Item 11

24th June 2025

Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Richard McIndoe, Ext: 77383

Funding Update

Purpose of Report:

To provide:
- an update on SPF's funding position;
- an update on the Gender Pensions Gap;
- an update on a regulatory change relating to funding and the Funding Strategy Statement; and
- two separate determinations of the amount of an exit credit payable to two exiting employers.

Recommendations:

The Committee is asked:
- **to NOTE** the contents of this report; and
- **to APPROVE** the determinations of the amount of the exit credits payable to the two exiting employers.

Ward No(s): Citywide: ✓

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

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1 Background

SPF exists to make provision for and pay members' pensions now and in the future. The Funding Strategy Statement (FSS) describes how SPF ensures that sufficient resources are available to meet all pension liabilities as they fall due. The funding position is formally assessed every 3 years in the triennial actuarial valuation carried out by the Fund's actuaries, Hymans Robertson. Hymans also provide tools and reporting to facilitate monitoring of the interim funding position between formal valuations.

2 Funding Update

Hymans Robertson's Funding Update Report as at 31st May 2025 is attached for information. The report shows an improvement in the funding level from **147%** at the last formal valuation date – 31st March 2023 - to **182%** at end May. An interim review is planned for later in the year to provide as clear an indication as possible to employers about likely outcomes of the 2026 actuarial valuation in order to assist with their planning from February 2027 onwards.

3 Gender Pensions Gap (GPG)

3.1 Background

At its last meeting on 19th March 2025, the Committee:

- noted an *Actuarial Update* presentation provided by Hymans Robertson; and
- instructed the Director of Strathclyde Pension Fund to report back to the next meeting on what work other pension funds were undertaking in relation to bridging the gender pensions gap.

3.2 Other Pension Funds

SPF raised the issue of the Gender Pensions Gap at the March meeting of the Scottish Pensions Liaison Group. Whilst other Scottish LGPS funds were aware of the issue, it was apparent that none of the other funds were undertaking any work in this area which would be significant for SPF. The issue is not unique to individual funds. It is societal and experienced right across the UK pensions industry. Any solutions are therefore likely to require implementation at a national or scheme level. There are initiatives at those levels currently exploring the issue.

3.3 GPG Initiatives

National and scheme level initiatives to address the Gender Pension Gap include:

- The Gender Pensions Gap research paper published by the UK Government in August 2024 which provides analysis of the problem and some potential reforms to begin to address it;
- The Gender Pensions Gap Working Group established by the LGPS Scheme Advisory Board in England & Wales carried out an employer survey in December 2024 and is looking at various measures including ways to improve communications around GPG;
- The Access and Fairness consultation launched On 15 May 2025, by the Ministry of Housing, Communities and Local Government (MHCLG), which proposes changes to the Local Government Pension Scheme (LGPS) in

England and Wales. The proposed changes are intended to improve fairness in and access to the LGPS. The proposals include changes to the scheme benefit regulations aimed at addressing the GPG, together with proposals regarding GPG reporting. SPPA have advised that they are tracking the amendments proposed by MHCLG, and will consider which amendments are applicable to Scotland with a view to consulting later in the year.

- The Gender Pensions Gap Working Group established by the Scheme Advisory Board in Scotland held a seminar in November 2024 and continues to explore the reasons for the gap.

3.4 Employers

The Gender Pensions Gap is mainly caused by the Gender Pay Gap and therefore has its roots with employers rather than SPF or other pension funds. SPF will offer GPG analysis, similar to that presented to the SPF Committee by Hymans Robertson, to its 11 other local authority employers.

3.5 Next Steps

The root causes of the GPG lie outside SPF as do many of the potential actions to address it. However, SPF will review potential steps it can take, particularly in the area of member communications, albeit at important life-point changes, these too are largely employer driven. The initiatives noted above, and any others will be kept under review.

4 Scheme Developments – Determination of Exit Credits

4.1 Background

At its last meeting on 19th March 2025, the Committee:

- noted a report which described a forthcoming change to the regulations. The change would require the administering authority to determine the amount of any exit credit to be paid to an exiting employer on leaving the scheme; and
- approved a proposed amendment to Strathclyde Pension Fund's Funding Strategy Statement, subject to consultation as detailed in the report.

The amended regulations came into force on 2nd April 2025.

4.2 Consultation

The consultation was published on the SPF website in March. All SPF employers were advised by email and invited to comment on any aspect of the proposed amendment to the SPF Funding Strategy Statement by 2nd May 2025. No material comments were received.

4.3 SPF Funding Strategy Statement (FSS)

In the absence of any material comments, the revised FSS has been published on the SPF website.

4.4 Review

SPF's FSS will next be reviewed as part of the 2026 actuarial valuation process.

5 Determinations

5.1 Background

Three employers have recently exited SPF. Actuarial valuations show that two of those had a funding surplus at the exit date: University of Strathclyde and GCVS. A summary of each of those employers' participation in SPF is set out in **Appendices A** and **B**.

5.2 Determination: University of Strathclyde

University of Strathclyde became an exiting employer in terms of regulation 61 of the scheme regulations with effect from 31st May 2025.

The administering authority has obtained an actuarial valuation as at the exit date of the liabilities of the fund in respect of benefits in respect of the exiting employer's current and former employees – the "exit valuation".

The exit valuation shows an excess of assets in the fund relating to that employer over the liabilities in the amount of **£85.542m.**

The administering authority has taken into account the factors specified in the regulation and in its Funding Strategy Statement and has determined that the amount of the exit credit payable to University of Strathclyde under the regulation is **£85.542m.**

5.3 Determination: GCVS

GCVS became an exiting employer in terms of regulation 61 of the scheme regulations with effect from 31st March 2025.

The administering authority has obtained an actuarial valuation as at the exit date of the liabilities of the fund in respect of benefits in respect of the exiting employer's current and former employees – the "exit valuation".

The exit valuation shows an excess of assets in the fund relating to that employer over the liabilities in the amount of **£5.5m**.

The administering authority has taken into account the factors specified in the regulation and in its Funding Strategy Statement and has determined that the amount of the exit credit payable to GCVS under the regulation is **£5.5m**.

5.4 Payment of Exit Credits

The administering authority will conclude a brief exit agreement with each of the exiting employers then make payment of the exit credits.

6 Policy and Resource Implications

Resource Implications:

Financial:	None at this time.
Legal:	None at this time.
Personnel:	None at this time.

Procurement:	None at this time.
Council Strategic Plan:	SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.*** The LGPS is one of the key benefits which enables the Council to recruit and retain staff.
Equality and Socio-Economic Impacts :	
Does the proposal support the Council's Equality Outcomes 2022-25?	Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.
What are the potential equality impacts as a result of this report?	No specific equalities impacts.
Please highlight if the policy/proposal will help address socio economic disadvantage.	N/a.
Climate Impacts:	
Does the proposal support any Climate Plan actions? Please specify:	Not directly. .
What are the potential climate impacts as a result of this proposal?	N/a.
Will the proposal contribute to Glasgow's net zero carbon target?	N/a.
Privacy and Data Protection Impacts:	
Are there any potential data protection impacts as a result of this report Y/N	No.

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out	N/a.

7 Recommendations

The Committee is asked:

- **to NOTE** the contents of this report; and
- **to APPROVE** the determinations of the amount of the exit credits payable to the two exiting employers.

<u>Appendices</u>

Summary of Participation in Strathclyde Pension Fund

A University of Strathclyde

B GCVS

<u>Attachments</u>

1 Funding Update Report as at 31 May 2025

Summary of Participation in Strathclyde Pension Fund
University of Strathclyde

Admission Agreement

The University of Strathclyde participated in Strathclyde Pension Fund (SPF) as a result of an admission agreement dated 29 January 1948 and 16 February 1948 and having effect from 1 August 1947. At the date of the admission agreement, the employer was operating under the name Governors of the Royal Technical College Glasgow, and the pension fund administering authority under the Superannuation (Scotland) Act 1937 was the County Council of the County of Lanark.

Membership

As at the exit date, the University's total membership in SPF was **3,083** members: 1,082 active members (now deferred), 864 deferred members, and 1,137 pensioner members.

Actuarial Valuation

Results of the exit valuation carried out by SPF's actuaries, Hymans Robertson, can be summarised as follows.

	31 Mar 2023 Ongoing Basis (£m)	**31 Mar 2025 Exit Basis (£m)**
Liabilities		
Active	*56.319*	**63.489**
Deferred	*19.260*	**20.304**
Pensioner	*84.239*	**93.825**
Total Liabilities	*159.818*	**177.618**
Assets	*270.319*	**263.160**
Surplus	*110.501*	**85.542**

Representations

The University made the following representations in respect of determination of the exit credit:

The University's admission to Strathclyde Pension Fund predates the award of its Royal Charter. The Governors of The Royal Technical College were admitted as an employing body on 1 August 1947 and so with nearly eighty years of partnership with the Fund the decision to exit the scheme was not taken lightly when the University Court met on 12 March 2025. The Fund has offered an excellent Defined Benefit Pension Scheme to many of the University's staff over many years, and the University is most grateful for the outstanding service that it and its employees have enjoyed.

The Fund will be aware of the significant challenges faced by many Higher Education Institutions arising from the chronic underfunding of the teaching of home students and research activities over the last decade. The difficulties have been compounded by the reduction in the number of international students taking up studies in the UK over the last two academic years, driven in part by changes to UK immigration policy, but also geopolitical impacts and uncertainties. This has forced many institutions to make difficult choices, including the disposal of assets, in pursuit of financial sustainability.

Unfortunately, the University of Strathclyde has experienced the same challenges as

Summary of Participation in Strathclyde Pension Fund
University of Strathclyde

its peers in the Scottish and UK Higher Education sectors and the primary reason for the exit request is to release the asset recorded on our balance sheet in the form of cash. The asset has arisen as a result of contributions made by the University during its long membership of the fund, and of course thanks to the sound investment strategies deployed by Strathclyde Pension Fund over the years, but its liquidation comes at a welcome time to allow the University to deal with the headwinds faced and establish a pathway to financial sustainability. Given the University's long membership and the provisions under the amended Funding Strategy Statement, the University, while wholly accepting the matter is one for the trustees, anticipates that the Exit Credit payable shall, broadly speaking, be the amount of the excess of assets over the liabilities as at 31 May 2025, the date of exit.

Recognised Trade Union and Staff Consultation
A change in pension provision is never easy for staff due to the complexity of schemes and the anxiety that understandably arises from benefit change proposals. From the beginning of the University's exploration of the feasibility of the transfer of our staff from Strathclyde Pension Fund to the Universities Superannuation Scheme, we have worked closely and supportively in consultation with our recognised Trade Unions (UNITE, Unison and UCU) and also with affected staff, to ensure that benefits are protected and indeed in many cases enhanced. An extensive period of consultation culminated with the conclusion of collective agreements with all the Trade Unions. Early engagement of specialist advisors was also important to ensure the alignment of benefits in the proposal put to Unions and Staff.
Release of the asset will allow us to harmonise benefits for staff on lower grades with those on higher grades, whilst also enabling the University to provide benefits such as Life Assurance for staff who choose, often for reasons of affordability, not to join a pension scheme.

Other Factors
The University:
- participated in SPF as a standalone employer;
- did not have a guarantee from any other employer;
- was fully exposed to investment and funding risks for the duration of its participation in SPF; and
- did not expose any other employer to funding risk.

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Appendix B

Summary of Participation in Strathclyde Pension Fund GCVS

Admission Agreement
GCVS participated in Strathclyde Pension Fund (SPF) as a result of an admission agreement dated 15 March 1976 and having effect from 1 October 1974. At the date of the admission agreement, the employer was operating under the name Glasgow Council for Voluntary Service, and the pension fund administering authority under the Superannuation (Scotland) Regulations 1974 was the Strathclyde Regional Council.

Membership
As at the exit date, GCVS's total membership in SPF was **65** members: **10** active members (now deferred), **25** deferred members, and **30** pensioner members.

Actuarial Valuation
Results of the exit valuation carried out by SPF's actuaries, Hymans Robertson, can be summarised as follows.

	31 Mar 2023 Exit Basis (£m)	31 Mar 2025 Exit Basis (£m)
Liabilities		
Active	*1.464*	**1.5**
Deferred	*2.041*	**1.8**
Pensioner	*2.938*	**2.6**
Total Liabilities	*6.443*	**5.9**
Assets	*10.312*	**11.4**
Surplus	*3.869*	**5.5**

Representations
GCVS made the following representations in respect of determination of the exit credit:
In determining the level of any exit credit, I think it would be reasonable for you to consider that GCVS has been a member of the Strathclyde Pension Fund for around fifty years since we were first formed and employed our first staff.
During the full length of that time, GCVS was fully exposed to the risks associated with participation in the SPF, we do not have a pass-through or guarantee relationship with Glasgow City Council or any other member. These risks were significant for an organisation of our size and resources.
We believe it is therefore reasonable and equitable that the exit credit is paid in full, on the same basis that an exit payment would be due if there was a deficit at the point of exit.
In addition, while it may not be a factor you can consider, in setting the terms of our exit GCVS has sought to act as fairly with colleagues as possible to ensure they receive a pension at least as good as that which they would have received in the SPF.
This will result in significant costs to the organisation in the future which we have reasonably assumed would be covered by any exit credit.

Other Factors

GCVS:

- participated in SPF as a standalone employer;
- did not have a guarantee from any other employer;
- was fully exposed to investment and funding risks for the duration of its participation in SPF; and
- did not expose any other employer to funding risk.