Scottish Public Pensions Agency
Buidheann Peinnseanan Poblach na h-Alba

Scottish Teachers' Pension Scheme: proposed changes to member contributions from 1 April 2024

Scottish Government consultation

Consultation Response

March 2024

1. Background

1.1. The Scottish Teachers' Pension Scheme (STPS) continues to be an integral part of the remuneration package for teachers in Scotland. The STPS offers the security of a guaranteed income in every year of retirement for all its members, on some of the most generous terms available from a pension scheme.

1.2. At present employers contribute 23% of each member's pensionable earnings towards the cost of scheme benefits. Under the STPS framework agreement, members are required collectively to contribute 9.6% of pensionable pay across the whole scheme membership. This is known as the member contribution 'yield.'

1.3. While the yield is a fixed percentage, there are a range of approaches that could be taken to ensure that 9.6% is collected from across the whole scheme membership. The current approach is a 'tiered contribution' structure which spreads out the 9.6% requirement across the workforce, through a sliding scale of rates according to members' pensionable earnings. The aggregate amount collected across the membership adds up to 9.6%.

1.4. Since its implementation, this structure has begun to underperform against the target yield. This is mainly because of the annual uprating of contribution tiers which have increased in line with the Consumer Price Index (CPI). As inflation has exceeded annual pay increases, this has led to the contribution tiers increasing to the extent that members have dropped into lower tiers, creating a downward pressure on the member contribution yield, which is now delivering 9.3%.

1.5. Public service pensions are executively devolved to the Scottish Government and changes to the scheme require the consent of HM Treasury (HMT), this is largely because HMT provide funding for any shortfalls in pension scheme income via Annually Managed Expenditure (AME) funding. Therefore, as HMT continues to require a total yield of 9.6% for the STPS, a change is required to the contribution structure to deliver that yield from 1 April 2024. This is therefore an appropriate time to seek views from all interested parties to inform changes to member contributions.

1.6. SPPA consulted the Scottish Teachers' Pension Scheme Advisory Board ("the SAB") during 2023 on potential changes to the member contribution structure. The SAB is a statutory board comprising of employee (trade union) and employer representatives, which has responsibility of advising Scottish Ministers on prospective changes to the STPS. The SAB provided formal advice to Ministers on the reform of member contributions in a letter dated December 2023.

1.7. While the SAB was not able to provide unanimous advice, it was able to agree guiding principles, including minimising the risk of opt-outs from the scheme across the whole membership and ensuring that the scheme remains sustainable and a valuable part of the reward package and affordable to all members.

1.8. The Scottish Government response to the SAB advice, confirmed the intention to present a proposal in the consultation which had widespread stakeholder support. This proposal retained a tiered contribution structure and involved minimal changes to both contribution increases and contribution tiers, spreading the required increases in contribution rates evenly across the membership.

1.9. SPPA published this consultation on 22 December 2023 seeking views on proposed changes to the member contribution structure in the STPS from April 2024. The consultation also sought views on a draft statutory instrument which amends the scheme regulations to introduce these changes and a required change to the employer contribution rate, following completion of the 2020 scheme valuation.

2. Consultation Process

2.1. Following consultation with the SAB, on behalf of Scottish Ministers, SPPA ran a public consultation between 22 December 2023 and 16 February 2024, which sought views on the proposed member contribution structure and the rationale for those changes. A consultation document, Scottish Teachers' Pension Scheme - Consultation on proposed changes to member contributions from 1 April 2024 and response form were published on www.pensions.gov.scot with responses invited by way of a response form returned via email or post to the SPPA.

2.2. Consultation responses were submitted to SPPA from scheme members, trade unions and an employer association.

3. Summary of proposals

3.1. The following is a summary of the key proposals in the consultation document.

Proposed new employee contribution structure

3.2. The proposed changes to the contribution structure involve retaining six contribution tiers and spreading the required increases in contribution rates, required to meet the 9.6% contribution yield, evenly by applying a single multiplier to each tier.

3.3. The tiered structure provides protection for the lower paid and aims to maximise participation across the membership, which is aligned with the key principles set out by the majority of member representatives on the SAB and endorsed by employers.

Proposed approach to increasing contribution thresholds

3.4. The consultation document set out options for uprating contribution thresholds annually in line with the CPI or in line with teacher’s pay awards. The proposals sought to promote stability in scheme administration, while also implementing a system for increasing the contribution tier thresholds which is deliverable in a timely fashion and ensures the contribution yield is met.

Increase to employer contribution rate from 1 April 2024

3.5. The latest valuation of the STPS, the 2020 valuation, confirmed that an increase in the employer contribution rate from its current rate of 23.0% to 26.0% is required from 1 April 2024. The consultation sought views from stakeholders on the consequent amendments to the scheme regulations.

Proposed draft amending regulations

3.6. The consultation also sought views on a draft amending statutory instrument – The Teachers' Pension Scheme (Scotland) (Amendment) Regulations 2024 – which detailed the regulations that will be amended to effect the changes noted above. The consultation asked stakeholders if the instrument delivered on the policy objectives set out in the consultation.

4. Proposed new employee contribution structure

4.1. The consultation document outlined a new member contribution structure from 1 April 2024 and asked for stakeholder views on this proposal. The option was developed following consultation with the SAB.

SAB advice on changes to the employee contribution structure

4.2. Following extensive consideration, the SAB submitted advice to Scottish Ministers which indicated the areas on which SAB held a consensus view, and those on which the majority of the SAB agreed.

4.3. SAB members were in full agreement that the revised structure from 1 April 2024 should:

- minimise the risk of opt-outs from the scheme across the whole membership
- ensure that the scheme remains sustainable
- ensure the scheme remains a valuable part of the reward package
- ensure the scheme is affordable to all members

4.4. There was unanimous agreement between member representatives on the SAB, with the exception of the Association of Headteachers and Deputes in Scotland (AHDS), in support for the following principles:

- The structure should retain protections for the lower paid
- A progressive tiered structure should be retained based on levels of pensionable pay, where scheme members with higher earnings pay a higher percentage of those pensionable earnings than lower paid scheme members.

4.5. The AHDS, on the other hand, highlighted that the existing contribution structure is tiered on the basis that those earning more pay a higher contribution rate than those earning less. This tiering recognises that in a final salary scheme, high earners tend to derive more value from their final salary benefits. However, in a CARE scheme there is no career progression benefit. The view of AHDS is that a tiered contribution structure is no longer appropriate in a CARE pension scheme and a single flat rate contribution structure should be applied to all members.

4.6. The employer representatives on the SAB were supportive of a new contribution structure which delivers the required 9.6% contribution yield, does not negatively impact the ability to recruit and retain teachers (including protection for the low-paid) and does not increase the likelihood of members opting out. Employer representatives also supported the majority view of the member representatives.

Scottish Government contribution structure proposal

4.7. Considering the advice from the SAB and the recommendation from the majority of member representatives, the Scottish Government presented a preferred contribution structure for consultation. This structure reflected the continued high cost of living and the impact any contribution increases may have on the affordability of pension scheme membership for teachers on lower incomes.

4.8. The proposal retained a tiered contribution structure in recognition that many STPS members will retain an ongoing 'final salary link' applied to their accrued service in the final salary scheme. Therefore, many higher earners will continue to derive more value from that service than lower earning members who tend to experience steadier pay progression through their career.

4.9. The preferred structure presented in the consultation is shown in Option 1 in table 1 below.

Table 1 – Option 1

Tier	Actual pensionable pay	Contribution Percentage Rate	Proportion of members in each tier	Change in contribution rate
1	Up to £32,133	7.33%	30%	+0.13%
2	£32,134 to £43,257	8.86%	20%	+0.16%
3	£43,258 to £51,291	9.87%	27%	+0.17%
4	£51,292 to £67,975	10.58%	17%	+0.18%
5	£67,976 to £92,693	11.71%	5%	+0.21%
6	£92,694 and above	12.11%	1%	+0.21%
	Contribution yield	**9.6%**		

4.10. This option minimises any change to the existing structure and spreads the increases, required to meet the 9.6% contribution yield, evenly across the membership by applying a single multiplier. In this proposal each existing tier is multiplied by 1.0179 resulting in the change in contribution rates noted in the table above.

4.11. The proposed structure in Table 1 assumes that the tiers are increased annually in line with the teachers' average pay award, rather than by reference to CPI as is currently the approach. However, the consultation document explored the merits of that approach and asked for further stakeholder views under question 4.

4.12. The consultation asked the following question in relation to the proposed member contribution structure:

"Q1. Do you agree or disagree with the proposed member contribution structure set out in this consultation document? If you disagree or don't know how to answer, please explain why."

4.13. Table 2 below provides a brief analysis of responses to the question and shows that most respondents (80%) agree with the proposed member contribution structure.

Table 2

Responses	Percentage
Agree	80%
Disagree	20%
Do not Know / No Response	0%

4.14. It is welcomed that most respondents were in favour of the proposed tiered member contribution structure. There was widespread support for the principle of protecting lower paid teachers and respondents highlighted that a move away from a tiered structure could result in financial hardship for those on lower salaries and in turn potentially increase the number of teachers opting out of the STPS.

4.15. The NASUWT provided the following comments:

"should a single flat rate structure be implemented, this will lead to hardship for the lowest paid scheme members which will drive opt-outs from the STPS, particularly amongst teachers who are starting out in the teaching profession and therefore have the lowest salaries. Opt-outs currently remain at low levels in the STPS and an increase in opt-outs from teachers in the early years of their careers potentially threatens scheme viability."

4.16. The University and College Union Scotland (UCU) commented as follows:

"We support this option because it provides protection against stark increases for those at the lower end of the pay scale and minimises risks of significant opt outs from the scheme for early careers teachers and lecturers."

4.17. The EIS also shared their views in their response:

"There is also a desire to evenly spread the increase across all tiers and therefore the preference is to support Option 1 to increase all contribution rates by a single multiplier."

4.18. On the other hand, one scheme member highlighted that a flat rate of contributions would be more appropriate, on the basis that lower paid teachers already benefit from lower tax deductions and in a CARE scheme the benefits accrued are proportionate to earnings, so the contributions should be the same for all members.

Scottish Government Response

4.19. The Scottish Government remains committed to a tiered structure in the STPS which is a mutual scheme for all teachers. A tiered structure provides protection for those on lower incomes and aims to maximise participation across the membership. Therefore, a structure which involves minimal change and spreads the required increases equally across the membership is preferable.

4.20. It is worth noting that in its 2011 review of public service pensions, the Independent Public Service Pensions Commission recommended that schemes should reform from a final salary basis to accrual based on Career Average Revalued Earnings (CARE), and also recommended that, in those CARE schemes, the differing characteristics of higher and lower earners should be addressed through tiered contribution rates.

5. Proposed approach to increasing contribution tier thresholds

5.1. In discussions around the 2015 pension scheme reforms, it was agreed that the contribution thresholds for each tier would increase annually in April, in line with the CPI from the previous September.

5.2. However, the use of CPI as a means of uplifting the tiers has recently begun to negatively impact the contribution yield. This is because CPI has been cumulatively higher than the value of annual pay awards and as a result the tier thresholds have increased at a higher rate than members' pay. This results in some members dropping into a lower contribution tier and paying a reduced contribution rate, and therefore reducing the average contribution rate paid by the whole membership, below the required 9.6% yield.

5.3. To address the negative impact on the yield, the preferred proposal in table 1 above was based on uprating the tiers in line with annual pay awards, rather than

CPI. This means that increases in the tier thresholds match increases in pay and ensure members broadly remain in the same tier following a pay increase, therefore not impacting the contribution yield.

5.4. However, the consultation also sought views on whether increasing contribution thresholds in line with annual pay awards is a suitable and practicable approach or whether retaining CPI as means of increasing the thresholds may be preferrable. The consultation set out key principles which should be considered when determining the preferred method, which included the need to promote stability in scheme administration and the importance of a transparent way of increasing contribution thresholds which ensures a fair outcome for all members.

5.5. The consultation document explored the following two methods for increasing contribution thresholds annually:

- Option A - continuing with the current process of automatically increasing thresholds in line with CPI
- Option B - manually uplift thresholds in line with the national teachers pay award in Scotland

5.6. Uplifting thresholds in line with CPI, has the advantage of being more straightforward than the alternative approach because CPI is a single figure which can be applied evenly to all thresholds. Also, CPI from the previous September is used, therefore, the level of increase is known well in advance and the timing of any pay award would not impact on the process.

5.7. However, it is estimated that continuing to uplift contribution thresholds by CPI will negatively impact the contribution yield. Therefore, should CPI be retained as the mechanism for uplifting the contribution thresholds, contribution increases would need to be slightly higher than is proposed in Table 1.

5.8. In order to meet the target yield, for example, the single multiplier added to all contribution tiers would have to be 1.0202 rather than 1.0179. There would also be a requirement to freeze the top two contribution tiers in the amended structure, meaning the earnings thresholds for those earning £67,976 and above would not be increased annually during the implementation period 2024 to 2027. Consequently, any reduction in the yield because of tiers increasing by CPI, and more than the value of the pay award, would be countered by members moving up into the top tier where their salary increased above £67,976.

5.9. The impact on the preferred contribution structure of using CPI to increase thresholds is shown in Table 3 below. The revised structure using CPI is shown as option 1B.

Table 3 - Impact on the preferred contribution structure of using CPI

Tier	Actual pensionable pay	Current structure	Option 1 – single multiplier (x 1.0179)	Option 1B – single multiplier (x 1.0202)
1	Up to £32,133	7.20%	7.33% (+0.13%)	7.35% (+0.15%)
2	£32,134 to £43,257	8.70%	8.86% (+0.16%)	8.88% (+0.18%)
3	£43,258 to £51,291	9.70%	9.87% (+0.17%)	9.90% (+0.20%)
4	£51,292 to £67,975	10.40%	10.58% (+0.18%)	10.61% (+0.21%)
5	£67,976 to £92,693	11.50%	11.71% (+0.21%)	11.73% (+0.23%)
6	£92,694 and above	11.90%	12.11% (+0.21%)	12.14% (+0.24%)
Indexation of upper salary limits		Based on CPI for all tiers	Based on pay awards for all tiers	Based on CPI for tiers 1-4 only
Projected yield over 2024-2027		9.31%	9.6%	9.6%

5.10. The consultation sought views on the proposed annual increase in contribution tier thresholds and asked the following question:

"Q2. Do you agree or disagree that the annual increase in contribution tier thresholds should continue to be based on CPI or should be based on pay awards going forward? If you don't know how to answer, please explain why."

5.11. Table 5 below summarises the responses received.

Table 5

Responses	Percentage
Agree	60%
Disagree	20%
Do not Know / No Response	20%

5.12. In their response, the EIS supported increasing contribution tier bands by CPI, stating that teachers pay increases since 2015 have been broadly in line with the rate of inflation and therefore there was not a strong reason to change. They also noted that the change in teachers' pay award date to 1 August would lead to delays in tiers being adjusted.

5.13. Furthermore, The UCU shared their views in their response:

"UCU considers that the annual increase in contribution tier thresholds should continue to be based on CPI. We want to see teachers' and lecturers' pay keeping up with inflation."

5.14. However, The NASUWT disagreed with the increase of tier thresholds using CPI, instead favouring the increase based on pay awards and provided the following comments:

"The NASUWT is clear that the primary responsibility for Scottish teachers' pay not keeping pace with inflation lies with HM Treasury, but, nonetheless, it is not in the interests of the STPS, in terms of stability, for there to be a regular shortfall in member contribution yield which has to be rectified at scheme valuations.

The NASUWT appreciates the complexity of moving to a methodology of manually uplifting thresholds in line with the teachers' pay award, as set out in paragraphs 4.13 and 4.14 of the consultation document. Nonetheless, the NASUWT would wish to move to Option B in principle and would advocate that there is discussion on the SAB about how to successfully achieve this."

5.15. The AHDS echoed the same sentiment and commented that:

"...movement in tier thresholds in line with pay awards would cause the least disruption and confusion for scheme members and would be the fairest approach."

5.16. The AHDS also highlighted that increasing tiers in line with CPI would be to the disadvantage to higher earners who would be disproportionately impacted. Furthermore, they raised concerns that the use of CPI may fail to meet the required yield in future years requiring further reviews of the contribution rates.

<u>Scottish Government Response</u>

5.17. The Scottish Government is grateful for the detailed responses received on these proposals. We are of the view that an increase based on CPI would provide more certainty to members as the increase would be known in advance. This provides a longer period of time between the rate of the indexation becoming known and it being applied to thresholds, when compared to pay increases which are not always known in advance. We note that the teachers' pay settlement date is moving to 1 August each year which would present administrative difficulties as the contribution thresholds are normally set in April of each year.

5.18. We note the comments that the use of CPI may mean that the target yield of 9.6% is not met in the coming years. However, as noted in Table 3, any reduction in the yield because of using CPI would be off set by using a higher multiplier of 1.0202, rather than 1.0179, and by freezing the top two contribution tiers in the amended structure. This means the earnings thresholds for those earning £67,976 and above will not be increased annually during the implementation period 2024 to 2027.

5.19. The Scottish Government will work with the SAB to review the member contribution approach as part of each scheme valuation cycle, beginning with the 2024 valuation. We envisage that any changes that result from those reviews to be timed for implementation alongside any change to the employer contribution rate as directed by the valuation outcome. We will ask the SAB to monitor the effect of the indexing approach on the contribution yield in the period between these reviews.

6. Proposed increase to employer contribution rate from 1 April 2024

6.1. The current contribution rate of 23.0% has been in place since 1 September 2019, as set by the 2016 scheme valuation. The consultation document also set out changes to the employer contribution rate from 1 April 2024, to reflect the outcome of the 2020 scheme valuation.

6.2. The valuation confirmed that the employer contribution rate will increase to 26.0% from 1 April 2024.

6.3. The consultation sought views on this and asked the following question:

"Q3. If you have any comments on the proposed increase to the employer contribution rate from 1 April 2024, please outline them."

6.4. SPPA is grateful for the comments received. Most respondents took the opportunity to reinforce points detailed in the consultation relating to funding support for employers, highlighting the need to ensure that funding via the Barnett formula for publicly funded employers in STPS is sufficient to meet the increase in employer contributions.

6.5. Several respondents expressed their support for post-1992 university employers in Scotland and highlighted the need for the Scottish Government to cover the additional pensions costs in this sector also.

6.6. The UCU commented as follows:

"Given that the UK Government is covering the costs of the additional employer contributions for publicly funded employers in England – including schools and colleges, these Barnett consequentials must be passed on to employers in Scotland, including schools, colleges, and post-92 universities. Given the percentage increase in the employer costs are higher in England than in Scotland, we would urge the Scottish Government to additionally cover the costs for post-92 employers in Scotland."

6.7. The Universities and Colleges Employers Association (UCEA) response echoed similar views:

"Scottish Universities in the TPS receive funding support towards their employer contributions and this arrangement has been in place since 2019 following conclusion of the 31 March 2016 TPS valuation. We would like to see this funding support continue and in addition new funding support put in place to cover the increase in the TPS employer contribution rate to 26 per cent effective April 2024."

6.8. Meanwhile, the EIS took the opportunity to express concerns around the detrimental impact of increasing employer contributions on levels of scheme membership in independent schools, leading to schools withdrawing from STPS either fully or on a phased withdrawal basis.

6.9. Two respondents noted their dissatisfaction on the use of the SCAPE discount rate in the scheme valuations which has led to the increase is employer contribution rates, noting their preferred methodology would be to use the Social Time Preference Rate (STPR).

Scottish Government Response

6.10. The Scottish Government notes the concerns raised by the EIS relating to independent schools and the increasing costs of employers' contributions leading to schools withdrawing from STPS. The Scottish Government will continue to monitor the scheme participation rates of teachers in independent schools. However, the pension provision offered in the independent school sector is ultimately a decision for the boards of those schools.

6.11. As outlined in the consultation, the principal reason for employer contributions increasing is the UK Government's decision to reduce the SCAPE discount rate used in the valuation process. The Chief Secretary to the Treasury's statement announcing the change in the discount rate, confirmed that the UK Government will provide funding for increases in employer contribution rates resulting from the 2020 valuations because of changes to the SCAPE discount rate. For the STPS valuation the full 3% increase is a consequence of these SCAPE discount rate changes.

6.12. The UK Government's funding commitment is for employers whose employment costs are centrally funded through departmental expenditure. The UK Government has confirmed that, for devolved administrations, the Barnett formula will apply. Therefore, Scottish Ministers will make decisions on funding allocations once Barnett consequential amounts are confirmed. We understand the uncertainty this may cause for some employers at present and thank them for their continued patience while we await confirmation of the Barnett consequential amounts by the UK Government.

6.13. Consequently, in line with the outcome of the 2020 scheme valuation process, the Scottish Government will implement the required increase to the employer contribution rate from its current rate of 23.0% to 26.0% effective from 1 April 2024.

7. Proposed draft amending regulations

7.1. The consultation sought views on a draft amending instrument – The Teachers' Pension Scheme (Scotland) (Amendment) Regulations 2024.

7.2. The consultation document asked the following question:

"Q4. Do you agree or disagree that the proposed draft amending regulations deliver the policy objectives. If you disagree or don't know how to answer, please explain why."

7.3. Table 3 below summarises the responses received in relation to the proposed draft regulations.

Table 3

Responses	Percentage
Agree	60%
Disagree	0%
Do not Know / No Response	40%

7.4. No comments were provided by any respondents to question 4.

Scottish Government Response

7.5. As there were no objections to the proposed draft regulations, the provisions will be taken forward as set out in the draft instrument which was published alongside the consultation document.

8. Equality Impact Assessment

8.1. The Public Sector Equality Duty ('PSED') was created by the Equality Act 2010 and is supported by the specific duties contained in the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, as amended.

8.2. The PSED requires the Scottish Government to assess the impact of applying a proposed new or revised policy or practice. Scottish Ministers must have 'due regard' to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people with different protected characteristics when carrying out their activities.

8.3. The consultation asked members the following question in relation to consideration of equality issues.

Q5. Are there any considerations and evidence that you think should be taken into account when assessing any equality issues arising as a result of the proposed changes?

8.4. Of the responses to the consultation, some respondents commented on equality issues in relation to changes to the member contribution structure. The EIS, NASUWT and UCU all made similar comments around the retention of a tiered contribution structure and how it protects teachers with lower incomes and those new to the profession. The UCU commented as follows:

"In reaching our position on the preferred restructuring of the member contributions we wished to ensure that workers on lower salary tiers were not adversely impacted, given these individuals are more likely to be younger workers and part time workers. Women and BME workers are likely to be in these groupings."

8.5. The NASUWT commented that:

"In addition, a progressive employee contribution model, which acts to protect lower paid teachers, will promote equality of opportunity between men and women, given that male teachers' salaries are, on average, higher than female teachers' salaries. Sex is also a protected characteristic under the Equality Act 2010. The Scottish Government's recommended tiered employee contribution model also assists, therefore, in the delivery of the Scotland specific equality duties."

8.6. While most respondents expressed the view that retaining a tiered structure helps promote equality, some respondents provided a different view. One member highlighted that:

"…male teachers are shown to be more likely to work full-time and more likely to work in promoted posts than female teachers - both of which means males are generally charged a greater contribution rate than females. As such there is an element of sex discrimination in having tiered contribution rates. As such men pay more and receive less (given their 3 year short life expectancy).

8.7. As increases in contributions will apply to all members equally, we do not consider that the proposals raise any specific equality issues. However, a full Equality Impact Assessment has now been published alongside this consultation response.

9. Conclusion

9.1. The SPPA thanks the SAB and all respondents to the consultation for providing comments and feedback, which has helped test the proposals and provided valuable insight from across the STPS membership and interested stakeholders.

9.2. Following consultation, the SPPA intends to proceed to implement the following contribution structure shown in Table 4 below:

Table 4 – Contribution Structure from 1 April 2024

Tier	Actual pensionable pay	Contribution Percentage Rate	Change in contribution rate from current
1	Up to £34,286	7.35%	+0.15%
2	£34,287 to £46,155	8.88%	+0.18%
3	£46,156 to £54,728	9.90%	+0.20%
4	£54,729 to £67,975	10.61%	+0.21%
5	£67,976 to £92,693	11.73%	+0.23%
6	£92,694 and above	12.14%	+0.24%
	Contribution yield	**9.6%**	

9.3. We believe the revised contribution structure meets our key objectives of achieving the target yield, whilst minimising increases for teachers on lower incomes. The structure also delivers on the fundamental principle set out in the SAB's advice, by minimising the risk of opt-outs from the scheme across the whole membership and ensuring that the scheme remains sustainable and a valuable part of the reward package and affordable to all members.

9.4. As noted under section 5, the preference is to continue to increase the contribution tier thresholds annually in line with CPI. Therefore, to ensure the contribution yield continues to be met, under that methodology, over the implementation period, a single multiplier of 1.0202 is added to existing contribution rates from 1 April 2024.

9.5. The contribution tier thresholds have been increased accordingly from 1 April 2024 using the September 2023 CPI rate of 6.7%. As discussed in section 5, the thresholds for the top contribution tiers are not increased and will remain fixed for the implementation period 2024 to 2027.

9.6. The monthly take-home pay impact of the new contribution structure is shown in Table 5 below:

Table 5 - take-home pay impact

Illustrative pensionable pay	Current contribution rate	Revised contribution rate	Net contribution rate	Change in net 2024-25 monthly pay
£20,000	7.20%	7.35%	5.88%	-£2.00
£40,000	8.70%	8.88%	7.02%	-£4.83
£50,000	9.70%	9.90%	5.74%	-£4.92
£60,000	10.40%	10.61%	6.15%	-£6.17
£80,000	11.50%	11.73%	6.58%	-£9.00
£100,000	11.90%%	12.14%	6.68%	-£11.08

9.7. In summary, the SPPA intends to proceed with the proposals to:

- Implement the revised contribution structure with amendments outlined in Table 4
- Continue to increase the contribution tier thresholds within the member contribution structure annually in line with CPI
- Increase the employer contribution rate to 26.0% from 1 April 2024
- Implement draft amending regulations as outlined in the consultation.

9.8. The SAB will be asked to keep the contribution rates under review, monitoring membership and participation data to inform the timing and nature of any future adjustment.