

# Update on the future of the Research Councils' Pension Scheme (RCPS)

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28 January 2015

This is an update for members and employers on the reform of the RCPS and follows our [last announcement from October 2014](#).

Many of you will probably be aware of the imminent changes to the Principal Civil Service Pension Scheme (PCSPS) arrangements. On 1 April 2015 Cabinet Office (the Executives of the Civil Service pension schemes) will be launching a new pension scheme called Alpha. This is being implemented by MyCSP, the Civil Service pension schemes administrator. Alpha is very similar to the current Nuvos scheme: a career average earnings scheme but the key difference being its alignment to state pension age. Prior to Alpha all schemes had a scheme pension age - either 60 (Classic, Classic Plus and Premium) or 65 (Nuvos).

The new Alpha scheme is coming in to effect as a result of legislation in the Public Services Pension Act 2013. The Act requires all unfunded public service pension schemes to reform by moving eligible employees to the new career average earnings based scheme; a scheme that must meet HM Treasury requirements.

A review of public service pensions carried out by Lord Hutton, identified that these schemes did not represent good value for the taxpayer and hence reform was necessary. The first phase of reform was initiated back in April 2012 when all members, including RCPS members, started paying higher contributions for their pension membership. Increases were staged over a three year period. The second phase of reform concerns the movement of members in to a new scheme, one that is essentially identical to Alpha.

## **Q - How does this affect the RCPS?**

A - The RCPS is a 'by-analogy' scheme to the PCSPS. It mirrors the rules of the current PCSPS; Classic, Classic Plus, Premium and Nuvos. The RCPS is not a 'by-analogy' scheme to the new scheme, Alpha. This is because Alpha is a completely separate scheme to the PCSPS (although still under the umbrella of Civil Service pensions). This means that, JSS, as administrators of the RCPS cannot automatically set up the Alpha scheme within the RCPS.

## **Q - Why isn't the RCPS by-analogy to Alpha?**

A - The Public Services Pension Act 2013 doesn't automatically permit by-analogy schemes to continue past 1 April 2015. Government policy requires by-analogy schemes to join one of the larger schemes, ideally the one that they are by-analogy to which is setting up the new pension scheme.

## **Q - Does this mean members of the RCPS move to the Civil Service Alpha scheme on 1 April 2015?**

A - No. The RCPS Management Board, who act as managers of the scheme, are discussing reform options with HM Treasury. These discussions have been underway since September 2013 and it is expected that within the next three months JSS should be able to tell members what will happen to the RCPS.

## **Q - What might happen to the RCPS?**

A - Potentially one of two things:

1. The RCPS may close and all active members (and their pension benefits) move to the Civil Service pension arrangements with eligible<sup>i</sup> members moving in to the new Alpha scheme. Or,
2. The RCPS may continue and be permitted to implement the Alpha arrangement. This would see members remaining in the RCPS.

**Q - Who decides what happens to the RCPS?**

A - Ultimately the Government will decide. HM Treasury set the policy for pension reform. The RCPS Management Board represents employers and members and also has Trade Union representation. The RCPS Management Board has taken legal advice from Leading Counsel to assist with the reform discussions. BIS (the Department for Business, Innovation and Skills) are also engaged in the process. BIS is the authority responsible for the RCPS and has given permission for the RCPS to continue 'as is' beyond 1 April 2015 whilst reform discussions continue and until a reform approach has been agreed with HM Treasury.

**Q - What scheme do new starters join after 1 April 2015?**

A - The same as they currently do; Nuvos. Employers will continue to automatically enrol qualifying employees in Nuvos as the default scheme. Exceptions may apply in particular circumstances – for example, if certain criteria are met by a returning scheme member. New starters may also continue to alternatively set up a Partnership Pension Account. Please visit [Joining the scheme](#) on the JSS website for further information.

**Q - In October you said employee contribution rates might change, is this happening?**

A - It is possible that employee contribution rates and rate calculation methods might change on 1 April 2015. Employee contribution rates are changing in the PCSPS for all members, including those that do not go in to Alpha (i.e. stay in their current scheme – Protected members<sup>ii</sup>). Although these changes are associated with the introduction of the new Alpha scheme they affect all members. The RCPS has followed PCSPS employee rate changes in the past both as custom and practice and due to their by-analogy status.

These possible changes are being debated by the RCPS Management Board and will decide at their next meeting on 26 February 2015 if the new employee rates in the PCSPS and Alpha should be applied to the RCPS and its members.

JSS will issue a notice to advise members what the decision is and if appropriate provide further guidance explaining how the changes might impact them.

**Q - Will the employer contribution rate change as well?**

A - Possibly, yes. The employer rate will largely be influenced by the reform approach that the RCPS will be permitted to adopt. The employer contribution rate is derived from a scheme valuation which is carried out by the Government Actuary's Department (GAD); the actuary for the RCPS.

**Q - How do the reform changes affect Pensioner or Preserved members?**

A - It doesn't. These potential changes will only directly affect active members. After 1 April 2015 'pensions in pay' will continue to be administered by JSS as they are today.

JSS Website: <http://jsspensions.nerc.ac.uk/default.asp>

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<sup>i</sup> **Eligible members** - those that active in the RCPS and have more than 10 years to scheme pension age (60 or 65) as at 1 April 2012. These members would need to move to a new scheme. Individuals who do not fall into this category are classed as Protected members.

<sup>ii</sup> **Protected members** - these are members that have 10 years or less to scheme pension age (60 or 65) as at 1 April 2012. They are protected from being moved to a new scheme. However they are subject to changes in employee contribution rates as with all other members.