

Scottish Teachers' Superannuation Scheme: consultation FAQs

Q - When will the proposed changes take effect?

A- The new amendments for both new entrants and existing members will take effect from 1 April 2007.

Q – I joined the STSS on 1 September 2006, will I have to work until I am aged 65?

A – No. Nobody has to work until 65. If you become a teacher for the first time on or after 1 April 2007 you will have a normal pension age of 65 the age that is taken into account in pension calculations. If you were already in teaching before this date you will retain a normal pension age of 60.

Q - Will my contributions be increased from 1 April 2007?

A – Yes. The effect of combining scheme reforms and improvements with retention of NPA 60 for existing members will require an increase of 0.4% in the contribution rate for all members.

Q - I am an existing teacher and a member of the STSS. I note that a 1/80th scheme is to be retained, can I transfer to the scheme for new entrants as I would prefer to be in a 1/60th scheme?

A – Existing teachers will remain in the current 1/80th arrangement. Retention of NPA 60 arrangements would be restricted to those who return after a break in pensionable employment of no more than 5 years.

Q – I am currently a head of department aged 56 and would want to take a post of lesser responsibility as I get nearer my normal pension age of 60. I am worried that the drop in salary will have a negative impact on my pension.

A – As part of the proposals an option exists to take a 'phased' retirement. As long as you are aged 55 or more and you take a drop of salary of at least 25% you will be able to apply to draw part of your accrued pensions (subject to actuarial reduction) and continue working in the lower capacity until you reach your NPA.

The detailed proposals are:

- 'Reduced capacity' will require a minimum reduction in pensionable income of 25% that would last for at least 12 months;
- Draw down of pension benefits can be on two separate occasions before final retirement;
- Benefits taken before NPA would be subject to actuarial reduction;
- No qualifying period will be needed in respect of further service;
- No abatement on pension drawdown where payments have been actuarially reduced. This means your pension payments will not be reduced even if the total of your pension and future earnings exceeds your previous earnings;
- Benefits from residual service, the part of the pension entitlement that has not been drawn down on early, can be taken later as a deferred payment or can be combined with future service; and
- Options for phased retirement offered to all members in service.

Q - I would like to pay more than standard 6% into the STSS - is this possible?

A – It will be possible to purchase additional annual pension benefits up to a limit of £5,000 per annum by either lump sum or monthly instalments. Additional benefits will be able to be purchase in multiples of £250. Further discussion will take place during the consultation period to work through outstanding details in respect of all

topics, including whether the existing 15% limit on contributions to the STSS should be retained, lifted or removed. In the meantime elections to purchase PAY using Method A (regular deductions from salary) will continue to take account of contributions being paid into AVCs.

Q - I have recently moved to a new post on a lower salary and I will retire in a few years time. I am now worried that this will affect my pension?

A - From 1 April 2007, the calculation of pension benefits will be based on the better of the salary in the last year or the average of the best three consecutive years (re-valued in line with RPI) in the last ten years. This will mean that the higher salary could still be taken into account for your pension calculation.

Q - I am not married and live with my partner, currently the scheme doesn't allow me to provide benefits for them. Will this change?

A - From 1 April 2007 for both new entrants and existing members' dependant benefits will be available to 'nominated' heterosexual and same sex partners who are not married or have not entered into a civil partnership agreement. Pensionable employment undertaken on or after 1 April 2007 will count towards surviving partner benefit and, as with widower's and civil partner's pensions, there will be a two year qualifying period. Existing members will be able to buy in pre-1 April 2007 service for a surviving partner benefit at full cost. The member must nominate his or her partner in a prescribed format and they must complete a joint declaration of partnership.

Q - Presently I am unable to make pension contributions to the STSS on all of my salary because of the earnings cap. Will the new arrangements allow me to make full pension contributions?

A - Not yet known. Further discussion will take place during the consultation period to work through outstanding details in respect of all topics but in particular those flexibilities arising from changes in HM Revenue and Customs (HMRC) legislation.

Q - I am an existing teacher and have read that following 'A' Day changes made by HMRC on 6 April 2006 it is possible to take up to 25% of your pension fund as a lump sum?

A - Many flexibilities now allowed by HMRC since the 6 April 2006 are permissive and it is up to individual schemes to decide if they wish to change their rules. More scope to take a higher tax free lump sum up to 25% of the fund value after commutation and a lower level of pension will be introduced from 1 April 2007. It will not be possible for existing members to take less than the original 3/80ths lump sum. If you have a Prudential AVC scheme you will also be able to take 25% of your AVC fund as a lump sum and the balance will be taken in the form of an annuity.

Q - What death in service benefits would my next of kin receive in the event of my early death before I retire?

A - It is intended to increase the death grant payable to 3 times salary from 1 April 2007 for both existing teachers and new entrants.

Q - What changes are you making to the ill health retirement benefits (IHRB)?

A - A two tier benefit system will be introduced from 1 January 2007 - Total

Incapacity Benefit (TIB) for those incapable of undertaking a job of a similar weight and Partial Incapacity Benefit (PIB) for those permanently incapable of teaching, but capable of a range of other types of work. TIB would include a half prospective service enhancement to normal pension age. PIB would have no enhancement but there would be no reduction on account of the early payment of accrued pension benefits and there would be no review of entitlement should other employment be undertaken.

Q - I am a member of the STSS but out of service, will this affect my eligibility to apply for ill health retirement?

A – Out of scheme members will not be entitled to IHRB unless they develop a medical condition that would prevent them from undertaking any form of gainful employment (i.e. they meet the TIB criteria). In these circumstances they will be awarded unreduced IHRB (i.e. based on actual reckonable service) but no enhancement.

Q. What additional flexibilities are likely to be introduced to the STSS?

A. The introduction of more additional flexibilities to the STSS as a result of recent tax changes are being considered as part of the review of the scheme covered by the ongoing consultation, which can be found at [www.sppa.gov.uk/pension_reform/documents/STSS Reform Consultation October 2006](http://www.sppa.gov.uk/pension_reform/documents/STSS_Reform_Consultation_October_2006).