

UK State Pension: Government Extends Deadline Again for UK NI Top-Ups to 5 April 2025

Your UK and US personal and workplace pensions are likely to be the focus of your retirement planning, but it is important not to overlook the role your US Social Security (US SS) and UK State Pension (UK SP) can play in a successful retirement. Together, both government pensions can provide an important foundation for your income needs. However, how US SS and the UK SP interact with one another can be complex.

Below provides one example of this complexity involving UK SP top-ups for US connected individuals.

What is the UK NI top-up?

The new UK SP system was introduced in April 2016 and, in recognition of the changes to benefits, the UK government provided an extended period for people to make top-ups to their National Insurance (NI) contributions to plug any gaps in their NI records from the 2006/7 tax year onwards. Normally, any top-up must be made within six years of missing the original payment, however, for individuals reaching State Pension age on or after 6 April 2016 this was extended. Originally, these top-ups had to be made by 5 April 2023. However, the UK government extended the deadline to 31 July 2023. Then on 12 June, they announced a further extension to 5 April 2025. This gives an additional two years to the original deadline.

This has followed reports of jammed phone lines from applicants in the run-up to the original deadline. According to an agent that Florin Pensions recently spoke to at the UK's Future Pension Centre, the team were receiving approximately 10,000 calls a day.

Background to the new UK State Pension

The new UK SP applies to anyone who reached State Pension age on or after 6 April 2016. You currently become eligible for the UK SP at age 66. In March 2023 the government reconfirmed that the State Pension age will rise to 67 between 2026-2028. However, a decision on whether to bring forward the date when the State Pension age rises to 68 has been postponed until after the next general election.

In order to receive a full UK SP you must have 35 qualifying years. For the 2023/4 UK tax year, the full UK SP is £203.85 per week or £10,600.20 per year. You generally need at least 10 qualifying years on your NI record to get any UK SP (however see below re the US/UK Totalization Agreement).

The UK SP continues to benefit from the UK government "triple lock" which means it increases annually by the higher of earnings growth, price inflation (being the Consumer Price Index (CPI)) or 2.5% per year. In November 2022, the Treasury confirmed that the triple lock would remain in place for the 2023/24 tax year resulting in a UK SP increase of 10.1%, much higher than 2.5% and wage growth of 5.2%.

Under the US/UK Totalization Agreement, unlike UK expats in some other countries, US residents do benefit from increases to the UK SP.

The US/UK Totalization Agreement

The Totalization Agreement between the US and the UK clarifies how US SS and the UK SP interact for people who work, or have worked, in both countries. It helps many people who, without the agreement,

would not be eligible for monthly retirement, disability or survivors benefits in one or both countries. It also helps people who would otherwise have to pay social security taxes to both countries on the same earnings.

For example, if you don't have enough credits under the US SS system to qualify for benefits, you may be able to qualify for a partial benefit from the US based on both US and UK credits.

Could a NI Top-Up impact your US Social Security?

If you qualify for a government pension from both the US and the UK, and do not need the US/UK Totalization Agreement to qualify for either benefit, the amount of your US SS may be reduced because of the US' Windfall Elimination Provision (WEP).

The level of reduction that could apply to your US SS because of the WEP varies depending on how many years you have contributed to US SS. If you have 30 or more qualifying years of US SS benefits, the WEP does not apply at all. If you have worked between 20-30 years, then a sliding scale applies with the level of WEP reducing as you get closer to 30 qualifying years. If you have 10-20 years of qualifying US SS, benefits will be reduced by the lower of \$6,690 (2023) per year or 50% of your UK SP entitlement.

When considering whether to make a top-up to your UK SP to increase your UK benefits, it is important to consider if this could ultimately impact the level of US SS you could receive as a result of the WEP.

To calculate what impact the WEP could have on your US SS, there is a website calculator that can be used in the following link: <https://www.ssa.gov/benefits/retirement/planner/anyPiaWepjs04.html>

For more information on the WEP generally go to:
<https://www.ssa.gov/benefits/retirement/planner/wep.html>

How to find out more on UK NI

If you already have a UK Government Gateway ID you can check your UK SP record by logging on here <https://www.access.service.gov.uk/login/signin/creds>

In addition, if you are under the UK SP age, you can contact the Future Pension Centre. Contact details can be found here <https://www.gov.uk/future-pension-centre>

When Florin Pensions recently spoke to a representative at the UK's International Pension Centre (which assists expats at or over the UK SP age), it was recommended that expats always contact the Future Pension Centre to speak to a representative for assistance regarding potential NI top-ups.

If you have any gaps in your NI record it is important to confirm whether making a voluntary contribution will increase the amount of UK SP you would receive. It is then important to consider what impact (if any) an increased UK SP could have on your US SS (see above).

The information contained in this article is intended for non-UK residents and for your general information and use only. It is not intended to constitute or substitute investment advice or recommendations as to the suitability of any specific product or security. Florin Pensions LLC does not provide tax advice. Florin Pensions LLC is an investment adviser registered with the United States Securities and Exchange Commission. Contact us to receive a copy of our firm brochure at www.florinpensions.com

Florin Pensions LLC, July 2023