

Essex Pension Fund

The End of Contracting Out

What is contracting out?

- Since 1978 some pension schemes, such as the LGPS, have contracted out of (not participated in) the State Earnings Related Pension Scheme (SERPS), known more recently as the State Second Pension (S2P)
- LGPS scheme members pay a reduced amount of National Insurance (NI)
- Scheme employers also pay a reduced amount of NI
- LGPS scheme members do not build up any benefits in S2P
- Your contracted out pension built up whilst in Local Government employment forms part of the LGPS pension benefits and is paid by Essex Pension Fund.

Why is contracting out ending

- The Government decided to end contracting out to coincide with the introduction of their new State Pension on 6 April 2016

What does this mean to me?

- If you are a member of the LGPS your NI contribution will increase by 1.4% from 6 April 2016
- You will not notice any other changes as your contracted out pension rights are protected.
- When you retire your LGPS pension will be paid according to scheme regulations in force at the time
- Payment of the LGPS pension will include contracted out pension rights built up to 5 April 2016 (payable at State Pension Age)
- The new State Pension may be reduced by the amount of contracted out pension rights you have built up in any contracted out pension arrangement including the LGPS.
- If you are not a member of the LGPS you are already paying the higher NI contribution and therefore this will not affect you.

For information about the new State Pension please visit:
www.gov.uk/new-state-pension/overview

