

The CARE Scheme (the Scheme)

Summary of Trustee's Contribution Proposal

The contribution proposals outlined below will form the basis of a 60-day consultation exercise which you may be required to undertake with your staff.

Further details on what you need to do in this respect can be found in the 'Employer Consultation Guidance Notes' booklet, available on our website at www.thepensiontrust.org.uk > Document Library > Scheme Literature > CARE > Consultation Documents.

Once you have carried out a 60-day consultation with your staff regarding the contribution proposals, please complete and return 'Feedback Form 2' by 18 November 2011.

Deficit Contributions

The formal preliminary results of the triennial valuation at 30 September 2010 are summarised below:

Assets	£21.3m
Liabilities	£23.9m
Deficit	£2.6m
Funding Level	89.0%

As a result, the Trustee is proposing that participating employers make deficit recovery payments of £208,000 a year (which, on average, will be broadly equivalent to 0.9% of earnings from employers), starting from 1 April 2012 and increasing by 3% at each subsequent 1st April for a period of 10 years. **Employer Name's** share is initially £xxx a year (which will be payable in monthly instalments of £yyy a month).

The Trustee is proposing that the deficit recovery payments are allocated to employers according to their share of past service liabilities and that the payments are collected as monthly fixed amounts. This basis ensures that those employers which are no longer building up benefits in the defined benefit (DB) structures of the Scheme, are still required to meet their share of the deficit (which relates to the DB assets and liabilities of the Scheme).

Future Service Contributions

As part of the 2010 valuation, the Scheme Actuary has calculated an increase in future service contribution rates for the DB structures of the Scheme, as follows:

- 80ths structure: 1.1% increase
- 100ths structure: 0.8% increase

These increases in future service costs will apply from 1 April 2012 and the Trustee proposes that the increases are shared between the employers and members, as shown in the table overleaf.

The Trustee's future service contribution proposal is as follows:

80ths Structure	Current	Proposed
Average Member Cost	4.4% (*)	4.9% (**)
Employer Cost	10.0%	10.6%
Total	14.4%	15.5%

100ths Structure	Current	Proposed
Average Member Cost	3.4% (*)	3.9% (**)
Employer Cost	8.5%	8.8%
Total	11.9%	12.7%

(*) **Current** member cost calculations are:

- [Age/10]% for the 80ths structure
- [(Age/10) – 1]% for the 100ths structure

For example, a 33 year old member would pay 3.3% in the 80ths structure and 2.3% in the 100ths structure.

(**) **Proposed** member cost calculations are:

- [(Age/10) + 0.5]% for the 80ths structure
- [(Age/10) – 0.5]% for the 100ths structure

For example, a 33 year old member would pay 3.8% in the 80ths structure and 2.8% in the 100ths structure.

Closed Employer Surcharges

The Scheme Actuary has calculated revised surcharges for employers that have closed the DB structures to new entrants, as follows:

- 80ths structure: 2.0%
- 100ths structure: 1.6%

The Trustee's proposal is that these revised surcharges are applied from 1 April 2012. The surcharges are paid monthly in addition to an employer's normal contribution rates.