

# Teachers' Pension Scheme

## 2020/06

**Who should read:**

- Members
- Chief Executives
- Directors of Education
- Directors of Finance
- HR Managers
- Payroll Managers
- Teachers' Unions and representatives

**Action:**

To read and circulate as appropriate

**Subject:**

Coronavirus Job Retention Scheme (CJRS)

**Date:**

5 May 2020

**The purpose of this circular is to give guidance on the UK Government's Coronavirus Job Retention Scheme (CJRS) and in particular on the action and impact for Employers and members of the Scottish Teachers' Pension Schemes.**

Some schools may be eligible for financial support schemes during the COVID-19 period. UK Government guidance can be found on the following link:

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

### 1. Furloughed Staff and Pay

Furloughed staff are those that are being paid under CJRS. It is not expected that those employers who receive payments from the public purse will access the scheme. This includes local authorities, whose teachers continue to be paid in full. However, we are aware that some teachers at independent schools are being furloughed. Furlough pay is to be treated as pensionable under the scheme regulations.

### Contribution Rate

Both employee and employer contributions will be payable on the actual pay the member is being paid. If that is 80% normal pay, or £2,500pm, then contributions should be based on this reduced amount. If the employer chooses to "top up" to normal pay then the contributions should be based on the normal pay. This applies to both those in the Final Salary and Career Average schemes.

## **Service and Pensionable Earnings in the Scottish Teachers' Superannuation Scheme (Final Salary)**

Where final pay is less than normal pay the amount of service that counts towards pension benefits (known as reckonable service) will be proportioned in relation to the amount paid. For example if 80% of the salary is paid then this will result in 80% of full time service for that period. As furlough is for a short time only, this should have minimal impact at the point of retirement. For reporting purposes to the SPPA, any furloughed salaries should be reported as part-time. For pension calculation purposes, the full-time equivalent will be used for the average salary or the last 365 days, whichever is best for those nearing retirement. By reporting as part-time, the in service death grant will be based on the full-time equivalent salary.

## **Pensionable Earnings in the Scottish Teachers Pension Scheme 2015 (Career Average)**

Where 80% furlough is in place for those in the Career Average pension scheme, only that percentage of the pension will be added to the Career Average pension. Again, as this is for a short period of time there should be minimal impact on final pensions. As for members in the final salary scheme, employers should report furlough earnings as part-time. Guidance on reporting is included below.

### **Death in service benefits**

This approach allows that any lump sum payable on the death of a teacher will be based on the full-time equivalent salary.

### **Pensionable family leave**

If the member is on family leave whilst being paid under CJRS, the contribution percentage rate should remain unchanged and will apply to the actual pensionable earnings. Pension benefits will continue to accrue as long as the member is being paid.

### **Reporting to the SPPA**

- A Service Change form is required for full-time members of staff who are being furloughed – there is no requirement to send service changes for members who are already part-time and are reducing their hours further.
- Employers should ensure they add “furloughed staff 80%” in the notes column of the form.
- The subsequent annual return should include earnings for the full year.
- Pension accrual will be affected because furloughed staff are paying less contributions and accruing less service and pension from the date of change, but these arrangements are temporary and this approach ensures the impact on members will be minimal.
- Please note any reductions will only apply from the date of change. Pension accrued prior to the change will be unaffected.

When members return to full-time employment you should notify the SPPA by submitting the Service Change form indicating the return to full-time employment.

## **2. Staff not furloughed but have a temporary reduction in pay**

Where an employer has reduced the pay of their staff on a temporary basis but not on furloughed leave that revised salary will be used in the calculation of contributions and pensionable earnings for both the Final Salary and Career Average schemes.

## **3. Supply Teachers**

The SNCT issued the circular JS/20/78 - Supply Teachers Job Retention Payment on 3 April 2020 and noted that Income Tax, National Insurance contributions and any other deductions will apply to this payment. For clarity, this also includes pension contributions (at the appropriate level) with employer's contributions also being made. The circular can be found at <https://www.snct.org.uk/library/2718/JS-20-78.pdf>

### **Reporting to the SPPA**

Pension contributions (at the appropriate level) should be deducted from Job Retention Payments for both member and employer.

### **Any questions?**

Please contact [Brenda.callow@gov.scot](mailto:Brenda.callow@gov.scot) if you have any enquiries about this circular.

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