

Scottish Teachers' Pension Scheme

2024/02

Who should read:

- Members
- Chief Executives
- Directors of Education
- Directors of Finance
- HR Managers
- Payroll Managers
- Teachers' Unions and Representatives

Subject:

Member contribution structure from 1 April 2024

Action:

Employers to inform scheme members of the changes and to implement revised contribution tier structure.

Date:

7 March 2024

The purpose of this circular is to advise Employers of the introduction of a new member contribution structure in the Scottish Teachers' Pension Scheme (STPS). Employers should inform scheme members of the forthcoming changes.

Key information in this circular:

- Confirmation of final member contribution structure from 1 April 2024

1. Background

- 1.1. The SPPA have today published a [consultation response](#) to the consultation on [proposed changes to member contributions from 1 April 2024](#). The changes are necessary to ensure the correct level of member contribution income is being received, as required by the UK Government.
- 1.2. Under the STPS framework agreement, members are required collectively to contribute 9.6% of their pensionable pay across the whole scheme membership. This is known as the member contribution 'yield.' While the yield is a fixed percentage, the current structure is 'tiered contribution' structure which spreads out the 9.6% requirement across the workforce through a sliding scale of rates according to members' pensionable earnings. The aggregate amount collected across the membership adds up to 9.6%.
- 1.3. The existing contribution structure has begun to underperform against the target yield. This is because of the annual uprating of contribution tiers which have increased in line with the Consumer Price Index (CPI). As inflation has been

cumulatively higher than the value of annual pay awards, this has led to some members dropping into a lower contribution tier and paying a reduced contribution rate, and therefore reducing the average contribution rate paid by the whole membership, below the required 9.6% yield.

- 1.4. The consultation sought views on proposed changes to the member contribution structure in the STPS from April 2024.

2. Change to the contribution structure

- 2.1. Following the conclusion of the consultation, respondents' views have been considered and a final contribution structure has been determined. A tiered contribution structure will be retained, where pensionable pay amounts are grouped into tiers and a contribution rate is set for each tier. Members will continue pay the contribution rate based on their actual pensionable earnings.
- 2.2. The contribution rates will change to ensure that the correct level of contribution income is being achieved. This will be achieved by increasing all six of the contribution tiers by a single multiplier of 1.0202.
- 2.3. As before, the contribution tier earnings thresholds will continue to increase annually in line with Consumer Prices Index (CPI) inflation. This ensures the contribution tier thresholds broadly keep pace with increases in teachers' pay and members are not generally pushed into a higher contribution band as a result of annual pay increases. However, to ensure there is no reduction in the contribution yield over the implementation period (2024 to 2027), the top two earnings thresholds will not be increased.
- 2.4. **The contribution structure effective from 1 April 2024 is shown in Table 1 below:**

Table 1

Tier	Actual pensionable pay	Contribution Percentage Rate
1	Up to £34,286	7.35%
2	£34,287 to £46,155	8.88%
3	£46,156 to £54,728	9.90%
4	£54,729 to £67,975	10.61%
5	£67,976 to £92,693	11.73%
6	£92,694 and above	12.14%
	Contribution yield	9.6%

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

SPPA Policy
7 March 2024