Report by the Government Actuary on the drafts of the Social Security Benefits Up-rating Order 2009 and the Social Security (Contributions) (Re-rating) Order 2009

GOVERNMENT **ACTUARY'S** DEPARTMENT

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Presented to Parliament by the Secretary of State
for Work and Pensions and the Paymaster General
by Command of Her Majesty

January 2009

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To: The Right Hon. James Purnell MP, Secretary of State for Work and Pensions

The Right Hon. Stephen Timms MP, Financial Secretary to the Treasury

I am pleased to present my report on the likely effects on the National Insurance Fund of the proposed *Social Security Benefits Up-rating Order 2009* and the *Social Security (Contributions) (Re-rating) Order 2009*.

This report is made in accordance with sections 142(1), and 150(8) of *the Social Security Administration Act 1992*, as amended by the *Social Security Contributions (Transfer of Functions, etc.) Act 1999.*

The report contains estimates for the National Insurance Fund of receipts and payments for the years 2008-09 to 2013-14. The estimates are based on a number of assumptions which are described in the report. The principal economic assumptions used correspond with those adopted by Her Majesty's Treasury for the Pre-Budget Report in November 2008.

On the basis of my estimates, the balance in the National Insurance Fund at 31 March 2010 is expected to be greater than one-sixth of the amount of benefit payments in 2009-10. This exceeds the minimum level that has been recommended for the last 15 years to ensure that a reasonable working balance is maintained. In my view it should not therefore be necessary for any Treasury grant to be made to the National Insurance Fund in 2009-10.

Trevor Llanwarne
Government Actuary
January 2009

GOVERNMENT ACTUARY'S DEPARTMENT

Table of Contents

1 Executive summary

1.1 This report has been prepared under the Social Security Administration Act 1992 (SSA92). It considers the expected effects on the National Insurance Fund of:

> the draft *Social Security Benefits Up-rating Order 2009* (the Up-rating Order)

> the draft *Social Security (Contributions) (Re-rating) Order 2009* (the Re-rating Order).

The report also includes the effects on the National Insurance Fund of changes which would be made by the draft *Social Security (Contributions) (Amendment) Regulations 2009* and the draft *Social Security Pensions (Low Earnings Threshold) Orde*r 2009.

1.2 Estimates of National Insurance Fund income and outgo have been made for 2008-09 to 2013-14. Detailed figures are given for 2009-10, along with updated figures for 2008-09 to reflect the latest data.

1.3 The financial effects of the draft orders are estimated as follows:

> The proposed Up-rating Order would increase from April 2009 the rates at which many benefits are paid. The standard rate of retirement pension would increase by 5.0% from £90.70 a week to £95.25 a week. Estimated benefit payments for 2009-10 would increase by £3.8 billion from £71.1 billion to £74.9 billion as a result of the order (table 2); the corresponding 2008-09 figure without any order is £70.3 billion (appendix 4);

> The combined effects of the contribution amendment orders and the Re-Rating Order are estimated to decrease estimated contribution receipts to the National Insurance Fund in 2009-10 from £79.1 billion to £79.0 billion (2008-09 figure £77.5 billion). The individual effects are as follows:

- o The proposed Re-rating Order would alter the rates of Class 2 and 3 contributions, the small earnings exception for Class 2 and the band of earnings on which Class 4 contributions are paid. Together these changes would increase estimated contribution receipts to the National Insurance Fund by £17 million in 2009-10 (appendix 5);
- o The proposed *Social Security (Contributions) (Amendment) Regulations 2009* would increase the lower and upper earnings limits from £90 and £770 a week respectively to £95 and £844 a week respectively, and the primary and secondary thresholds for Class 1 National Insurance contributions from £105 a week to £110 a week in both cases. It is estimated that these changes would decrease contribution receipts to the National Insurance Fund in 2009-10 by £127 million. This includes the effects of the Social Security Pensions (Low Earnings Threshold) Order 2009 on contracted-out rebates (appendix 5).

1.4 The balance in the fund at 31 March 2010 is estimated at £54.8 billion, or 72.9% of the estimated benefit payments (including redundancy payments) of £75.2 billion (table 2).

1.5 The balance in the fund is comfortably above the recommended level of $1/6^{th}$ of annual benefit expenditure. Therefore no Treasury grant is expected to be needed during 2009-10 (section 9).

1.6 The excess of receipts over payments (the surplus) generated in a year is the difference between two large numbers, and comparatively small changes in these numbers will produce a proportionally large change in the surplus. The same would be true of a deficit (excess of payments over receipts), but this is not projected to occur in the period under consideration. For 2009-10, the surplus is forecast to be £2,112 million.

1.7 To make these estimates, assumptions were needed for, among other things, unemployment and employment levels, and the rate of increase in earnings. In order to consider what assumptions to use, I felt it appropriate, where possible, for the base assumptions to be linked to the assumptions used by Her Majesty's Treasury for the Pre-Budget Report on 24th November 2008. In summary, the principal assumptions I have adopted are:

> that the number of jobs in the UK, including the armed forces and excluding the self-employed, is assumed to be 27.3 million in 2008-09 and 27.0 million in 2009-10

> the increase in average earnings is assumed to be 1.8% over the year to 2008-09 and 3.2% over the year to 2009-10; and

> the numbers unemployed and claiming benefit in Great Britain are assumed to be 0.93 million on average in 2008-09 and 1.31 million in 2009-10.

1.8 The effects of varying these assumptions would be to alter the result, and the effects of this are shown in section 8 of the report. Unless the change in assumptions were to be extreme, variation of the assumptions would not affect the conclusion that the fund balance at the end of 2009-10 was above 1/6th of annual benefit expenditure in the year, and therefore no Treasury grant was needed.

1.9 Estimates for the period up to 2013-14, based on the assumptions mentioned in paragraph 1.7, suggest that the National Insurance Fund will continue to grow, reaching over 110% of estimated annual benefit payments by 31 March 2014, with no Treasury grant required during this period (appendix 9).

1.10 The report is required to be laid by the secretary of state for Work and Pensions before Parliament under section 150(8) of SSA92 in respect of the Up-rating Order, and under section 142(1) in respect the Re-rating Order.

1.11 This report is confined to the National Insurance Fund in Great Britain. It does not consider the separate Northern Ireland National Insurance Fund.

2 Introduction

2.1 This report has been prepared under the Social Security Administration Act 1992. It considers the expected effects on the National Insurance Fund of:

> the draft *Social Security Benefits Up-rating Order 2009* (the Up-rating Order).

Section 150(8) of the Social Security Administration Act 1992 requires the Secretary of State for Work and Pensions to lay a report by the Government Actuary before Parliament with drafts of any orders which alter the rates of benefits made under that section of the Act, and

> the draft *Social Security (Contributions) (Re-rating) Order 2009* (the Re-rating Order).

Section 142(1) of the Social Security Administration Act 1992, as amended by the Social Security Contributions (Transfer of Functions, etc.) Act 1999, requires the Treasury to lay a report by the Government Actuary before Parliament with drafts of any orders which alter the rates of contributions made under those sections of that Act.

2.2 The report includes the effects on the National Insurance Fund of changes which would be made by the draft *Social Security (Contributions) (Amendment) Regulations 2009* and the draft *Social Security Pensions (Low Earnings Threshold) Order 2009.*

2.3 This report is confined to the National Insurance Fund in Great Britain. It does not consider the separate Northern Ireland National Insurance Fund, nor the effects of the corresponding orders on that Fund.

3 Description of the changes to benefits and contributions

3.1 The Up-rating Order would generally increase the rates of social security benefits paid from the National Insurance Fund, from the week beginning 6 April 2009, by the increase in the retail prices index in the year to September 2008 (5.0%). Contribution-based jobseeker's allowance, incapacity benefit and contributions-based employment and support allowance would broadly be increased by the increase in the Rossi index over the same period (6.3%). (Employment and support allowance replaced incapacity benefit for new awards from October 2008, and gradually all recipients of incapacity benefit will transfer to employment and support allowance.) Table 1 overleaf shows the changes to the major benefit rates. A more complete summary of the principal rates of benefit before and after the proposed changes is given in Appendix 1. In addition, the Christmas bonus will be increased from £10 to £70 for the year 2008-09 only, the effect being to pay pensioners an amount at least equivalent to the actual increase from April 2009 from the start of the calendar year.

Table 1 – Changes to the major benefits rates

	Weekly rate in 2008-09	Proposed increase in weekly rate	Weekly rate proposed from 6th April 2009
Retirement pension - person claiming on their own or their deceased spouse's NI contributions - standard rate	£90.70	£4.55	£95.25
Retirement pension – person claiming on their spouse's NI contributions - standard rate	£54.35	£2.70	£57.05
Contribution-based jobseeker's allowance single person over 25	£60.50	£3.80	£64.30
Incapacity benefit long-term main rate	£84.50	£5.30	£89.80
Employment and support allowance personal allowance age 25 or over plus work-related activity component	£84.50	£5.30	£89.80

3.2 Earnings-related additional pensions of retirement pensioners and bereavement benefit beneficiaries who qualified for these pensions before 6 April 2009 would be increased by 5.0%. Additional pension for those on incapacity benefit would not be increased. The increase would apply to additional pensions before abatement for any contracted out deduction where the pensioner has been contracted out at any time between 6 April 1978 and 5 April 1997. However, where such a contracted-out deduction includes an amount based on earnings between 6 April 1988 and 5 April 1997, this amount would be deemed to be increased by 3.0% which would be paid by the contracted-out pension scheme of which the pensioner is a member. The increase in additional pension is correspondingly reduced.

3.3 The Re-rating Order would increase the Class 3 weekly contribution rate from £8.10 to £12.05. There is a liability for Class 2 contributions for self-employed people with profits or gains above the small earnings exception, which would be increased from £4,825 to £5,075 a year. The Class 2 weekly contribution rate would be increased from £2.30 to £2.40. Self-employed people with profits below the small earnings exception may still pay Class 2 contributions to protect benefit entitlement. For Class 4 contributions, the lower profits limit would be increased in line with RPI and the upper profits limit aligned with the higher rate income tax limit.

3.4 The proposed *Social Security (Contributions) (Amendment) Regulations 2009* would increase the lower and upper earnings limits (LEL and UEL) for Class 1 contributions to £95 (from £90) a week and £844 (from £770) a week respectively. The proposed increase to the LEL is in line with the proposed increase to the basic retirement pension while it is proposed to increase the UEL by £36 a week above what would have been the UEL had it been increased in line with the increase in the retail prices index, in line with announcements made during the passage of the National Insurance Contributions Act 2008. The proposed regulations would increase the primary and secondary thresholds in line with the increase in the retail prices index in the year to September 2008. The thresholds would become £110 (from £105) a week for weekly-paid employees and £476 (from £453) for monthly-paid employees. The primary and secondary thresholds had been aligned with the income tax personal allowance in recent years, but the link was broken last year when the personal allowance was altered during the course of the year.

3.5 The changes described in paragraphs 3.3 and 3.4 are shown in Appendix 2. The financial effects of these changes are shown in Appendix 5.

3.6 The proposed *Social Security Pensions (Low Earnings Threshold) Order 2009* would increase the Low Earnings Threshold (LET) from £13,500 to £14,000 in 2009-10. The LET affects the amount of State Second Pension being accrued and, for people in appropriate personal pensions and contracted-out stakeholder pensions, the level of contracted-out rebates. The upper limit of Band 2 accrual for the State Second Pension is dependent on this and on the LEL, and consequently it would be £32,100 in 2009-10, compared with £31,100 in 2008-09. The effects of this proposed Order have been allowed for in this report as far as it is relevant.

4 Assumptions and methods used to project receipts and payments

4.1 The receipts from contributions and the payments of benefits in these years will depend, among other things, upon unemployment and employment levels, and the rate of increase in earnings. In order to consider what assumptions to use for these factors, I felt it appropriate for the base assumptions to be linked to the assumptions used by Her Majesty's Treasury for the Pre-Budget Report on 24th November 2008. In summary, the principal assumptions I have adopted are:

> that the number of employment jobs in the UK, including the armed forces, is assumed to be 27.3 million in 2008-09 and 27.0 million in 2009-10

> the increase in average earnings is assumed to be 1.8% over the year to 2008-09 and 3.2% over the year to 2009-10; and

> the numbers unemployed and claiming benefit in Great Britain are assumed to be 0.93 million on average in 2008-09 and 1.31 million in 2009-10.

Details of the methods used to estimate contribution income and benefit expenditure are given in Appendix 3.

4.2 In order to understand the impact of alternative assumptions, I have included in section 8 a table of adjustment factors to allow the reader to take their own choice of the main assumptions and understand the broad impact on the results of any such alternative.

5 Estimates of receipts, payments and balance in the fund

5.1 Each significant item of the receipts and payments of the National Insurance Fund is estimated separately. The results for the year 2008-09 and 2009-10 are laid out in a format similar to that used for the accounts of the National Insurance Fund. Redundancy payments are shown net of redundancy receipts.

5.2 The estimates of receipts and payments for 2009-10 (with the latest estimates for 2008-09 shown for comparison) are given in Table 2.

Table 2 – Estimated receipts and payments and statement of balances of the National Insurance Fund

Great Britain, £ million		2008-09		2009-10
Receipts				
Contributions (as given in App 6)	77,514		79,036	
Less recoveries of SSP	49		51	
Less recoveries of SMP, SPP and SAP (and abatements)	1,838		1,945	
Net contribution receipts		75,627		77,040
Treasury grant		0		0
Compensation from Consolidated Fund for SSP, SMP, SPP and SAP recoveries		1,879		1,988
Income from investments (1)		2,213		2,495
State scheme premiums		78		78
Other receipts (2)		51		48
Total receipts (3)		79,849		81,649
Payments				
Benefits At present rates (as given in App 4)		70,256	71,114	
Increase due to proposed changes			3,764	
Total				74,877
Personal and stakeholder pensions contracted-out rebates (as given in App 7)		2,406		2,313
Age-related rebates for contracted-out money purchase schemes (as given in App 7)		218		228
Administration costs (2)		1,301		1,301
Redundancy fund payments (net) (2)		255		359
Transfer to Northern Ireland		505		395
Other payments		64		64
Total payments (3)		75,005		79,537
Statement of balances				
Balance at beginning of year (4)		47,873		52,717
Excess of receipts over payments		4,844		2,112
Balance at end of year		52,717		54,829
Balance at end of year as percentage of benefit payments (5)		74.8		72.9

(1) The investment return on the National Insurance Fund is estimated by applying an assumed rate of return to the average balance in the fund during the year
(2) The figures for 2008-09 are provisional estimates supplied by other government departments on the basis of amounts received or paid so far this year
(3) Figures may not sum to totals shown due to rounding
(4) The balance at 31 March 2008 is taken from draft accounts of the fund for the year 2007-08.
(5) Percentages of benefit payments used here include net redundancy payments

5.3 Table 2 shows that the balance in the fund is projected to fall as a percentage of benefit payments in 2009-10. It should be emphasised that there is uncertainty around such projections as the surplus generated each year is the difference between two large numbers and so quite small percentage changes in either of them could result in a large percentage change in the surplus income, and hence in the projected fund balance.

6 Estimates for 2008-09

6.1 The estimates shown above for 2008-09 may be compared with the estimates made a year ago, and published in my predecessor's report in January 2008 (Cm 7312). The estimated surplus (that is, the excess of the receipts over payments) of £4,844 million for 2008-09 shown above differs from the surplus of £10,878 million estimated in that report. The difference is mainly due to the lower contributions paid than were projected in Cm 7312, which in turn is due to the lower increase in earnings and fewer jobs assumed now than were assumed for Cm 7312.

6.2 Estimates for National Insurance Fund benefits for 2008-09 are close to those made in Cm 7312 (£70.3 billion estimated now compared to £69.7 billion estimated a year ago).

6.3 See Appendix 8 for more detail.

7 Estimates for 2009-10

7.1 The extra benefit payments in 2009-10 as a result of the proposed increases in benefit rates from April 2009 are estimated to be £3,764 million from £71.1 billion to £74.9 billion. Particulars of these extra benefit payments and of the payments for individual benefits are given in Appendix 4.

7.2 The financial effects on contribution receipts and contracted-out rebates of the proposed changes set out in paragraphs 3.3, 3.4 and 3.6 are given in Appendix 5. The combined effect of the changes is estimated to produce a decrease in revenue to the National Insurance Fund of £110 million from £79.1 billion to £79.0 billion. Other changes in contribution receipts from 2008-09 to 2009-10 of around £1.6 billion arise as a result of changes in legislation in the National Insurance Contributions Act 2008, which introduced the upper accrual point with the effect of limiting amounts of contracted out rebates, and because of assumed increases in earnings between the two years. Appendix 6 shows an analysis of the contribution receipts.

7.3 Table 2 shows that, at this stage, the estimate of the balance in the National Insurance Fund at 31 March 2010 at £54.8 billion substantially exceeds one-sixth of estimated benefit payments in 2009-10 (£12.5 billion). It has been recommended for the last 15 years that one-sixth of annual benefit payments is the minimum to ensure the maintenance of a reasonable working balance in the fund. Hence the amount of Treasury grant estimated to be needed in 2009-10 is, again, nil.

7.4 Appendix 9 shows the projected development of the fund up to 2013-14 using the assumptions linked to the assumptions used for the Pre-Budget Report. The fund (as a proportion of annual expenditure) is projected to increase over this period from 74.8% in March 2009 to 113.2% in March 2014 and so improve its position as a buffer fund.

8 Effect of different assumptions about employment, unemployment, earnings and contracting out

8.1 The surplus generated in a year is, basically, the difference between two large numbers, the National Insurance Fund receipts, largely contributions, and the fund payments, largely benefits. Comparatively small changes in these numbers will produce a large change in the surplus. This is true for the surpluses in the years 2010-11 to 2013-14 as well as for the surplus in 2009-10. The balance of the fund is essentially the accumulation of surpluses.

8.2 In order to understand the impact of alternative assumptions, table 3 shows adjustment factors to allow the reader to take their own choice of the main assumptions and understand the broad impact on the results of any such alternative. As can be seen, the critical assumption on benefit payments is that for the level of unemployment. The two critical assumptions for estimates of contribution receipts are the levels of employment and assumptions about the level of earnings increases. It is appropriate to consider the effect on the income and outgo of the National Insurance Fund of different values for these assumptions.

Table 3 – Effect on receipts and payments of the National Insurance Fund in 2009-10 of variations in economic assumptions

Great Britain, £ million

Variation compared to assumptions given in Appendix 3 paragraph 27	Effect on receipts in 2009-10	Effect on payments in 2009-10
GB number of employees–in–employment lower by 200,000 in 2009-10	-500	
GB number of employees-in–employment higher by 200,000 in 2009-10	+500	
Earnings increases 1% lower over the year to 2008-09 and 2% lower over the year to 2009-10	-2,480	
Earnings increases 1% higher over the year to 2008-09 and 2% higher over the year to 2009-10	2,490	
GB unemployment higher by 200,000 in 2009-10 (1)		+120
GB unemployment lower by 200,000 in 2009-10 (1)		-120

(1) This assumes that the same proportion of new claims area awarded contributory benefit as in the existing assumed caseload. This may or may not be the case, so care should be exercised when using these figures

8.3 The effect of different assumed numbers of employees does not depend greatly on the assumptions used for earnings increases, nor does the effect of different earnings increase assumptions depend greatly on the number of employees assumed. These factors have been considered separately, and the two effects can be treated as additive. It is also possible to interpolate and extrapolate the effects of changing the assumptions, though it must be noted that the further any extrapolation lies from the base scenario, the less valid the emerging results will be.

8.4 Using the figures in Table 3 it is possible to estimate the likely contribution receipts, benefit payments and fund balance under different sets of assumptions. For example, if earnings increases were 1% lower over the year to 2008-09 and 2% lower over the year to 2009-10 and the number of employees were 500,000 lower and the number unemployed 500,000 higher, then the total effect on the receipts net of payments of the National Insurance Fund in 2009-10 would be a loss of approximately £4.1 billion (compared to a surplus of £2.1 billion on the base projection). This would still not necessitate a Treasury grant in 2009-10, as the balance in the fund, of around £50.5 billion, would be of the order of 67% of benefit payments in the year.

8.5 Different levels or patterns of contracting out could have a material effect on the cash flows of the National Insurance Fund. Table 4 shows the effect of different assumptions on the amounts of rebates paid or, in the case of contracted-out salary-related schemes (COSRS) and the flat-rate part of contracted-out money purchase scheme (COMPS) rebates, deducted from contributions received in 2009-10. Amounts of appropriate personal pension (APP) and APP stakeholder pension rebates for 2009-10, and COMPS rebates for 2009-10 above those deducted from contributions received in 2009-10, will generally be paid by the National Insurance Contributions Office after the end of the financial year direct to personal pension providers or the pension scheme.

Table 4 – Effect on receipts and payments of the National Insurance Fund of variations in assumptions on contracting out from April 2009

Great Britain, £ million

Variation in assumptions	Effect on rebates for 2009-10	Effect on rebates paid or deducted from contributions paid in 2009-10
100,000 more members of COSRS, with same sex, age and earnings profile as assumed COSRS membership	+120	+100
100,000 more members of COMPS with same sex and earnings profile as assumed COMPS membership	+150	+60
100,000 more members of APPs or APP stakeholder pensions with same sex, age and earnings profile as assumed APP and stakeholder pension membership	+190	0

8.6 For different assumptions for changes to the numbers of people contracting out, these amounts can be scaled pro-rata.

9 Conclusion

9.1 Table 2 of the report shows that the balance in the National Insurance Fund at 31 March 2009 is likely to be substantially above the minimum level of one-sixth (16.7%) of benefit payments recommended for the last 15 years. The level is likely to be lower than estimated in the report on the changes in January 2008 (Cm 7312) at £52.7 billion compared to £56.9 billion.

9.2 Allowing for the proposed increases in benefits and changes in contributions for 2009-10, it is estimated, on the assumptions set out in section 4, that the balance of the fund at 31 March 2010 will be at least one-sixth of benefit payments during the year. Appendix 9 shows that on the assumptions made the balance in the fund at the end of each year is projected to be no lower than 72% of benefit payments in the preceding year for each year up to 31 March 2014. The projections made in Appendix 9 include the effects of the Pensions Act 2008 and the National Insurance Contributions Act 2008.

9.3 As the estimated balance of the fund at 31 March 2010 of £54.8 billion substantially exceeds the recommended minimum level (equivalent to £12.5 billion), payment of a Treasury grant is most unlikely to be required in 2009-10. Medium term projections suggest that Treasury grant will not be required during the period to 31 March 2014.

9.4 If economic conditions depart from the assumptions described in paragraph 4.1 then the balance of the fund at 31 March 2010 will be different from that given above. The effect of variation in these assumptions is described in section 8. This analysis suggests that even quite substantial alterations in economic conditions should not cause the balance of the fund at that date to fall significantly below its current level.

Trevor Llanwarne
Government Actuary

Fellow of the Institute of Actuaries
January 2009

Appendix 1: Main rates of benefit provided from the National Insurance Fund

All figures in £s	Weekly rate in 2008-09	Weekly rate proposed from 6th April 2009
Retirement pension, bereavement allowance, widow's pension and widowed parent's allowance		
Personal benefit (basic pension)	90.70	95.25
Wife or other adult dependant (retirement pension only)	54.35	57.05
Graduated retirement benefit (unit)	0.1098	0.1153
Bereavement payment (1)	2,000	2,000
Incapacity benefit long-term rate (2)		
Personal benefit	84.50	89.80
Transitional invalidity allowance higher rate	17.75	15.65
Transitional invalidity allowance middle rate	11.40	9.10
Transitional invalidity allowance lower rate	5.70	5.35
Wife or other adult dependant	50.55	53.10
Age increase higher rate (3)	17.75	15.65
Age increase lower rate (3)	8.90	6.55
Incapacity benefit short-term		
Personal benefit higher rate	75.40	80.15
Personal benefit lower rate	63.75	67.75
Wife or other adult dependant	39.40	41.35
Employment and support allowance (4)		
Personal allowance (age 25 or over)	60.50	64.30
Work-related activity component	24.00	25.50
Support component	29.00	30.85
Statutory sick pay	75.40	79.15
Jobseeker's allowance (contribution-based) (5)		
Personal benefit for those aged 18 to 24	47.95	50.95
Personal benefit for those aged 25 and over	60.50	64.30
Maternity allowance (6)	117.18	123.06
Statutory maternity pay		
Standard rate (6)	117.18	123.06
Guardian's allowance		
First child	13.45	14.10
Other children	13.45	14.10
Increases for the children of widows, widowers, retirement pensioners and those on long-term rate and higher short-term rate of incapacity benefit and recipients of incapacity benefit over pension age		
First child	8.75	8.20
Other children	11.35	11.35
Christmas bonus to pensioners	70.00	10.00

(1) Lump sum benefit
(2) The threshold for incapacity benefit and contributory employment and support allowance offset for occupational and personal pensions is £85 a week for both years
(3) The Employment and Support Allowance (Up-rating Modification) (Transitional) Regulations 2008 permit the modification to the rates of age additions, as part of the transition from incapacity benefits to employment and support allowance. The aim is that the total benefit (personal benefit plus age increase) is uprated by half the increase in the Rossi index
(4) Employment and support allowance replaced incapacity benefit for new claims from 27 October 2008, and gradually all recipients of incapacity benefits will transfer to employment and support allowance. The benefit contains many allowances depending on the circumstances of the recipients. However, everyone who satisfies the work capability assessment will receive a personal allowance and either the work-related activity component or the support component
(5) Unemployed people who meet certain conditions, primarily relating to the payment of National Insurance contributions in the period recently before they become unemployed can claim contribution-based jobseeker's allowance. Other unemployed people who meet the conditions for receiving any benefit receive non-contributory jobseeker's allowance
(6) The first 6 weeks of SMP is paid at 90% of the woman's average weekly earnings with no upper limit. Thereafter the remaining weeks are paid at the standard rate or, if lower 90% of her average weekly earnings. Maternity allowance is paid at the amount shown or 90% of the woman's average weekly earnings if this calculation results in a figure which is less. Self-employed women who hold a certificate of small earnings exception receive maternity allowance equal to 90% of the maternity allowance threshold (£30 a week)

Appendix 2: Main features of the contribution system

		Rate in 2008-09	Rate proposed from April 2009
Class 1			
Lower earnings limit (LEL)		£90 a week	£95 a week
Upper earnings limit (UEL)		£770 a week	£844 a week
Primary threshold		£105 a week or £453 a month	£110 a week or £476 a month
Secondary threshold		£105 a week or £453 a month	£110 a week or £476 a month
Contribution rates (NI Fund and NHS combined)			
Primary (employee)	On earnings between the primary threshold and UEL	(1) 11.0%	(1) 11.0%
	On earnings above the UEL	1.0%	1.0%
	Reduced rate on earnings between the primary threshold and UEL, for married women and widow optants	(2) 4.85%	(2) 4.85%
	NHS allocation included in above - percentage of earnings between the primary threshold and UEL	2.05%	2.05%
	- percentage of earnings above the UEL	1.0%	1.0%
Secondary (employer)	On all earnings above the secondary threshold	(3) 12.8%	(3) 12.8%
	NHS allocation included in above (percentage of all earnings for employees earning above the secondary threshold)	1.9%	1.9%
Class 1A and Class 1B			
Contribution rate (employer only)		12.8%	12.8%
NHS allocation included in above		1.9%	1.9%

Appendix 2 (cont)

	Rate in 2008-09	Rate proposed from April 2009
Class 2		
Flat rate contribution	£2.30 a week	£2.40 a week
Small earnings exception	£4,825 a year	£5,075 a year
NHS allocation included in above (percentage of contribution)	15.5%	15.5%
Class 3		
Flat rate contribution	£8.10 a week	£12.05 a week
NHS allocation included in above (percentage of contribution)	15.5%	15.5%
Class 4		
Lower profits limit (LPL)	£5,435 a year	£5,715 a year
Upper profits limit (UPL)	£40,040 a year	£43,875 a year
Contribution rate		
On profits between the LPL and UPL	8.0%	8.0%
On profits above the UPL	1.0%	1.0%
NHS allocation included in above		
Percentage of profits between the LPL and UPL	2.15%	2.15%
Percentage of profits above the UPL	1.0%	1.0%

(1) The contracted-out rebate for primary contributions in 2008-09 is 1.6% of earnings between the LEL and UEL for contracted-out salary-related schemes (COSRS) and contracted-out money purchase schemes (COMPS). The contracted-out rebate for primary contributions in 2009-10 is 1.6% of earnings between the LEL and upper accrual point (UAP) for contracted-out salary-related schemes (COSRS) and contracted-out money purchase schemes (COMPS)
The UAP was introduced from April 2009 by the National Insurance Contributions Act 2008, and remains fixed in cash terms at the level of the UEL in 2008-09
(2) Married women opting to pay contributions at the reduced rate earn no entitlement to contributory National Insurance benefits as a result of these contributions. No women have been allowed to exercise this option since 1977
(3) The contracted-out rebate for secondary contributions in 2008-09 is 3.7% of earnings between the LEL and UEL for COSRS and 1.4% for COMPS. The contracted-out rebate for secondary contributions in 2009-10 is 3.7% of earnings between the LEL and UAP for COSRS and 1.4% for COMPS
(4) Members of COMPS also receive an age-related rebate (a rebate which increases with age) which is paid by HM Revenue & Customs direct to the scheme on receipt of the employer's end of year return. The age-related rebate is capped at 7.4% for both years. For holders of an appropriate personal pension or a stakeholder pension, the whole of the rebate is age-related and, like that for a COMPS, is paid by HM Revenue & Customs direct to the scheme on receipt of the employer's end of year return. The employee's share of the rebate is 1.6%

Appendix 3: Detailed methods and assumptions used

Contributions

1. Contributions are estimated separately for each class of National Insurance contribution. Actual known receipts in recent years are used to adjust modelled estimates for future years.

2. Estimates of Class 1 contributions are made separately for gross contributions and amounts of contracted-out rebates. Estimates of gross contributions and rebates are made using an earnings distribution based on the Annual Survey of Hours and Earnings produced by the Office for National Statistics, projected in line with the earnings increases shown in paragraph 26 below. The gross contribution results are scaled in line with the assumed number of employees which are also given in paragraph 26. The estimates of amounts of contracted-out rebates are made in a similar way, using an assumption of the numbers contracted out based on the Lifetime Labour Market Database (L2) maintained by the Department for Work and Pension and HM Revenue & Customs (HMRC), and allowing for the continuation of the trend in the proportions of employees contracted out into occupational schemes observed in recent years.

3. Other classes of National Insurance contributions, which generate substantially lower revenues than class 1, are estimated using simpler models. Class 1A and Class 1B contributions are estimated using data provided by HM Revenue & Customs (HMRC) on contributions paid in previous years. Estimates of Class 2 and Class 4 contributions are estimated using data on the earnings of the self-employed received from HMRC, adjusted for earnings increases. This data is combined with information on contributions received in the past, the assumed numbers of self-employed in the future, and the rates of Class 2 and Class 4 in order to estimate the contributions paid. Class 3 contributions are estimated by adjusting the contributions paid in earlier years for the changes in the contribution rate and allowing for the extra payments made after the delayed deficiency notices were sent out. Underlying numbers of people paying class 3 are based on HMRC assumptions.

4. Statutory sick pay (SSP) and statutory maternity pay (SMP) recovered by employers are estimated by adjusting amounts recovered in the latest year for which data are available broadly in line with changes in numbers of employees, rates of benefit, and, for earnings-related SMP, the average earnings of women. The additional amount in excess of 100% of SMP paid which can be reclaimed by small employers (SMP abatement) is estimated in a similar way. The amount of the payment from the Consolidated Fund is estimated as the amounts of SSP and SMP recovered, with adjustments in the current year arising from revisions to estimates of amounts recovered in prior years. Statutory paternity pay (SPP) and statutory adoption pay (SAP) are estimated in a similar way. Historically there were problems with the data for statutory payments, but the position has now improved and work on unresolved questions is continuing. In the meantime, the best estimates have been made based on the available data but it is still possible that figures for statutory payments might be amended in the future. Full allowance has been made for the recent policy changes on duration and entitlements.

Other receipts

5. The estimates given for receipts from state scheme premiums are based on data from the National Insurance Contributions Office on the receipts of these amounts in the recent past.

6. The investment return on the National Insurance Fund is estimated by applying an assumed rate of return to the average balance in the fund during the year.

7. The amount of the Treasury grant, if any, for a year is estimated as that amount needed to ensure that the estimate of the fund balance at the end of that year is at least one-sixth of benefit payments (including redundancy fund payments) in the year.

8. Estimates for the item called “Other receipts” in the accounts of the National Insurance Fund (mainly recoveries of damages in tort from benefit paid) are provided by the Strategy Directorate of the Department for Work and Pensions.

Benefits

9. Benefits are estimated separately for each of the contributory benefits (retirement pension incapacity benefit and so on), and separately for the basic, flat-rate elements of state pensions and for additional pensions (SERPS and S2P).

10. In general, for benefits where the rate is not based on past earnings, numbers of beneficiaries are estimated by taking the most recent data on beneficiaries and projecting these with allowance for awards and cessations in future years based on past experience and taking into account demographic factors. The average rate of benefit is calculated based on the rate projected for each year, making allowance for dependency and average amounts of benefit, based on past data and observed trends.

11. Estimates of basic retirement pension, by far the largest benefit, use the 2006-based population projection as a basis for the numbers over pensionable age. They allow for gradual changes in the proportion of that population receiving basic retirement pension, as well as for an increasing trend in the numbers of overseas residents receiving pension. Allowance is made for trends in the average amounts of benefit and the changing mix in categories of retirement pension for women arising from the increasing trend for women to have entitlement on their own contributions by extrapolating trends from past data. A review of the assumptions used in the model has been carried out incorporating data from the Lifetime Labour Market Database to provide an indication of future entitlements to basic retirement pension. Allowance has been made for the changes in contribution conditions in the Pensions Act 2007.

12. Estimates of amounts of additional pension paid with retirement pension are derived from age-specific data on past earnings from L2. For future years, earnings factors are derived from the output of the contributions model, with adjustments for the difference between earnings on which contributions are paid and earnings counting for accruals of additional pension, and with allowance for different accrual rates on different bands of earnings in the State Second Pension (S2P). Allowance is also made for accruals of S2P credited earnings from 2002-03 onwards, including the changes introduced by the Pensions Act 2007. Accrued earnings are survived to pensionable age using adjusted population mortality rates. At pensionable age the accrued survived earnings are converted to amounts of additional pension awarded, and survived using the mortality rates from the 2006-based projection. Allowance is made for additional pension which is inherited by surviving widows and widowers after the death of a pensioner. A similar method is used for guaranteed minimum pensions and contracted-out deductions, with adjustment to the mortality rates to allow for generally lighter mortality for those contracted out.

13. Estimates of graduated retirement pension are based on the numbers of graduated units earned between 1961 and April 1975. An estimated adjustment was made to allow for units of deceased men inherited by their widows who were under pensionable age at April 1975 and which would not come into payment until the widow reached pensionable age. The units at April 1975 are survived using population mortality rates. Allowance is made for inheritance of graduated units by widows, widowers and bereaved civil partners. Units in respect of people under pension age are assumed to be put into payment on reaching pensionable age. The appropriate graduated rate is applied to the survived units over pensionable age.

14. Estimates of widows' benefits and bereavement benefits are based on an awards and survivorship model. This model is split between projecting the remaining pre-1988 widows who have full transitional protection and are subject to the pre-1988 rules for widows' benefit, projecting the remaining widows widowed between 1988 and 2001, and projecting a build up of widows, widowers and bereaved civil partners post 2001 who are subject to the rules for widows' benefits and bereavement benefits introduced by the Welfare Reform and Pensions Act 1999. Allowance is made for widowers with children who were widowed before April 2001 and who have received widowed parent's allowance since April 2001. Awards are based on recent data and are projected using numbers of new widows, widowers and bereaved civil partners from the latest marital condition projection (mid-2003 based adjusted); termination and transfer rates by single age and type of benefit are derived from recent data.

15. Estimates of lump sum widows payment / bereavement payment are derived from information provided by DWP.

16. Estimates of the amount of additional pension paid with widows' benefits and bereavement benefits are calculated in the retirement pension additional pension model. Accrued additional pension to people dying under pensionable age, and actual additional pension in payment to those dying over pensionable age are converted to give amounts of widows', widowers' and bereaved civil partners additional pension, using assumptions on marital and civil partnership status and age of surviving spouse and civil partner taken from Office for National Statistics publications. The amount is split by type of benefit and survived using the main basic bereavement benefit model. Allowance is made for the changes which have applied since April 2001, under which additional pension will only be paid to widows, widowers and civil partners under pensionable age who receive widowed parents allowance. Amounts of survived additional pension are transferred back to the main retirement pension model in respect of widows, widowers and bereaved civil partners who reach pensionable age, including amounts which are not actually paid under pension age. A similar method is used for contracted-out deductions.

17. Estimates for the amounts of incapacity benefit and employment and support allowance for the short term have, on an exceptional basis, been taken from DWP projections, as full estimates of the effects of the gradual transition from incapacity benefit to employment and support allowance have not yet been built into GAD's models.

18. The estimate of the cost of contribution-based jobseeker's allowance is based on the assumptions for the number of unemployed described in paragraph 26 of this appendix and set out in section 4. These estimates were provided by the Strategy Directorate of DWP. The estimates were adjusted to convert them from accruals (resource) to a cost (encashment) basis.

19. Estimates for maternity allowance are based on recent data on awards and benefits in receipt varied in line with numbers of births from the latest population projection. Full allowance has been made for the recent policy changes on duration and entitlements. Estimates for guardian's allowance are derived from recent data, varied in line with numbers of children in the population and with an allowance for recent trends. Estimates for the lump sum Christmas bonus are derived from numbers assumed to be entitled to the qualifying benefits (retirement pension, widow's pension, widowed parent's allowance and long-term incapacity benefit) with allowance for those cases not entitled to the Christmas bonus. Allowance was made in revised estimated for 2008-09 for the one-off increase in the rate of Christmas bonus in that year.

20. The underlying estimates of payments for all benefits are aligned to recent data on payments for 2008-09 to ensure that account is taken of more recent changes in factors affecting benefit payments than are incorporated in data on numbers of beneficiaries.

Other payments

21. Estimates of payments to providers of appropriate personal pensions (APPs) and stakeholder pensions are made using the method for calculating contracted-out rebates which was described in paragraph 2 of this appendix. Virtually all the rebates in respect of contributions paid in one financial year are paid in the following financial year.

22. Redundancy payments estimates (net of redundancy receipts) are provided by the Department for Business Enterprise and Regulatory Reform, and are based on the same economic assumptions as the other estimates.

23. Transfers from the Great Britain National Insurance Fund to the Northern Ireland National Insurance Fund are made in order to keep the balance in the Northern Ireland National Insurance Fund at 2.84% of the combined balance in the two funds. Estimates of transfers to Northern Ireland are made on this basis.

24. The administration costs for 2008-09 are based on estimates supplied to us by HMRC. Future costs have been estimated as the 2008-09 costs increased in line with inflation.

25. The figures for “Other payments” are based on an extrapolation of amounts shown in the accounts of the National Insurance Fund for this item in previous years.

Economic assumptions

26. The estimates for contribution receipts are sensitive to the assumptions used about the numbers of employees and the numbers of self-employed workers, and to the assumptions used for earnings increases. The estimates of benefit payments depend, among other things, on assumptions about the numbers unemployed. The assumed number of JSA claimants is based on an NAO – audited assumption, derived from an average of independent forecasts. The economic assumptions which have been used are given in section 4.

27. The effects of variations in these assumptions are given in section 8.

Appendix 4: Estimated payments from the National Insurance Fund for benefits, and effect of benefit up-rating on payments in 2009-10

Great Britain £ million	Estimated total payments in 2008-09	Estimated total payments in 2009-10	Extra payments in 2009-10 as a result of the up-rating
Retirement pensions – basic	49,862	53,494	2,425
Retirement pensions – additional pensions	11,355	12,836	890
Widows' / bereavement benefits – basic	556	529	20
Widows' / bereavement benefits – additional pensions	114	101	6
Incapacity benefit – basic (1)	6,393	6,489	364
Incapacity benefit – additional pensions	202	176	0
Contribution-based jobseeker's allowance	564	765	43
Maternity allowance	325	354	16
Guardian's allowance	2	2	0
Christmas bonus	884	131	0
Total (2)	70,256	74,877	3,764
Redundancy payments (net) (2)	255	359	0

(1) Figures include employment and support allowance (ESA)
(2) Figures from these lines appear in Table 2 in the main report

Appendix 5: Analysis of the changes in contribution receipts for 2009-10 as a result of the contribution re-rating order and the Social Security (Contributions) (Amendment) Regulations

Set out in the table below are the principal changes arising from the contribution re-rating order and the Social Security (Contributions)(Amendment) regulations. Other measures will also affect contribution receipts in 2009-10, for example the National Insurance Contributions Act 2008 which caps contracted out rebates at the upper accrual point (UAP). However, the effect of these other measures is not included in the table.

Great Britain, £ million **National Insurance Fund effects**	**Contributions projected as due for 2009-10**		**Contributions projected to be received in 2009-10 (1)**	
Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2007				
Increase in Class 2 rate	+13		+10	
Increase in Class 2 small earnings exception – indexation effect	-5		-3	
Increase in Class 3 rate	+32		+7	
Increase in Class 4 profits limits – indexation effect	+33		+4	
Total		+73		+17
Proposed Social Security (Contributions) (Amendment) Regulations 2008				
Increase in Class 1 primary and secondary thresholds, and lower and upper earnings limits – indexation effect				
Effect on contribution receipts from gross contributions (2)	-242		-211	
Effect on contribution receipts from contracted-out rebates (4)	+106		+84	
Total		-136		-127
Total, all measures		-63		-110

(1) The balance of contributions for 2009-10 will not be received until after 31 March 2010, whereas the “Contributions projected as due” column shows all contributions based on earnings or profits in 2009-10, regardless of when they are received
(2) Figures are gross of statutory sick pay, statutory maternity pay, statutory paternity pay and statutory adoption pay
(3) Figures may not sum to totals shown due to rounding
(4) This line also includes the effects of the proposed Social Security Pensions (Low Earnings Threshold) Order 2009

Appendix 6: Analysis of contribution receipts by fund and class of contributor, and analysis of occupational pension scheme contracted out rebates

Great Britain, £ million			2008-09		2009-10	
National Insurance Fund						
Class 1 (1)	Primary	Gross	32,821		33,785	
		Contracted-out rebate (2)	2,484		2,452	
		Net		30,337		31,333
	Secondary	Gross	49,695		50,015	
		Contracted-out rebate (2)	5,588		5,526	
		Net		44,108		44,489
	Total	Gross	82,517		83,800	
		Contracted-out rebate (2)	8,072		7,978	
		Net		74,445		75,822
Classes 1A and 1B				958		959
Class 2				300		308
Class 3 (3)				89		89
Class 4				1,721		1,858
Total National Insurance Fund Contributions (4)				77,514		79,036
National Health Service						
Class 1	Primary			8,549		8,695
	Secondary			11,304		11,439
	Total			19,853		20,134
Classes 1A and 1B				167		167
Class 2				55		57
Class 3 (3)				16		16
Class 4				817		865
Total National Health Service Contributions				20,908		21,239

Appendix 6 (cont)

Great Britain, £ million				2008-09		2009-10
All contributions						
Class 1 (1)	Primary	Gross	41,370		42,479	
		Contracted-out rebate (2)	2,484		2,452	
		Net		38,886		40,027
	Secondary	Gross	60,999		61,454	
		Contracted-out rebate (2)	5,588		5,526	
		Net		55,411		55,928
	Total	Gross	102,369		103,933	
		Contracted-out rebate (2)	8,072		7,978	
		Net		94,298		95,956
Classes 1A and 1B				1,125		1,126
Class 2				355		365
Class 3 (3)				106		105
Class 4				2,538		2,723
Total contributions				**98,422**		**100,275**

(1) All figures are gross of recoveries by employers of statutory sick pay, statutory maternity pay, statutory paternity pay and statutory adoption pay
(2) Contracted-out rebates in respect of contracted-out occupational pension schemes deducted from contributions paid in year only
(3) These figures include an allowance for extra payments made after the delayed deficiency notices are sent out
(4) These figures appear in Table 2 in the main report
(5) Figures may not sum to totals shown due to rounding

Appendix 7: Analysis of payments in respect of appropriate personal pensions and age-related rebates in respect of contracted out money purchase schemes made by HM Revenue and Customs

Great Britain, £ million	2008-09	2009-10
Personal and Stakeholder pension rebates		
Primary contracted-out rebates	477	451
Secondary contracted-out rebates	1,929	1,862
Total (1)	2,406	2,313
Age-related rebates for members of contracted-out money-purchase schemes (1)	218	228
All payments in respect of personal pensions and age-related rebates to contracted-out money purchase schemes	2,624	2,541

(1) The figures from these lines appear in Table 2 in the main report
(2) Figures may not sum to totals shown due to rounding

Appendix 8: Comparison of estimates for 2008-09 made now and in Cm 7312 (January 2008) (1)

Great Britain, £ million	2008-9 estimates made now		2008-9 estimates given in Cm 7312	
Receipts				
Contributions (2)	77,514		82,847	
Less recoveries of SSP (3)	49		50	
Less recoveries of SMP, SPP and SAP and SMP, SPP and SAP abatement (3)	1,838		1,868	
Net contribution receipts (4)		75,627		80,930
Treasury grant		0		0
Compensation from Consolidated Fund for SSP and SMP recoveries		1,879		1,910
Income from investments		2,213		2,267
State scheme premiums		78		74
Other receipts		51		55
Total receipts (4)		79,849		85,236
Payments				
Benefits (5)		70,256		69,654
Personal and stakeholder pensions contracted-out rebates (6)		2,406		2,167
Age-related rebates for contracted-out money purchase schemes		218		212
Administration costs (7)		1,301		1,528
Redundancy fund payments (net)		255		249
Transfer to Northern Ireland		505		505
Other payments		64		42
Total payments (4)		75,005		74,358

(1) The principal assumptions used in making the two sets of estimates are compared in the table below.

	2008-09 estimates made now	2008-09 estimates given in Cm 7312
Number of employees in employment (UK), million (including HM Forces, excluding self-employed)	27.3	27.7
Increase in average earnings on one year earlier, %	1.8	4.5
Average number of unemployed (GB), million	0.93	0.87

(2) The estimates of contributions are lower than last year because Class 1 contributions are estimated as lower due to lower earnings increases and fewer jobs than were assumed last year (as shown below). Receipts of other classes of contributions are historically volatile but in this case the differences are immaterial
(3) Estimates of SSP, SMP, SPP and SAP are similar to estimates made last year. There are still some unresolved questions in relation to this data and therefore there is the possibility of revisions in the future when these problems are resolved. However, the position has improved considerably in recent years
(4) Figures may not sum to totals due to rounding
(5) The estimate of total benefit payments for 2008-09 is higher than that shown in last year's report. The main reasons for this are the higher Christmas bonus and the higher cost of jobseeker's allowance due to rising unemployment as shown in the comparison of assumptions above
(6) Payments of minimum contributions to appropriate personal pension (APP) providers (including APP stakeholder pensions) are now estimated to be higher than was estimated last year. This is in line with more recent data on the amounts that have been paid
(7) Estimates of the administration costs are lower than those in Cm 7312

Appendix 9: Projected receipts, payments and fund balances for the National Insurance Fund up to 2013-14

1. Projections for 2010-11 and later years, based on the economic assumptions linked to those used for the Pre-Budget Report in November 2008, are shown in the table on the following page. Increases in benefit rates, contribution rates and earnings limits after 2009-10 are estimated in accordance with the legislation.

2. It can be seen from the last row of the table that there is projected to be a steady increase in the balance of the National Insurance Fund as a percentage of benefit expenditure after 2009-10. The main causes of the improving position of the balance of the fund are
   > the increase in state pension age for women from 60 to 65 which starts in 2010
   > the increase of 0.5% in class 1 and class 4 National Insurance contributions from April 2011 as announced in the Pre-Budget Report on 24 November 2008
   > the net reductions in contracted-out rebates and accrual of additional pension as a result of the introduction of the upper accrual point and its fixing in cash terms from April 2009
   > the introduction of employment and support allowance with its associated help in getting recipients back to work.

These more than offset effects which increase benefit expenditure from the National Insurance Fund, that is
   > the change in qualifying conditions for retirement pension for people reaching state pension age from April 2010
   > the move to up-rating basic retirement pension in line with earnings rather than prices, assumed to be introduced from April 2012, and the floor on up-ratings of basic retirement pension of 2.5% a year until that time.

The fund projection assumes no further changes in the law on benefits or contributions.

3. In looking at the numbers below, it is important to note that projections further into the future depend critically on the assumptions used, and small variations in reality from the assumptions can mean that the actual outcome will be very different from that shown.

Balance in National Insurance Fund at the end of successive financial years

Great Britain, £ million	**2007-08 (1)**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Receipts	79,925	79,849	81,649	85,720	95,781	103,245	110,762
Payments	70,272	75,005	79,537	82,226	84,283	88,787	92,761
Excess of receipts over payments	9,653	4,844	2,112	3,493	11,498	14,458	18,002
Balance in Fund at end of year	(2) 47,873	52,717	54,829	58,323	69,821	84,279	102,280
Balance at end of year as a percentage of benefit payments (3)	72.7	74.8	72.9	74.9	86.3	98.8	113.2

(1) From the draft National Insurance Fund accounts for 2007-08
(2) This uses the book value of the fund as at 31 March 2008 and is in accordance both with the accounts and with past practice. However, it is not consistent with the fund projections made in my predecessor's latest Quinquennial Review of the National Insurance Fund, which used market values
(3) This is based on benefit payments; the payments figures in the table also include personal pension and COMP rebates and administration costs

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