

# **Report on Women and Pensions Helpline**

18 October to

10 December 2004

# Contents

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2	Executive Summary
3	Introduction
4	Our Callers
5	State Pension Enquiries
6	Shortfall in National Insurance Contributions
8	Home Responsibilities Protection
9	Pension Credit
10	Divorce
11	Part-timers
12	Tracing
13	Our Explanatory Booklet
14	Our Website
15	Evaluation and Conclusions
17	Appendix 1 - More Facts and Figures
18	Appendix 2 - Case Examples

## Executive Summary

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1. The purpose of the Pilot Helpline and the associated booklet was to help women of all ages better understand their pension position and some of the options for providing pensions for themselves.
2. The Helpline operated on a dedicated local call rate number and was available from 18 October to 10 December 2004.
3. Nearly 8,000 enquiries were received on the Helpline. 60,000 copies of the booklet were issued with another 1,700 downloaded from our website.
4. 80% of callers were aged 50 years and over.
5. 7 out of 10 callers were not making any private pension savings.
6. A quarter of the enquiries concerned the basic state pension.
7. The 'contracting-out' rules were a source of confusion.
8. Many callers appeared to be aware that they could have an incomplete record of National Insurance (NI) contributions, which would affect their pension entitlement but were not aware of how to obtain details and/or the options for plugging gaps.
9. The issue of reduced rate married woman's National Insurance contributions was a particular area of concern, both for those women who had elected to retain the right (and thus not build up any entitlement towards the basic state pension) and those who had paid at full rate.
10. A combination of pride, fear and ignorance were all contributory factors to some people's reluctance to claim the means-tested support, Pensions Credit.
11. The value of Home Responsibilities Protection in assisting carers and others at home bringing up children was not generally understood or appreciated.
12. A lack of awareness existed of the options available for dealing with pension rights on divorce, particularly Pension Sharing.
13. Despite high profile court cases, many individuals appeared unaware of the rights of part-timers to claim retrospective membership of their occupational schemes.
14. Over 200 calls were received from people seeking assistance in tracing former pension plans.
15. Initial conclusion was that the Helpline was a worthwhile exercise - in improving understanding about women's pensions and providing practical advice. It also provided useful information about women's attitudes and concerns generally about the pension system.

## Introduction

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Recent reports from various sources have pointed to the many obstacles that prevent women from building up adequate pension provision. It is claimed that as many as one in four single women pensioners live in poverty and women are twice as likely as men to rely on means-tested benefits in retirement.

Only 16% of women over 60 get a full basic state pension on the basis of their own contributions compared with 78% of men.

Women generally have lower pensions than men because of lower lifetime pay and career breaks due to caring responsibilities such as bringing up children.

The principal objective of setting up the pilot Helpline was to help raise the profile of pension issues affecting women, to help women of all ages better understand their pension position and some of the options they had for providing pensions for themselves. In conjunction with the running of the Helpline, we also produced and made available a dedicated booklet, *Women and pensions - know your rights and options*.

The Helpline operated on a dedicated local call rate number and was available from 18 October to 10 December. Initially, it was intended to run for a maximum of six weeks but due to demand the line was extended for a further two weeks. Nearly 8,000 enquiries were received in total with demand for the booklet also being very high - see section headed booklet on page 13.

This report provides an analysis of the main issues raised during the operation of the Helpline and the feedback and items of interest raised by members of the public. We have also provided a breakdown of the figures, which help underline the main areas of concern for those women who contacted us.

## Our Callers

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It is perhaps significant to note that 80% of callers to the Helpline were aged 50 or over. The majority were approaching retirement with only the state pension to rely on for income. 7 out of 10 were not making any private pension savings to supplement their state pension entitlement.

Perhaps equally striking was the relatively few calls made by the under 40s. Individuals in this category do have time on their side to make effective retirement savings but often have other more pressing demands on their finances such as mortgage repayments, child care and student loans. Of callers in this category who were saving towards retirement, only 8% were doing so via an occupational scheme, in contrast to 62% in the 50 to 60 year olds category who had private pension savings.

Overall, where callers were saving towards retirement, 8 out of 10 were doing so via occupational pension schemes. An indication of the shrinking availability of occupational schemes was highlighted by the fact that whilst 60% of women over 50 who had private retirement savings were in occupational schemes, only 7% of callers under 40 years enjoyed similar provision.

Only 1 out of 5 private savers were saving towards retirement by means of either a personal pension plan or stakeholder. Again there were differences in saving methods depending on the age group with 31% of savers under 30 contributing to either a personal pension or stakeholder, against 20% of savers aged 50 or over.

Many women had not saved towards retirement income on the assumption that their husbands' pension rights would be sufficient for both of them. This was particularly so for women who had elected to pay NI contributions at the reduced rate for married women. Additionally, it was often difficult for women to save because of career breaks or because of periods of part-time work.

Further statistics are provided in Appendix 1.

## State Pension Enquiries

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A quarter of all the enquiries we received concerned the basic state pension.

A recurring theme from calls to the Helpline was the confusion many callers had about their likely entitlement. They were unclear as to the differences between the basic state pension and the state second pension, how entitlement to state pension was built up and how entitlement can be affected by the changes that may occur during the course of their working life.

The transitional change in the state pension age for women was introduced by the Pensions Act 1995. However, some callers were unaware of the change in the state pension age and that by April 2020 the state pension age for both men and women will be 65 years.

A significant number of callers were seeking clarification on what level of state pension they could expect to receive in retirement. In many instances we were able to advise them of the value of seeking a forecast from the state pension forecasting team and advised them of how such a forecast could be obtained.

Many callers expressed confusion about the implications of such things as contracting out, career breaks to look after children, paying NI at the reduced married women's rate and whether paying voluntary NI would be in their interests.

The complexities regarding contracting out caused particular confusion. Some callers who had previously elected to contract out did not know how their decision would affect their state pension or how their entitlement under their contracted-out pension plan would subsequently develop. A frequently asked question was whether they should contract out or not. This question was often prompted by recent communications from the caller's insurance company advising them that they should review their decision. Many callers expressed their concern that they were unable to obtain advice from their insurance company or from financial advisers. We were able to give them more information about the factors that might influence their decision and the issues that could be important for them to consider.

## Shortfall in NI contributions

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Many women work fewer hours on lower pay than men. They are also more likely to have career breaks because of caring responsibilities, such as bringing up children. As a result, women are more likely than men to have an incomplete NI record and therefore more likely not to achieve a full state pension.

Because of their working history, many callers were aware that they may have an incomplete record but were unaware of how to obtain details, or how they could make good any gaps in their record. We were able to advise them of the facility to arrange a state pension forecast and also to explain the criteria for voluntary contributions as well as advising the situations where paying voluntary contributions may not be worthwhile. The frequency with which this subject was raised on the Helpline suggests that more information needs to be made readily available and the options more widely known, so decisions on retirement saving can be made from an informed position.

However, for some callers, we had to advise that they were unable to pay voluntary contributions because the gaps in their NI record referred to years outside the 6 year window. A degree of flexibility for years when deficiency notices were not issued has already been introduced, but in a time where there is more emphasis on individuals providing for themselves, many thought that the time limit should be removed.

For some women, unfortunately there was nothing they could now do to fulfil the criteria needed for a full state pension and would therefore have only a reduced state pension in retirement. This was a particular issue for women who had chosen to pay NI at the reduced rate for married women after this was phased out for new contributors from 1977. For women in this category, rules prevent them from paying voluntary contributions for years covered by the reduced rate option. Consequently, for these women who now wanted to make a voluntary contribution to improve their NI record, they could not do so for these years.

Many callers were adamant that they were not advised that the decision to pay reduced rate NI would impact upon their basic state pension entitlement and were vocal in their view that the Government should address this position by giving them pension entitlement. It is however appropriate to note that the Helpline also received contrary views from women who had themselves paid NI at the full rate. They were displeased that they would gain no advantage if reduced rate payees were to be given the same pension entitlement as them.

Many callers did not understand why the present rules prevent the payment of voluntary contributions for years when reduced rate NI was paid, and felt that the ability to pay voluntary contributions should be extended to everyone.

## Home Responsibilities Protection

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Home Responsibilities Protection (HRP) was introduced from 6 April 1978. It works by reducing the number of qualifying years required to build up the State Pension.

A recurring comment from many callers was that they were unaware of, or confused by, HRP and how it may apply to them. Where individuals were aware that there was some protection of state pension entitlement when they gave up work to look after a child or an adult, many had assumed that protection was provided by way of credits to their NI record. Many did not know that HRP does not last indefinitely and will not reduce the number of qualifying years needed for a full basic state pension below 20 years (22 years when state pension ages are brought in line for men and women in 2020).

Some women were disappointed to be advised that they would not receive any HRP assistance because the years where they left employment to raise children were before April 1978. Others, because they had previously elected to pay reduced rate NI, were similarly disappointed to hear that they had not been covered by HRP.

Particularly relevant for couples, is the fact that HRP is only automatic when the child benefit is being paid to the non-working partner. Some enquiries came from individuals where the child benefit was being paid to the working partner rather than the partner who had given up work or was working reduced hours to look after the couple's children. We were able to advise why they should be changing the payee details for the child benefit.

There was a strong feeling from most callers that the system for HRP was overcomplicated, was not generally understood and could be substantially improved if the simpler alternative of credit awards were adopted for all periods of home responsibility.

## Pension Credit

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Commencing in October 2003, the Pension Credit was introduced to replace and extend the former Minimum Income Guarantee. Many callers were confused as to whether they would be entitled, and were particularly confused by the differences between the Guaranteed Credit and the Savings Credit elements of the new benefit. We were able to give them guidance about the criteria for Pension Credit and where appropriate, encourage them to make an application.

A difficulty of means-tested benefits is that not all those who should claim do so. Certainly, a recurring theme on the Helpline was that there were many callers who were apparently completely unaware of its provision. Others, who appeared to satisfy the criteria, were reluctant to claim because of their dislike of means testing. For some it was a matter of pride, for others it was a fear factor in providing, as they saw it, personal information without any real understanding of what the information would be used for. In these cases we tried to emphasise that it was an entitlement that they had a right to receive and that the information they provided would be treated in confidence. All possible recipients were encouraged to make a claim without further delay.

## Divorce

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An issue that arose frequently was the lack of knowledge that many callers had regarding the options available for dealing with pension rights on divorce, with few callers aware of the availability of Pension Sharing. This is an arrangement whereby a part of one spouse's pension is transferred to the other and becomes the other's entitlement.

Pension Sharing became available for divorcees from 1 December 2000. However, many callers who had divorced since then appeared ignorant of this option which surprised us given that the Welfare Reform and Pensions Act 1999 requires a court to consider the sharing of pension benefits. Some callers who did have knowledge of Pension Sharing expressed a view that their legal advisers were reluctant to give consideration to it and/or seemingly have little understanding of how it would operate.

Although Pension Sharing may not be appropriate in all cases, it was felt that the apparent lack of awareness of its availability is of concern, particularly given that women are less likely than men to have a personal pension plan or access to an occupational pension scheme.

As regards entitlement to the state pension, many women were not aware that they could use their former husband's NI contribution record, up to the date of the divorce, in substitution of their own if this gave them a higher pension. Also many who had remarried did not appreciate that the right to use their former husband's record was lost once they remarried.

## Part-timers

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Despite several high profile court cases which have resulted in the ability of part-timers to claim retrospective pension rights, it was surprising to hear that calls continued to be made from individuals who were unaware of this right. Unfortunately for many, they were time-barred from referring a claim to an Employment Tribunal because they had left the employment of, or retired from, the company to which their claim related more than six months ago. We were however able to advise some callers of their right to seek retrospective pension rights and advise that in the first instance they may want to check with their employer about their eligibility to join the pension plan.

## Tracing

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Over 200 calls were received from individuals seeking assistance to track down pension plans that they had previously joined. Some callers had only a vague recollection of joining a company pension scheme and did not recall ever receiving any details of entitlement. Many of these callers left the company to which the scheme related prior to the introduction of the preservation requirements in April 1975. Consequently, we often had to explain that unless they could provide evidence that a pension was potentially payable, perhaps by having a certificate of entitlement, it was likely that the liability to provide a pension ended when they left, probably by the payment of a refund of contributions.

However, for many callers, we were able to help track down their former schemes or recommend that they contact the Pension Schemes Registry to help with their search. We also advised that if the Pension Schemes Registry were unable to assist they should contact us again so that we could see whether there were any other routes that could be explored.

## Our Explanatory Booklet

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We issued 60,000 copies of our booklet *Women and pensions - Know your pension rights and options*. A further 1,700 copies were downloaded from our website.

The purpose of the booklet was to bring together all the various facets of women's pensions covering personal, occupational and state pension provision.

As far as we are aware, this is the first time such a comprehensive booklet on women's pensions across the board has been produced and feedback on it was very positive.

## Our Website

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The publicity that the dedicated Women and Pensions Helpline received also increased interest in the two websites run by the Pensions Advisory Service, [www.opas.org.uk](http://www.opas.org.uk) and [www.stakeholderhelpline.org.uk](http://www.stakeholderhelpline.org.uk) with an increase in visits of approximately 7,000 each month the Helpline was open. The increase in visitors to our sites is seen as further evidence of the increased interest by the general public in pension matters and a desire to improve their understanding and knowledge.

## Evaluation and Conclusions

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Our initial conclusion is that the setting up and running of the pilot Helpline was a worthwhile exercise - not least because we were able to help many women have a better understanding of their pension position and in some instances offer them practical advice. (See the case examples at Appendix 2.)

It was also useful because of what it told us about women's attitudes and concerns about the pension system as a whole and where they felt many of the problems lay. It confirmed what other studies have revealed that for many women building up an adequate pension in their own right was difficult - there were many obstacles and other lifestyle challenges to be overcome along the way. This did not mean that married women in general were always content to rely on their husband's pension provision, although some accepted this as inevitable. There was clearly a feeling that the state pension ought to be more readily obtainable by women and they should not be penalised for having suffered lower lifetime pay and/or taking time out to bring up a family.

Understanding the pension system with its various component parts was and is a problem for many people - and there is no doubt that pensions for women can be particularly complex. Half of the calls we received related in some way to the state pension. The inter-relationships between the NI contribution record, the basic state pension and SERPS/S2P were not always appreciated. The rules relating to contracting-out of SERPS/S2P were a source of difficulty and doubt and there appeared to be little or no understanding of Home Responsibilities Protection or the benefits it could provide. In this latter connection many women found the concept opaque and would have preferred a simpler, more straightforward system of NI credits covering them for periods at home with caring responsibilities.

In relation to private pensions, divorcee and part-timer rights appeared to be the main problem areas. Here again we were left in no doubt that many women are concerned that they can be very exposed in middle or late middle life in consequence of not having had the chance to make private provision in the past and would appreciate the opportunity to have a pension of their own wherever possible.

Some statistical information has been included in the main body of the report and is supplemented by further details in Appendix 1.

Although perhaps in terms of the population at large the Helpline and associated booklet may have reached only a relatively small percentage of women in the country, we are pleased that we have been able to provide real help and guidance to many of those who contacted us. We hope that the report will also in itself be a useful aid in understanding the various issues involved.

## Appendix 1 - More Facts and Figures

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### Types of Enquiries

State Scheme	25%
Pension Credit	5%
Reduced Rate NI	7%
Voluntary NI / Shortfall in NI record	7%
Home Responsibilities Protection	6%
Clarification of entitlement	17%
Tracing	3%
Part-timers	2%
Financial Advice	4%
Divorce	3%
Contracting out	7%
Other	14%

### Age Range of Callers

16 years to 29 years	1%
30 years to 39 years	5%
40 years to 49 years	14%
50 years to 59 years	49%
60+	31%

### Private Pension Saving by Age Group

16 years to 29 years	38%
30 years to 39 years	39%
40 years to 49 years	41%
50 years to 60 years	32%
60+	20%

## Appendix 2 - Case examples

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### Claiming your State Pension

Mrs A, aged 60, who has not worked for a number of years, has not received an invite to claim a state pension from the Pensions Service. Does this mean she does not qualify?

**Our response:** The fact that you have not been contacted by the Pensions Service does not automatically mean you are not entitled to a pension. Although the Pensions Service attempts to send out pension application forms four months before a woman's 60th birthday, this does not always happen, eg. because they do not have your up-to-date address. You should get in touch with the Pensions Service and tell them you want to make a claim. They will probably fill in the form for you over the telephone so you will soon know where you stand.

### Voluntary National Insurance Contributions

Mrs B, aged 59, has enquired about a state pension but has been told she has no entitlement because she has only 9 qualifying years on her National Insurance record. This is less than the 25% minimum needed of the total number of years (39) in her working life. Is there anything she can do?

**Our response:** Yes - it should be possible to opt to pay voluntary national insurance contributions to build up your entitlement in respect of any of the last six tax years. The rate of voluntary contributions changes from year to year, so if for example you were to pay for the tax year 1998/99 it would cost you £325. By paying this you would receive an extra qualifying year bringing your total up to 10, thus enabling you to qualify for a quarter (25%) of the full pension of £79.60 a week. This would give you a pension of £19.90 a week or £1,034.80 a year.

### Topping up your Occupational Pension

Mrs C is a teacher and a member of the Teachers Pensions Scheme. However, whilst bringing up her children she had a ten year career break. Mrs C is now 50 but concerned about how the 10 year gap in membership will affect her pension. Is there a way she can increase her pension benefits?

**Our response:** Yes. All occupational schemes must offer an Additional Voluntary Contribution policy, which allows members to make additional contributions to boost their pension rights. These additional contributions would be invested in a fund and the contributions plus investment growth would be used on retirement to buy additional benefits. If you earned less than £30,000 in one of the last five years, you could also contribute to a stakeholder or personal pension plan, which will have the advantage of allowing a cash sum to be paid at retirement.

As a teacher, another option you could consider is 'added years'. In common with most public sector schemes, Teachers Pensions allows members to increase their pension benefit by buying in extra years of service. The cost to do so will depend on your age, your salary and how much service you wish to buy. Your normal scheme contact should be able to give you details.

### Pensions on Divorce

Mrs E is divorcing her husband and wants to know about any rights she has to a share of her husband's pension.

**Our response:** The court is required to take value of any pension held by either party to a divorce into account when the financial settlement is being determined. There are three ways in which this can be done:

Pensions Offsetting - Basically this involves offsetting the value of the pension assets in place of other financial assets so that the party with the pension keeps it and the party without the pension is allocated other financial assets.

Pensions Earmarking - This will require a Court Order and will earmark a portion of the former spouse's pension to be paid to the other party on their (the former spouse's) retirement.

Pension Sharing - Again requires a Court Order but allows a clean break settlement whereby a portion of the former spouse's pension can be transferred to the other party as part of the divorce settlement.

Your solicitor should advise you which of these options might be appropriate in your case.

We have included further information on this subject in our booklet *Women & Pensions: Know your Rights and Options*. The impact of divorce on state pension entitlement is also included.

### Pension Credit

Miss F is 62 and is struggling to manage on a state pension of £95.70 a week (£79.60 a week basic plus SERPS of £16.10). She lives alone and owns her home but has no other savings or capital assets. Can she claim Pensions Credit?

**Our response:** Yes - you should ring the Pensions Credit Claim Line on 0800 99 1234. The minimum income specified for a single person in your position is £105.45 a week so you should be entitled to a top-up of £9.75 a week.

### Part-time Employees

Mrs G has been a part-time nurse since 1978. At the time she became a nurse she needed to work at least half the standard hours before she could be allowed membership of the NHS Pension Scheme. When her hours increased to over half the standard hours in 1982, she opted to join the scheme. Mrs G asks whether she can now do anything about the four years between 1978 and 1982 when her employment was not pensionable.

**Our response:** Yes, following a decision made by the European Court of Justice on 16 May 2000 it is now possible for female part-time workers to lodge a claim for backdated pension rights if the exclusion affected a higher number of female employees than males. To secure this you should lodge a claim with an Employment Tribunal if you are still employed in the NHS or within six months if you have left or retired. If your claim is successful, you will have to pay any outstanding contributions towards your new enhanced pension which should now be based on all your service back to 1978.

### Starting a Pension

Miss L, aged 26, is thinking of starting a personal pension plan and wants to know is there a rough rule of thumb as to how much of her income she should pay into it?

**Our response:** Much will depend on your future plans and the standard of living you would expect to receive in your later years. A rough rule of thumb, however, is a starting point of about half your age as a percentage of your income. So at 26, that would be 13% of your income but if you can't afford that a lower figure might suffice if you were prepared to countenance a lower pension or were able to increase your contributions later on.