

Guidance for members of the Research Councils' Pension Scheme

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Changing Working Patterns How your pension is worked out

Type of Guidance	Fact Sheet (CWP1)
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Overview

This fact sheet is part of a set of fact sheets that provide you with a guide to changes in working patterns together with information about how these changes could impact on your pension. The impact on your pension may vary depending according to what scheme you are a member of.

Note: Any change in working patterns or breaks in service need to be agreed with your employer.

This fact sheet provides information with regard to understanding how your pension is worked out.

To enable you to understand how your pension is affected you need to know how it is worked out.

Classic, Classic Plus and Premium schemes

Your Classic pension = $1/80 \times \text{final pensionable earnings} \times \text{reckonable service}$

Your Premium pension = $1/60 \times \text{final pensionable earnings} \times \text{reckonable service}$

Your **classic plus** pension is worked out as in **classic** for service up to 30 September 2002, and as in **premium** for service from 1 October 2002, but using your **final pensionable earnings** in both parts of the calculation. The lump sum for your **classic** element is 3 x the 'classic' pension. In **premium** there is no automatic lump sum, but you can choose to convert some of your pension into a lump sum.

Nuvos scheme

Your **nuvos** pension = $2.3\% \times \text{your pensionable earnings each year up to 31 March, increased as appropriate by the Consumer Price Index.}$

Partnership pension account

The **partnership** pension account is very different from the classic, classic plus, premium and Nuvos schemes.

Your employer puts money into your chosen **partnership** pension account, and you can choose whether you wish to contribute as well. Your investment fund builds up over time. Currently from age 55, you can use your investment fund to buy an **annuity**. Other options include taking up to 25% of your fund as a lump sum, taking a flexible income via

income drawdown, taking the full fund as cash (only 25% is tax free) or a combination of the options. You do not have to retire to do this but can carry on working whilst receiving your pension.

You choose what percentage, if any, of your **pensionable earnings** you wish to pay into your investment fund. Your employer will also make contributions and these are calculated as a percentage of your **pensionable earnings**, regardless of your working pattern. If you do make any contributions, your employer will match your contributions up to an additional 3% of your **pensionable earnings**.

For more information

See the scheme booklets on the JSS website: <http://jsspensions.nerc.ac.uk/guides.asp>

If you change your working pattern to work fewer hours, your pension will also reduce and you may wish to consider ways of increasing the value of your pension benefits by:

- Buying added pension (additional pension for your RCPS pension)
- Paying additional voluntary contributions to either an 'in house' AVC scheme or setting up your own (Free Standing AVC);
- Taking out a Stakeholder pension.
- Increasing your **partnership** contributions

Leaflets about these options are available on request from JSS or on the JSS website at www.jsspensions.nerc.ac.uk

Glossary of Terms

Annuity

An income for life, the pension that you buy with the money in your investment fund.

Classic

A defined benefit (final salary) scheme which is part of the Research Councils' Pension Scheme arrangements.

Classic plus

A defined benefit (final salary) scheme which is part of the Research Councils' Pension Scheme arrangements.

Defined benefit

A type of pension where your pension is based on defined factors, which can include pay, a factor for increasing pensions and service in the scheme.

Defined contribution

A type of pension where you know how much you will pay. How much it is worth when you retire will depend on investment returns.

Final pensionable earnings

The pensionable earnings used to work out your pension if you are a member of the classic, premium or classic plus versions of the RCPS.

Final salary schemes work out your pension based on your salary at the time you retire. It will be based on the relevant best 365 day period applicable to the classic,

premium or classic plus scheme rules.

Money purchase is a type of pension where you put money into an investment fund. The fund is used to buy an annuity.

Nuvos

A defined benefit occupational pension scheme based on your salary in each year of service.

Partnership

A defined contribution (money purchase) stakeholder pension with an employer contribution. It is part of the pension arrangements on offer from employers who participate in the RCPS.

Pensionable earnings

All earnings which could count towards your pension. They can include non-cash items, for example uniforms or accommodation.

Premium

A defined benefit (final salary) scheme which is part of the Research Councils' Pension Scheme arrangements.

Reckonable service

The years and days that count towards your classic, classic plus or premium pension.

Stakeholder is a defined contribution (money purchase) pension.

Generally, each day that you are a member of the scheme reckons towards your pension. For example, strike days and career breaks do not count as reckonable service.

Other Fact Sheets in this series are:

Working Patterns

Part-time, term-time and seasonal working (CWP2)

Flexible and shift working (CWP3)

Different Kinds of breaks

Career breaks (CWP4)

Special leave, Maternity, Paternity and Adoption leave, Parental leave and Time off for dependants (CWP5)