



Government  
Actuary's  
Department

# Local Government Pension Scheme (Scotland): Actuarial Support Provided by GAD

## Introduction

This note is addressed to, and has been provided at the request of, the Scottish Public Pension Agency ('SPPA'). The purpose of this note is to provide information on the actuarial support provided by the Government Actuary's Department ('GAD') to Scottish Ministers in respect of the Local Government Pension Scheme (Scotland) (the 'Scheme').

## Actuarial Valuations

GAD support to Scottish Ministers, in respect of the Scheme as a whole, complements the support provided by the actuaries appointed to the individual local government pension funds across Scotland. Advice provided by actuaries to those funds covers regular actuarial valuations of each fund, and associated recommendations as to the employer contribution rates and funding strategies appropriate to each fund's circumstances.

Separately, regular actuarial valuations of the Scheme as a whole, are required to be undertaken in accordance with the Public Service Pensions Act 2013. The Scheme-wide actuarial valuations are undertaken by GAD and assess the changes in costs between valuations relative to the cost control mechanism introduced by the Public Service Pensions Act 2013. If the cost control mechanism is triggered, an assessment is made of the consequent adjustment to scheme benefits/contributions across all of the individual funds.

The cost control element of the 31 March 2017 actuarial valuation of the Scheme was paused by the UK Government in January 2019, due to uncertainties created by the McCloud judgment. In July 2020, the Government announced that the pause should be lifted and the cost control element of the 2017 valuation could be completed. HM Treasury published Directions in October 2021 which set the process for completing the cost control element of the 2017 valuation. GAD subsequently completed the 2017 valuation calculations, following liaison with the scheme manager and the Scheme Advisory Board to agree the underlying valuation assumptions and corresponding results. The results of this can be found [here](#).

The most recent actuarial valuation of the Scheme has an effective date of 31 March 2020. Membership data from each fund has been collected and collated, and analysis of this data is well underway.

The Government Actuary's Department is proud to be accredited under the Institute and Faculty of Actuaries' [Quality Assurance Scheme](#). Our website describes [the standards we apply](#).



## **Regular Scheme Financial Reviews: ‘Section 13’ Review**

The Government Actuary has been appointed by Scottish Ministers to report under section 13 of the Public Service Pensions Act 2013, in connection with the actuarial valuations of the individual funds in the Scheme. For this purpose, the actuarial valuations of each of the individual funds are reviewed with regard to matters such as compliance, consistency, solvency and long-term cost efficiency.

Work on the most recent Section 13 review of the actuarial valuations as at 31 March 2020 began in February 2022. The review is expected to be completed in early 2023.

## **Member Options: Actuarial Factors and Guidance**

GAD is responsible for preparing, and keeping under regular review, the extensive range of actuarial factors and guidance which is necessary for the calculation of member options provided by the scheme (for example, early retirement reductions; the amount available for transfer to an alternative pension arrangement). The GAD factors and guidance are used by all the individual funds.

These actuarial factors are reviewed after each actuarial valuation to reflect the experience of the scheme as a whole. They are also reviewed as required in light of other developments, for example, a change in the discount rate prescribed for the calculation of individual transfer values or a reassessment of the future pattern of general life expectancy.

GAD provides the necessary ongoing support to SPPA, to facilitate SPPA’s liaison with the individual funds and the Scottish Pensions Liaison Group on all aspects of the use of actuarial factors and guidance, including, for example, calculation support on non-standard individual cases.

## **Support to SPPA on the actuarial aspects of (a) maintaining and updating the scheme’s regulations; and (b) policy advice and guidance to Scottish ministers**

GAD support under this broad heading includes:

- support on any matters arising (e.g. tiered contribution updates, impact of high inflation, McCloud remedy related matters);
- virtual and ‘in-person’ advice/training on subjects such as the Cost Control Mechanism and Section 13 work;
- attendance at Scheme Advisory Board meetings to input on various matters;
- assistance with the preparation of SPPA consultation documents and other publications; for example, the December 2021 consultation on changes to the Scheme regulations;
- assessment of the financial impact on the Scheme as a whole, of regulatory and legal developments.

**Government Actuary’s Department**

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