

Important changes to your National Insurance contributions and State Pension from April 2016



Department
for Work &
Pensions

Important information for employees

The State Pension for those who reached State Pension age before 6 April 2016 was made up of two parts: the basic State Pension and the additional State Pension (the additional State Pension is sometimes called State Second Pension or SERPS).

If you are in a defined benefit pension scheme (normally a salary-related pension scheme), you are likely to have been “contracted-out” of the additional State Pension. This means that you and your employer paid National Insurance at a lower rate (also known as the “National Insurance rebate”). You may have little or no additional State Pension under the old system as you were building up a workplace pension instead. Your basic State Pension would not have been affected.

What has changed?

The State Pension has changed for people who reach State Pension age from 6 April 2016. This change will help people clearly understand what they will get from their State Pension so they can plan for retirement.

The new State Pension has replaced the old basic and additional State Pension and ended contracting-out and the National Insurance rebate.

What does it mean for me?

If you reach State Pension age from 6 April 2016, your new State Pension may reflect the lower levels of National Insurance paid by you and your employer for any periods when you were contracted-out. However, you will have additional income from the workplace pension you have been paying into, and may be able to boost your State Pension by continuing to work, claiming National Insurance credits or paying voluntary National Insurance contributions.

The vast majority of employees who are affected will be able to get more State Pension under the new scheme as a result of the changes compared to under the old scheme. From April 2016, you will be paying the standard rate of National Insurance contributions and you no longer get the 1.4% National Insurance rebate.

Employers may make changes to their workplace pension scheme to help offset the end of the National Insurance rebate for employers with consent of trustees and in line with scheme rules. The Pensions Act 2014 also allows employers to make limited changes without consent. Your employer must consult with you before making any such changes.

Further information

Find out more information at:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/375691/employees-fact-sheet.pdf

www.gov.uk/check-state-pension



HM Revenue
& Customs