



Information for members of the Research Councils' Pension Scheme

Employee Contribution Rates from April 2020

What You Need to Know

Two proposals have been made to change employee (member) contributions from 1 April 2020. They are:

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

The actual contribution rates are not changing.

Background

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 run the PCSPS, have proposed these changes which are expected to come in to effect from the beginning of April 2020. The RCPS Management Board have agreed that the changes (if confirmed by Cabinet Office) will be implemented in the RCPS, which will need to be adopted by participating employers.

1. Changes to salary thresholds

Proposed 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 tier

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 being factored in. This method is mandated in the PCSPS scheme rules.

JSS Pensions Administration

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Cabinet Office have proposed to amend the scheme rules so that the backdated pay will not be included when determining the contribution tier. This'd be 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.

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 £51,000 receiving a pay rise in September 2019 of £500 per annum.

The pay increase is equivalent to £41.67 per month. The pay increase is paid in their November 2019 pay. In November the member receives their new monthly salary plus the backdated increase, i.e. £4,291.67 + £83.33 (new monthly salary plus 2 months backdated pay award)

Current system	Proposed system
Annualised total pensionable earnings, including backdated pay in that month: (£4,291.67 + £83.33) x 12 = £52,500.	Annualised total pensionable earnings, excluding backdated pay in that month: £4,291.67 x 12 = £51,500.
£52,500 results in a pension contribution rate of 7.35%.	£51,500 results in a pension contribution rate of 5.45%.
For November's pensionable earnings the member's contribution will be 7.35% of (£4,291.67 + £83.33) i.e. £321.56.	For November's pensionable earnings the member's contribution will be 5.45% of (£4,291.67 + £83.33) i.e. £238.44.

Next Steps

This information has been shared with employers.

Confirmation of these changes is expected to be published by Cabinet Office towards the end of February.

JSS will update employers as soon as possible.

The formal notice from Cabinet Office can be found [here](#).