



Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 207 – Annual update March 2021

This bulletin sets out the rates and bands that apply from April 2021 for various purposes. Please email rachel.abbey@local.gov.uk with any comments about the contents of this bulletin. You can find LGPC contacts at the end of this document.

Contents

Employee contribution rates – England and Wales	2
Employee average contribution rates – Scotland	2
Additional pension limit for 2021/22 in England and Wales	4
Additional pension limit for 2021/22 in Scotland.....	4
Annual and lifetime allowance limits from 6 April 2021	5
Automatic enrolment earnings bands.....	5
National Insurance (NI) thresholds.....	6
Annual Revaluation Order.....	7
Annual Pensions Increase	8
Retail Prices Index (RPI) Increase	8
Annual GMP increase	8
The Social Security Revaluation of Earnings Factors Order 2021	9
Redundancy payments.....	9
Actions for administering authorities	9
Other information	10

Employee contribution rates – England and Wales

The table below shows the pay ranges and corresponding employee contribution rates that apply to the LGPS in England and Wales from 1 April 2021.

Table 1: Employee contribution bands England and Wales 2021/22

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,900	5.80%	2.90%
3	£22,901 to £37,200	6.50%	3.25%
4	£37,201 to £47,100	6.80%	3.40%
5	£47,101 to £65,900	8.50%	4.25%
6	£65,901 to £93,400	9.90%	4.95%
7	£93,401 to £110,000	10.50%	5.25%
8	£110,001 to £165,000	11.40%	5.70%
9	£165,001 or more	12.50%	6.25%

Employers must determine the employee contribution rate for each employee from 1 April 2021 and inform payroll. The process for allocating contribution rates may have been automated on the payroll system. Any reduction in pensionable pay due to sickness, child related leave, reserve forces services leave or other absence from work must be ignored when setting the employee contribution rate.

An employer may decide to change an employee's contribution rate during a Scheme year if their pay changes. You can read more about allocating an employee to a contribution rate each April and when their pay changes in section 10 of the HR guide and section 5.1 of the Payroll guide. You can find both guides on the [Employer guides and documents](#) page of www.lgpsregs.org.

Employee average contribution rates – Scotland

Employers must determine the contribution rate for each of their employees and councillors. When doing so, the employer must have regard to statutory guidance. In an annex to the guidance, the Government sets out the average contribution rates. Table 2 below reproduces the average contribution rates to be used from 1 April 2021.

Table 2: Average contribution rates Scotland 2021/22

Contribution rate	Actual Pay Min	Actual Pay Max	Contribution rate	Actual Pay Min	Actual Pay Max
5.5%	Up to	22,955	8.4%	64,466	66,281
5.6%	22,956	24,390	8.5%	66,282	68,202
5.7%	24,391	26,016	8.6%	68,203	70,238
5.8%	26,017	27,603	8.7%	70,239	72,400
5.9%	27,604	28,686	8.8%	72,401	74,698
6.0%	28,687	29,857	8.9%	74,699	77,147
6.1%	29,858	31,127	9.0%	77,148	79,762
6.2%	31,128	32,511	9.1%	79,763	82,561
6.3%	32,512	34,023	9.2%	82,562	85,563
6.4%	34,024	35,682	9.3%	85,564	88,792
6.5%	35,683	37,474	9.4%	88,793	92,274
6.6%	37,475	38,789	9.5%	92,275	96,040
6.7%	38,790	40,200	9.6%	96,041	100,127
6.8%	40,201	41,716	9.7%	100,128	104,577
6.9%	41,717	43,352	9.8%	104,578	109,441
7.0%	43,353	45,122	9.9%	109,442	114,780
7.1%	45,123	47,042	10.0%	114,781	120,666
7.2%	47,043	49,133	10.1%	120,667	127,189
7.3%	49,134	50,602	10.2%	127,190	134,457
7.4%	50,603	51,714	10.3%	134,458	142,606
7.5%	51,715	52,876	10.4%	142,607	151,806
7.6%	52,877	54,091	10.5%	151,807	162,275
7.7%	54,092	55,364	10.6%	162,276	174,296
7.8%	55,365	56,698	10.7%	174,297	188,240
7.9%	56,699	58,098	10.8%	188,241	204,608
8.0%	58,099	59,569	10.9%	204,609	224,095
8.1%	59,570	61,116	11.0%	224,096	247,684
8.2%	61,117	62,746	11.1%	247,685	276,823
8.3%	62,747	64,465	11.2%	276,824	and above*

For members in the 50/50 section, divide the appropriate rate by two.

* Contribution rates will increase beyond 11.2% of pay for higher salaries, but SPPA were not asked to provide bands above 11.2%.

Employers must determine the average contribution rate for each employee (including for councillors) from 1 April 2021 and inform payroll. The process for allocating contribution rates may have been automated on the payroll system. Any reduction in pensionable pay due to sickness, child related leave, reserve forces services leave or other absence from work must be ignored when setting the employee contribution rate.

An employer must review an employee's or councillor's average contribution rate during a Scheme year if there is a permanent change to the terms and conditions of their employment that affects their pensionable pay.

You can access the current version of the statutory guidance on [the SPPA circulars and guidance](#) page of www.scotlgpsregs.org or on www.pensions.gov.scot. You can also find more information in section 10 of the HR guide and section 5.1 of the Payroll guide. Both guides are available on the [Employer guides and documents](#) page of www.scotlgpsregs.org.

Additional pension limit for 2021/22 in England and Wales

Regulations 16(6) and 31(2) of the LGPS regulations 2013 state that the additional pension limit increases on 1 April each year as if it were a pension beginning on 1 April 2013 to which the Pensions (Increase) Act 1971 applied.

The increase due on 1 April 2021 is the increase that applied on 6 April 2020 (as the 2021 increase does not take effect until 12 April 2021). The additional pension limit of £7,194 that applied in 2020/21 is increased by 1.7% to £7,316 from 1 April 2021.

Additional pension limit for 2021/22 in Scotland

Regulations 16(6) and 30(2) of the LGPS (Scotland) Regulations 2018 state that the additional pension limit is increased on 1 April each year as if it were a pension beginning on 1 April 2015 to which the Pensions (Increase) Act 1971 applied. The pensions increase due on 1 April 2021 is that from 6 April 2020 (as the 2021 increase does not take effect until 12 April 2021).

The additional pension limit under regulation 16(6) of £6,923 is increased by 1.7% to £7,040 from 1 April 2021.

The additional pension limit under regulation 30(2) of £5,327 is increased by 1.7% to £5,417 from 1 April 2021. In previous updates we have reported that the limits under regulations 16(6) and 30(2) are the same, which is incorrect.

Annual and lifetime allowance limits from 6 April 2021

The Chancellor of the Exchequer announced in the [2021 Budget](#) that the lifetime allowance would remain at its current level of £1,073,100 until April 2026. Freezing the lifetime allowance is provided for in the [Finance \(No.2\) Bill](#) which is currently making its way through Parliament.

The standard annual allowance, defined in section 228 of the Finance Act 2004, is unchanged at £40,000 for 2021/22. There are no changes in the tapered annual allowance provisions as set out in section 228ZA of the Finance Act 2004 for the 2021/22 year. These are shown in the table below.

Table 3: Tapered annual allowance (AA) limits

	Definition	Limit in 2021/22
Threshold income	Broadly, taxable income	£200,000
Adjusted income	Threshold income plus pension input amount	£240,000
Minimum AA	If AA is tapered, the minimum AA that can apply	£4,000

Automatic enrolment earnings bands

Employers will need to know the earnings bands that apply for 2021/22 for the purposes of automatic enrolment under the Pensions Act 2008. These are contained in [The Automatic Enrolment \(Earnings Trigger and Qualifying Earnings Band Order 2021](#) [SI2021/314] and are shown in the tables below. The earnings trigger of £10,000 is unchanged since the 2015/16 year.

Table 4: Automatic enrolment (AE) earnings bands 2021/22

Earnings*	Age 16-21	Age 22 to <SPA**	Age SPA** to <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

* Earnings: separate contracts are treated separately ** State Pension Age

*** To align with National Insurance contributions lower earnings limit – unchanged from 2020/21.

Table 5: AE earnings bands per period

Pay reference period	Lower earnings threshold	Earnings trigger for automatic enrolment
Annual	£6,240.00	£10,000.00
6 months	£3,120.00	£4,998.00
3 months	£1,560.00	£2,499.00
1 month	£520.00	£833.00
4 weeks	£480.00	£768.00
2 weeks	£240.00	£384.00
1 week	£120.00	£192.00

National Insurance (NI) thresholds

The NI limits and thresholds for 2021/22 are shown in the table below. The limits are set out in [The Social Security \(Contributions\) \(Rates, Limits and Thresholds Amendments and National Insurance Funds Payments\) Regulations 2021 \[2021/157\]](#) and take effect from 6 April 2021.

Table 6: Class 1 National Insurance thresholds 2021/22

Class 1 National Insurance thresholds	Threshold per period
Lower earnings limit (LEL)	£120 per week £520 per month £6,240 per year
Primary threshold (PT)	£184 per week £797 per month £9,568 per year
Secondary threshold (ST)	£170 per week £737 per month £8,840 per year
Upper secondary threshold (under 21) (UST)	£967 per week £4,189 per month £50,270 per year
Apprentice upper secondary threshold (apprentice under 25) (AUST)	£967 per week £4,189 per month £50,270 per year
Upper earnings limit (UEL)	£967 per week £4,189 per month £50,270 per year

Table 7:**Class 1 National Insurance rates, employee (primary) contribution rates**

National Insurance category letter	Earnings at or above LEL up to and including PT	Earnings above PT up to and including UEL	Balance of earnings above UEL
A	0%	12%	2%
B	0%	5.85%	2%
C	nil	nil	nil
H (Apprentice under 25)	0%	12%	2%
J	0%	2%	2%
M (under 21)	0%	12%	2%
Z (under 21 – deferment)	0%	2%	2%

Table 8:**Class 1 National insurance rates, employer (secondary) contribution rates**

National Insurance category letter	Earnings at or above LEL up to and including ST	Earnings above ST up to and including UEL/UST/AUST	Balance of earnings above UEL/UST/AUST
A	0%	13.80%	13.80%
B	0%	13.80%	13.80%
C	0%	13.80%	13.80%
H (Apprentice under 25)	0%	0%	13.80%
J	0%	13.80%	13.80%
M (under 21)	0%	0%	13.80%
Z (under 21 – deferment)	0%	0%	13.80%

Annual Revaluation Order

The full year increase to be applied at one second after midnight on 31 March 2021 to the career average pension earned up to 31 March 2021 is 0.5%. This is set out in [The Public Service Pensions Revaluation Order 2021](#) [SI 2021/276]. You can view the Order on the:

- [Related legislation](#) page of www.lgpsregs.org – LGPS England & Wales, or
- [Related legislation](#) page of www.scotlgpsregs.org – LGPS Scotland.

Annual Pensions Increase

LGPS administering authorities must increase a qualifying pension from 12 April 2021. Employers who pay their own annual compensation benefits, which relate to historical awards of compensatory added years, must also increase qualifying pensions from 12 April 2021. The increase that applies to a pension that began (ie has a pensions increase date) before 6 April 2020 is 0.5%. The percentage and part year percentage increases are detailed in [The Pensions Increase \(Review\) Order 2021](#) [SI2021/275]. You can find the Order and the multiplier tables on the:

- [Related legislation](#) page of www.lgpsregs.org – LGPS England & Wales, or
- [Related legislation](#) page of www.scotlgpsregs.org – LGPS Scotland.

Retail Prices Index (RPI) Increase

The annual increase that applies to any additional pension purchased under an Additional Regular Contributions contract that started between 1 April 2008 (2009 in Scotland) and 31 March 2012 is based on RPI in the previous September. The increase that applies on 12 April 2021 is 1.1%.

Annual GMP increase

An increase of 0.5% should be applied:

- on 6 April 2021 to the post-5 April 1988 GMP element of a pension in payment, and
- on 12 April 2021 to the pre-6 April 1988 GMP element of a pension in payment if the individual reached SPA after 5 April 2016, provided the member's pension increase (PI) date is before 6 April 2020.

If the individual reached SPA after 5 April 2016 and their PI date is after 5 April 2020, then a pro-rata increase will apply to the pre-6 April 1988 GMP element of their pension in payment.

The GMP increase is set out in [The Guaranteed Minimum Pension Increase Order 2021](#) [SI2021/163]. You can view the Order on the:

- [Related legislation](#) page of www.lgpsregs.org – LGPS England & Wales, or
- [Related legislation](#) page of www.scotlgpsregs.org – LGPS Scotland.

You can find out more about how increases are applied to pensions in payment in the Pensions Increase Technical guide published by the LGPC. You can find the guide on the:

- [Administrator guides and documents](#) page of www.lgpsregs.org, and
- [Administrator guides and documents](#) page of www.scotlgpsregs.org.

The Social Security Revaluation of Earnings Factors Order 2021

The [Social Security Revaluation of Earnings Factors Order 2021](#) [SI 2021/267] comes into force on 6 April 2021. The earnings factors are used to calculate a Scheme member's GMP. The percentage increase for the tax year 2021/22 is 2.6%. The increase is based on the increase in the general level of earnings in Great Britain. You can view the Statutory Instrument on the:

- [Related legislation](#) page of www.lgpsregs.org – LGPS England & Wales, or
- [Related legislation](#) page of www.scotlgpsregs.org – LGPS Scotland.

Redundancy payments

[The Employment Rights \(Increase of Limits\) Order 2021 \[SI 2021/208\]](#) comes into force on 6 April 2021. It increases the maximum week's pay for calculating a statutory redundancy payment from £538 to £544 per week if the appropriate date is after 5 April 2021. In the case of entitlement to a redundancy payment by virtue of section 135(1)(a) of the Employment Rights Act 1996 (dismissal by reason of redundancy), the appropriate date means the relevant date as defined by section 145 or 153 of that Act.

Actions for administering authorities

Administering authorities may wish to update Scheme literature and guides for employees and employers to reflect the updates in this bulletin. The LGPC leaflets and guides will be updated in the coming weeks. Administering authorities may also wish to send this bulletin to Scheme employers, or direct them to the:

- [LGPC bulletins page](#) of www.lgpsregs.org – LGPS England and Wales, or
- [LGPC bulletins page](#) of www.scotlgpsregs.org – LGPS Scotland.

Other information

Useful links

[LGA Pensions page](#)

[LGPS members' website](#) – England and Wales

[LGPS Advisory Board website](#) – England and Wales

[LGPS Regulations and Guidance website](#) – England and Wales

[LGPS Regulations and Guidance website](#) – Scotland

[LGPS Discretions](#) lists all the potential discretions available within the LGPS in England and Wales.

[LGPS Discretions](#) lists all the potential discretions available within the LGPS in Scotland.

[The Timeline Regulations for Final Salary Schemes](#)

[The Timeline Regulations for the current scheme in England and Wales](#)

[The Timeline Regulations for the current scheme in Scotland.](#)

Pensions Section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pensions advisers will get back to you.

Jeff Houston (Head of Pensions)

Telephone: 07786 681936

Email: jeff.houston@local.gov.uk

Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)

Telephone: 07766 252847

Email: lorraine.bennett@local.gov.uk

Jayne Wiberg (Pensions Adviser – LGPC Secretariat)

Telephone: 07979 715825

Email: jayne.wiberg@local.gov.uk

Rachel Abbey (Pensions Adviser – LGPC Secretariat)

Telephone: 07827 307003

Email: rachel.abbey@local.gov.uk

Steven Moseley (Pensions Adviser – LGPC Secretariat)

Telephone: 07780 227059

Email: steven.moseley@local.gov.uk

Karl White (Pensions Adviser (Training) – LGPC Secretariat)

Telephone: 07464 652886

Email: karl.white@local.gov.uk

Bob Holloway (Pensions Secretary – LGPS Scheme Advisory Board (E&W))

Telephone: 07919 562847

Email: robert.holloway@local.gov.uk

Joanne Donnelly (Senior Pensions Secretary – LGPS Scheme Advisory Board (E&W))

Telephone: 07464 532613

Email: joanne.donnelly@local.gov.uk

Liam Robson (Pensions Analyst – LGPS Scheme Advisory Board (E&W))

Telephone: 0207 664 3328

Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 07909 988968

Email: elaine.english@local.gov.uk

Copyright

Copyright remains with the Local Government Association (LGA). This bulletin may be reproduced without prior knowledge of the LGA, provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this bulletin has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any piece of legislation. No responsibility whatsoever will be assumed by the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this bulletin.

Whilst every attempt is made to ensure the accuracy of the bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions by emailing query.lgps@local.gov.uk.