Your Pension Rights When Moving To or From the UK

Many workers may at some stage in their working lifetime, work outside of the UK just as many of the UK's current working population have come from overseas. This briefing aims to explain these individuals' pension rights if they work abroad and when they come to retire. The briefing focuses on the two main types of pension provision in the UK: State Pension Provision and Occupational Pension Schemes.

State Pension

In the UK, state pension is dependent on your record of paying National Insurance throughout your working lifetime. There are currently two types of pension available: the Basic State Pension and State Second Pension. Other countries may have forms of Social Security arrangements similar to National Insurance which provide old age benefits.

The UK does have agreements in place with a number of countries to ensure that:

- Citizens can receive a UK state pension if they live abroad in retirement
- Citizens do not lose out on building up an entitlement to a state pension if they work abroad.

If you live abroad, but paid National Insurance in the UK, you can still qualify for a state pension from the UK. This can be paid if you live anywhere in the world, but there may be some restrictions on direct bank payments meaning that your pension may be paid in the form of a cheque every four weeks. A difficulty arises when annual increases are applied to the state pension. UK will only apply these increases to ex-pats living in certain countries with which the UK has an agreement. This includes European Economic Area countries (these are Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden plus Iceland, Liechtenstein and Norway).

You can get more information about receiving your UK state pension abroad by contacting the Pensions Service on 0191 218 7777.

In the European Economic Area (EEA), there is an agreement that in calculating the amount of state pension due to you, each country (in which you have contributed to a social security arrangement) should calculate your state pension by using the better of:

1. the amount you would get through the contributions you have made in that country alone, and
2. the amount you would get in that country had all your periods of social security contributions (in different EEA countries) been built up in that specific country. Each country only has to pay you a part of this amount. How much it pays depends on how much you have paid into the social security arrangement.

This protection is designed to get over the hurdle that many states have, whereby individuals must pay social security for a minimum number of years to qualify for any pension entitlement.

So for example an individual, who has a six year record of National Insurance payments in the UK, might not expect to receive any state pension here. However if they have worked for 38 years in another EEA country and paid social security there, then they would be treated as if they had paid 44 years of National Insurance in the UK, for the purposes of calculating whether they qualify for a pension. In such an example, they would qualify for a full pension, but this would be pro-rated downwards so that they would receive 6/44ths of the full state pension. The other EEA country would pay a pension in respect of the other 38 years (but again, in this country they would be treated as having paid for 44 years for the purposes of working out the entitlement).

The UK has similar agreements with other countries around the world outside of the EEA. Members who may be affected by this are strongly advised to contact the Pensions Service on 0845 60 60 265.

Occupational Pensions

Members who have built up occupational pensions abroad may consider combining these into one arrangement. For example someone who has left the UK for the USA, and has a deferred pension with a UK employer, may wish to move this to a new employer's pension scheme in the USA. Alternative, someone who has come to work in the UK may seek to transfer a pension from a previous overseas employer.

If you do leave the UK and wish to transfer a pension based here to an overseas pension arrangement, you may only do so if the overseas pension scheme is listed as a Qualifying Recognised Overseas Pension Scheme (or QROPS). A list of current schemes which have this status can be found at the Revenue and Customs website http://www.hmrc.gov.uk/PENSIONSCHEMES/qrops-list.htm

There are no UK tax restrictions on transferring into UK-registered pension schemes from abroad, but individual pension schemes may impose certain restrictions on receiving transfers. Details of these can be obtained from your pension scheme.

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