

To: Salaries and Wages
 Human Resources
 Pension Contacts

Circular 03/2015
 24 March 2015

At: All Employing Authorities

Dear Colleagues,

Annual Update

This circular has been issued to update employing authorities with information that may be needed for payroll or HR systems for the next financial year.

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1. Earnings bands applicable for automatic enrolment from 6 April 2015

- 1.1 The Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order (Northern Ireland) 2015, made on 4 March 2015, updates the earnings bands with effect from 6 April 2015. The new thresholds that will apply to employers who have already passed their staging date or whose staging date falls during 2015/16 are listed in Table 1.

Table 1 Automatic Enrolment Thresholds for 2015/16

Earnings	Age		
	16 – 21	22 - <State Pension Age	State Pension Age - <75
Under lower earnings threshold (£5,824)	Entitled worker		
Between £5,824 and £10,000	Non-eligible jobholder		
Over earnings trigger for automatic enrolment (£10,000)	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

- 1.2 The new automatic enrolment earnings triggers for pay reference periods are listed in Table 2.

Table 2 Automatic enrolment earnings triggers by pay reference period

Pay reference period	Lower earnings threshold per annum	Earnings trigger for automatic enrolment
Annual	£5,824.00	£10,000.00
6 months	£2,912.00	£4,998.00
3 months	£1,456.00	£2,499.00
1 month	£486.00	£833.00
4 weeks	£448.00	£768.00
2 weeks	£224.00	£384.00
1 week	£112.00	£192.00

2. National Insurance contribution rates that apply from 6 April 2015

- 2.1 The National Insurance limits and thresholds for 2015/16 are listed in Table 3.

Table 3 - National Insurance Thresholds

From 6 April 2015	Lower Earnings Limit	Primary Threshold	Secondary Threshold	Upper Accruals Point	Upper Earnings Limit
Weekly	Below £112	£155	£156	£770	£815
Monthly	Below £486	£672	£676	£3,337	£3,532
Yearly	Below £5,824	£8,060	£8,112	£40,040	£42,385

3. Reminder - Recording Scheme contracted-out number on Real Time Information Full Payment Submissions

- 3.1 The introduction of the new single-tier state pension in April 2016 will end contracted-out rebates for both employers and employees. The Local Government Pension Scheme (Northern Ireland), LGPS (NI), is a contracted-out Scheme and members and employers currently benefit from savings in National Insurance contributions. Her Majesty's Revenue and Customs (HMRC) will need employers to provide the correct Scheme Contracted-out number (SCON) for each employee so that HMRC can write to each employee with details of their occupational pension when contracting out ends (April 2016).
- 3.2 From 6 April 2014, employers have been legally required to show the SCON and the Employer's Contracting-out number (ECON) on their full Payment Submissions (FPS) when submitting contracted-out National Insurance Contributions for employees who have been in the LGPS (NI) during the tax year.
- 3.3 The ECON and SCON numbers for the LGPS (NI) are provided in Table 4.

Table 4 - ECON and SCON for employees in the LGPS (NI)

Scheme Contracting-out Number (SCON)	S2734012L
Employer's Contracting- out number (ECON)	E3900002R

4. Identifying contracted-out earnings

- 4.1 HMRC advice states that for the 2014/15 tax year 'contracted-out' earnings can be identified by looking at the total of earnings recorded in columns 1b and 1c on form P11 (Deductions Working Sheet) of form P14 (End of Year Summary). This total represents the contracted-out earnings, even though contributions are paid only on earnings in excess of the appropriate earnings threshold. Employers should contact HMRC directly if they have any questions relating to contracted-out earnings.

5. Annual increase to be applied to pensions from 6 April 2015

- 5.1 The increase that will be applied from 6 April 2015 to a qualifying pension (one which began before 7 April 2014) will be 1.2%. Any pensions that commenced after 7 April 2014 will receive a smaller increase.

6. Reminder of employee contribution rates from 1 April 2015

- 6.1 Circular 02/2015 advised employers of the new employee contribution pay ranges and rates effective from 1 April 2015. The table is replicated below for ease of reference.

Table 5 - Employee contribution rates from 1 April 2015

Band	Pensionable pay range	Contribution rate
1	Up to £14,000	5.5%
2	£14,001 to £21,300	5.8%
3	£21,301 to £35,600	6.5%
4	£35,601 to £43,000	6.8%
5	£43,001 to £85,000	8.5%
6	More than £85,000	10.5%

Please ensure that these revised rates and ranges are used when assessing individual contribution rates on actual pensionable pay (and not full-time equivalent) for your employees.

7. Employer contribution rates from 1 April 2015

- 7.1 While the majority of employers will have a contribution rate of 20% for the next year, some employers have individually assessed rates. Individually assessed rates apply to those employers who may have closed the Scheme to new members or are not part of the main group of employers. You will have been advised separately if you have an individually assessed rate.

8. Reminder of annual allowance and lifetime allowance from 6 April 2015

- 8.1 The annual allowance limit for pension savings remains at £40,000 for the next tax year. The annual allowance is the amount of pension savings that a member can have in any one year and benefit from tax relief. If a member builds up more pension savings in a year than the annual allowance they may have to pay a tax charge.
- 8.2 The lifetime allowance remains unchanged at £1.25 million from 6 April 2015. The lifetime allowance is the maximum amount of pension savings that a member can build up over his/her lifetime that benefits from tax relief. If a member builds up pension savings worth more than the lifetime allowance they may have to pay a tax charge.

The Chancellor, George Osborne, delivered his 2015 Budget on 18 March and announced the intention to reduce the lifetime allowance from £1.25 million to £1.0 million with effect from 6 April 2016. We understand that fixed and individual protections will be introduced but there is no detail as yet. He did not announce any change to the level of annual allowance.

- 8.3 NILGOSC will write by 6 October 2015 to any members who have exceeded the annual allowance.

9. Statutory Redundancy Payments

- 9.1 The Employment Rights (Increase of Limits) Order (Northern Ireland) 2015, operational from 22 March 2015, increases the maximum amount of 'a week's pay' for the purpose of calculating a redundancy payment from £470 per week to £490 per week.

If you have any questions regarding the content of this Circular, please contact either myself or any member of the Pensions Development Team.

Yours sincerely

A handwritten signature in black ink that reads "Zena Kee". The signature is written in a cursive, slightly slanted style.

Zena Kee
Pensions Manager