

**TEACHERS' PENSION SCHEMES
2015/12**

WHO SHOULD READ: Chief Executives, HR and Payroll managers, Teacher's Unions and representatives
ACTION: To read and circulate to interested parties and members of the Teachers' Pension Schemes
SUBJECT: Pensionable Earnings from 1 April 2015

The purpose of this circular is to provide clarification on:

1. Contribution rates and tiers for members joining and leaving the scheme
2. CARE members who have additional contracts
3. Cash conservation
4. Employee and employer contributions payable whilst a member is on sick leave/maternity leave/shared paternity leave/ adoptive leave
5. Contributions for members who receive holiday pay quarterly
6. Salary sacrifice

Following the issue of Scottish Teachers Superannuation Scheme circulars 04/2015, 07/2015 and 08/2015, the following provides clarification on pensionable earnings.

1. Calculating contributions tiers and rates for members joining and leaving Scottish Teachers' Pension Scheme 2015 (STPS)

Members, who either **commence membership or leave** the STPS part way through a month, must have their contribution tier and rate based on their **actual annual pay**. Having received a number of queries regarding the advice previously provided in the circulars detailed above. SPPA has considered the comments made and provides revised guidance on these particular issues.

New start employee

Example 1

Iain **commences** full time employment as a teacher on 20 April 2015. He is due to receive £936.66 for his first payment from 20 to 30 April 2015. For the first part month payment Iain's actual annual pay would be calculated using the actual pay he has received in that part month i.e. £936.66 x 12 = £11,239.92. For month 1 the actual annual pay of £11,239.92 would be used with the appropriate contribution tier being 'up to and including £25,999.00', therefore the standard contribution rate to be applied is 7.2%. The employer would then be required to re-calculate the tier and rate for the following month which will be based on his actual annual salary. This process is the same for both full and part time members.

Leaving employment

Example 1

Margaret **leaves** employment as a full time teacher with a final date of employment of 19 August 2015. She is due to receive £1,816.03 actual pay for the period 1 August to 19 August. Margaret's actual annual pay would be £1,816.03 x 12 = £21,792.36. The appropriate contribution tier for the final month of employment would be 'up to and including £25,999', therefore the standard contribution rate to be applied is 7.2%. The process is the same for both full and part time members.

2. Career Average Re-valued Earnings (CARE) members who have additional contracts

Some scheme members who have moved into the CARE scheme have both a full time contract and an additional contract. Where both contracts are appropriate to the STPS, both contracts would be pensionable.

3. Cash conservation

The application of cash conservation will commence at the date at which the downgrading of the salary for the post, transfer or cessation of temporary appointment takes effect. During the period of cash conservation, the post holder will continue to receive their previous salary but will not receive any increase resulting from pay awards. At the end of the period, the cash conservation will end and the post holder will receive the normal salary for the post they now hold.

For those members who qualified for cash conservation, this remains pensionable for the 2015 scheme from 1 April 2015.

4. (i) Employee contributions payable whilst a member is on sick leave/maternity leave. Please note that this information may differ from that already supplied on an individual basis.

A person is not in pensionable service in relation to that employment unless they are entitled to be paid:

- a salary in respect of that employment
- on adoptive leave, maternity leave, shared parental leave or paternity leave with at least ½ of the member's salary or statutory pay being paid, or
- where the member is on sick leave, the member must be receiving at least ½ pay in respect of that employment.

Please note where a member receives **SSP only**, this is **not** pensionable.

Where a member's pensionable earnings are reduced, the contribution rate continues to be paid based on their pre reduction annual salary rate but they only pay that rate in relation to

the actual earnings received.

Example

James receives an actual monthly salary of £2,907.25, however, after six months on sick leave his actual pay reduces to £1,453.63. The actual annual salary is $12 \times £2,907.25 = £34,887.00$. Therefore, the appropriate contribution tier is '£26,000 to £34,999.00' is 8.7%. Although he has moved to $\frac{1}{2}$ pay, contributions continue to be paid at 8.7% on his monthly actual salary of £1,453.63.

When calculating accrued pension benefits for periods of reduced pay outlined above the member's pre reduced annual salary rate is used.

4. (ii) Employer contributions payable whilst a member is on sick leave/maternity leave/shared parental leave

Where a person is in pensionable employment and is receiving $\frac{1}{2}$ pay in respect of that employment, the employer contribution is paid on the actual $\frac{1}{2}$ pay.

Example

A member normally has a full time actual pay of £41,190.00. However, their pay has been reduced to £20,595.00 due to sick leave/maternity leave shared parental leave/paternity leave. The employer pays contributions at the rate of 14.9% (increasing to 17.2% from 1 September 2015) on £20,595.00.

5. Contributions for members who receive holiday pay quarterly

For members who are subject to the fixed term worker's pension deductions for holiday pay, which is paid four times a year in November, January, May and July, the tier and rate should be calculated as follows:

Example

Where a member receives an hourly rate of £20.00 plus £6.00 holiday pay which is banked and paid every quarter, the actual hourly rate is £26.00. The contribution tier and rate should be calculated on the hours worked x actual hourly rate of £26.00.

Month 1

Member works 20 hours in the month.

Actual monthly pay = $20 \text{ (hours)} \times £26.00 \text{ (hourly rate)} = £520.00$

Actual annual salary = $£520.00 \times 12 = £6,240.00$

Contribution tier 'up to and including £25,999' = rate 7.2%

Month 2

Member works 85 hours in the month

Actual monthly pay = 85 (hours) x £26.00 (hourly rate) = £2,210.00

Actual annual salary = £2,210.00 x 12 = £26,520.00

Contribution tier '£26,000 to £34,999' = rate 8.7%

6. Salary sacrifice

Salary sacrifice happens when an employee gives up the right to receive part of their salary due under their contract of employment and in exchange receives a non-cash benefit. It does not apply where an employee receives full pay and then buys a service from the employer.

The scheme allows a limited number of salary sacrifice schemes that provides for pension contributions to be deducted on the pre sacrifice salary. Those schemes are:

- childcare vouchers
- cycles
- cyclist safety equipment
- home computer initiative

Please note that school fees have never been permitted in the STSS as a salary sacrifice and this remains the case on moving to the new career average re-valued earnings (2015) scheme.

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Contact information

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