

# New State Pension factsheet – Trustees of contracted-out schemes: Ending contracting-out of the additional State Pension



Department  
for Work &  
Pensions

The introduction of the new State Pension from 6 April 2016 will deliver a clearer State Pension for future pensioners.

## **Contracting-out of the additional State Pension ended on 6 April 2016**

- Contracting-out certificates were automatically cancelled.
- Contracted-out employees and their employers now pay the standard rate of National Insurance (NI) contributions and no longer receive the NI rebate.
- Private sector employers are able to amend their scheme to help offset the increase in their NI contributions by reducing future accrual of benefits and / or by increasing members' contributions. Provision in the Pensions Act 2014 allows private sector employers to do this without Trustees' consent.
- The end of contracting-out does not impact on members' accrued rights, for example guaranteed minimum pensions (GMPs). Going forward, the ending of contracting-out will mean that there will be some changes in terms of how the schemes will operate. Trustees will need to check whether any of these changes affect their scheme.
- HMRC no longer track which schemes hold GMPs and other contracted-out rights for individual members. Commencing December 2018 HMRC will provide members with details of their contracted-out scheme memberships.

## **If you have not done so already, you should:**

- Check what impact the ending of contracting-out will have on your scheme and how it will operate going forward.
- Discuss the ending of contracting-out with your advisers and consider checking whether your sponsoring employer will make changes to benefits accruing after April 2016 and / or increase member contributions. Agree timescales for implementing any changes with your advisers and administrators.
- Ensure your records are up-to-date and hold the same information about members' GMPs etc. as HMRC currently hold.
- Notify your members about the ending of contracting-out and any changes being made to their benefits and / or contributions. The Department for Work and Pensions (DWP) has published an employee fact sheet to help you do this. Review your member booklets and other documentation.
- Ensure your administrators are aware that contracting-out has ended and that their systems and processes need to be amended if this has not already taken place.



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