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MONEY BOX LIVE

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LEWIS: Hello. The biggest change in the state pension begins in just 2 years time. It'll affect everybody who reaches pension age from 6th April 2010; and although it's 2 years until the change, it does affect what you should do now. There'll be easier rules to qualify for a full state pension, better treatment of those who've spent some of their lives looking after children or disabled adults, and a slow increase in pension age itself. The biggest winners will be women, many of whom struggle to get a full pension under the current rules. However, anyone who reaches pension age *before* 6th April 2010 won't benefit from the changes and many of them, when they realise, will be … well annoyed. On top of state pension, many pensioners can claim pension credit, which involves another set of highly complex rules. That can bring your income up to £119 a week or more if you have some extra pension of your own, but millions of pensioners don't claim it. So today we take your questions on all aspects of the state pension. We're getting lots of emails and calls already, but you can still call Money Box Live now with your question - 08700 100 444. With me to answer your questions are Malcolm McLean, who's Chief Executive of the Pensions Advisory Service; and Mervyn Kohler, a special adviser at Help the Aged. And the first question is from an email. Caroline has been in touch with us. It's unusual to start with an email, but it's just to get the ball rolling. She says she started work in 1977. She's 49 and she wants to know what the rules will be for her. She reaches 60, she says, in 2019. Now she's been told she needed 39 years' contributions. She says is that changing? Malcolm?

McLEAN: Well the first thing to say there is that 60 may not be Caroline's state pension age. She gets to 60 in 2019, but pension age, state pension age for women is moving gradually up towards men's at 65 between 2010 and 2020. So the first thing to find out is exactly what her state pension age is and there are various state pension age calculators that are available on websites to work out what that is. Now if she hits her state pension age after 2010, then she will only require 30 qualifying years to get the full basic state pension.

LEWIS: So she doesn't need to worry. Once she reaches 30 years, she will have enough to get the state pension.

McLEAN: Correct.

LEWIS: And from what you say, what she says - her pension age will be more like 2024 than 2019 when she's 65?

McLEAN: Absolutely, yes. I think there's a bit of a misconception around at the moment, Paul, about what state pension age is. It does depend entirely on your date of birth and women's state pension age is changing between 2010 and 2020 progressively and gradually. So there are many people who still think that the state pension age for women will remain at 60, whereas in fact it is going backwards.

LEWIS: And of course after that, the state pension age for men, Mervyn, doesn't stay at 65, does it?

KOHLER: No, both for men and women in 2024 to 2025, it'll be rising to 66, a decade later to 67, a decade later to 68.

LEWIS: Right. And if you want to know when your state pension age will be - and it could be as late as 68 if you're in your early 30s now - you can find out from links on our website. There are calculators. You simply put in your date of birth and it tells you what age you will retire at or what age I should say your state pension age is. Well having sorted out a bit of the background, let's go to our first call. And it's John calling us from Hampstead. John, your question?

JOHN: Hello. My question is that I'm 62½ now and should be retiring in 2½ years time. Unfortunately, I've not had a good continuous work record - I've only worked about 25 to 30 years approximately of that time. I have been signing on and presumably had my stamps, national insurance stamp by the Government. Now hopefully it'll be recognised and will I get a full pension in 3, 2½ years time?

LEWIS: Well that depends crucially, John, on when your date of brith is. Can you tell me when you'll be 65?

JOHN: I shall be in late August in 2010.

LEWIS: Late August 2010. I suppose phew is the word. *(laughs)* Malcolm?

McLEAN: That's right, John. Your state pension age comes after the changeover date, so you will only require 30 national insurance qualifying years to get the full basic state pension. And for those periods that you say you haven't been working, if you've actually been signing on and registering for work and claiming jobseeker's allowance, then those periods will count to give you what's known as credits, which is effectively as though you've paid national insurance contributions for that period.

LEWIS: And even if John doesn't have a full 30 years, Malcolm, if he has say 27 or 28 years, he'll still get more than he would have done if his birthday had been a bit earlier.

McLEAN: Yes, absolutely. Absolutely yes, you will. And what I suggest you do actually, if you haven't already done so John, is get in touch with the Pensions Service to find out exactly what your contribution record is and what you're heading for by way of a state pension and they should be able to tell you that. They're not actually issuing forecasts at the moment for people in your situation, but if you give them a ring they will often give you an indication of where you stand and it's always worth finding out to the maximum extent possible just where you stand in relation to this.

LEWIS: Yes because just at the time, Mervyn, when we need a forecast, the computers aren't working to give you one if you, as John does, reach pension age after that crucial date of April 6th 2010.

KOHLER: Yes, this is a ridiculous situation because with the complex changes going on, we want this accurate information, we need forecasts. And I think adding to what Malcolm was just saying, it's always worth a few years ahead phoning the Pensions Service and actually trying to establish what *they* think your contribution record is because you may want to argue about that.

LEWIS: Yes, they're not renowned for getting everything right, are they? And the other point I suppose that John makes very well, Mervyn, is that we talk about these changes as benefiting women - which of course it is mainly women who *will* benefit - but they also benefit men because if you reach pension age from 6th April 2010, man or woman, you only need those 30 years instead of for a man used to need 44 years.

KOHLER: Men's contributions, women's contributions will be equalised. The other group … Women will benefit of course. The other group that will probably benefit are people from minority communities who have probably worked fewer years in this country, having arrived here as adults. So there are potentially quite a lot of beneficiaries around provided you're lucky enough to actually hit your pension age after 6th April 2010.

LEWIS: Yes. I said after. It's actually *on* or *after*, isn't it? Let's be clear. It's on or after 6th April 2010. If it's 5th April, that's not good news. And we're going to go to Janet now from Cirencester. Janet, your question?

JANET: Hello. I'm one of the people that *don't* seem to benefit from the new rules. I reach 60 in March 2010. I have 38 qualifying years of pension so far and I'm not quite sure whether I ought to pay contributions for one of the years that I've missed.

LEWIS: Malcolm?

McLEAN: I think the first question, Janet, I would ask myself in your situation at the moment is are you absolutely sure that you are one year short, bearing in mind that it's possible to get what's known as Home Responsibility Protection for periods looking after children and you may indeed have qualified for credits for a period when you've been sick or unemployed?

JANET: I've always been employed.

McLEAN: You have? Right. So you are definitely one year short then from the 39 that you require. So the next question is are you *allowed* to pay voluntary contributions for that one year? And you can only pay voluntary contributions for periods when you haven't actually made contributions through your work, for example - and you can go back at the moment to 1996, 1997 tax year - but if you've actually been working throughout from 1996/97 right up to now, then that gap in your record relates to an earlier period and the Government won't actually *allow* you to pay that period, which is rather surprising but those are the rules. So have you actually been working since 1996/97 and paying national insurance contributions?

JANET: I have been working, but I haven't paid national insurance contributions *every* year …

McLEAN: Right.

JANET: … and some years I haven't paid a full year's worth.

McLEAN: Right, okay. Well in that case, the answer to the second question is yes you ought to be able to make good that missing year, which brings us to the final question should you do it? And you can work that out fairly easily by finding out how much it would cost you to make good that missing year - and it's probably going to be in the order of round about £350 or thereabouts for that one full year - and then you can find out what the actual increase in your pension will be and then it's a case of just looking at the sums and saying is it worth paying and I suspect the answer is probably yes.

LEWIS: Mervyn, it normally is worth paying, but it is a very complicated calculation for people to have to do themselves, isn't it?

KOHLER: It is a difficult calculation, but it will normally work out alright if you intend to live to the sort of average age which somebody of Janet's generation probably will, with another sort of 20-25 years potentially in retirement. Can I just add, Paul. We've been talking about these issues as if they are set in concrete - and they probably are in so far as they were passed in the Parliament in an Act of Parliament last year - but there is still a good deal of unhappiness amongst Members of Parliament and members of the House of Lords about the way in which this qualification issue is actually sort of really polarising people who were born before or after 6th April 2010.

LEWIS: The cliff edge, as they call it, don't they?

KOHLER: And Janet might like to actually have a natter with her Member of Parliament perhaps.

LEWIS: Yes. We did hope, didn't we, that the Government would have some sort of change where they could spread over this period, but they came back before Christmas and said, no, it was impossible to do?

KOHLER: In the debate last year, the Government ***did*** give the indication that they recognised this was a problem and they'd look for a solution and then there was great unhappiness when they came back just before Christmas and said we can't find a solution.

LEWIS: So it is a cliff edge and I think people reaching pension age on

5th April 2010 are going to be very aggrieved. Malcolm?

McLEAN: We're still waiting, Paul, for the classic case study here of twins born either side of midnight - one who has the 39 years and the other one has the 30. I'm sure there is somebody out there that falls into that category. I'd be very interested to hear from them.

LEWIS: Malcolm, you've made that appeal on the programme before. *(laughter)* We haven't yet heard from that pair of twins, but if they're out there please contact Money Box. And the way to do that is through our website: bbc.co.uk/moneybox. We would love to hear from you. We're now waiting to hear from Sarah in Beaconsfield. Or rather she's waiting for me to invite her to ask her question. Sarah, your question?

SARAH: Hello. I retired very early, at age 40. I'm now 57 and have been paying voluntary national insurance contributions since retiring. The contributions agency has notified me that I have 33 qualifying years of the state pension up to 5th April 2005. However, under the new legislation I only need 30 qualifying years. This means that the contributions for the years 2002-3, 3-4 and 4-5 are superfluous. The final payment dates for these years were in 2009, 10 and 11 respectively. For peace of mind, however, I have already paid the contributions early and as this was prior to the introduction of the legislation on 25th May 06, I am apparently not entitled to a refund. Is this fair?

LEWIS: Right, well I'm not sure we can talk about fairness, Sarah, because we'd be here all day talking about fairness and state pensions. But, Malcolm, has Sarah got the rules right? She's obviously done her own research and seems to be very familiar with it all.

McLEAN: I think she has got the rules right. I think the first thing to say, there are a number of people who will be saying in future, "Look, I've paid a lot more than 30 years national insurance contributions. What am I paying for?" And the position on that is quite simply that national insurance contributions have to be paid if you're in work and earning above a certain amount. Now as regards voluntary contributions, there is a concession here which I don't think will apply, but the concession was made that if you've paid voluntary contributions unnecessarily - i.e. you would already have the 30 years in the bag as it were - if you've made those voluntary contributions between a period starting on 25th May 2006 and the 26th July 2007, then you can get a refund of the contributions made in that period. The significance of those dates are 25th May 2006 was when the Government white paper came out proposing this changeover to 30 years, and 26th July 2007 was when the legislation to give effect to it actually went through. So if the contributions were made during that specific period and you were able to say you weren't aware that the rules were changing, then you can get the money back; but anything outside of that period that you've paid - even if means you've paid more than you really need to have done - they will not refund it to you, I'm afraid.

KOHLER: Could I just add a point that Malcolm briefly mentioned, Paul? Even though you will only need in the future 30 years worth of contributions to get a full state pension, you will still be carrying on paying national insurance associated with your income for however long you are in employment.

LEWIS: If you're in work and you earn more than the minimum amount, about £100 a week?

KOHLER: Yes.

LEWIS: And that's going to make a lot of people a bit annoyed, isn't it, because by the time you're 45 you'll have paid enough to get the full pension but you have another 20 or 23 years (in some cases) paying contributions which will actually gain you no pension at all.

McLEAN: Yes, it actually does apply now if you think about it. If you start work at 16 …

LEWIS: *(over)* Yeah, but the gap's just so much bigger then, isn't it?

McLEAN: Absolutely, that is the difference. I was about to say if you start work at 16 and work through till 65, as a man, that’s 49 years and you only actually need 44 to get the full basic state pension. So you’ve got this sort of 10% leeway …

LEWIS: About 5 years, yes.

McLEAN: … yes, which applies to both men and women. But, as you say Paul, the gap is much bigger now. The Government’s official line on this seems to be that you’re paying national insurance contributions for a number of reasons, not solely limited to the state pension.

LEWIS: Yes, but you don’t get much for them, do you? You get jobseeker’s allowance …

McLEAN: Jobseeker’s allowance, incapacity benefit.

LEWIS: And, Mervyn, how do you think people are going to feel about that? It’s going to make it quite plain national insurance is a tax; and in fact is a tax that is paying today’s pensions apart from qualifying for your own pension, isn’t it?

KOHLER: I think if that actually happens, it would probably be a good thing. I mean we’ve been living in this crazy world where we’ve tried to say that national insurance is not a tax, whereas you know it is aligned to tax rates and things like that. I mean if it’s a tax, let’s call it a tax.

LEWIS: Yes, but then politicians would have to admit the basic rate of tax was 31% rather than 20%. *(laughs)*

KOHLER: Well I think honesty and transparency is what we’re trying to introduce.

McLEAN: It’s a presentational problem, Mervyn, I think here. *(laughter)*

LEWIS: Okay, well thanks very much for your call, Sarah. And

Sarah mentioned fairness. I've got another fairness point here that we've had a number of emails from - one from Margaret and another one from Katrina. And these are women who have just realized. Well this is Margaret. "My 60^{th} birthday was Wednesday 6^{th} February. The pay day for my state pension is Monday", so she doesn't qualify for a pension for those, what, five days between Wednesday and Monday and she thinks that's very unfair. Is that something people don't realise, Mervyn?

KOHLER: When people do realise it, they certainly get in touch with Help the Aged. We've had a lot of examples of this kind of thing. The good news, Margaret, is that you'll actually get paid for a week after you've actually died as well.

LEWIS: Well yes, she mentions that in her email and she doesn't really hold much store by that. And, Malcolm, I notice looking at that website I mentioned earlier where you can put in your date of birth and get your state pension age - that's actually not the date your pension will be paid because it has to be the Monday after that, doesn't it?

McLEAN: Yes. I mean all this is done, I suspect, for administrative reasons. It's to even out the payloads as it were. But, again, that applies now. People talk about state pension age being paid to women at 60. Well it's not actually the 60^{th} birthday. It's the Monday after. So it's the same issue and, as I say, it's done solely I suspect for administrative convenience.

LEWIS: Yes, but it certainly annoys people when they reach that age and their birthday is not on a Monday.

KOHLER: And we had that problem before Christmas, didn't we Paul, where the Monday was a day when the Post Office was only going to open for half a day …

LEWIS: Yes, Christmas Eve.

KOHLER: … and people were actually getting paid their pension and probably finding it difficult to actually withdraw it.

LEWIS: Yes.

KOHLER: One wishes that the technology was robust enough to actually adjust these things on a day by day basis.

LEWIS: You'd think you could, wouldn't you, but apparently not. Anyway, let's move onto our next call, which is from Denise in Witchampton. Denise, your question?

DENISE: Oh hello. Right, I've already reached state pension age. I've paid voluntary contributions, so I know I've earned the maximum pension, and I still do some part-time work, so I've chosen not to take my pension at the moment. I've got two choices: either take a lump sum when I do decide to take it; or you can earn sort of 10%, I think it is, on future pensions?

LEWIS: Yes you can.

DENISE: What I'm not sure about is - the language in the booklet is so confusing - is that on all future pension rises, so you get 10% of both what you would have got on the whole lot, or is it just on the bit that you have missed out on?

LEWIS: Yes, I see what you mean. So you mean the pension you're deferring after April, for example, which will be higher than it is today, will you get 10% … will you get an enhancement on that?

McLEAN: Yes, I think the short answer to that is yes. This question as to whether to go for an enhanced pension going forward or whether to take a lump sum really comes down to personal choice. It really does depend what's most important to you. The way it works is that they will give you a percentage rise for each 5 weeks that you defer your state pension - 1% for each 5 weeks - which actually works out at 10.4% for the year. And that is compound, so that will give you an enhanced rate at whatever age you choose to take it providing you defer for at least 5 weeks. The other option is to take a cash lump sum, and to get that you've got to delay taking your pension for at least 12 months. And what they then do is they take the pension that you haven't drawn, roll it up as it were and then add on a rate of interest which is the equivalent to 2% above the current Bank of England base rate. So as the Bank of England base rate changes, so does that figure as you go forward.

LEWIS: So you're getting an enhanced pension or you're getting interest on a lump sum. So it seems like quite a good deal if you're willing to hang on, of course, and take the chance that you won't be around to claim it.

McLEAN: Yes, exactly, and that's an issue that most people have to take into account - their health, their expected life span, and most crucially of course whether they actually need the money now. I mean you would normally be talking about somebody who's staying on at work past pension age who might want to do that. But if they do, then it doesn't sound like a bad deal for most people.

LEWIS: Let me bring in Lesley here from Lincolnshire. Thanks Denise for your call. Let me bring in Lesley from Lincolnshire, who's done just this but is having a problem. Lesley, your question?

LESLEY: Yes, hello. I was due to receive my pension in April 2006 and I chose just to do that, to defer it. I decided that from January 1st this year, I would actually now like to receive my pension and opted to take the standard weekly amount which started on the dot, on January 1st. But the deferred lump sum, I was told would probably take 2 or 3 weeks. By the end of January, it had not come in, so I phoned them again and was told that it could take 3 months for the lump sum to be put into my bank account. When I asked whether I would be able to get interest on that, there was no adviser who was willing to commit themselves.

LEWIS: Right.

LESLEY: So obviously what I'm wondering is what sort of process do I have to try to recoup that amount of money, which I reckon is probably going to be about £125 in very crude terms.

LEWIS: Yes. Malcolm?

McLEAN: Well I think the first thing to say, Lesley, is to make a complaint and put that complaint in writing to the effect that you were expecting this money at a given time, you had a reasonable expectation to get it there, and by not getting that money that you have incurred some financial loss - i.e. the loss of interest on the money, which should be yours, has now theoretically been taken by the Government. So I think you do have a case at least for lodging a formal complaint and I suspect that somewhere within the rules there is the possibility of them paying you interest on that money if they accept that they have committed what's known as maladministration - in other words they have delayed unreasonably from giving you that payment. So it's worth trying is that. I mean in the final analysis, you could always write to your MP and your MP could take it up with them, and ultimately there may be a case for going to the Parliamentary Ombudsman. That's a sort of nuclear option and one would hope it could be resolved without having to recourse to that.

LEWIS: You'd think, wouldn't you, that if things are running slowly, they would know what the answer was? They must have had many calls like this. But anyway, we may come back to that one. Thanks very much for your call, Lesley, and also to Denise. I'm just going to do an email now from Robert. Robert lives in Spain and he says, I'm curious to know why - because he still pays income tax in the UK - he doesn't get his winter fuel payment and he's 73. Some people do, don't they Mervyn, abroad?

KOHLER: It's probably because the DWP, the Department of Work and Pensions, don't know that he exists and don't know where to send it. I suspect that's the answer because certainly a British citizen living in Spain would be entitled to the winter fuel payment.

LEWIS: Yes. They have to have claimed it here once though, don't they, and I think in Robert's case he never has because he left in 1990?

KOHLER: Oh he left in 1990, sorry.

LEWIS: I think he's been there a long time. But, yes, as long as you've claimed it here, you can claim it in Europe.

KOHLER: We didn't have a winter fuel payment till 1997, Christmas 1997.

LEWIS: 97 I think, yes. So that's why and he's not happy about it. But it is a curious rule because there are some very hot parts of the world that are technically part of Europe …

KOHLER: Oh there are. Some of the French departments in the Caribbean fall within the eligibility criteria for the winter fuel payment.

LEWIS: But you have to have claimed it once here. So that's the answer to your question, Robert. Let's move on now to Peter who's calling us from Cornwall. Peter, your question?

PETER: Oh hi. I just want to find out … I remarried 18 months ago to an Israeli citizen. I've got 40 years contributions. At the moment neither of us are working and we've no recourse to public funds, so we're sort of living from savings, and I can't find out whether or not we'll be - or I'll be entitled or we'll both be - to a married person's pension. I've had a forecast for the single person for myself, but that's it.

LEWIS: Okay, well technically Mervyn there isn't a married couple's pension, is there?

KOHLER: No.

LEWIS: There's a married woman's pension.

KOHLER: That's right.

LEWIS: So what are Peter and his wife's circumstances?

KOHLER: So long as Peter is entitled to a pension and living in the UK, then the person he is married to will qualify regardless of citizenship and things like that. It is not a benefit which is governed by citizenship.

LEWIS: She just has to be 60 years old, doesn't she?

KOHLER: She'll have to be 60. There are some issues around whether they move out of the country, for example, about whether their pension would be upgraded by the normal events and so on and so forth. And I can't quite remember where Israel, were they to go there, would come on this particular spectrum of things.

LEWIS: Okay. But certainly if they live in the UK, once he's 65, he gets his pension, and his wife - whoever she is, whatever her circumstances - will get the married woman's pension?

KOHLER: Will get the married woman's supplement or addition, yes.

LEWIS: Okay, Barbara's next. Barbara in Kent. Briefly, Barbara, if you could?

BARBARA: Oh hi. I've paid married woman's stamp and got a pension of £1.84p a week at 60. My husband left me last year after 40 years and I would like to know if I divorced him would I get a full pension?

LEWIS: Malcolm?

McLEAN: If you divorced him, Barbara, you can claim a pension based on his national insurance contribution record. Now I'm not advocating that you *do* divorce him, but there may be some financial advantages to you to do that because, as you know obviously, paying the married woman's stamp doesn't qualify you for any state pension whatsoever. Now whether it would be possible to use your husband's contribution record in that situation, I think it would and certainly it's something worth checking out. So it may be that you would actually benefit from getting divorced in that situation.

LEWIS: Mervyn?

KOHLER: Paul, we've talked a lot about the basic state pension here. Can I just remind listeners that there is the pension credit as well and that if you've got a low state pension or even if you've got a *full* state pension and don't have very many other sources of pension income, then you could well be entitled towards pension credit, which is going to be £124 for a single person from next April and nearly £190 for a married couple.

LEWIS: Okay. And I think it is worth saying to people who are separated that divorcing often does boost your state pension and is worth considering. And I suppose it's also worth saying if you're thinking of remarrying, don't do it until you've *got* your state pension because you might get …

McLEAN: Absolutely!

LEWIS: … you might find you lose some of it if you remarry before you get your state pension. Anyway that's all we have time for those complex rules. We could have talked all day. My thanks to Malcolm McLean from Pensions Advisory Service, Mervyn Kohler from Help the Aged, and thanks to you for your calls. Now if you want to know more, the Action Line is 0800 044 044; our website is bbc.co.uk/moneybox. You can listen to the programme again, you can download a copy for your computer, in a couple of days you can read a transcript. And on that website, you can also look at Malcolm McLean's top 20 questions and answers, which should answer your question hopefully. I'm back at noon on Saturday with Money Box and I'm here to take more of your calls on Money Box Live next Monday afternoon.