

# Revised Career Average Revalued Earnings (CARE) Proposal

This document gives details about the revised CARE proposal under consideration

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- The revised CARE proposal is based on the same Career Average Revalued Earnings principle as the original CARE proposal in the consultation documentation but has been amended to reflect feedback from affected employees and negotiations with the trade unions.

## Revised CARE Proposal at a Glance

Pension age	There will be <b>no change</b> to your existing Normal Pension Age
Accrual Rate	The amount of pension you would build up each year has <b>increased to 1/58th</b> (or 1.724%) of your pensionable pay
Transitional Protection	As Normal Pension Age is not changing, this is <b>no longer applicable</b> .
Contribution rates	Increases in contribution would be <b>phased</b> over a period of up to four years and <b>tiered</b> to protect those on the lowest incomes (see page 2 for detail)
Revaluation Rate	Pensionable pay would be adjusted for price inflation in line with the <b>Consumer Price Index</b> each year
Pension Increases	Once in payment, benefits accrued after 1 April 2018 would increase in line with the Consumer Price Index
Retirement Lump Sum	You would be able to exchange CARE pension for cash at retirement, up to a limit, at a rate of £12 of cash for every £1 of pension foregone
Adult Dependant's Benefits Pension	37.5% of your pension
Children's Pension	1 or 2 children will receive 30% of pension each (50% if no adult dependant's pension in payment) 2 or more children will receive equal shares of 60% of pension (100% if no adult dependant's pension in payment)
"Added Years"	Existing contracts will be honoured in full and in future "Added Pension" can be bought
Early or Late Retirement	<b>No change</b> to your current provision
Shift Pay Pension Plan	<b>No change</b> to your current provision
Pensionable Pay	<b>No change</b> to your current provision
Ill Health Benefits	<b>No change</b> to your current provision
Lump Sum Payable on Death	<b>No change</b> to your current provision
Additional Voluntary Contributions	<b>No change</b> to your current provision
Access to Pension on Redundancy	<b>No change</b> to your current provision
Implementation	Proposed implementation date of <b>1 April 2018</b>
Existing benefits	<b>No changes would be made to any benefits built up before 1 April 2018</b>

# What this means in practice

## Improved accrual rate

In the original proposal, the accrual rate was 1/60th. The revised rate of 1/58th means that for each year you are a member of the CARE scheme, the 'slice' of pension you earn is bigger (1/58th or approximately 1.724% of your pensionable pay compared to 1/60th or approximately 1.667%).

## Past service protected

All pension earned before 1 April 2018 is completely protected.

## New revaluation rate

Pension you have earned will increase in line with inflation (as measured by CPI) until you leave the scheme. The original CARE proposal was for increases in line with national average earnings.

## No changes to Normal Pension Age (NPA)

The original CARE proposal linked NPA to State Pension Age of 67 or older. This means that individuals would have had to work to 67 (or longer) in order to take an unreduced CARE pension.

The revised CARE proposal retains the existing NPA from your current scheme, which means that you would be able to retire at your current NPA and take both your unreduced final salary and CARE pension at the same time.

## Transitional protection not applicable

The purpose of transitional protection in the original CARE proposal was to avoid imposing significant changes that would interfere with retirement plans that were already being implemented by those closest to pension age. By retaining the NPA from the existing schemes in the revised CARE proposal it ensures that no retirement plans currently being implemented will be dramatically affected and therefore the need for this form of protection is greatly lessened.

## Increase in member contribution rates to be tiered

The tiered approach to increasing member contribution rates is based on **pensionable earnings** and is broadly aligned to current income tax brackets. It means that those who are in the groups with higher pensionable earnings would have bigger increases to their contributions than those with lower pensionable earnings.

The aim would be to have an average member contribution rate of 8.2% and phased implementation of this (see below). Salary bands and contribution rates would be kept under review to ensure the overall average level of contribution remains at 8.2%.

NB – The percentage increases shown in the table below are proposed total **contribution rates** and would apply to all members within that pensionable pay range irrespective of current contribution rates.

## Phased approach to the increase in member contributions

Instead of the increase in member contributions taking place immediately upon implementation, the increase would be applied in equal steps over a three-year period, subject to a maximum increase in any one year of 1% (where needed, a fourth year increase will be used to achieve the overall levels required) as detailed below:

Pensionable earnings	£11,000 or less	£11,001 - £43,000	£43,001 - £150,000	Over £150,000
New total contribution rate	No change	7%	9%	11%
Existing contribution rate	5% (6% in some instances)			
<b>Overall increase in contribution rate</b>	<b>No change</b>	<b>2% (1%)</b>	<b>4% (3%)</b>	<b>6% (5%)</b>

Phased approach to increases in member contributions using 5% existing contribution example				
Increase on 1 April 2018	No change	0.66%	1%	1%
Additional increase on 1 April 2019	No change	0.67%	1%	1%
Additional increase on 1 April 2020	No change	0.67%	1%	1%
Additional increase on 1 April 2021	No change	No change	1%	3%

# What is happening and when?



## NOW

The consultation period was due to end on 10 March and has been extended to 21 April 2017, to allow time for members to consider the revised CARE proposal.

- During this time we encourage all members to submit feedback regarding all the proposals but in particular the revised CARE proposal and we will continue to publish answers to frequently asked questions via <http://tools.nda.gov.uk/pensionconsultation>
- Your employer will also let you know when any new information is available.
- We have also provided an online calculator that will enable members to obtain an indication of how the revised CARE proposal will affect them individually.

## Forthcoming weeks

### Trade Union Ballot

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The trade unions have confirmed that this revised CARE proposal is the best option that is achievable through negotiation and they intend to hold a consultative ballot to ascertain members' views over forthcoming weeks. Further details regarding the specific timescales of this will be sent by each trade union to their members in due course.

## 21 April 2017

### Consultation Ends

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Once the extended consultation has been completed, feedback from employees and their representatives will be considered and shared with Government to aid them in their decision making.

## 5 May 2017

### Response to Consultation

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We will respond to the consultation process no later than 5 May 2017 and will confirm next steps at this stage.

Please note, Government will not have reached a decision by this point.

**REMEMBER** • As an active member of one of the pension schemes in scope, your feedback and comments are important to us. Please take the time to share these through your named representative as detailed in the original consultation booklet and letter

# FAQs

## 1 When does the consultation now end?

The consultation period has been extended until 21st April 2017. This is to allow affected employees time to consider the revised CARE proposal and to give their feedback, which we will then share with Government to aid them in their decision-making.

## 2 Does this extension to consultation mean the pensionable pay cap and original CARE proposals are no longer an option?

Following negotiations with the trade unions, we have made some modifications to the original CARE proposal to give a third option which the trade unions believe is the best outcome that is achievable by negotiation. The trade unions have confirmed that they will ballot their members to understand their views on the **revised CARE proposal** only. For the purposes of consultation both of the original proposals remain under consideration during the consultation period.

At the end of the consultation, the feedback and views of affected members (including the outcome of the union ballot) will be shared with Government and this information will be taken into account when Government make the final decision on how the affected schemes will be reformed across the NDA estate.

## 3 What impact does the change from 1/60th to 1/58th mean in practice?

In the original proposal the accrual rate was 1/60th. The revised rate of 1/58th means that for each year you are a member of the CARE scheme, the 'slice' of pension you earn is bigger (1/58th or approximately 1.724% of your pensionable pay compared to 1/60th or approximately 1.667%).

For example if your pensionable pay was £43,000 under the original proposal you would have accrued approximately £717 in pension that year. Under the revised CARE proposal this would increase to approximately £741.

## 4 Does this new proposal mean I can still retire at my Normal Pension Age in my current scheme without any reductions for early payment?

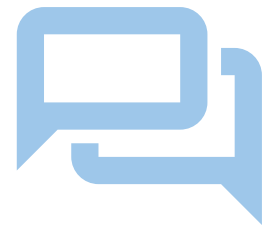
Yes, if the revised CARE proposal was progressed your Normal Pension Age (NPA) as detailed in your current scheme would remain unchanged and there would not be any reduction in pension benefits for early payment if you retire on or after your NPA.

## 5 Will there still be transitional protection for those who are closest to retirement?

During negotiations the trade unions agreed that as the existing NPA is being retained, the affect on those closest to retirement is greatly reduced and so the need for transitional protections is reduced. As such the revised CARE proposal does not retain the transitional protection detailed in the original CARE proposal.

## 6 Why have you set the increased contribution rates as you have?

Feedback from members and the trade unions was that they would prefer a tiered approach to the increase in contribution rates to reflect different levels of individual pay and protect those on lower incomes. The proposed approach is broadly aligned to the current income tax brackets and means that those who are in the groups with higher pensionable earnings would make higher contributions than those whose pensionable earnings are lower. By taking this approach, the average contribution increase will be lower than in the original CARE proposal, at 3.05% rather than 3.2%.



**7 I am a member of Magnox ESPS and contribute at a rate of 6%. What happens to my contributions in the future?**

With the the revised CARE proposal all members would move to the new contribution rates shown on page 2. In this instance, the amount your contribution would increase will be less than for other members, however, from 1 April 2021, your total contributions will be aligned.

**8 What will happen at the end of consultation?**

The feedback received during consultation, along with the outcome from any ballot held by the trade unions will be captured and shared with Government to aid them in their decision making. We will also provide a formal response to all existing final salary scheme members in respect of the consultation process no later than 5th May 2017. The formal response will not include the final decision from Government – this will be communicated as soon as it is available.

**9 Will Government agree to this revised option if it is preferred by members particularly as it is different to the original CARE proposal?**

Whilst the final decision on pension scheme reform is a Government decision, and we would in no way seek to prejudge this, we have had confirmation from the Minister that the outcome of the trade union ballot will be taken into account as part of Government’s decision making process.

Jesse Norman, the Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy, is fully aware of the revised CARE proposal being put forward and has been instrumental in the negotiations between employers and the trade unions.

**10 As the trade unions are intending to ballot members in relation to this revised proposal does this change anything in relation to modifying the statutory protections in place?**

Modifications would still be required to the statutory protections irrespective of any trade union and member support via a ballot.

**11 What happens if I prefer the previous options; either the pensionable pay cap or the original CARE proposal?**

You should share your feedback via your named representative in the consultation pack. All of this feedback will be taken into account by Government when it is considering its decision.

**12 What if I don't agree with any of the proposals?**

We would encourage you to give your feedback through one of the formal consultation response routes detailed in the original booklet / letter.

**13 Why have you issued a calculator that only looks at the revised CARE proposal?**

As the trade unions have stated that this is the only option that they intend to ballot their members on, we agreed with the trade unions that we would share this calculator only.