

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

20 Oct 2014

Background

In 2012 a number of changes were proposed to the Principal Civil Service Pension Scheme (PCSPS) following a review of public sector pension schemes by Lord Hutton. As the RCPS operates by-analogy to the PCSPS these changes were either applied to or potentially affect the RCPS and its members.

One element of these changes was to increase member (employee) contributions to the pension scheme. This happened over three consecutive years from 2012 to 2014 where contributions increased on average by 3.2% of pay over the period.

The second element is the introduction of a framework for a new career average earnings based pension scheme, facilitated by the Public Services Pension Act 2013. For members of the PCSPS this is being enacted through the introduction of a new pension scheme on 1 April 2015; this new scheme is called Alpha and sits under the civil service pension umbrella but importantly is not part of the existing PCSPS schemes (Classic, Classic Plus, Premium or Nuvos). MyCSP, the administrators of the PCSPS and Alpha are working to implement this new scheme in April 2015. The new Alpha scheme is broadly similar to Nuvos.

We appreciate that the introduction of a new scheme is causing some uncertainty for RCPS members so have put together the following Q and A to answer some of the immediate questions we are being asked.

Questions and Answers

Q - Is the RCPS by-analogy to Alpha?

A - No. The Public Services Pension Act 2013 does not automatically allow the RCPS to carry over its by-analogy relationship to the Alpha scheme.

Q - What happens to the RCPS on 1 April 2015?

A - At the moment, nothing. The RCPS has approval to continue as it is past April 2015 on an interim basis. This is to allow sufficient time to identify and implement the reform process for the RCPS. The ultimate deadline to reform the scheme is 31 March 2018.

Q - What does the future look like for the RCPS?

A - The RCPS and its Management Board are in discussions with the Department for Business, Innovation and Skills (BIS) and the Government Actuary Department (GAD) to investigate the opportunities for the RCPS. Working through the Public Services Pension Act 2013 we have identified a number of possible reform options and will be taking these to HM Treasury to discuss further. It is anticipated that by the end of November 2014 a reform approach will have been agreed and that we will have a clearer picture of what the future looks like for the RCPS.

Q - What scheme do new starters get enrolled in to after 1 April 2015?

A - If the new starter is joining an RCPS organisation then they would, as now, be enrolled in to Nuvos with the normal exceptions if they have past service in one of the other schemes (Classic, Classic Plus or Premium).

Q - Why are PCSPS reforming in April 2015?

A - This is a timetable that the Government, PCSPS and MyCSP have set themselves; it is not a timetable that automatically applies to the RCPS.

Q - I have less than 10 years to my scheme pension age as at 1 April 2012, am I protected?

A - Yes. Under the Act you are protected from moving out of your current scheme so remain in it until you access your pension benefits.

Q - What about members in the 'tapered' group?

A - The tapered group refers to those that are between 10 and 13.5 years to their scheme pension age as at 1 April 2012. In the PCSPS these members are being put in to Alpha after April 2015. It's called 'tapered enrolment' and is designed to ease the transition from the current scheme to the Alpha scheme with the people longest to retirement moving in the earliest. E.g. if they have 13 years to pension age they would be enrolled to Alpha in April 2016, if they have 10.5 years to pension age they would be enrolled to Alpha in April 2021. This is the approach PCSPS are taking. Once the reform approach has been agreed for the RCPS we will then be in a better position to tell RCPS members how the tapering will apply.

Q - What about the 'Options Exercise'?

A - PCSPS are running an options exercise in October to give those people in the 'tapered' group the choice of moving in to Alpha earlier than their tapered enrolment date. The RCPS are not taking part in the PCSPS Options Exercise because the future of the RCPS has yet to be decided.

Q - PCSPS and Alpha are introducing new employee contribution rates in April 2015; do these apply to the RCPS?

A - This is currently under review and partly dependent on the outcome of the discussions with Government that have been referred to in previous questions. If the employee rates and/or employer contribution rates for the RCPS do change JSS will inform all members and employers.

Q - Will JSS continue to administer the RCPS?

A - At the moment yes, although the longer term future is dependent on the reform option that is chosen.

Q - Who is acting on the interests of RCPS members?

A - First and foremost the RCPS Management Board. The Board are made up of a number of representatives from all major organisations participating in the RCPS and also has a representative from the Prospect Union. JSS are the administrators of the pension scheme and have actively contributed to the reform process.