



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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**Item 7**

23rd June 2026

## Funding Update

### Purpose of Report:

To provide:

- an update on SPF's funding position;
- a summary of 2025 actuarial valuation results for the LGPS in England & Wales;
- an update on progress in respect of the 2026 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 31<sup>st</sup> March 2026

Hymans Robertson's Funding Update Report as at 31<sup>st</sup> March 2026 is attached for information. The report indicates a funding level of **158%** at 31<sup>st</sup> March 2026. This is an improvement from **147%** at the last formal valuation date - 31<sup>st</sup> March 2023 – though some way below its highest level over the intervaluation period.

### 2.2 Note on Methodology

The methodology underlying the funding update means that it should be treated as indicative only. An actuarial valuation carried out at the same date would produce a different result from the funding update report, potentially a significantly different one. This is explained further in the appendices to the attachment.

### 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.** (a nominal rate of 5.0% less inflation of 2.7%)
- the real discount rate used in the 31 March update is **2.6% p.a.** (a nominal rate of 5.7% less inflation of 3.1%).

## 3 LGPS England & Wales: 2025 Actuarial Valuation

The 86 LGPS funds in England & Wales have now completed and reported on their valuations as at 31<sup>st</sup> March 2025. Hymans Robertson have provided a summary of the outcomes.

Highlights include:

- aggregate funding level improvement from **107%** funding level in 2022 to **122%** in 2025;
- actual 3-year investment return **3.3% p.a.**;
- real discount rate **3.3%** (*v 1.5% in 2022*);
- growth in assets from **£366bn** to **£404bn**;
- fall in liabilities from **£343bn** to **£329bn**;
- primary employer contribution rate reduced from **19.8%** of pay to **17.4%**
- secondary employer contribution rate reduced from **+1.3%** of pay to **-1.4%**
- total employer contribution rate reduced from **21.1%** of pay to **16.0%**
- saving to employers **£8.5bn**.

As a key takeaway, Hymans note that: while funding positions look strong, the surplus is notional and based on future returns that are not yet earned. This means LGPS funds must think carefully about how much of any funding improvement to pass back via employer contributions.

## **4 SPF: 2026 Actuarial Valuation**

### **4.1 Progress to Date**

The first priority in completing the valuation is to ensure all employer year-end member data is submitted to SPFO, checked, and prepared for submission to Hymans Robertson. Work on this is progressing well and on track for planned submission to Hymans by end July.

### **4.2 Intervaluation Experience**

Most of the analysis of intervaluation experience is dependent on the member data, which will be used to establish the past service funding position.

However, one important item has been confirmed: the 3-year investment return achieved by SPF to the valuation date was **+7.5% p.a.** this compares favourably to the **+5.0% p.a.** assumption used in 2023. So investment returns will again be a material positive contributor to the valuation result.

### **4.3 Assumptions**

A set of assumptions is used to estimate the cost of future service. Hymans Robertson have provided initial advice on assumptions and after discussion with officers a suite of draft assumptions has been agreed for production of preliminary valuation results. Key assumptions are a discount rate of **c.5.3%** (*5.0% in 2023*) and an inflation assumption of **c.3.0%** (*2.7% in 2023*).

### **4.4 Results**

As previously advised, the preliminary results should be available for review by the SPF Committee at its September meeting.

All indications are that the lower long-term employer contribution rate of **15%** (of pensionable pay) from 1st April 2027, as previously suggested for budgetary planning, remains achievable, sustainable and broadly appropriate.

A funding level broadly similar to 2023 is anticipated. Active consideration is being given to whether there is again scope for short-term reductions in the employer contribution rate.

## **5 Determination of Exit Credit**

### **5.1 Background**

As a result of [amended regulations](#) which came into force on 2<sup>nd</sup> 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, Southside Housing Association (SHA), has reached the stage where a determination needs to be made. A recommendation regarding this determination is set out below.

## 5.2 Determination: Southside Housing Association (SHA)

Southside Housing Association (SHA) became an exiting employer in terms of [regulation 61](#) of the scheme regulations with effect from 31<sup>st</sup> March 2026.

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 **£2.657m**.

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 Southside Housing Association under the regulation is **£2.657m**.

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

## 5.3 Payment of Exit Credit

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

## 6 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 :

*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 determination of the amount of the exit credit payable to the exiting employer.

**Appendices**

**A Summary of Participation in Strathclyde Pension Fund Southside Housing Association (SHA)**

**Attachments**

**1 Funding Update Report as at 31 March 2026**

## Summary of Participation in Strathclyde Pension Fund Southside Housing Association (SHA)

### Background

SHA is a charitable organisation and a registered social landlord with over 2,000 social housing units in the south side of Glasgow together with a small, subsidiary stock of mid market rental units.

### Admission Agreement

SHA participated in Strathclyde Pension Fund (SPF) as a result of an admission agreement dated March 2011. The admission agreement was restricted to members who had transferred to SHA from Glasgow Housing Association (GHA) as part of the second stage transfer process after initially transferring from Glasgow City Council (GCC). GCC provided a guarantee to SPF in respect of SHA's participation.

### Membership

As at the exit date, the employer's total membership in SPF was **28** members: 14 active members (now deferred), 3 deferred members, and 11 pensioner members.

### Actuarial Valuation

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

	<b>31 Mar 2023 Exit Basis (£000)</b>	<b>31 Mar 2026 Exit Basis (£000)</b>
<b>Liabilities</b>		
<b>Active</b>	2,910	-
<b>Deferred</b>	483	2,732
<b>Pensioner</b>	2,243	2,870
<b>Total Liabilities</b>	<b>5,636</b>	<b>5,602</b>
<b>Assets</b>	<b>6,802</b>	<b>8,258</b>
<b>Surplus</b>	<b>1,166</b>	<b>2,657</b>

### Representations

#### SHA

SHA provided a detailed representation which is summarised as follows:

- the position in relation to SHA should be that an exit credit is payable unless there is a very compelling reason to not do this;
- SHA has been responsible for all employer cash costs during its participation;
- the surplus is a product of the employer contributions paid by SHA;
- the guarantee had no cost for GCC;
- SHA's exit benefits GCC by releasing it from the guarantee and any future liability;
- some of the exit credit will be used by SHA to recompense the existing members of SPF, but most of it will be used to invest in social homes within Glasgow.

#### Glasgow City Council

GCC noted the representations made by SHA, in particular that the majority of the exit credit will be used to invest in affordable housing, and made no representations.