

Were you one of the 2,500 private sector employers who offered a salary-related pension scheme?



Department
for Work &
Pensions

Important National Insurance changes from 6 April 2016

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 so they can plan for retirement.

If you sponsor a salary related workplace pension, your employees are likely to have been “contracted-out” of the additional State Pension. If so, you and your employee will have been paying National Insurance contributions at a lower rate because of 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 old basic and additional State Pension for people who reach State Pension age from 6 April 2016. Contracting-out and the National Insurance rebate ended on that date.

What this means

From 6 April 2016, you and your employees pay the standard rate of National Insurance contributions instead of the previous contracted-out rate. For employers, the standard rate of National Insurance is 13.8% of all earnings above the secondary threshold for all employees, you no longer get the 3.4% National Insurance rebate (on a proportion of earnings).

The 1.4% National Insurance rebate for those employees in contracted-out schemes has also ended. This means employees now pay the standard rate of National Insurance instead of a lower rate. Most people who were contracted-out will be able to receive a higher new State Pension than under the old system of basic and additional State Pension.

What should I be doing now?

If you have not already done so:

- Speak to your pensions adviser or scheme trustees to find out how your scheme is affected and to explore your options.
- Employers can take action to offset the National Insurance increase but it can take up to 12 months to implement depending upon the size of your scheme.
- Find out more about contracting-out and State Pension changes at:
www.gov.uk/government/publications/new-state-pension-information-for-employers-and-trustees-with-open-contracted-out-defined-benefit-pension-schemes



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