

TEACHERS' PENSION SCHEMES
01/2017

WHO SHOULD READ: Members, Chief Executives, Directors of Education, Directors of Finance, HR Managers, Payroll Managers, Teachers' Unions and representatives

ACTION: For information

SUBJECT: Public Service Pension Indexation and CARE scheme revaluation 2017

The purpose of this circular is to:

- Notify employers of the increase to public service pensions with effect from 10 April 2017. Employers should apply these increases to mandatory and discretionary compensation payments that they pay to retired teachers.
- Advise that the rate to be used for the annual revaluation of Career Average Revalued Earnings (CARE) benefits accrued in the 2015 Teachers' Pension scheme for active members is 2.6%
- Advise employers of the employee contribution pay bandings for 2017/2018

Public Service Pensions Indexation

Public service pensions in payment, together with those that are deferred for payment at a future date, are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September.

In the 12 months to September 2015, CPI was 1%. As a result, an increase of 1% from 10 April 2017 is to be applied for either pensions in payment or deferred pensions.

The UK Government expects to lay the Pensions Increase (Review) Order 2017 later this month.

CARE Scheme Revaluation

The Scottish Teachers' Pension Scheme 2015 Regulations were made under the Public Service Pension Act 2013 (the Act). The 2015 pension scheme is a Career Average Revalued Earnings (CARE) scheme and Section 9 of the Act deals with the annual "in-service" revaluation of CARE scheme benefits, so that they keep pace with the passage of time. The SPPA website provides [further information](#) on the principles of CARE scheme revaluation.

The Scottish Teachers' Pension Scheme 2015 Regulations provide for annual revaluation by reference to changes in prices. For active members this is at the rate of CPI plus 1.60%; for deferred members at the rate of CPI included in any Pension Increase (Review) Order.

Section 9(2) of the Act requires the change in prices used for revaluation to be such percentage increase or decrease as is specified in an order made by HM Treasury. The Public Service Pensions Revaluation (Prices) Order 2017 will fulfil that requirement in relation to prices and reflects the change in CPI of 1% in the 12 months to September 2016. The Chief Secretary to the Treasury has issued a [written statement](#) to this effect, with the [Public Service Pensions Revaluation Order 2017](#) coming into force on 1 April 2017.

As a result of the increase for CPI, the in-service revaluation for the 2015 Teachers scheme in respect of 2016/17 will be 2.6%.

Employee contribution pay banding 2017/2018

It was agreed during the pension reform discussions that employee contribution rates would be fixed for the period 1 April 2015 to 31 March 2019. The pay bandings in the contribution table would, however, be adjusted each year in line with CPI. The table below therefore reflects the adjusted earnings bands for the scheme year 2017/2018, and applies to the Scottish Teachers' Pension Scheme 2015 and both the STSS schemes.

Actual pensionable pay for the eligible employment for 2017/2018	Contribution percentage rate
Up to and including £26,259	7.2%
£26,260 to £35,349	8.7%
£35,350 to £41,914	9.7%
£41,915 to £55,549	10.4%
£55,550 to £75,749	11.5%
£75,750 and above	11.9%

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