The Scottish Parliament
Pàrlamaid na h-Alba

Scottish Parliamentary Pension Scheme (SPPS) Draft Valuation Report as at 31 March 2019
Pay and Pensions Office
By Correspondence
Reference: SPCB(2021)Paper 26

Executive summary

1. The purpose of this paper is to present to the SPCB, in its capacity as the scheme sponsor of the SPPS, the draft actuarial valuation report of the SPPS as at 31 March 2019 and to ask the SPCB to agree the contribution rate it should pay into the pension fund should continue to be 20.2% of pensionable salaries.

Issues and Options

2. Under Schedule 1, Part S, Rule 103 of the Scottish Parliamentary Pensions Act 2009 (the 2009 Act) the scheme actuary is required to produce an actuarial valuation report of the SPPS at intervals of no more than 3 years. The previous actuarial report on the SPPS was as at 31 March 2017 and was considered by the SPCB at its meeting on 22 March 2018. The draft actuarial valuation report on the SPPS at 31 March 2019 is attached for consideration together with a covering letter from the scheme actuary.

3. For this valuation, the same actuarial funding methodology (Projected Unit Method) was adopted as for the previous valuation. With this method (which is the most common method used in the UK) separate assessments are made for benefits accrued up to the valuation date and for the cost of benefits accruing in respect of future services. The basic methodology is to calculate, on stated assumptions, the emerging benefits and establish the equivalent contribution rate (expressed as a % of salary) needed to fund these.

4. The key conclusions of the draft report are:

- The surplus has increased from £10.9m at 1 April 2017 to £13.3m at 1 April 2019;
- the main positive factors for the surplus are good investment returns and lower salary increases than assumed;

- the main negative factor is a reduction in the expected return on the scheme's assets going forwards, which reduces the discount rate used in the valuation.

5. The actuarial review is based on projections of the future financial circumstances of the SPPS but does not make predictions about the future. The results and recommendations will therefore be reviewed and amended at future valuations, to reflect the actual financial experience of the SPPS as it develops over time. In particular, the SPCB contribution rate which is recommended at future valuations may be more or less than the rate recommended at this valuation.

6. Schedule 1, Rule 32 of the 2009 Act allows the SPCB to determine the contribution rate it should pay into the pension fund. However, in setting the contribution rate the SPCB must have regard to the scheme actuary's views and the views of the Fund Trustees.

7. The draft actuarial valuation report was considered by the scheme actuary and the Fund Trustees at the Fund Trustee meeting on 18 March 2021. Both parties concluded that the SPCB's contribution rate should continue to be 20.2% of pensionable salaries.

Resource Implications

8. None.

Governance issues

9. There are no governance issues.

Publication Scheme

10. This paper can be published in accordance with the SPCB's Publication Scheme.

Next steps

11. Under Schedule 1, Part S, Rule 103(4) of the 2009 Act the Fund Trustees must lay a copy of each actuarial report before the Scottish Parliament within 3 months of obtaining it. The Pay and Pensions Office will therefore liaise with the Fund Trustees about laying the finalised actuarial report.

Decision

12. The SPCB is asked to:

- note the draft actuarial valuation report of the SPPS as at 31 March 2019;

- agree the SPCB's contribution rate should continue to be 20.2% of pensionable salaries;
- note that the scheme actuary will send the SPCB a copy of the final actuarial valuation report;
- note that a copy of the final actuarial valuation report will be laid before the Scottish Parliament within 3 months of it being obtained.

Pay and Pensions Office
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