



SCOTTISH PUBLIC PENSIONS AGENCY

To:

The Secretary General, Convention of Scottish Local Authorities

The Director of Education, Director of Finance & Human Resources
Manager, Scottish Local Authorities

Principals of Further and Higher Education Institutions

Independent Schools

Official Correspondents of Other Participating Organisations

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19 September 2003

Dear Sir or Madam

TEACHERS' SUPERANNUATION CIRCULAR 2003/1

SCOTTISH TEACHERS' SUPERANNUATION SCHEME (STSS): INCREASE IN THE RATE OF EMPLOYERS' CONTRIBUTIONS

Purpose

This Circular informs teachers' employers and representatives that the rate of employers' contributions to the STSS will increase to 12.5% with effect from 1 October 2003.

Background

Teachers' Superannuation Circular 2002/2, issued on 17 December 2002, gave advance notice of an increase in the employers' contribution rate, primarily because the STSS was assuming responsibility for meeting the cost of pensions increases. Although the full report on the actuarial valuation of the STSS is not expected to be received until early next year, the Government Actuary has produced an interim report that confirms that, from 1 October, the employers' contribution rate should increase by 5.1%, from 7.4% to 12.5%. As was anticipated in Circular 2002/2, 4.75% of the increase is attributable to the Scheme assuming responsibility for meeting all of the costs of teachers' pensions, including pensions increases. The balance of the increase is attributable to changed demographic factors, such as increased longevity. A copy of the Government Actuary's report is attached.

Enclosed with Circular 2002/2 was a draft of regulations to amend the Teachers' Superannuation (Scotland) Regulations 1992 (the principal regulations that prescribe the STSS) to introduce a new method for valuing the Scheme, to provide greater stability in employers' contribution rates. Information about the new valuation methodology, known as SCAPE (Superannuation Contributions Adjusted for Past Experience) was also given in that Circular. The amending regulations have now been made and, although the printed version is not yet available, a copy is attached. Copies of the printed version of the regulations will be obtainable shortly through The Stationery Office.

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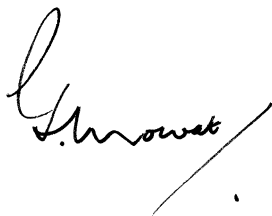
Financial Arrangements

As was explained in Teachers' Superannuation Circular 2002/2, employers in the school, higher and further education sectors (and others funded by the public purse) will receive additional monies to meet the element of the increased contribution rate attributable to pensions increase costs (4.75%). This will be distributed by the Scottish Executive and will be calculated as a proportion of pension contribution remittances in 2002-2003. The balance of the increase (0.35%) attributable to demographic and other changes is for employers to meet in the normal way from within their general spending allocations.

Enquiries

Enquiries about the amending regulations, the actuarial valuation of the Scheme, or the revised funding methodology should be directed to Christine Marr, the Policy Manager for the STSS, at the above address and telephone number. Any enquiries about the apportionment or distribution of funds to employers to offset the cost of the increased employers' contribution rate should be addressed to Mark Cockburn, SPPA's Finance Manager, at the above address or by 'phoning 01896 893256.

Yours faithfully



GAVIN MOWAT
Director of Policy