

New State Pension factsheet –

Employees: Changes to the State Pension and the effect on workplace pensions



Department
for Work &
Pensions

What has changed?

From 6 April 2016, there is a new State Pension for people reaching State Pension age on or after this date. This change will help people better understand what they will get from their State Pension so they can plan for their retirement.

You will be able to claim the new State Pension if you are a man born on or after 6 April 1951 or a woman born on or after 6 April 1953.

If you reached State Pension age before 6 April 2016 – you are a man born before 6 April 1951 or a woman born before 6 April 1953 – you will receive the State Pension under the old rules and you don't need to read any further.

The State Pension, for people 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 pay into a salary-related workplace pension, such as a 'final salary' or 'career average' scheme, you are likely to have been 'contracted-out' of the additional State Pension.

If so, you and your employer will have paid National Insurance at a lower rate (known as the "National Insurance rebate"). This meant you may have little or no additional State Pension and you are building up a workplace pension instead.

Three-quarters of people reaching State Pension age in the first two decades of the new State Pension will have been contracted-out at some point.

The new State Pension replaces the basic and additional State Pension.

Contracting-out (of the additional State Pension) and the National Insurance rebate also ended on 6 April 2016.

What this means for you

From 6 April 2016 you will no longer receive the 1.4% National Insurance rebate; you will now be paying the standard rate of National Insurance.

How the changes affect your workplace pension

- You will keep the workplace pension you have built up while you were contracted-out. This is protected by law.
- Employers may make changes to their workplace pension scheme to help offset the end of the National Insurance rebate for employers, with the consent of trustees and in line with scheme rules. The Pensions Act 2014 also allows employers to make limited changes without consent.
- Before your employer can make any changes to your workplace pension, they must first consult you for your views on their proposals.
- You will still receive your workplace pension at your scheme's normal pension age. You don't need to do anything – your employer and pension scheme administrator will make any necessary changes.

How the changes affect your State Pension

- Under both the old and the new schemes, the amount of State Pension you receive will take account of any time that you have been contracted-out and paid National Insurance at a lower rate.
- Most people who were contracted-out will be able to get more State Pension under the new scheme as a result of the changes compared to under the old scheme.

What you should do now

Check if you were contracted-out:

- Your payslips before 6 April 2016 may indicate whether you were contracted-out, by showing the letter 'D' next to your National Insurance payments. It could also have shown letter E, L, N or O.
- If you are still not sure, check your scheme terms and conditions.

How to find more information

To find out more about:

- the new State Pension, go to www.gov.uk/new-state-pension
- how to get a new State Pension forecast, go to www.gov.uk/check-state-pension
- the National Insurance rates, go to www.gov.uk/national-insurance/national-insurance-contributions-how-much-you-pay
- workplace pensions, go to www.gov.uk/workplace-pensions/types-of-workplace-pensions



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