

The Local Government Pensions Committee
Secretary: Jeff Houston

CIRCULAR

Please pass on sufficient copies of this Circular to your Treasurer/Director of Finance and to your Personnel and Pensions Officer(s) as quickly as possible

No. 268 – MARCH 2013

ANNUAL UPDATE

Purpose of this Circular

1. This Circular has been issued to confirm:
 - the LGPS contribution bands applicable for 2013/14 in England and Wales;
 - the earnings bands applicable for 2013/14 for the purposes of the automatic enrolment provisions under the Pensions Act 2008;
 - the National Insurance contribution rates that apply from 6 April 2013;
 - the annual increase to be applied to qualifying pensions from 8 April 2013 is 2.2% and the increase to be applied from 6 April 2013 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment is 2.2%;
 - the earnings factors to be used, from 6 April 2013, in the calculation of a scheme member's Guaranteed Minimum Pension have been updated; and
 - the maximum "weeks pay" for calculating a statutory redundancy payment increased from 1 February 2013 from £430 per week to £450 per week.

LGPS contribution bands

2. On the basis that the index to be used to uprate the contribution bandings from 1 April 2013 is the September 2012 CPI figure of 2.2% (published in October 2012) the following pay ranges will apply to employee contribution rates in England and Wales from April 2013.

Whole time equivalent pay rate

Employee contribution rate

£0 - £13,700	5.5%
£13,701 - £16,100	5.8%
£16,101 - £20,800	5.9%
£20,801 - £34,700	6.5%
£34,701 - £46,500	6.8%
£46,501 - £87,100	7.2%
More than £87,100	7.5%

The Scottish Public Pensions Agency issues a Circular providing the updated tiered contribution rates for employees in Scotland. Once issued, the Circular will be available on the [SPPA website](#) and on the [Timeline Regulations](#).

Automatic Enrolment Earnings Bands

- Those employers who have already passed their staging date for the purposes of automatic enrolment under the Pensions Act 2008 or whose staging date will fall in 2013/14 will need to be aware of the increase in the earnings bands for 2013/14. These are contained in [The Automatic Enrolment \(Earnings Trigger and Qualifying Earnings Band\) Order 2013 \[SI 2013/667\]](#) and are reflected in the tables below.

2013/14	Age	16 - 21	22 - <SPA*	SPA* - <75
Earnings				
Under lower earnings threshold (£5,668♦)		<i>Entitled worker</i>		
Between £5,668♦ and £9,440⌘		<i>Non-eligible jobholder</i>		
Over earnings trigger for automatic enrolment (£9,440⌘)		<i>Non-eligible jobholder</i>	<i>Eligible jobholder</i>	<i>Non-eligible jobholder</i>
* State Pension Age ♦ To align with National Insurance contributions lower earnings limit ⌘ To align with the PAYE threshold				

Pay reference period	Lower earnings threshold p.a.	Earnings trigger for automatic enrolment
Annual	£5,668.00	£9,440.00
6 months	£2,834.00	£4,720.00
3 months	£1,417.00	£2,360.00
1 Month	£473.00	£787.00
4 weeks	£436.00	£727.00
Fortnight	£218.00	£364.00
1 week	£109.00	£182.00

National Insurance changes

4. The relevant NI limits and thresholds for 2013/14 are shown in the table below:

From 6 April 2013	Lower Earnings Limit	Secondary Threshold	Primary Threshold	Upper Accruals Point	Upper Earnings Limit
Weekly	Below £109	£148	£149	£770	£797
Monthly	Below £473	£641	£646	£3,337	£3,454
Yearly	Below £5,668	£7,696	£7,755	£40,040	£41,450

5. The Contracted-Out and Not Contracted-Out NI Tables for 2013/14 are appended to this Circular for your information.

Annual Pensions Increase

6. LGPS administering authorities and those employers who pay their own annual compensation benefits (relating to an historical award of compensatory added years) should note that the increase to be applied from 8 April 2013 to a qualifying pension which began (i.e. has a pensions increase date) before 9 April 2012 will be 2.2%. The percentage, and part year percentages, are detailed in the [Pensions Increase \(Review\) Order 2013 \[SI 2013/604\]](#) which, together with the appropriate multiplier tables, can be viewed at [the Timeline Regulations Pensions Increase \(Review\) Orders page](#).
7. LGPS administering authorities should note that the increase to be applied from 6 April 2013 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment is 2.2% (assuming the AP is not less than the GMP). This is set out in the [Guaranteed Minimum Pensions Increase Order 2013 \[SI 2013/573\]](#) which can be viewed at [the Timeline GMP Increase Orders page](#).

The Social Security Revaluation of Earnings Factors Order 2013

8. LGPS administering authorities may wish to note that the [Social Security Revaluation of Earnings Factors Order 2013 \[SI 2013/527\]](#) comes into

force on 6 April 2013 (i.e. the earnings factors used to calculate a scheme member's GMP). The percentage increase for the tax year 2012/13 is 1.8% and is based on the measure of the increase in the general level of earnings obtaining in Great Britain. The Statutory Instrument may be viewed at [Timeline Regulations Section 148 Revaluation Orders page](#).

Redundancy Payments

9. The [Employment Rights \(Increase of Limits\) Order 2012 \[SI 2012/3007\]](#) came into force on 1 February 2013. It increased the maximum “week’s pay” for calculating a statutory redundancy payment from £430 per week to £450 per week where the appropriate date falls on or after 1 February 2013. In the case of entitlement to a redundancy payment by virtue of section 135(1)(a) [dismissal by reason of redundancy] or section 135(1)(b) [lay-off or short time] of the Employment Rights Act 1996, the appropriate date means the relevant date as defined by, respectively, sections 145 or 153 of that Act.

Actions for administering authorities

10. In consequence of some of the items in this Circular, administering authorities may wish to update relevant scheme literature and guides¹ issued to employees and employers participating in their Fund. They may also wish to consider copying this Circular to employers in their Fund or bring the Circular to the attention of employers by directing them to the [Circular on the LGE website](#).

Terry Edwards
Senior Pensions Adviser
March 2013

¹ The standard LGPC leaflets and guides will be updated by the LGPC Secretariat.

Class 1 Contribution rates for Contracted-out Salary Related Schemes (COSR) - 2013/14

Category Letters D (Standard Contracted-out rate), E (Married Woman's Reduced Contracted-out rate) and L (Contracted-out deferment rate).

These rates should only be used where the employer operates a COSR occupational pension scheme.

Earnings Bands	Employee's contribution: Category letters			Employer's contribution: Category letters	Employee's NIC Rebate on earnings above the LEL, up to and including the PT (Applies to category letters D & L only)	Employer's NIC Rebate on earnings above the LEL, up to and including the ST
	D	E	L	D, E and L		
Below £109.00 weekly, Below £473.00 monthly, Below £5,668.00 yearly	Nil	Nil	Nil	Nil	Nil	Nil
£109.00 to £148.00 weekly, or £473.00 to £641.00 monthly or £5,668.00 to £7,696.00 yearly	0%	0%	0%	0%	1.4% on earnings from £109.01 up to and including £149.00 (or monthly or annual equivalents)	3.4% on earnings from £109.01 up to and including £148.00 (or monthly or annual equivalents)
£148.01 to £149.00 weekly, or £641.01 to £646.00 monthly, or £7,696.01 to £7,755.00 yearly	0%	0%	0%	10.4% on earnings above the ST		

£149.01 to £770.00 weekly, or £646.01 to £3,337.00 monthly, or £7,755.01 to £40,040.00 yearly	10.6% on earnings above the PT	5.85% on earnings above the PT	2% on earnings above the PT	10.4% on earnings above the ST		
£770.01 to £797.00 weekly, or £3,337.01 to £3,454.00 monthly, or £40,040.01 to £41,450.00 yearly	10.6% on earnings above the PT, up to and including the UAP, then 12% on earnings above the UAP	5.85% on earnings above the PT	2% on earnings above the PT	10.4% on earnings above the ST, up to and including the UAP, then 13.8% on all earnings above the UAP		

<p>Over £797.00 weekly, or over £3,454.00 monthly, or over £41,450.00 yearly</p>	<p>10.6% on earnings above the PT, up to and including the UAP, then 12% on earnings above the UAP, up to and including the UEL, then 2% on all earnings above the UEL</p>	<p>5.85% on earnings above the PT, up to and including the UEL, then 2% on all earnings above the UEL</p>	<p>2% on all earnings above the PT</p>	<p>10.4% on earnings above the ST, up to and including the UAP, then 13.8% on all earnings above the UAP</p>		
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Weekly LEL = £109; Weekly ST = £148; Weekly PT = £149; Weekly UAP = £770; Weekly UEL = £797

Class 1 contribution rates for Not Contracted-out and Contracted-out Schemes - 2013/2014

Category Letters A (standard rate), B (Married Woman's Reduced Rate), C (Employer only rate) & J (Not Contracted-out deferment rate)

Earnings Bands	Employee's contribution: Category letters				Employer's contribution: Category letters
	A	B	C	J	A, B, C & J
Below £109.00 weekly, Below £473.00 monthly, Below £5,668.00 yearly	Nil	Nil	Nil	Nil	Nil
£109.00 to £148.00 weekly, or £473.00 to £641.00 monthly or £5,668.00 to £7,696.00 yearly	0%	0%	Nil	0%	0%
£148.01 to £149.00 weekly, or £641.01 to £646.00 monthly, or £7,696.01 to £7,755.00 yearly	0%	0%	Nil	0%	13.8% on earnings above the ST
£149.01 to £770.00 weekly, or £646.01 to £3,337.00 monthly, or £7,755.01 to £40,040.00 yearly	12% on earnings above the PT	5.85% on earnings above the PT	Nil	2% on earnings above the PT	13.8% on earnings above the ST
£770.01 to £797.00 weekly, or £3,337.01 to £3,454.00 monthly, or £40,040.01 to £41,450.00 yearly	12% on earnings above the PT	5.85% on earnings above the PT	Nil	2% on earnings above the PT	13.8% on earnings above the ST
Over £797.00 weekly, or over £3,454.00 monthly, or	12% on earnings above	5.85% on earnings above	Nil	2% on all earnings above the PT	13.8% on all earnings above the ST

over £41,450.00 yearly	the PT, up to and including the UEL, then 2% on all earnings above the UEL	the PT, up to and including the UEL, then 2% on all earnings above the UEL			
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Weekly LEL = £109; Weekly ST = £148; Weekly PT = £149; Weekly UAP = £770; Weekly UEL = £797

Distribution sheet

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