

CONSULTATION ON PROPOSED INCREASES TO CONTRIBUTIONS FOR MEMBERS OF THE NI TEACHERS' PENSION SCHEME (NITPS)

1. Introduction

This is a consultation by the Department of Education on proposals for potential increases in the level of contributions scheme members will be required to make to the NI Teachers' Pension Scheme (NITPS).

This consultation does not invite comments on the contribution rates in 2013-14 and 2014-15 as these will be the subject of further discussion. Nor does it address longer-term reforms to redesign the content and governance of public service pension schemes, which the Coalition Government intends to apply from April 2015. This consultation concerns proposed increases in contribution rates relating to 2012-13 only.

This consultation will run for 12 weeks, from 31 October 2011 to 23 January 2012. The Department invites views on the proposals contained in this document and the questions it poses. The Department will discuss the proposals outlined in this document with members of the Teachers' Superannuation Consultative Committee (TSCC) - the established forum for consultation on matters relating to the NITPS, comprising trades unions and employer representatives from both the school and further education sectors.

As part of this consultation exercise, the Department is publishing draft amending regulations which will make the changes to the Teachers' Superannuation Regulations (NI) 1998 that are needed to give effect to the proposed increased member contributions from April 2012. These are attached at Annex B.

The consultation document proposes two possible methods for employers to calculate the appropriate contribution rate. The draft regulations show how Option 1 would be implemented but no decision has been made and the Department will analyse responses to the consultation before reaching a conclusion. Should the outcome of the consultation result in significant amendments to the draft Regulations the Department will re-issue for comments.

The Department has undertaken an Equality and Human Rights Policy Screening and has decided not to conduct an equality impact assessment. A copy of the screening document is attached at Annex C.

2. Background

On 19 July 2011 the Chief Secretary to the Treasury (CST) set out the principles that would apply to increases in contributions for members of unfunded public service pension schemes.

Providing good quality pensions is becoming more challenging given increasing life expectancy. The Coalition Government set up the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness to make recommendations on how such pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the tax payer.

The Coalition Government has committed:

- to retain a defined benefit scheme;
- to protect accrued rights so that the benefits that members have earned up to the point of change will be protected; and
- to ensure that the pension individuals receive at normal pension age, for low and middle earners, working a full career, will be broadly as generous as they are under the current scheme.

The IPSPC, as part of its review, was invited to produce an interim report by the end of September 2010. The terms of reference stated; "This should consider the case for delivering savings on public service pensions within the spending review period - consistent with the Government's commitment to protect those on low incomes - to contribute towards the reduction of the structural deficit."

In his interim report of 7 October, Lord Hutton recommended that increased longevity and the imbalance between employer and employee contributions are strong reasons to make short-term changes to pension contributions pending a more fundamental redesign of the schemes.

The IPSPC Interim Report stated:

There is a rationale for increasing member contributions to ensure a fairer distribution of costs between taxpayers and members.

It is a matter for the Government to decide the manner and level of any increases in contributions necessary.

If the Government wishes to make savings in the short-term it will be more effective to increase member contributions rather than alter the benefit structure.

It is up to the Government to decide on changes to the structure and level of employee contributions. Since effective benefit levels vary considerably between different schemes, particularly between pre and post reform schemes, then changes

to employee contributions could be made to reflect this. However, these differences will, to some extent, be due to historic negotiations around pensions and pay.

The Commission's terms of reference set out that any case for delivering savings should be consistent with the Government's commitment to protect those on low incomes. This is important as an issue of fairness but also because of two important factors:

- it is reasonable to assume that lower paid workers are more likely to opt out of a pension scheme than higher paid workers if they face the same increase in pension contributions as a proportion of their salary. This is in no one's interests, since these people could end up with an inadequate retirement income and could fall onto means tested benefits later in life. The Government would lose revenue in the short-term since these people would no longer be paying any contributions to the scheme; and*
- the Commission has shown that in final salary schemes, which still dominate the public service pension landscape, high flyers tend to do better from schemes. People with higher pensions also live for longer and so benefit from pensions for longer. This suggests that there may be a case for targeting contribution increases at high-earners, or to introduce tiered contribution levels; in a similar way that member contributions are currently tiered in the local government and NHS schemes.*

To reduce the level of opt-out across the board, the Government should consider staging any increase in contributions, especially in the context of the current pay freeze. Although this might appear to reduce savings in the first few years, if it reduces opt-out levels such staging could in fact maximise extra revenue from member contributions at all income levels. In addition, the Commission does not believe that member contributions should be introduced for the armed forces at this time.

The issues around fairness, sustainability, promoting productivity and the need for transparency and simplicity mean there is a need to consider long-term structural reform of public service pensions. However, that reform will take time. Increased longevity, the imbalance between employer and employee contributions and the fact that total contributions may be too low if the discount rate is too high suggests there is a case to make short-term changes, pending long-term reform.

The Commission considered a range of options that may provide short-term savings, specifically:

- changing the benefits structure;*
- contracting public service pension schemes into the State Second Pension; and*
- increasing contribution rates.*

Of these, the most effective way to make short-term savings is to increase member contributions and there is also a clear rationale for doing so.

It is a matter for the Government to decide the manner and level of any increases in contributions necessary. However, the Commission feels that any increases should

be managed so as to protect the low paid and, if possible, increases in contributions should be staged and need to be considered with a view to preventing a significant increase in opt out rates. The Commission does not recommend introducing contribution rates for the armed forces at this time.

The Coalition Government announced in the 2010 Spending Review that it accepted the findings of the interim IPSPC Report on public service pensions and that it would therefore seek progressive changes to the level of employee contributions.

The total overall savings are £2.8 billion per annum across the public service pension schemes by 2014-15. These changes equate to an average 3.2 percentage point contribution increase for members of public service pension schemes. The NI proportion of this is likely to be in the region of £140m per annum. These savings were to be introduced incrementally over the three years starting April 2012, on a 40%:80%:100% basis.

Under the previous “cap and share” arrangements, savings across the public service of £1 billion were expected. These “cap and share” arrangements provided for increased contribution costs to be shared between employers and employees but provide a limit (i.e. a cap) on the employer’s contribution level. It is now envisaged instead by the Coalition Government that £1.2 billion of savings need to be financed through contribution increases in 2012-13.

The Spending Review statement made clear that the Coalition Government is keen to discuss the contribution increases with unions and employer representatives, and stated its view that increases should be implemented in such a way as to:

1. protect the low paid;
2. be progressive – so that those who earn more pay more; and
3. limit the risk of increases in the rate of opt-outs from schemes.

In his statement of 19 July 2011, the CST announced that forthcoming consultations on proposals for member contribution increases would relate only to delivering savings required in 2012-13 (i.e. 40% of the 3.2 percentage point increase). The CST’s statement reiterated the Coalition Government’s intention to protect low earners and set out the Coalition Government’s proposal that:

- anyone earning less than £15,000 per year full-time equivalent (FTE) will see no increase, and
- those earning between £15,000 and £21,000 per year FTE will see a gross increase of no more than 1.5 percentage points by 2014-15 (this amounts to a 0.6 percentage point increase in 2012-13 on a pro-rata basis).

He further set out the proposal that no individual will see a gross increase of more than 6 percentage points by 2014-15 (this amounts to a 2.4 percentage point cap in 2012-13 on a pro-rata basis).

The Coalition Government remains committed to securing the full savings announced in the spending review and expects that further proposals will be brought forward for 2013-14 and 2014-15 following scheme specific talks.

Further details on the CST's statement can be found at http://www.hm-treasury.gov.uk/press_83_11.htm

3. Proposals for the NI Teachers' Pension Scheme

Treasury has made it clear that if the specified increases to employee contribution rates are not introduced, the NI block grant will be reduced by a corresponding amount in respect of pension scheme costs met by the Treasury from annually managed expenditure budgets. In the current financial climate, such a reduction would inevitably have an impact on front line services across the public sector.

The Executive has therefore had no choice but to commit to the principle of applying the increases in employee pension contributions for health and social care, civil service, teachers', police service and firefighters' schemes. Accordingly on 22 September the NI Executive agreed:

1. to commit to the principle of delivering the targeted level of savings to the cost of public sector pension schemes in Northern Ireland, subject to the details of how those savings will be delivered being worked through over time;
2. to adopt this approach consistently for each of the different public sector pension schemes; and
3. to authorise engagement with the unions to discuss a graduated approach which protects lower paid public sector workers.

This consultation sets out the Department's proposals on how savings in 2012-13 will be delivered for the NITPS in a way which protects lower paid public sector workers and limits the risk of increases in the rate of opt-outs from the Scheme.

The Department is proposing to introduce a system of tiered contributions in 2012-13, based on those proposed by the Department for Education in its consultation issued on 28 July 2011 for members of the Teachers' Pension Scheme in England and Wales.

In developing the proposals the Department has been working closely with other public service schemes. We have considered the impact of contribution increases on different areas of the membership and sought to ensure that the design of the increases reflects the specific circumstances of the NITPS membership.

The proposed contribution increases reflect the Executive's commitment to a graduated approach which protects lower paid public sector workers. They are designed to encourage maximum participation in the scheme by ensuring that those earning the most will pay the highest percentage point increase.

The Department would welcome views about the proposals for the protection of the low paid and the maximum increase for higher earners. We would also welcome views about the proposals for further protection over and above that

announced by the CST, the number of tiers and the salary ranges within the tiers.

The current member contribution rate is 6.4% of salary. The proposed contribution rates for 2012-13, on which the Department is consulting, are as follows:

Lower Salary	Higher Salary	Contribution Rate in 2012-13	Increase (against 6.4%)	Membership*	% of member -ship
	14,999	6.4%	0%	0	0.00%
15,000	25,999	7.0%	0.6%	417	2.23%
26,000	31,999	7.3%	0.9%	1,779	9.53%
32,000	39,999	7.6%	1.2%	9,408	50.37%
40,000	74,999	8.0%	1.6%	7,011	37.54%
75,000	111,999	8.4%	2.0%	58	0.31%
112,000		8.8%	2.4%	3	0.02%

* Members on permanent (including part-time) contracts. Excludes Voluntary Grammar Schools

A member would pay the same contribution rate on their whole salary i.e. a member earning £30,000 would pay 7.3% of £30,000, rather than 6.4% on the first £15,000, 7% on the next £11,000 and 7.3% on the final £4,000. Under the current scheme they would pay 6.4% which equals a contribution of £1,920 per year but from 2012 their new contribution rate is 7.3%, which equals £2,190 per year. Annex A sets out an indicative reduction in take-home pay (i.e. after tax relief) for different salaries.

It is proposed that the contribution tier in which a member falls will be determined by reference to their full-time equivalent salary, e.g. a member with a working pattern of 50% with a FTE salary of £46,000 (actual pay £23,000) would pay a contribution of 8.0% of their salary in 2012-13. The rationale for this approach is that it is a member's FTE salary which is used to calculate their pension entitlement and it would be unfair to full-time staff to treat part-time staff differently.

The proposed tiers are designed to be consistent with the commitment to protect the low paid, introducing increased contributions in a way that is progressive and reducing the risk of opt-outs. The majority of people who choose to opt-out of the NITPS do so within the first two years of entering the teaching profession and, once teachers have been contributing to the scheme for a number of years, they are much more likely to remain in the scheme throughout their career.

The Department is therefore proposing that the salary up to which members should pay no more than a 1.5 percentage point increase should be set at £26,000, rather than £21,000. This will mean that, generally, teachers in the first three years of their career will face a limited increase in contributions and the Department expects that this will significantly minimise the risk of increased opt-out rates.

Based on the England and Wales proposals, the rationale for each of the proposed tiers is:

Below £15,000 – no increase. This is consistent with the principles set out earlier in this document.

£15,000 - £25,999 – the increase within the band is 0.6 percentage points. This limited increase protects teachers in the early stages of their career and is intended to reduce the risk of increased “opt-out” from the scheme.

£26,000 - £31,999 – this band generally covers classroom teachers. The increase in contribution is less than the average increase and is set to encourage continued participation in the scheme, but represents a larger contribution increase than those teachers in the early stages of their career.

£32,000 - £39,999 – this band largely represents experienced classroom teachers and those who are taking on additional responsibilities and, as such, are receiving higher FTE salaries. This band remains slightly below the average increase.

£40,000 - £74,999 – this band represents both experienced classroom teachers and those in senior leadership posts and the percentage contribution increase is slightly above the average increase to reflect the level of income.

£75,000 - £111,999 – this band covers members who hold senior leadership positions.

£112,000 and above – There is a clear rationale that those earning the most should contribute a higher percentage of their income, up to a cap of 6 percentage points increase (2.4 percentage points in 2012-13).

TIERED CONTRIBUTIONS – OPTIONS FOR DELIVERING SPECIFIED SAVINGS FROM NITPS IN 2012-13

In applying the increases in this way, we have sought to ensure that all newly qualified teachers will pay only 0.6% more (before tax relief) in 2012-13.

The Department also wishes to consider variations to the proposed rates set out above which provide additional protection for those teachers at the lower end of the pay scale. Possible variations are set out in tables 1 to 3 below. The table included as part of the draft regulations may be substituted by one of the variations below depending on the outcome of the consultation.

Table 1 – Variation of proposed increases to contribution rates to provide for no increase for those paid below £26k, partial protection for those below £32k.

Lower Salary	Higher Salary	Contribution Rate in 2012-13	Increase (against 6.4%)	Membership*	% of membership
	14,999	6.4%	0.0%	0	0.00%
15,000	25,999	6.4%	0.0%	417	2.23%
26,000	31,999	7.0%	0.6%	1,779	9.53%
32,000	39,999	7.6%	1.2%	9,408	50.37%
40,000	74,999	8.1%	1.7%	7,011	37.54%
75,000	111,999	8.4%	2.0%	58	0.31%
112,000		8.8%	2.4%	3	0.02%

Table 2 - Variation of proposed increases to contribution rates to provide for partial protection for those below £26k and for those below £32k.

Lower Salary	Higher Salary	Contribution Rate in 2012-13	Increase (against 6.4%)	Membership*	% of membership
	14,999	6.4%	0.0%	0	0.00%
15,000	25,999	6.7%	0.3%	417	2.23%
26,000	31,999	7.0%	0.6%	1,779	9.53%
32,000	39,999	7.6%	1.2%	9,408	50.37%
40,000	74,999	8.1%	1.7%	7,011	37.54%
75,000	111,999	8.4%	2.0%	58	0.31%
112,000		8.8%	2.4%	3	0.02%

Table 3 - Variation of proposed increases to contribution rates to provide for no increase for those below £32k. Those earning over £40k will make up the shortfall.

Lower Salary	Higher Salary	Contribution Rate in 2012-13	Increase (against 6.4%)	Membership*	% of membership
	14,999	6.4%	0.0%	0	0.00%
15,000	25,999	6.7%	0.0%	417	2.23%
26,000	31,999	7.0%	0.0%	1,779	9.53%
32,000	39,999	7.6%	1.2%	9,408	50.37%
40,000	74,999	8.2%	1.8%	7,011	37.54%
75,000	111,999	8.6%	2.2%	58	0.31%
112,000		9.0%	2.6%	3	0.02%

* Members on permanent (including part-time) contracts. Excludes Voluntary Grammar Schools.

The model adopted for the NITPS must deliver savings at least equivalent to the savings that would be delivered if the England and Wales model were adopted. Additional protection for lower paid members is therefore offset by higher increases for those higher up the salary band.

Question 1 – Do the proposed tiered contributions achieve the appropriate balance between:

- protecting the low paid;
- being progressive – so that those who earn more pay more; and
- limiting the risk of increases in the rate of opt-outs from the NITPS.

Question 1a – Should we adopt the England and Wales proposals or adjust to provide additional protection for lower paid teachers in NI as long as these achieve the required saving for 2012/13?

Question 1b – (If Applicable) If we adjust the England and Wales proposals to provide additional protection for lower paid teachers, which of the variations (1, 2 or 3) is your preferred option?

Question 2 – Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

Question 3 – Do you consider that there are equality issues that will result in any individual groups being disproportionately affected by the proposed contribution tiering? If so, what do you consider to be the disproportionate effect?

Administration Implications of Tiered Contribution Rates

The Department is proposing seven tiers as it believes this will ensure that the objectives are achieved without creating a disproportionate administrative burden on employers.

The Department has considered two alternatives for employers to establish the salary rate at which contributions will be calculated;

Option 1

To ensure that members understand how tiered contribution rates operate, the first proposal is that the contribution rate applicable for the year will be set at the beginning of the year and, subject to significant salary increases or decreases, would remain throughout 2012-13. It is proposed that an individual member's contribution rate would be set using their FTE salary as at 1 April 2012. i.e. if a member is earning £30,000 on that date their contribution rate would be 7.3% of their actual salary each month of the following year.

The exception to this would be where a member has a significant pay increase or decrease during the year 2012-13, where it may be appropriate to reset their contribution rate to ensure fairness between members on the same salary. However, the threshold for reviewing a member's contribution rate needs to balance equity and fairness against the administrative burden. The Department would welcome views on what that threshold should be.

For those who are new to the scheme in 2012-13 or who return to teaching after a career break, it is proposed that their contribution rate would be determined by reference to their FTE salary on appointment. For members with multiple employments, it is proposed that the member would have a contribution rate for each separate employment, based on the FTE salary in that employment on 1 April 2012. Again, the Department would welcome views on this proposal.

Option 2

The Department recognises that in most cases teachers' pay progression, as well as career moves, takes place in September and setting the FTE salary level at 1 April may not be appropriate. The alternative is to make contribution payments based on the salary within that month (on a pro-rata basis). To provide examples;

A teacher's FTE salary for August is £2,500 per month. To calculate the contribution applicable the employer multiplies the monthly salary by 12 ($£2,500 \times 12 = £30,000$) to calculate the contribution rate, which in this case would be 7.3%

Should that teacher's salary increase in September to £2,700 per month, the employer would calculate the contribution rate ($£2,700 \times 12 = £32,400$) as 7.6%.

Question 4 – Two alternative proposals have been provided to calculate the FTE salary to set the contribution rate. Which alternative do you consider effectively balances equity, fairness and administration considerations? Do you propose an alternative method?

Question 5 – From an administration perspective, do you consider that seven tiers are administratively appropriate? If not, what alternative do you propose?

Question 6 – If the contribution rate is set for each year, do you think it would be appropriate to review this for significant changes in salary? If so, what threshold should be used?

Question 7 – Do you consider that the Department's proposals for determining the contribution rate for new staff, those with multiple-employment or those returning to the scheme are appropriate?

4. Scope of the Consultation

The purpose of the consultation is to seek views and evidence on whether the Department's proposals will introduce the proposed contribution increases in a way which protects lower paid public sector workers and limits the risk of increases in the rate of opt-outs from the Scheme. It also seeks views on the administrative implications of the proposed changes. To assist with this, the Department has set out below specific questions on which it would welcome responses, although consultees are invited to respond on any aspect of the proposals.

The regulations which govern the NITPS currently provide for contribution rates to be determined, following an actuarial review of the scheme. The "cap and share" arrangements then determine the split of contributions between members and employers. The actuarial review of the NITPS, along with similar reviews of other public service pension schemes, is currently on hold while the Coalition Government considers the implications of public sector pension reform. As a consequence the employer contribution rate (currently 13.6%) will remain unchanged in 2012-13 as a result of these proposals.

As part of this consultation exercise, the Department is publishing draft regulations which will make the changes to the Teachers' Superannuation Regulations (NI) 1998 that are needed to give effect to the proposed increased member contributions from April 2012. These are attached at Annex B.

The Department has undertaken an Equality and Human Rights Policy Screening and has decided not to conduct an equality impact assessment. A copy of the screening document is attached at Annex C.

This consultation does not invite comments on the contribution rates in 2013-14 and 2014-15 as these will be the subject of further discussion. Nor does it address longer-term reforms to redesign the content and governance of public service pension schemes, which the Coalition Government intends to apply from April 2015. **This consultation concerns proposed increases in contribution rates relating to 2012-13 only.**

5. Summary of Questions

The Department would welcome responses to the following specific questions, supported with evidence where appropriate:

Question 1 – Do the proposed tiered contributions achieve the appropriate balance between:

- protecting the low paid;
- being progressive – so that those who earn more pay more; and
- limiting the risk of increases in the rate of opt-outs from the NITPS.

Question 2 – Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

Question 3 – Do you consider that there are equality issues that will result in any individual groups being disproportionately affected by the proposed contribution tiering? If so, what do you consider to be the disproportionate effect?

Question 4 – Two alternative proposals have been provided to calculate the FTE salary to set the contribution rate. Which alternative do you consider effectively balances equity, fairness and administration considerations? Do you propose an alternative method?

Question 5 – From an administration perspective, do you consider that seven tiers are administratively appropriate? If not, what alternative do you propose?

Question 6 – If the contribution rate is set for each year, do you think it would be appropriate to review this for significant changes in salary? If so, what threshold should be used?

Question 7 – Do you consider that the Department's proposals for determining the contribution rate for new staff, those with multiple-employment or those returning to the scheme are appropriate?

6. Responding to this consultation

A response form is available for download on the DE website at www.deni.gov.uk. Copies of the consultation document and response form can be made available in other formats on request. Responses should be sent to arrive no later than 23 January 2012 to:

Teacher Negotiating & Pensions Policy Branch
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

or by e-mail to:

TeachersNegotiating.PensionsPolicy@deni.gov.uk

ANNEX A

Pensionable annual earnings in relevant year (£)		Reduction in member take-home pay (annually) as a result of contribution structure shown in the main text (£)*
Lower	Upper	2012-13
Below	15000	0
15000	15999	74
16000	16999	79
17000	17999	84
18000	18999	89
19000	19999	94
20000	20999	98
21000	21999	103
22000	22999	108
23000	23999	113
24000	24999	118
25000	25999	122
26000	26999	191
27000	27999	198
28000	28999	205
29000	29999	212
30000	30999	220
31000	31999	227
32000	32999	312
33000	33999	322
34000	34999	331
35000	35999	341
36000	36999	350
37000	37999	360
38000	38999	370
39000	39999	379
40000	40999	518
41000	41999	531
42000	42999	544
43000	43999	557
44000	44999	570
45000	45999	560
46000	46999	446
47000	47999	456
48000	48999	466
49000	49999	475
50000	50999	485
51000	51999	494
52000	52999	504
53000	53999	514
54000	54999	523
55000	55999	533

56000	56999	542
57000	57999	552
58000	58999	562
59000	59999	571
60000	60999	581
61000	61999	590
62000	62999	600
63000	63999	610
64000	64999	619
65000	65999	629
66000	66999	638
67000	67999	648
68000	68999	658
69000	69999	667
70000	70999	677
71000	71999	686
72000	72999	696
73000	73999	706
74000	74999	715
75000	75999	906
76000	76999	918
77000	77999	930
78000	78999	942
79000	79999	954
80000	80999	966
81000	81999	978
82000	82999	990
83000	83999	1002
84000	84999	1014
85000	85999	1026
86000	86999	1038
87000	87999	1050
88000	88999	1062
89000	89999	1074
90000	90999	1086
91000	91999	1098
92000	92999	1110
93000	93999	1122
94000	94999	1134
95000	95999	1146
96000	96999	1158
97000	97999	1170
98000	98999	1182
99000	99999	1194
100000	100999	1206
101000	101999	1218
102000	102999	1230
103000	103999	1242
104000	104999	1254
105000	105999	1266
106000	106999	1278
107000	107999	1290
108000	108999	1302
109000	109999	1314

110000	110999	1326
111000	111999	1338
112000	112999	1620
113000	113999	1634
114000	114999	1649
115000	115999	1663
116000	116999	1678
117000	117999	1692
118000	118999	1706
119000	119999	1721
120000	120999	1735
121000	121999	1750
122000	122999	1764
123000	123999	1778
124000	124999	1793
125000	125999	1807
126000	126999	1822
127000	127999	1836
128000	128999	1850
129000	129999	1865
130000	130999	1879
131000	131999	1894
132000	132999	1908
133000	133999	1922
134000	134999	1937
135000	135999	1951
136000	136999	1966
137000	137999	1980
138000	138999	1994
139000	139999	2009
140000	140999	2023
141000	141999	2038
142000	142999	2052
143000	143999	2066
144000	144999	2081
145000	145999	2095
146000	146999	2110
147000	147999	2124
148000	148999	2138
149000	149999	2153
150000	150999	2167

*approximate estimate for salaries within each band

The calculation is based on 2011-12 income tax bands (and for those with FTE salaries above £46K the table shows the position of those entitled to tax relief at 40%).