**The Pensions Act 2007 and changes to the State Pension**

The Pensions Act 2007 received Royal Assent in July 2007. The Act includes several important changes to the Basic State Pension (BSP) and paves the way for the introduction of the new Personal Account for retirement savings.

The Act includes a number of important provisions including:

- reducing to 30 the maximum number of qualifying years' National Insurance contributions necessary to obtain the maximum BSP, to become effective from 2010. This compares to the current requirement of 44 and 39 years for men and women respectively.
- the intention to re-link the BSP with increases in Average Earnings Index (AEI) from 2012 rather than the current Retail Prices Index (RPI). However, there is a caveat that this could be changed if it is deemed unaffordable at the time.
- the amount of the BSP will move to a flat rate basis, which will mean those earning less than £15,500 per annum will be better off and those earning more will be worse off.
- the retirement age for BSP which is set to be 65 for men and women by 2020, will rise to 66 between 2024 and 2026, to 67 between 2034 and 2036 and to 68 between 2044 and 2046.
- the ability to contract out of the State Second Pension will be abolished from 2012.
- the appointment of a delivery authority for the creation of the proposed new 'Personal Account' for retirement saving due to become available in 2012.

There was hope that the Act would also contain provisions to make it easier for those with broken contribution records to make these up, although this was not included in the final legislation. Currently one may buy up to nine years' of missed National Insurance contributions, providing that the contributions are made within six years of the 'missed' year. However, the Department for Work and Pensions (DWP) indicated that an update on how to improve the position on missed contributions would be included in the Pre-budget report due in October.