

Impact of the end of contracting-out from 6 April 2016



Department
for Work &
Pensions

Important information for trustees

What has happened?

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 to help them plan for retirement.

If an employee is a member of a salary-related workplace pension, they are likely to have been “contracted-out” of the additional State Pension. People who are contracted-out, and their employers, will have paid National Insurance contributions at a lower rate (known as the “National Insurance rebate”). 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 has replaced the basic and additional State Pension for people who reach State Pension age from 6 April 2016. Contracting-out and the contracted-out National Insurance rebate ended on that date.

What this means

As a result:

- Using powers in the Pensions Act 2014 private sector employers sponsoring these schemes may make limited, unilateral changes to members’ future benefits and contributions to help offset the increase in their National Insurance contributions.
- Her Majesty’s Revenue and Customs (HMRC) will stop tracking which schemes hold individuals’ contracted-out benefits but will, until December 2018, work with Trustees to reconcile scheme memberships.
- Commencing December 2018, HMRC will provide members with details of their contracted-out scheme memberships.

Trustees have until December 2018 to reconcile scheme membership and ensure that contracted-out data, for example the amount of the Guaranteed Minimum Pension, matches HMRC data.

Further information

Find out more information at:

www.gov.uk/government/publications/new-state-pension-information-for-employers-and-trustees-with-open-contracted-out-defined-benefit-pension-schemes

Countdown Bulletin:

www.gov.uk/government/collections/national-insurance-services-to-pensions-industry-countdown-bulletins



HM Revenue
& Customs