

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. 257 – MARCH 2012

ANNUAL UPDATE

Purpose of this Circular

1. This Circular has been issued to confirm:
 - the National Insurance contribution rates that apply from 6 April 2012;
 - the annual increase to be applied to qualifying pensions from 9 April 2012 is 5.2% and the increase to be applied from 6 April 2012 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment is 3.0%;
 - the earnings factors to be used, from 6 April 2012, 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 2012 from £400 per week to £430 per week.

National Insurance changes

2. The relevant NI limits and thresholds for 2012/2013 are shown in the table below:

From 6 April 2012	Lower Earnings Limit	Secondary Threshold	Primary Threshold	Upper Accruals Point	Upper Earnings Limit
Weekly	Below £107	£144	£146	£770	£817
Monthly	Below £464	£624	£634	£3,337	£3,540
Yearly	Below £5,564	£7,488	£7,605	£40,040	£42,475

3. The Contracted-Out and Not Contracted-Out NI Tables for 2012/13 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 (relating to an award of compensatory added years) should note that the increase to be applied from 9 April 2012 to a qualifying pension which began (i.e. has a pensions increase date) before 11 April 2011 will be 5.2%. The percentage, and part year percentages, are detailed in the Pensions Increase (Review) Order 2012 [SI 2012/782] which, together with the appropriate multiplier tables, can be viewed at [the Timeline Regulations Pensions Increase \(Review\) Orders page](#).
5. LGPS administering authorities should note that the increase to be applied from 6 April 2012 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment is 3.0% (assuming the AP is not less than the GMP). This is set out in the Guaranteed Minimum Pensions Increase Order 2012 [SI 2012/693] which can be viewed at [the Timeline GMP Increase Orders page](#).

The Social Security Revaluation of Earnings Factors Order 2012

6. LGPS administering authorities may wish to note that the Social Security Revaluation of Earnings Factors Order 2012 [SI 2012/187] comes into force on 6 April 2012 (i.e. the earnings factors used to calculate a scheme member's GMP). The percentage increase for the tax year 2011/12 is 1.8% and is based on the measure of Average Weekly Earnings (non-seasonally adjusted, including bonuses) for the 12 month period to September 2011. The Statutory Instrument may be viewed at [Timeline Regulations Section 148 Revaluation Orders page](#).

Redundancy Payments

7. The [Employment Rights \(Increase of Limits\) Order 2011 \[SI 2011/3006\]](#) came into force on 1 February 2012. It increased the maximum "week's pay" for calculating a statutory redundancy payment from £400 per week to £430 per week where the appropriate date falls on or after 1 February 2012. 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

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](#).

Terry Edwards
Senior Pensions Adviser
March 2012

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) - 2012- 2013

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 £107.00 weekly, Below £464.00 monthly, Below £5,564.00 yearly	Nil	Nil	Nil	Nil	Nil	Nil
£107.00 to £144.00 weekly, or £464.00 to £624.00 monthly or £5,564.00 to £7,488.00 yearly	0%	0%	0%	0%	1.4% on earnings from £107.01 up to and including £146.00 (or monthly or annual equivalents)	3.4% on earnings from £107.01 up to and including £144.00 (or monthly or annual equivalents)
£144.01 to £146.00 weekly, or £624.01 to £634.00 monthly, or £7,488.01 to £7,605.00 yearly	0%	0%	0%	10.4% on earnings above the ST		
£146.01 to £770.00 weekly, or £634.01 to £3,337.00 monthly, or £7,605.01 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 £817.00 weekly, or £3,337.01 to £3,540.00 monthly, or £40,040.01 to £42,475.00 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		

Over £817.00 weekly, or over £3,540.00 monthly, or over £42,475.00 yearly	<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 = £107; Weekly ST = £144; Weekly PT = £146; Weekly UAP = £770; Weekly UEL = £817

Class 1 contribution rates for Not Contracted-out and Contracted-out Schemes – 2012/2013
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 £107.00 weekly, Below £464.00 monthly, Below £5,564.00 yearly	Nil	Nil	Nil	Nil	Nil
£107.00 to £144.00 weekly, or £464.00 to £624.00 monthly or £5,564.00 to £7,488.00 yearly	0%	0%	Nil	0%	0%
£144.01 to £146.00 weekly, or £624.01 to £634.00 monthly, or £7,488.01 to £7,605.00 yearly	0%	0%	Nil	0%	13.8% on earnings above the ST
£146.01 to £770.00 weekly, or £634.01 to £3,337.00 monthly, or £7,605.01 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 £817.00 weekly, or £3,337.01 to £3,540.00 monthly, or £40,040.01 to £42,475.00 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 £817.00 weekly, or over £3,540.00 monthly, or over £42,475.00 yearly	12% on earnings above the PT, up to and including the UEL, then 2% on all earnings above the UEL	5.85% on earnings above the PT, up to and including the UEL, then 2% on all earnings above the UEL	Nil	2% on all earnings above the PT	13.8% on all earnings above the ST

Weekly LEL = £107; Weekly ST = £144; Weekly PT = £146; Weekly UAP = £770; Weekly UEL = £817

Distribution sheet

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