

Information for members of the Research Councils Pension Scheme

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Update on pension scheme reform**What Do I Need To Know**

This is an update for members and employers on the reform of the RCPS and follows our last announcement on 6th January 2016.

Many of you will have seen our previous updates about the reform of the Research Councils' Pension Scheme. It has still not been agreed whether the RCPS will continue as a separate scheme implementing its own reforms or whether it will move into the Civil Service pension arrangements and be reformed under their pension scheme. These still remain the two possibilities for the RCPS. JSS, with support from the RCPS Management Board are continuing to work with BIS, HM Treasury and Cabinet Office to develop and agree a reform approach. The deadline for scheme reform is April 2018 and it is unlikely that any changes will happen before then.

What does Reform mean?

Reform means moving eligible members into a new career average earning pension scheme that is aligned to the State Pension age; this is a requirement of the Public Service Pension Act 2013.

The Civil Service reformed their pension arrangements by implementing a new scheme called 'Alpha' in April 2015.

If the RCPS continues past April 2018 as a by analogy or analogous scheme then JSS would expect to implement an identical Alpha scheme.

An eligible member is anyone that is more than 10 years from their scheme pension age at 1 Apr 2012.

What is Alpha?

Alpha, along with the Principal Civil Service Pension Scheme (PCSPS) is administered by MyCSP, the organisation contracted by Cabinet Office to administer all the Civil Service pension schemes. Alpha is very similar to the current Nuvos scheme: a career average earnings scheme and 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 came 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.

Here are some of the questions we've been asked so far:**Why are public service pension schemes being reformed in the first place?**

A review of public service pensions carried out by Lord Hutton in 2011 found that schemes did not represent good value for the taxpayer and that members weren't paying a fair share towards public sector pension provision. This review led to public service pension scheme reforms. The first phase of reform was initiated in April 2012 when all active members started paying more towards public sector pension provision through increased employee contributions. The second phase of reform concerns the restriction of final salary schemes and movement of members in to a new career average earning scheme

How does this affect the RCPS?

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 'by-analogy' to 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.

What might happen to the RCPS as a result of reform?

One of two things:

1. The RCPS will close and all active members (and their pension benefits) move to the Civil Service pension arrangements with eligible active members moving in to the new Alpha scheme. Pensioners and Preserved members would also move over to the Civil Service arrangements.
Or,
2. The RCPS will continue as a separate scheme and be permitted to implement the Alpha arrangement. This would see members remaining in the RCPS.

Who decides what happens to the RCPS?

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.

How will UK Research and Innovation (UKRI) affect the RCPS?

The impact this has on the RCPS is not clear. As we move through the reform discussions we will work with BIS to understand how UKRI, and the Higher Education and Research Bill both affect the RCPS and the two reform approaches.

What scheme do new starters join at the moment?

Nuvos. Employers will continue to automatically enrol qualifying employees in to 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.

If a decision is made for the RCPS to mirror Alpha who will be enrolled?

Anyone who is in the RCPS and has less than 10 years to their scheme pension age (60 for Classic, Premium and Classic Plus, 65 for Nuvos) as at 1 April 2012 will be protected from moving in to a reformed scheme. Members with more than 10 years and less than 13.5 years to their scheme pension age will move in to the reformed scheme between the date of reform and 2022 latest. Members with more than 13.5 years to their pension age as at 1 April 2012 will be enrolled in to the new scheme (Alpha) when the reforms are implemented.

Will the employer contribution rate change?

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.

How do the reform changes affect Pensioners or Preserved members?

If the RCPS closes and moves to the Civil Service arrangements then pensions will be paid by MyCSP and Preserved members also managed by MyCSP. In the meantime 'pensions in pay' will continue to be administered by JSS and paid through UK SBS Ltd payroll as they are today. If the RCPS continues then JSS would continue to administer RCPS pensions and preserved awards.



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Will 'in house' AVCs (for example with Scottish Widows, Standard Life or Equitable Life) be affected?

These are not directly affected by the new scheme. As is currently the case, if AVC funds are converted to an annuity, the annuity would be linked to the providers annuity rates at the time of accessing it.

At what age is pension benefit built up under the existing scheme payable after the reform process is complete?

When you move to the new scheme, the benefits accrued under the new scheme will be payable from your state pension age.

These benefits could be accessed earlier, but would be reduced for early payment.

With regard to benefits accrued prior to the date of joining the new scheme, they will still retain the pension age of 60 (Classic, Premium and Classic Plus versions of the RCPS) or 65 (Nuvos version of the RCPS). If you were to leave at 60 / 65, your 'pre new scheme' benefits would be payable 'in full' and your benefits accrued in the new scheme would be either actuarially reduced (if paid early) or preserved for payment at state pension age.

If you were to continue in pensionable employment until the new scheme pension age – you could still access your pre new scheme benefits at 60 – but to do so, you would need to 'partially retire'.

If you have other questions or would like to discuss this further please contact us.

Contact JSS:

<http://jsspensions.nerc.ac.uk/contact.asp>

JSS Website:

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