



The Educational
Institute of Scotland

Briefing Paper for MSPs and MPs

Review of the Scottish Teachers' Superannuation Scheme

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The review of the STSS is part of the review of all public sector pension schemes arising from the UK government's Green Paper – "*Simplicity Security and Choice - Working and Saving for Retirement.*" Discussions with teachers' unions have largely been conducted at UK level through the Teachers' Superannuation Working Party – Pension Review Sub Group. The review of the STSS mirrors closely the review of the Teachers' Pension Scheme in England and Wales.

The consultation focuses on proposed changes to the STSS. However, certain matters are assumed within the consultation:

- The normal retirement age shall rise from 60 to 65;
- This shall apply to existing scheme members from 1 September 2013 and from 1 September 2006 for new entrants;
- There shall be no provision for premature retirement compensation before age 55. (*This is an Inland Revenue ruling and affects members of all occupational pension schemes whether in the public or private sectors although those with certain existing contractual rights may have that right protected.*) The effective date for this change is 2010.

The EIS opposes these changes. The "one size fits all" approach to pensions does not take account of the physical and mental demands of teaching.

- Of teachers who retired in Scotland in 2003/04 - 17.29% achieved 40 years pensionable service. In the previous 4 years the number ranged from 3.67% to 7.45%
- From 1999 to 2004 the number of teachers seeking illness related retirement ranged from 521 (22.23%) to 439 (22.65%). (*This is as a percentage of the total number of teachers retiring.*)
- Last year 581 teachers accepted premature retirement compensation packages. This equates to 30% of those who retired - more than in any other category including on age grounds. A further 172 (9%) retired earlier with a reduced pension.
- The facts that more people retire on PRC and seek to leave on illness related grounds than complete 40 years service demonstrate the pressures on teachers to leave before age 60.
- In the first full year of the Actuarially Reduced Pension scheme nearly 9% of teachers retiring took this option. **In fact, more than 53% of teachers retiring in year 2003/04 left the profession before the age of 60 for one reason or another, while only 17% achieved 40 years of service.**

- The actuarial assumptions used to justify the raising of the normal retirement age to 65 are based on the life expectancy of members of the Teachers' Pension Scheme (England and Wales). No statistical evidence has been supplied relating to the life expectancy of members of the STSS in Scotland.
- Figures recently released by the Office for National Statistics show that 8 out of 10 local authorities in the UK with the lowest life expectancy for males from 2001 – 2003 were in Scotland. For women, Scotland accounts for 60% of the local authorities with lowest life expectancy.
- There are grounds for believing that teachers' pension provisions in Scotland are less costly – notably the employers in Scotland make a contribution which is 1% less than in England and Wales.
- PRC arrangements assist local authorities in planning for change and assisting in the efficient provision of the education service. Limitations on PRC to the over 55s will lead to greater pressures on both local authorities and teachers and restrict their ability to manage change effectively.

The EIS opposes the proposal to raise the minimum age for early retirement from 50 to 55 and the normal retirement age from 60 to 65. Furthermore, if this change is pursued, we believe no existing scheme member should be compulsorily affected by this “moving of the goalposts”.

A number of proposed improvements have been set out in the consultation exercise.

- Changing the accrual rate from 80ths to 60ths with the facility to commute up to 25% of pension into a lump sum.
- Increased flexibility in work patterns before retirement enabling teachers to receive part of their benefits whilst remaining in teaching.
- The extension of benefits to unmarried partners
- Improved death in service benefits

In general these improvements are welcome with this caveat:

- Teachers will only welcome increased flexibility if there is a real choice available to **them**. Current winding down arrangements, for example, are at the discretion of the employer.

More detailed discussion will be required on other proposals. These relate to proposed changes on illness related retirement and on redundancy arrangements.

While welcoming many of the proposed changes the EIS is clear that the costs of any improvements should not be met by increased contributions from teachers. Currently, employers in Scotland contribute 1% less than their counterparts in England and Wales and this must be recognised in considering funding of any improvements.

The consultation on STSS reform will require to consider the impact of raising the normal retirement age on the morale of teachers and on recruitment and retention. **Therefore, while the proposal to retain a defined benefit pension linked to final salary makes teachers' pensions an attractive proposition, the EIS stresses that this is critical to the prospects of recruiting and retaining the number of teachers necessary to meet the targets set by the Scottish Executive.**

Teachers Retiring 1999 – 2004

Year	Ill Health Grounds (Applications)	*PRC Scheme	**ARP	40 Years Service	Others e.g. age	Total Retirals
1999-2000	400 (521)	100	0	86	1757	2343
2000-01	365 (496)	222	0	117	1694	2398
2001-02	357 (461)	182	0	120	952	1611
2002-03	327 (472)	514	16	219	2227	3303
2003-04	286 (439)	581	172	335	564	1938

*PRC – Premature Retirement Compensation scheme – under this scheme the employer is required to meet part of the costs of early payment of benefits and all of the costs of any service enhancement.

**ARP – Actuarially Reduced Pension. Available to Scheme members from the age of 55. The resultant reduction in pension and lump sum is for life. ARP is only available to teachers in service on 1 July 2002 or later.