



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 9

11th September 2024

Funding Update

Purpose of Report:

To provide an update on SPF's funding position.

Recommendations:

The Committee is asked **to NOTE** the contents of this report.

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 July 2024 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 **163%** at end July.

3 Scheme Developments

3.1 Consultation – Exit Credits

On 9th May, Scottish Ministers initiated a [consultation](#) seeking views on a potential change to the regulations. The proposed change would create a discretion for administering authorities to determine the amount of exit credit which should be payable to an employer leaving the Local Government Pension Scheme. (Under the current regulations, the exit credit is calculated by the actuary, with no discretion on the part of the administering authority.)

The short technical consultation lasted for 3 weeks from 9th May to 30th May, and the [Local Government Pension Scheme \(Scotland\) \(Amendment\) \(No.2\) Regulations 2024](#) were due to come into force on 29th June.

On 1st July, SPPA advised that they are still considering the larger than expected number of comments received during the consultation. They intend to have further dialogue with stakeholders, and the Scheme Advisory Board has set up a sub group which is currently working on draft guidance. Therefore possible changes to the draft regulations were put on hold over the summer recess.

3.2 SPF Policy and Practice

In establishing the amount of any exit payment or credit, SPF seeks to protect the interests of other employers remaining in the Fund from the likelihood of any material loss emerging in future in respect of the exiting employer's liabilities. This requires the actuary to adopt valuation assumptions which provide a higher probability of achieving the funding target than those that are used for ongoing employers. This approach results in a higher value being placed on the liabilities than would be the case under a valuation on the ongoing funding basis.

In most instances it is not anticipated that the proposed change to the regulations would result in a change to SPF's current practice. The actuarial approach adopted already protects the Fund and its remaining employers against future adverse outcomes.

There may be some exceptions, typically where the employer's circumstances give rise to a lack of clarity over the "ownership" of the funding surplus which constitutes the exit credit. This is most likely to occur where:

- the employer's participation in SPF has resulted from a transfer of staff from another employer; and/or
- another employer has been exposed to funding risk by providing a guarantee for the exiting employer; and/or
- the exiting employer's participation in SPF has been of short duration.

In these circumstances the revised regulations would require consultation with the related employer before a determination is made.

4 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.

5 Recommendations

The Committee is asked to note the contents of this report.

Attachments

1 Funding Update Report as at 31 July 2024