Don't be fooled – you're unlikely to get the full State Pension if you're retiring in the next few years

You may have heard that from the 6 April 2016 the state pension will be changing to become a single amount for those of you who have not reached State Pension Age by that date. You may also be under the impression that your state pension will become £150 a week, as this is what the new State Pension amount will be. The exact amount is to be confirmed this Autumn.

Sadly, you're likely to be in for a shock!

The government department that administers the state pension, the Department for Work and Pensions (DWP), has admitted that fewer than half of those retiring between 2016 and 2020 will get the full amount of state pension and that "contracted-out" workers, most public service workers, will receive no more than £133 a week.

The DWP have said that only 45% of the 3.5 million people retiring between 2016 and 2020 will receive the full £150 (approx) a week.

Elaborating further

If you are a member of a public service pension scheme (e.g.. local government or NHS pension schemes) you are currently contracted-out of the State Second Pension.

The current state pension system is split into two; the Basic State Pension and the State Second Pension. Public service workers currently only earn an entitlement to the basic element, which is currently £115.95 a week for someone with a full 30 year National Insurance record.

You do not get a State Second Pension but do pay less National Insurance, as does your employer. More specifically you pay 1.4% less National Insurance on your weekly earnings between £155 and £770 and your employer saves 3.4% in comparison.

From the 6 April 2016 this will stop. You will no longer be contracted-out and will pay a higher rate of National Insurance contributions..

Ultimately, if you are reasonably close to retirement, you will not get what you may expect as your existing National Insurance record will determine the majority of your entitlement and you will pay more National Insurance for relatively little extra benefit. Younger workers will typically however accrue a bigger state pension over time than they would otherwise have done (albeit through paying more in National Insurance and having to wait longer to draw their state pension).

How can you find out what you will get

If you are one of the 2.5 million people reaching State Pension Age between April 2016 and August 2021 you can get a personalised written estimate of your state pension entitlement, plus information on anything you can do to enhance this. You can get this statement at https://www.gov.uk/state-pension-statement.

This service will eventually be extended to all working-age people.

- The changes to the State Pension are supposed to be broadly cost neutral (i.e. the overall cost will remain broadly the same) so don't be fooled, there will be many overall losers.

Check your State Pension Age

Your State Pension Age is dependent on your date of birth. It is currently 65 for men and approximately 62 ½ for women. It will equalise at 65 for both men and women in November 2018.

The State Pension Age will then increase to 66 by October 2020, 67 by 2028 and 68 by 2046.

You can check your State Pension Age at https://www.gov.uk/calculate-state-pension.

One off opportunity to buy extra pension for pensioners and those reaching State Pension Age before 6 April 2016

If you reach State Pension Age before the 6 April 2016 you will be offered an opportunity to boost your state pension by up to £25 a week. The window for this State Pension Top-up Scheme will open on the 12 October 2015 and will close on the 5 April 2017.

This will be by paying Class 3A voluntary National Insurance contributions and you can elect to buy any extra weekly amount up to £25. The exact rate you will need to pay will depend on your age and how much extra pension you wish to purchase.

If potentially interested, go to the State Pension Top-Up Calculator to see how much you would need to pay at https://www.gov.uk/state-pension-topup.

Other points of interest

- You will only (with limited exceptions) be able to claim a new State Pension on your own National Insurance record. If you don't pay National Insurance contributions yourself, you may well not qualify for a new State Pension.

- Certain National Insurance credits will protect your position when you've been unable to pay National Insurance and you can check these at https://www.gov.uk/national-insurance-credits/overview.

- The new State Pension will increase each year at least in line with earnings. UNISON is pressing for the higher of earnings, inflation or 2.5% per year to be adopted (i.e. the "Triple Lock" that currently applies to the Basic State Pension).

- The rate of State Pension deferral will reduce from the 6 April 2016 from 10.4% a year to 5.8%. This rate reduction will only apply to those retiring from this date.

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