1. Why are the increases in contribution rates spread over the period between 1 April 2019 and April 2020? Is there a statutory reason for this timeframe?
   No: there is no requirement under law or the scheme rules to phase in the contribution increases required by the default cost sharing provisions. However, the trustee is prepared to make the case to the Pensions Regulator that a phased increase can be justified, rather than introduce the full increase in one step. This is not a decision that has been taken lightly and is not without potential consequences: the cost of continuing to offer the benefits currently provided by the scheme, and repair a funding deficit in respect of pensions already earned, has increased by £900m a year. The longer this is left unaddressed, the greater the potential funding challenge could be for employers and members in the future.

2. If there is no statutory reason for the proposed timeframe, could payments be deferred beyond April 2020? For example, would it be possible to push this out to April 2019, April 2020 and April 2021?
   The trustee is prepared to make the case to the Pensions Regulator that the phased increase proposed can be justified – but it is not without potential consequences: the cost of continuing to offer the benefits currently provided by the scheme, and repair a funding deficit in respect of pensions already earned, has increased by £900m a year. The longer this is left unaddressed, the greater the potential funding challenge could be for employers and members in the future. Affected employees who have views on the trustee’s proposals should respond to the consultation with these views. All consultation responses will be read and considered.

3. Is there flexibility in the staging of contribution rates in order to relieve payment pressures on members and institutions? For example, could the first increase be deferred beyond 1 April 2019? Could the initial phase i.e. the 8.8% contribution rate be prolonged beyond 1 October 2019?
   The trustee has applied its discretion in arriving at the phasing proposed but, in doing so, it has also been mindful that the security of members’ pensions could be affected if the increased costs – circa £900m a year – aren’t addressed. The longer this is left unaddressed, the greater the potential funding challenge could be for employers and members in the future. Affected employees who have views on the trustee’s proposals should respond to the consultation with these views. All consultation responses will be read and considered.

4. Could contributions be end-loaded within the proposed timeframe? What would this ultimately do to contribution rates and would they need to be higher?
   The trustee has applied its discretion in arriving at the phasing proposed but, in doing so, it has also been mindful that the security of members’ pensions could be affected if the increased costs – circa £900m a year – aren’t addressed. The longer this is left unaddressed, the greater the potential funding challenge could be for employers and members in the future. Affected employees who have views on the trustee’s proposals should respond to the consultation with these views. All consultation responses will be read and considered.

5. Would it be technically possible to push back higher contribution rates beyond the proposed timeframe, or make catch up contributions later or on retirement?
   The trustee has applied its discretion in arriving at the phasing proposed but, in doing so, it has also been mindful that the security of members’ pensions could be affected if the increased costs – circa £900m a year – aren’t addressed. The longer this is left unaddressed, the greater the potential funding challenge could be for employers and members in the future. Affected employees who have views on the trustee’s proposals should respond to the consultation with these views. All consultation responses will be read and considered.
6. Will the initial JEP report amend the current cost-sharing proposal in any way?
   No – see the member communication dated 2 October 2018.

7. If contribution rates increase as part of the cost-sharing process, what is the likelihood of rates decreasing at a later point in time?
   It would not be appropriate for the trustee to speculate on what conclusions may – or may not – be reached at future valuations. The scheme’s funding position must, by law, be reviewed through a valuation at least every three years. The factors influencing the latest valuation (see: consultation film for more on this) will be reviewed as part of this process.

8. Could the second contribution phase from 1 October 2019 be delayed in order to allow the cost-sharing proposal to be superseded by a permanent arrangement?
   At the time of writing, cost sharing remains the only default process that the trustee is legally able to operate for addressing the regulatory and legal obligations of the latest valuation. UUK and UCU are now considering the JEP report which is expected to inform subsequent JNC discussions later this year. The trustee has repeatedly expressed the view that the JEP report could provide the basis for UCU and UUK to agree a way forward that could be introduced before the significantly higher phases of cost sharing increases come into effect, and sincerely hopes that comes to pass.

24.09.18