

illuminatetech

Created to boost your knowledge and fine-tune your expertise, our technical factsheets offer detailed analysis on a range of useful topics, to help you resolve technical challenges, learn about upcoming developments in the market, and navigate changes to legislation. This valuable support enables you to deliver better outcomes for your clients, helping them to have a more rewarding retirement. Explore the full range on [Illuminate Technical](#).

The single-tier state pension

Introduction

In April 2016 the state pension was transformed and was replaced by a new single-tier format for those who reach state pension age (SPA) on or after 6 April 2016. This factsheet broadly discusses the rules for the single-tier pension, as well as the winners and losers from the change.

The old rules

Before April 2016, the state pension was made up of three elements:

- the basic state pension
- the additional pension, and
- pensions credit.

From 6 April 2016, the new single-tier pension replaced the basic state pension and additional state pension, as well as the savings credit element of pension credit for people who reach state pension age (SPA) on or after that date. Existing pensioners continue to receive the previous basis of basic and additional state pensions.

The single-tier state pension

The single-tier pension is £230.25 per week for the 2025-26 tax year. To qualify for the full amount an individual needs to build up 35 years of national insurance (through contributions or credits). Those who have built up fewer than that receive a reduced pro-rata amount. However, the individual has to have a minimum of ten qualifying years of national insurance to receive any state pension at all. If the individual has built up any additional pension under graduated, SERPS, or S2P before April 2016, then they may be entitled to a higher state pension under transitional arrangements. Likewise, if they have built up a private pension through contracting out of the additional pension then these contracted-out years won't count towards their qualifying 35 years, and they will receive a reduced state pension.

An individual will not be able to inherit or derive rights to the single-tier pension from their spouse or civil partner. However, if they have contributions or credits on their national insurance record under the old state pension scheme there will be transitional protection.

The foundation amount

Those who have not yet reached their SPA have a starting amount – called a 'foundation' amount – calculated as the higher of either:

the amount they would get under the pre-6 April 2016 state pension rules (which includes basic state pension and additional state pension); or

the amount they would get if the single-tier pension had been in place at the start of their working life.

An individual's foundation amount may be less than the full single-tier pension if they have been contracted out in the past.

Where their foundation amount is higher than the full amount of the single-tier pension, the difference between their starting amount and the single-tier pension is called their 'protected payment'. When the individual reaches their SPA, their protected payment will be paid on top of the single-tier pension. The protected payment increases each year in line with the consumer price index. However, under the current system all of their pension would have been revalued in line with the triple lock*, so this means the protected payment will slowly diminish in value.

The winners and losers

The previous state pension system was fiendishly complicated, and sweeping away these rules should make it easier for everyone to understand what they are entitled to. However, we still have to work through the transitional arrangements.

Future governments will benefit from the switch to the new system. A research paper published by the Department for Work and Pensions (DWP) in January 2016 showed that 75% of retirees in the first 15 years will receive a higher state pension compared to the current system, so by 2030, over 3 million men, and over 3 million women will have benefited from a notionally higher state pension. But this proportion then falls gradually to around two-thirds by 2040 and just over half by 2050.

Not everyone will receive the full state pension. In fact, the DWP has stated that only 45% of retirees between 2016 and 2020 will get the full entitlement.

Those who lose out include private sector workers who have contracted out of the additional state pension, and find their foundation amount is reduced to take account of the pension they receive from contracted-out benefits. Also, those who have fewer than 10 years of national insurance contributions will lose out. Under the previous system they will receive some state pension, but under the single-tier state pension they will receive nothing.

Younger generations may also feel as if they have lost out by the change to the state pension. Previously, people could build up additional pension above the basic amount for every extra year worked up to SPA. But because of the abolition of the additional element, younger workers will no longer be able to earn more than the single-tier amount, regardless of whether they work for more than 35 years or not.

Importantly, where an individual's foundation amount is lower than the full amount of single-tier pension (perhaps because they contracted out for a few years), they may be able to increase their state retirement income by adding more qualifying years to their national insurance contributions record.

They could do this by continuing to work up to their SPA, or by paying voluntary national insurance.

The biggest winners are those who did not previously contribute to the additional state pension – but should qualify for the new state pension. These include the extremely low-paid with annual earnings of below £5,000 (who are usually women) and the long-term self-employed, who previously only received the basic state pension.

* The triple lock was introduced by the coalition government in 2010 as a guarantee to increase the state pension every year by the higher of inflation, average earnings or a minimum of 2.5%.

If you only read one thing

- The single-tier state pension came into effect from 6 April 2016, only for those who reached state pension age (SPA) on or after that date. The full rate is £230.25 per week for the tax year 2025-26. This will increase by the triple lock* in subsequent tax years.
- Everybody has a foundation amount calculated as the higher of the pre-April 2016 state pension and the state pension they would have received if the new rules were in place at the start of their working life.
- Only about 45% of people will receive the full state pension in the first five years. Some may not have the full contributions record, but others will receive a reduced amount if they have been contracted out of the additional state pension at any point.
- Those entitled to a smaller amount may be able to build up additional qualifying years of national insurance contributions to increase their single-tier state pension, either by working up to their SPA or by paying voluntary national insurance contributions.
- The biggest winners from the switch to the single-tier state pension will be the extremely low paid, and the long-term self-employed.

Important Information: This factsheet is issued by the Nucleus Technical Support Team for use by financial advisers in connection with products provided by the Nucleus Group. The Nucleus Group does not accept any liability if the information provided in this document is used for any other purpose. This factsheet is based on our understanding of current UK legislation and HMRC practice at the date this document was produced. The tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

www.nucleusfinancial.com

"Nucleus" is the trading name for Nucleus Financial Platforms Limited (registered in England, number 06033126, whose registered address is at Suite B & C, First Floor, Milford House, 43-55 Milford Street, Salisbury, SP1 2BP) and its group. Further details of the Nucleus Group can be found at nucleusfinancial.com. (12/24)

0345.08
05-2025