

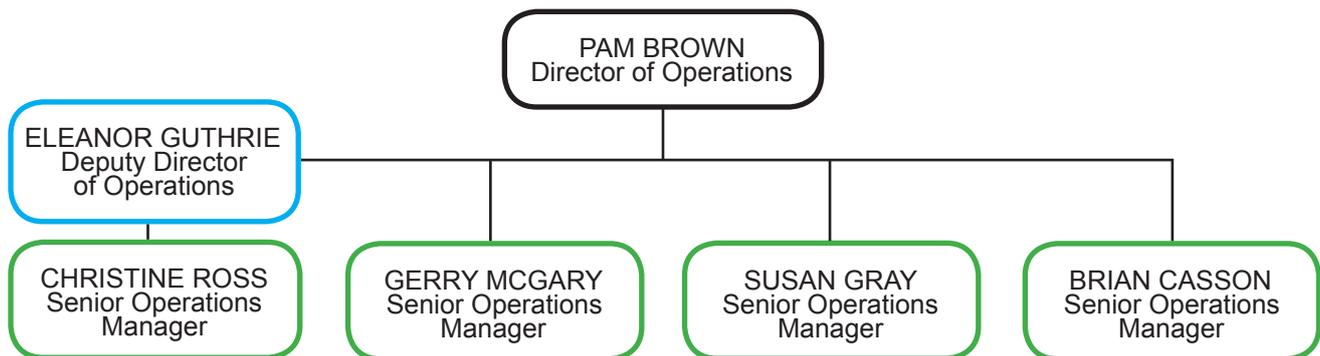
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**Dear employer**

Since I took over as Operations Director at SPPA in April 2012, there has been another change to our management team. We have introduced a specific role to plan, prepare and take forward the operational delivery of pension reforms which will be introduced in 2015. This role has been filled by Brian Casson, whom some of you may already know as our data manager.

The new structure is:



Their specific responsibilities are as follows:

- Eleanor Guthrie - Customer Communications, Audit Activity, Technical Training, Support and Advice, Quality Assurance
- Gerry McGarry - STSS and NHS Transfers, Service, Awards, Small Schemes and Records Maintenance
- Christine Ross - Customer Communications, Technical Training and Advice and Quality Assurance
- Susan Gray - STSS and NHS Pension Payroll
- Brian Casson - Pension Reform 2015, Operations Support and Web Services

I am very pleased to announce that in November 2012, we achieved a GOLD Investors in People award which recognises the high standards we have demonstrated in respect to developing and supporting our staff. Investors in People is a standard used by over a third of the UK's workplaces with fewer than 2% achieving the GOLD standard.

The commitment we have to our staff relates directly to the quality of service we provide to you. This is measured each year through our customer satisfaction survey. The results of the 2012 survey reveal that around 90% of our customers are satisfied with the overall service provided by SPPA. We are, once again, delighted to have delivered such a high level of satisfaction.

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Introduction continued

When considering feedback from employers, we understand that 87% of telephone enquiries are being resolved to your satisfaction whilst the improvements we have made to the circulars have raised satisfaction of that element of our work by 12% to a total of 86%.

In the year ahead, your comments will help influence the actions we take to further improve our service to you. This will include reviewing the forms we have on our website and further the development of our online services to include pensioners.

None of this would be possible without your continued help and support and we look forward to further improving our service to you in the future.

Pam Brown  
Director of Operations

## 1. Auto Enrolment

Employers will be aware of the requirement to automatically enrol their employees into a workplace pension scheme.

This is in addition to the usual contractual enrolment into the scheme when an individual commences STSS employment or changes their job.

All employees, eligible to join the STSS must be automatically included in the scheme from the first day of employment. Eligible employees will no longer be allowed to opt out of the scheme before they take up their employment. They must be enrolled in the first instance.

Changes have been made to the Opt Out form to take account of Auto Enrolment. Please advise employees to download the [form](#) from our website

Changes have also been made to the Opt Out process. The main changes for employers are that they should:

- retain a copy of opt out forms for their records
- submit copies of opt out forms to SPPA on a monthly basis.

Please see circular [3/2013](#) for details

### **When does Auto Enrolment take effect?**

A date has been allocated to each employer from which the Auto Enrolment duties will first apply to them. This is known as the **staging date**.

The staging date allocated to employers is based on the size of their PAYE scheme on 1 April 2012. Full details of staging dates can be found on the [Pensions Regulators](#) website.

### **Further information**

Further information can be found on the [Pensions Regulators](#) website. This includes letter templates that can be used by employers to notify their eligible workers about Auto Enrolment and the actions they must take if they wish to opt out.

## 2. Changes to additional pension contributions

From 1 April 2013, new actuarial factors will apply to existing contracts for the purchase of additional pension benefits by monthly instalments. We have notified individual members to advise them of any changes to their contributions.

We will be writing to employers in due course to inform them of adjustments to be made to the monthly deductions from their April payroll.

## 3. Pension reforms

### SHORT-TERM PENSION REFORMS

Regulations were laid in the Scottish Parliament on 28 February 2013 to provide for increases to members' contributions with effect from 1 April 2013. The salary banding and contribution tiers are those which SPPA consulted upon between 20 December 2012 and 1 February 2013 and are as follows:

Full-time equivalent contributable salary band £	Contribution Rate from 1 April 2013 to 31 March 2014
Below £14,999	6.4%
£15,000 to £25,999	7.0%
£26,000 to £31,999	7.9%
£32,000 to £39,999	8.8%
£40,000 to £44,999	9.2%
£45,000 to £74,999	10.1%
£75,000 to £99,999	10.6%
£100,000 and above	11.2%

Included in the consultation on contribution increases was a proposed change to dealing with retrospective pay awards will be implemented with effect from 1 April 2013. This referred to higher contribution rates resulting from an increase in pay applying going forward from the month the arrears of pay and higher pay are applied. This change will now be introduced and further information on this and the contribution increases is available in STSS Circular [04/2013](#) issued to stakeholders on 4 March 2013. This circular and a summary of responses to the consultation are available on our website.

## LONG-TERM PENSION REFORMS

Occupational pensions policy is reserved and the forthcoming UK Government's Public Service Pension Act will set out requirements that must be applied to the reformed STSS. These include a link of normal pension age and state pension age and a requirement that the reformed schemes are in place from April 2015.

The Scottish Teachers' Pension Scheme Negotiating Group (STPSNG) was set up in April 2012 by Mike Russell, Cabinet Secretary for Education and Lifelong Learning. The Group's remit is to consider scheme design for a new Scottish Teachers' Pension Scheme to be introduced in 2015. The Group's membership reflects a tripartite approach with representatives from the Scottish Government, Employers and Trade Unions. Meetings have been held regularly since April 2012.

The key area for discussion on a redesigned STSS has been whether the impact of increasing normal pension age could be mitigated by applying more beneficial early retirement factors whilst still remaining within the set cost ceiling. Meeting papers are available to view on the Scottish Government website. Scottish negotiations are ongoing and are expected to conclude by the end of March 2013.

## 4. Annual return information

Employers are reminded that to ensure we meet HMRC deadlines, you are required to send your Annual return data to us by 6 July 2013.

Employers will note that if they fail to meet HMRCs deadline of 6 July 2013, you can be charged a penalty of £300 per member and an additional £60 per member for each day that the submission is late eg: if you have 10 members and are 18 days late, HMRC could fine you £13,800.

The following [link](#) to HMRCs technical page details:

- what should be provided
- by when
- what happens if the information is not provided on time or is incorrect

If employers fail to meet this deadline, we will be unable to provide the information required to allow to your employees to submit their tax returns by the following January. It is therefore, essential that you submit this information on time.

If you have any issues with your annual return, please contact [RMTSPPA@scotland.gsi.gov.uk](mailto:RMTSPPA@scotland.gsi.gov.uk)



## 5. Annual Allowance/Lifetime Allowance

The 2012 autumn statement by the Chancellor of the Exchequer raised two key issues for pension schemes. These concern reductions to both Annual Allowance and Lifetime Allowance. Members and employers should be aware of:



### 1. Annual Allowance (AA) reduced to £40,000

The AA is the maximum amount that a person's pension savings can grow in the year without a tax charge being incurred. The AA is currently set at £50,000 for the 2012/13 tax year. This will be reduced to £40,000, however, the reduction does not take effect until the 2014/15 tax year. This means those who may be affected will have time to plan for the reduction.

#### Carry forward

Where a member's pension savings exceed the AA for a particular year, it may be possible to carry forward any unused allowance from the previous three years. No changes to the carry forward rules have been proposed. This means that the higher AA that applied to the tax years 2011/12 and 2013/14 can still be carried forward and used in 2014/15.

#### Scheme pays

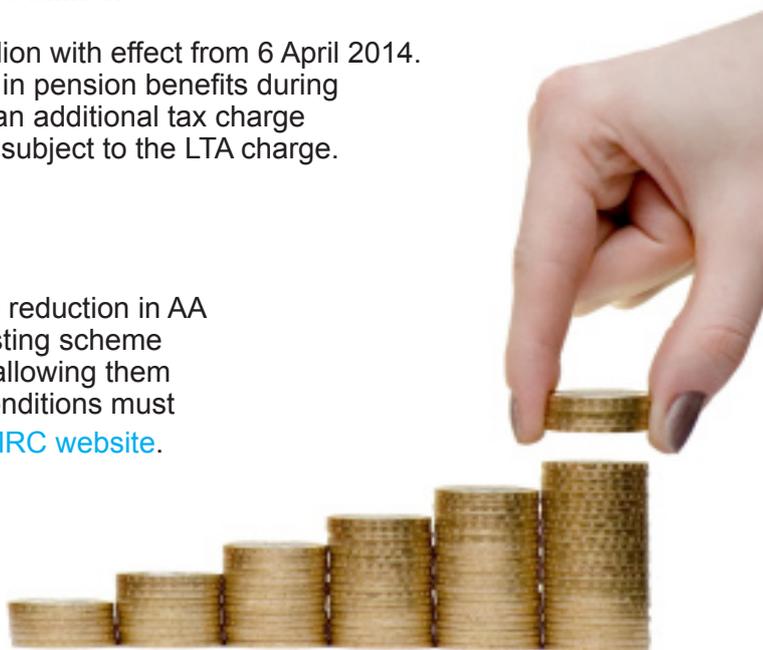
If the growth in benefits in the scheme exceeds the AA plus the carry forward of unused AA from the previous three years, and the charge is £2,000 or more, members will have the option for the scheme to pay the AA charge (or a proportion of the AA charge) to HMRC on their behalf. The scheme pays option remains unchanged. Members who use the scheme pays option will have a reduction in their benefits.

### 2. Lifetime Allowance (LTA) reduced to £1.25 million

The LTA will be reduced from £1.5 to £1.25 million with effect from 6 April 2014. The LTA is the maximum amount you can take in pension benefits during your lifetime from all pension schemes before an additional tax charge is incurred. If the LTA is exceeded, you will be subject to the LTA charge.

#### Fixed Protection 2014

The current Fixed Protection introduced for the reduction in AA in April 2012 is to be extended. It will offer existing scheme members protection from the reduced limit by allowing them to keep £1.5 million LTA. However, detailed conditions must be complied with. These are available from [HMRC website](#).



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## Next steps

We are currently undertaking an exercise to identify those members who may be affected by these changes. When each case has been reviewed, we will write to the member to advise the options available.

Members who think they may be affected by these changes should consider seeking assistance from an independent financial adviser.

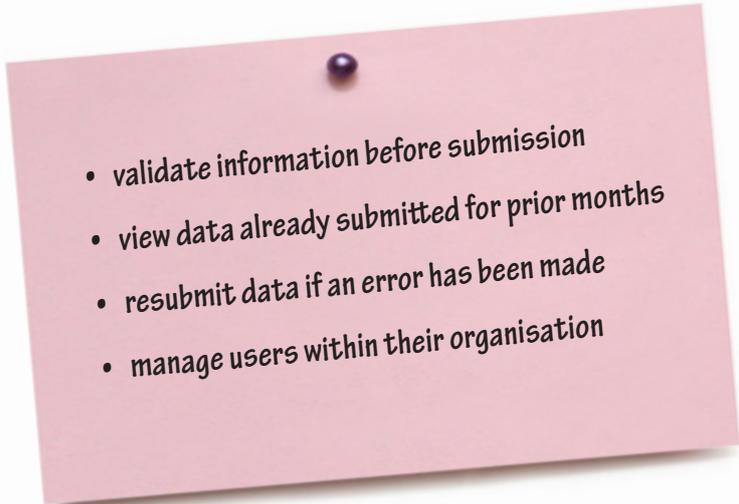
As this can be a complicated issue, we have a section on our website dedicated to tax which provides the latest information and also includes calculators, fact sheets and examples which both employer and members may find helpful.

Further information can also be found on [HMRC website](#).

## 6. Payment of monthly pension contributions

SPPA is changing the way it collects monthly pension contribution payment information. The current system requires employers to email details of monthly contributions on an Excel spreadsheet. The new system will be web based. Employers will log on to a secure site where they will record monthly contributions and the information will then be uploaded to our accounting system.

The new system will provide a number of advantages. It will allow employers to:

- 
- *validate information before submission*
  - *view data already submitted for prior months*
  - *resubmit data if an error has been made*
  - *manage users within their organisation*

We are working with our software developer to introduce this system by late summer/autumn 2013. Employers will already have received correspondence by email, introducing the new process and requesting up to date contact details. We are most grateful to those employers who have provided updated information, which is essential in setting up employers on the system prior to go-live.

We will email you with more information throughout the year and we look forward to working with you through this change.

## 7. Important information for new members or re-joiners

If a member has accrued previous pension benefits that they would like to transfer to the STSS, a request must be made in writing to SPPA within 12 months of joining or rejoining the scheme. The member will not be able to transfer into the STSS if their request is made out with the 12 month time limit. Employers have a duty to provide members with information about the scheme on joining. This will alert the member that they must request a transfer within the 12 month time limit, as it could be financially detrimental to the member if they were not provided with the information immediately on joining.

### Transfers from other teachers schemes within the UK

Members are sometimes unaware that there are separate teachers pension schemes for Scotland, England & Wales and Northern Ireland. Subsequently, they do not always request a transfer.

Transfers are not automatic and must be requested by writing to SPPA who will arrange the transfer

Normal 12 month time limits do not apply and a transfer can be requested at any time as long as it is before the member's normal pension age of either 60 or 65

### Pension Liberation

You will wish to be aware of so-called Pension Liberation arrangements. This is where members are transferring out to a pension arrangement that will allow them to access their funds before the age 55. This activity can be fraudulent where individuals are not informed, or are misled, as to the consequences of entering into one of these schemes.



Pension liberation can result in tax charges and penalties of more than half the value of a member's pension savings, and those being targeted are usually not being told about the potential tax implications. This is in addition to high charges, typically 20 to 30% for entering into one of these arrangements and high risk investments for the remaining pension savings. We are making arrangements to include information about pension liberation in our transfer packs to ensure that members are aware of the pitfalls.

## 8. My pension - online member services

SPPA launched 'My Pension – Online Member Services' on 6 March 2012. We are grateful to employers for their help in marketing this new initiative to scheme members. For the first time our NHS and Teacher members were given the opportunity to access their annual statements online. They can also use the online calculators to estimate various pension options and 'Contact Us' with any annual statement or pension enquiries.



Uptake on the new service was immediate and within the first four months almost 5% of our membership had signed up. We identified that some members were having problems with the registration process and set up a dedicated team to deal with registration/logon problems. We have also made resources available to deal with the large volume of annual statement enquiries received through 'Contact Us' online.

### Update

We are now approaching the end of our first year and approx 26,500 (11.7% NHS and 11% Teacher) members have registered to use the online services. Following the uploading of the 2012 annual statements last December this has been increasing at the rate of 2,000 per month. During the peak months in January/February 2013 we had 150 new registrations every 24 hours.

### New pensioner services

During 2013 we will be extending this service to our pensioners. We are making plans to start with a small pilot group and encourage them to sign up for 'Going Green'. This will be on a voluntary basis giving them the opportunity to opt out of receiving paper copies of their pension documents:

- pension payment advice notices (payslips)
- P60 – end of year certificate
- annual pension increase notification
- pensioner newsletter

We currently send out paper documents to 145,000 pensioners each year and this will help us take positive steps to reduce our impact on the environment. We will monitor the results of the pilot with a view to rolling it out to other pensioners later in the year.

If you have any enquiries about our web services project please email the team on [sppamypension@scotland.gsi.gov.uk](mailto:sppamypension@scotland.gsi.gov.uk) or phone 01896 893000 and ask for 'web services'



## 9. Recently issued circulars

### Circular 2013/07: issued on 20th March 2013

The purpose of this circular is to:

- request annual return data for 2012/13
- remind employers of HMRCs charges for submission of late or incorrect data
- provide details on the Disclosure of Salary and Pension information

### Circular 2013/06: issued on 19th March 2013

The purpose of this circular is to advise of the representatives selected to participate in the STSS Technical Working Group.

### Circular 2013/05: issued on 11th March 2013

The purpose of this circular is to notify STSS employers and representatives of the timescales for the submission of 2013 summer retiral applications

### Circular 2013/04: Issued on 4th March 2013

The purpose of this circular is to confirm that increases to members' contributions will be effective from 1st April 2013 as set out in the recent consultation.

### Circular 2013/03: Issued on 14th February 2013

The purpose of this circular is to advise employers about the new opt out form and changes to data submission following the implementation of Auto Enrolment

## 10. How to contact us

By telephone	01896 893 000
Monday-Thursday	9.00am to 5.00pm
Friday	9.00am to 4.30pm
Fax	01896 893 214
Website	<a href="http://www.sppa.gov.uk">www.sppa.gov.uk</a>
Email	STSS retirements <a href="mailto:STSSAwards@scotland.gsi.gov.uk">STSSAwards@scotland.gsi.gov.uk</a>
	Data enquiries <a href="mailto:rmtsppa@scotland.gsi.gov.uk">rmtsppa@scotland.gsi.gov.uk</a>
	Service/transfers <a href="mailto:Teachersservice@scotland.gsi.gov.uk">Teachersservice@scotland.gsi.gov.uk</a>
Post	SPPA 7 Tweedside Park Tweedbank Galashiels TD1 3TE