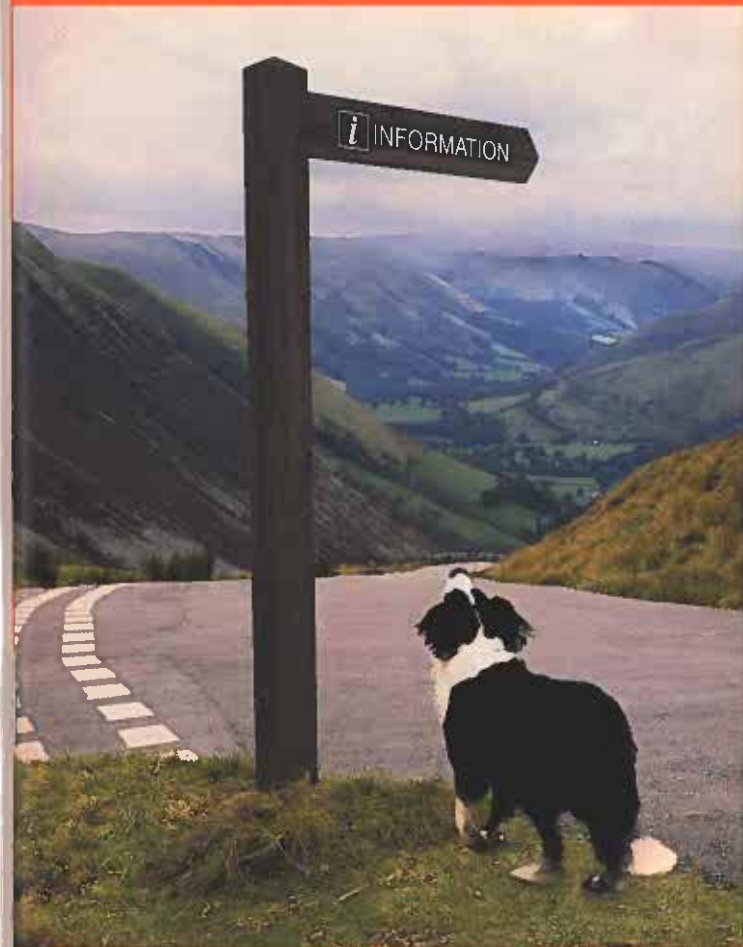
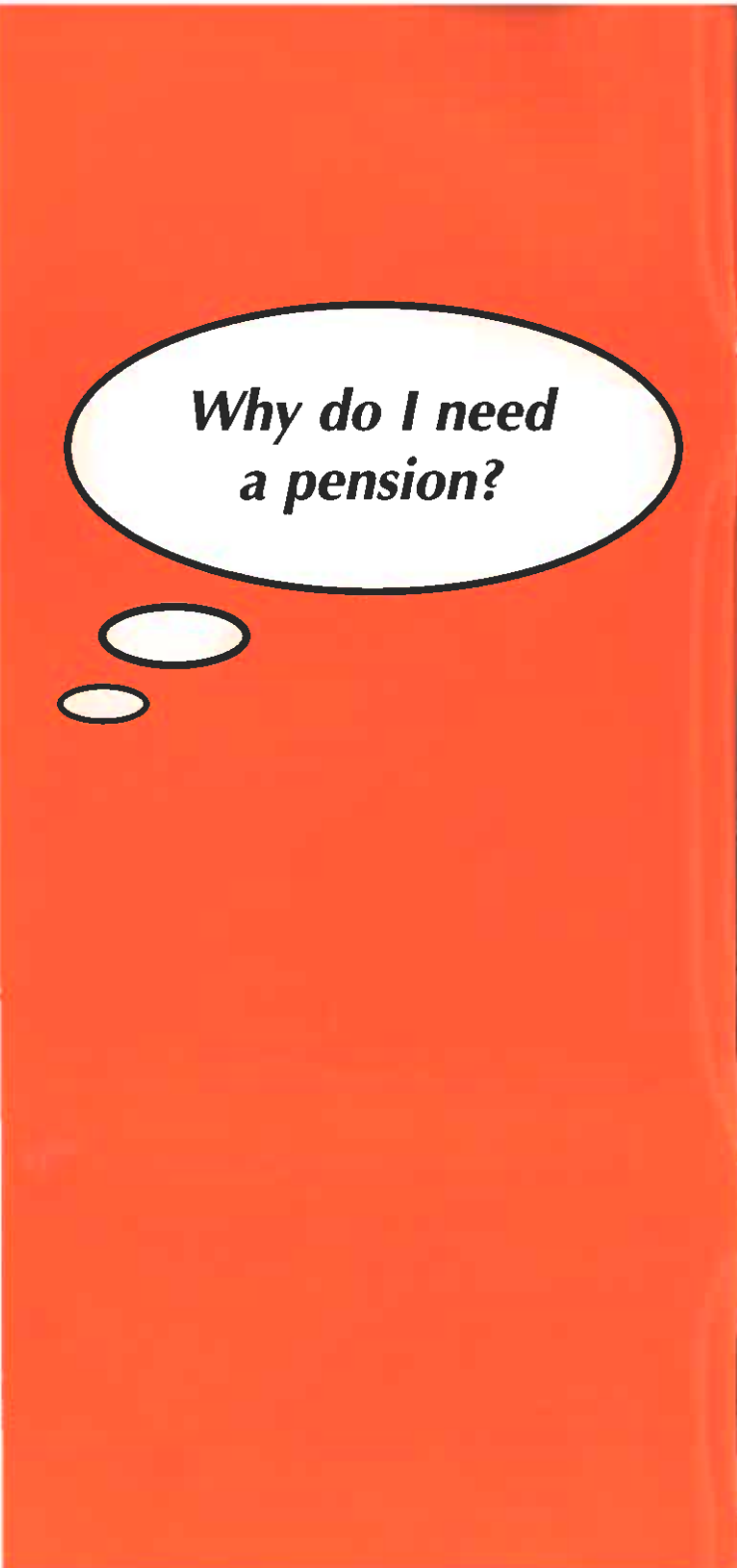


# Pensions for women Your guide



PM6  
December 2000





***Why do I need  
a pension?***

## **Pensions for women – Your guide**

If you want to enjoy your retirement, you need to plan how you are going to save for it. The sooner you do this the better.

To help you, this guide tells you about the different issues that affect pensions for women; raises some of the questions you may need to think about; and tells you where you can find more information.

Other guides in this series will give you more information about particular areas of pensions. See pages 34 to 36 for details about how you can get copies of these guides.

These guides can give you helpful information, but **only you** can make decisions about **your** pension.

## Why should I think about my pension?

Most people will have some basic state Retirement Pension and those who work will also be able to join an occupational pension scheme, which can be a secure way to build a second pension. However, women often have career patterns which are very different from men's, and so need to give special thought to their pension arrangements. This guide should:

- help you see what your position is now;
- explain what your second pension options are; and
- help you work out how your pension options might fit into your overall plans for retirement.

If you want to join a second pension scheme, this guide tells you what questions you should ask and what you should think about.

You may want to get further information about pensions from the Office for the Pensions Advisory Service (OPAS), your employer or union (if you belong to one). See page 31 for details about how you can contact OPAS. If you are not sure

what to do for the best, you can get advice from a financial adviser. But remember, if you see an adviser you may have to pay for their advice.

## Pension rights – do I need to do more?

More and more, women are building up their own pension rights, either as single people or as part of a two-income household. But as a woman, the pattern of your working life may be different from a man's, so you will need to make sure any pension you choose allows for your working pattern and personal circumstances. For example, women often combine paid work with caring for children, or for disabled or elderly relatives. Because of this, they may end up with very low pensions of their own. Or if they are married, they may have to depend on their husband's pension rights.

## Women and state pensions

### When can women can get their state pension?

At the moment, women can get their state pension at 60 and men can get their state pension at 65. From 6 April 2020, state pension age for both men and women will be 65. The Government will introduce the change gradually from age 60 to 65 for women over a 10-year period from 2010 to 2020.

### When will you get your state pension?

- If you are a woman born before 6 April 1950, you will not be affected by this change. So, you will be able to claim your state pension at 60.
- If you are a woman born between 6 April 1950 and 5 April 1955, you will have a fixed date when you can claim your state pension. Your state pension age will be between 60 and 65, depending on your date of birth. To find out your own state pension age and date, see the insert with this guide or visit our website at [www.pensionguide.gov.uk](http://www.pensionguide.gov.uk)
- If you are a woman born on or after 6 April 1955, you will not be able to

claim your state pension until you are 65.

- The change does not affect men.

### What other things are changing as a result of this?

- Women will pay National Insurance contributions up to their state pension age. These contributions count towards the basic state Retirement Pension and the additional state pension, currently the State Earnings-Related Pension Scheme (SERPS).
- At the moment, we award National Insurance credits to men between the ages of 60 and 65 who don't work and who don't pay National Insurance contributions. We do this to protect their basic pension entitlement. We will make similar arrangements for women from 2010, when their state pension age begins to rise.
- From 2010, if you choose to put off claiming your state pension until after you have reached state pension age, you will earn extra pension at a rate of 10.4 per cent a year. You will be able to put off claiming your state pension for as long as you want.
- From 2010, a woman will be able to claim an increase of her pension for her husband on the same basis as a man can currently claim for his wife.



***What else do  
I need to know?***


## **How else are state pensions different for women?**

You can build up rights to the basic state Retirement Pension if you pay, are treated as having paid, or are credited with, National Insurance contributions. From April 2000, you can be treated as having paid National Insurance contributions if your earnings fall between the lower earnings limit and the primary threshold (£3,484 and £3,952 a year in 2000/01). 'Credited' means that the Government has added some contributions to your National Insurance record for you.

The years during which you build up your rights to the basic state Retirement Pension are called 'qualifying years'. The amount of pension you receive depends on the number of qualifying years built up before you reach state pension age. If you:

- give up work to look after children;
- give up work to look after someone who is seriously ill or disabled;
- work part-time; or
- take lower-paid work;

you can still build up some pension even if you do not pay contributions all your working life.



## **What is Home Responsibilities Protection?**

There are special rules about building up your pension in this way and we explain them briefly in the next section. These rules are called Home Responsibilities Protection and although they mainly affect women, they can help some men as well.

At the moment, women reaching age 60 will need 39 qualifying years for a full (100 per cent) pension. However, when the state pension age becomes 65 for both men and women in 2020, the number of qualifying years that a woman needs will increase to 44 years.

Women who currently reach state pension age with fewer than 39 qualifying years will generally get some basic state Retirement Pension. But if you retire with fewer than a quarter (25 per cent) of the qualifying years for a full pension, you won't get any basic state Retirement Pension. Neither will you be entitled to any refund of National Insurance contributions.

### **What is Home Responsibilities Protection?**

Home Responsibilities Protection (HRP) helps to protect the basic state Retirement Pension position of carers. You might get HRP if you are not working, or your work is low-paid because you are looking after:

- a child under 16;
- a person with a long term-illness; or
- a person with a disability.

We can ignore full years of HRP when we look at the number of qualifying years you need to earn a full basic state Retirement Pension. But you will still need at least 20 qualifying years on top of any years you were covered by HRP.

So, for example, with HRP a woman could get a full basic state Retirement Pension after caring for a child or relative for a total of 19 years and paying full-rate National Insurance contributions for a total of 20 years.

If you want to know more about HRP, please see *A guide to Retirement Pensions* (NP46). See page 32 for details about how you can get a copy of this guide.

### **What are married women's contributions?**

Until April 1977, if you were a married woman you could choose to pay a lower rate of National Insurance contributions. If you chose to do this and you have not started paying full-rate contributions again since then, you will not have built up any more basic state Retirement Pension on your own insurance and you must rely instead on your husband's contributions.

Although this choice stopped in 1977, if you were a married woman who had already chosen to pay the lower rate you have been allowed to carry on paying at the lower rate. However, you still don't earn basic state Retirement Pension or get any benefit from credits or HRP while you carry on paying at the lower rate. You may be able to get a pension based on your husband's contributions when you both reach state pension age and make a claim.

You may be able to improve your pension position by choosing to stop paying the lower rate and opting for full-rate National Insurance contributions at any time before you reach state pension age. You can build up entitlement to SERPS (and in future the State Second Pension) on as little as one year's full rate contributions. But remember that you need at least 10 years of contributions to receive any basic state Retirement Pension at all on your own record.

To help you make an informed decision, you should get your pension forecast. You can contact the Retirement Pension Forecasting and Advice Unit (RPFA) on 0191 218 7585 and they will fill in an application form for you over the phone. Or, you can write to the RPFA, Department of Social Security, Pensions and Overseas Benefits Directorate, Newcastle upon Tyne NE98 1BA for a forecast form (BR19) and a return envelope.

You can also get form BR19 from your local social security office (details are in your local phone book). Or, you can simply fill in the form on our website at [www.dss.gov.uk/lifeevent/penret](http://www.dss.gov.uk/lifeevent/penret)

The forecast is based on our knowledge of your current circumstances, and these could change. So your forecast will be most accurate if you are near to your retirement age. But it is best not to put off applying for your forecast until you are close to retirement. That way, you have plenty of time to make additional arrangements if you think the amount of your pension will not be enough.

If you have looked at your forecast and you are not sure what to do for the best, you could get advice from a financial adviser. But remember, if you see an adviser you may have to pay for their advice.

You can get further information about pensions from the Office for the Pensions Advisory Service (OPAS), your employer or union (if you belong to one). See page 31 for details about how you can contact OPAS.

If you want to know more about this, please see the *National Insurance voluntary contributions* (CA08) leaflet. See page 33 for details about how to get a copy of this leaflet.

### **Can I get a pension based on my husband's contributions?**

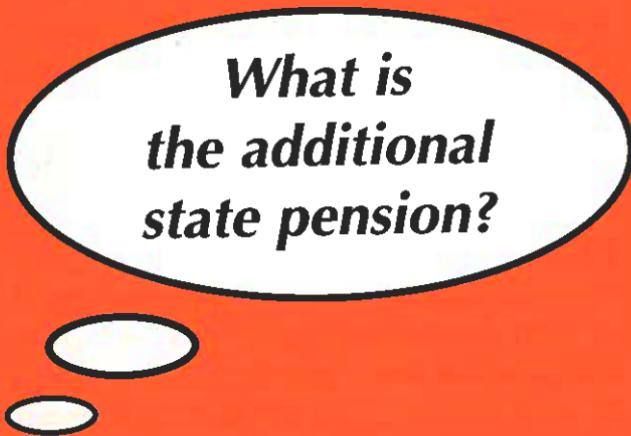
If you are a married woman, you can build up a basic state Retirement Pension

by paying enough full-rate contributions. Or, when you and your husband have both reached state pension age, you can get a pension based on his contributions (if this would give you more) if you:

- don't have a state pension of your own; or
- only have a small pension.

This pension will be, at most, 60 per cent of the full rate of basic state Retirement Pension. So, if you are a married woman and your own basic state Retirement Pension is less than 60 per cent of the full rate, we can use your husband's contributions to give you a 60 per cent pension (as long as he has earned a full pension himself). But you can't get this as well as your own state pension. If the pension you earned on your own contributions is more than the amount we can pay on your husband's contributions, we will pay you this higher amount, not both.

At the moment, a married man cannot get a pension on his wife's National Insurance contributions record. However, this will change from 2010 when the state pension age for women begins to change.



***What is  
the additional  
state pension?***

## **The additional state pension (currently SERPS)**

At the moment, employees can build up entitlement to an additional state pension on top of the basic state Retirement Pension. This is called the State Earnings-Related Pension Scheme (SERPS).

The amount of SERPS you get depends on how much you earn while you are working, as long as you are earning above a certain level (£3,484 at 2000/01 levels). In general, the more you earn over your working life, the more SERPS you get, up to an upper limit.

The Government plans to reform SERPS in 2002 to provide a more generous additional state pension for low and moderate earners, and certain carers and people with a long-term illness or disability. This will be called the State Second Pension.

It will give employees earning up to about £22,000 a year (at 2000/01 levels) a better pension than SERPS, with the most help going to those on the lowest earnings (up to around £10,000 a year at 2000/01 levels). The State Second Pension will also, for the first time, cover certain carers

and people with a long-term illness or disability, whose working lives have been interrupted or shortened. They will be able to build up an additional state pension for periods when they cannot work.

### **Examples of how low earners can be helped by the State Second Pension**

Margaret works full time in a supermarket. She earns less than £7,500 a year. This doesn't leave her enough spare cash to save for a private pension. Under the State Second Pension rules, we will treat Margaret as though she had earnings of around £10,000 a year (at 2000/01 levels) and her pension will build up at a faster rate. This means that she will build up a pension that is twice as much as someone earning £10,000 a year would get from SERPS.

Sajda is taking a total of eight complete tax years out of paid employment, so that she can care for her two children before they start in primary school. Under State Second Pension rules, she will build up additional pension as if she had earned around £10,000 a year (at 2000/01 levels) for each of those eight years. Sajda has an elderly mother and, in future, she may

have to take more time out of paid employment so that she can care for her. If she later claims Invalid Care Allowance or Home Responsibilities Protection (HRP) because she is caring for her mother, she will continue to build up additional pension in the same way.

### **What happens to my state pension if my husband dies?**

#### **Basic state Retirement Pension**

If your husband dies, you can use his contributions instead of your own. This can allow you to improve your basic state Retirement Pension. In most cases, you will get your basic pension paid at the full rate, although this depends on your husband's contribution record. A widower can also improve his pension by using his wife's contributions (but in more limited circumstances).

## Inherited SERPS

From 6 October 2002, a new rule will apply that may affect your entitlement to SERPS. We are introducing changes to reduce the maximum amount of SERPS that a widow may inherit from her husband from 100 per cent to 50 per cent.

Government proposals mean the following.

- Nobody who is widowed before 6 October 2002 will be affected by the new rule.
- If your husband is due to reach state pension age before 6 October 2002, you will receive up to 100 per cent of his SERPS when he dies.
- If your husband is due to reach state pension age after 5 October 2002 but before 6 October 2010, when he dies you will receive a maximum of between 90 per cent and 60 per cent of his SERPS. The exact amount will depend on when, in this period, he reaches state pension age.
- If your husband is due to reach state pension age on or after 6 October 2010, you will receive up to 50 per cent of his SERPS when he dies.

If you want more information, please see *A guide to Retirement Pensions* (NP46). See page 32 for details about how you can get a copy of this guide.

## Inherited State Second Pension

The maximum amount of State Second Pension that a surviving wife can inherit will be 50 per cent.

## Bereavement benefits

From April 2001, the Government is planning to bring in a new system of bereavement benefits for men and women. You should think about these new bereavement benefits as part of your overall financial plans. There will be three new bereavement benefits which will replace the current widows' benefits. The new system will not affect women already getting widows' benefits under the current scheme, as long as they still qualify for the benefit under the present rules.

For more information, please see the *New Bereavement Benefits* (BERE) leaflet. See page 32 for details about how you can get a copy of this leaflet.


## What happens if I am not entitled to a basic state Retirement Pension?

The basic state Retirement Pension depends on your National Insurance contributions. So, if you have not paid, or you have not been treated as having paid, or been credited with enough contributions, you will not get any pension. But you can get a 'non-contributory' pension (one that you haven't contributed to) if you are 80 or over.

If you want more information about this, please see *State pensions – Your guide* (PM2). See page 36 for details about how you can get a copy of this guide.

## Where can I get more information about state pensions for women?

You can get more details about state pensions in *A guide to Retirement Pensions* (NP46). For a summary of state pensions, please see *State pensions – Your guide* (PM2). See pages 32 and 36 for details about how you can get copies of these guides. You can also contact your local social security office if you have any questions about the state pension (details are in your local phone book).



***What other  
types of pension  
are there?***

## What about non-state pensions?

Non-state pensions include personal pensions, occupational pensions and (from 6 April 2001) stakeholder pensions. If you are working, even part-time, you can join and benefit from an occupational pension (if your employer offers a scheme), or a personal pension. From 6 April 2001, you will be able to take out a stakeholder pension. Before you consider any pension, you need to take account of your career and family plans. If, for example, you plan to take an extended career break, you should be particularly careful about the pension you choose.

### Occupational pensions

Getting a second pension will offer long-term advantages for most women, and joining an occupational pension scheme is a good way of doing this. You should always think very carefully before you decide **not** to join an occupational scheme if it is available to you. If you want to know more about occupational pensions, please see *Occupational pensions – Your guide* (PM3). See page 36 for details about how you can get a copy of this guide.

## Personal pensions

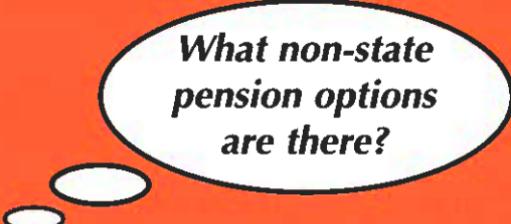
Personal pension plans are all different. If you have decided a personal pension is best for you, and career breaks are a part of your plans, you should check what charges would be due if you had to stop work and could not pay any more contributions. It's usually best if you can start paying into the same plan when you start work again, rather than buying another one, so check whether this is possible.

If you want to know more about personal pensions, see *Personal pensions – Your guide* (PM4). See page 36 for details about how you can get a copy of this guide.

### Stakeholder pensions

Stakeholder pensions are new private pensions, available from 6 April 2001. They are another way that you can save for your retirement.

Stakeholder pension schemes are low-cost pensions, meant for people who currently do not have a good range of pension options available to save for their retirement. Whether a stakeholder pension is the right choice for you will depend on your particular circumstances. You might



***What non-state  
pension options  
are there?***

want to consider a stakeholder pension if you earn more than around £10,000 a year. Stakeholder schemes may also interest you if you earn less than £10,000 a year or you do not have an income of your own but you can afford to save for a pension. If you are self-employed, a stakeholder pension could also be the right option for you.

By law, stakeholder pensions must meet a number of minimum standards to make sure they offer value for money, flexibility and security.

The stakeholder pension standards include the following.

- Stakeholder pension providers can only charge you a maximum of one per cent of the value of your pension fund each year to manage your fund. The charges are taken from your fund.
- Any extra charges for other services must be optional. You must have agreed to these extra charges as a separate arrangement and the charges must be clearly defined for the services you are being offered.

- If you choose to transfer into or out of a stakeholder pension, or you stop paying your contributions for a time, the stakeholder pension scheme provider will not charge you extra.
- All stakeholder schemes will accept contributions of as little as £20 which you can pay each week, each month or at less regular intervals.
- The scheme must be run by trustees or by an authorised stakeholder manager, whose responsibility will be to make sure that the scheme meets the various legal requirements.

You should compare stakeholder pensions to the other pension options available, so you can make an informed decision about which option is best for you.

You will be able to join a stakeholder pension scheme from 6 April 2001. If you have already joined, or are thinking of joining, a personal pension scheme you should ask the scheme provider whether it will be easy and cheap for you to transfer to a stakeholder pension (or other pension) if this is better for you.

Some people, particularly those who may qualify for the State Second Pension in the future (for example, certain carers), may be better off staying in the State Second Pension. If you are thinking about joining a stakeholder pension, you must be sure that this is the right step for you.

If you want to know more about stakeholder pensions, see *Stakeholder pensions – Your guide* (PM8). See page 36 for details about how you can get a copy of this guide.

Remember, if you are not sure what to do for the best, get further help.

### **Married women and non-state pensions**

If you are a married woman and your husband dies, it is common for occupational pension schemes to pay you a reduced pension as his surviving widow – this can include payments for your children.

### **What if I get divorced?**

This could affect both your state pension and any second pension arrangements.

### **Basic state Retirement Pension**

Under current arrangements, if you and your husband divorce, you can use his National Insurance record instead of your own, for certain periods. This may mean that you get a better basic state Retirement Pension.

However, if you remarry before you reach 60, you can't use your ex-husband's contributions. If you don't have enough contributions of your own, you can use your new husband's contributions to get a married woman's pension.

### **Second pension**

If you get divorced or have your marriage annulled, the courts have to take into account the value of your pension rights. This is so that they can assess how all your assets should be divided or earmarked to pay maintenance to your husband or wife, or children.

From 1 December 2000, new rules allow you to share pension rights if you get divorced or your marriage is annulled. The idea is to give divorcing couples greater flexibility and choice, so that they can achieve a 'clean break' and fairer overall financial settlements where possible.

Pension sharing is an option for divorcing couples who have rights to second pensions, such as:

- an occupational pension scheme;
- a personal pension scheme;
- a stakeholder pension scheme (from 6 April 2001);
- SERPS; and
- the State Second Pension (in the future).

Pension sharing does not apply to the basic state Retirement Pension, as divorced people can already replace their own contribution record by using their former husband's or wife's record for the period the marriage lasted. Pension sharing also does not apply to:

- couples who started divorce or annulment proceedings before 1 December 2000; or
- couples who separate but stay married.

If you want to know more about how divorce proceedings affect your pension, you may want to get advice from a lawyer. If you live in England or Wales, you might also find the guide *I want to apply for a Financial Order* (D190) helpful. See page 32 for details about how you can get a copy. In Scotland, a financial order can be made as part of the divorce proceedings.

## So what next?

Think about your own position. Only you can decide whether or not you should buy a second pension, and what sort it should be. This guide should give you an idea of what you need to think about. If you are having difficulty deciding, there are many sources of information on pensions. The more you learn, the more likely you are to reach the right decision for you.

Whatever you decide about your own second pension, it is important that you make an informed choice. You should also bear in mind that, in general, it is better not to put off making your plans and acting on them.

Whatever your position, you need to think about your pension and review it regularly. It is worth investing time now to be sure that you reach the best possible decision.



***Where can I  
get more help?***

## Where to get help and information

### Directory

The **Office for the Pensions Advisory Service (OPAS)** can give you information about any aspect of occupational, personal and stakeholder pensions. You can complain to OPAS if you are having problems with your pension scheme that your scheme managers or trustees cannot sort out. You can contact them on **020 7233 8080**, Monday to Friday, from 9am to 5pm. Or, you can visit the OPAS website at **[www.opas.org.uk](http://www.opas.org.uk)**

You can also write to the Office for the Pensions Advisory Service (OPAS),  
11 Belgrave Road, London SW1V 1RB.

## Where to get help and information

### Other publications you may find useful

#### *I want to apply for a Financial Order (D190)*

If you live in England or Wales, you can get this guide from your County Court (details are in your local phone book), or from the Court Service website at **[www.courtservice.gov.uk](http://www.courtservice.gov.uk)**

#### *New Bereavement Benefits (BERE)*

You can get this leaflet from your local social security office (details are in your local phone book).

#### *Going abroad and Social Security Benefits (GL29)*

You can get this leaflet from your local social security office (details are in your local phone book).

#### *A guide to Retirement Pensions (NP46)*

This gives you more information about state retirement pensions. You can get this guide from your local social security

office (details are in your local phone book), or by calling us (see page 36 for contact details).

#### *National Insurance voluntary contributions (CA08)*

You can get this leaflet by calling **0845 915 0150**, Monday to Friday, from 8am to 5pm. Or you can visit the Inland Revenue website at **[www.inlandrevenue.gov.uk/leaflets/nic.htm](http://www.inlandrevenue.gov.uk/leaflets/nic.htm)**

You can also write to the **Inland Revenue National Insurance Contributions Office**, Contracted-out Employments Group, Benton Park View, Newcastle upon Tyne NE98 1ZZ.

# Where to get help and information

## Our guides in this series

### *A guide to your pension options (PM1)*

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

### *State pensions – Your guide (PM2)*

This guide explains whether you are likely to get a state pension and how we work them out.

### *Occupational pensions – Your guide (PM3)*

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

### *Personal pensions – Your guide (PM4)*

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

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

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

### *Pensions for women – Your guide (PM6)*

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

### *Contracted-out pensions – Your guide (PM7)*

This guide gives you information about leaving (contracting out of) SERPS.

### *Stakeholder pensions – Your guide (PM8)*

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

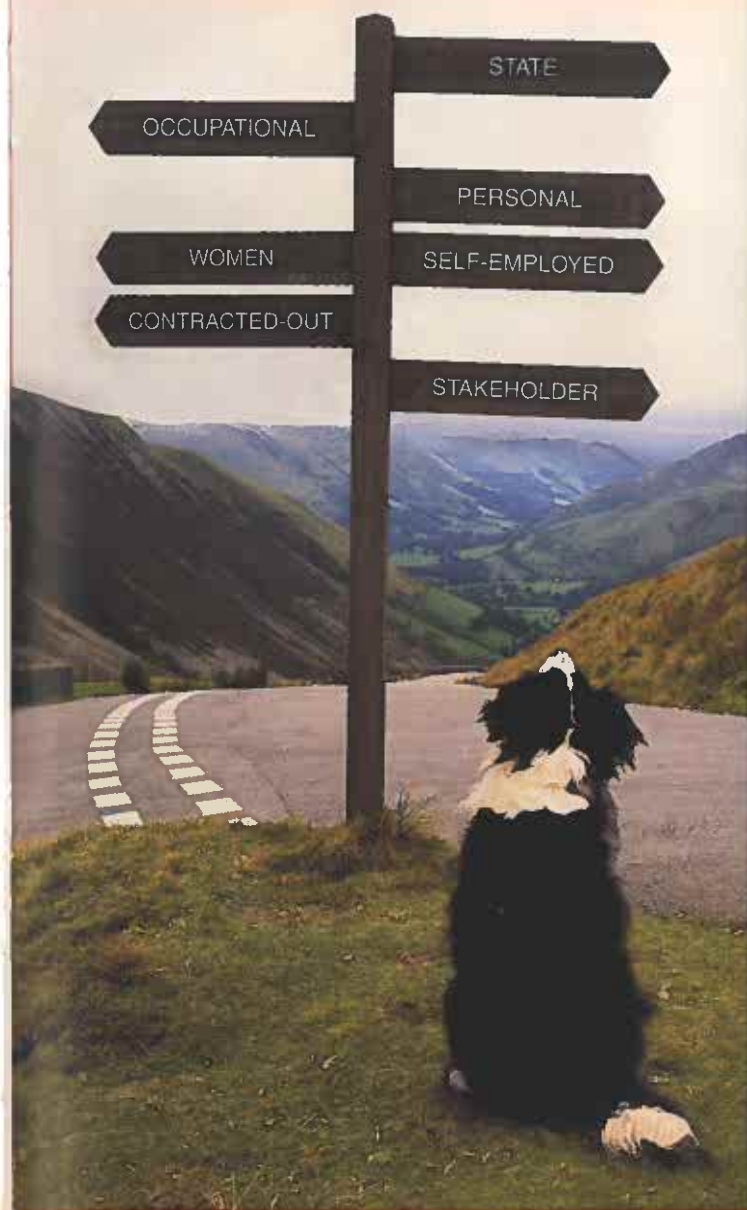
## Where to get help and information

To order copies of any of the guides in this series, you can call us on **0845 7 31 32 33**. Calls are charged at local rates and the line is open 24 hours a day. We also have a textphone service available on 0845 604 0210.

Or, you can write to us at DSS Pensions, Freepost BS5555/1, Bristol BS99 1BL (you don't need a stamp).

You can also see these guides on our website at **[www.pensionguide.gov.uk](http://www.pensionguide.gov.uk)**

For more information on any of the pension options below, please call 0845 7 31 32 33 or visit **[www.pensionguide.gov.uk](http://www.pensionguide.gov.uk)**





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