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To: Chief Executives
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At: All Employing Authorities

Circular 05/2025
31 March 2025

Dear Colleagues,

Annual Update 2025/26

This Circular provides employing authorities with information that may be needed for payroll or HR systems for the next financial year.

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1. Reminder of employee contribution rates from 1 April 2025

Circular 03/2025 advised employers of the revised employee pensionable pay ranges for contributions for 2025/26. 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 2025

Band	Pensionable Pay Range	Contribution Rate Main section	Contribution Rate 50/50 section
1	£0 to £18,300	5.5%	2.75%
2	£18,301 to £28,100	5.8%	2.90%
3	£28,101 to £47,000	6.5%	3.25%
4	£47,001 to £57,200	6.8%	3.40%
5	£57,201 to £113,500	8.5%	4.25%
6	More than £113,500	10.5%	5.25%

2. Employers' Contribution Rates for 2025/26

The Fund is valued every three years by the Fund's actuary. The actuary carried out the last triennial valuation as at 31 March 2022. This valuation set 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).

The next triennial valuation will take place as at 31 March 2025 with revised employers contribution rates set from 1 April 2026. We expect to notify employers of their provisional contribution rates for 2026/27 in November/December 2025.

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 2025 has increased to £8,823 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 2025/26

There are no changes to the annual allowance limits for 2025/26:

- 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 2025/26
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 2025

There are no changes to the Lump Sum Allowance (LSA) and Lump Sum Death Benefits Allowance in 2025/26.

Lump sum allowance

From 6 April 2025, 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 i.e. tax-free cash from their pension. 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 uses 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 2025

The National Insurance limits and thresholds for 2025/26 are listed in Table 4 and are available at www.gov.uk/guidance/rates-and-thresholds-for-employers-2025-to-2026 . The Lower Earnings Limit has increased to £125 per week.

Table 4 - Class 1 National Insurance Thresholds

From 6 April 2023	Lower Earnings Limit	Primary Threshold	Secondary Threshold	Upper Earnings Limit
Weekly	£125	£242	£96	£967
Monthly	£542	£1,048	£417	£4,189
Yearly	£6,500	£12,570	£5,000	£50,270

7. Earnings band applicable for automatic enrolment from 6 April 2025

In its review of the automatic enrolment earnings trigger for 2025/26 the Government announced that the earnings trigger of £10,000 remains unchanged. The automatic enrolment thresholds are set out in Table 5. 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 2025/26

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 1.7%.

The Public Service Pension Revaluation Order (Northern Ireland) 2025 (SRNI 2025/55) was made on 13 March 2025 and has effect for the LGPS (NI) from 6 April 2025.

9. Annual increase to be applied to pensions from 7 April 2025

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 7 April 2025 to qualifying pensions which began before 23 April 2024 will be 1.7%. The percentage and part year percentages will be set out in the Pensions Increase (Review) Order (Northern Ireland) 2025 (SRNI 2025/69).

10. Statutory Redundancy payments

The Employment Rights (Increase of Limits) Order (Northern Ireland) 2025 has been made. This Order sets out any increase in a week's pay that is used for calculation of statutory redundancy. It is confirmed as £729 from 6 April 2025.

11. Annual Return submission reminder – DEADLINE 30 APRIL 2025

Further to Circular 04/2025 please remember that those employers who are not live on i-Connect must submit their annual returns by 30 April 2025. Please contact either Jacqueline Marner or Jenna Fisher (telephone: 0345 3197 325) if you need any assistance with completion of your annual return. As this is a valuation year it is essential that all returns are submitted on time. Any actuarial fees incurred for late submissions will be recharged to the employer concerned.

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