

To:

The Secretary General, Convention of Scottish Local Authorities

The Directors of Education, Directors of Finance & Human Resource
Managers, Scottish Local Authorities

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Dear Sir or Madam

SUPERANNUATION (TEACHERS) CIRCULAR No 2006/5
THE TEACHERS' SUPERANNUATION (SCOTLAND) AMENDMENT REGULATIONS 2006 (SSI
2006 No 308)

The purpose of this circular is to inform teachers, their employers and representatives, and other interested parties of the making of the above Regulations, which make amendments to the Teachers' Superannuation (Scotland) Regulations 2005 (SSI 2005/393) and the Teachers' Superannuation (Additional Voluntary Contributions) (Scotland) Regulations 1995 (SI1995/2814).

A copy of these Amendment Regulations can be accessed via the following link [SSI 2006/308](#),

The amendments are made in response to the provisions of the Finance Act 2004 (c.12) and associated regulations, which introduce a radical new tax regime for tax-privileged pension savings which takes effect from 6 April 2006, known as 'A' day. A new simplified regime replaces the eight existing tax regimes that cover different types of pension schemes and pension saving arrangements.

The previous tax regime governing occupational pension schemes limited the level and range of benefits payable by schemes and imposed tight limits on contributions that could be paid by scheme members. The new regime is based on each person being entitled to a Life Time Allowance (LTA) to which all pension savings in registered pension schemes count and with limits on what can be taken as a tax free lump sum. Individuals with pension savings in more than one scheme or arrangement are responsible for making sure that the LTA is not exceeded. Schemes are permitted to create a benefit structure within the Finance Act 2004 limits, and payments that exceed the prescribed limits are classed as unauthorised payments.

The main mandatory requirements of the Finance Act 2004 necessitating the changes are as follows:

- The requirement for all schemes to adopt a new minimum pension age of 55 by 6 April 2010 or earlier. The amendments introduce the minimum pension age of 55 for new entrants from 30 June 2006.



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- The restriction of payments of children's pensions after age 23 except in limited circumstances.
- The limits on when a trivial pension can be commuted and paid as a lump sum will be increased to come into line with the overriding rules in force with effect from 6 April 2006.

Other changes are consequential on the rules brought in by the Finance Act 2004 – for example, reflecting changes in terminology.

For consistency with the 'A day' date for the coming into force of the changes in the Finance Act 2004, the mandatory changes will have retrospective effect from 6 April 2006, as authorised by section 12 of the Superannuation Act 1972.

The amendments also introduce two permissive changes allowed under the Finance Act 2004, in relation to the scheme's in-house Additional Voluntary Contributions (AVC) arrangements. These are to have effect from 30 June 2006 (the date this instrument comes into force) and are as follows:-

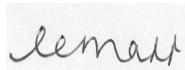
- Members of the scheme will be able to make AVCs of up to 100% of their STSS salary, less contributions to other registered pension schemes, including the STSS.
- On retirement, members will also be able to take up to 25% of their invested STSS AVC fund, as a tax-free 'pension commencement' lump sum.

The amendments should be read with the rules in the Finance Act 2004 and the related transitional regulations made under that Act. In particular, the Registered Pension Scheme (Modification of the Rules of Existing Schemes) Regulations 2006 (S.I. 2006/364) have permitted the continuation of an 'earnings cap' in the Regulations (regulation 4 of S.I. 2006/364) and there are no amendments removing the relevant earnings cap from the Teachers' Superannuation (Scotland) Regulations 2005.

The regulations also correct some minor inaccuracies in the 2005 Regulations and update cross references in the AVC Regulations to the 2005 Regulations.

Further copies of the regulations can be purchased from The Stationery Office (ISBN number 0-11-070609-9).

Yours faithfully



Christine Marr
Policy Manager, STSS