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Sue Webber MSP
Convener
Education Children and Young People Committee
The Scottish Parliament
Edinburgh
EH99 1SP

18 June 2024

Dear Sue,

Teachers' Pension Scheme (Scotland) Amendment Regulations 2024 (SSI 2024/147)

Thank you for your letter of 13 June 2024 regarding the Education, Children and Young People Committee's consideration of the above named instrument.

The instrument makes changes to the employer contribution rate in the Scottish Teachers' Pension Scheme (STPS) following the outcome of the most recent scheme actuarial valuation, the 2020 valuation. The key factor leading to the increase in employer contributions is the reduction to the SCAPE (superannuation contributions adjusted for past experience) discount rate, which is used to express a scheme's future pension payments as a present-day cost. HM Treasury (HMT) sets the SCAPE discount rate based on the Office for Budget Responsibility's forecast of long-term GDP growth.

As you highlight, the Chief Secretary to the Treasury confirmed in a Written Ministerial Statement, that funding will be provided for increases in employer contribution rates resulting from the 2020 public service pension scheme valuations, as a consequence of changes to the SCAPE discount rate. For the STPS valuation, the full 3% increase in the contribution rate is a consequence of these SCAPE discount rate changes.

For UK Government departments, the funding commitment was for employers whose employment costs are centrally funded through departmental expenditure. HMT confirmed that, for devolved administrations, the Barnett formula would apply.

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HMT has now provided resource to UK departments to fund the additional employer pension contributions and Scottish Government has received the Barnett consequentials for the equivalent schemes in Scotland. For the STPS, funding of £121.2 million has been set out as part of the provisional Main Estimates allocation for 2024-25. However, this is only expected funding at this stage as the UK General Election has resulted in a delay in the Main Estimate being voted on by Parliament and will not be confirmed until the incoming UK Government approves the publication.

Employer costs for the STPS are split over a number of portfolios, with the majority incurred by Local Government but also additional costs within Higher and Further Education and the special schools directly funded by Scottish Government. After funding is confirmed at Main Estimate, Scottish Government will work with pay colleagues in calculating the precise transfers to ensure that the additional costs faced are transferred.

Yours sincerely,

IVAN MCKEE

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