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pay, pensions and
employment solutions

The Local Government Pensions Committee
Secretary: Terry Edwards

CIRCULAR

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No. 227 – MARCH 2009

ANNUAL UPDATE

Purpose of this Circular

1. This Circular has been issued to bring the following to the attention of authorities:
 - the annual increase to be applied to qualifying pensions from 6th April 2009 is 5.0% and the increase to be applied from 6th April 2009 to the post 5th April 1988 Guaranteed Minimum Pension element of a pension in payment is 3.0%;
 - the earnings factors to be used, from 6th April 2009, in the calculation of a scheme member's Guaranteed Minimum Pension have been updated;
 - the National Insurance contribution rates that apply from 6th April 2009 are attached to this Circular;
 - the maximum "weeks pay" for calculating a statutory redundancy payment increased from 1st February 2009 from £330 per week to £350 per week
 - the standard Lifetime Allowance and Annual Allowance for 2009/10 have been set at, respectively, £1.75 million and £245,000; and
 - the notional earnings cap for 2009/10 (for those pension schemes that decided to retain the earnings cap – not the LGPS) is £123,600

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Managing Director Jan Parkinson

Annual Pensions Increase

2. LGPS administering authorities and those employers who pay their own annual compensation benefits should note that the increase to be applied from 6th April 2009 to a qualifying pension which began (i.e. has a pensions increase date) before 7th April 2008 will be 5.0%. The percentage, and part year percentages, are detailed in the Pensions Increase (Review) Order 2009 [SI 2009/692] which, together with the multiplier tables, can be viewed at [the Timeline Regulations Pensions Increase \(Review\) Orders page](#).
3. LGPS administering authorities should note that the increase to be applied from 6th April 2009 to the post 5th April 1988 Guaranteed Minimum Pension element of a pension in payment is 3.0%. This is set out in the Guaranteed Minimum Pensions Increase Order 2009 [SI 2009/477] which can be viewed at [the Timeline GMP Increase Orders page](#).

The Social Security Revaluation of Earnings Factors Order 2009

4. LGPS Administering Authorities may wish to note that the Social Security Revaluation of Earnings Factors Order 2009 [SI 2009/608] comes into force on 6th April 2009 (i.e. the earnings factors used to calculate a scheme member's GMP). The Statutory Instrument may be viewed at the [Timeline Regulations Section 148 Revaluation Orders page](#).

National Insurance changes

5. The relevant NI limits, points and thresholds for 2009/2010 will be as follows:

From 6 April 2009	Lower Earnings Limit	Earnings Threshold	Upper Accruals Point	Upper Earnings Limit
Weekly	Below £95	£110	£770	£844
Monthly	Below £412	£476	£3,337	£3,656
Yearly	Below £4,940	£5,715	£40,040	£43,875

The figures are confirmed in the [Social Security \(Contributions\) \(Amendment\) Regulations 2009 \[SI 2009/111\]](#) and the [Social Security \(Contributions\) \(Amendment No. 2\) Regulations 2009 \[SI 2009/591\]](#).

6. The Contracted-Out and Not Contracted-Out Tables are appended to this Circular for your information.
7. It should be noted that, as from 2009/10, the employees' Category D contracted-out NI rebate of 1.6% and the employers' contracted-out rebate of

3.7% now cease at the Upper Accruals Point (rather than at the Upper Earnings Limit).

Redundancy Payments

8. [The Employment Rights \(Increase of Limits\) Order 2008 \[SI 2008/ 3055\]](#) came into force on 1st February 2009. It increased the maximum "week's pay" for calculating a statutory redundancy payment from £330 per week to £350 per week where the appropriate date falls on or after 1st February 2009. 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 the Act.

Standard Lifetime Allowance and Annual Allowance

9. [The Registered Pension Schemes \(Standard Lifetime and Annual Allowance\) Order 2007 \[SI 2007/494\]](#) came into force on 6th April 2007. It increased the Annual Allowance and the standard Lifetime Allowance as follows:

Tax year	Annual allowance	Lifetime Allowance
2007/08	£225,000	£1,600,000
2008/09	£235,000	£1,650,000
2009/10	£245,000	£1,750,000
2010/11	£255,000	£1,800,000

The Annual Allowance limits the amount of tax-free 'savings growth' an individual may have each year. Exceeding the Annual Allowance will result in a tax charge payable by the individual.

The standard Lifetime Allowance is the total value of pension savings an individual may accrue without incurring an extra tax charge.

Some individuals may have Primary and / or Enhanced Protection (where they registered for it with HMRC prior to 6th April 2009). Those who have registered for Primary Protection have a 'Lifetime Allowance enhancement factor' (the 'primary protection factor') which means they will have an individual Lifetime Allowance that is higher than the standard Lifetime Allowance.

Enhanced protection, in broad terms, exempts the individual from any application of the Lifetime and Annual Allowance tax charges, provided that benefits on retirement do not exceed the value of the individual's benefits at 5th April 2006 as increased after then, in general terms, by the greater of 5% per annum, the increase in the Retail Price Index or increases in the person's pensionable pay.

Notional earnings cap

- 10.** Although the overriding legislation imposing a pensionable “earnings cap” for certain pension scheme members was removed from 6th April 2006, some schemes (including some public sector schemes, but not the LGPS) decided to retain a notional earnings cap. The notional earnings cap for 2009/10 is £123,600. [Further information can be found on the HMRC website.](#)

Actions for administering authorities

- 11.** In consequence of the items in this Circular, administering authorities may wish to update relevant scheme literature and guides 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
Head of Pensions
March 2009

Class 1 contribution rates for Contracted-out Salary Related Schemes (COSR) – 2009-10

Category Letters D (Standard Contracted-out rate), E (Married Woman's Reduced Contracted-out rate) & 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 & including the ET	Employer's NIC Rebate on earnings above the LEL, up to and including the ET
	D	E	L	D, E & L	(Applies to category letters D & L only)	
Below £95.00 weekly, Below £412.00 monthly, Below £4,940.00 yearly	Nil	Nil	Nil	Nil	Nil	Nil
£95.00 to £110.00 weekly, or £412.00 to £476.00 monthly, or £4,940.00 to £5,715.00 yearly	0%	0%	0%	0%	1.6% on earnings from £95.01 , up to and including £110.00 (or monthly or annual equivalent)	3.7% on earnings from £95.01 , up to and including £110.00 (or monthly or annual equivalent)
£110.01 to £770.00 weekly, or £476.01 to £3,337.00 monthly, or £5,715.01 to £40,040.00 yearly	9.4% on earnings above the ET	4.85% on earnings above the ET	1% on earnings above the ET	9.1% on earnings above the ET		
£770.01 to £844.00 weekly, or £3,337.01 to £3,656.00 monthly, or £40,040.01 to £43,875.00 yearly	9.4% on earnings above the ET, up to and including the UAP, then 11% on earnings above the UAP	4.85% on earnings above the ET	1% on earnings above the ET	9.1% on earnings above the ET, up to and including the UAP, then 12.8% on earnings above the UAP		
Over £844.00 weekly, or over £3,656.00 monthly, or over £43,875.00 yearly	9.4% on earnings above the ET, up to and including the UAP, then 11% on earnings above the UAP, up to and including the UEL, then 1% on all earnings above the UEL	4.85% on earnings above the ET, up to and including the UEL, then 1% on all earnings above the UEL	1% on all earnings above the ET	9.1% on earnings above the ET, up to and including the UAP, then 12.8% on all earnings above the UAP		

Weekly LEL = £95, ET = £110, UAP = £770, UEL = £844

Class 1 contribution rates for Not Contracted-out and Contracted-out Schemes – 2009-10

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 £95.00 weekly, Below £412.00 monthly, Below £4,940.00 yearly	Nil	Nil	Nil	Nil	Nil
£95.00 to £110.00 weekly, or £412.00 to £476.00 monthly, or £4,940.00 to £5,715.00 yearly	0%	0%	Nil	0%	0%
£110.01 to £770.00 weekly, or £476.01 to £3,337.00 monthly, or £5,715.01 to £40,040.00 yearly	11% on earnings above the ET	4.85% on earnings above the ET	Nil	1% on earnings above the ET	12.8% on earnings above the ET
£770.01 to £844.00 weekly, or £3,337.01 to £3,656.00 monthly, or £40,040.01 to £43,875.00 yearly	11% on earnings above the ET	4.85% on earnings above the ET	Nil	1% on earnings above the ET	12.8% on earnings above the ET
Over £844.00 weekly, or over £3,656.00 monthly, or over £43,875.00 yearly	11% on earnings above the ET, up to and including the UEL, then 1% on all earnings above the UEL	4.85% on earnings above the ET, up to and including the UEL, then 1% on all earnings above the UEL	Nil	1% on all earnings above the ET	12.8% on all earnings above the ET

Weekly LEL = £95, ET = £110, UAP = £770, UEL = £844

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