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pay, pensions and
employment solutions

The Local Government Pensions Committee
Secretary: Terry Edwards

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. 236 – MARCH 2010

ANNUAL UPDATE

Purpose of this Circular

1. This Circular has been issued to confirm:
 - the National Insurance contribution rates that apply from 6 April 2010;
 - there is no annual increase to be applied to qualifying pensions on 12 April 2010 and no increase to be applied from 6 April 2010 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment;
 - the earnings factors to be used, from 6 April 2010, in the calculation of a scheme member's Guaranteed Minimum Pension have been updated; and
 - the standard Lifetime Allowance and Annual Allowance for 2010/11 have been set at, respectively, £1.8 million and £255,000.

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part of the **LGA group**

Local Government Employers is the business name of Employers Organisation for Local Government, a company limited by guarantee, registered in England and Wales, number 3676611
Registered office: Local Government House, Smith Square, London SW1P 3HZ

National Insurance changes

2. The relevant NI limits and thresholds for 2010/2011 are the same as for 2009/10 apart from the Lower Earnings limit which has been increased from £95 to £97 per week. The rates are as follows:

From 6 April 2010	Lower Earnings Limit	Earnings Threshold	Upper Accruals Point	Upper Earnings Limit
Weekly	Below £97	£110	£770	£844
Monthly	Below £421	£476	£3,337	£3,656
Yearly	Below £5,044	£5,715	£40,040	£43,875

3. The Contracted-Out and Not Contracted-Out Tables are appended to this Circular for your information.

Annual Pensions Increase

4. LGPS administering authorities and those employers who pay their own annual compensation benefits should note that there is no pensions increase to be applied from 12 April 2010.
5. Similarly, LGPS administering authorities should note that no increase should be applied from 6 April 2010 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment.

The Social Security Revaluation of Earnings Factors Order 2010

6. LGPS Administering Authorities may wish to note that the Social Security Revaluation of Earnings Factors Order 2010 [SI 2010/470] comes into force on 6 April 2010 (i.e. the earnings factors used to calculate a scheme member's GMP). The Statutory Instrument may be viewed at: http://www.opsi.gov.uk/si/si2010/pdf/uksi_20100470_en.pdf

Standard Lifetime Allowance and Annual Allowance

7. The Registered Pension Schemes (Standard Lifetime and Annual Allowance) Order 2007 [SI 2007/494] came into force on 6 April 2007. It set the Annual Allowance and the standard Lifetime Allowance for 2010/11 as follows:

Tax year	Annual allowance	Lifetime Allowance
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 6 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 5 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.

Actions for administering authorities

8. 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 at:
<http://www.lge.gov.uk/lge/core/page.do?pagelid=4280609>

Terry Edwards
Head of Pensions
March 2010

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) - 2010- 2011

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 ET (Applies to category letters D & L only)	Employer's NIC Rebate on earnings above the LEL, up to and including the ET
	D	E	L	D, E and L		
Below £97.00 weekly, Below £421.00 monthly, Below £5,044.00 yearly	Nil	Nil	Nil	Nil	Nil	Nil
£97.00 to £110.00 weekly, or £421.00 to £476.00 monthly or £5,044.00 to £5,715.00 yearly	0%	0%	0%	0%	1.6% on earnings from £97.01 up to and including £110.00 (or monthly or annual equivalents)	3.7% on earnings from £97.01 up to and including £110.00 (or monthly or annual equivalents)
£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 all earnings above the UAP		

<p>Over £844.00 weekly, or over £3,656.00 monthly, or over £43,875.00 yearly</p>	<p>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</p>	<p>4.85% on earnings above the ET, up to and including the UEL, then 1% on all earnings above the UEL</p>	<p>1% on all earnings above the ET</p>	<p>9.1% on earnings above the ET, up to and including the UAP, then 12.8% on all earnings above the UAP</p>		
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Weekly LEL = £97; Weekly ET = £110; Weekly UAP - £770; Weekly UEL = £844

Class 1 contribution rates for Not Contracted-out and Contracted-out Schemes – 2010/2011
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 £97.00 weekly, Below £421.00 monthly, Below £5,044.00 yearly	Nil	Nil	Nil	Nil	Nil
£97.00 to £110.00 weekly, or £421.00 to £476.00 monthly or £5,044.00 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 = £97; Weekly ET = £110; Weekly UAP = £770; Weekly UEL = £844

Distribution sheet

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