

**Scottish Teachers' Superannuation Scheme
Consultation on reforms 2006
Summary of responses to individual questions**

Q1 Timing - implementing the new arrangements (section 3.1) (19 responses)

Respondents considered that the timing was right for the implementation of the new arrangements. Others were concerned that because of the tight timescales there would be insufficient time to advise employers and members of the changes. Respondents were pleased that the rights of existing members were to be protected.

Other comments:

- Clarification was required on the 'appropriate minimum period';
- Findings of the consultation exercise are drawn together as soon as possible and any amendments made and communicated;
- regular communication and support should be offered to employers regarding the impact on their processes at present;
- time for adaptation and amendment for council procedures should be given;
- training should be provided to appropriate council personnel in order to support the implementation of the new scheme; and
- discretion on applying the 5 year rule – where, for health reasons, a member has been out of work and has had no other gainful employment in this period, that teacher should be allowed to retain NPA 60.

Q2 Salary used for calculating pension benefits (section 3.2) (17 responses)

13 respondents saw the proposal for changes made to the salary used to calculate pension benefits as positive, fairer and more flexible when planning retirement. Some employers were concerned about the administrative burden if salary records had to be kept for 10 years instead of the present 7. The transitional period of 2 years was welcomed although this may not cover all members who have planned their retirement based on the calculation of pension under the 'actual and notional' basis. Such cases should be treated on an individual basis. Useful approach in terms of staff retention.

Other comments:

- Further explanation of the 'best 3 consecutive years in the last 10' was needed;
- this is a positive proposal for members generally but may impact on the ability for employers to offer premature retirement packages because of potential higher costs; the proposals offer employers the ability to support more flexible working patterns for those closer to retirement, where operational needs exist; and
- It is unclear if those who have already elected to 'step-down' are to have this option removed.

Q3 Buying additional pension benefits (section 3.3)

(17 responses)

Respondents agreed with the proposals for buying additional pension benefits. Most thought it was more straightforward and flexible and would allow forward planning for retirement. It would also simplify the present arrangement and be less restrictive than buying Past Added Years. The choice of whether or not additional pension should include dependent benefits was appreciated. Cost of purchasing additional pension benefits was seen as the major concern. The fact that costs can be changed periodically following actuarial review will reduce certainty for employees and may also reduce the attractiveness of the proposals.

Other comments were:

- It was suggested that it be made as simple as possible for members to be able to use both Additional Voluntary Contributions and additional pension benefits as additional savings methods;
- the existing methods should be retained as an option to those within 5 years of retirement;
- the concept of employers being able to buy additional annual pension of up to £5000 for teachers is exciting from a recruitment/retention perspective but in this financial climate likely to be too expensive. This could mean more affluent authorities having a recruitment edge over other authorities in subject shortage areas;
- the limit should be increased for existing members of the scheme up to £5K plus 33.3% of anticipated pension; and
- there is no logic or cause in the limiting to 20 years of purchase of additional pension. If mid-term recalculation is required, it should be possible to build this into any contract a priori.

Q4 Phased Retirement (section 3.4)

(19 responses)

14 respondents saw this as a positive move which will give members greater flexibility when planning retirement.

Other comments:

- There should be actuarial reduction of pension benefits for all who choose to retire early and conversely there should be actuarial enhancement for all who work past their Normal Retirement Age (NPA) whether that is 60 or 65;
- teachers who retain NPA of 60 should be allowed to access full pension without abatement if they wish to remain in part-time employment after 60;
- this provision should help to retain experienced teachers;
- regulations would need to be clear on the consequences of failing to adhere to the 12 month period of working at a 'reduced capacity';
- it is not clear whether this is an employee's right or if discretion lies with the employer;
- it would be helpful to have more clarity around the impact on this aspect of the proposed changes of the 'best salary over the last 10 years' proposal;
- the challenge to the employer is that in offering this option the number of part-time posts are increasing and there will be a reduction in full-time posts. This may cause difficulty with succession planning;

- such an approach may reduce both absence levels and ill-health retireals;
- the increased benefit of the new proposal is that part of a pension can be accessed while continuing in employment in a reduced capacity; and
- it is unclear whether the current winding down provision will continue to be available.

Q5 Surviving partner benefits (section 3.5)

(17 responses)

There was widespread support for this proposal with 13 respondents approving the proposed changes to surviving partner benefits. Respondents recognised this reflected social changes. There were some concerns to the greater cost to employers.

Other comments:

- This may prove to have cost implications for employers in terms of extension of partners' and life time entitlement.

Q6 Ill-health retirement benefits (section 3.6)

(17 responses)

Most respondents welcomed the introduction of the two tier approach to ill-health retirement benefits which would replace a previously unfair system. There were concerns that older members could be penalised. There would need to be greater clarity on 'partial incapacity' as evidenced by the recent spate of ill-health retiral applications, which have been turned down for teachers considered permanently unfit to teach by their employers' Occupational Health Service. Those in greater need of financial assistance (unable to perform gainful employment) could be better off under this arrangement. The proposal to review these arrangements in 2008 seems sensible but perhaps too early given only one year of operation at that time.

Other comments:

- Some concerns regarding the potential increase in applications under two tier system;
- the two tier allows both the employer and employee more realistic options based on the employee's health;
- there could be an opportunity to qualify for Partial Incapacity Benefit (PIB) which is an addition to the scheme and which could assist in helping teachers who are ill to leave the profession;
- some concern from employers about the associated costs; and
- careful consideration needs to be given to the application of job weighting criteria. This must be an open and accountable process, and the advice given to SPPA's medical advisers should be agreed through the Management Advisory Group (Scotland).

Q7 Possible additional flexibilities (section 3.7)

(18 responses)

All respondents welcomed possible additional flexibilities as the greater flexibility and choice available to members the better. Some thought that no limit should be set on additional pension benefit purchase and that flexible retirement options would seem to sit well with no limit on length of pensionable service. Teachers with a Prudential AVC should be allowed to add the AVC fund to the superannuation fund for the purpose of calculating the 25% tax-free

lump sum. Some employers thought the additional flexibilities may assist with retention and workforce planning.

Other comments:

- Given that the cost associated with purchasing additional pension benefits should be at least cost neutral to the STSS then the 15% limit should be lifted as should be the £5000 limit on purchasing additional pension to the maximum permissible under HMRC rules;
- the impact on scheme viability of removal of 45 year limit and age 70 limit on STSS membership needs to be considered carefully;
- the opportunity for out of service members to access part benefits before NPA needs to be considered against HMRC rules;
- support the increase in the age limit to 75;
- provision should be included to allow for increased contributions from both members and employers should this ever be necessary to guarantee benefits;
- there should be provision for members of the existing scheme who wish to work until they are 65 to transfer to the new scheme conditions.
- any pension earned by an existing member working beyond 60 should accrue in 60ths instead of 80ths;
- Seems appropriate to have a £5000 limit on the purchase of additional pension given there is an AVC option available for additional savings. Removal of 15% limit should be introduced although may wish to consider raising limit rather than abolishing it;
- no need to retain 40/45 years service;
- membership should cease at 70; and
- earnings cap should be removed.

Q 8 Premature retirement and severance (section 3.8)

(13 responses)

Although agreeing with proposals for a review of premature retirement and severance pay the awarding discretionary added years could be used to manage change in the workforce and should be retained. Any arrangements will need to be scrutinised to ensure they conform to legislation. It was agreed that to the proposed lifting of 15% limit would encourage people to save more and reduce the financial burden on the employer.

Other comments:

- The proposal allows access to part pension assuming there is no additional cost to the employer.
- Further guidance on this matter would be welcome.
- Employers and Unions asked to be involved in discussions on review of premature retirement and severance pay

Q 9 Winding down (section 3.9)

(14 responses)

Winding down should continue as an option but it was suggested that it should be open to anyone over 56 years with no upper age limit. If the present winding down scheme for those

with NPA 60 is to be retained it will be a possible alternative to the phased retirement proposal. Appropriate changes should be made to reflect NPA 60 and 65. Criteria needs to be clearer.

Other comments:

- Winding down with an option to pay more into the pension pot would be very attractive;
- will need to take account of age discrimination legislation and not conflict with more flexible work/semi-retirement options;
- it is unclear whether the winding down provisions still require 25 years service at age 56 or will the age be increased to 61 years; and
- when developing the new provision for NPA 65 consideration of new criteria should be developed, such as age v contractual entitlement

Q 10 Contribution rates (section 3.10)

(19 responses)

The rates reflect the detailed negotiation between government, employers and unions and offer long term sustainability to the scheme. Concerned about the proposed increase in employer contribution. As employers schools will be keen to know the level of future contributions rates as soon as possible and of the timetable for introduction.

Other comments

- Hard to take any increase in employee contribution.
- Strongly disagree with any increase to employers' contributions.
- Helpful if there was central support for this increase.
- Funding is required to be ongoing
- Increase in funding from SE
- Significant resource implications

Q 11 Any further comments

(16 responses)

- Overall the changes proposed will allow for greater flexibility for both the employer and employee.
- It would be useful to know what plans the SPPA has for communicating the changes to members
- The conditions outlined represent an improvement compared to the existing scheme.
- The increase in accrual rate from 80ths to 60ths represents a 33.3% increase in pension. This is a fantastic deal for new entrants.
- Existing members might want to be assured that they are not subsidising the increase in pensions for new members.
- The fact that the scheme remains a final salary scheme is supported
- Improvements in options and flexibility ensure the changes meet the needs of those wishing to retire at 60 or earlier. Equal care should be given to those who, due to coming into teaching at a later date, need to work beyond this date. Actuarial enhancement for deferred pension access and access to the winding down scheme at a later age should be available to them.
- Concern regarding the funding of additional employers costs. Would seek confirmation that costs will be funded by the SE

- Further information required on commutation generally and in particular how commutation will affect dependents' benefits
- Proposals are welcomed overall, particularly in respect of greater flexibility for scheme members and how these relate to an ageing workforce and sustainable working lives.
- Dependent child pensions must be independent of earnings of widowed spouse.
- Welcome a review of maternity provisions
- Consideration should be given to removing abatement provisions
- Maximum flexibility in surrendering AVCs should be considered in line with HMRC guidelines

Q 12 Please let us have your views on responding to this consultation (10 responses)

- The format of the consultation process was easy to follow and understand.
- Well prepared and easily understood. The structured response form was helpful
- Straightforward
- Easy to find, understand and complete
- Good, easy to find and understand. Not too onerous to complete.
- Perhaps some multiple choice to ease data sorting
- Could not fill this form on screen and send in.

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