sppa
SCOTTISH PUBLIC PENSIONS AGENCY

SCOTTISH TEACHERS' SUPERANNUATION SCHEME
CIRCULAR 04/2013

WHO SHOULD READ:	**ALL STSS MEMBERS** **ALL HR/PAYROLL MANAGERS**
ACTION:	**To ensure revised rates of members' contributions are deducted from teachers' pay from 1 April 2013 onwards**
SUBJECT:	**The Teachers' Superannuation (Scotland) Amendment Regulations 2013 (SSI 2013/71) –** **Increases in members' contribution rates and change to the tiering structure effective from 1 April 2013**

The purpose of this circular is to confirm that increases to members' contributions will be effective from 1 April 2013 as set out in the recent consultation and shown in the table below.

In a statement to Parliament on 28 November 2012, the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, announced the Scottish Government's decision to implement the second annual increment of UK Government proposed employee contribution increases for the Teachers', NHS, Police and Firefighters' schemes in Scotland.

Trade Unions and other members of the negotiating group remain fundamentally opposed to the policy to increase employee contributions at this time. Scottish Ministers share that view but consider that they have no option but to implement the increases since the UK Government threatens to reduce the Scottish budget by £35 million per year if they do not. Despite this, discussions on possible rates were undertaken through the Scottish Teachers' Pension Scheme Negotiating Group. Unfortunately it was not possible to reach agreement on which rates should be applied. SPPA consulted between 20 December 2012 and 1 February 2013 on proposals based on those being implemented for teachers in England and Wales. Details of the questions asked and responses made to the consultation are available on the SPPA's website

This circular confirms that Scottish Ministers have decided that members' contribution rates from 1 April 2013 will be implemented as set out in the consultation document. In doing so Ministers recognised the relative weight of voices from the teachers' side for an alternative distribution of rates but also had to consider other key factors such as the lack of evidence or compelling arguments for the suggested alternatives. Regulations to implement these increases were subsequently laid in the Scottish Parliament on 28 February and subject to Parliamentary approval, the tiering structure and contribution rates effective from 1 April 2013 are as set out in the table below. The rates continue to be based on the member's full-time equivalent salary.

Table 1: Proposed increases to contribution rates (**before** tax relief) from 1 April 2013			
Full Time Equivalent pensionable pay	Contribution rate 2012/13	Contribution rate 2013/14	Contribution rate increase against 2012/13
Up to £14,999	6.4%	6.4%	0%
£15,000 to £25,999	7.0%	7.0%	0%
£26,000 to £31,999	7.3%	7.9%	0.6%
£32,000 to £39,999	7.6%	8.8%	1.2%
£40,000 to £44,999	8.0%	9.2%	1.2%
£45,000 to £74,999	8.0%	10.1%	2.1%
£75,000 to £99,999	8.4%	10.6%	2.2%
£100,000 and above	8.4-8.8%	11.2%	2.4-2.8%

SPPA also consulted on a proposed change to dealing with retrospective pay awards where concerns had been expressed about applying full retrospection in relation to arrears of contributions when a pay award is implemented retrospectively. Several employers had asked SPPA to allow employers to apply the contribution rate to future salary payments and the arrears if a backdated pay increase occurs. Although there was no strong consensus of opinion expressed in the consultation, several employers said that the current method was onerous and time-consuming. SPPA has decided therefore that from 1 April 2013 this proposed change should be adopted.

For example, Derek's monthly salary is £3,125 (annual salary £37,500). He receives a pay rise in August 2013 equal to £3,000. However, his pay increase is not received by Derek until his October pay. The pay increase of £3,000 is equal to £250 per month. In October Derek receives his salary and backdated pay award ie £3,125 plus £750 (3 months pay award) = £3,875. To calculate Derek's contributions for October you need to multiply his salary due in that month (£3,125 + £250 = £3,375) by 12 = £40,500. This brings Derek within the 9.2% contribution tier. This rate should be applied to the October salary plus arrears ie £3,875 x 9.2% = £356.50 before tax.

Employers of STSS members must take action on the basis of this information to ensure that their HR/Payroll systems are updated to manage the revised tiered contributions structure from 1 April 2013.

The changes to contribution rates will be effective for service from 1 April 2013. Employers will be required to pay the first tiered contributions by 7 May 2013.

Employee contribution rates for 2014/15 are still to be decided and will be subject to further consultation in the coming months.

The employer contribution rate is not affected by these changes and remains at 14.9%.

To help members understand what this will mean for them, a STSS contributions calculator is available on the SPPA website (use this link or go to the Teachers page of the SPPA website and click on Calculators). This will show members how their monthly contributions to the STSS will be affected after tax.

Please bring the information contained in this circular to the attention of the relevant staff to ensure that the necessary arrangements are in place for the correct contributions to be deducted from members as appropriate and in line with the tiered contribution rates when the regulations come into force on 1 April 2013.

In accordance with the Occupational Pension Scheme (Disclosure of Information) Regulations 1996, please ensure that all members who are affected by this change are notified individually in writing.

Christine Marr
Policy Manager
4 March 2013

Contact Information: Should you have any enquiries about this circular, or require further information, please contact christine.marr@scotland.gsi.gov.uk

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