POLICY NOTE

THE TEACHERS' PENSION SCHEME (SCOTLAND) (No. 2) REGULATIONS 2014

SSI 2014/292

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"). The instrument is subject to negative procedure. It replaces and revokes the Teachers' Pension Scheme (Scotland) Regulations 2014(SSI 2014/217).

Policy Objectives

The purpose of this instrument is to provide, in implementation of the 2013 Act, for a reformed pension scheme for teachers in Scotland. Further instruments are being prepared that will complete the statutory arrangements for the reformed scheme and provide the necessary transitional arrangements for the current scheme. Occupational pensions policy is reserved to the UK Government. The reforms initially recommended by the Independent Public Service Pensions Commission which was led by Lord Hutton of Furness are now set out in the 2013 Act. The 2013 Act requires Scottish Ministers to introduce a reformed teachers' pension scheme in Scotland from 1 April 2015. This instrument reflects that requirement and introduces a reform scheme which includes a pension based on the member's average career earnings and a normal pension age equal to the state pension age.

In addition to those changes, Part 2 introduces Scheme Governance with the introduction of the pension board and scheme advisory board for the Scottish Teachers' Pension Scheme.

Parts 4 and 5 set out the operation of a career average scheme. These Parts provide that each member will build up a pension each year calculated at 1/57th of the member's pensionable earnings. The pension is held in a pension account and at the start of each year (ie 1 April) indexation is applied. Indexation is applied at different rates depending on the member's status in the scheme. An active member (that is a member who is participating in the scheme and paying contributions) receives an indexation rate of 1.6 percentage points above the rate of the Consumer Price Index ("CPI") published by Her Majesty's Treasury. A deferred member (someone who was an active member but has since stopped participating in the scheme without applying for benefits) receives indexation equal to the rate of CPI.

Schedule 2 makes provision for a Faster Accrual Election. Members may elect for faster accrual contributions at 1/55th, 1/50th or 1/45th.

The employee contribution rate from 1 April 2015 will be determined following further discussion with stakeholders. The employer contribution rate will be set once the 2012 scheme valuation has concluded. The contribution rates will be included in the further instruments mentioned above.

Consultation

To comply with the requirements of section 21 of the 2013 Act, a consultation was undertaken from 20 December 2013 and closed on 14 February 2014. 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. Consultation responses outlined the Trade Unions' opposition to these changes and in particular linking normal pension age with state pension age. 166 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 statement has been done for this instrument.

Financial Effects

In line with the reform of public sector pensions, these changes will support the introduction of a reform scheme from April 2015 that is designed to ensure long term sustainability and affordability.

Business and Regulatory Impact Assessment
This policy introduces reform to the pension scheme for teachers in Scotland, following recommendations by the Independent Public Service Pensions Commission. This policy does not impose any additional costs or reduce existing costs for business, third or public sector organisations and on that basis no Business and Regulatory Impact Assessment is required for these Regulations.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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