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Scottish Teachers' Superannuation Scheme consultees

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18 December 2013

Dear Colleague

## **Scottish Teachers' Superannuation Scheme Consultation on draft regulations for proposed employee contribution increases**

Attached is a copy of a Scottish Government consultation on regulations to introduce proposed increases to employee contribution rates for the Scottish Teachers Superannuation Scheme (STSS) from April 2014, on which you are invited to comment.

On 5 November, the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney MSP, informed the Scottish Parliament of the Scottish Government's decision to implement the third annual increment of employee contribution increases for the Teachers', NHS, Police and Firefighters' schemes in Scotland. Responding to a Parliamentary Question on this matter, the Cabinet Secretary reaffirmed the Scottish Government's commitment to public service pensions that are affordable, sustainable, and fair and its continuing opposition to the UK Government's policy of increasing employee contributions in this way and at this time.

A full copy of the Cabinet Secretary's response can be viewed on the Scottish Parliament's website via the following link:

<http://www.scottish.parliament.uk/parliamentarybusiness/28877.aspx?SearchType=Advanced&ReferenceNumbers=S4W-18081>

Consistent with previous policy, the proposals mirror the rates proposed for the Teachers' Pension Scheme in England and Wales and represent the Scottish Government's considered view of the most appropriate rates to apply in the circumstances.

This consultation will remain open until **26 January 2014**. If you wish to respond online, please do so via the following link:

[http://www.sppa.gov.uk/index.php?option=com\\_wrapper&view=wrapper&Itemid=1490](http://www.sppa.gov.uk/index.php?option=com_wrapper&view=wrapper&Itemid=1490)



Alternatively you can complete the Consultation Response Form attached to this letter and either submit it electronically to [stsspensionsreform@scotland.gsi.gov.uk](mailto:stsspensionsreform@scotland.gsi.gov.uk) or send it to the following address, ensuring that it arrives no later than 26 January 2014:

STSS Employee Contributions Consultation  
STSS Pensions Reform  
Policy Branch  
Scottish Public Pensions Agency  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

A copy of the consultation documentation is also available on the Agency's website at:  
[http://www.sppa.gov.uk/index.php?option=com\\_content&view=article&id=714&Itemid=546](http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=714&Itemid=546)

Yours faithfully



Chad Dawtry  
Director of Policy



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Scottish Local Authorities

Colleges of Further and Higher Education

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VOICE the union

National Association of Schoolmasters/Union of Women Teachers

Association of Headteachers and Deputies in Scotland

School Leaders Scotland

University and College Union

Association of Teachers and Lecturers

Scottish Government

HM Treasury

Government Actuary's Department

Department for Education, England & Wales

Department for Education, Northern Ireland

NHS Pensions Agency

Department of Communities and Local Government

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# SCOTTISH TEACHERS' SUPERANNUATION SCHEME

## CONSULTATION ON PROPOSED INCREASES TO EMPLOYEE CONTRIBUTION RATES EFFECTIVE FROM APRIL 2014

### 1. Purpose

1.1 This consultation sets out the Scottish Government's proposals for the third annual increase in employee contributions to the Scottish Teachers' Superannuation Scheme (STSS), which are due to apply from April 2014.

1.2 The Scottish Government invites views on the proposed employee contribution rates and on the draft regulations attached intended to bring these increases into effect. The Scottish Government has set out, at section 7, specific questions on which it would welcome responses, though consultees may respond on any aspect of the proposals.

1.3 **This consultation is solely concerned with further increases in employee contribution rates proposed to apply to the STSS with effect from 1 April 2014.** A new pension scheme will be introduced in April 2015 and further consideration will need to be given to both the employer and employee contribution rates which should apply from then. Stakeholders will have an opportunity to input into that discussion.

### 2. Consultation timetable

2.1 This consultation runs from 18 December 2013 to 26 January 2014.

### 3. The Scottish Government's position on employee contribution rate increases

3.1 The Scottish Government has set out its position on employee contribution increases on a number of occasions, most recently during the Cabinet Secretary for Finance, Employment and Sustainable Growth's response to a Parliamentary Question on 5 November 2013.

A full copy of the Cabinet Secretary's response can be viewed via the following link:

<http://www.scottish.parliament.uk/parliamentarybusiness/28877.aspx?SearchType=Advance&ReferenceNumbers=S4W-18081>



## 4. Principles

4.1 The proposed increases reflect the Scottish Government's commitment to protect the lowest paid and minimise the risk of opt outs from the STSS. It is intended that taking this approach will help those in the early part of their career to remain in the scheme and therefore reduce the number of potential opt outs. Increases are being spread progressively in order to ensure that those earning higher salaries pay proportionately more for their pensions. This builds on and provides consistency with the approach taken on implementing the second stage of these increases from April 2013. We would welcome views on whether this protection should be extended further and, if so, why.

4.2 When set alongside employee contribution increases introduced in April 2013 the proposals in this consultation will deliver the anticipated increases of 3.20% of pensionable pay (1.28% of pensionable pay from both April 2012 and April 2013 along with this further 0.64% of pensionable pay from April 2014) required by HM Treasury from April 2014.

## 5. Proposed increase in contributions 2014-15

5.1 The Scottish Government's proposed rates to apply from April 2014 are set out in Table 1.

5.2 In applying the increases set out in the proposal, the Scottish Government has sought to ensure that all newly qualified teachers and those at the beginning of their careers will see the least increase on their current rates ie 0.2% before tax relief, which would support the Scottish Government's attempts to minimise opt outs from the scheme.

Full Time Equivalent pensionable pay	Contribution rate 2013/14	Contribution rate 2014/15	Contribution rate increase against 2013/14
Up to £14,999	6.4%	6.4%	0%
£15,000 to £25,999	7.0%	7.2%	0.2%
£26,000 to £31,999	7.9%	8.3%	0.4%
£32,000 to £39,999	8.8%	9.5%	0.7%
£40,000 to £44,999	9.2%	9.9%	0.7%
£45,000 to £74,999	10.1%	11.0%	0.9%
£75,000 to £99,999	10.6%	11.6%	1.0%
£100,000 and above	11.2%	12.4%	1.2%



5.4 The contribution tier in which a member falls will continue to be determined by reference to their full-time equivalent salary. It remains government policy that it is a member's full-time equivalent salary which is used to calculate their pension entitlement and that it would be unfair to full-time staff if part-time staff were treated differently. For example a member with a working pattern of 50% with a full-time equivalent salary of £46,000 (actual pay £23,000) would pay a contribution of 11.0% of their salary in 2014-15.

## 6. Examples of what this could mean for individuals

6.1 STSS employee contributions are deducted from gross pay before income tax is deducted. As a result, their contributions normally benefit from tax relief provided for contributions made to an individual's pension scheme.

6.2 A pensions contributions calculator is available on the SPPA website:

[http://www.sppa.gov.uk/Documents/STSS/STSS%20Useful%20Resources/Calculators/STSS\\_calculator\\_2014.xlsx](http://www.sppa.gov.uk/Documents/STSS/STSS%20Useful%20Resources/Calculators/STSS_calculator_2014.xlsx)

This may be used to estimate the impact on individuals of the proposed increase in contributions from 1 April 2014.

## 7. Views sought on the proposals

7.1 The above sets out the proposal for increasing employee contributions from 1 April 2014 and the Scottish Government would welcome views on the following questions.

**Question 1:** Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?

**Question 2:** Are there alternative rates which you think should be used that will deliver the necessary increased contribution yield for 2014/15? If so, it would be very helpful if you would set out the rationale for your proposed rates and comment on the impact on those who would pay a higher rate.

**Question 3:** Are there any consequences of the proposed contribution tiers that you consider have not been addressed?



## **The closing date for receipt of comments is 26 January 2014.**

To simplify the process you can respond to this consultation online via the following link:

[http://www.sppa.gov.uk/index.php?option=com\\_wrapper&view=wrapper&Itemid=1490](http://www.sppa.gov.uk/index.php?option=com_wrapper&view=wrapper&Itemid=1490)

Alternatively responses may be made by completing the Consultation Response Form attached to this letter which can either be submitted electronically to [stsspensionsreform@scotland.gsi.gov.uk](mailto:stsspensionsreform@scotland.gsi.gov.uk) or via mail to the following address no later than 26 January 2014:

STSS Employee Contributions Consultation  
Policy Branch  
SPPA  
7 Tweedside Park  
Tweedbank  
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## **8. Next steps after the consultation ends**

8.1 A summary of the responses to this consultation will be made available on the SPPA website.

8.2 An Equality Impact Assessment evaluating the approach proposed for the STSS in respect of the proposed increase in contributions will be published in due course.

## **9. Confidentiality of Information**

9.1 We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. It would be helpful if you would complete and return the Consultation Response Form which forms part of the consultation questionnaire as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.



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# CONSULTATION RESPONSE FORM: SCOTTISH TEACHERS SUPERANNUATION SCHEME CONSULTATION ON DRAFT REGULATIONS FOR PROPOSED EMPLOYEE CONTRIBUTION INCREASES EFFECTIVE FROM 1 APRIL 2014 (please complete and return to the address at the end of the form to ensure that we handle your response appropriately).

## 1. Name/Organisation

Organisation Name

Title

Surname

Forename

## 2. Postal Address




Postcode	Phone	
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Email
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## 3. Permissions - I am responding as... (please complete either sections (a), (b) and (d) or sections (c) and (d):

**Individual** or **Group/Organisation**

**(a)** Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?  
*Please state yes or no: \_\_\_\_\_*

**(b)** Where confidentiality is not requested, we will make your responses available to the public on the following basis  
*Please state yes to one of the following:*  
Yes, make my response, name and address all available .....  
*or*  
Yes, make my response available, but not my name and address .....  
*or*  
Yes, make my response and name available, but not my address .....

**(c)** The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).  
  
Are you content for your **response** to be made available?  
*Please state yes or no: .....*

**(d)** We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?  
*Please state yes or no: .....*



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## ABOUT YOU

I am responding ...

- as a scheme member
- on behalf of an Employer Organisation
- on behalf of a Trade Union/Staff Association
- other (please specify)

What is your gender?

- I am female
- I am male

I am employed as...

- a primary school teacher (local authority)
- a secondary school teacher (local authority)
- a head teacher or depute head teacher (local authority)
- an educational psychologist
- a lecturer in further or higher education
- a teacher in an independent school
- I'm retired
- other (please specify)

What is your working pattern?

- I work part-time
- I work full- time
- Not applicable



## CONSULTATION QUESTIONS

Question 1: Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?

Yes   
No

Comments:

Question 2: Are there alternative rates which you think should be used that will deliver the necessary increased contribution yield for 2014/15? If so, it would be very helpful if you would set out the rationale for your proposed rates and comment on the impact on those who would pay a higher rate.

Yes   
No

Comments:



Question 3: Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

Yes   
No

Comments:

Please e-mail your response to [stsspensionsreform@scotland.gsi.gov.uk](mailto:stsspensionsreform@scotland.gsi.gov.uk) or send via mail to:

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