Dear Frank,

State Pension Digital Statements

Thank you for your letter dated 20th February 2017 regarding the aforementioned. I will respond to the questions you have raised in turn.

We have been contacted by a very small number of individuals who have transferred between Contracted Out schemes, and have queried their online and paper State Pension estimates.

An article in The Sunday Times on 19 February significantly overstates the problem. The basis of the assertion is that, for individuals who were previously in Defined Benefit schemes and have subsequently left, the online service is revaluing the Guaranteed Minimum Pension (GMP) each year at the wrong value (by earnings, rather than a higher percentage that is being used by the scheme). This is incorrect.

In the event that HMRC are notified that an individual has left a scheme, they will correctly apply the revaluation rate that the scheme has chosen.

The online statement is an estimate of what someone can expect when they retire, and is extrapolated from the customer's National Insurance record at that point in time. The estimate will vary over time in line with changes to their National Insurance contribution record.

More than 2.7 million State Pension forecasts have already been viewed since February 2016 using the digital service and reported customer satisfaction levels with the service have been consistently high. The specific issue that you have raised is only affecting a small number of people – we have had less than 40 queries and only 7 relating to calculations since the online service was launched.

Although discrepancies only affect a small number of cases, there are a number of initiatives underway to ensure the data HMRC hold, and the calculations we make
with it, reflect individuals' latest circumstances. For example, HMRC are offering the Scheme Reconciliation Service, a free, voluntary service to help pension schemes put their records in order. This work is currently underway and many schemes have already taken advantage of this service.

Through the new online service we are enabling millions of individuals to gain a greater understanding of their National Insurance record and how this relates to the support they will receive from the State in their retirement.

Due to an individual's circumstances continuing to change throughout their working-life, our forecasts can only provide a snapshot approximation based on their National Insurance record at that time. Once a person reaches State Pension age, every individual's entire NI record is checked, and corrected where needed, before we work out their final State Pension.

We encourage individuals to regularly check their State Pension position and ensure their record is up-to-date.

In regards to individuals who have paid contributions in the Isle of Man, it might be helpful if I explain that the Isle of Man Government did not introduce the new State Pension from 6 April 2016. This means that there are separate pension systems in the UK and Isle of Man, rather than the unified system which existed previously, and which was facilitated by a reciprocal agreement.

Under the new reciprocal agreement, people who reach State Pension age from 6 April 2016 who have paid NI contributions in both the UK and Isle of Man need to claim a pension in each country, and they will receive a State Pension from each country (if they satisfy entitlement conditions).

HMRC is working to allocate NI contributions and credits to the appropriate territory so that there are separate records for the UK and the Isle of Man. This activity is initiated on a case by case basis when someone is approaching State Pension age or if they request a State Pension statement. Once the records have been separated, individuals can use the Check your State Pension digital service to get a State Pension estimate based on their UK National Insurance record. Check your State Pension will not provide details of an Isle of Man State Pension.

I trust this answers your concerns.

Yours sincerely,

Richard Harrington

RICHARD HARRINGTON MP
MINISTER FOR PENSIONS