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To: Chief Executives
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At: All Employing Authorities

Circular 05/2024
27 March 2024

Dear Colleagues,

Annual Update 2024/25

This Circular provides employing authorities with information that may be needed for payroll or HR systems for the next financial year. It also advises of recent changes to the amount of tax-free lump sum that a member may take (see section 5).

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1. Reminder of employee contribution rates from 1 April 2024

Circular 04/2024 advised employers of the revised employee pensionable pay ranges for contributions for 2024/25. The employee contribution rates are set out in Table 1. Please ensure that these rates and ranges are used when assessing individual contribution rates on actual pensionable pay (and not full-time equivalent) for your employees.

Table 1 - Employee contribution rates from 1 April 2024

Band	Pensionable Pay Range	Contribution Rate Main section	Contribution Rate 50/50 section
1	£0 to £18,000	5.5%	2.75%
2	£18,001 to £27,700	5.8%	2.90%
3	£27,701 to £46,300	6.5%	3.25%
4	£46,301 to £56,300	6.8%	3.40%
5	£56,301 to £111,700	8.5%	4.25%
6	More than £111,700	10.5%	5.25%

2. Employers' Contribution Rates for 2024/25

The Fund is valued every three years by the Fund's actuary. The actuary carried out the triennial valuation as at 31 March 2022. This valuation sets the employer contribution rates for three years from 1 April 2023. Most employers participate in the main group with a pooled employers' contribution rate. The contribution rates for those employers in the main group for the three-year period are set out in Table 2.

Table 2 - Employers' contribution rates from 1 April 2023 to 31 March 2026

	1 April 2023 – 31 March 2024	1 April 2024 – 31 March 2025	1 April 2025 – 31 March 2026
Future service rate as a percentage of payroll	19.0%	19.0%	19.0%

Those employers who are outside of the main group were separately advised of their individual rates and deficit recovery contributions, if applicable. If any employer is not certain of its contribution rate, they are stated on pages 46 – 53 of the [2022 Valuation Report](#).

The percentage employers' contributions and employees' contributions should be deducted through staff payroll and paid over to NILGOSC each month as normal. In addition, where applicable, the deficit recovery contributions for each year will be invoiced at the beginning of each financial year and should be remitted either as a lump sum at the beginning of the year or in twelve equal monthly instalments, with payment required in full by the end of the financial year (31 March).

3. Revised limit for Additional Pension

The Department for Communities has confirmed that the limit for additional pension for the Scheme year beginning on 1 April 2024 has increased to £8,675 additional pension per annum. The revised limit applies to both members who are paying additional pension contributions and to employer awards of additional pension.

4. Annual Allowance limits for 2024/25

There are no changes to the annual allowance limits for 2024/25:

- the standard annual allowance is £60,000
- the money purchase annual allowance is £10,000
- the adjusted income for the tapered annual allowance is £260,000
- the minimum tapered annual allowance is £10,000.

The tapered annual allowance limits are set out in Table 3.

Table 3 - Tapered annual allowance limits

	Definition	Limit in 2024/25
Threshold income	Taxable income	£200,000
Adjusted income	Threshold income plus pension input amount	£260,000
Minimum annual allowance	If annual allowance is tapered, the minimum annual allowance that will apply	£10,000

5. Lump sum limits from 6 April 2024

The lifetime allowance will be abolished from 6 April 2024. In its place there will be a limit on the amount of tax-free lump sum that a member can take. The maximum pension commencement lump sum (tax free lump sum) that a member can take will be the lowest of:

- 25% of the capital value of their benefits that are crystallising
- their available lump sum allowance
- their available lump sum and death benefits allowance.

Lump sum allowance

From 6 April 2024, members will have a tax-free lump sum allowance of £268,275. This lump sum allowance is used up when a member receives their pension commencement lump sum from 6 April 2024. A member's lump sum allowance will be reduced if the member has taken pension lump sum before 6 April 2024. The lump sum allowance can be increased if a member has valid lifetime allowance protection. If a member takes a lump sum that exceeds their lump sum allowance, then they will have to pay tax at their marginal rate on the excess lump sum i.e. the excess lump sum is not tax-free.

Lump sum and death benefits allowance (LSDBA)

The LSDBA is £1,073,100 and it is the total amount of relevant tax-free lump sums that can be paid to or in respect of a member. From 6 April 2024, a member will use up available LSDBA if they are paid any of the following lump sums:

- pension commencement lump sum
- any authorised lump sum death benefit.

The LSDBA is reduced if a member has crystallised relevant pension benefits before 6 April 2024. The LSDBA is increased if a member holds valid lifetime allowance protection.

More information on the changes is on the [‘Tax limits on your pension’](#) page on our website.

6. National Insurance contribution rates that apply from 6 April 2024

The National Insurance limits and thresholds for 2024/25 are listed in Table 4. The Lower Earnings Limit is fixed at its current rate for 2024/25 and the other thresholds are fixed at their current rate until April 2028.

Table 4 - Class 1 National Insurance Thresholds

From 6 April 2023	Lower Earnings Limit	Primary Threshold	Secondary Threshold	Upper Earnings Limit
Weekly	£123	£242	£175	£967
Monthly	£533	£1,048	£758	£4,189
Yearly	£6,396	£12,570	£9,100	£50,270

7. Earnings band applicable for automatic enrolment from 6 April 2024

In its review of the automatic enrolment earnings trigger for 2024/25 the Government announced that the earnings trigger of £10,000 remains unchanged. The automatic enrolment thresholds are set out in Table 4. Employers are reminded that the Scheme regulations take precedence and all new employees with a contract of three months or more must be automatically admitted to the Scheme from the day their employment begins, irrespective of their earnings level.

Table 5 - Automatic Enrolment earnings bands for 2024/25

Earnings	Age 16 - 21	Age 22 – <State Pension Age	State Pension Age - <75
Under lower earnings threshold (£6,240)	Entitled worker	Entitled worker	Entitled worker
Between £6,240 and £10,000	Non-eligible jobholder	Non-eligible jobholder	Non-eligible jobholder
Over earnings trigger for automatic enrolment (£10,000)	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

The automatic enrolment earnings triggers for pay reference periods are listed in Table 6.

Table 6 - Automatic Enrolment earnings bands per period

Pay reference period	Lower earnings threshold per annum	Earnings trigger for automatic enrolment
Annual	£6,240	£10,000
6 months	£3,120	£4,998
3 months	£1,560	£2,499
1 month	£520	£833
4 weeks	£480	£768
2 weeks	£240	£384
1 week	£120	£192

8. Annual Revaluation Order for CARE pension accounts

At the end of each year, the Career Average Revalued Earnings (CARE) pension that has been built up in an active member's pension account gets revalued by a revaluation adjustment based on the change in prices to the previous September. This year the revaluation adjustment is 6.7%.

The Public Service Pension Revaluation Order (Northern Ireland) 2024 (SRNI 2024/45) made on 7 March 2024 and has effect for the LGPS (NI) from 6 April 2024.

9. Annual increase to be applied to pensions from 8 April 2024

Employers and those who pay their own annual compensation benefits (relating to historical awards of compensatory added years) should note that the increase to be applied from 8 April 2024 to qualifying pensions which began before 24 April 2023 will be 6.7%. The percentage and part year percentages will be set out in the Pensions Increase (Review) Order (Northern Ireland) 2024 (SRNI 2024/77).

10. Statutory Redundancy payments

At the time of writing I cannot trace that The Employment Rights (Increase of Limits) Order (Northern Ireland) 2024 has been made. This Order sets out any increase in a week's pay that is used for calculation of statutory redundancy (was £669 from 6 April 2023).

11. Annual Return submission reminder – DEADLINE 30 APRIL 2024

Further to Circular 03/2024 please remember that those employers who are not live on i-Connect must submit their annual returns by 30 April 2024. Please contact either Jacqueline Marner or Jenna Fisher (telephone: 0345 3197 325) if you need any assistance with completion of your annual return.

Please do not hesitate to contact the Pensions Development Team or myself if you have any queries regarding this circular.

Yours sincerely,

Zena Kee
Head of Pensions Policy