



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 7

26th November 2025

Funding Update

Purpose of Report:

To provide:

- an update on SPF's funding position;
- an outline of likely funding and contributions strategy for next year's actuarial valuation; and
- a determination of the amount of an exit credit payable to an exiting employer.

Recommendations:

The Committee is asked:

- **to NOTE** the contents of this report; and
- **to APPROVE** the determination of the amount of the exit credit payable to the exiting employer.

Ward No(s):

Citywide: ✓

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

PLEASE NOTE THE FOLLOWING:

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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

2.1 Update as at 31st October 2025

Hymans Robertson's Funding Update Report as at 31st October 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 **193%** at end October.

2.2 Note on Methodology

The results in the report are based on rolling forward the results of the last formal valuation to 31 October 2025 using approximate methods. The roll-forward allows for:

- estimated cashflows over the period as described in section A.2
- investment returns over the period (estimated where necessary) as described in section A.3
- changes in financial assumptions as described in section A.4
- estimated additional benefit accrual.

The margin of error in these approximate methods increases as time goes by.

2.3 Discount Rate

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases):

- the real discount rate used at the 2023 actuarial valuation was **2.3% p.a.**
- the real discount rate used in the 31 October update is **3.6% p.a.**

If the real discount rate used to value the accrued liabilities is higher, then the value placed on those liabilities reduces and vice versa.

For example, if the real discount rate at 31 October 2025 was **1.0% p.a.** lower then the liabilities on the ongoing basis at that date would increase by **18.5%**.

2.4 Update v Actuarial Valuation

The methodology underlying these calculations means that the results should be treated as indicative only.

To produce reliable results for decision-making purposes a full actuarial valuation needs to be carried out.

The actuarial valuation process:

- is based on a full set of current data;
- revisits and resets each of the assumptions; and
- produces individual results for each employer.

An actuarial valuation carried out at the same date would produce a different result from the funding update report, potentially a significantly different one.

The next actuarial valuation will be carried out as at 31st March 2026 and completed by 31st March 2027. The provisional result should be available by September 2026.

3 2026 Actuarial Valuation

3.1 Results

For the reasons set out above and because the valuation date is still more than 4 months away, it is not possible to say with any certainty what the outcomes will be. All current indications are that the results will be very positive, but much could change in the interim. It is possible, however, to comment on the likely funding and contributions strategy for the valuation.

3.2 Funding Strategy

As reported at the conclusion of the 2023 actuarial valuation, the improved funding position allows flexibility in 4 broad areas of the funding strategy with options to:

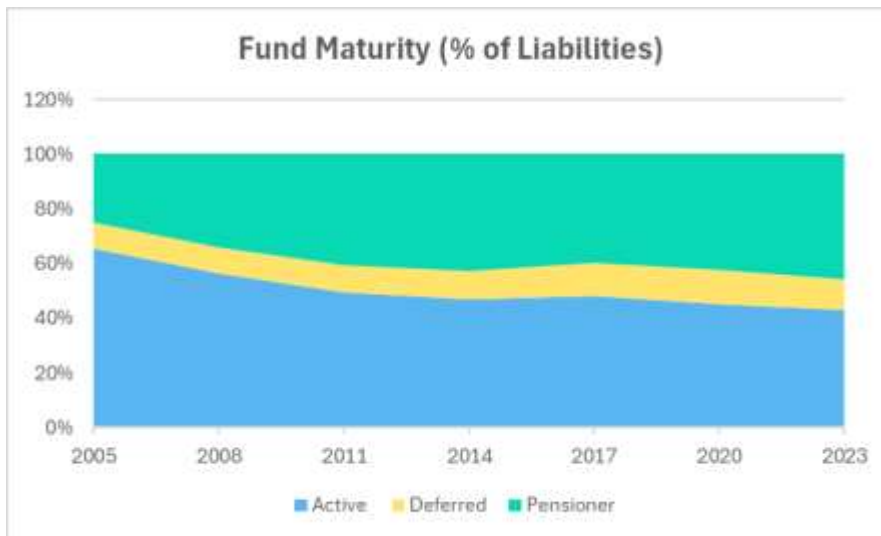
- retain the surplus (as insurance against future adverse economic conditions);
- change the investment strategy (to take less investment risk);
- increase prudence levels (to take less funding risk); and
- reduce employer contribution rates.

In practice, all of these options were exercised in 2023.

It is likely that all of those options will again be available at the 2026 valuation and that all of them will again be exercised to some degree. The first 3 of these are protective, risk-reducing measures, and it is increasingly important that these are considered before any reduction in employer contribution rates is agreed.

That is because:

- in principle, having achieved a very strong funding position, it would be a huge retrograde step to run any significant risk of returning to a deficit position; and
- in practice it will become increasingly important to reduce risk as the liability profile continues to mature – as illustrated below.



That said, a strong funding position does provide a basis for some reduction in employer contribution rates, but the contributions strategy does need to retain a longer-term focus.

3.3 Contributions Strategy

The contributions strategy agreed at the 2023 actuarial valuation for most employers applied reductions in the first 2 years of the certification period (2024/25 and 2025/26) then reverted to a prudent estimate of a sustainable long-term rate in the final year (2026/27). That was to ensure that employers factored a realistic long-term cost into future budgets. The long-term rate certified at the 2023 valuation was **17.5%** (of pensionable payroll) payable by employers from 1st April 2026.

It now seems likely that a lower long-term rate might be sustainable as an outcome of the 2026 valuation. On that basis, a rate of 15% from 1st April 2027 could reasonably be used by employers for budgetary planning.

4 Determination of Exit Credit

4.1 Background

As a result of [amended regulations](#) which came into force on 2nd April 2025, SPF is required to determine the amount of any exit credit payable to an exiting employer. Several employers have either exited recently or are in the process of doing so. One, River Clyde Homes, has reached the stage where a determination needs to be made. A recommendation regarding this determination is set out below.

4.2 Determination: River Clyde Homes (RCH)

River Clyde Homes (RCH) became an exiting employer in terms of [regulation 61](#) of the scheme regulations with effect from 31st October 2025.

SPF 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 **£24.581m**.

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 River Clyde Homes under the regulation is **£24.581m**.

Further details regarding the employer's participation in SPF are set out in **Appendix A**.

4.3 Payment of Exit Credits

The administering authority will conclude a brief exit agreement with the exiting employer then make payment of the exit credit.

5 Policy and Resource Implications

Resource Implications:

Financial: Paragraph 4 includes determination of an exit credit which will be payable by SPF. This is fully funded with only the surplus on a cessation basis paid to the exiting employer(s).

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

<i>help address socio economic disadvantage.</i>	N/a.
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Climate Impacts:

<i>Does the proposal support any Climate Plan actions? Please specify:</i>	Not directly. .
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<i>What are the potential climate impacts as a result of this proposal?</i>	N/a.
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<i>Will the proposal contribute to Glasgow's net zero carbon target?</i>	N/a.
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Privacy and Data

Protection Impacts:

Are there any potential data protection impacts as a result of this report	No.
Y/N	

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

The Committee is asked:

- **to NOTE** the contents of this report; and
- **to APPROVE** the determination of the amount of the exit credit payable to the exiting employer.

Appendices

Summary of Participation in Strathclyde Pension Fund

A River Clyde Homes (RCH)

Attachments

1 Funding Update Report as at 31 October 2025

Summary of Participation in Strathclyde Pension Fund River Clyde Homes (RCH)

Background

RCH is a charitable organisation dedicated to providing affordable housing. It owns and manages over 6,000 homes and delivers factoring services to an additional 2,200 customers in Inverclyde. RCH was established in December 2007 following a large-scale voluntary transfer of housing stock from Inverclyde Council.

Admission Agreement

RCH participated in Strathclyde Pension Fund (SPF) as a result of an admission agreement dated December 2007. The admission agreement was restricted to members who had transferred to RCH from Inverclyde Council (IC). IC was a party to the admission agreement and provided a guarantee to SPF in respect of RCH's participation.

Membership

As at the exit date, the employer's total membership in SPF was **185** members: 44 active members (now deferred), 26 deferred members, and 115 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 (£000)	31 Oct 2025 Exit Basis (£000)
Liabilities		
Active	12,363	10,013
Deferred	5,514	4,414
Pensioner	22,007	19,691
Total Liabilities	39,883	34,118
Assets	50,472	58,699
Surplus	10,589	24,581

Representations

RCH

RCH provided a detailed representation which is summarised below.

RCH believes there is a strong and equitable case for receiving the full cessation valuation, based on the following:

- **Long-standing participation:** RCH has been an admitted body in the Fund since December 2007, almost 18 years.
- **Significant contributions:** The estimated value of the historical contributions paid by RCH over the last 18 years is more than £32.6m.
- **Exposure to investment and actuarial risk:** During the past 18 years RCH has borne full exposure to investment, inflation, market and longevity risks and has funded any deficit with additional contributions.
- **Equitable treatment of risk and reward:** As the employer that has carried the financial risk associated with the Fund over this period, RCH should reasonably benefit from any upside of investment performance too.
- **Demonstrated covenant strength:** RCH has consistently demonstrated its

ability to meet all of its obligations without recourse to that guarantee.

Inverclyde Council

Inverclyde Council would wish the determination of any exit credit, by Glasgow City Council, in its capacity as the administering authority of the Strathclyde Pension Fund (“the Fund”), to be made on a basis that seeks to protect the Fund and its remaining employers against future adverse outcomes, in accordance with paragraph 4.7.6 of the Fund’s Funding Strategy Statement, dated 28th March 2025.