

Pension Awareness Session

For members of the RCPS

Friday 3 Nov 2023

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Agenda



- News
- Picture the future
- RCPS reform
- Scheme funding
- Summary of schemes
- Pension accrual
- Added Pension
- Partnership
- Partial & ill health retirement
- Survivors' pensions
- Questions
- Questions will be answered live and via the Q&A
- Plenty of time for questions at the end as well
- Please complete our survey



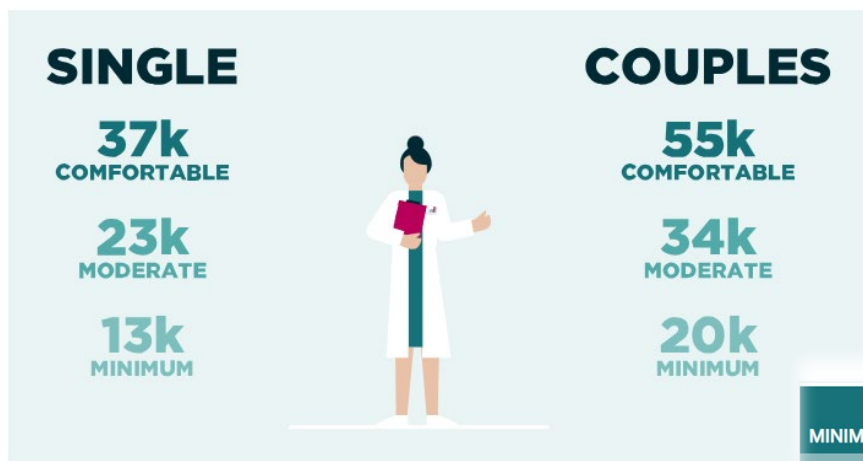
<https://jsspensions.nerc.ac.uk/>

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- Lifetime Allowance removed from 6 April 2023. No longer a taxable limit on the pension benefits that can be accrued (it was £1,073,100)
 - Annual Allowance (AA) increased from £40k to £60k from 6 April 2023.
 - Annual Benefit Statements issued in Jul – Aug; pension accrued to 31 March 2023. Includes a Pension Saving Statement for those are close to or exceed the AA
 - Pensions Dashboards on the way....in 2026
 - Minimum pension age rising to 57 from April 2028 – but does not affect the RCPS as members have a Protected minimum pension age of either 50 or 55
 - State Pension expected to rise to £11,500 from April 2024
 - Be aware of pension scams <https://jsspensions.nerc.ac.uk/scams.asp>

Picture the future (1)

77% of us don't know how much we'll need in retirement

Current State Pension £10,600 p.a. (£203.85 per week), possibly £11,500 from 2024



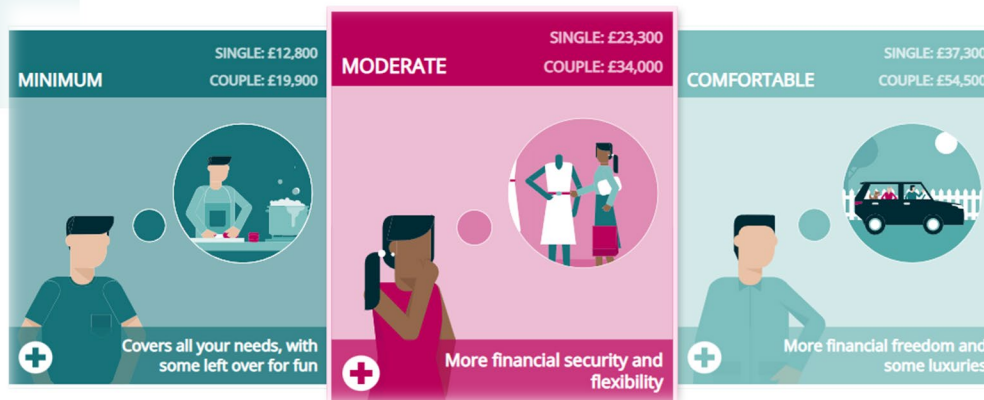
Actual spend in retirement on house maintenance, food, transport, holidays/leisure, clothing & personal and helping others.

PASA Retirement Living Standards – the details:

<https://www.retirementlivingstandards.org.uk/>

MoneyHelper retirement tools:

<https://www.moneyhelper.org.uk/en/pensions-and-retirement>



Picture the future (2)

The Government has updated it's Midlife MOT digital tool (signposting tool)

Uses resources from NHS, Money Helper, Mind, Citizens Advice and DWP to help people plan for the future.

The **money** section focuses on debt, budgeting, insurance and pensions, covering pension basics, finding lost pensions, retirement income planning and more

<https://jobhelp.campaign.gov.uk/midlifemot/home-page/>



Your work

Fine tune your working life. Find out how flexible working options can fit around you and learn new skills to suit your changing needs.



Your health

Look after your body and mind. Learn about all aspects of your physical and mental fitness to plan for the future.



Your money

Understand your money, pension and any debt. Prioritise your financial security for later life.

Your Annual Benefit Statement



- Issued during July to August
- Pension you accrued to 31 March
- The pension payable at your normal scheme pension age
- Maximum tax-free lump sum and resulting pension (where applicable)
- Based on salary and earning information provided by your employer and JSS data
- Your personal details held by us
- Death Benefit Nominee(s) and Death in Service lump sum amount
- Shows pension accrued in the last scheme year
- Pension for spouse/partner (subject to the scheme you are in)
- Includes pensions you have transferred in and any Added Pension you have purchased
- **Keep it safe**

The screenshot shows a document titled "JSS Pensions Administration" with the address "Polars House, North Star Avenue, Gersdon, Wiltshire, SN2 1UY". It is a "Personal Details" form for the "Research Councils' Pension Scheme (RCPS) 2022 Annual Benefit Statement".

Personal Details as at 31 March 2022

Name	
Date of Birth	
Marital Status	
N.I. Number	
Scheme Number	
Scheme Type	
Contract Type	
Scheme Start Date	
Statement Date	
Scheme Retirement Date	
Pensionable Salary at 1 July 2021	
Your Working Pattern	
Nominee for Death Benefit	
Nominee for Partner Pension	

Personal Details

Please check these details and if anything

Your Research Councils' Pension Scheme (RCPS) 2022 Annual Benefit Statement

This letter forms part of your Annual Benefit Statement and details your estimated pension benefits to 31 March 2022, payable at your normal scheme retirement age.

The value of your pension is based on your pensionable earnings for each year to 31 March multiplied by the accrual rate of 2.25%.

The value of the pension accrued in previous years has been increased each year for inflation using the annual Consumer Prices Index (CPI) as at the preceding September. For the year ending 31 March 2022 your total accrued pension was increased by 10.1%.

Spouse's, civil partner's or declared partner's pensions are payable for life; they will generally be less than the amount illustrated if your widow, widower, civil partner or declared partner is more than 12 years younger than you.

The statement provides information about your pension benefits within the RCPS, for illustration purposes only. If there is an error in this statement, or with the information used to create this statement, then the Pension Scheme Rules will take precedence in calculating your final award.

Pension Limits

You should be aware that, under the Scheme rules, there is a limit to the amount of Nuvo pension that can be accrued. A member's pension (including, if applicable, any added pension purchased) cannot be more than 75% of a member's highest scheme earnings. For further details, please refer to the Nuvo Pension Scheme booklet which is available on our website.

A summary of your estimated RCPS benefits for your current service is as follows:

	Pension to 31 March 2022
Your pension	£18,538.22 p.a.

You could access a tax free lump sum on partial or full retirement, up to the maximum shown below, by converting some of your pension to a lump sum with each £1 reduction in pension giving £12 worth of lump sum.

	Benefits to 31 March 2022
Your pension with max. lump sum	£11,917.43 p.a.
Maximum tax free lump sum	£79,440.51

For more information and options available please visit the Members section of the JSS website http://jssmembers.org.uk/members/0260_260

Pension Accrued up to 31 March 2022

From	To	Current
21 January 2010	31 March 2022	£14,061.79

Pensionable Earnings (12 months prior to 31 March 2022)

From	To	Type	Amount	Pension Value as at 31 March 2022
01 April 2021	31 March 2022	Salary	£61,346.96	£1,650.44

Pension for your spouse following your death in service

From	To	Type	Amount	Pension Value as at 31 March 2022
01 April 2021	31 March 2022	Salary	£61,346.96	£1,650.44

Pension for your spouse if you were to die having left the scheme at the statement date

From	To	Type	Amount	Pension Value as at 31 March 2022
01 April 2021	31 March 2022	Salary	£61,346.96	£1,650.44

RCPS Reform Update



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- RCPS is run by-analogy to the Principal Civil Service Pension Scheme (PCSPS). PCSPS is part of the Civil Service Pension Scheme arrangements (CSPS)
 - PCSPS reformed in 2015; new scheme called Alpha; some scheme members were moved into it. April 2022 all remaining PCSPS members were moved into Alpha. Still some remedial work ongoing.
 - **IMPORTANT** – The PCSPS remedy work does not affect RCPS pensions accrued
 - Administration of the Civil Service Pension Scheme is being re-tendered. Anticipate the supplier being confirmed by Dec 2023 with a 2 year onboarding timeframe.
 - Summary position:
 - JSS continue to administer the RCPS
 - You continue to accrue pension benefits in the RCPS
 - No changes before 2026
 - Potential for all active members to move to Alpha and new provider after 2025

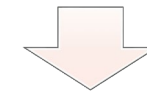
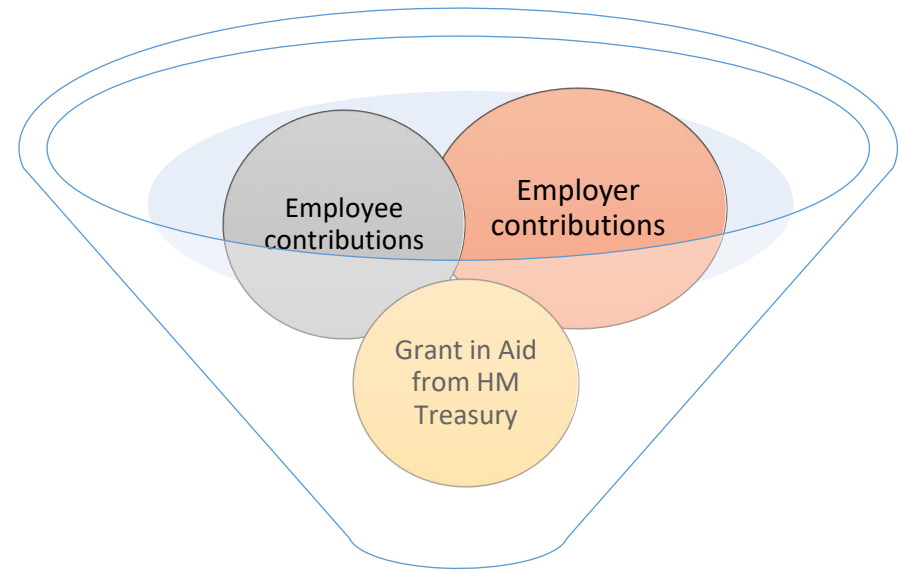
Pause for questions

Research Councils' Pension Scheme

<https://jsspensions.nerc.ac.uk/>

Funding the RCPS

1. **There is no fund!** Think of it like National Insurance; our NI contributions pay for some of today's State Benefits
2. Employee and employer contributions pay today's pensioners/benefit recipients
3. Employer contribution rate (26%) is set by our actuary, no relevance to your individual pension accrual, based on cost of providing the scheme benefits
4. RCPS is Defined Benefit – defines the future benefit you will accrue; guarantees a future pension
5. Defined Contribution – defines the contributions paid in (not future value)



Directly pays the pensions for
15,000 pensioner on payroll
2022-23 Expenditure = £173m

Summary of Schemes



	Classic	Premium	Nuvos
Normal Scheme Pension Age	60	60	65
Basis	Final Salary	Final Salary	Career Average
Accrual Rate	1/80 th	1/60 th	2.3%
Tax Free Pension Lump Sum	Automatic: 3x pension	Optional: £1 pension to £12 lump sum	Optional: £1 pension to £12 lump sum
Maximum Accrual	45 years' service	45 years' service	75% of final pensionable earnings
Death in Service Benefit	2x annual pensionable pay	3x annual pensionable pay	2x annual pensionable pay

Provision for Spouse/Partner pension and Dependant pension automatically included
remember to complete your Death Benefit Nomination

Classic Plus – a hybrid of Classic and Premium

Nuvos has been the default scheme for RCPS since Jul 2007

Not sure what scheme you are in? Check your Benefit Statement or payslip

Pension Accrual: Final Salary



Based on your 'final salary', service and factor – **not your actual final salary!**

Service x accrual rate x pay = pension

Or, a fraction of your final pay (FTE) multiplied by service

Classic - example

1/80th of £30k x 40 years service = pension £15k p.a.

Standard (tax free) lump sum of £45k (lump sum is 3x pension)

Premium - example

1/60th of £30k x 40 years service = pension £20k p.a.

No standard lump sum – option to create a (tax free) lump sum; 12:1

Note:

Maximum accrual is 45 years of service. Pension age 60.

If you work less hours then you'll accrue less service.

Not linked to contributions



Classic
Classic-Plus
Premium

Final Pensionable Earnings



Final Salary sections

Classic

Whichever of the last three years of reckonable service that gives the highest pensionable earnings.

Premium

The best of:

- The last 12 months pensionable earnings, or
- The highest pensionable earnings in any of the last four complete scheme years, or
- Their highest average pensionable earnings in any three complete scheme years during the last 13 years

Pensionable earnings are the **full time equivalent earnings** and prior year earnings are increased for inflation.

Pension Accrual: Nuvos



Career Average Scheme, where the pension you accrue is based on your actual pensionable earnings, time in the scheme and accrual rate of 2.3%. Pension age 65. Accrued pension is revised annual for inflation, using CPI.

Example:

Year 1: 2.3% of £30,000 earnings = pension £690 p.a. payable at 65

Year 2: £690 x CPI (2%) plus another £690 = £1,408 p.a.

After 10 years:

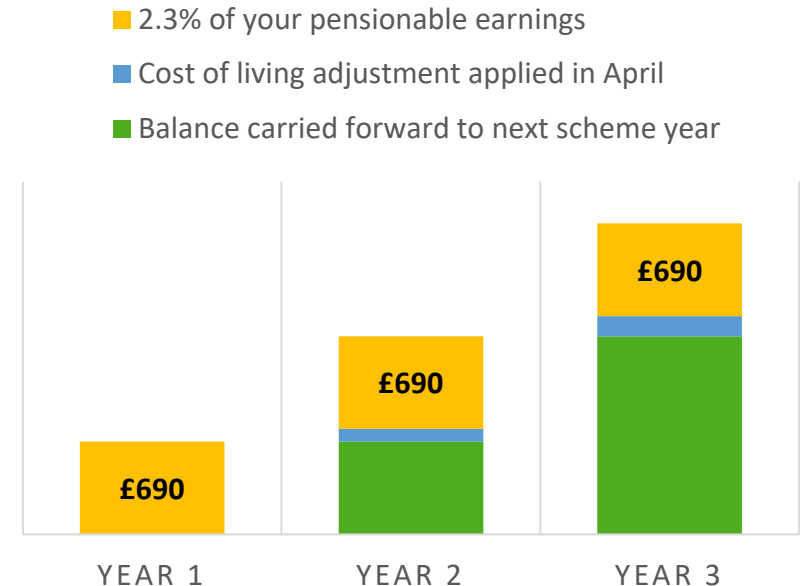
£7,706.41 p.a. (CPI at 2%), or;

£6,900 p.a. (CPI 0%)

Maximum accrual is 75% of final pay

Option to take a tax free lump sum at retirement

Remember; no link to contributions!



Pension Accrual – Nuvos vs DC

Example - Employee earning £30k a year for 10 years, no pay rises, CPI is 2%.

Nuvos pension scheme – Defined Benefit (DB)

With inflationary increases they would accrue a pension of £7,706 p.a.

This would have 'cost' them £13,800 in employee contributions (employer's is irrelevant)

Assume they draw the pension for 20 years = £154,128 paid (at minimum)

Defined Contribution (DC) – example scheme – not RCPS!

Same employee in a DC scheme where the employee and employer contribute the statutory minimum contributions (5% and 3% currently)

Total contributions paid into a fund £24,000 (£15k EES); buy an *annuity of £1,710 p.a.

To get an annuity (pension) of £7,706 p.a. would need a pension pot of £107,000

Would £24k investment grow to £107k by retirement age?

*Annuity assumptions: person is 50 years old today retiring at 67, not taking a lump sum from their pot



Pause for questions

Research Councils' Pension Scheme

<https://jsspensions.nerc.ac.uk/>

Added Pension



Saving more towards retirement

You buy an extra amount of pension (no employer contribution)

- Purchase by one off lump sum, and/or monthly contribution.
- Monthly contributions (from 1 April)
 - % of your pay, or
 - A fixed amount, e.g. £100

Tax efficient: tax is deducted after additional (and normal) pension contributions taken

Guaranteed growth; your Added Pension is uprated by CPI annually

Maximum amount of Added Pension you can currently buy this (2023-24) scheme year is;

- Classic: £6,800 p.a. with standard pension lump sum £20,400
- Premium, Classic Plus, Nuvos: £8,400 p.a.

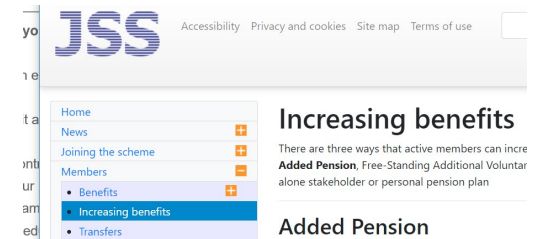
For Nuvos, Added Pension is not part of the 75% limit for pension accrual

Minimum monthly contribution of £10 per month (or percentage equivalent). Minimum lump sum payment of £100

Added Pension calculators and information: <http://jsspensions.nerc.ac.uk/members/increasing.asp>

Reminder issued in January giving the deadlines for lump sum purchases for the current tax year.

We will be hosting an Added Pension on 10 January 2024 – details will be added to our website



Partnership option



- Defined Contribution (DC) – member takes the ‘risk’, chooses a fund
- Scottish Widows and Standard Life
- Enter at start of employment or ‘Switch’ into at a later date
- Employee contribution between 0 – 100% - **option to pay nothing**
- Your employer will match up to 3%
- Maximum employer contribution is 17.75%
- Accessed at age 55
 - Buy an annuity
 - Flexible income drawdown
 - Full fund as lump sum (25% tax free)
 - Combinations
- No minimum enrolment period
- Death in Service cover included
(3 times actual pensionable pay)
- No guarantees on investment performance

Employer Contribution Rate	
Age at last 6 April	% of pensionable earnings
Under 31	8%
31 – 35	9%
36 – 40	11%
41 – 45	13.5%
46 or over	14.75%
Employer matches up to 3% of your contributions	

III Health Retirement



- The decision to refer an employee to the Scheme Medical Adviser (SMA) for an IHR assessment is made by your employer not JSS
- IHR may be awarded if the SMA is satisfied that you meet the criteria for IHR:
 - You cannot continue to work to the requirement of your job because you are ill, and that your breakdown in health is likely to be permanent
- Nuvos, premium and classic plus schemes have two tiers of pensions payable; higher and lower, depending upon whether you cannot work at all, or if you cannot do your current job but may be able to find another job elsewhere
- Your RCPS pension may be enhanced depending on your circumstances to take account of service up to your scheme pension age
- Partnership Pension – may be entitled to one off lump sum payment

RCPS Partial Retirement



- Move gradually into retirement rather than moving straight from full-time work to full-time retirement
- Re-shape your job so that you reduce your earnings by at least 20%, draw some or all of your pension and remain in work
- **Must** be agreed with your employer and be a **permanent** change
- Available to all RCPS members:
 - from age 50 (for Classic, Classic Plus and Premium scheme that joined the scheme before April 2006)
 - from age 55 for Premium members that joined the scheme after April 2006
 - from age 55 for nuvos members
- If you claim your pension before scheme pension age, it will be reduced for early payment (actuarially reduced), approx. 5% per year

[JSS \(Joint Superannuation Services\) - Members - Benefits - Partial retirement \(nerc.ac.uk\)](http://nerc.ac.uk)

Surviving spouse, civil partner or partner pension



Eligibility / rates can be linked to scheme membership

Classic scheme – a surviving spouse or surviving civil partner's pension is only payable to whom you are legally married to, or in a Civil Partnership with, at the time of death.

Normally 50% of accrued pension.

Suspended if the survivor remarries / enters into a Civil Partnership or cohabits as though married / in a Civil Partnership.

Premium and Nuvos schemes – a surviving spouse, surviving civil partner, or surviving partner's pension is payable.

Normally 37.5% of accrued pension

Qualifying conditions for surviving partner pension - living together in exclusive long-term relationship, both free to marry or enter into a Civil Partnership, and financial dependency or interdependence exists.

Surviving pension reduced if survivor is more than 12 years younger than member

Classic Plus - is a mix of above

Some final points to note...



- **Tax relief on contributions**
- **Secure, inflation-proof pension, payable for life – no investment uncertainty**
- **Death Benefit: Life assurance cover – is your Death Benefit Nomination up to date?**
- **Do you need to consider making a Partner Nomination (non-Classic schemes)?**
- **Retiring before your normal scheme pension age?** Pension is reduced by approx. 5% for each year taken early
- **Working beyond scheme pension age?** Final Salary schemes; you continue to accrue service (max 45 years), Nuvos (and any added pension) is increased for late payment
- **Considering opting out** – remember that there is no Death in Service cover whilst opted out
- **Part time working;** final salary schemes – your service accrues at a slower rate. Nuvos – your pension is based on your actual earnings.
- **Your pension is paid to you for life**

Further information



- JSS website for scheme guides, calculators, forms and further information: <https://jsspensions.nerc.ac.uk/>
- You can also call, email, zoom or come and see us face to face. We're based in Polaris House in Swindon. Contact details are [here](#).
- **Read your Annual Benefit Statement**



Get your State Pension forecast:
<https://www.gov.uk/check-state-pension>

Thank you and any questions?

- We will send you a link to a survey shortly, please complete this
- Leave your question and email address at the end of the survey and we will get back to you
- We will upload a recording of this to our website, with these slides

Research Councils' Pension Scheme

<https://jsspensions.nerc.ac.uk/>