

State Pension Deferral – if you reached State Pension age before 6 April 2016 and you die before claiming your State Pension



Department
for Work &
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You can find out about State Pension deferral at www.gov.uk/statepension this factsheet gives extra information to the website. The Department for Work and Pensions recommends that you get independent advice before making any financial decision based on the information in this factsheet. You may have to pay for this advice.

You can get your State Pension when you reach State Pension age, but you need to be entitled to it and claim it. Alternatively you may delay claiming it for a while and build up an increase to your State Pension. This is called “deferring” your State Pension.

What happens if I die whilst deferring my State Pension and I reached State Pension age before 6 April 2016?

This depends on whether you are married or in a civil partnership at the time of your death, and whether you die before or after you claim your **State Pension**.

If you are not married or in a civil partnership

If you die before claiming your State Pension

If you **are not** married or in a civil partnership and you die **before claiming** your State Pension, someone else may make decisions about your estate. They may be able to claim up to three months of the State Pension you have not claimed, and this could include any extra State Pension you have earned before your death. This will be paid to your estate. They cannot choose a lump-sum payment.

If you claimed State Pension but not yet chosen your deferral payment

If you **are not** married or in a civil partnership and you die **after claiming** your State Pension but **before choosing** between extra State Pension or a taxable lump-sum payment (because you had deferred for at least 12 months in a row), someone may be appointed to make this choice on behalf of your estate. (You had up to three months after claiming your State Pension to decide whether you wanted to get extra State Pension or a lump-sum payment.) This could be, the executor of your estate (executors are legally entitled to act on behalf of someone who has died) or another suitable person.

State Pension claimed and choice of deferral payment made

If you had claimed your State Pension and **made your choice** of payment prior to your death it is not possible for someone to change the choice you made.

If you are married or in a civil partnership

If you die before claiming your State Pension

If you **are** married or in a civil partnership and you die **before claiming** your State Pension, your *husband, wife or civil partner may qualify for extra State Pension or a taxable lump-sum payment* because you put off claiming your State Pension.

This will apply if the survivor:

- was married to or in a civil partnership with you on the date you died
- has claimed their State Pension, and
- does not remarry, or form a civil partnership, before they reach State Pension age (if they were under State Pension age when you died).

(This includes survivors who reach their State Pension age **on or after** 6 April 2016.)

If you claimed State Pension but not yet chosen your deferral payment

If you die after claiming your State Pension but **before choosing** between extra State Pension or a taxable lump-sum payment, someone may be appointed to make this choice on behalf of your estate. (You had up to three months after claiming your State Pension to decide whether you wanted to get extra State Pension or a lump-sum payment.)

This could be your surviving widow/widower or civil partner, the executor of your estate (executors are legally entitled to act on behalf of someone who has died) or another suitable person.

State Pension claimed - choice of deferral payment made

If you had claimed your State Pension and **made your choice** of payment prior to your death it is not possible for someone to change the choice you made.

What if my husband, wife or civil partner remarries or forms a new civil partnership after my death?

- If your surviving husband, wife or civil partner remarries or forms a new civil partnership **before** they reach State Pension age, they will **not** be able to inherit your extra State Pension or lump-sum payment.
- If they remarry or form a civil partnership **after** they reach State Pension age, they **will** be able to inherit your extra State Pension or lump-sum payment.

How much extra State Pension or lump-sum payment will my surviving husband, wife or civil partner inherit after my death?

This depends on how the State Pension you had put off claiming was made up. They could inherit:

- 100% of the extra State Pension or lump sum you had earned on your basic State Pension

- 50% of the extra State Pension or lump sum you had earned on your Graduated Retirement Benefit (but not any you may have got from a late wife, husband or civil partner)
- 50% of the extra State Pension or lump sum you had earned on your State Second Pension, or
- between 50% and 100% of the extra State Pension or lump sum you had earned on your SERPS pension.

There is a limit to the amount of additional State Pension (State Second Pension and SERPS) they may get. (This would be by combining their additional State Pension and any additional State Pension they inherit from you.)

If any part of the State Pension you had put off claiming was based on your husband, wife or civil partner's National Insurance contributions, they will not be able to inherit extra State Pension or a lump-sum payment from that part of your State Pension. See also www.gov.uk/deferring-state-pension

Guaranteed Minimum Pension

If you had put off claiming a Guaranteed Minimum Pension, your surviving husband wife or civil partner may be able to get 50% of any increase you earned because you had put off claiming it. (The Guaranteed Minimum Pension, which stopped building up from 1997, is the lowest amount that a salary-based occupational pension scheme must pay for contracted-out contributions that a person paid between April 1978 and April 1997 as a condition of contracting-out. This was replaced by the Reference Scheme Test for contributions paid after April 1997.) This will be paid by the occupational pension scheme provider.

Payment of the inherited extra State Pension and lump-sum

Any extra State Pension or lump-sum payment your surviving wife, husband, or civil partner may inherit because you put off claiming your State Pension is on top of any extra State Pension or lump-sum payment they may have earned by putting off claiming their own State Pension.

They will have to wait until they claim their own State Pension before they can get extra State Pension or a lump-sum payment from your deferral of your State Pension. DWP will usually increase the extra State Pension or lump sum as a result of inflation each year until they do claim their State Pension.

Extra State Pension

If your surviving wife, husband or civil partner inherits extra State Pension from you, it is paid with their weekly State Pension (when they claim it). If their State Pension is increased because you had put off claiming a Guaranteed Minimum Pension, and they have put off claiming their own State Pension, the part they inherit will only qualify for extra State Pension. It won't qualify for a lump-sum payment.

Lump-sum payment

If you deferred for at least 12 months without a break your surviving wife, husband or civil partner may be able to choose a taxable lump-sum payment instead of extra State Pension for the period you had put off claiming. The choice may only be made when they claim their own State Pension. They will not build up any more interest on the lump-sum payment they inherit if they put off claiming their own State Pension.

Income Tax on inherited extra State Pension and lump-sum payment

State Pension and any extra State Pension are included as income when working out any Income Tax payable.

Your surviving wife, husband or civil partner may have to pay Income Tax on the lump-sum payment, but it is taxed differently from State Pension and any extra State Pension.

For more information see: www.gov.uk/tax-national-insurance-after-state-pension-age