

SCOTTISH TEACHERS' SUPERANNUATION SCHEME (STSS)

REPORT ON CONSULTATION ON PROPOSAL TO INCREASE EMPLOYEE CONTRIBUTION RATES IN APRIL 2014 AND SUMMARY OF RESPONSES

1. Purpose

1.1 The purpose of this paper is to provide stakeholders with a summary of the feedback received to the Scottish Government's recent consultation on increasing employee contributions to the STSS for a third year.

2. Introduction

2.1 The Scottish Public Pensions Agency, on behalf of the Scottish Government, conducted a public consultation inviting stakeholders to register their views on the Scottish Government's proposals for increasing employee pension contributions to the STSS for 2014-15 from 1 April 2014. The consultation also included draft regulations necessary to implement the new rates.

2.2 The Scottish Government's consultation began on 18 December 2013 and closed on 26 January 2014 and covered increases for 2014-15. A short consultation period was necessary to reflect the requirement to have the necessary regulations in force on 1 April 2014. This report summarises the 112 responses received by SPPA to that consultation.

3. Consultation process

3.1 The Scottish Government's consultation document was issued by email to STSS stakeholders on 18 December 2013. The document was also posted on the SPPA website for access by teachers. The consultation document set out the Scottish Government's suggested distribution of contribution rate increases. The tiers in Table 1 were based on those rates proposed by the Department for Education in its consultation issued on 12 November 2013 for teachers in England and Wales.

3.2 In proposing the implementation of the same contribution tiers as proposed in England and Wales, the Scottish Government has sought to protect the low paid, apply increases progressively and limit the level of opt out that higher contribution rates may generate.

3.3 The proposals were that:

Table 1: Proposed increases to contribution rates (before tax relief)			
Full Time Equivalent pensionable pay	Contribution rate 2013/14	Contribution rate 2014/15	Contribution rate increase in 2014/15
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%	0.9%
£75,000 to £99,999	10.6%	11.6%	1.0%
£100,000 and above	11.2%	12.4%	1.2%

4. Analysis of Responses

The consultation posed 3 questions around these proposals. The main comments are summarised in the tables at Annex A.

The breakdown of respondents is as follows:

Respondents	Permission to publish response given
Individual responses (102)	Varying

Employers (3)	
West Dunbartonshire Council	
Convention of Scottish Local Authorities (COSLA)	Not specified
The Universities and Colleges Employers Association (UCEA)	Not specified
Teachers' unions (7)	
Educational Institute of Scotland (EIS)	Yes
VOICE the Union	Yes
Association of Head Teachers and Deputes in Scotland (AHDS)	Yes
Association of Teachers and Lecturers (ATL Scotland)	Yes
School Leaders' Scotland (SLS)	Yes
University and College Union Scotland (UCU)	Yes
NASUWT	Not specified

Scheme membership as at 31/3/2013	79,628¹
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4.2 The following table provides a breakdown of the employment of the individual members who responded (where stated).

Stated employment	Number	%
Primary school teacher	19	23.2
Secondary school teacher	26	31.7
Headteacher or depute	13	15.9
Lecturer in further or higher education	20	24.3
Other	4	4.9
Total	82	

Gender	Number	%
Male	38	43.7
Female	49	56.3
Total	87	

Working pattern	Number	%
Part-time	10	12.2
Full-time	72	87.8
Total	82	

5. Key Messages from Unions

- Respondents' view was that member contributions should not be increased to meet the UK Government's policy and that the Scottish Government should not follow suit.
- Respondents were disappointed that the Scottish Government had not found additional resources from within its own budget.
- Some respondents considered increases to be wholly unjustified as we move to a redesigned CARE pension scheme from April 2015.
- Many respondents expressed concern that these further increases will result in a large number of teachers opting out, particularly those in the higher earnings tiers.

¹ STSS Annual Report and Accounts 2012-13

- Many respondents highlighted the difference in salaries between Scotland and England on equivalent posts and pointed out that the same increases would leave Scottish Teachers much worse off.

6. Next Steps

The Scottish Government is now considering its response to the consultation exercise. The recommended contribution rates will be submitted to the Scottish Ministers for consideration and final approval. Once agreed they will be included in regulations and after further consultation will be laid before the Scottish Parliament to come into effect from 1 April 2014.

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?

	Responses
Yes	15
No	49
Respondents who did not answer this question	48
Main comments made (from 39 responses):	
<ul style="list-style-type: none"> • The minimal increase for those earning below £26,000 is appropriate to protect the lower paid and to minimise opt outs by new entrants to the teaching profession, however, unjustified tiered contributions create a very real risk of opt outs at the other end of the salary spectrum. • Concern expressed that there was a lack of consideration of the Scottish context in proposals to increase employee contributions. • Agree that revised tiers protect lower paid members but concerned that middle earning teachers may be paying disproportionately high contribution increases. • The proposed tiers do not meet the Scottish Government's objective of minimising opt outs, particularly amongst higher earners. • In order to meet Scottish Government's objectives, it has to be assumed that (a) scheme members will pay the additional contributions rather than opting out of the scheme; (b) new members eligible to join the scheme will do so in line with recent historical trends; and (c) there will be no significant change in the balance between part-time and full-time teachers members. These assumptions appear to be fragile. • These increases represent a tax grab by the Coalition Government. The Scottish Government has stated as much but intends to pass the increases onto scheme members. • Those earning below £15,000 should still make a nominal contribution unless the cost to bring in such nominal sums is higher. If this is the case, this should be publicised. • The SPPA and HMT have refused to commission the valuation of the STSS needed to determine the level of contributions within the scheme. There is, therefore, no objective data on which to base any decisions about increasing contributions. • Future opt out levels could be very significant with in excess of 50% of teachers indicating that they would seriously consider opting out and it 	

would be reckless to ignore such evidence.

- SPPA should provide more recent opt out data

Question 2: Are there any 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.

	Responses
Yes	30
No	19
Respondents who did not answer this question	63

Main comments made (from 32 responses)

- Tiering should be based upon Scottish demographics, given that the contribution levels should be set at a level required to fund scheme benefits.
- A flat rate increase in employee contributions from £26,000 onwards should be put in place since those most at risk of opting out are those at each end of the age/earnings spectrum.
- A flat rate percentage increase across all salaries would be fairer to everyone and would help minimise opt outs.
- The tier £45K to £74,999 is too wide; this should be divided to protect those at the lower end of the tier.
- The same increase rate should be applied to all tiers; the increases are top heavy and penalising those with higher earnings.
- These increases are driven by political policies, and are unfair and unjustified. The Scottish Government should find the extra funds from other areas.
- More tiers should be created for those earning in excess of £100,000
- The jump from no contributions (below £15,000) to 6.4% earning just above £15,000 is excessive.
- There are no justifiable grounds for a tiered contribution model in a CARE scheme, and the increases are disproportionate.

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

	Responses
Yes	47
No	7
Respondents who did not answer this question	58
Main comments made (from 37 responses)	
<ul style="list-style-type: none"> • Under a CARE scheme there is absolutely no justifiable reason to have tiered contribution rates. • Such a tiered contribution increase arrangement would be nothing other than an additional tax on higher earners or effectively a cut to salaries. • Government is eroding financial incentive to apply for promotion/promoted posts. • Members in the lower part of the £45,000 to £74,999 tier will be at a distinct disadvantage compared with other members because of the differential effect of tax relief, therefore, the tax implications ought to be investigated further. • The increases in line with England & Wales do not take into account the disparity in salaries between Scotland and England which can be between 20%-50%. • Some members have not had a pay rise in 3 years, and this rise is a further strain on members and their families given the increasing cost of living. • This may drive teachers to retire early retirement/part time hours closer to retirement age, thus not achieving objective of collecting more contributions in the long term from members • Consultation period should have been 12 weeks given the importance of this issue. • It is important that an equality impact assessment is undertaken in order that there is a clear evidence base should there be any subsequent challenge by groups of staff 	

- It is important to consider equality implications of the proposed employee pension contribution increase. As women make up the majority of the workforce, and are more represented in the part-time and new entrant section of teachers and lecturers they are at greater risk of being forced out of the provision of pension due to the pressures of daily living.
- Some employers may alter salaries to ensure staff are kept in the lower brackets, as those just earning enough to qualify for the higher tier would be financially worse off
- In the HE sector, part-time staff whose contributions are determined based on full time equivalent (FTE) salary have opted-out of the scheme despite their pension also being calculated using FTE salaries.