The Pension Minister Baroness Altmann CBE launches campaign to help public understand 2016 State pension.

A major new campaign aimed at preparing today's workers for the most significant reform of the State Pension in decades, is launched today Saturday 19th September 2016.

Pensions Minister Baroness Altmann CBE has unveiled the new communications drive ahead of the introduction of the new State Pension in April 2016 next year.

Under the Title "Our state pension is changing", the campaign aims to broaden the public's understanding of how the new State Pension will work and crucially, how people can find out how it affects them, based on their own National Insurance record.

Like the system it replaces, the new State Pension will be contributory in nature with the weekly payment people receive dependent on the number and type of National Insurance contributions they have made.

Minister for Pensions, Baroness Altmann CBE, said:

Huge efforts have been put into reforming the mind-blowingly complicated State Pension system that exists today into something that, over time, will be clearer and fairer for everybody.

But the job of explaining to people how the reforms will affect them hasn't been done well enough.

People need to understand, so they can make the right decisions about saving and preparing for later life. One of my first actions on becoming Pensions Minister was to identify this priority, and I'm very pleased to now be launching this major campaign.

In particular, the new advertisements target people within 10 years of reaching State Pension age, a group which also has access to new freedoms to spend private pension savings flexibly. Many of these people may want to base decisions about whether or not to draw down their private pension savings on their likely State Pension amount.

Anyone aged 55 or over can apply for a personalised state pension statement that will give them an estimate of what they will get under the new system. This will be based on their work history and National Insurance contributions to date. The statements have recently been updated to include information on the contracted out deduction that may have been made.

The statements also give additional information about how people may be able to improve their State Pension before they reach State Pension age.

As well as giving everybody a clearer picture of their likely retirement income, and providing a firm basis upon which people can plan their own private or workplace pension saving, the new State Pension is also designed to tackle the inequalities of the old system.

In particular, women, carers and some lower earners who haven't previously received much by way of additional pension will benefit. And self-employed people, who miss out on additional pension under the current arrangements, will be brought fully into the State Pension system, helping millions to enjoy a secure retirement.

In the first 10 years after implementation, around 650,000 women are expected to benefit from the starting amount calculation, receiving on average £8 a week more in State Pension.

A clearer, fairer, single payment.

At the heart of the new State Pension is the concept of a clearer, fairer, single payment. The full rate will be above the basic means-test in Pension Credit, but the system will remain contributory in nature.

Various complexities which have built up over decades will be swept away and, in time, there will be a much more straightforward system. People making National Insurance contributions for the first time from 2016 who have 35 qualifying years of National Insurance contributions will receive the full rate, which will be set above the basic level of means-tested support (currently £151.25 a week).

But to ensure fairness, transitional arrangements will be in place to ensure that the system recognises the National Insurance contributions made by those who have spent some of their working life in the old system. This will involve the DWP calculating a “starting amount” for the new State Pension taking into account a person’s record up to April 2016.

In future, the option for people to “contract out” of the Additional State Pension (and pay National Insurance contributions at a reduced rate) will be removed, and there will be only one National Insurance rate for employees. Starting amounts for the new State Pension will take into account whether someone has been contracted-out in the past as well as their past earnings and overall National Insurance contribution record.

Ends.

Bugler Comment

This initiative has been welcomed in the pension financial sector in that it will provide clarity and remove or correct some of the misconceptions about the changes to state pension provision and how they will interact with private pension savings.

It is critically important that today's Firefighters and tomorrow’s Fire Service Veterans understand how the new State pension will fit into their retirement plans so that they can make the right decisions about saving and preparing for later life.

Of particular concern to the Pensions Minister are those people within 10 years of reaching State Pension age, a group which also has access to the new freedoms to spend private pension savings flexibly which is of course a matter entirely for the Firefighters.

Many of these people may want to base decisions about whether or not to draw down their private pension savings based on their likely State Pension amount.

Although the new State pension will undoubtedly be simpler and easier to understand over the long term, the transitional arrangements for the changeover from the old system to the new are extremely complex and not readily understood by many.

The consensus view is that efforts by the DWP to explain how previously accrued rights to the State second pension and past periods of contracted out discounts are taken into account have "fallen well short of the mark".

It is probable that the DWP do not understand the ramifications themselves.

This allied with misleading statements about a new State 'flat-rate' pension, which is unlikely for most pensioners, has simple added to the confusion and has raised expectations which are unlikely to be achieved after this transition.

Firefighters having started , should continue to educate themselves in all these changes and the impact they will have on them in retirement. Advice or opinions from non-qualified pension Scheme managers or staff are hardly worthy of consideration and Firefighter would be well advised to understand and handle their own pension affairs.