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Scottish Teachers' Superannuation Scheme consultees

[www.sppa.gov.uk](http://www.sppa.gov.uk)

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Fax: 01896 893214  
stsspensionsreform@scotland.gsi.gov.uk

20 December 2012

Dear Colleague

## **Scottish Teachers' Superannuation Scheme Consultation on draft regulations for proposed employee contribution increases**

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. A full copy of the Cabinet Secretary's statement can be viewed via the following link:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7569&i=69154&c=0&s=pensions>

Attached is a copy of a Scottish Government consultation on proposed increases to employee contribution rates to take effect from April 2013 for the Scottish Teachers' Superannuation Scheme (STSS). During current partnership negotiations on longer-term reform of the STSS, the Scottish Government has actively sought partners' views on the most appropriate way to implement this, the second increment of increases. However, as trade unions/staff side representatives and COSLA remain opposed to the policy of increasing member contributions it has not been possible to reach formal agreement on proposed rates. Consequently, the proposals contained in the attached consultation represent the Scottish Government's considered view of the most appropriate rates to apply in the circumstances in the absence of compelling evidence or arguments in support of any particular alternative.

To simplify the process you can respond to this consultation online via the following link:

[http://www.sppa.gov.uk/index.php?option=com\\_wrapper&view=wrapper&Itemid=1490](http://www.sppa.gov.uk/index.php?option=com_wrapper&view=wrapper&Itemid=1490)

Alternatively responses may be made by completing the Consultation Response Form attached to this letter which can either be submitted electronically to [stsspensionsreform@scotland.gsi.gov.uk](mailto:stsspensionsreform@scotland.gsi.gov.uk) or via mail to the following address no later than **1 February 2013**:



STSS Employee Contributions Consultation  
STSS Pensions Reform  
Policy Branch  
SPPA  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

A copy of the consultation documentation is also available on the Agency's website at:  
[http://www.sppa.gov.uk/index.php?option=com\\_content&view=article&id=714&Itemid=546](http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=714&Itemid=546)

Yours faithfully



Chad Dawtry  
Director of Policy



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Copies to:

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Scottish Local Authorities  
Colleges of Further and Higher Education  
Colleges Scotland  
Scottish Further Education Unit  
Higher Education Establishments  
Scottish Independent Schools  
Scottish Council for Independent Schools  
Workers Educational Association  
Scottish Qualifications Authority

Educational Institute of Scotland  
Scottish Secondary Teachers' Association  
VOICE the union  
National Association of Schoolmasters/Union of Women Teachers  
Association of Headteachers and Deputies in Scotland  
School Leaders Scotland  
University and College Union  
Association of Teachers and Lecturers

Scottish Government  
HM Treasury  
Government Actuary's Department  
Department for Education, England & Wales  
Department for Education, Northern Ireland  
NHS Pensions Agency  
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Audit Scotland

General Teaching Council for Scotland  
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# SCOTTISH TEACHERS' SUPERANNUATION SCHEME

## CONSULTATION ON PROPOSED INCREASES TO EMPLOYEE CONTRIBUTION RATES EFFECTIVE FROM APRIL 2013

### 1. Purpose

1.1 This consultation sets out the Scottish Government's proposals for the second annual increase in employee contributions to the Scottish Teachers' Superannuation Scheme (STSS), which are due to apply from April 2013.

1.2 The Scottish Government invites views on the proposed employee contribution rates and on the draft regulations attached intended to bring these increases into effect. The Scottish Government has set out, at section 7, specific questions on which it would welcome responses, though consultees may respond on any aspect of the proposals.

1.3 **This consultation is solely concerned with further increases in employee contribution rates proposed to apply to the STSS with effect from 1 April 2013.** In due course, the Scottish Government may consult on proposals for a potential third annual increase in employee contributions. It will also consult on proposals for longer-term reform of the STSS following partnership negotiations.

### 2. Consultation timetable

2.1 This consultation runs from 20 December 2012 to 1 February 2013.

### 3. The Scottish Government's position on employee contribution rate increases

3.1 The Scottish Government has set out its position on employee contribution increases on a number of occasions, most recently during the Cabinet Secretary for Finance, Employment and Sustainable Growth's statement to Parliament on 28 November 2012. The full text of that statement can be viewed in the Official Report for that day and via the following link:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7569&i=69154&c=0&s=pensions>.



## 4. Principles

4.1 The Scottish Government takes its commitment to affordability, sustainability and fairness in public sector pension deals seriously. In arriving at the rates proposed in this consultation it has attempted to seek a consensus approach from stakeholders. However as stakeholders remain wholly opposed to increasing contributions this has not been possible. In absence of such an agreement the proposed rates reflect those being consulted on for the Teachers' Pension Scheme in England and Wales. However this consultation seeks views around any alternatives and in particular whether the contribution tiers should be directly related to Scottish pay rates.

4.2 The proposed increases reflect the Scottish Government's commitment to protect the lowest paid and minimise the risk of opt outs from the STSS. The protection being proposed is that those teachers earning up to the whole time equivalent of £25,999 will see no increases applied this year. We would welcome views on whether this protection should be extended further and, if so, why. It is intended that taking this approach will help those in the early part of their career to remain in the scheme and therefore reduce the number of potential opt outs from the scheme. Above that level, increases are being spread progressively in order to ensure that those earning higher salaries pay proportionately more for their pensions.

4.3 The limited data on opt-outs available for the STSS to date shows no identifiable increases in opt outs since the introduction of the first round of employee contribution increases. We understand that a similar picture has emerged from other public service schemes. However, the Scottish Government will continue to monitor and consider the impact of increases in employee contributions on opt outs from the scheme.

## 5. Proposed increase in contributions 2013-14

5.1 The Scottish Government's proposed rates to apply from April 2013 are set out in Table 1 below. Those earning up to £25,999 (full-time equivalent rate) will pay no increase on their current contributions.

5.2 In applying the increases set out in the proposal, we have sought to ensure that all newly qualified teachers and those at the beginning of their careers will pay no increase on their current rates which would support the Scottish Government's attempts to minimise opt outs from the scheme.

5.3 When set alongside employee contribution increases introduced in April 2012 the proposals in this consultation will deliver the anticipated increases of 2.56% of pensionable pay (1.28% of pensionable pay from April 2012 and this



further 1.28% of pensionable pay from April 2013) required by HM Treasury from April 2013.

Table 1: Proposed increases to contribution rates ( <b>before</b> 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%	2.4-2.6%

5.4 The contribution tier in which a member falls will continue to be determined by reference to their full-time equivalent salary. It remains government policy that it is a member's full-time equivalent salary which is used to calculate their pension entitlement and that it would be unfair to full-time staff to treat part-time staff differently. For example a member with a working pattern of 50% with a full-time equivalent salary of £46,000 (actual pay £23,000) would pay a contribution of 10.1% of their salary in 2013-14.

## 6. Examples of what this could mean for individuals

6.1 STSS employee contributions are deducted from gross pay before income tax is deducted. As a result, their contributions normally benefit from tax relief provided for contributions made to an individual's pension scheme.

6.2 For illustrative purposes **Annex A** provides a table showing the estimated net impact of the proposed increases from April 2013. The contribution rate after tax relief is the percentage of total pay by which take-home pay is reduced as a result of the increase to pension contributions. This shows the beneficial effect of tax relief on pension contributions.

6.3 A pensions contributions calculator is available on the SPPA website: <http://www.sppa.gov.uk/Documents/STSS/STSS%20Useful%20Resources/Consultations/2012/STSS%20calculator.xls>

This may be used to estimate the impact on individuals of the proposed increase in contributions from 1 April 2013.



## 7. Views sought on the proposals

7.1 The above sets out the proposal for increasing employee contributions from 1 April 2013 and the Scottish Government would welcome views on the following questions.

**Question 1:** Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?

**Question 2:** Are there any other rates which you think would help to further minimise any opt outs from the STSS but will deliver the necessary increase?

**Question 3:** Do you consider that the protection proposed for those earning up to £25,999 should be extended? If so, it would be very helpful if you would specify the level to which it should be extended and the reasons for doing so. Any comment on how the costs should be borne by those earning more would also be welcomed.

**Question 4:** Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

**Question 5:** Do you consider that there are any potential equality issues? For example, is there anything in the proposals that might result in individual groups being disproportionately affected by the proposed contribution tiering?

**Question 6:** Should the tiering levels be based directly on Scottish teacher payrates?

**Question 7:** Are there any other specific issues around these potential increases that you would like the Scottish Government to consider?

## 8. Administrative Implications of Tiered Contribution rates

8.1 For the scheme in England and Wales a number of employers have raised concerns about the administrative burden caused by calculating the contributions to be deducted following the application of retrospective pay awards. In England and Wales the Department for Education is therefore proposing an amendment to the current arrangements such that in the event of a retrospective pay award, the employer would determine the new contribution rate based on the new FTE salary, and that would be applied to all





member's salary paid in that month (including arrears). FTE is defined as total pay in the month, excluding back pay, multiplied by 12 (on a pro-rata basis).

Please see example below:

### **Monthly Salary - based on 2012-13 contribution rates**

<b>Salary Month</b>	<b>Monthly Pay</b>	<b>FTE</b>	<b>Rate</b>	<b>Contribution Paid</b>
<b>Sept</b>	<b>2,600.00</b>	<b>31,200.00</b>	<b>7.3%</b>	<b>189.80</b>
<b>Oct</b>	<b>2,600.00</b>	<b>31,200.00</b>	<b>7.3%</b>	<b>189.80</b>

**In January 2013 the member receives a pay increase to £33,000 (an extra £150pcm) and receives a Backdated pay award of £300.**

Basic Pay in November will move to the new Salary Tier (Tier 4), this Tier will then be applied to any Backdated pay.

<b>Nov</b>	<b>3,050.00</b>	<b>33,000.00 plus backdate d pay award</b>	<b>7.6%</b>	<b>231.80</b>
<b>Dec</b>	<b>2,750.00</b>	<b>33,000.00</b>	<b>7.6%</b>	<b>209.00</b>

### **Mid-Month Salary Changes**

As the recommendation above annualises the pay in November, there will be no requirement for any further calculations in respect of mid-month changes in contributions.

**Question 8:** Do you think that the proposed change outlined above for dealing with retrospective pay awards and mid month changes is necessary? If not what if any alternative would you propose?

**The closing date for receipt of comments is 1 February 2013.**

To simplify the process you can respond to this consultation online via the following link:

[http://www.sppa.gov.uk/index.php?option=com\\_wrapper&view=wrapper&Itemid=1490](http://www.sppa.gov.uk/index.php?option=com_wrapper&view=wrapper&Itemid=1490)

Alternatively responses may be made by completing the Consultation Response Form attached to this letter which can either be submitted electronically to [stsspensionsreform@scotland.gsi.gov.uk](mailto:stsspensionsreform@scotland.gsi.gov.uk)



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or via mail to the following address no later than 1 February 2013:

STSS Employee Contributions Consultation  
Policy Branch  
SPPA  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

## **9. Next steps after the consultation ends**

9.1 A summary of the responses to this consultation will be made available on the SPPA website.

9.2 A full Equality Impact Assessment evaluating the approach proposed for the STSS in respect of the proposed increase in contributions will be published in due course.

## **10. Confidentiality of Information**

10.1 We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. It would be helpful if you would complete and return the Consultation Response Form which forms part of the consultation questionnaire as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

10.2 All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.



## Reduction in take home pay from increased contributions in 2013

Pensionable annual earnings in relevant year (£)		Reduction in member take-home pay (annually) as a result of contribution structure shown in the main text (£)*
Lower	Upper	
Below	15000	£ 0
15000	15999	£ 77
16000	16999	£ 82
17000	17999	£ 87
18000	18999	£ 92
19000	19999	£ 97
20000	20999	£ 102
21000	21999	£ 108
22000	22999	£ 113
23000	23999	£ 118
24000	24999	£ 123
25000	25999	£ 128
26000	26999	£ 316
27000	27999	£ 328
28000	28999	£ 340
29000	29999	£ 353
30000	30999	£ 365
31000	31999	£ 377
32000	32999	£ 614
33000	33999	£ 634
34000	34999	£ 653
35000	35999	£ 672
36000	36999	£ 691
37000	37999	£ 710
38000	38999	£ 730
39000	39999	£ 749
40000	40999	£ 896
41000	41999	£ 918
42000	42999	£ 941
43000	43999	£ 963
44000	44999	£ 986
45000	45999	£ 1,191
46000	46999	£ 1,033
47000	47999	£ 1,038
48000	48999	£ 1,060



49000	49999	£ 1,082
50000	50999	£ 1,104
51000	51999	£ 1,126
52000	52999	£ 1,148
53000	53999	£ 1,170
54000	54999	£ 1,192
55000	55999	£ 1,214
56000	56999	£ 1,236
57000	57999	£ 1,259
58000	58999	£ 1,281
59000	59999	£ 1,303
60000	60999	£ 1,325
61000	61999	£ 1,347
62000	62999	£ 1,369
63000	63999	£ 1,391
64000	64999	£ 1,413
65000	65999	£ 1,435
66000	66999	£ 1,457
67000	67999	£ 1,479
68000	68999	£ 1,501
69000	69999	£ 1,524
70000	70999	£ 1,546
71000	71999	£ 1,568
72000	72999	£ 1,590
73000	73999	£ 1,612
74000	74999	£ 1,634
75000	75999	£ 1,872
76000	76999	£ 1,897
77000	77999	£ 1,922
78000	78999	£ 1,947
79000	79999	£ 1,972
80000	80999	£ 1,997
81000	81999	£ 2,022
82000	82999	£ 2,047
83000	83999	£ 2,072
84000	84999	£ 2,097
85000	85999	£ 2,122
86000	86999	£ 2,147
87000	87999	£ 2,172
88000	88999	£ 2,196
89000	89999	£ 2,221
90000	90999	£ 2,246
91000	91999	£ 2,271
92000	92999	£ 2,296



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93000	93999	£ 2,321
94000	94999	£ 2,346
95000	95999	£ 2,371
96000	96999	£ 2,396
97000	97999	£ 2,421
98000	98999	£ 2,446
99000	99999	£ 2,471
100000	100999	£ 2,880
101000	101999	£ 2,909
102000	102999	£ 2,938
103000	103999	£ 2,966
104000	104999	£ 2,995
105000	105999	£ 3,024
106000	106999	£ 3,053
107000	107999	£ 3,082
108000	108999	£ 3,110
109000	109999	£ 3,139
110000	110999	£ 3,168
111000	111999	£ 3,197
112000	112999	£ 3,226
113000	113999	£ 3,254
114000	114999	£ 3,283
115000	115999	£ 3,312
116000	116999	£ 3,341
117000	117999	£ 3,370
118000	118999	£ 3,398
119000	119999	£ 3,427
120000	120999	£ 3,456
121000	121999	£ 3,485
122000	122999	£ 3,514
123000	123999	£ 3,542
124000	124999	£ 3,571
125000	125999	£ 3,600
126000	126999	£ 3,629
127000	127999	£ 3,658
128000	128999	£ 3,686
129000	129999	£ 3,715
130000	130999	£ 3,744
131000	131999	£ 3,773
132000	132999	£ 3,802
133000	133999	£ 3,830
134000	134999	£ 3,859
135000	135999	£ 3,888
136000	136999	£ 3,917



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137000	137999	£ 3,946
138000	138999	£ 3,974
139000	139999	£ 4,003
140000	140999	£ 4,032
141000	141999	£ 4,061
142000	142999	£ 4,090
143000	143999	£ 4,118
144000	144999	£ 4,147
145000	145999	£ 4,176
146000	146999	£ 4,205
147000	147999	£ 4,234
148000	148999	£ 4,262
149000	149999	£ 4,291
150000	150999	£ 4,320

\*approximate estimate for salaries within each band

The calculation is based on 2013-14 income tax bands (and for those with FTE salaries above £46K the table shows the position of those entitled to tax relief at 40%).



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# CONSULTATION RESPONSE FORM: SCOTTISH TEACHERS SUPERANNUATION SCHEME CONSULTATION ON DRAFT REGULATIONS FOR PROPOSED EMPLOYEE CONTRIBUTION INCREASES EFFECTIVE FROM 1 APRIL 2013 (please complete and return to the address at the end of the form to ensure that we handle your response appropriately).

## 1. Name/Organisation

Organisation Name

Title

Surname

Forename

## 2. Postal Address





Postcode

Phone

Email

## 3. Permissions - I am responding as... (please complete either sections (a), (b) and (d) or sections (c) and (d):

Individual

or

Group/Organisation

**(a)** Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please state yes or no: \_\_\_\_\_

**(b)** Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please state yes to one of the following:

Yes, make my response, name and address all available ..... *or*

Yes, make my response available, but not my name and address ..... *or*

Yes, make my response and name available, but not my address .....

**(c)** The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please state yes or no: .....

**(d)** We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please state yes or no: .....



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## ABOUT YOU

I am responding ...

- as a scheme member
  - on behalf of an Employer Organisation
  - on behalf of a Trade Union/Staff Association
  - other (please specify)
- 

What is your gender?

- I am female
- I am male

I am employed as...

- a primary school teacher (local authority)
  - a secondary school teacher (local authority)
  - a head teacher or depute head teacher (local authority)
  - an educational psychologist
  - a lecturer in further or higher education
  - a teacher in an independent school
  - I'm retired
  - other (please specify)
- 

What is your working pattern?

- I work part-time
- I work full- time
- Not applicable





## CONSULTATION QUESTIONS

Question 1: Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?

Yes   
No

Comments:

Question 2: Are there any other rates which you think would help to further minimise any opt outs from the STSS but will deliver the necessary increase?

Yes   
No

Comments:



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Question 3: Do you consider that the protection proposed for those earning up to £25,999 should be extended? If so, it would be very helpful if you would specify the level to which it should be extended and the reasons for doing so. Any comment on how the costs should be borne by those earning more would also be welcomed.

Yes   
No

Comments:

Question 4. Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

Yes   
No

Comments:



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Question 5. Do you consider that there are any potential equality issues? For example, is there anything in the proposals that might result in individual groups being disproportionately affected by the proposed contribution tiering?

Yes   
No

Comments:

Question 6: Should the tiering levels be based directly on Scottish teacher payrates?

Yes   
No

Comments:



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Question 7. Are there any other specific issues around these potential increases and draft regulations that you would like the Scottish Government to consider?

Yes   
No

Comments:

Question 8: Do you think that the proposed change outlined in the consultation letter at section 8 for dealing with retrospective pay awards and mid month changes is necessary? If not what if any alternative would you propose?

Yes   
No

Comments:



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Please use this space to provide any further comments.

Comments:

Please e-mail your response to [stsspensionsreform@scotland.gsi.gov.uk](mailto:stsspensionsreform@scotland.gsi.gov.uk) or send via mail to:

STSS Employee Contributions Consultation  
Policy Branch  
SPPA  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

The closing date for receipt of comments is **1 February 2013**.



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