



RCPS Pension Update

Kye Honor

Head of JSS

General points – DB not DC*

RCPS

Defined Benefit - DB

Defined Contribution - DC

“Defined benefit pension schemes provide retirement benefits that are based on your earnings and the length of time that you have been a member of the scheme.”

“Defined contribution pension schemes invest the contributions, made by you and/or your employer, in a range of different investments. The level of benefit depends on how much is paid in, the length of time invested and the investment performance.”

The employer takes the risk on the scheme, making payments sufficient to cover benefits promised

Employees vary how much they pay and how the fund is invested; they take the risk

Pension is based on salary/earnings, reckonable service and accrual rate

Pension pot is based on return on investments made with the contributions paid

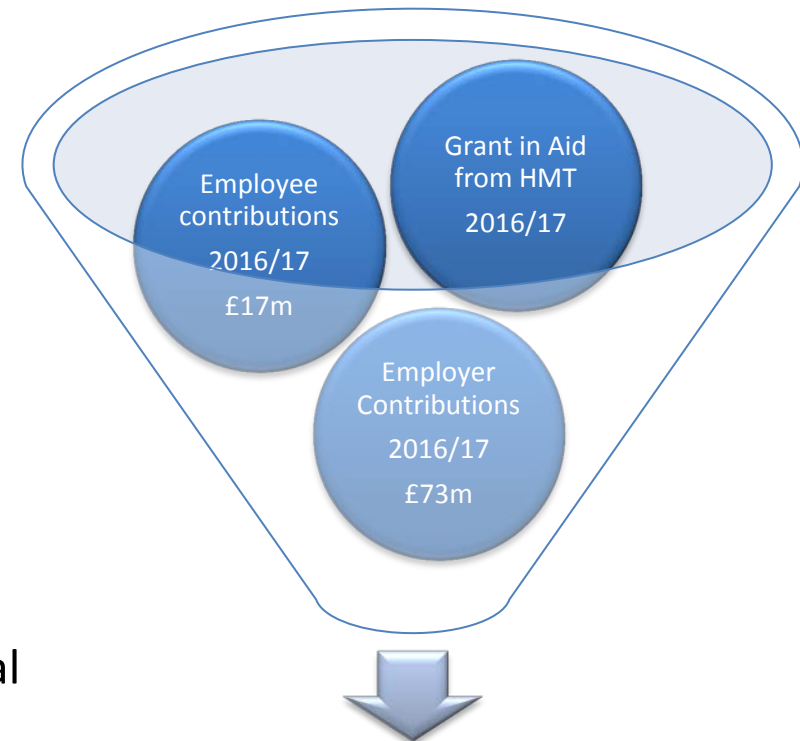
- Annuity at retirement
- Take the whole pot
- Lump sums periodically

*"as defined by The Pensions Advisory Service"

General points - Contributions

- Unfunded scheme; benefits are paid using employee and employer contribution (26%)

Annualised Earnings (monthly earnings x12)	Employee Cont. %
Up to £15,000	4.60
£15,001 - £21,422	4.60
£21,423 - £51,005	5.45
£51,006 - £150,000	7.35
£150,001 and above	8.05



- Contributions do not correlate to the accrual rate of your pension.
- Employee rates are the same; across all schemes, and as the Civil Service scheme

Pays for the pensions paid to 13,500 pensioner members

2016/17 = £155m

JSS

Similar principle to the State Pension which is funded by NI contributions

Background to pension reform

- Lord Hutton's 2011 review and report of Public Service Pensions

“recommendations to the government on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights”

Independent Public Service Pensions Commission: Final report by Lord Hutton, 10 March 2011

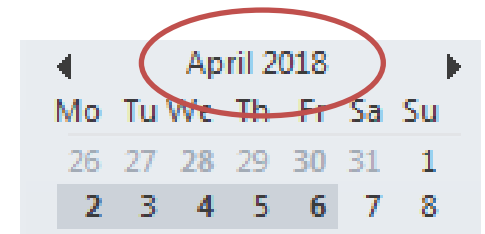


~~FINAL
SALARY
SCHEMES~~

JSS

RCPS, PCSPS and Alpha

- RCPS is by analogy to the Principal Civil Service Pension Scheme (PCSPS); overseen by Cabinet Office
- April 2015; Cabinet Office reformed Civil Service pensions – creation of Alpha
- RCPS intent to mirror reforms & HMT policy
- RCPS will move to Civil Service pensions; JSS will close
 - UKRI influence
 - Some members will go into Alpha
- *Judicial pension scheme & firefighters pension scheme; HM Treasury postpones transfers...*



Protection & Tapering

- Less than 10 years to scheme pension age at 1 Apr 2012 – PROTECTED – stay in current section
- Tapering: Introduced April 2015 for those 10-13.5 years

Final Salary (60)

Age at April 2012	Move to Alpha
49y 11m	59 – Feb 2022
49	57 – Apr 2020
48 ½	55 – Apr 2019
48	54 – Apr 2018

Nuvos (65)

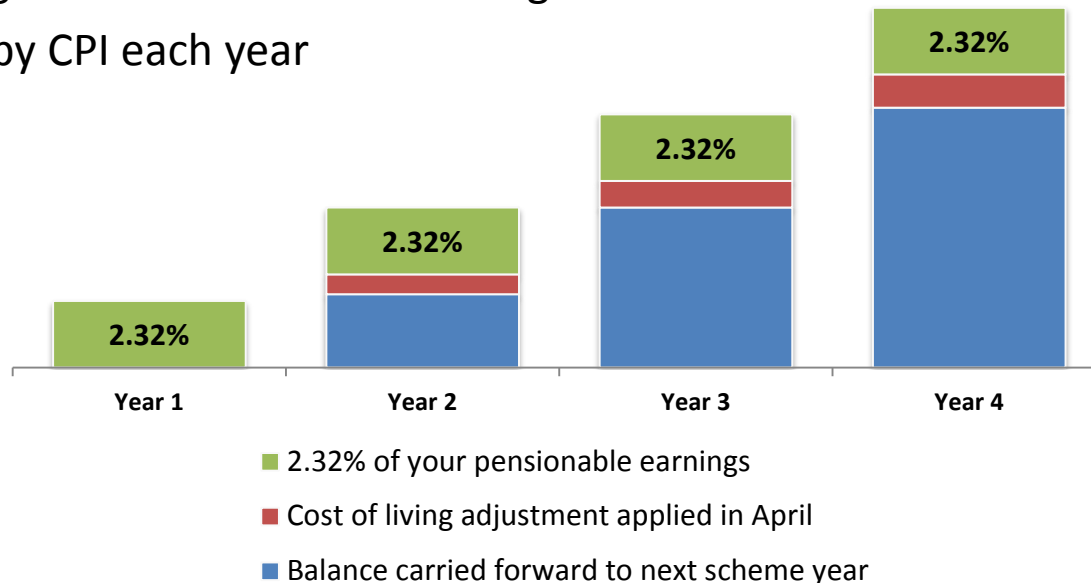
Age at April 2012	Move to Alpha
54y 11m	64 – Feb 2022
54	62 – Apr 2020
53 ½	60 – Apr 2019
53	59 – Apr 2018

- Those between 12-13.5 years to scheme pension age; enter Alpha in April 2018; taper date passed, not backdated
- **Everyone else – enter Alpha in April 2018**

Alpha

- Similar to Nuvos
- Alpha has an accrual rate of **2.32%**, pension accrued is based on pensionable earnings over your time in the scheme
- Pension age linked to State Pension Age
- Revalued by CPI each year

$$\begin{array}{l} \text{Pensionable} \times \text{Accrual} = \text{Annual pension at} \\ \text{Earnings} \quad \text{Rate} \quad \text{state pension age} \\ \text{E.g. } \pounds 20,000 \times 2.32\% = \pounds 464 \end{array}$$



We've assumed the cost of living adjustment (CPI) is positive each year.



Comparing Alpha – at a glance

FINAL SALARY SCHEMES

CAREER AVERAGE SCHEMES

FINAL SALARY SCHEMES		CAREER AVERAGE SCHEMES	
Classic	Premium	Nuvos	Alpha
Scheme pension age 60, minimum 55		Scheme pension age 65, minimum 55	Scheme pension age aligned to State Pension Age
Final salary; service and salary		Based on actual pensionable earnings	
1/80 th (1.25%)	1/60 th (1.67%)	2.30% accrual rate	2.32% accrual rate
Tax free lump sum 3x pension	No auto lump sum - create by commuting pension £1 : £12 of lump sum (tax free)		
Capped at 45 years service		Increased if accessed after age 65	Increased if accessed after state pension age
Paid no later than age 75	Paid no later than age 75	Maximum age 75 & capped at 75% of final pay	No maximum age & no pay cap <i>lump sum tax implications after 75</i>

Accessing your pension



- Final Salary; still access at age 60 – leave or partially retire
- Nuvos; still access at age 65 – leave or partially retire
- Alpha can be accessed early (reduced), or leave to State Pension Age
- Continue working past 60/65 to State Pension Age

Summary

- Changes expected in April 2018
- Everything moves to the Civil Service and JSS closes
- Alpha is linked to State Pension Age
- Some members move to Alpha, some stay in their current scheme
- More choices at pension age