

Changes to State Pension Age

July 2011

The Social Welfare and Pensions Act 2011 was signed into law on the 29th of June 2011.

By increasing the age at which people will become entitled to a state old age pension, the Act implements one of the key milestones of the National Pensions Framework, which was published in March 2010 by the previous government.

The changes are as follows;

- The transitional state pension, which was previously paid to eligible people between the ages of 65 and 66, will be abolished with effect from 1st January 2014.
- The pensionable age for the old age pension will increase to 67 from the 1st of January 2021.
- The pensionable age for the old age pension will increase to 68 from the 1st of January 2028.

The affect of this is that people will have to wait longer to receive an old age pension from the state. For example:

- If born after 1948 you will have to wait until age 66, and
- If born after 1954 will have to wait until age 67, and
- If born after 1960 will have to wait until age 68.

It is important to note that this change relates to government payments only and does not amend entitlements under Occupational Pension Schemes. Therefore there is no obligation on trustees or employers to change scheme rules or documentation.

However, it is important that trustees and employers are aware of these changes and consider the impact it may have on their individual schemes. It is also very important that members are told of these changes in order that they can take them into account.

The result is that there is now a gap between the age at which people expect to retire from their employment and the age at which they will receive their old age pension. While there is unlikely to be any immediate changes made as a result of this it is likely that, in the years to come, people will have to work longer.

If you have any queries in relation to the above please contact your usual Corporate Business Account Manager or your Financial Adviser.

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