

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. 278 – MARCH 2014

ANNUAL UPDATE

Purpose of this Circular

1. This Circular has been issued to confirm:
 - the LGPS contribution bands and employee contribution rates applicable for 2014/15 in England and Wales;
 - the LGPS contribution bands and employee contribution rates applicable for 2014/15 in Scotland;
 - the earnings bands applicable for 2014/15 for the purposes of the automatic enrolment provisions under the Pensions Act 2008;
 - the National Insurance contribution rates that apply from 6 April 2014;
 - the annual increase to be applied to qualifying pensions from 7 April 2014 is 2.7% and the increase to be applied from 6 April 2014 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment is 2.7%;
 - the earnings factors to be used, from 6 April 2014, 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 6 April 2014 from £450 per week to £464 per week.

LGPS contribution bands and employee contribution rates – England and Wales

2. The following pay ranges and employee contribution rates will apply to the LGPS in England and Wales from 1 April 2014.

Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £13,500	5.5%	2.75%
2	£13,501 to £21,000	5.8%	2.9%
3	£21,001 to £34,000	6.5%	3.25%
4	£34,001 to £43,000	6.8%	3.4%
5	£43,001 to £60,000	8.5%	4.25%
6	£60,001 to £85,000	9.9%	4.95%
7	£85,001 to £100,000	10.5%	5.25%
8	£100,001 to £150,000	11.4%	5.7%
9	£150,001 or more	12.5%	6.25%

3. Those employees who are employed on 31 March 2014 and who are active members of the Scheme will, on 1 April 2014, automatically become active members of the main section of the 2014 Scheme unless they choose to opt out, or opt to join the 50/50 section, or they happen to cease to be eligible for membership on that date (for example, they attain age 75 on that date).
4. Unless the process for allocating the appropriate contribution rate has been automated on the payroll, the employer must determine the appropriate employee contribution rate for each employee moving into the 2014 Scheme on 1 April 2014 and notify this to payroll. Any reductions in pensionable pay at that time due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when determining the appropriate contribution rate.
5. In many cases the contribution rate from 1 April 2014 this will be different to the rate that applied prior to that date because, from 1 April 2014, there are a larger number of bands, the band an employee falls within will be determined by reference to the actual pensionable pay received (not the full-time equivalent rate of pay) and pensionable pay will, from 1 April 2014, include non-contractual hours and excess hours. Having determined the appropriate contribution rate (whether individually or by an automated process on payroll), the employer must (as soon as is reasonably practicable) notify the employee of the contribution rate to be deducted from the employee's pensionable pay and the date from which

the rate is payable (i.e. 1 April 2014). It is for the employer to determine the method by which the notification is given to the employee but the notification must contain a conspicuous statement giving the address from which further information about the decision may be obtained; must notify the employee of the right to appeal to an adjudicator against the decision (within 6 months of being notified of the initial decision, or such longer period as the adjudicator may allow); must set out the job title and address of the adjudicator (i.e. the person the employer has appointed to consider appeals); and must notify the employee that, if they are unhappy with the adjudicator's decision, they would have the right to ask the administering authority, within 6 months of the adjudicator's decision, to undertake a further review of the decision.

- Information on allocating new employees to a band and varying the band to which an employee is allocated can be found in section 2A of the HR Guide at www.lgpsregs.org

LGPS contribution bands and employee contribution rates – Scotland

- 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 2014/15 will need to be aware of the increase in the earnings bands for 2014/15. These are contained in [The Automatic Enrolment \(Earnings Trigger and Qualifying Earnings Band\) Order 2014 \[SI 2014/623\]](#) and are reflected in the tables below.

2014/15	Age	16 - 21	22 - <SPA*	SPA* - <75
Earnings				
Under lower earnings threshold (£5,772♦)		<i>Entitled worker</i>		
Between £5,772♦ and £10,000×⁷		<i>Non-eligible jobholder</i>		
Over earnings trigger for automatic enrolment (£10,000×⁷)		<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 × ⁷ To align with the PAYE threshold				

Pay reference period	Lower earnings threshold p.a.	Earnings trigger for automatic enrolment
Annual	£5,772.00	£10,000.00
6 months	£2,886.00	£4,998.00
3 months	£1,443.00	£2,499.00
1 Month	£481.00	£833.00
4 weeks	£444.00	£768.00
Fortnight	£222.00	£384.00
1 week	£111.00	£192.00

National Insurance changes

9. The relevant NI limits and thresholds for 2014/15 are shown in the table below:

From 6 April 2014	Lower Earnings Limit	Secondary Threshold	Primary Threshold	Upper Accruals Point	Upper Earnings Limit
Weekly	Below £111	£153	£153	£770	£805
Monthly	Below £481	£663	£663	£3,337	£3,489
Yearly	Below £5,772	£7,956	£7,956	£40,040	£41,865

10. The Contracted-Out and Not Contracted-Out NI Tables for 2014/15 are appended to this Circular for your information.

Annual Pensions Increase

11. 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 7 April 2014 to a qualifying pension which began (i.e. has a pensions increase date) before 8 April 2013 will be 2.7%. The percentage, and part year percentages, are detailed in the [Pensions Increase \(Review\) Order 2014 \[SI 2014/668\]](#) which, together with the appropriate multiplier tables, can be viewed at [the Timeline Regulations Pensions Increase \(Review\) Orders page](#).
12. LGPS administering authorities should note that the increase to be applied from 6 April 2014 to the post 5 April 1988 Guaranteed Minimum Pension element of a pension in payment is 2.7% (assuming the AP is not less than the GMP). This is set out in the [Guaranteed Minimum Pensions Increase Order 2014 \[SI 2014/515\]](#) which can be viewed at [the Timeline GMP Increase Orders page](#).

The Social Security Revaluation of Earnings Factors Order 2014

13. LGPS administering authorities may wish to note that the [Social Security Revaluation of Earnings Factors Order 2014 \[SI 2014/367\]](#) comes into force on 6 April 2014 (i.e. the earnings factors used to calculate a scheme member's GMP). The percentage increase for the tax year 2013/14 is 0.9% 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

14. The [Employment Rights \(Increase of Limits\) Order 2014 \[SI 2014/382\]](#) came into force on 6 April 2014. It increased the maximum "week's pay" for calculating a statutory redundancy payment from £450 per week to £464 per week where the appropriate date falls on or after 6 April 2014. 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

15. 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 LGA website](#).

Terry Edwards
Senior Pensions Adviser
March 2014

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) - 2014/15

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 £111.00 weekly, Below £481.00 monthly, Below £5,772.00 yearly	Nil	Nil	Nil	Nil	Nil	Nil
£111.00 to £153.00 weekly, or £481.00 to £663.00 monthly or £5,772.00 to £7,956.00 yearly	0%	0%	0%	0%	1.4% on earnings from £111.01 up to and including £153.00 (or monthly or annual equivalents)	3.4% on earnings from £111.01 up to and including £153.00 (or monthly or annual equivalents)
£153.01 to £770.00 weekly, or £663.01 to £3,337.00 monthly, or £7,956.01 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		

<p>£770.01 to £805.00 weekly, or £3,337.01 to £3,489.00 monthly, or £40,040.01 to £41,865.00 yearly</p>	<p>10.6% on earnings above the PT, up to and including the UAP, then 12% on earnings above the UAP</p>	<p>5.85% on earnings above the PT</p>	<p>2% on 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>		
<p>Over £805.00 weekly, or over £3,489.00 monthly, or over £41,865.00 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>		

Weekly LEL = £111; Weekly ST = £153; Weekly PT = £153; Weekly UAP = £770; Weekly UEL = £805

Class 1 contribution rates for Not Contracted-out and Contracted-out Schemes - 2014/2015

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 £111.00 weekly, Below £481.00 monthly, Below £5,772.00 yearly	Nil	Nil	Nil	Nil	Nil
£111.00 to £153.00 weekly, or £481.00 to £663.00 monthly or £5,772.00 to £7,956.00 yearly	0%	0%	Nil	0%	0%
£153.01 to £770.00 weekly, or £663.01 to £3,337.00 monthly, or £7,956.01 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 £805.00 weekly, or £3,337.01 to £3,489.00 monthly, or £40,040.01 to £41,865.00 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 £805.00 weekly, or over £3,489.00 monthly, or over £41,865.00 yearly	12% on earnings above the PT, up to and including the UEL, then	5.85% on earnings above the PT, up to and including the UEL, then	Nil	2% on all earnings above the PT	13.8% on all earnings above the ST

	2% on all earnings above the UEL	2% on all earnings above the UEL			
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Weekly LEL = £111; Weekly ST = £153; Weekly PT = £153; Weekly UAP = £770; Weekly UEL = £805

Distribution sheet

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