

Topping up your State Pension

Whilst your LGPS pension forms a very important part of your retirement planning it is important not to forget about your State Pension. If you are not on track to get the full amount of State Pension (or you are not receiving the full amount if you have already drawn your State Pension), then it's worth considering topping up.

The amount of State Pension you get is based on your record of National Insurance Contributions (NICs):

- If you reached State Pension age before 6 April 2016, you need to have completed at least 30 qualifying years of NICs to receive the basic State Pension of £119.30 per week (2016/17 rate).
- If you reach State Pension age on or after 6 April 2016, your past NICs to that date will be used to calculate a 'Starting Amount' for the new State Pension. From 6 April 2016 you may be able to add 1/35 of the full amount to this each year, until you reach the full amount, or your State Pension age, whichever comes first. The full amount of the new State Pension is £155.65 per week (2016/17 rate). To get your individual forecast go to www.gov.uk/check-state-pension.

If you reach State Pension age on or after 6 April 2016

Why you may not receive the full new State Pension

If you paid into a 'contracted out' pension scheme, such as the LGPS, between 6 April 1978 and 5 April 2016 the amount of new State Pension you receive will be reduced¹ in respect of this period, to reflect the fact that you and your employer paid a lower rate of National Insurance (NI)².

How to check if you are on track to get a full State Pension

If you're not sure whether you're on track to get the full State Pension visit www.gov.uk/check-state-pension to find out.

Gaps in your National Insurance record

If you have gaps in your NI record you may be able to pay voluntary Class 3 NICs to fill them, and so increase your State Pension. Normally you must make the top-up payment within six years of missing the original payment, however, individuals reaching State Pension age on or after 6 April 2016 have until 5 April 2023 to pay for any gaps from 2006/07 to 2015/16 tax years -see GOV.UK website for more information.

Bear in mind that just because you can fill gaps in your record it doesn't necessarily mean you should; you might first want to check if you qualify for any [NI credits](#) (such as carers credit), and if you don't, if paying voluntary NICs would actually increase the amount of State Pension you will receive.

Paying voluntary NICs after you draw your LGPS pension

If you reach State Pension age on or after 6 April 2016 and you retire from the LGPS before your State Pension age it may be worth considering paying voluntary NICs after you retire.

For the majority of LGPS members' entitlement for the new State Pension will take into account that the LGPS was contracted out between 6 April 1978 and 5 April 2016. Because of this, you will have paid a lower rate of NI and this means you may not receive the full amount of the new State Pension.

¹ Apart from any periods over State Pension age or during which you paid the Married Woman's / Widow's Reduced Rate of National Insurance contributions.

² However, in most cases, the pension you get from the LGPS will be at least the equivalent that you would have received from the State Pension had you not been contracted out. The Government refer to this as the Contracted Out Pension Equivalent (COPE) amount.

However, by paying voluntary Class 3 NICs for years from 2016/17 up to the financial year before the one in which you reach State Pension age, you may be able to increase your State Pension by 1/35 of the full new State Pension rate for each year (up until you reach the full rate). At current rates this is £155.65 divided by 35 or an extra £4.45 per week.

Bear in mind that you normally only have up to 6 years in which to pay. You might first want to check whether you qualify for certain [NI credits](#) (such as carers credits) or you are able to make NI contributions from employed or self-employed earnings.

Example

Frederic was a member of the LGPS and retired from his job with the local Council on his 60th birthday on 6 April 2016. He can draw a pension from the LGPS at once, but his State Pension will not be payable until he is 66. He does not intend to work again and does not qualify for any NI credits so each of the years from 2016/17 to 2021/22 will be gaps in his NI record. Because he was a member of the LGPS throughout most of his working life he has a deduction to the new State Pension meaning that he will receive a State Pension of £119.30 per week.

Frederic decides that he can afford to set aside a lump sum of £733 which will pay for one year of voluntary NICs (2016/17 rate). He pays this lump sum shortly before he draws his State Pension in 2022. As a result his State Pension is increased by 1/35 of the full flat rate pension per week – currently £4.45 per week (£231 per year).

As Frederic is under State Pension age when he leaves his job on 6 April 2016 he does not need to pay the voluntary NICs straight away. He can set the money aside and use it to pay his voluntary NICs either when he reaches State Pension age or within six years, whichever is sooner.

Deferring your State Pension

Delaying the date you start taking the State Pension can make a significant difference to the level of pension you'll get.

For those who reach State Pension age after 6 April 2016, the new State Pension rules will apply which means that for every 9 weeks you delay taking your pension, it increases by 1%. This means you'll receive an increase of around 5.8% by delaying for at least a year.

Find out how to defer your State Pension on the [GOV.UK website](#)

If you reached State Pension age before 6 April 2016

Gaps in your National Insurance record

If you have gaps in your NI record you may be able to pay voluntary NICs to fill them, and so increase your State Pension. You can normally only go back up to six years but there are some exceptions when you can go back further – see [GOV.UK website](#) for more information.

State Pension top up scheme

If you are entitled to draw a State Pension you can increase your State Pension and get a guaranteed extra income for life with the 'State Pension top up' scheme.

The scheme allows you to pay a voluntary Class 3A contribution lump sum to boost your State Pension by between £1 and £25 per week. The cost for every extra pound of pension is based on your age. This scheme only runs until 5 April 2017 so if you wish to take advantage of it you will need to pay your voluntary contributions **before 5 April 2017**. Use the [State Pension top up calculator](#) to find out how much you'll need to pay.

If you have gaps in your National Insurance record, it may be more cost effective to make voluntary NICs first.

Deferring your State Pension

Delaying the date you start taking the State Pension can make a big difference to the level of pension you'll get.

The rules for people who reach State Pension age before 6 April 2016 are that for every five weeks you delay taking your pension, it increases by 1%. This means that if you defer for at least a year, you'll get a 10.4% boost to your pension.

Find out how to defer your State Pension on the [GOV.UK website](#)

The information provided in this leaflet is intended to provide helpful information but does not constitute financial advice. It should not be treated as a complete and authoritative statement of the law. Before deciding whether or not to top up your State Pension it is worth considering consulting an [independent financial adviser](#) and/or the [Pensions Advisory Service](#). In the event of any dispute the appropriate legislation will prevail.