EXECUTIVE NOTE

THE TEACHERS' SUPERANNUATION (SCOTLAND) AMENDMENT REGULATIONS 2012

SSI 2012/70

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 the negative resolution procedure. This instrument extends only to Scotland.

This instrument amends the Teachers' Superannuation (Scotland) Regulations 2005.

Background

The Teachers' Superannuation (Scotland) Regulations require members to pay contributions to the scheme as a condition of membership. This instrument introduces contribution rates which are "tiered", so that higher earners receiving larger scheme benefits generally pay a higher rate of contributions than lower earners receiving lower scheme benefits. The regulations will be amended whenever contribution percentage rates change or pay/earnings bands change.

Although the Scottish Ministers have responsibility for the Scottish Teachers' Superannuation Scheme (STSS) wider policy for occupational pensions is reserved to the Westminster Parliament. The 2010 UK Spending Review set out the UK Government's intention to increase employee contribution rates in public service pension schemes by 3.2 percent of pay by April 2014. This was expected to be achieved in three annual increments in April 2012, April 2013 and April 2014. Following consideration of this policy and the available alternatives, Scottish Ministers determined to apply the first increment.

Policy Objectives

This instrument makes amendments to the Teachers' Superannuation (Scotland) Regulations to introduce tiered increases in member contribution rates to apply from 1 April 2012:

The regulations provide for:

- The same contribution rates and tiers as those being introduced for the Teachers' Pension Scheme in England and Wales for 2012/13
- Increases or decreases to a member's pensionable salary that require a change in tier will be applied when pensionable pay changes.
- part time members to pay contributions determined according to the full-time equivalent salary rate.

Sensitivity

The policy to increase contributions is strongly opposed by active scheme members, Trade Unions, staff associations, employer organisations such as COSLA. Scottish Ministers have also placed on record their principled opposition to the increases being introduced at this time. On 5 September 2011, the UK Government confirmed its intention to apply financial sanctions to the Scottish settlement if the increases were not applied in Scotland. Having unsuccessfully sought to explore alternatives with representatives of lead stakeholder groups, Ministers concluded that they were required to apply the increases for 2012/13. In so doing, the Scottish Government has ensured that lower paid workers receive protection from the full effects of the increases. This is offset by requiring higher earners to meet a higher proportion of the increases. Consequently, employee contribution rates are to be spread over seven pensionable pay related bands.

Consultation

To comply with the requirements of section 9(5) of the Superannuation Act 1972 a formal policy consultation was undertaken from 7 October 2011 to 17 November 2011. This was followed by a consultation on the amendments made by this instrument from 22 December 2011 to 3 February 2012. Those consulted were all teachers' employers (including all 32 Scottish local authorities, Scottish Colleges and Independent Schools), teachers' unions and relevant Scottish and UK Government Departments. In addition the policy proposals were tabled for discussion with the Management Advisory Group (Scotland) the standing tri-partite group for the STSS.

Responses to the policy consultation highlighted both individual and Trade Union opposition to the rise in contributions and a summary of the response received is available on the Scottish Public Pensions Agency (SPPA) website www.sppa.gov.uk .

Financial Implications

The increases, as designed, are expected to raise in the region of an additional £34 million a year from 1 April 2012.

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

Equality Impact Assessment

An Equality Impact Assessment has been prepared and will be made available on the SPPA website.

Contact

If you have any queries regarding this instrument please contact Christine Marr at the Scottish Public Pensions Agency (Tel 01896 893225 or email christine.marr@scotland.gsi.gov.uk).

Scottish Public Pensions Agency, February 2012