, 1977 - September 5, 1977	January 6, 2045
September 6, 1977 - October 5, 1977	March 6, 2045
October 6, 1977 - November 5, 1977	May 6, 2045
November 6, 1977 - December 5, 1977	July 6, 2045
December 6, 1977 - January 5, 1978	September 6, 2045
January 6, 1978 - February 5, 1978	November 6, 2045
February 6, 1978 - March 5, 1978	January 6, 2046
March 6, 1978 - April 5, 1978	March 6, 2046
April 6, 1978 onwards	DOB + 68

Source: §26, Pensions Act 2014

Formula 11: nSP Benefit at SRA for Individuals Reaching SRA after April 5, 2016

$$B_{OA(nSP),i,t} = max\Big(Rate_t \times min(Q_i/R_i, 1), SA2016_i \times inflation_{t,2016}\Big)$$

- $B_{OA(nSP),i,t}$ = Individual i's weekly nSP benefit entitlement in tax year t if they start their benefit on the date of their SRA
- $Rate_t$ = Full weekly rate of the nSP in tax year t —See Table 18 for values by tax year
- Q_i = Individual i's number of qualifying years accrued since April 2016 (minimum 10 qualifying years)
- R_i = Individual i's requisite number of qualifying years (35 years for own retirement benefits)
- $SA2016_i$ = Individual i's starting amount based on NICs before April 6, 2016 —See Formula 12 for computational details
- $inflation_{t,2016}$ = nSP inflation adjustment in time t relative to 2016

Note: $SA2016_i \times inflation_{t,2016}$ is known as the *protected payment*

Formula 12: Starting Amount for nSP

$$SA2016_i = Max(B_{BSP,i,2016} + B_{ASP,i,2016}, B_{nSP,i,2016})$$

- $SA2016_i$ = Individual i's starting amount based on NICs before April 6, 2016
- $B_{OA(BSP),i,2016} + B_{OA(SERP),i,2016} + B_{OA(S2P),i,2016}$ = The total amount individual i would have received under the previous State Pension rules on April 6, 2016 (including BSP, SERP and S2P, the additional state pension)
- $B_{nSP,i,2016}$ = The amount they would have received on April 6, 2016 if the nSP had been in place at the start of their working life (as 1/35th of the full nSP amount for each qualifying year, minus any contracted-out deduction)

Table 18: Weekly Full Rate for New State Pension Benefit

Year	Full rate
2016	£ 155.65
2017	155.95
2018	164.35
2019	168.60
2020	175.20
2021	179.60
2022	185.15

Formula 13: Delayed nSP Pension Benefit

$$B_{OA(nSP,delayed),i,t,t_c} = (1 + r_{T_i} \times n_{i,t_c}) \times B_{OA(nSP),i,t}$$

- $B_{OA(nSP),i,t,t_c}$ = Individual i's weekly nSP benefit entitlement in tax year t based on deferring until week t_c after i's SRA
- T_i = The tax year individual i reaches SRA
- r_{T_i} = rate of increase for each week the insured defers benefits beyond SRA (varies based on tax year i reaches SRA) —See Table 19 for rates by tax year
- n_{i,t_c} = Number of weeks between individual i's SRA and the week i claiming their benefit, t_c
- $B_{OA(nSP),i,t}$ = Individual i's weekly nSP benefit entitlement in tax year t if they start their benefit on the date of their SRA —See Formula 11 for computational details

Table 19: Deferral Rate by Tax Year (From April 6, 2016)

Tax year reaching SRA	Deferral rate
1975 to 1979	1/8 of 1% per week ($\approx$ 6.5% p.a.) until retiring age
1979 to 2004	1/7 of 1% per week ($\approx$ 7.4% p.a.) until retiring age, with a minimum of seven weeks' deferment
2005 to 2015	1/5 of 1% per week ($\approx$ 10.4% p.a.), with a minimum of five weeks' deferral but no upper limit
After 2016	1/9 of 1% per week ($\approx$ 5.8% p.a.), with a minimum of nine weeks' deferral but no upper limit

Sources

This section records key sources consulted when we collected the institutional details reported in this document. Archived versions of these sources are available at the Gateway Policy Explorer website (http://g2aging.org/policy-explorer).

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Glossary of terms

This section summarizes key definitions from the main text. To facilitate switching back and forth, this document is designed with hyperlinks. Most PDF readers have shortcuts that permit a reader to return to the previous location after selecting a hyperlink. In Adobe Acrobat on a PC: "Alt" + "←"; In Adobe Acrobat on a MAC: "command" + "←"; In Preview on a MAC: "command" + "[".

Additional State Pension (ASP): Earnings-related old-age benefit for men born before April 6, 1951 and women born before April 6, 1953. Qualified beneficiaries may receive a supplementary state pension based on the worker's contribution and earnings history (the BSP is based only on contribution history). Individuals contributing to private pension plans could "contract-out" of the ASP. ASP is paid in addition to BSP. ASP had different benefit designs over time, including SERPS (before April 6, 2003) and S2P (April 6, 2003 - April 5, 2016).

Annuitable System: A pension system that provides a periodic payment for life after the benefit begins.

Basic State Pension (BSP): Primary old-age benefit for men born before April 6, 1951 and women born before April 6, 1953. Qualified beneficiaries receive a benefit based on contribution years and a common weekly benefit rate.

Cash Balance System: A pension system that provides each individual an account that is drawn down over time.

Claimable Benefit: A pension where the beneficiary must actively file a claim for benefits with the government's pension authority.

Cost-of-Living Adjustments (COLA): Adjustments after an individual begins receiving benefits that increase benefit payments, typically in line with consumer prices or average earnings.

Earliest eligibility: Earliest age and/or years of contributions required to be eligible to start receipt of a particular type of benefit. Earliest eligibility is the same as statutory eligibility in countries where there is no benefit penalty for claiming before the statutory retirement age.

Home Responsibility Protections: A program that provided adjustment to BSP benefit amounts based on time spent raising children under the age of 16 (if not claiming the Child Benefit) or caring for a sick or disabled person. This program was effective from April 6, 1978 to April 5, 2010, when it was replaced with National Insurance credits.

Latest claiming age: Latest age where a benefit may be claimed such that benefit payments are increased as an incentive for delaying the start of benefits past the statutory retirement age. Latest claiming age is the same as statutory retirement age in countries where there is no benefit to delayed claiming. Not applicable for non-claimable benefits.

Lower Earnings Limit: A value which an individual earning below does not make National Insurance contributions but gets the benefits of paying. This value is adjusted annually.

Lump Sum Benefit: A pension system that provides an individual with a one-time or limited number of payments. Lump sum benefits are distinct from annuitable or cash balance benefits because they do not continue past a specified time frame. Lump sum benefits use varies by country, but they are sometimes used as death benefits, incentives to delay claiming, or payments to individuals with an insufficient contribution history to be eligible for annuitable benefits.

National Income Measure: In some pension systems, the benefit is dependent on a national income measure, such as average wages. We indicate a pension system depends on the national income measure if the benefit paid is determined by a national income measure (as opposed to an individual's earnings history). For example, the benefit level for the United Kingdom Basic State Pension depends on a level set by the government and does not depend on an individual's earnings. This distinction does not include systems that adjust annual benefits based on a national income measure or index past earnings using a national income measure.

National Insurance Contributions: An individual receives credit for a NIC in a particular time period based on contributions to National Insurance by an employee or their employer. NICs determine qualifying years for old-age benefit eligibility. NICs fall into six classes. Ony class 1, 2 and 3 NICs count towards eligibility for BSP and nSP.

New State Pension (nSP): Primary old-age benefit for men born on or after April 6, 1951 and women born on or after April 6, 1953. Qualified beneficiaries receive a flat-rate benefit. A full nSP requires 35 years of contributions. The nSP replaces the BSP and ASP. A transitionary system exists for entitlements earned under the previous systems.

Progressive Benefit: A benefit is progressive if people with lower earnings have a greater replacement rate for their contributions.

Qualified Benefit: A benefit is qualified if an individual must continue to meet certain standards, such as a means test, to continue receipt of benefits.

State Earnings-Related Pension: An ASP based on earnings for contributing workers between April 6, 1978 and April 5, 2002 when it was replaced by S2P.

State Second Pension: An ASP based on earnings for contributing workers between April 6, 2002 and April 5, 2016 when the BSP and ASP were eliminated and replaced with the nSP for new beneficiaries. S2P replaces SERP in 2002, but SERP benefit entitlements were retained for those that earned them.

Statutory Retirement Age (SRA): The age at which individuals are eligibile to receive their full benefit. In the United States, this is known as the normal retirement age. In the United Kingdom, this is known as the state pension age.

Upper Earnings Limit: A value above which an individual pays lower National Insurance contributions and does not receive earnings credit for ASP. This value is adjusted annually.

Version information

Current Version: 2.1 (August 2023)

Version History

- 1.0 (March 2021): First version.
- 2.0 (May 2022): Substantially revised format and updated content
- 2.1 (August 2023): Updated formatting

Additional resources

The following resources provide additional details for the interested reader:

Bozio, Antoine, Rowena Crawford, and Gemma Tetlow (2010). *The history of state pensions in the UK: 1948 to 2010*. IFS Briefing Note BN105. Economic and Social Research Council. Available at: https://www.ifs.org.uk/bns/bn105.pdf