

Introducing the Contracted-out Pension Equivalent (COPE) amount

From November 2015, DWP are including a Contracted-out Pension Equivalent (COPE) amount within State Pension statements.

This estimated amount is being introduced to help customers, who've been contracted-out, see how National Insurance contributions paid before 6 April 2016 will contribute to their overall pension income.

Whilst they may not be entitled to the full amount of new State Pension, they will instead receive some of their pension income through a different route. In most cases, their workplace or personal pension scheme(s) should include an amount that is at least equivalent to the additional State Pension they would have got if they hadn't been contracted-out. This is known as the COPE amount.

Here are some key questions and answers that explain more about COPE and why it's being included in State Pension information.

What is the Contracted-out Pension Equivalent (COPE) amount?

Under the current State Pension system people with sufficient NI qualifying years can get the basic State Pension and also build up entitlement to the additional State Pension (called S2P/previously called SERPS). Many people have been **contracted-out** of the additional State Pension. For those who reach their State Pension age after 5 April 2016, the new State Pension replaces both the basic and the additional State Pension.

People who were contracted-out of the additional State Pension either paid lower NI contributions or some of their NI was instead paid into their workplace or personal pension. So to take into account that they have paid less into the NI system, the amount of State Pension they'll get directly from the Government will be lower than that received by people with similar earnings who were not contracted-out.

However, the pension they get from their workplace or personal pension(s) should include an amount that, in most cases, will be at least equivalent to the additional State Pension they would have got if they hadn't been contracted-out. This is known as the COPE amount. Their total private pension could even be higher.

The COPE amount set out in the statements is based on all periods of contracting out. If someone has been a member of more than one scheme that was contracted out, the COPE amount represents the COPE in respect of all those schemes.

Why are DWP including this amount on State Pension statements?

DWP are introducing the estimated COPE amount to help people understand why they may not be entitled to the full amount of new State Pension if they have been contracted-out. Instead they will receive some of their pension income through a different route.

How will a customer be paid this amount?

The COPE amount will be paid as part of a customer's workplace or personal pension scheme(s). It will usually be part of their total pension benefits under the scheme, and not identified separately.

The date when they receive their workplace or personal pension, and the full amount they receive, will depend on the rules of their scheme(s) and any investment choices made.

Will a customer receive this exact COPE amount?

Not necessarily. A customer's workplace or personal pension scheme(s) should include an amount that is at least equal to the COPE amount shown in their State Pension information.

If they've been a member of a workplace or personal scheme where the amount of pension they get **is based on their salary** (e.g. Defined Benefit, Final Salary or Average Salary schemes), they may receive less than the COPE amount if:

- their scheme had financial difficulties and is underfunded; or
- their rights were transferred to a scheme that wasn't linked to salary and investments in that scheme didn't perform well.

If they are, or have been, a member of a workplace pension scheme where the amount of pension they get **isn't linked to their salary** (e.g. Defined Contribution, Money Purchase scheme), or if they are a member of a **personal pension** or **stakeholder** scheme, the amount they receive will depend on the performance of their investment and the choices they make.

What about customers who've divorced or dissolved their civil partnership?

If a customer has divorced or dissolved their civil partnership, and the courts have awarded a share of their workplace or personal pension to their former partner as a result, the actual amount they receive may be lower than the COPE amount shown in their State Pension information.