POLICY NOTE

THE TEACHERS' SUPERANNUATION AND PENSION SCHEME (SCOTLAND) (MISCELLANEOUS AMENDMENTS) AMENDMENT REGULATIONS 2019

SSI 2019/95

The above instrument was made in exercise of the powers conferred by section 9 of and Schedule 3 to the Superannuation Act 1972, section 1(1) and (2)(d) of, and paragraph 4 (b) of schedule 2 of, the Public Service Pensions Act 2013. It is subject to negative procedure.

This instrument will amend the commencement date and rate of the employer contribution rate set out in The Teachers' Superannuation and Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2019 (SSI 2019/48). Since SSI 2019/48 was laid on 13 February 2019, details of the UK Government spending to cover the cost of the increases in employer contributions have been confirmed. That funding reflects the fact that the Teachers' scheme in England and Wales is deferring its employer contribution increase until 1 September 2019. To avoid a significant shortfall in funding for 2019-20 for the Scottish Teachers' scheme a similar deferment is to be applied to the employer contribution increase.

Policy Objectives

The purpose of this instrument is to provide an amendment to the employer contribution rate and date of implementaion set out in The Teachers' Superannuation and Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2019 (SSI 2019/48). This will take effect from 1 April and will ensure that the current employer contribution rate of 17.2% will continue to apply to 31 August 2019 with the revised rate of 23% applying from 1 September 2019.

Consultation

The requirement to apply the originally proposed increase from 1 April 2019 was considered by the Scheme Advisory Board (SAB). The SAB provides advice to Scottish Ministers on the desirability of changes to the design of the scheme and the implementation of other policy issues. It is made up of employer and member nominees from across the service. The main concerns raised related to the increases in employer contributions and more importantly how scheme employers were going to be funded to meet that increase. The Scottish Public Pensions Agency (SPPA) conducted a consultation from 18 December 2018 to 11 January 2019 on draft regulations setting out the original proposed increase in employer contributions from 1 April 2019 . 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. The consultation received 110 responses of which 29 had comments.

The key messages from Local Authority employers were that employers' contributions would rise significantly at a time Local Authority resources were under significant pressure with

there being no capacity to absorb any of the substantial increases and that, if the contribution increase cost was not covered on a recurring basis, this would result in a reduction in front line services and most likely more job losses due to further spending reductions. Similar concerns were expressed by respondents covering employers from all sectors of the scheme. There was also concern across the sector regarding how this increase would be funded given the level of additional funding from the UK government had still to be confirmed.

The Scottish Government did not become aware of the proposed UK Government funding for public service schemes until 21 February 2019. It was at that point that it became clear that funding for the Scottish Teachers' pension scheme would reflect only the Barnett consequential arising from the part year funding for the scheme in England and Wales. Given the significant shortfall this would create, it was decided that the employer contribution increase in Scotland would also need to be deferred until 1 September 2019. Both the SAB and scheme employers have been notified of this change to the original consultation.

This instrument extends and reflects the original consultation undertaken with SSI 2019/48 given the significant concerns raised by stakeholders regarding the funding that will be provided. Discussions between Scottish Government and HM Treasury officials continue regarding the final additional funding that will be provided for 2019-20. Once this is confirmed, consideration will be given to the best way to allocate the additional funding and to how any shortfall will be met.

Impact Assessments

The impact of this change will not be known until final details are confirmed regarding the level of HM Treasury funding. At that point SPPA plan to complete a Business and Regulatory Impact Assessment.

Financial Effects

This instrument implements an increase in scheme employer contributions from the current rate of 17.2% to 23% which will apply from 1 September 2019. The estimated cost of that increase is around £85m for 2019-20 and discussions remain ongoing with HM Treasury regarding the additional funding it will provide to cover those costs.

Scottish Public Pensions Agency
An agency of the Scottish Government

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