



# Future contributions

This issue of bitesize is about how the risk sharing included in the Hybrid section could affect Company and member contributions to the DB core element in the future.

Company and member contributions could change depending on the outcome of each actuarial valuation.

An actuarial valuation usually happens every three years and this decides what the future service rate (FSR) will be for the next three years (or until the next valuation).

The FSR is the cost of providing the pension benefits members build up each year. This FSR percentage is split between the Company and the member.

From 1 April 2025 the FSR is 19.7%. The member contribution (for the DB core element only) is 4.7% and the Company contribution is the balance (15.0%) of DB core pensionable earnings (£25,836 at 1 April 2025).

We've included some examples of how the risk sharing works in practice in this guide.

## Future contributions: how it works

The DB core element of the Hybrid section both Company and member contributions could change in the future, however:

- Members' DB core contributions are 10% **unless the future service rate (FSR) goes above 25% or above 40%**

	What happens if...		
	The FSR falls below 25%	The FSR is between 25% and 40%	The FSR increases above 40%
<b>The Company contribution rate..</b>	Drops to its minimum rate of 15%	<i>Either</i> <ul style="list-style-type: none"> <li>• Decreases down to the FSR (less 10%) subject to a minimum Company rate of 15%</li> </ul> <i>Or</i> <ul style="list-style-type: none"> <li>• Increases up to the FSR (less 10%) subject to a maximum Company rate of 30%</li> </ul>	Increases to its maximum rate of 30%
<b>The member contribution rate...</b>	Reduces below 10% (to the FSR less 15%)	Stays at 10%	Increases above 10% (to the FSR less 30%)

### DC top up contribution

- In the Hybrid section, pensionable earnings over the DB core go into a DC top up
- The member contribution rate for the DC top up is 7% of pensionable earnings above the DB core pensionable earnings (or you can choose to contribute at a lower rate subject to a minimum of 3%)
- The Company matches this 2 for 1 up to a maximum of 14%

### Notice period if, in the future, the member rate changes in the proposed Hybrid section.

- Once the valuation has been agreed with the Trustee, members would be given at least three months' notice of any increases to the member DB core contribution rate, giving them time to make a decision about whether they want to remain in the Hybrid section, change their DC top up contribution or move to the DC section.

Continued overleaf...

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## Future contributions - an illustration

Here are some examples to show how the risk sharing works if, in the future, the FSR changed above 40% or below 25%. Please note, they are for illustration only and not a forecast of future service rates (FSR)

### Example 1: FSR of 39%

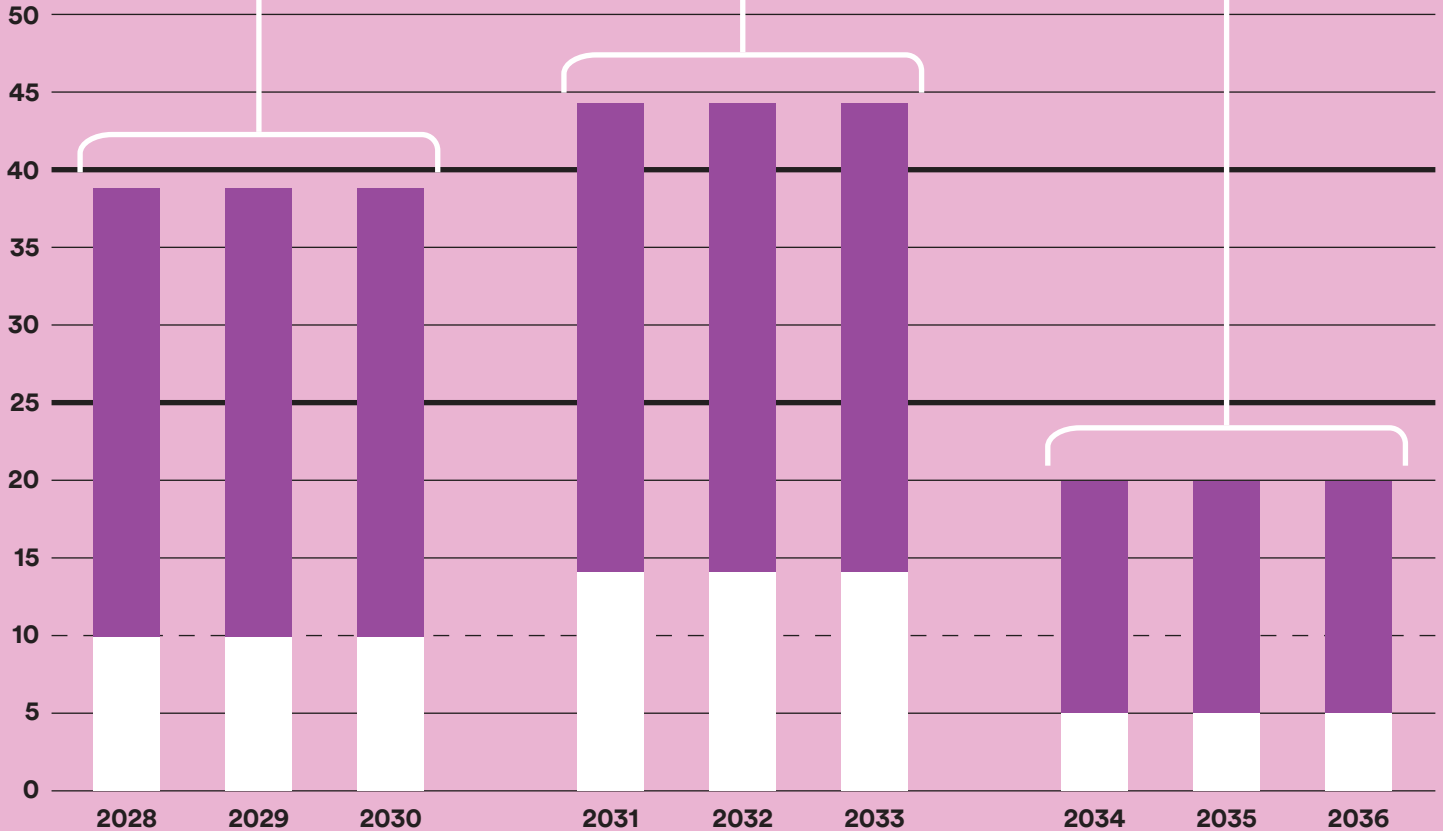
- It's below 40% and above 25% so the member rate increases to 10%
- The Company rate increases to 29%

### Example 2: FSR of 44%

- The Company rate goes to its max of 30%
- And the member rate increases to 14%

### Example 3: FSR of 20%

- The Company rate goes to its min of 15%
- And the member rate decreases to 5%



Example 1

Example 2

Example 3

Company contribution rate    Member contribution rate

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