

**SCOTTISH TEACHERS' SUPERANNUATION SCHEME
CIRCULAR 03/2012**

WHO SHOULD READ: ALL STSS MEMBERS
ALL HR/PAYROLL MANAGERS

ACTION: To ensure revised rates of member contributions are deducted from teachers' pay from April 2012 onwards

SUBJECT: Introduction of tiered member contribution structure with effect from 1 April 2012

The purpose of this circular is to confirm that a tiered member contribution structure will be introduced for members of the Scottish Teachers' Superannuation Scheme (STSS) with effect from 1 April 2012.

Earlier consultations (links to [consultation document](#), [consultation letter](#) and [draft regulations](#)) confirmed the Scottish Government's intention to introduce increases in average employee contribution rates to the STSS via new tiered member contribution rates with effect from 1 April 2012.

The first consultation provided an explanation of the policy background to the new contribution rates and the recent consultation on draft regulations provided detail on the rates which will take effect from 1 April 2012. It also alerted employers to the need to prepare systems and processes so that the new rates are fully operational from that date.

This circulation further confirms member contribution rates for April 2012 to March 2013, as set out in the table below. The rates are calculated on the member's full-time equivalent salary.

Full Time Equivalent pensionable pay	Contribution rate 2012/13	Contribution rate increase in 2012/13
Below £15,000	6.4%	0%
£15,000 to £25,999	7.0%	0.6%
£26,000 to £31,999	7.3%	0.9%
£32,000 to £39,999	7.6%	1.2%
£40,000 to £74,999	8.0%	1.6%
£75,000 to £111,999	8.4%	2.0%
£112,000 and above	8.8%	2.4%

Employers of STSS members must take action to ensure that their HR/Payroll systems are updated to manage tiered contributions from **1 April 2012**.



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.

The changes to contribution rates will be effective for service from 1 April 2012. Employers will be required to pay the first tiered contributions by 7 May 2012.

Employee contribution increases for 2013/14 and 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%

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 2012.

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.

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Policy Manager
29 February 2012

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TIERED CONTRIBUTIONS

These changes introduce tiered contributions to the STSS for the first time. The following information and examples aim to support employers introducing this change.

The change to a tiered contribution rate also introduces the requirement to use a teacher's Full Time Equivalent (FTE) contributable salary when deciding on what contribution rate is applicable. A teacher's FTE contributable salary is already used to calculate a part-time teacher's pension benefits.

The contributions due each month will be based on the teacher's FTE contributable salary due for that month. Therefore a teacher's gross FTE contributable monthly salary should be multiplied by 12 and the relevant contribution rate for that resulting FTE salary should be applied for that month.

Is the expectation that when teachers change banding mid-month that two different contribution rates could apply in the same month?

No, a teacher's contribution rate should be applied monthly based on the FTE contributable salary for that month.

Allowances

Any pensionable allowances such as a Distant Islands Allowance or a Residential Special Schools Allowance should be added to the annual FTE contributable salary to determine the appropriate contribution tier.

Will the banding for teachers with more than one contract be on a standalone basis? Or would the employment be aggregated and one percentage applied?

If a teacher has more than one contract then each employer will be required to calculate the contribution rate based on the FTE contributable salary received for each contract.

Examples

1. Teachers employed on permanent full-time basis:

Julia is employed as a full-time primary teacher and earns a gross salary of £34,200 in 2012-13. Her current contribution rate is 6.4% of her gross salary and would result in a monthly contribution of £182.40 gross (£145.92 net of tax). From 1 April 2012, Julia's contribution will rise to 7.6% of her gross salary - £216.60 gross (£173.28 net of tax) – a net increase of £27.36, assuming she is on a normal tax code.



Jack is employed as a full-time Depute Headteacher and earns a gross salary of £50,859 in 2012-13. His current contribution rate is 6.4% of his gross salary and would result in a monthly contribution of £271.25 gross (£162.75 net). From 1 April 2012 Jack's contribution rate will rise to 8.0% of his gross salary - £339.06 gross (£203.44 net of tax) – a net increase of £40.69.

2. Teacher employed on a permanent part-time basis

Mary is employed as a part-time teacher on a 0.5 FTE basis. Because she works 50% of full time, she receives a pro rata salary. Mary's actual earnings are £14,397 per year. Her current contribution rate is 6.4% of her gross salary and would result in a monthly contribution of £76.78 gross (£61.42 net of tax). To work out the appropriate contribution tier, use Mary's FTE salary which is £28,794 (£14,397 x 100/50). Therefore Mary will pay a contribution rate of 7.3%. Mary's monthly contribution from 1 April 2012 is therefore £87.58 gross (£70.06 net of tax) – a net increase of £8.64.

3. Teacher is employed by a local authority on a short-term supply basis up to 5 days (maximum 25 hours).

Where teachers work for a period of short-term supply for up to 5 days, their salary rate will be £25,716. Their contribution rate will be 7%. Contributions will be payable at 7% on salary earned.

4. Teacher is employed by a local authority on a short-term supply basis for 5 days and then is given a fixed term contract for a further 5 days.

STSS circular 2011/13 confirmed how supply teachers' pay should be calculated from 1 September 2011. Where a teacher on short term supply works 5 days and then continues on a fixed term contract for a further period on a salary of £34,200, you will need to pro-rata up the salary earned to the FTE.

For example, a teacher works 5 days short term supply and is paid 25 hours at £25,716. The teacher then works another 5 days on a fixed term contract on a salary of £34,200 during that pay period, pensionable pay earned would be

$$\begin{aligned} 25/1365 \text{ hours} \times \text{£}25,716 &= \text{£}470.99 \\ 35/1365 \text{ hours} \times \text{£}34,200 &= \text{£}876.92 \\ \text{Total pay} &= \text{£}1,347.91 \end{aligned}$$

To calculate the FTE pro rata up the salary paid for 60 hours to the FTE $1365/60 \times \text{£}1,347.91 = \text{£}30,664.95$. The appropriate contribution rate would be 7.3% for that month.



5. Lecturer is employed in one of Scotland's Colleges on an hourly basis.

Where a lecturer is employed on an hourly basis, the contribution rate should be determined by the FTE salary.

Arrears

Arrears payments will need to be re-calculated depending on the month the relate to. Where arrears payments are made, for example, in cases of backdated pay awards, employers will need to determine the salary that was due in each of the previous months and adjust the contributions due for those months.

For example, Derek's monthly salary is £3,125 (annual salary £37,500). He receives a pay rise in August 2012 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 8.0% contribution tier. For October therefore Derek's contributions are £270 before tax relief.

Derek also received a pay increase in respect of August and September. This means his contributions for these months must be re-calculated. Derek's contribution in August should be based on his new salary of £40,500, producing contributions payable of £270 before tax relief. As Derek has already paid £237.50 for August and September, he needs to make an additional payment of £65 (£32.50 x 2) gross of tax (£39 net of tax).

Payment of contributions to SPPA

There is no change to the payment process. Please continue to pay contributions following the current guidance and using the existing advice notice.

