

TEACHERS' PENSION SCHEMES 02/2018

WHO SHOULD READ: Members, Chief Executives, Directors of Education, Directors of Finance, HR Managers, Payroll Managers, Teachers' Unions and representatives

ACTION: For information

SUBJECT: Public Service Pension Indexation and CARE scheme revaluation 2018

The purpose of this circular is to:

- Notify employers of the increase to public service pensions with effect from 9 April 2018. Employers should apply these increases to mandatory and discretionary compensation payments that they pay to retired teachers.
- Advise that the rate to be used for the annual revaluation of Career Average Revalued Earnings (CARE) benefits accrued in the Scottish Teachers' Pension Scheme 2015 for active members is 4.6%
- Advise employers of the employee contribution pay bandings for 2018/2019

Public Service Pensions Indexation

Public service pensions in payment, together with those that are deferred for payment at a future date, are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September.

In the 12 months to September 2017, CPI was 3%. As a result, an increase of 3% from 9 April 2018 is to be applied for either pensions in payment or deferred pensions.

The UK Government will lay the Pensions Increase (Review) Order 2018 in due course.

CARE Scheme Revaluation

The Scottish Teachers' Pension Scheme 2015 Regulations were made under the Public Service Pension Act 2013 (the Act). The Scottish Teachers' Pension Scheme 2015 (STPS) is a Career Average Revalued Earnings (CARE) scheme and Section 9 of the Act deals with the annual "in-service" revaluation of CARE scheme benefits, so that they keep pace with the passage of time. The SPPA website provides [further information](#) on the principles of CARE scheme revaluation.

The STPS Regulations provide for annual revaluation by reference to changes in prices. For active members this is at the rate of CPI plus 1.60%; for deferred members at the rate of CPI included in any Pension Increase (Review) Order.

Section 9(2) of the Act requires the change in prices used for revaluation to be such percentage increase or decrease as is specified in an order made by HM Treasury. The



Public Service Pensions Revaluation (Prices) Order 2018 will fulfil that requirement in relation to prices and reflects the change in CPI of 3% in the 12 months to September 2017. The Chief Secretary to the Treasury has issued a [written statement](#) to this effect, with the Public Service Pensions Revaluation Order 2018 to follow.

As a result of the increase for CPI, the in-service revaluation for the STPS in respect of 2017/18 will be 4.6%.

Employee contribution pay banding 2018/2019

It was agreed during the pension reform discussions that employee contribution rates would be fixed for the period 1 April 2015 to 31 March 2019. The pay bandings in the contribution table would, however, be adjusted each year in line with CPI. The table below therefore reflects the adjusted earnings bands for the scheme year 2018/2019, and applies to the STPS and the pre-2015 Scottish Teachers' Superannuation Scheme.

Actual pensionable pay for the eligible employment for 2018/2019	Contribution percentage rate
Up to and including £27,047	7.2%
£27,048 to £36,410	8.7%
£36,411 to £43,172	9.7%
£43,173 to £57,216	10.4%
£57,217 to £78,022	11.5%
£78,023 and above	11.9%

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23 February 2018

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