

STPS Scheme Advisory Board

Date	23 August 2023
Location	Virtual meeting via Microsoft Teams
Chair	Iain Coltman (SPPA)
Members	<p>Archie MacIver (UWS) Councillor Alastair Forsyth Councillor David Richardson Councillor Frances Murray Des Morris (EIS) Euan Duncan (SSTA) Fiona Dalziel (SSTA) Greg Dempster (AHDS) Lorraine Davidson (SCIS) Louise Wilson (EIS) Mary Senior (UCU) Mike Corbett (NASUWT) Mike Dolan (EIS) Richard Giles (Pension Board – Observer) Simon Cameron (COSLA)</p>
SPPA / SG	<p>Greg Walker (SPPA) Joanne Dawson (SPPA) Stephanie Walsh (SG)</p>
GAD	<p>Anne-Marie Pettie Greg Donaldson Taylor Brightwell-Smith</p>
Secretariat	Paul Gibson (SPPA)
Apologies	<p>Andy Witty (Colleges Scotland) Councillor David Parker (COSLA) Dave Wilkinson (NASUWT) Mark Cook – Pension Board Chair (Observer) Neil Shaw (SLS) Phil Daggart (COSLA) Stephen Stewart (EIS) Stuart Robb (SG)</p>

1. Welcome and Apologies

- 1.1. The Chair welcomed attendees to the meeting and noted apologies.
- 1.2. The Chair welcomed Lorraine Davidson to SAB as replacement for John Edwards.
- 1.3. The Chair noted that Neil Shaw had stepped down from the SAB and put on record thanks for his input and contributions.

2. Conflicts of Interest

- 2.1. No conflicts of interest were declared.

3. Minutes of previous meeting, action points and matters arising

3.1. The minutes of the meeting held 6 June 2023 were discussed and accepted as accurate.

3.2. The following updates were provided on outstanding actions points:

- **Action Point 8:** Recurring action and **remains open.**
- **Action Point 112:** Reduction in pension entitlement period linked to projections of life expectancy. SPPA suggested that this Action Point be closed with Action Point 143 remaining open. **Closed.**
- **Action Point 120:** Long Covid ill health retirees – SPPA provided data of cases where long covid has been cited as a symptom on ill health retirees. Figures will be provided in first meeting of 2024. **Remains open.**
- **Action Point 121:** Participation report to be provided in December. Action Point remains open. **Carried forward.**
- **Action Point 128:** SPPA note that no new progress has taken place due to demands on legal team resulting from McCloud. It was suggested that further changes may not occur until late 2023/early 2024. **Carried forward**
- **Action Point 131:** SPPA noted attendance at Pay and Leave Specifications Technical Working Group meeting on 19 June and reported no date for follow-up. COSLA reported that a date for further meeting will be provided in due course. **Carried forward.**

- **Action Point 134:** SPPA note that document relating to Chair arrangements had been shared prior to meeting as agreed. **Closed**
- **Action Point 135:** SPPA discussed Chair arrangements and noted Scottish Government (SG) Learning Directorate colleagues' wish to step back from Chair arrangements. The Chair proposed a move to permanent bipartite chair arrangements on a 12-month rotation between employer and employee side, with employer side set to begin from next SAB meeting. It was noted that terms of reference (TOR) will need amending.
- During the discussion, the employee side noted their desire to return to Tripartite arrangement and voiced disappointment at the proposed move to bipartite arrangements, citing their view that having the SG as a third chair was beneficial, and seeking to have their objection recorded in minutes. They noted the appointment of a new employer side Chair should be well in advance of the next meeting. SPPA noted that arrangements for chairing would be made with the employer side.
- The SG colleagues reaffirmed their commitment to the SAB as active members of the Board. **Action point closed.**
- **Action Point 136:** SPPA noted that it had not been possible to fill all vacancies on SAB. Further update proposed for next meeting to include discussion on TOR. EIS asked, if possible, to have list of current SAB members and vacancies, and suggested a face-to-face meeting would be beneficial. **Carried forward.**
- **Action Point 141:** It was noted that GAD had shared valuation training slides with the Board. **Action point closed.**
- **Action Point 143:** Updated action instead of SAB writing to Scottish Ministers, SAB to write to HMT copying in Scottish Ministers about a review of the link between normal pension age and state pension age in the 2015 scheme.
- The employee side will draft letter to HMT copying to the Scottish Ministers as a means of eliciting the Ministers' views on the matter. This was agreed by the Board. **Carried forward.**
- **Action Point 144:** GAD colleagues have provided a written response to SAB regarding the impact of Teach First on withdrawal rates.

- AHDS noted the question raised regarding the Teach First Scheme in England and highlighted that the scheme leads to higher leaver rates in Year 1 and 2 teachers in England. AHDS report surprise to previous GAD response and assumption that Year 1 and 2 rates are the same in Scotland when compared to the rest of the UK.
- SPPA and GAD agreed to investigate this point further. **Carried forward.**
- **Action Point 145:** SAB members to provide initial comments on the appropriateness of recommended scheme set assumptions or highlight any relevant additional information which could impact on recommendations. SPPA noted that no feedback had been received from SAB and proposed to minute that SAB were content to proceed with recommended assumptions. SAB agreed. **Action point closed.**
- **Action Point 146:** SPPA confirm e-mail address to send initial views on valuation assumptions had been provided. **Action point closed.**
- **Action Point 147:** SPPA confirmed that minutes of the 27 June 2023 McCloud sub-group meeting had been circulated as agreed. **Action point closed.**

4. STPS 2020 Valuation – Provisional Valuation Results

4.1. GAD presented the STPS 2020 Provisional Valuation Results and noted previous discussions which had taken place with SAB around the scheme specific assumptions which have fed into the valuation.

4.2. GAD reported a provisional headline increase in employer contribution rate and confirmed that based on the provisional results there would be no breach of the employer cost cap.

4.3. GAD reported that the rate for employer contributions was set to increase from 23% to 26% from 1 April 2024, noting that this increase equated to approximately £94 million in monetary terms. GAD detailed the calculation of the increased contribution rate and noted that the results may be subject to change. GAD confirmed that a final report will follow.

4.4. During the discussion concerns were raised by the employer side surrounding the inclusion of McCloud remedy costs. GAD explained that multiple factors were taken into account when calculating assumptions and noted that HMT required that McCloud costs feed into the schemes as a member cost.

4.5. In response to a question on whether mortality rates were specific to Scotland, GAD noted that base mortality rate assumptions are scheme specific and some elements of this were Scotland specific due to the expected lower life expectancy compared to the rest of the UK. GAD noted that a second mortality rate assumption that was used was not Scotland specific.

4.6. A question was asked by the employee side if assumptions were separate to an economic check. GAD confirmed that this was the case and advised that the introduction of an economic check was not factored into employer contributions calculations, only the cost cap.

4.7. GAD continued with their presentation, introducing the Cost Cap Mechanism and providing detailed slides to support the presentation. GAD confirmed that no breach to the employer cost cap had occurred and no changes to benefits would be required.

4.8. A question was raised as to when the results would no longer be considered to be emerging. GAD advised that they were working towards a finalisation around the end of October 2023, subject to agreement by Scottish Ministers.

4.9. Concerns were raised from the member side that contributions between employers and employees had increased substantially, yet teachers were working several years longer than previously and would receive lower benefits.

4.10 GAD commented that changes in SCAPE rate which influenced the changes came from publications by the Office for Budget Responsibility on economy projections and noted that GAD could only put a value on benefits based on assumptions.

4.11. The Chair noted that this could tie in with AP 143 and suggested that the SAB may wish to consider including their concerns in their proposed letter to HMT. It was noted that SPPA would provide support where needed.

5. Review of Member Contributions

5.1. GAD presented a paper intended to provide a high-level overview on the Member Contribution Structure.

5.2. GAD explained as background that the member contribution yield of 9.6% had been set out in the Proposed Final Agreement for the scheme and, while HMT require that the yield is achieved, the scheme manager has discretion on how to meet the required yield.

5.3. GAD noted that between 2019 and 2022 data suggested that the scheme had underperformed at 9.4% and was projected to underperform

by 0.3% between 2024 and 2027. Therefore, the contribution structure requires to be amended to ensure the yield is met from 1 April 2024. GAD proceeded to outline potential methods for increasing yield and opened to discussion.

5.4. Concerns were raised by the member side that high-earning members in higher tax thresholds would face a lower reduction to their pay than lower-earners.

5.5. GAD acknowledged this point that high earners would benefit from tax relief but noted that illustrations in the paper would provide further detail.

5.6. AHDS noted surprise by the proportion of members said to be in Band 1 and commented that all teachers would expect to be in Band 2 or above from 2024, adding that Band 1 would contain part-time teachers who are not necessarily low earners.

5.7. AHDS suggested that protection for Band 1 members and a flat-rate structure for all other bands would be appropriate. SPPA thanked the member for their view and noted that this would be considered.

5.8. A request was made from the member side for a range of examples to provide further detail and also for guidance on when and how SAB could consider the proposals and provide advice.

5.9. SPPA noted the intention to consult on this circa December 2023 and suggested an interim meeting before the next SAB. SPPA added that they were looking for the SAB to provide advice to the Scottish Ministers, however, if SAB could not reach agreement, SAB advice should contain all views of SAB members.

5.10. GAD continued their presentation, outlining the contribution structure for 2023/24 and noting that this would not meet the 9.6% target yield. GAD outlined possible alternative structures to meet the yield and noted that the figures were illustrative so differences may be present between data relating to Scotland and rest of the UK.

5.11. SAB considered the presentation and noted that it would take the information away to consider in more detail.

5.12. The Chair indicated that an interim meeting could take place at a suitable time for SAB and asked for written views outlining their needs within the week, with proposals to follow.

6. McCloud (2015) Remedy Update

- 6.1. SPPA gave a verbal update on the McCloud Remedy Project.
- 6.2. SPPA advised that three substantive responses had been received to the McCloud consultation on the retrospective remedy regulations. The responses were broadly supportive of the proposals being put forward.
- 6.3. SPPA advised that the legislation would be finalised by the end of August and would be laid in Parliament shortly after, coming into effect from 1 October 2023.

7. Date of next meeting – The next SAB meeting is scheduled for 6 December 2023. SPPA to explore an interim meeting on member contributions in November.

8. AOB

- 8.1. No items raised under AOB.
- 8.2. The Chair thanked everyone for attending and closed the meeting.

STPS Scheme Advisory Board

Action Ref.	Action	Action Owner	Latest position	Action status
147	SPPA to circulate notes from latest McCloud Remedy sub group meeting	SPPA	Notes issued to SAB 27/06/23	Closed
146	SPPA to confirm e-mail address to submit initial views on valuation assumptions	SPPA	Confirmed to send feedback to sppastpssab@gov.uk on 15/06/23	Closed
145	SAB members to provide initial comments on the appropriateness of recommended assumptions or highlight any relevant additional information which could impact on recommendations.	SPPA	No SAB feedback received, presumed that SAB are content with recommended assumptions	Closed
144	GAD to comment on impact of Teach First on rates of leaving service assumption	GAD	GAD response issued to SAB 28/06/23. Further questions raised following GAD's response.	Open

143	Employee side to draft letter to HMT copying in Scottish Ministers about a review of the link between normal pension age and state pension age in the 2015 scheme	SAB	Action point corrected at meeting of 23 August 2023.	Open
142	2020 Assumptions report to be issued to SAB	GAD	Update – full report issued to SAB 15/06/2023	Closed
141	2020 Valuation Training Slides to be re- issued to SAB with sensitive data removed	GAD/SPPA	Update – amended slides issued to SAB 07/06/2023	Closed
136	SPPA to produce a paper on 'SAB membership and vacancies' to be considered at a future SAB meeting	SPPA	Paper to be provided at next SAB meeting reviewing membership and TOR's.	Open
135	SPPA will discuss and consider further the re-introduction of tripartite chair arrangements	SPPA	SPPA to give update on employer side chair in advance of next meeting.	Open
134	SPPA to consider documenting guidelines and expectations on the role of the STPS SAB Chair	SPPA	Paper detailing the Role of Chair shared with SAB members.	Closed

133	SPPA to provide the EIS with a contact in the Teacher's Awards Customer Service Team in order to take forward queries about the impact of SNCT on individual pension calculations	SPPA	Point of contact share with EIS.	Closed
132	SPPA to share SNCT pay & leave specification mitigation options with TWG and seek feedback on the practicality of their application	SPPA	Pay and leave specification mitigation options were shared with TWG. Feedback was sought and option 1 was the preferable option.	Closed
131	COSLA to provide an update on the work of the SNCT Pay and Leave Specification Review Group, including the purpose and scope of the review	COSLA	Pay and Leave Specifications TWG meeting held 19 June. Further updates to follow.	Open
129	SPPA to share copies of final PDDs with the SAB.	SPPA	Carried forward 27/9/2022 – awaiting final Tax PDD. Update PDDs shared with SAB 23/05/2023	Closed

128	SPPA to consult with Colleges Scotland about making a case to HMT around extending scheme eligibility criteria to cover senior managers in further education colleges and to check with HMT that the definitions relating to eligibility in post-1992 institutions were part of eligibility criteria agreed by HMT	SPPA	SPPA to notify SAB in advance of consultation on scheme eligibility being published.	Open
121	Participation Rates: SPPA to provide Q4 2021/22 and Q1 2022/23 data to the Board when available.	SPPA	Participation report to be provided at December SAB meeting.	Open
120	SPPA to provide the SAB with an annual review of ill health retirement / long covid data. To be provided at the first SAB meeting of the year	SPPA	Updated figures to be provided at first meeting of 2024.	Open

112	Reduction in pension entitlement period: GAD to liaise with SPPA to provide summary report of current life expectancy data, including teacher-specific life expectancy data, late 2022.	GAD	Discussed as part of GAD paper 3b. Merged with action Point 143	Closed
8	Secretariat to ensure approved agendas, minutes, and work plan are shared with the Pension Board and published on the SPPA website as appropriate	SPPA 18/06/2015 Secretariat	C/F to action when minutes approved	Remains open, no action necessary