POLICY NOTE

THE TEACHERS' PENSION SCHEME (SCOTLAND) AMENDMENT REGULATIONS 2015

S.S.I. 2015/97

The above instrument was made in exercise of the powers conferred by section 1(1) and (2)(d) of, and paragraph 4(b) of Schedule 2 to, the Public Service Pensions Act 2013 ("the 2013 Act"). It is subject to negative procedure.

The Regulations implement reforms to the Scottish Teachers Superannuation Scheme (STSS) under the 2013 Act in respect of pensions for teachers in Scotland.

Policy Objectives

In implementation of the 2013 Act, the purpose of this instrument is to partially complete the statutory arrangements for the reformed scheme following the Teachers' Pension Scheme (Scotland) (No.2) Regulations 2014 ("the 2014 Regulations") and make amendments to those Regulations to provide greater clarity.

This instrument builds on the previous Regulations making provisions for the amendments to reflect changes made in consequence of Part 7 of the Children and Families Act 2014 which makes provisions for new entitlements to shared parental leave and statutory shared parental pay in place of additional paternity leave and additional statutory paternity pay. Changes are also made to references which relate to the normal minimum pension age. This is currently age 55 and reflects the minimum pension age set by HMRC. The UK Government recently announced that this age would move in line with increases in state pension age therefore references to age "55" are replaced by "normal minimum pension age". This term is defined in regulation 3 of the 2014 Regulations 2014.

Regulation 16 amends employee contribution rates. The 2005 Regulations require members of the Scottish Teachers' Pension Scheme to pay contributions to the Scheme as a condition of membership Following discussion within the Scottish Teachers Pension Scheme Negotiating Group (STPSNG) two options were consulted on and having considered the responses made Scottish Ministers determined that the rates to be applied are those set out in this instrument. STPSNG is a tripartite group through which the pension reforms were discussed and is made up of representatives of employees, employers and the Scottish Government. The rates will apply for the period 1 April 2015 to 31 March 2019 with annual indexation of the pay bands. The rates apply to members of both the existing and 2015 schemes. The current scheme valuation has provided an employer's contribution rate of 17.2%. This rate will be applied from 1 September 2015 through to 31 March 2019 – this is provided for in regulation 18.

Regulations 18 and 44 introduce scheme valuation and employer cost cap with an additional Schedule (Schedule 4) being added in the 2014 Regulations. The employer's cost cap provides a mechanism to ensure that the costs of the pension scheme remain sustainable in future and has been set at 12.4%. Movements in the cost cap will be measured at future valuations the first one being the valuation for the scheme as at 31 March 2016. Any movement in excess of 2% will breach the cap and the new Schedule 4 sets out the process to be taken in that event. The details of the valuations and employer cost cap are set out by HM Treasury directions which cover the technical details of the processes involved. Scheme valuations will be undertaken every four years with the current valuation based on the scheme as at 31 March 2012. This current valuation has provided an employer's contribution rate of 17.2%. This rate will be applied from 1 September 2015 and apply through to 31 March 2019.

Regulation 35 makes provision for transitional members who will be able to commence Winding Down employment under the exiting scheme rules prior to transferring over to the new scheme. The amendment aims to provide that where the Winding Down employment continues then at retirement for existing scheme benefits the members final pensionable pay continues to be determined under regulation E34(15) of the 2015 Regulations ie the indexed pensionable salary for the 365 days prior to commencement of Winding Down. Winding Down is not currently a feature of the 2015 scheme.

Regulations 36 to 38 provide clarity on claims made for ill-health pensions, total incapacity pension and a short service serious ill-health grant where an application is made by an existing scheme member before their transfer to the new scheme but their application has not been determined by that date. For an ill-health pension in these circumstances any entitlement arising from the 2015 scheme will be paid with the existing scheme benefits. Where applications are made after the members transfer date any entitlement to ill health benefits will be determined and paid under the 2015 scheme.

Consultation

The Scottish Public Pensions Agency conducted an eight week consultation to 4 January 2015, however as an Addendum was later issued on options for employees contributions, the consultation was extended to the 20 January. The consultation was circulated to interested parties via email on 6 November, with the addendum being issued on 7 January 2015 as well as being hosted on the SPPA website. The consultation received 325 responses and in general the comments related to resentment that the scheme is changing and the effect that working longer will have on staff morale and on pupils.

Impact Assessments

No equality impact statement has been done for this instrument as one will be prepared for the wider pension reforms being introduced to the STSS scheme.

Financial Effects

No Business and Regulatory Impact Assessment has been prepared because no impact on the private or voluntary sector is foreseen.

Scottish Public Pensions Agency
An Agency of the Scottish Government
February 2015