The new State Pension and the ending of “contracting out”

The Government is introducing a new ‘single-tier’ State Pension for people who reach State Pension age on or after 6 April 2016. This will replace the existing basic and additional State Pension. As a result the ‘contracted-out’ status for all LGPS members will no longer exist.

What does this mean for members of the Local Government Pension Scheme?

There are no plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

As a member of the LGPS you have been ‘contracted-out’ of the additional State Pension. This means that you have not been building up much, if any additional State pension; you have been building up basic state pension and pension benefits in the LGPS instead. To reflect this you have been receiving a rebate on the National Insurance contributions paid on any earnings between £5,824 and £40,040 per year (unless you are already over State Pension age).

When ‘contracting out’ ends in April you will no longer benefit from the 1.4% National Insurance rebate.

You will start building up the new State Pension but with an adjustment to reflect the fact you paid lower National insurance during your time as a member of the LGPS.

Where can I get more information?

More information about these changes can be found online at:
http://www.spfo.org.uk/CHttpHandler.ashx?id=31827&p=0


What does this mean for my State Pension?

For information about the new State Pension please visit www.gov.uk/yourstatepension