Public Sector Pensions Authority

Consultation Document - Isle of Man Government Unified (Amendment) Scheme 2017

December 2016

Isle of Man Government

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Foreword

In June 2016 Tynwald considered the recommendations made in the of the Public Sector Pensions Authority’s Report: Fairness and Sustainability of Public Service Pension Schemes - Revised Proposals (GD 2016/0033).

Tynwald endorsed the proposals made in the report and a motion was approved for the PSPA to consult on detailed scheme changes with a view to formal amendments to all schemes being laid before Tynwald for approval by February 2017.

The report proposed reforms to the Isle of Man Government Unified Scheme 2011 (the Unified Scheme). These included increasing the employee contribution rate by 2.5% and benefit reductions for current members (future service accrual only) and new members’ equivalent to 1.8% of pensionable pay. This could be achieved in a number of ways including a reduction in each member’s future pension of 6%.

Since that important decision was made, discussions have been ongoing between the PSPA and trade unions to establish the benefit design which will achieve the 1.8% of pensionable pay savings. These discussions have recently concluded and the amending legislation has been drafted and is scheduled to be considered by Tynwald at its February 2017 sitting.

These proposals for reform are a significant step to put the Unified Scheme on a more sustainable footing going forward. However, there is still a requirement to address the historic cash flow position i.e. the deficit between income and expenditure for legacy members who have already retired, or will in the medium term be retiring, on higher benefits for their service already completed and where insufficient financial provision was made in the past. The historic position cannot solely be addressed by reforms to the Unified Scheme. The Treasury has identified options for managing legacy funding issues arising from Public Sector Pensions as part of its medium term financial strategy and it is agreed that continued dialogue will take place between Tynwald Members, the Treasury and the PSPA in order to identify the most appropriate way to manage the legacy issue in the long term.

Considerable work has been undertaken in the last two years with the PSPA working in collaboration with Employers, Treasury and Trade Unions to establish these reform proposals for the Unified Scheme. In the light of the economic circumstances of the Island, it is most important that due consideration is given to this draft scheme of amendment to the design of the Scheme, which the PSPA considers represents a further significant step towards a workable solution to ensure the Island’s future public service pension provisions remain sustainable and affordable to both members and the Island’s tax payers. The Public Sector Pensions Authority therefore looks forward to receiving feedback on the detailed scheme design changes.

Introduction

This consultation document focuses on the detailed design documentation associated with making an amendment to the Unified Scheme for the majority of the Isle of Man Public Service. The draft Isle of Man Government Unified Scheme (Amendment) Scheme 2017 is at Appendix 3.

The consultation period starts on Friday 9 December 2016 and will close at midday on Friday 6 January 2017 (see page 11 for details of how to submit a response), when feedback will be considered by the PSPA and then the Council of Ministers before finalising the necessary Statutory Documents, for Tynwald approval in February 2017.

It is proposed that the benefit changes for existing members in Sections 1 (Standard) to 7 inclusive and for new members who join Section 1 (Standard) or 7 will be implemented from 1 April 2017.

Contribution changes:

New Members joining Section 1 (Standard) or Section 7 (fire fighters) will pay the increased contribution rates from the date they join.

Existing Member's contribution rates will increase by 2.5%, but at a rate of no more than 1% each year from 1 April 2018.

The contribution rate increase will apply to all members with no exceptions.

Future benefit reduction:

The reduction to pension benefits for future service for both existing and new members will start from 1 April 2017 and will apply to all memberships in Sections 1 (Standard) to 7 inclusive and all pensions (ill health, surviving adult dependent pensions and pension sharing credits) with no exceptions.

Benefits for members who have left the scheme on or before 31 March 2017 with either a pensions in payment or in deferment will not be impacted by these changes.

The proposals move the financing of the Scheme forward with the longer term aim that, following a transitional period and in the long-term, the incoming employee and employer contributions pay for the future pension. To ensure the future costs of the Scheme remain sustainable, the PSPA will carry out cost sharing reviews every three years with the first review to be carried out in 2020.

It is acknowledged that this does not address the issue of the legacy. However, it does put the finances back on track in the long term.

Background

The following information represents a summary of events to date in the project -

Jan 2014	In 2014 Tynwald passed a motion that expressed concern over the continued rising costs and liabilities of public sector pensions and called upon the PSPA to undertake a valuation of the schemes and with the Pensions Working Group, report back to Tynwald in December 2014 on the feasibility of implementing further cost sharing and other measures to reduce the long term liability in order to provide for a sustainable and fair pension scheme.
Dec 2014	The Public Sector Joint Working Group submitted its report "Public Sector Pensions – fairness and sustainability" (GD2014/0079) to Tynwald in December 2014. The report found that further reforms were required to all public sector schemes and therefore recommended a package of reforms to impact on future pensions of new, current and former members and employers in order that the burden of future pensions cost of the Scheme is fairly shared. Tynwald noted the report and called upon the PSPA to undertake a wide and in-depth consultation with all affected staff and their representative into the recommendations for reform made in the report and to have the actuarial figures independently verified.
Feb 2015	In response to the Tynwald motion, the PSPA Pensions Committee was formed. The Committee comprised of representatives from the PSPA, Employers, Staff Side Representatives and Treasury. During 2015 this Committee worked collaboratively and consulted widely to review the previous actuarial figures and to agree ways in which the Scheme could be reformed to meet the required cost savings.
Jan 2016	The Committee put a range of proposals to the PSPA, which closely matched those recommended in the Working Group report – to increase contributions and reduce the cost of pension benefits in the future within an overall "cost envelope" designed to quantify and contain future pension costs. The PSPA accepted the Committee's proposals and submitted its report "Fairness and sustainability of Public Sector Pension Schemes – Revised Proposals" (GD 2016/0017) to the Council of Ministers in February 2016 for comment.
Mar 2016	Whilst the Council of Ministers was comfortable with the findings of the report in relation to the proposed measures to reform all schemes to reduce the future service pension costs, it was decided that further work was required to examine the options for managing the legacy funding issues which had built up over many years. It was accepted that whilst the reforms proposed by the PSPA would be another step towards bringing about sustainability for future service costs, they would not, and could not, address the current and expected

expenditure on benefits accrued to date by current and former members of the schemes, including pensioners. Further work was undertaken to look at the legacy issues. As a consequence of this the PSPA's report was deferred and submitted to the June 2016 sitting of Tynwald.

May 2016 Workshops and presentations were held to ensure all stakeholders, Scheme members, Members of Tynwald and the public understood the background and rationale for the suggestions for reform that were being put forward by the PSPA and supported by Treasury.

June 2016 The revised PSPA Report: "Fairness and sustainability of Public Sector Pension Schemes – Revised Proposals" (GD 2016/0033) was debated in Tynwald.

Tynwald considered the report and a motion was approved; in particular with relation to the reforms of the Unified Scheme that Tynwald –

- Receives the report of the Public Sector Pensions Authority entitled "Fairness and Sustainability of Public Sector Pension Schemes – Revised Proposals;"
- Endorses the proposals for reform of the Government Unified Scheme through the adoption of a cost envelope approach as recommended by the PSPA's Technical Advisory Group (parts 4.1 and 4.2 of the report);
- Requests the Public Sector Pensions Authority to consult on detailed scheme changes with a view to formal amendments to all schemes being laid before Tynwald for approval by February 2017.

Progress Update

Following the June 2016 sitting of Tynwald the PSPA, working with Treasury, Employers, Trade Unions and other staff representatives considered alternative benefit design options and reached agreement for reforms that will achieve the required immediate cost saving of 1.8% of Pensionable Pay via a 6% reduction in future service benefits for current and future new members of Scheme Sections 1 to 7.

Contributions for new memberships in Section 1 or 7 starting on or after 1 April 2018 will increase from 5% to 7.5% and 11% to 13.5% respectively.

In addition to this contributions for all members in Sections 1 to 7 will increase by 2.5% of Pensionable Pay from April 2018.

This period of consultation represents the final stage of this process which is the culmination of this phase of working up the detailed design and issuing of draft legislation for amendments to reform the Unified Scheme.

The Isle of Man Government Unified Scheme (Amendment) Scheme 2017 seeks to implement these changes for new and existing scheme members. A copy of the draft legislation: The Isle of Man Government Unified Scheme (Amendment) Scheme 2017 is at Appendix 3.

Following the close of this consultation on the draft Scheme legislation, the final documentation to reform the Scheme from 1 April 2017 will be presented for Tynwald's approval in February 2017 and the various Joint Negotiation Committees will be asked to ratify the increase in pension contributions.

Overview of Isle of Man Government Unified Scheme (Amendment) Scheme 2017

This section will explain the proposed changes that the Isle of Man Government Unified Scheme (Amendment) Scheme 2017 will introduce to change sections 1 to 7.

In order to achieve the required savings and make the Scheme more sustainable in the future the PSPA is proposing to:

For Active Members on 31 March 2017:

1. Reduce the pension benefits built up based on pensionable after 1 April 2017 by 6%; and
2. Increase member contributions by 2.5% in stages from 1 April 2018.

For New Members on or after 1 April 2017:

1. Reduce benefit accrual by 6%; and
2. Membership of a New Standard Section with a contribution rate of 7.5%;and
3. For Fire-fighters Membership of Section 7 with a contribution rate of 13.5%

1. Reduce the pension benefits built up after 1 April 2017 by 6%

The following Rules relate to the calculation of pensions (Age, Incapacity and Surviving Adult Dependents) and will be amended to account for the fact that all pensions related to pensionable service that is built up on or after 1 April 2017 will be reduced by 6%.

To allow for the reduction the method of calculating pensions will be amended.

For members who are Active in the Scheme on or before the 31 March 2017 the range of Growth Rates currently shown in a table in Rule 31.7 will not change. However, the Rules are amended to make provision for the pension that is built up on or after 1 April 2017 to be multiplied by 94% which will reduce that element of pension by 6%.

Examples showing how the reduction will be applied are at Appendix 1.

<u>Rule 31 - Retirement Pension for Active Members</u>

This is an amendment to Rule 31.4. It puts the future membership into two categories:

- those in active membership on and before 31 March 2017; and
- those who join active membership after 31 March 2017.

For those members who are in active membership before 31 March 2017, the amendment sets the level of pension that can be built up for the pensionable service built up before and after 31 March 2017.

The level of pension for pensionable service before and after 31 March 2017 is calculated using the growth rates in the table set out Rule 31.7 which are the existing growth rates.

The amendment goes on to multiply the pension based on pensionable service from 1 April 2017 by 94% which represents a 6% reduction.

This rule amendment also effect the same reduction for Incapacity pensions paid under Rule 37.

Rule 50 - Death of Active Member

This is an amendment to Rule 50 and refers to the level of Surviving Adult Dependents Pension awarded upon the death of an active member.

The amendment also makes provision for the Surviving Adults Dependents Pension that is attributed the Dependents Pensionable Service built up after 1 April 2017, for members of Sections 1 to 6 to be multiplied by 94% which represents the 6% reduction in benefits.

The amendment also makes provision for the Surviving Adults Dependents Pension that is attributable the Dependents Pensionable Service built up after 1 April 2017, for members of Section 7 to be multiplied by 94%, which represents the 6% reduction in benefits.

Rule 52 – Death of a Deferred Member

This Rule amendment makes provision for any lump sum or surviving adult dependent pension awarded under Rule 52 that is attributable to Members Pensionable Service built up after 1 April 2017 to be multiplied by 94% which represents a 6% reduction in benefits.

2. Increase member contributions by 2.5% from 1 April 2018

This is an amendment to the existing Scheme Rule 26 Member Contributions and replaces Rule 26.1 and introduces changes to clarify the process for amendment to pension contributions in the future and illustrates the phases of transitional contribution rate increases in Schedule I and Schedule II.

Schedule I

This covers the first phase of transitional provisions to the various section contribution rates for members in Sections 1 to 7 on or before 31 March 2017, who have or still are transitioning up to their respective section contribution rate.

The Rule states that their contribution will increase by a rate of no more than 1% a year from April 2018 until the member is paying the Section Contribution Rate applicable to the member as set out in Schedule II.

For members who are active in the Scheme on the 31 March 2017, this second phase of transitional pension contribution increases will start from the 1 April 2018.

The new contribution rates will be phased in over the following **three** years after 1 April 2018, so that members do not face a change in contributions of more than a 1% of pensionable pay in any year.

The table shows the transition of contribution rates for existing members in the Scheme as at the 31 March 2017 from the 1 April 2018 to the end of the phasing in period in April 2020.

Section	**Contribution Rate Transition**		
	1 April 2018	**1 April 2019**	**1 April 2020**
1 (Standard)	6%	7%	7.5%
2 (ex CS Classic only)	8.5%	9.5%	10.25%
2 (other schemes)	8.75%	9.75%	10.25%
3	10.5%	11.5%	12.25%
4	7.60%	8.60%	9.10%
5	10.50%	11.50%	12.00%
6	9.40%	10.40%	10.90%
7	12.00%	13.00%	13.50%
Protected Hospital Doctor Member	10.60%	11.60%	12.10%

Schedule II

This illustrates the Section Contribution Rate applicable to new memberships from 1 April 2017 and the rates that existing members will transition to by April 2020.

Summary of Amended Scheme Features

The following table represents the main features of the proposed amendments to the Isle of Man Government Unified Scheme.

	Proposed Unified Scheme	
	Active Members on or before 31 March 2017	**New Members on or after 1 April 2017**
Pension	Part 1: A percentage of Final Pensionable Pay for each year of Pensionable Service before 31 March 2017 depending on your retirement age. The amount will depend on the member's current section. For example: Standard Section 1 at age 65 is 1.50% Part 2: A percentage of Final Pensionable Pay for each year of Pensionable Service after 1 April 2017 depending on your retirement age reduced by 6%. For example: Standard Section 1 at age 65 is 1.50% x 94%	A percentage of Final Pensionable Pay for each year of Pensionable Service depending on retirement age reduced by 6%. For example: Standard Section 1 at age 65 is 1.50% x 94%
Contribution % of Pensionable Pay	Variable between 6% and 12% from April 2018 increasing to variable between 7.5% and 13.5% at April 2020.	Standard Section 1: 7.5% Section 7: 13.5%

Consultation and Communication Methodology

This consultation is a full member consultation on the draft amendment regulations and provides an overview of the progress of these reforms.

The various other stakeholders have differing needs and may find the following information useful:

Existing Scheme Members

Existing Scheme Members will be contacted via government wide email with access to this document and a factsheet with generic examples to illustrate how the amendments will affect them.

The PSPA website at www.pspa.im has a Unified Scheme Review page which has current and historic reports and other papers relating to these reforms.

Former employees who are entitled to a deferred pension and those in receipt of a pension will not be impacted by these changes and as such will not be contacted as part of this consultation.

Staff Representative Associations

All staff representative associations have received advance warning of this period of consultation via the PSPA and will also receive copies of relevant information so that they can prepare for any support required for their members.

How to Respond

This consultation exercise is designed to invite comments on the draft documentation which will need to be considered by Tynwald in order to make the reforms to the Isle of Man Government Unified Scheme 2011.

The Public Sector Pensions Authority would welcome your views. Comments should be submitted by midday Friday 6 January 2017 to unifiedconsultation@gov.im or in writing by post to:

PSPA
Third Floor, Prospect House
27-29 Prospect Hill
DOUGLAS
IM1 1ET

Email: unifiedconsultation@gov.im

When submitting your views please indicate whether you are responding on behalf of an organisation or in a personal capacity. To ensure that the process is open and honest responses can only be accepted if you provide your name with your response.

Unless specifically requested otherwise, any responses received may be published either in part or in their entirety. Please mark your response clearly if you wish your response and name to be kept confidential. Confidential responses will be included in any statistical summary and numbers of comments received.

Electronic copies of this document and other supporting documents are available on the Unified Scheme Review pages at www.gov.im/unified-scheme-consultation

A summary of the responses received will be published after the closing date for this consultation, and will be made available on the PSPA website or by contacting the team at the address above.

The purpose of consultation is to gather information, views and evidence in order to make an informed decision on the content of the proposed draft legislation. In any consultation exercise the responses received do not guarantee changes will be made to what has been proposed.

Appendix 1

Generic Examples

The PSPA will not be issuing existing members with individual illustrations to show how the 6% reduction will impact on their future pensions or how the reduction compares to current pension expectations. However, in order to illustrate what a 6% reduction may look like, to follow are a range of generic example cases at various ages.

Example 1

To demonstrate how this will impact on a pension we have shown how the pension in the Unified Scheme is calculated using the following formula:

Years and Days of Scheme Service x Pay x Growth Rate

Using an example of a member in Scheme Section 2, who retires at age 60 with 40 year's scheme service and pay of £40,000 the expected pension will currently be:

40 x £40,000 x 1.46% = £23,360 a year

After introducing the proposed reduction of a 6% to the pension (shown as x 94%) built up from service on or **after 1 April 2017** this formula will change.

As the reduction is applied to only the future pension built up after the date of change the scheme service or "pensionable service" as it is referred to in the Scheme will need to be split into two parts. Part 1 will be the service built up before the 1 April 2017 and Part 2 will be the service built up on or after the 1 April 2017. The 6% reduction will be applied to the pension built up from the service built up on or after 1 April 2017.

The following examples illustrate the impact of the 6% reduction to the pension built up on or after 1 April 2017 across a range of ages. As the 6% reduction is only applied to pension built up in the future, the biggest impact to pensions will be for younger members who have longer to work and build up a pension to retirement. Those closer to retirement who have already built up most of their pension will see the least impact to their expected pensions when compared to recent projections.

Example 2 - Assumes a member is aged 58 on 1 April 2017.

Using the same pension as Example 1 and assumed joined the Scheme aged 20 and has 40 years expected service to retirement at age 60. 38 years were built up before the 1 April 2017 and 2 years will be built up after 1 April 2017. Is in Section 2 of the Unified Scheme and has pay of £40,000 a year.

To illustrate how the pension is impacted, the calculation needs to be split into 2 parts and then added together to get the total pension:

Part 1 - the pension that equates to the 38 years service built up before the 1 April 2017 the pension at age 60 is:

38 x £40,000 x 1.46% = £22,192

Part 2 – the pension that equates to the 2 years service to be built up after the 1 April 2017 to age 60 and reduced by 6% is:

2 x £40,000 x 1.46% = £1,168 x 94% = £1,098

Total Pension - £22,192 + £1,098 = <u>£23,290 a year</u>

The expected pension at age 60 in Example 1 was £23,360 and after the reduction is applied the pension reduced to £23,290.

Therefore the impact of the 6% reduction to future service built up after 1 April 2017 for a 58 year old member retiring at age 60 is £70 (i.e. 6% of £1,168) reduction in the expected pension.

Example 3 – Assume Member is Aged 40 on 1 April 2017

Using the same pension as Example 1 and 2, but assuming the member is younger at the time of change, with 20 years built up to the time of change plus an expected 20 years service to retirement age 60.

To illustrate how the pension is impacted, the calculation needs to be split into 2 parts:

Part 1 - the pension that equates to the 20 years service built up before the 1 April 2017 the pension at age 60 is:

20 x £40,000 x 1.46% = £11,680

Part 2 – the pension that equates to the 20 years service to be built up on or after the 1 April 2017 to age 60 and reduced by 6% is:

20 x £40,000 x 1.46% = £11,680 x 94% = £10,979

£11,680 + £10,979 = <u>£22,659 a year</u>

The expected pension at age 60 was £23,360 a year and after the reforms are applied from 1 April 2017 the reduction reduces the expected pension to £22,659 a year.

When compared to Example 1 the impact of the 6% reduction to future service built up on or after 1 April 2017 for a 40 year old member planning to retire at age 60 is £701 a year (i.e. 6% of £11,680) reduction in the expected pension.

Example 4 – Assume Member is Aged 30 on 1 April 2017

Using the same pension as Example 1, but assuming the member is younger at the time of change, with only 10 years built up to the time of change plus an expected 30 years service to retirement age 60.

To illustrate how the pension is impacted, the calculation needs to be split into 2 parts:

Part 1 - the pension that equates to the 10 years service built up before the 1 April 2017 the pension at age 60 is:

10 x £40,000 x 1.46% = £5,840.00

Part 2 – the pension that equates to the 30 years service to be built up on or after the 1 April 2017 to age 60 and reduced by 6% is:

30 x £40,000 x 1.46% = £17,520 x 94% = £16,469

£5,840 + £16,469 = <u>£22,309 a year</u>

The expected pension at age 60 was £23,360 a year and after the reforms are applied from 1 April 2017 the reduction reduces the expected pension to £22,309 a year.

When compared to Example 1 the impact of the 6% reduction to future service built up after 1 April 2017 for a 30 year old member planning to retire at age 60 is £1,051 a year (i.e. 6% of £17,520) reduction in the expected pension.

Important Information

Any additional years of service or pension purchased or being purchased by additional contributions will not be subject to a 6% reduction.

The 6% reduction to future service benefits will apply to all active members in the Scheme with no exceptions.

Members are not permitted to make additional contribution payments to make up for this 6% reduction and in order to secure a higher pension. However, members can top up their pension benefits by paying additional voluntary contributions to Group Personal Pension Plan with Aviva. More information on this arrangement and how to apply can be found in the Unified Scheme guide on the PSPA website at www.pspa.im

Personal Illustrations

The PSPA will not be issuing members with individual illustrations to show how the 6% reduction will impact on their future pensions or how the reduction compares to current pension expectations.

Members in "Protected" Sections 2 to 7

The protections for those members who opted to protect the value of their pension and automatic lump sum from their former pension scheme's normal pension age, in the Unified Scheme Sections 2 to 7 in return for a higher contribution, will remain in place. The pension for future service built up after 1 April 2017, even though reduced by 6%, will still be higher than the benefits that can be accrued in the Standard Section 1.

Appendix 2

List of Direct Consultees -

Scheme Members
Tynwald members
Clerk of Tynwald
Departments, Statutory Boards and Offices
Attorney General's Chambers
The Public Service Commission
Industrial Relations Office
Isle of Man Trade Unions Council
Prospect /GOA
Unite the Union
British Medical Association
British Dental Association
National Transport Union
Medical and Dental Staffs Joint Consultative and Negotiating Committee
Royal College of Nursing
Voice
British Dietetic Association
Whitley Council
University and College Union
Chartered Society of Physiotherapy
Royal College of Midwives
Isle of Man Medical Society
Society of Radiographers
Society of Chiropodists and Podiatrists
Manufacturing Science and Finance Union
Manx Radio
Isle of Man Hospice

Appendix 3

C

ISLE OF MAN GOVERNMENT UNIFIED SCHEME (AMENDMENT) SCHEME 2017

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Regulation **Page**

Statutory Document No. XX/20XX/xxxx

C

Public Sector Pensions Act 2011

ISLE OF MAN GOVERNMENT UNIFIED SCHEME (AMENDMENT) SCHEME 2017

Made:	
Coming into Operation:	*XXXX*
Approved By Tynwald	

The Public Sector Pensions Authority makes the following Scheme under section 6 (1) (c) of the Public Sector Pensions Act 2011.

Title

This Scheme is the Isle of Man Government Unified Scheme (Amendment) Scheme 2017.

Commencement

The Schedule to this Scheme comes into operation on 1 April 2017.

Interpretation

In this Scheme —

"the rules of the Isle of Man Government Unified Scheme" means the rules set out in the Schedule of the Isle of Man Government Unified Scheme 2011.

Amendments to the Rules of the Isle of Man Government Unified Scheme 2011

The rules of the Isle of Man Government Unified Scheme are amended by the modifications set out in the Schedule.

SCHEDULE

(Paragraph 4)

MODIFICATIONS TO ISLE OF MAN GOVERNMENT UNIFIED SCHEME 2011

The modifications to the Rules of Isle of Man Government Unified Scheme 2011 are as follows:

1 Definitions and Interpretation

(1) In the definition of "40 Year Member" after the word "a" and before the word "Civil" insert –

«former»

(2) Replace the definition of "Civil Servant" with –

«"Civil Servant" means a public servant previously appointed under the Civil Service Act 1990 and employed under the Public Service Commission Act 2015.»

Moving Between Sections

In Rule 18A.1 –

At the end of subparagraph (a) after ";" insert —

«or»

At the end of subparagraph (b) substitute ";or" with -

«.»

(3) Delete subparagraph (c).

Calculation of Short service Benefit

In rule 22.3 replace sub-paragraph (a) with –

«is calculated in accordance with rule 31; and»

Member Contributions

Replace Rule 26.1 and the accompanying Table with –

«26.1 Subject to Rule 17, an Active member must pay contributions of an amount equal to the percentage of his or her Pensionable Pay as determined by the PSPA and set out in Schedules I and II to these Rules after –

(i) seeking the advice of the Scheme Actuary;

(ii) consulting with Treasury and Scheme Members; and

(iii) having obtained Tynwald approval.»

Retirement Pension for Active Members

(1) In Rule 31.3 at the beginning insert –

«Subject to Rule 31.3A»

(2) After Rule 31.3 insert –

«31.3A Any benefits that are payable as a consequence of the payment of Contractual Additional Pension Contributions shall not be subject to the calculation set out in Rule 31.4 (b). »

(3) For Rule 31.4 substitute –

«31.4 Subject to Rules 2.5 and 31.5, the level of pension payable for each Member is –

(a) For Pensionable Service up to and including 31 March 2017 the percentage of the Active Member's Final Pensionable Pay set out in the relevant table at Rule 31.7 for each complete year of the Active Member's Pensionable Service with additional completed days of Pensionable Service counting proportionately.; plus

(b) For Service from 1 April 2017 up to the date of retirement the sum of **A multiplied by B**

where –

A is the percentage of the Active Member's Final Pensionable Pay set out in the relevant table at Rule 31.7 for each complete year of the Active Member's Pensionable Service with additional completed days of Pensionable Service counting proportionately;

and

B is 94%.

Death of Active Member

In Rule 50.6 for "Subject to Rule 50.7" substitute –

« Subject to Rule 50.6A 50.7 and 50.7A»

After Rule 50.6 (b) insert –

«50.6A For Section 1 to 7 Members, the pension calculated under Rule 50.6, any pension attributable to Pensionable Service from 1 April 2017 will be the sum of **A multiplied by B**

Where -

A is the pension calculated in accordance with rule 50.6

and

B is 94%

After rule 50.7 insert –

«50.7A For Section 1-7 Members, the pension calculated under Rule 50.7, any pension attributable to Pensionable Service from 1 April 2017 will be the sum of **A multiplied by B**

Where -

A is the pension calculated in accordance with rule 50.7

and

B is 94%»

Death of a Deferred Member

In Rule 52.1 before "On the Death of a Deferred Member" insert –

«Subject to Rule 52.1A»

After Rule 52.1 and before Rule 52.2 insert –

«52.1A For Section 1 to 7 Members, Any Lump Sum or Pension which is calculated under Rules 52.2, 52.4 and 52.5 will be subject to the following calculation –

The lump sum (under Rule 52.2) or pension (under Rule 52.4 or 52.5) which is attributable to Pensionable Service from 1 April 2017 will be the sum of **A multiplied by B**

Where -

A is the lump sum or pension calculated in accordance with Rule 52.2 or 52.4 or 52.5, as the case may be

and

B is 94%

Schedules

Renumber the existing Schedule to –

«Schedule I»

Before the Heading "Transitional Provisions relating to Transfer Member following a Bulk Transfer" insert

« **Transitional Phase I -** »

After Paragraph 9 of the renumbered Schedule I insert –

«**Transitional Phase II - Transitional Provisions relating to Active Members in Sections 1 to 7 on or before 31 March 2017**

10 From 1 April 2018 active Section 2 to 7 Members, who are subject to Transitional Phase I, as set out in paragraphs 1 to 9, have reached the Section contribution rate, as set out in the table below, all Active Section 1 to 7 Members whose active membership commenced on or before 31 March 2017 shall have their contribution rate increased from the following April. The rate of increase shall be by an amount not exceeding 1% of the Member's Pensionable Pay until the Member is paying the Section Contribution Rate applicable to the Member, set out in Schedule II to this Scheme.

Phase I Contribution Rate

Category of Membership	Percentage rate of Pensionable Pay payable
Section 1 (Standard) Member	5.00%
Section 2 Member	7.75%
Section 3 Member	9.75%
Section 4 Member	6.60%
Section 5 Member	9.50%
Section 6 Member	8.40%
Section 7 Member	11.00%
Protected Hospital Doctor Member	9.6%

After the renumbered Schedule I insert –

«**Schedule II**

Member Contributions

Category of Membership	**Percentage rate of Pensionable Pay payable**
Section 1 (Standard) Member (appointed after 01/10/2016)	7.5%
Section 1 (Standard) Member (appointed before 01/10/2016)	7.5%
Section 2 Member	10.25%
Section 3 Member	12.25%
Section 4 Member	9.10%
Section 5 Member	12.00%
Section 6 Member	10.90%
Section 7 Member	13.50%

Section 8 Member	10.00%
Section 8 (a) or (b) Member	15.00%
Protected Hospital Doctor Member	12.10%