Division(s): N/A

PENSION FUND COMMITTEE – 2 DECEMBER 2011

CONSULTATION ON PROPOSED INCREASES TO EMPLOYEE CONTRIBUTION RATES AND CHANGES TO SCHEME ACCRUAL RATES

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. As part of his review of the affordability and sustainability of the public sector pension schemes, the Government asked Lord Hutton to set out the options for delivering short term savings to the schemes. In his interim report, Lord Hutton identified increases in employee contribution rates as the only option available for the majority of public sector schemes.

2. The Government subsequently set target savings for each of the public sector schemes, including a £900m target for the Local Government Pension Scheme (LGPS), to be delivered by 2014/15. For all public sector schemes other than the LGPS, the Government issued consultation papers based on delivering the first year of savings by increases in employee contribution rates from April 2012.

3. Recognising the differences in the LGPS as the only funded scheme amongst the public sector schemes, the Government are prepared to accept alternative options to delivering the savings.

4. Following considerable discussion between the Department for Communities and Local Government, Employers and Unions, it was not possible to develop an option supported by all stakeholders. On 7 October 2011, the Government therefore issued their consultation paper on the options, with a closing date of 6 January 2012.

5. On 2 November 2011, the Government announced amendments to their preferred scheme design for future public sector pensions, aimed at delivering a framework acceptable to the Unions, and averting the first of a number of potential strikes, called for 30 November 2011.

6. This report sets out the main elements of the Government's consultation paper, considers the options going forward, and seeks the Committee's agreement to a consultation response on behalf of the Oxfordshire Pension Fund.

Consultation Document

7. The consultation document from the Government sets out two potential options for delivering the £900m saving from the LGPS (equivalent to an average 3.2% increase in employee contribution rates. Both options involve increases to employee contribution rates, and amendments to the accrual rate (the amount of pension earned by a member each year).

8. Under both options, the Government have stuck to the parameters from their initial scheme design so that no member on a full time equivalent salary of £15,000 or less will see an increase in their contributions, and those on a full time equivalent salary up to £21,000 see an increase of no more than 1.5%. No member should see an increase in their contribution greater than 6%.

9. In all cases, the increase in contribution rate is quoted before the impact of tax relief. The actual reduction in take home pay will therefore be less than the increase in contribution rate, the actual reduction being dependent on an individual's marginal tax rate.

10. Under option 1 within the consultation document, half of the £900m saving is to be met by an increase in employee contribution rates (average increase of 1.5%) with the other half being delivered by an amendment to the accrual rate from the current 1/60th of salary, to 1/64th with effect from April 2013, and then 1/65th from April 2014.

11. Under option 2, £300m of the saving is delivered by an average 1% increase in employee contribution rates, and the remaining £600m from a change in the accrual rate to 1/67th from April 2014.

12. How the employee contribution increases are differentiated across salary grades under the two options is set out in Annex 2.

13. The consultation document also draws attention to the option put forward by the Local Government Group. Under this option, the first £300m of saving is met by increasing the normal retirement age in the scheme to 66 from April 2014 (n.b. benefits built up before this date would retain the normal retirement age under the current arrangement). The remaining £600m is then met from providing employees an option of either an increase in their contribution rate, or a reduction in their accrual rate. Further details are also included in Annex 2.

14. The consultation paper noted that there would be many alternative combinations of the above changes which would deliver the £900m saving, and invited respondents to identify further options for consideration.

15. Finally the consultation paper addressed the issue of how any savings in costs would be fed back to employers and ultimately the tax payer. The paper noted that under the current Regulations there is no scope to reduce employer contribution rates between the three-yearly valuations. The paper

asked for views on technical changes to provide changes to employer contribution rates from April 2012.

The Government's Revised Preferred Design for New Pension Schemes

16. On 2 November 2011, Danny Alexander presented to the House of Commons amendments to the previous preferred design framework, under which the government expects each scheme to complete their scheme specific negotiations.

17. There were no changes to the Government's preferred design around employee contribution changes. The Government though did state a preference for a scheme accrual rate of 1/60th as opposed to 1/65th in their initial preferred design. They also stated that no scheme member within 10 years of their normal retirement date should see a change in when they can retire, nor any decrease in the pension they receive at their current normal retirement date.

Issues for Consideration

18. The Consultation Paper asked five specific questions where the Government would welcome views. The following sets out the officer view on each question, and at Annex 1 include a draft response to the consultation paper.

19. Question 1 – Do the proposals meet the policy and objectives to deliver the necessary level of savings in the LGPS? The costing of all the proposals are consistent, and have been undertaken by Actuaries. In principle therefore all should deliver the required savings. Actual savings will depend on the level of opt out from the scheme. In the short term, levels of opt out will further reduce the level of contributions required, as the level of future liabilities accruing decreases. However over the longer term, schemes will have to change their investment strategies increasing the cost of funding each £ of future liability. There will also be increased costs to the state welfare bill as more people reach retirement with insufficient financial provision.

20. Question 2 – Are there any consequences or aspects of the proposals that have not been fully addressed? As covered in the answer to question 1, the key consequence of the proposals is in respect of the level of potential opt out. The paper fails to appreciate the context in which these increases in employee contribution rates will take place. Most scheme members have not had a pay increase for over two years, and have seen the value of this level of pay eroded as inflation has climbed to its current levels of over 5%. There is therefore a real danger that a further real terms cut in take home pay through the proposed increases in contribution rate, no matter the size of the increase will lead to widespread opt out, to release cash to meet basic household bills.

21. This is not an issue of the benefits that being a member of the LGPS brings (which a series of briefings for staff can address), but a more fundamental issue of the ability of staff to afford the increase.

22. If staff opt out in large numbers, then the reduction in contributions received, combined with the increase in pensions in payments due to the increased numbers of early retirements as Council's deliver against their savings targets, will see the LGPS move from a positive to a negative cashflow. If this is the case, then Funds will need to review their investment strategies, increasing the emphasis on the need to release cash in the short term, at the expense of long term returns. This in turn will mean a switch from investments in equities to bonds, reducing the level of investment returns and driving back up the cost of the LGPS.

23. The two knock on consequence for the national economy are the increase in welfare payments where people are retiring without adequate pension provision, and impact on the stock markets and financial position of individual companies as LGPS funds sell significant levels of equities.

24. The consequences of the proposals on Administering Authorities and Employers should also be considered. The more complicated the proposal, the greater the cost of subsequent administration. In particular, the Local Government Group proposal which would allow individual scheme members to choose between increasing their contribution rate and reducing their accrual rate would create significant payroll administration where contribution rates could no longer simply be set by reference to look up tables for the relevant full time equivalent salary, as well as significant additional administration work for the pension authority.

25. <u>Question 3 – Is there a tariff or alternative measures which consultees think would help to further minimise any opt outs from the scheme?</u> As the main cause of future opt outs is seen as the impact on take home pay, the obvious alternative measure is to deliver the full £900m saving by way of amendments to the accrual rate. Advice from our Actuary suggests that this would require an amendment in the accrual rate to $1/70^{th}$.

26. For the majority of LGPS members, a change to the accrual rate is likely to pass unnoticed, and therefore will not create a drive to opt out. Even if such a drive developed, it is clear that an LGPS scheme built around the Government's preferred design provides a good level of pension, and better than many available in the private sector. Reminding members of the scheme benefits including death grants, dependent pensions etc, as well as the significant contribution from the employer should hopefully curtail any significant level of opt outs, where individual scheme members can continue to afford their own contribution.

27. It should also be noted that the more complex the proposal, the harder it will be to explain to scheme members. The Local Government Group proposal allowing members the choice of changing contribution rate or accrual rate will make it difficult to explain to individual scheme members the impact to their own personal circumstances, and so make it harder to dissuade large groups of staff from opting out.

28. The consultation paper did ask all consultees to provide prior notice of all alternative options by 28 October 2011, and to provide specific costings for such options by 25 November 2011. Given the Officer view about the merits of an option based entirely on the accrual rate, approval was sought and granted from the Chairman and Deputy Chairman of the Committee to submit an option based entirely on changes to the accrual rate. This was therefore submitted on 27 October, with costings based on the advice of the Actuary on 18 November 2011.

29. Question 4 – Are there inequality issues that could result in any individual groups being disproportionately affected by the proposals? If so, what are considered to be the nature and scale of that disproportionate effect? What remedies would you suggest? A key element of the Government's preferred design has been to protect the low paid from contribution increases, and ensure that the low and middle paid receive similar or better levels of pensions going forward. This has been reflected in their proposals around increasing employee contribution rates, with the higher paid taking a bigger share of the savings burden.

30. Switching to an option based entirely on amending the accrual rate whilst ensuring that all groups take a proportionate impact, is therefore inconsistent with the Government wish to protect the low and middle paid.

31. There is though a question as to whether any particular remedy is necessary. The proposal to deliver the whole saving through changes to accrual rates protects the low paid as well as all other groups from an increase in the contribution rates in line with the Government's preferred design. The reduction in accrual rates means all members suffer a proportionate reduction in their future pension.

32. The aim of the changes though is to deliver a scheme that is fair and affordable, sustainable in the long term, and that provides an adequate level of pensions for all staff. Lord Hutton took the benchmark figures from Lord Turner's earlier report as a good guide to an adequate level of pension.

33. As part of its preferred design, the Government wishes to see the normal retirement age in public sector schemes linked to the State Pension Age. That means that going forward, all members will spend longer contributing into their pension scheme than they do at present. With the State Pension Age potentially rising as high as 70 in the not too distant future, staff who join the LGPS at 20 could accrue 50 years of service before drawing their pension.

34. Based on the Governments revised preferred design of an accrual rate of $1/60^{th}$, staff whose earnings simply move in line with average earnings over their career will accrue a pension of around $50/60^{th}$ or 83% of pay. Many of the low and middle earnings would be in this situation. When combined with a basic state pension in the order of the widely discussed £140 a week, staff on salaries below £44,000 will retire on a total pension in excess of their salary.

35. Switching the accrual rate to 1/70th would mean that those on salaries up to £26,000 would retire on a pension equal or above their salary. No group would have a total pension below Lord Turner's benchmark.

36. It would therefore appear that a change to a 1/70th based scheme would still meet the Government's targets of protecting the low paid from a contribution rate, and providing all staff with a pension at or above Lord Turner's benchmark levels. No further remedy would therefore be required.

37. Indeed maintaining the accrual rate at 1/60th in line with the Government's revised preferred design will result in scheme members being asked to pay more for a pension they arguably do not need, which appears inconsistent with the aim of designing an affordable and sustainable scheme. The options of AVC's and Additional Revenue Contributions remain open to all members who wish to increase their pension provision above the benchmark levels, at no additional cost to the employer and tax payer.

38. Question 5 Within the consultation period, consultee's views are invited on the prospects of introducing into the LGPS a link with state pension age as recommended to the Government in Lord Hutton's report. This Committee has previously supported the link between the scheme's normal retirement age and the state pension age, as the best means of mitigating the risk of rising costs due to increasing longevity. However bringing forward to April 2014 the increase in normal retirement age to 66 is likely to be confusing for members in advance of the actual change to state pension age.

39. It is also in conflict with the Government's recent statement that those within 10 years of retirement will not see any change in their normal retirement age, nor in the value of their pension at their normal retirement age. Given that the full saving can be delivered through changes to the accrual rate, a change to the normal retirement age in advance of the changes to state pension age are seen as unnecessary and confusing, and potential a further cause of opt out.

40. Additional Question – Should the Government introduce statutory amendments to allow rates and adjustment certificates to be varied in advance of the next formal Valuation? Under the preferred option of delivering the full saving through amending the accrual rate, effective from 1 April 2014 in line with the 2013 valuation results, there will be no need to introduce further statutory amendments.

41. If the Government were to introduce one of the other options with savings in the earlier years, there is still considerable doubt on the merits of introducing statutory amendments to allow employer contribution rates to be varied in advance of the next valuation. Part of the current regulatory requirements on the Actuary is to keep the employer contribution rate as near stable as possible. This supports financial management across all employers, smoothing out the potential short term variances caused by market movements etc.

42. Since the 2010 Valuation, movements in the financial markets have led to projected changes in the funding position for the Scheme. The latest report from our Actuaries suggests a 0.1% increase in average employer rates would have been required if a valuation exercise had been completed at the end of September.

43. Depending on future movements in the financial markets, and the outcome of the further changes to be implemented to the LGPS, it is likely that employer rates will have to move again as a result of the 2013 Valuation, possibly increasing rates. It does not make sense to introduce this level of volatility into employer contribution rates over such a short term period.

44. It should also be considered that the Fund is currently running at a 21% deficit level. The first option in terms of any potential savings should therefore be a call against this deficit. This will be on increased significance if the scheme changes do result in significant levels of opt out, the cessation of a number of admission agreements and a rapid maturity of the scheme.

Conclusions

45. The main aim of any changes to the LGPS (and all public sector schemes) is to ensure that we have an affordable and sustainable scheme which is fair to the tax payer and provides adequate pensions for our staff in retirement. Any option which leads to significant levels of opt out will fail against this aim.

46. Any option which protects the accrual rate at the expense of employee contribution rates is likely to lead to a higher level of opt out and therefore fail in the long term to deliver the main policy objectives. As normal retirement age is extended, protecting the accrual rate will also lead to the accrual of pensions well in excess of the benchmark levels set out by Lord Turner and accepted by Lord Hutton as a good guide to adequate pensions. Unaffordable increases in employee contributions to deliver pensions above benchmark levels are not seen as an appropriate way forward.

47. The Committee is therefore recommended to support the option to deliver the full £900m saving by way of a change to the accrual rate to 1/70th, effective from April 2014 in line with the next Valuation. This option is seen as delivering the full saving, maintaining adequate pensions for all as well as maintaining affordable levels of employee contributions.

Recommendation

48. The Committee is RECOMMENDED to consider the issues raised in this report, and agree the consultation response as drafted at Annex 1 with any appropriate amendments, to be sent to the Government as the formal response of the Committee.

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: Nil
Contact Officer: Sean Collins
November 2011

Annex 1 - Draft Consultation Response

To be sent by email to Richard McDonagh at the Department for Communities and Local Government.

Dear Richard

Consultation on proposed increases to employee contribution rates and changes to scheme accrual rates, effective from 1 April 2012 in England and Wales.

I am writing in response to Terry Crossley's letter of 7 October 2011 inviting comments on the attached options for changes to the LGPS scheme in England and Wales. This response is made on behalf of the Oxfordshire Pension Fund Committee, acting as the Administering Authority for the Oxfordshire Fund, and was agreed at their full meeting on 2 December 2011. As requested in the Consultation Paper, the Committee have framed their response around the specific questions set out in the paper.

<u>Question 1 – Do the proposals meet the policy and objectives to deliver the necessary level of savings in the LGPS?</u> The costings of all the proposals are consistent, and have been undertaken by Actuaries. In principle therefore all should deliver the required savings. Actual savings will depend on the level of opt out from the scheme. In the short term, levels of opt out will further reduce the level of contributions required, as the level of future liabilities accruing decreases. However over the longer term, schemes will have to change their investment strategies increasing the cost of funding each £ of future liability. There will also be increased costs to the state welfare bill as more people reach retirement with insufficient financial provision.

<u>Question 2 – Are there any consequences or aspects of the proposals that have not been fully addressed?</u> As covered in the answer to question 1, the key consequence of the proposals is in respect of the level of potential opt out. The paper fails to appreciate the context in which these increases in employee contribution rates will take place. Most scheme members have not had a pay increase for over two years, and have seen the value of this level of pay eroded as inflation has climbed to its current levels of over 5%. There is therefore a real danger that a further real terms cut in take home pay through the proposed increases in contribution rate, no matter the size of the increase, will lead to widespread opt out to release cash to meet basic household bills.

This is not an issue of the benefits that being a member of the LGPS brings (which a series of briefings for staff can address), but a more fundamental issue of the ability of staff to afford the increase.

If staff opt out in large numbers, then the reduction in contributions received, combined with the increase in pensions in payments due to the increased numbers of early retirements as Council's deliver against their savings targets, will see the LGPS move from a positive to a negative cashflow. If this is the case, then Funds

will need to review their investment strategies, increasing the emphasis on the need to release cash in the short term, at the expense of long term returns. This in turn will mean a switch from investments in equities to bonds, reducing the level of investment returns and driving back up the cost of the LGPS.

The two knock on consequence for the national economy are the increase in welfare payments where people are retiring without adequate pension provision, and impact on the stock markets and financial position of individual companies as LGPS funds sell significant levels of equities.

The consequences of the proposals on Administering Authorities and Employers should also be considered. The more complicated the proposal, the greater the cost of subsequent administration. In particular, the Local Government Group proposal which would allow individual scheme members to choose between increasing their contribution rate and reducing their accrual rate would create significant payroll administration where contribution rates could no longer simply be set by reference to look up tables for the relevant full time equivalent salary, as well as significant additional administration work for the pension authority.

<u>Question 3 – Is there a tariff or alternative measures which consultees think would help to further minimise any opt outs from the scheme?</u> As the main cause of future opt outs is seen as the impact on take home pay, the obvious alternative measure is to deliver the full £900m saving by way of amendments to the accrual rate. Advice from our Actuary suggests that this would require an amendment in the accrual rate to 1/70th.

For the majority of LGPS members, a change to the accrual rate is likely to pass unnoticed, and therefore will not create a drive to opt out. Even if such a drive developed, it is clear that an LGPS scheme built around the Government's preferred design provides a good level of pension, and better than many available in the private sector. Reminding members of the scheme benefits including death grants, dependent pensions etc, as well as the significant contribution from the employer should hopefully curtail any significant level of opt outs, where individual scheme members can continue to afford their own contribution.

It should also be noted that the more complex the proposal, the harder it will be to explain to scheme members. The Local Government Group proposal allowing members the choice of changing contribution rate or accrual rate will make it difficult to explain to individual scheme members the impact to their own personal circumstances, and so make it harder to dissuade large groups of staff from opting out.

<u>Question 4 – Are there inequality issues that could result in any individual groups being disproportionately affected by the proposals? If so, what are considered to be the nature and scale of that disproportionate effect? What remedies would you suggest?</u> A key element of the Government's preferred design has been to protect the low paid from contribution increases, and ensure that the low and middle paid receive similar or better levels of pensions going forward. This has been reflected in their proposals around increasing employee contribution rates, with the higher paid taking a bigger share of the savings burden.

Switching to an option based entirely on amending the accrual rate whilst ensuring that all groups take a proportionate impact, is therefore inconsistent with the Government wish to protect the low and middle paid.

There is though a question as to whether any particular remedy is necessary. The proposal to deliver the whole saving through changes to accrual rates protects the low paid as well as all other groups from an increase in the contribution rates in line with the Government's preferred design. The reduction in accrual rates means all members suffer a proportionate reduction in their future pension.

The aim of the changes though is to deliver a scheme that is fair and affordable, sustainable in the long term, and that provides an adequate level of pensions for all staff. Lord Hutton took the benchmark figures from Lord Turner's earlier report as a good guide to an adequate level of pension.

As part of its preferred design, the Government wishes to see the normal retirement age in public sector schemes linked to the State Pension Age. That means that going forward, all members will spend longer contributing into their pension scheme than they do at present. With the State Pension Age potentially rising as high as 70 in the not too distant future, staff who join the LGPS at 20 could accrue 50 years of service before drawing their pension.

Based on the Government's revised preferred design of an accrual rate of 1/60th, staff whose earnings simply move in line with average earnings over their career will accrue a pension of around 50/60th or 83% of pay. Many of the low and middle earnings would be in this situation. When combined with a basic state pension in the order of the widely discussed £140 a week, staff on salaries below £44,000 will retire on a total pension in excess of their salary.

Switching the accrual rate to 1/70th would mean that those on salaries up to £26,000 would retire on a pension equal or above their salary. No group would have a total pension below Lord Turner's benchmark.

It would therefore appear that a change to a 1/70th based scheme would still meet the Government's targets of protecting the low paid from a contribution rate, and providing all staff with a pension at or above Lord Turner's benchmark levels. No further remedy would therefore be required.

Indeed maintaining the accrual rate at 1/60th in line with the Government's revised preferred design will result in scheme members being asked to pay more for a pension they arguably do not need, which appears inconsistent with the aim of designing an affordable and sustainable scheme. The options of AVC's and Additional Revenue Contributions remain open to all members who wish to increase their pension provision above the benchmark levels, at no additional cost to the employer and tax payer.

<u>Question 5 Within the consultation period, consultee's views are invited on the prospects of introducing into the LGPS a link with state pension age as recommended to the Government in Lord Hutton's report</u>. This Committee has

previously supported the link between the scheme's normal retirement age and the state pension age, as the best means of mitigating the risk of rising costs due to increasing longevity. However bringing forward to April 2014 the increase in normal retirement age to 66 is likely to be confusing for members in advance of the actual change to state pension age.

It is also in conflict with the Government's recent statement that those within 10 years of retirement will not see any change in their normal retirement age, nor in the value of their pension at their normal retirement age. Given that the full saving can be delivered through changes to the accrual rate, a change to the normal retirement age in advance of the changes to state pension age are seen as unnecessary and confusing, and potential a further cause of opt out.

<u>Additional Question – Should the Government introduce statutory amendments to allow rates and adjustment certificates to be varied in advance of the next formal Valuation?</u> Under the Committee's preferred option of delivering the full saving through amending the accrual rate, effective from 1 April 2014 in line with the 2013 valuation results, there will be no need to introduce further statutory amendments.

If the Government were to introduce one of the other options with savings in the earlier years, there is still considerable doubt on the merits of introducing statutory amendments to allow employer contribution rates to be varied in advance of the next valuation. Part of the current regulatory requirements on the Actuary is to keep the employer contribution rate as near stable as possible. This supports financial management across all employers, smoothing out the potential short term variances caused by market movements etc.

Since the 2010 Valuation, movements in the financial markets have led to projected changes in the funding position for the Scheme. The latest report from our Actuaries suggests a 0.1% increase in average employer rates would have been required if a valuation exercise had been completed at the end of September.

Depending on future movements in the financial markets, and the outcome of the further changes to be implemented to the LGPS, it is likely that employer rates will have to move again as a result of the 2013 Valuation, possibly increasing rates. It does not make sense to introduce this level of volatility into employer contribution rates over such a short term period.

It should also be considered that the Fund is currently running at a 21% deficit level. The first option in terms of any potential savings should therefore be a call against this deficit. This will be on increased significance if the scheme changes do result in significant levels of opt out, the cessation of a number of admission agreements and a rapid maturity of the scheme.

<u>Conclusions</u>

The main aim of any changes to the LGPS (and all public sector schemes) is to ensure that we have an affordable and sustainable scheme which is fair to the tax payer and provides adequate pensions for our staff in retirement. Any option which leads to significant levels of opt out will fail against this aim.

Any option which protects the accrual rate at the expense of employee contribution rates is likely to lead to a higher level of opt out and therefore fail in the long term to deliver the main policy objectives. As normal retirement age is extended, protecting the accrual rate will also lead to the accrual of pensions well in excess of the benchmark levels set out by Lord Turner and accepted by Lord Hutton as a good guide to adequate pensions. Unaffordable increases in employee contributions to deliver pensions above benchmark levels are not seen as an appropriate way forward.

The Committee is therefore recommended to support the option to deliver the full £900m saving by way of a change to the accrual rate to 1/70th, effective from April 2014 in line with the next Valuation. This option is seen as delivering the full saving, maintaining adequate pensions for all as well as maintaining affordable levels of employee contributions. As requested in the consultation paper, the Committee did provide prior notice of this option, by emails to the Department on 27 October 2011 and 18 November 2011.

Sean Collins
Service Manager (Pensions, Insurance & Money Management)

On behalf of the Oxfordshire Pension Fund Committee

Annex 2 – Proposed Changes to Employee Contribution Rates

The following table reflects the contribution rates payable by employees in 2014/15 based on their full time equivalent salary under the two options proposed by the Government, and the preferred option under the Local Government Group's paper. Lower rates are payable from April 2012 and 13 as the changes are phased in.

Under the proposed preferred option, all rates will remain in line with the current figures.

Salary Range	% of current membership	Current Rate	Option One 2014/15 Rate	Option One Total Increase	Option Two 2014/15 Rate	Option Two Total Increase	LGG Option 2014/15 Rate	LGG Option Total Increase
0-12,900	8.7	5.5	5.5	0.0	5.5	0.0	5.5	0.0
12,901 – 15,100	10.6	5.8	5.8	0.0	5.8	0.0	5.8	0.0
15,101 – 19,400	25.2	5.9	6.0	0.1	6.0	0.1	7.4	1.5
19,401 – 21,000	7.5	6.5	7.7	1.2	6.8	0.3	8.0	1.5
21,001 – 24,000	)))31.3	6.5	8.3	1.8	7.5	1.0	8.5	2.0
24,001 – 32,400	)))	6.5	8.3	1.8	7.5	1.0	9.0	2.5
32,401 – 43,300	11.1	6.8	8.7	1.9	8.2	1.4	9.3	2.5
43,301 – 60,000	4.2	7.2	9.0	1.8	8.8	1.6	9.7	2.5
60,001 – 81,100	0.9	7.2	10.0	2.8	9.5	2.3	9.7	2.5
81,101 – 100,000	0.2	7.5	11.0	3.5	10.5	3.0	10.0	2.5
100,001 – 150,000	0.2	7.5	12.0	4.5	11.5	4.0	10.0	2.5
150,001 and above	0.1	7.5	12.5	5.0	12.5	5.0	10.0	2.5

Option One – Savings delivered by increase in Employee Contribution Rates £450m, balance by reduction in accrual rates to 1/64th in April 2013, and 1/65th in April 2014.

Option Two – Savings delivered by increase in Employee Contribution Rates £300m, balance by reduction in accrual rate to 1/67ths from April 2014.
Local Government Group Option – Savings Delivered by increase in Employee Contribution Rates £600m, although individual scheme members can opt to maintain current rate and have a reduction in their accrual rate. Balance of Savings delivered by increasing normal retirement age to 66 from April 2014.

Proposed Option – No increase in employee contribution rates. Full saving delivered by reduction in accrua