POLICY NOTE

THE TEACHERS' SUPERANNUATION (SCOTLAND) (MISCELLANEOUS AMENDMENTS) REGULATIONS 2014

SSI 2014/69

The above instrument was made in exercise of the powers conferred by sections 9 and 12 of, and Schedule 3 to, the Superannuation Act 1972. Functions under that Act as regards Scotland have been executively devolved to the Scottish Ministers. The instrument is subject to negative procedure.

Policy Objectives

The Regulations make changes to the Scottish Teachers' Superannuation Scheme ("STSS") as set out in the Teachers' Superannuation (Scotland) Regulations 2005 (SSI 2005/393) and the Teachers' Superannuation (Additional Voluntary Contributions) (Scotland) Regulations 1995 (SI 1995/2814).

The Regulations make the following changes to the Scheme:

1. Provision for auto-enrolment in consequence of the UK Government's introduction of "auto-enrolment" of employees into pension schemes by employers from 1 October 2012 under the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010. Automatic enrolment affects all employers and all pension arrangements, over a 'staging period' beginning with the largest employers on 1 October 2012 and ending with employers of fewer than 50 persons (and new employers) on 1 February 2018. The first STSS employers affected have a staging date of 1 February 2014. This requires automatic enrolment of all employees over relevant age and earnings criteria in a pension scheme which is compliant with the above legislation from the employer's 'staging date'. Affected employees may opt out of the automatic enrolment scheme under the relevant provisions, and if they do so within 3 months will be treated as if they had never joined. However, employers must automatically re-enrol eligible employees who opt out, at three-yearly intervals.

2. Provision is made in relation to additional paternity leave and additional statutory paternity pay under the Additional Paternity Leave Regulations 2010 (SI 2010/1055) and the Additional Statutory Paternity Pay (General) Regulations 2010 (SI 2010/1056). These changes give the same recognition to such rights under the Teachers' Superannuation (Scotland) Regulations 2005 as is given to paternity leave and statutory paternity leave.

3. Provision is made for the rate of interest to be changed where interest is due on late payment of contributions. The current rate is 8% and the rate effective from 1 April 2014 will be the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. The SCAPE discount rate is the discount rate used to set contribution rates for the unfunded public service pension schemes through valuations and is equal to 3% + CPI for each financial year. CPI will be the percentage increase announced by HM Treasury in the annual Pensions (Increase) Orders.

4. Provision is made to pay a short-service annuity where a member's only entitlement would be to a repayment of contributions, but a repayment would be an unauthorised payment because the payment is linked to further employment. Under current Regulations a re-employed member who does not qualify for further benefits because he or she has been re-employed for less than a year is entitled to a repayment of contributions. However, such payments are regarded by HMRC as unauthorised payments and are subject to an unauthorised payment charge. In order to avoid an unauthorised payment a teacher will instead be paid a short service annuity which will be added to their existing entitlement. The annuity will be based on factors provided by the scheme actuary and does not allow for any lump sum to be paid.

5. Changes resulting from the UK Public Service Pensions Act 2013, which introduced a new mechanism to address variations in scheme costs (an employer cost cap). To support this, a requirement will be placed on schemes to conduct actuarial valuations in accordance with HM Treasury directions. The current Regulations covering cost sharing and scheme valuations are therefore no longer relevant and have been deleted.

6. Provision is made as a consequence of the Finance Act 2011 for a reduction in benefit where the member elects that the scheme pays an annual allowance tax charge on their behalf.

7. Provision is made for an additional option for a member who makes an election to purchase an annuity under the Prudential AVC arrangements to be increased in accordance with a prices index other than the Retail Prices Index. An amendment is also made so that retired members may transfer their AVC fund to another registered pension scheme.

Consultation

To comply with the requirements of section 9(5) of the Superannuation Act 1972 a formal policy consultation was undertaken from 22 March to 7 June 2013. Those consulted were all teachers' employers including all 32 Scottish local authorities, Scottish Colleges and Higher Education establishments, Independent Schools, teachers' unions and relevant Scottish and UK Government Departments. These amendments are not controversial and stakeholders were content with the amendments. 31 responses were received to the consultation and a summary of the consultation responses will be made available on the Scottish Public Pensions Agency's website www.sppa.gov.uk.

Impact Assessments

No equality impact assessment has been carried out on this instrument as the changes are not considered to have any equality impact.

Financial Effects

No Business and Regulatory Impact Assessment has been carried out on this instrument as the majority of changes are required as a result of over-riding mandatory UK legislation and Impact Assessments have been already been carried out at a UK-wide level and other changes make corrections or provide clarity on existing provisions. The instrument has no financial effects on the Scottish Government, local government or business.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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