



Information for employers and members of the Research Councils' Pension Scheme

Employee Contribution Rates from 1 April 2020

What You Need to Know

Changes to the way employee (member) contributions are determined will need to be implemented from 1 April 2020. They are:

1. Changes to the salary thresholds used to determine the employee contribution rate, and;
2. Excluding backdated pay from the calculation used to determine the contribution tier.

The actual contribution rates are not changing.

The RCPS operates by analogy to the Principal Civil Service Pension Scheme (PCSPS), which means the RCPS follows the rules of the PCSPS. Cabinet Office, who are responsible for the PCSPS, are implementing changes to employee contributions in 2020. The RCPS Management Board have decided that the changes should also be implemented in the RCPS. Employers will plan and implement these changes with their payroll provider accordingly. The changes are:

1. SALARY THRESHOLDS FROM 1 APRIL 2020

Member contribution rates and annualised earning tiers - 1 April 2020 to 31 March 2021

Annualised rate of pensionable earnings	Member contribution rate
Up to and including £22,600	4.60%
£22,601 to £54,900	5.45%
£54,901 to £150,000	7.35%
£150,001 and above	8.05%

The employer contribution rate is not changing.

2. EXCLUDING BACKDATED PAY WHEN DETERMINING THE CONTRIBUTION RATE FROM 1 APRIL 2020

Currently backdated pay is added to regular monthly salary (including pensionable allowances) to determine which contribution band a member falls in to. In some cases, members have moved to the next contribution band as a result of backdated pay awards being factored in.

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In the RCPS from 1 April 2020 backdated pay will not be included when determining the contribution tier. This is achieved by basing the contribution tier only on basic salary and any pensionable allowances. The resulting contribution rate would be applied against all pensionable earnings, i.e. to both salary and any backdated pay. **This change is to be introduced in the RCPS from 1 April 2020.**

Part-time workers will continue to have their salary threshold worked out using their actual pay, not their full -time equivalent pay.

Example

This assumes a member with an annual salary of £54,300 receiving a pay rise in April 2020 of £500 per annum.

The pay increase is equivalent to £41.67 per month. The pay increase is not received by the member until their June 2020 pay. In June the member receives their new monthly salary plus the backdated increase, i.e. £4,566.67 + £83.33 (new monthly salary plus 2 months backdated pay award)

Current system	New system (from 1 April 2020)
Annualised total pensionable earnings, including backdated pay in that month: $(£4,566.67 + £83.33) \times 12 = £55,800.$	Annualised total pensionable earnings, excluding backdated pay in that month: $£4,566.67 \times 12 = £54,800.04.$
£55,800 results in a pension contribution rate of 7.35%.	£54,800.04 results in a pension contribution rate of 5.45%.
For June's pensionable earnings the member's contribution will be 7.35% of $(£4,566.67 + £83.33)$ i.e. £341.78.	For June's pensionable earnings the member's contribution will be 5.45% of $(£4,566.67 + £83.33)$ i.e. £253.43.