

**TEACHERS' PENSION SCHEMES
2019/04**

WHO SHOULD READ: Chief Executives, Directors of Education, Directors of Finance, HR Managers, Payroll Managers, Teachers' Unions and representatives

ACTION: To note change in date and rate of increase in employer contributions

SUBJECT: Employer contribution rate from 1 April 2019

The purpose of this circular is to notify employers of the following change to the employer contribution rate from 1 April 2019:

- 1. The employer contribution rate of 17.2% will remain for the period 1 April 2019 to 31 August 2019.**
- 2. The employer contribution rate from 1 September 2019 to 31 March 2023 will be 23%.**

Teachers' Pension Scheme circular 2019/01 dated 6 February 2019 confirmed that, following the scheme valuation, the revised employer contribution rate for the period 1 April 2019 to 31 March 2023 would be 22.4%.

The circular also confirmed that funding to support the higher employer contribution costs would be provided by the UK Government and that the extent of that funding had still to be confirmed.

It was expected that details of the funding provided to public service pension schemes would be set out in the UK Government Spring Statement on 13 March. However, that did not happen and the Scottish Government continues to engage with HM Treasury on this urgent issue to confirm the final details of what additional funding will be provided. Provisional details of the proposed funding were received by the Scottish Government on 21 February which confirmed that the funding would be calculated using the Barnett

formula. The Barnett formula is a mechanism used by HM Treasury to automatically adjust funding allocated to the devolved administrations to reflect changes in spending levels in UK Government departments.

Although HM Treasury were aware that the Scottish Government planned to introduce the increase in employer contributions from 1 April 2019, the proposed share of the additional funding reflects the fact that the Teachers' scheme in England and Wales is deferring the increase of employers contributions until 1 September, with the rate adjusted to account for the later implementation date. This means that the Scottish Government's share of the additional 2019-20 funding would be based on costs covering the period 1 September 2019 to 31 March 2020 rather than the whole financial year.

Retaining an implementation date of 1 April 2019 would create a significant shortfall between the costs being incurred and the funding to be provided for 2019-20. Therefore, Scottish Ministers have decided that, to better manage that shortfall, the employer contribution increase for the Scottish scheme should be similarly deferred to 1 September 2019. Deferring the increase will add an additional 0.6% to the employer rate, taking the revised rate to 23% from 1 September 2019.

The Scottish Government will contact public bodies on the funding implications as soon as it obtains the necessary clarity from the UK Government.

Brenda J M Callow
Policy Manager
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Contact information

Please contact brenda.callow@gov.scot if have any enquiries about this circular.

Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE

www.sppa.gov.uk
Telephone: 01896 893000
Fax: 01896 893214



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