Scottish Public Pensions Agency
Buidheann Peinnseanan Poblach na h-Alba

Scottish Teachers Pension Scheme

Annual Report and Accounts

2023/24

Presented to the Scottish Parliament under Section 22(5) of the Public Finance and Accountability (Scotland) Act 2000.
SG/2024/212 - Scottish Teachers' Pension Scheme (STPS) 2023/24 Annual Report and Accounts

Contents

Scottish Public Pensions Agency

The Scottish Public Pensions Agency (SPPA) is responsible for the administration, on behalf of Scottish Ministers, of the Scottish Teachers' Pension Scheme (STPS) whose members comprise teachers employed by Scottish Local Authorities, Further Education Colleges, Universities and Independent Schools. The costs of administering the STPS are not included within these accounts. These costs are reported in SPPA's annual report and accounts, which are published on the SPPA website.

The Agency also administers payments of compensation benefits due to members where their employers have capitalised their liability for these payments under the Teachers' Compensation for Premature Retirement and Redundancy (Scotland) Regulations 1996.

Accountability Report

Corporate Governance Report

1. Report of the Scheme Manager
1.1 Introduction

This report provides a summary of the arrangements to ensure the STPS is managed in accordance with legislative guidelines and provides information to aid understanding of the scheme. There is a range of information about the STPS available on the Agency website at https://pensions.gov.scot/teachers.

1.2 Managers and Advisors

Managers
Agency Accountable Officer
David Robb to 02 June 2024
Stephen Pathirana from 03 June 2024
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Scottish Public Pensions Agency
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1.3 Background to the Scheme

The Scottish Teachers' Pension Scheme is a statutory, defined benefit unfunded public service pension scheme set out in two main sets of regulations. Following the reform of public service pensions by the Public Service Pensions Act 2013 (the 2013 Act), a new Career Average Revalued Earnings (CARE) scheme was introduced from 1 April 2015. Prior to this, it was a final salary scheme which was reformed in 2007.

The relevant regulations are the Teachers' Superannuation (Scotland) Regulation 2005 for the scheme known as the Scottish Teachers' Superannuation Scheme (STSS), and the Teachers' Pensions Scheme (Scotland) (No.2) Regulations 2014 (the 2014 Regulations) for the reformed Scottish Teachers' Pension Scheme 2015 (STPS).

Following the 2015 reforms, all new members from 1 April 2015 joined the STPS but those final salary scheme members who were within 10 years of their normal retirement age as at 1 April 2012 were fully protected and retained membership of their existing scheme. Those members who as at the 1 April 2012 were between 10 years and 13 years, 6 months of their retirement date received protection against the changes on a tapered basis. They moved to STPS at a date between 1 April 2015 and 28 February 2022 based on the length of their tapered protection. Those existing scheme members without protection moved to the STPS from 1 April 2015.

These transitional protection arrangements were found by the Court of Appeal to be unlawful [*Lord Chancellor vs McCloud and Others* judgement 2018 EWCA Civ 2844], and the UK Government committed to removing the discrimination across all public service pension schemes for all affected members, with the Public Service Pensions and Judicial Offices Act 2022 introduced on 10 March 2022.

Both the STPS and STSS provide a pension on retirement and for those members who joined the STSS before April 2007 there is an automatic tax-free lump sum. For those who joined after April 2007 or are members of the STPS, a tax-free lump sum can be paid but it must be commuted from the member's pension. Normal Pension Age in the STSS was 60 for teachers with membership before 2007, and 65 for those who joined after 2007. Normal pension age in the STPS is the teacher's state pension age. Both schemes provide benefits on death for members' families or their dependants, and members also have the option to transfer their pension between the STPS and another scheme when they move into or out of employment as a teacher in Scotland. However, a transfer to a scheme that provides flexible benefits has been prohibited since 6 April 2015, a restriction that applies to all unfunded public service schemes.

The 2013 Act also required new scheme governance arrangements to be established. The 2014 Regulations accordingly provided for the introduction of a Scheme Pension Board and Scheme Advisory Board (SAB). The role of the Pension Board is to assist the Scheme Manager in the operational delivery of the STPS in line with legislation, and to meet the requirements imposed by the Pensions Regulator. The Scheme Manager is the Scottish Ministers, with SPPA undertaking this role on their behalf.

The SAB provides advice to the Responsible Authority, at the Responsible Authority's request, on the desirability of changes to the scheme. The Responsible Authority for these purposes is the Scottish Ministers with the Minister for Public Finance having responsibility for devolved public service pensions.

Both Boards met regularly during 2023/24, as well as several sub-groups. Details of scheme governance and legislation, including membership of the SAB and Pension Board, are available on the SPPA website.

1.4 Scheme Valuation and Contribution Rates

Benefits are funded through pension contributions deducted from members' pensionable pay and a contribution from their employers. Membership of the scheme is voluntary although automatic enrolment requirements apply to new employees and those employees who have previously opted out. Contribution rates and benefits are set by Scottish Ministers on advice from the scheme actuary.

Member Contributions

Contributions payable by scheme members are structured on a tiered basis, depending on the teacher's pensionable pay. However, the pensionable pay bandings used to determine the rates are adjusted each year in line with Consumer Price Index. The rates applicable for the reporting year 2023/24 are set out in the following table:

Member contribution rates 1 April 2023 to 31 March 2024

Salary (actual salary)	Contribution rate
<£32,133	7.2%
£32,134 - £43,257	8.7%
£43,258 - £51,291	9.7%
£51,292 - £67,975	10.4%
£67,976 - £92,693	11.5%
>£92,694	11.9%

The average member contribution is expected to be about 9.6% of salary.

Employer contributions

The latest valuation of the STPS, the 2020 valuation[1], based on data as at 31 March 2020, confirmed that an increase in the employer contribution rate from 22.4% to 26.0% was required from 1 April 2024 to 31 March 2027. There was no breach of the cost control mechanism at the 2020 valuation and therefore there was no requirement to make adjustments to the scheme in that respect.

Cost control and the valuation mechanism form a key part of the 2013 Act. Valuations are undertaken every four years and HM Treasury is responsible for directing how they should be undertaken and the manner by which the cost control mechanism functions. The employer cost cap is a mechanism that aims to ensure that the costs of pension provision are shared consistently between employers, taxpayers and members.

HM Treasury consulted on proposed changes to the UK Government's cost control mechanism in public sector pension schemes between 24 June 2021 and 19 August 2021. Following the consultation, the UK Government introduced three changes to the mechanism effective from the valuation of the scheme at 31 March 2020:

These are:

- the widening of the cost cap "corridor" for the mechanism so that movement in the costs of the scheme of +/- 3% may be disregarded (rather than the previous 2%);
- requiring the cost cap mechanism to include reformed (2015) scheme costs only; and
- introducing an economic check where the mechanism may only lead to benefit changes where this is in line with long-term economic outlook.

The SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate is used in the valuation of unfunded public service pension schemes to set employer contribution rates. It expresses future pension promises that are being built up in present-day terms and is set by HM Treasury following a prescribed methodology. The methodology for setting the SCAPE discount rate had been in place since 2011 and a review was scheduled after ten years. Accordingly, HM Treasury consulted on SCAPE methodology in June 2021.

1. 2020_Teachers_Valuation_Results_Report_20102023.pdf (pensions.gov.scot)

In March 2023, HM Treasury published its full response to the public consultation on SCAPE methodology. This confirmed that the current approach for setting SCAPE by reference to UK Gross Domestic Product, would be retained. Secondly, the rate would be reviewed every four years, in line with the valuation cycle for public service schemes. In addition, the rate was revised to 1.7% over CPI. This has prompted a review of the actuarial factors of the scheme, which was introduced in a phased approach over the summer of 2023. In addition, it confirmed the key financial assumption used for the 2020 scheme valuation.

1.5 Eligibility and Employers

Teachers employed by Scottish Local Authorities, Further Education Colleges, Universities and Independent Schools are eligible to join the STPS. At 31 March 2024, the number of employers was 141 (31 March 2023: 144).

1.6 Changes to the Scheme

Scheme Regulations

During 2023/24, legislative changes affecting the operation of the schemes were made by Scottish Statutory Instrument (SSI).

McCloud 2015 Remedy Changes

In 2015 the UK Government introduced reforms to public sector pensions meaning most public sector workers were moved into new career average pension arrangements in April 2015. Transitional protection was provided to members of the previous final salary arrangements based on their age at 1 April 2012 and this allowed them to continue in their existing arrangements instead of transferring to the 2015 arrangements.

On 20 December 2018, the Court of Appeal found that the transitional protection arrangements were discriminatory on the basis of age. The UK Government accepted this ruling had implications for all public service schemes that contained similar transitional protection arrangements and introduced legislation through the Public Service Pensions and Judicial Offices Act (PSPJOA) 2022 ('the 2022 Act'). This was designed to remedy the discrimination caused by these transitional protections.

On 10 March 2022, the 2022 act received Royal Assent and, together with the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022, require UK Government departments and devolved administrations to make amendments to public service pension scheme regulations to remedy the discrimination. The remedy for this discrimination, known as the 'McCloud remedy', has two parts.

The first and prospective part:

- closed the legacy public service pension schemes on 31 March 2022
- ensured equal treatment for all public service pension scheme members by moving all active members into the reformed public service pension schemes on 1 April 2022.

Following a consultation, this part of the remedy was implemented for the Teachers' schemes through the Teachers' Pension Schemes (Scotland) Amendment Regulations 2022, which came into force on 1 April 2022.

The second and retrospective part of the remedy was introduced by the Teachers' Pension Scheme (Remediable Service) (Scotland) Regulation 2023, which came into force on 1 October 2023 and removes the effect of the transitional protections. For STPS members impacted by the discrimination, the retrospective remedy primarily returns members who moved to the 2015 scheme back into the legacy scheme for their pensionable service ('remediable service') effected by the discrimination during the remedy period, from 1 April 2015 to 31 March 2022. In this consultation this is referred to as 'rollback' and offers a choice of whether to receive legacy scheme benefits or 2015 scheme benefits for their remediable service benefits, both of which are payable from the legacy scheme.

The deadline set by the 2022 Act for the retrospective part of the McCloud remedy to come into effect was 1 October 2023.

Following the end of the reporting year, new contribution rates were implemented by the Teachers' Pension Scheme (Scotland) Amendment Regulation 2024. This came into force on 29 June 2024 and took effect from 1 April 2024, with these changes to the member contribution tiers ensuring that member contributions deliver a yield of 9.6% as required by HM Treasury.

Member contribution rates 2024/25

Annual Salary rate for the eligible employment	Standard contributions rate
Up to and including £34,286	7.35%
£34,287 to £46,155	8.88%
£46,156 to £54,728	9.90%
£54,729 to £67,975	10.61%
£67,976 to £92,693	11.73%
£92,694 and above	12.14%

Annual indexation of pensions in payment

Public service pensions in payment, together with those that are deferred for payment at a future date, are indexed annually based on the annual change in CPI measured as at the previous September. In the 12 months to September 2023, CPI was 6.7%. As a result, an increase of 6.7% was applied from April 2024 for pensions in payment and deferred pensions.

1.7 Looking Forward

Guaranteed Minimum Pension (GMP)

A court ruling of 20 November 2020 means that pension scheme managers and trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure Guaranteed Minimum Pension equalisation has been achieved and members received their full entitlement. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. For public service pension schemes, this ruling may be taken forward on a cross-scheme basis. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs is yet to be determined, and the potential impact has yet to be established by the SPPA (i.e. for those who took a CETV and are in scope for a top up).

Further information on GMP can be found on the UK Government website. - [Guaranteed Minimum Pension (GMP) and the effect of the new State Pension - GOV.UK (www.gov.uk)]

Goodwin Ruling

The Goodwin ruling was a court case that found male survivors of opposite-sex marriages and civil partnerships were treated less favourably than survivors in same-sex marriages and civil partnerships. This ruling only affects the NHS and teachers' pension schemes where the scheme rules were changed to ensure equality moving forward.

The Goodwin Project was split into three stages:

Stage One was to amend all existing calculations to ensure all dependants' benefits are accurate moving forward. This stage is complete with all dependants' benefits now calculating accurately, meaning that the volume of cases the SPPA needs to make amendments to will not increase.

Stage Two was to refund all dependant members who had elected to purchase additional family benefits service. The court ruling means that the members would not have needed to purchase these additional benefits and would have been entitled to receive these automatically. This stage is complete with no further action required.

Stage Three relates to dependant benefits already paid out at a lower value than the dependant is now entitled to. This stage of the project has not yet concluded.

Second phase on employee contribution structure changes

Under the STPS framework agreement, members are required collectively to contribute 9.6% of their pensionable pay across the whole scheme membership. This is known as the member contribution 'yield.' While the yield is a fixed percentage, the rates are structured in tiers that spread the 9.6% requirement across the workforce through a sliding scale of rates according to members' pensionable earnings. The aggregate amount collected across the membership is designed to be 9.6% of pensionable pay.

Since 2015, the contribution tiers have been up-rated annually in line with Consumer Price Index (CPI). However, over this period CPI has been cumulatively higher than the value of annual pay awards, resulting in a proportion of members dropping into a lower contribution tier and paying a reduced contribution rate. This has had the effect of reducing the average contribution rate paid by the whole membership below the target 9.6% yield.

During 2023/24, SPPA consulted on changes to the contribution rate structure in order ensure the target yield was delivered. The changes came into force from 1 April 2024.

Scheme Eligibility

The Scheme Advisory Board have recently undertaken a piece of work to provide clarity on which roles should be eligible to be part of the STPS. The SAB has made a number of recommendations around scheme eligibility. SPPA will bring forward amending regulations, based on the SAB's recommendations, which will seek to extend and clarify scheme eligibility for those individuals working in job roles connected with the delivery of education services in Scotland. SPPA expects to consult on these proposals and bring forward the scheme changes during 2024/25.

1.8 Membership Statistics

Details of the membership of the Scheme as at 31 March 2024 are as follows:

Active members in the Scottish Teachers Pension Scheme

Total brought forward from 31 March 2023	**79,527**
Adjustment in year	(235)
Revised active members as at 31 March	**79,292**
Additions within the year	
New members and re-joiners	4,327
Leavers	
Retirements	(1,634)
Leavers from active to deferred	(1,964)
Other leavers	(779)
Total active members as at 31 March 2024	**79,242**

Members with deferred liability

Total brought forward from 31 March 2023	**19,520**
Adjustment in year	(844)
Revised deferred members as at 31 March 2023	**18,676**
Leavers from active to deferred	1,964
Other new deferred members	45
Members leaving deferred status	(917)
Total members with deferred pension liability as at 31 March 2024	**19,768**

Members receiving a pension

Total brought forward from 31 March 2023	**79,248**
Adjustment in year	220
Revised pension members as at 31 March 2023	**79,468**
New pensioners	2,669
Cessations	(2,065)
Other	(137)
Total pensioners as at 31 March 2024	**79,935**

1.9 Financial Position as at 31 March 2024

The Statement of Financial Position sets out the Scheme's assets and liabilities as at 31 March 2024. As the Scheme is unfunded, there are no investments to match the pension liability. The pension liability is the net present value of pensions to be paid in future years, which have been earned to date. The liability is discounted at a rate advised by HM Treasury and is the equivalent of the rate of interest payable on AA-rated corporate bonds. The liability is calculated by the Scheme's actuary in accordance with the requirements of International Accounting Standard 19 (IAS19) and HM Treasury's Financial Reporting Manual (FReM). More information on the methodology of the valuation is contained in the Statement by the Actuary at section 2.

The pension liability as at 31 March 2024 was £29.1 billion (31 March 2023: £31.5 billion), which is a decrease of £2.4 billion. The liability has decreased primarily due to an increase in the discount rate.

The Statement of Comprehensive Net Expenditure shows the net resource outturn. This is the cost of future pension benefits accrued in the year plus interest on Scheme liabilities, less any income received. In 2023-24 the total expenditure was £2.3 billion and total income was £1.1 billion giving a net expenditure of £1.2 billion (2022-23: £2.35 billion). This outturn represents an underspend against the budget set for the STPS which totalled £1.279 billion. In cash terms, there was an excess of pension benefits paid over income received of £181.8 million (2022-23 £220.5 million) which was funded from the Scottish Consolidated Fund as detailed in the summary statement (table 1) below.

Table 1: Cash Requirement from the Scottish Consolidated Fund

		2023-24	2022-23
	Note	£m	£m
Pension contributions		(1,125.9)	(1,000.5)
Transfers in		(4.7)	(3.9)
Other income		(0.0)	(0.1)
Total income		**(1,130.6)**	**(1,004.5)**
Pensions paid		1,180.6	1,078.7
Lump sums		137.3	133.6
Transfers out		2.1	3.0
Refunds		0.6	0.4
Total benefits paid		**1,320.6**	**1,215.7**
Total income less total benefits paid		**190.0**	**211.2**
Movement in debtors and creditors	SoCF	(8.2)	9.3
Cash requirement from the Scottish Consolidated Fund		**181.8**	**220.5**

1.10 Going concern

In common with many public pension schemes, the STPS is unfunded. The pension liabilities recorded in the Statement of Financial Position are not matched by investments or other assets, and consequently the Scheme shows net liabilities of £29.1 billion (2022/23 £31.5 billion). Funding to meet pension payments as they fall due under the Scheme's regulations is made available from the Scottish Government's Annually Managed Expenditure budget. On this basis the managers consider that it is appropriate that the accounts of the Scheme are prepared on a going concern basis.

1.11 Information to the auditors

All relevant information has been made available to Audit Scotland during their audit of the Scheme's financial statements.

1.12 Additional voluntary contributions and stakeholder pensions

The STPS enables members to make Additional Voluntary Contributions (AVCs) to an approved provider, Prudential, to increase their pension entitlement or to increase life assurance cover. SPPA have no routine operational involvement in administering AVCs. The Scottish ministers are responsible for appointing the authorised providers and hold other statutory duties under the relevant regulations.

Employees may arrange to have agreed sums deducted from their salaries, for onward payment direct to Prudential, with employers being responsible only for ensuring the payment is made, and not for the management of investments or provision of benefits which is the responsibility of Prudential. Members participating in this arrangement receive an annual statement from Prudential, confirming the amounts held in their account and the movements in the year.

Members may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contributions Schemes (FSAVCs). Although the Scottish Ministers have guaranteed pension payments in the unlikely event of a default by Prudential, the transactions and related assets and liabilities connected with the AVC scheme are private arrangements between Prudential and those members contributing to their AVC scheme. This being the case, the AVC data does not form part of the ARA since it is not a cost or obligation of the Scheme and are not audited by Audit Scotland; it is included here for completeness only.

The aggregate amount of AVC investments is detailed in the summary statement in 1.13.

1.13 Prudential Financial Services AVC statement

	2023/24	2022/23
Funds under management	**£000**	**£000**
Opening balance as at 1 April	**129,290**	**133,594**
Changes in investment	61	3
Revised fund brought forward as at 1 April	**129,351**	**133,597**
Income		
Contributions invested	5,439	4,761
Interest and bonuses estimated	9,291	9,546
Switches in from other funds	1,401	1,194
Transfers in from other AVC arrangements	39	11
Transfers in relating to bonus histories	3	0
Total new investments	**16,172**	**15,512**
Expenditure		
Retirement benefits	(4,516)	(4,136)
Death – return of funds	(334)	(593)
Early leavers – withdrawals	(12,825)	(13,245)
Switches to other funds	(1,197)	(1,132)
Annual management charges	(93)	(84)
Unit linked funds price movements	1,315	(629)
Sale of investments	**(17,649)**	**(19,819)**
Closing balance as at 31 March	**127,874**	**129,290**

1.14 Further information

Any enquiries about the STPS should be addressed to:
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Stephen Pathirana

Stephen Pathirana
Accountable Officer
09 December 2024

2. Statement by the Scheme's Actuary Introduction

2.1 This statement has been prepared by the Government Actuary's Department ('GAD') at the request of the Scottish Public Pensions Agency ('SPPA'). It provides a summary of GAD's assessment of the scheme liability in respect of the Scottish Teachers' Pension Schemes as at 31 March 2024, and the movement in the scheme liability over the year 2023/24, prepared in accordance with the requirements of Chapter 12 of the 2023/24 version of the Financial Reporting Manual.

2.2 The STPS is a defined benefit scheme, providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the schemes which lead to a constructive obligation.

2.3 The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020, and rolling forward that liability to 31 March 2024.

Membership data

2.4 Tables A to C summarise the principal membership data as at 31 March 2020 used to prepare this statement.

Table A: Active members

	Number	**Total pensionable pay* (p.a.)**
		£
Males	18,626	714
Females	56,969	1,901
Total	**75,595**	**2,615**

* Pensionable pay is the actual pay figure.

Table B: Deferred members

	Number	**Total deferred pension* (p.a.)**
		£
Males	4,602	21.2
Females	12,590	48.4
Total	**17,192**	**69.6**

* Pension amounts include the pension increase granted in April 2020.

Table C: Pensions in payment

	Number	Annual pension * (p.a.)
		£m
Males	22,510	364.0
Females	51,041	600.5
Spouses and dependents	8,990	53.6
Total	**82,541**	**1,018.1**

* Pension amounts include the pension increase granted in April 2020.

Methodology

2.5 The present value of the liabilities as at 31 March 2024 has been determined using the Projected Unit Credit Method ('PUCM'), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2024. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2024 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2023 in the 2022/23 accounts.

2.6 This statement account for the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Financial assumptions

2.7 The principal financial assumptions adopted to prepare this statement are shown in Table D below.

Table D: Principle financial assumptions

Assumption	31 March 2024	31 March 2023
	p.a.	**p.a.**
Nominal discount rate	5.10%	4.15%
Rate of increase in pensions in CPI inflation (informing increases to pensions in payment, deferred pensions and CARE revaluation)	2.55%	2.4%
Rate of general pay increases	3.55%	3.65%
Rate of short-term general pay increases	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	2.45%	1.70%
• Long-term pay increases	1.45%	0.50%
Expected return on assets	n/a	n/a

2.8 The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2023) 10, dated 4 December 2023, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

2.9 The long-term salary assumption is set by SPPA, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility (relative to CPI inflation).

2.10 The assessment of the liabilities allows for the known pension increases up to and including April 2024.

2.11 Additionally, for the accounts as at 31 March 2024, allowance has been made for known inflation experience up to March 2024 to inform, in part, the pension increase that is expected to apply in April 2025. This is different to the approach taken for the accounts as at 31 March 2023, where instead only known inflation up to September 2022 (which informed the next known pension increase taking effect in April 2023) was taken into account when rolling forward the past service liabilities.

Demographic assumptions

2.12 Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership, and other relevant sources. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the ‘S3 tables’ with the percentage adjustments to those tables derived with reference to scheme experience.

Table E: Post-retirement mortality assumptions

Baseline mortality	**Standard table**	**Adjustment**
Males		
Retirements in normal health	S3NMA	105%
Current ill-health pensioners	S3IMA	97%
Future ill-health pensioners	S3IMA	97%
Dependents	S3DMA	98%
Females		
Retirements in normal health	S2NFA	105%
Current ill-health pensioners	S3IFA	115%
Future ill-health pensioners	S3IFA	115%
Dependents	S3DFA	101%

2.13 These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those recommended for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2023 were based on the assumptions adopted for the 2020 valuation.

2.14 Mortality improvements are assumed to be in line with the 2020-based projections for the United Kingdom published by the ONS in December 2022. This is a consistent assumption to that used for the 2022/23 accounts.

2.15 The scheme’s actuarial factors were updated in 2023/24, allowing for the updated SCAPE discount rate and assumption changes as part of the 2020 actuarial valuation. These updated factors have been allowed for in the calculating the accounting position as at 31 March 2024.

2.16 Our advice on the selection of assumptions can be found in our draft assumptions and methodology report dated 23 April 2024.

Liabilities

2.17 Table F summarises the assessed value as at 31 March 2024 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 2.4 to 2.14. The corresponding figures for the previous year are shown for comparison. The liabilities as at 31 March 2023 and 2024 both include an allowance for the higher cost of benefits accrued under McCloud.

Table F: Statement of Financial Position

	31 March 2024	31 March 2023
	£billion	£billion
Total market value of assets	nil	nil
Value of liabilities	29.1	31.5
(Deficit)	(29.1)	(31.5)
Of which recoverable by employers	n/a	n/a

Accruing costs

2.18 The cost of benefits accrued in the year ended 31 March 2024 (the current service cost) is assessed as 28.4% of pensionable pay.

2.19 For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. A current service cost below (or above) the total contribution rate does not indicate that employers and employees have collectively paid contributions more (or less) than the costs of benefits accrued during the year. Members contributed between 7.2% and 11.9% over 2023/24 depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2023/24 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2023/24 accounts.

Table G: Contribution rate

	2023/24	2022/23
	% of pay	**% of pay**
Employer contributions	23.0%	23.0%
Employee contributions (average)	9.6%	9.5%
Total contributions	**32.6%**	**32.5%**
Current service cost (expressed as % of pay)	**28.4%**	**81.6%**

2.20 The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

2.21 The pensionable payroll for the financial year 2023/24 was £3.4 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2023/24 (at 28.4% of pay) is assessed to be £1.0 billion.

2.22 Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a significant past service cost over 2023/24.

2.23 I am not aware of any events that have led to a significant settlement or curtailment gain or loss over 2023/24.

Sensitivity analysis

2.24 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2024 of changes to the most significant actuarial assumptions.

2.25 The most significant financial assumptions are the discount rate; general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

2.26 Table H shows the indicative effects on the total liability as at 31 March 2024 of changes to these assumptions (rounded to the nearest 0.5%).

Table H: Sensitivity analysis to significant assumptions

Change in assumption		Approximate effect on total liability		
Financial assumptions				
(i)	Discount rate*	+0.5% p.a.	-7.0%	£ (2.0 billion)
(ii)	(long-term) earnings increase*	+0.5% p.a.	+1.5%	£0.4 billion
(iii)	Inflationary (CPI) increases*	+0.5% p.a.	+6.5%	£1.9 billion
Demographic assumptions				
(iv)	Additional 1 year increase in life expectancy at retirement		+3.0%	£0.9 billion

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

The discount rate sensitivity shown implies a scheme duration of c. 15.4 years.

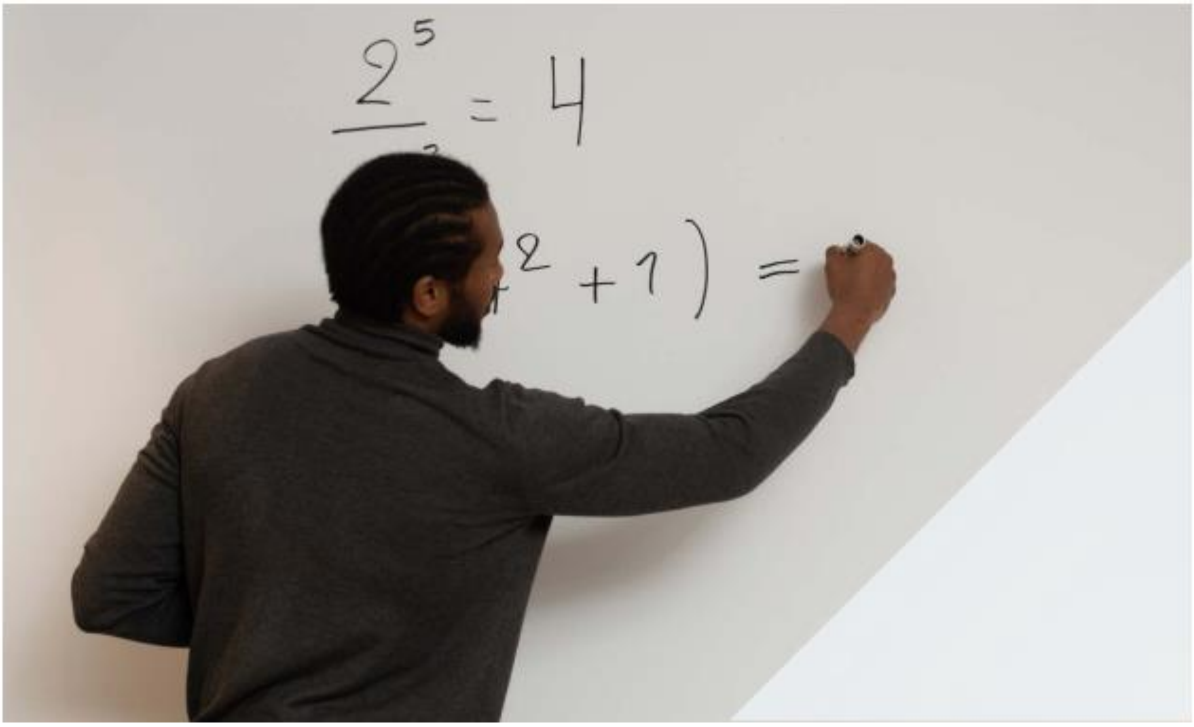
COVID-19 and climate change

2.27 Covid-19 and climate change are areas where there remains significant uncertainty, which could affect both future economic and demographic experience. In line with previous years, the assumptions used in the preparation of the 2023/24 Resource Accounts allow for the current impacts of Covid-19 and climate change to the extent that they are reflected in the market data used to set or derive assumptions.

2.28 The current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of the Covid-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. The result is that the projected mortality rates for 2022 are broadly in line with those assumed for 2019 and, after 2022, improvements will be in line with those projected assuming Covid-19 had not occurred. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Tim Weir FIA
Actuary
Government Actuary's Department
31 May 2024

3. Statement of Accountable Officer’s responsibilities



Under section 19 of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed the Scottish Public Pensions Agency to prepare a statement of accounts for each financial year in conformity with the accounts direction on page 80 of these financial statements, detailing the resources required, held or disposed of during the year and the use of resources by the Scottish Teachers Pension Scheme (STPS) during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the STPS and of its income and expenditure, Statement of financial position, changes in taxpayers’ equity, and cash flows for the financial year. The Principal Accountable Officer of the Scottish Government appointed the Chief Executive of the Scottish Public Pensions Agency as the Accountable Officer for the Agency. As Accountable Officer, the Chief Executive is responsible to the Scottish Ministers.

The responsibilities of the Accountable Officer are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer. They include responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the STPS’s assets. As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that the auditors are also aware of this information.

In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual, and to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the STPS will continue in operation
- confirm that the Annual Report and Accounts is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Stephen Pathirana
Chief Executive, SPPA

4. Annual Governance Statement

4.1 Agency's Governance Framework

The **Governance Framework** is designed to ensure that the SPPA complies with the highest standards of integrity while delivering value for money for Scottish taxpayers, safeguarding public funds, delivering good quality service to its members and other stakeholders, and being fully accountable for its actions. The SPPA complies with the guidance contained in the Scottish Public Finance Manual (SPFM) and guidance note 2 of '**On Board: a guide for members of management advisory boards**' published by the Scottish Government.

Over the period of these accounts until the date of signing, the corporate governance systems operated as set out in this Governance Statement.

The Framework Document represents an agreement between the SPPA and Scottish Ministers that lays out the relationship in terms of the respective roles and responsibilities for carrying out our functions. As the principal source of reference for our corporate governance arrangements, the Framework Document describes and sets out:

- the relationship between the SPPA and Scottish Ministers
- the responsibilities of the Accountable Officer and Scottish Ministers
- the frameworks within which the SPPA operates regarding Resource, Finance and Human Resources.

The SPPA Framework document was last amended and approved by the Minister for Public Finance, Planning and Community Wealth in September 2022. This document is due to be reviewed in 2024/25.

4.2 Scope of Responsibility

As Accountable Officer during 2023/24, David Robb was responsible for maintaining an adequate and effective system of internal control, which supports the delivery of the SPPA's vision, business priorities, aims, and policies (including those set by Scottish Ministers), while safeguarding the public funds and assets for which he is personally responsible in accordance with the responsibilities assigned to him. From 3 June 2024, these responsibilities were assigned to Dr Stephen Pathirana as David Robb's successor.

The SPPA adheres to the Scottish Public Finance Manual (SPFM) issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency, effectiveness and equality, and promotes good practice and high standards of propriety.

4.3 Primary Governance Bodies Schematic

The bodies which assist the Accountable Officer in the governance of the SPPA is available on our website with a Governance Schematic. The schematic illustrates the different governance arrangements in place for both Agency Corporate Governance and Pension Scheme Manager delivery. Governance arrangements, overall, were considered to comply with generally accepted best practice principles and relevant guidance.

4.4 Governance and assurance controls specific to the Scottish Teachers Pension Scheme

The SPPA assumes the day-to-day role of Scheme Manager as set out in the Public Service Pensions Act 2013 (the PSP Act) for Scotland's Teachers' pension schemes, as delegated by Scottish Ministers.

4.4.1 Pension Board

The Pension Board has responsibility for assisting the scheme manager in relation to the following matters:

▪ securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that relates to it;

■ securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
■ such other matters as the scheme regulations may specify.

The Teachers Pension Board met SPPA on 4 occasions during 2023/24.

The 2023/24 members and an overview of their attendance for the year are as follows:

Teachers' pension board membership	**Representing**	**Meetings attended**	**Out of a possible**
Mark Cook	Independent Chair	4	4
Richard Giles	Independent Vice-Chair	2	4
Maureen Kennedy	Member	2	4
David McGinty	Member	3	4
Drew Morrice	Member	3	4
Leah Stalker	Member	1	4
Graham Hutton	Member	2	4
Andy McGoff	Employer	4	4
Louise Wright	Employer	4	4
Cllr Brian McGinley	Employer	1	4
Stuart Hunter	Member	4	4

Member biographies and the board's terms of reference can be found on the SPPA website **-** Teachers Pension board | SPPA (pensions.gov.scot)

The Pension Board has published its report for the year, which can be found on the SPPA website - STSS scheme accounts | SPPA (pensions.gov.scot)

Matters of business undertaken by the Pension Board last year included the following:

- Service to members was monitored at each of its meetings, held as hybrid meetings with some Board members attending virtually and some in person. The Board continued to press for SPPA Key Performance Indicators to be representative of what is important to the experience of scheme members.
- The Board continued to raise concerns with the Agency in respect of scheme data collection and management, highlighting the impact this has on Agency activities such as Annual Benefit Statements (ABS). The Board raised concerns with the Agency in respect of ensuring employer data collation is considered and improved as part of any Agency Data Improvement Plan.

- The Board continues to monitor the Agency's progress on the McCloud remedy and sought assurances over the operational impact on the Agency. The Board continued to emphasise to the Agency the importance of member engagement and communication on this topic.
- The Board received updates on the procurement of a new Pensions Platform.
- The Board, in line with regulator expectations, continues to play its part in Risk Management, discussing risks, constructively challenging the risk assessments and actions at each of its quarterly meetings.
- The Board sought assurance on the SPPA Incident Management Process, particularly around early Board notification of any issues affecting Scottish Teachers' Pension Scheme members.

4.4.2 Scheme Advisory Board

The Scheme Advisory Board (SAB) has responsibility for providing advice to the responsible authority, at the authority's request, on the desirability of changes to the scheme.

The 2023/24 members and an overview of their attendance for the year are as follows:

Teachers' pension scheme (Scotland) advisory board membership	Representing	Meetings attended	Out of a possible
Alistair Forsyth	Employer	3	3
Andy Witty	Employer	3	3
Archie McIver	Employer	2	3
David Parker	Employer	0	3
Jim Goodfellow*	Employer	0	0
Phil Doggart	Employer	1	3
Simon Cameron	Employer	2	3
Cllr David Richardson	Employer	1	1
Cllr Frances Murray	Employer	1	1
Dave Wilkinson	Member	3	3
Des Morris	Member	3	3
Dougie Atkinson	Member	0	3
Euan Duncan***	Member	2	3
Fiona Dalziel***	Member	2	3
Greg Dempster	Member	2	3
John Edward**	Member	2	3
Louise Wilson	Member	2	3
Mary Senior	Member	2	3
Michael Dolan	Member	3	3
Neil Shaw	Member	2	3
Stephen Stewart	Member	2	3

* Cllr Goodfellow resigned 04/05/2023.
** John Edward resigned 10/02/2023 but remained in situ until successor appointed.
*** Substitute sent by SSTA as Fiona Dalziel and Greg Dempster unable to attend.
*** Substitute sent by UCU as Mary Senior unable to attend.

Member biographies and the board's terms of reference can be found on the SPPA website - Scheme Advisory Board | SPPA (pensions.gov.scot)

The SAB work closely with the SPPA Policy team as the key scheme policy advisers to the Scottish Ministers and custodian for the Teachers Scotland scheme regulations.

During the year the SAB considered a number of scheme changes as part of SPPA's formal request for advice from SAB. The key aspects of SAB's work during the year are detailed below:

- McCloud remedy – the SAB, through a sub-group set up specifically for this purpose, provided advice and feedback on policy development, and implementing those policies. From October 2023 the SAB have been supporting the SPPA to communicate the complex requirements of the 2015 Remedy to stakeholders through examining draft documentation and website content and providing feedback.
- Scheme valuation – the SAB provided advice on the scheme specific assumptions used in the valuations and also provided feedback on the valuation outcomes.
- Scheme Eligibility – the SAB set up a sub-group to consider in some detail the existing issues with who is eligible to join the scheme and developed a range of proposals for clarifying and extending scheme eligibility. They also provided feedback on the draft legislation designed to implement these proposals.

4.5 Management Advisory Board

The advisory nature of the MAB is one that is set out in the Scottish Government's publication '**On Board: A Guide for Members of Management Advisory Boards**'. Board members are appointed to act in an advisory capacity to the SPPA's Chief Executive and are, therefore, neither personally nor collectively accountable for the SPPA's performance.

The main role of the MAB is to support the SPPA to deliver its functions on behalf of Ministers. Members of the Board offer strategic advice and constructive challenge to the Chief Executive Officer and Executive Team, seek to improve performance, promote good governance, and advise on identifying and managing risk.

During the year, the MAB met on five occasions. The Board's work has included:

- Receiving reports from the Chief Executive on progress in achieving key tasks outlined in SPPA business objectives and the continued development of performance metric reporting.
- Receiving reports on the work of the Audit and Risk Committee and contributing towards recommending mitigations to the risks assessed in the SPPA risk registers.
- Receiving financial and budgetary updates from the Head of Finance, Procurement and Risk/Chief Finance Officer to review the SPPA budget and out-turn position alongside financial performance against key metrics.
- Considering financial statements, such as the SPPA draft Annual Report and Accounts, and draft Annual Report and Accounts for the NHS Scotland and Scottish Teachers' Pension Schemes.
- Receiving regular updates on the Pension Platform Programme and Remedy work.

During 2023/24, there was a gender balance on the Board and the membership over the year is listed below:

David Robb
Chief Executive and Accountable Officer

Non-Executive Advisory Members

Mark Adderley
Management Advisory Board and People Committee

Ian Forbes
Management Advisory Board and Audit & Risk Committee

Helen Mackenzie
Management Advisory Board and Chair of Audit & Risk Committee

Jane Malcolm
Management Advisory Board and People Committee

Norman McNeil
Management Advisory Board

Clare Scott
Management Advisory Board and Audit & Risk Committee

Biographies and meeting minutes are published on the SPPA website - [Management Advisory Board | SPPA (pensions.gov.scot)]

Both the MAB and the Audit and Risk Committee (ARC) regularly conduct a self-assessment of their effectiveness, the last having been undertaken in May 2023.

The ARC provided a full account of its activities including minutes of each meeting on a quarterly basis to the MAB.

4.6 Audit and Risk Committee

The MAB was supported by an ARC which comprised of three of the MAB members. The ARC supports the Accountable Officer in discharging responsibilities for issues of risk and controls, finance, governance, and associated assurance through a process of review, constructive challenge and providing relevant advice.

The ARC provided a full account of its activities on a quarterly basis to the MAB. The ARC annual report for 2023/24 was issued in July 2024 and is available on the SPPA website.

During the year, ARC met on six occasions. The Committee's work has included:

- Receiving updates and reports from the SPPA Executive Team and senior managers to provide assurance in an Annual Report to the Accountable Officer and Management Advisory Board.
- Supporting the work of and receiving progress reports from Internal Audit.
- Reviewing Audit Scotland's Annual Audit Plan and reports where appropriate, which includes an Audit Scotland Annual Audit Report including an ISA 260 report.
- Reviewing our Annual Report and Accounts and NHS Pension Scheme Scotland's Annual Report and Accounts.
- Receiving a quarterly risk management update for review and discussion, this includes risk registers and tracking of audit recommendations.
- Regular review and scrutiny of the SPPA Agency Risk register.

During 2023/24 a series of short, quarterly focus meetings with the ARC, referred to as 'Deep Dives', took place. These were in addition to the regular ARC meetings and allowed the ARC to discuss and seek assurance on particular risk areas within SPPA. Topics during 2023/24 included a retrospective review of Annual Report and Accounts process, Cyber security/Cyber incident response plan, data improvement and counter-fraud.

ARC also meets with Directorate for Internal Audit & Assurance, the internal auditors, and Audit Scotland, the scheme auditors, without the presence of management.

4.7 People Committee

The People Committee will support the Chief Executive in discharging responsibilities for key people-related issues, such as:

- colleague engagement
- people development and capability
- health and wellbeing
- capacity and resourcing
- recruitment and resourcing
- equality, diversity, and inclusion.

During the year, the People Committee met on three occasions. The Committee's work has included:

- A review of the Agency performance indicators that relate to People.
- An overview of the current workforce issues in the Agency and the workforce planning underway to address this.
- Receiving updates on Agency recruitment.
- A review of the colleague engagement Pulse survey results.
- Equality, diversity, and inclusion.

4.8 SPPA Executive Team

The members of the Executive Team who served the SPPA during 2023/24 are shown in the table below.

Name	Role
David Robb	Chief Executive
Karen Morley	Head of Finance, Procurement and Risk (to 30 June 2023)
Philip McKibben	Interim Head of Finance and Procurement (from 30 June 2023 to 31 October 2023)
John Burns	Chief Finance Officer (permanent from 30 October 2023)
Iain Coltman	Head of Policy
Garry Cossar	Head of People, Strategy and Communications (to 10 November 2023)

Laura Pacey	Interim Head of Strategy and Communications (temporary from 27 November 2023)
Debbie Trafford	Interim Head of People (temporary from 10 November 2023)
Frances Graham	Chief Operating Officer

The Executive team met weekly during 2023/24 to discuss day-to-day-agency management including operational delivery, projects and priorities, people and recruitment as well as current and emerging risks. Meetings were chaired by SPPA Chief Executive Officer, or delegate.

Full biographies of the SPPA Executive Team can be found on the '**about us**' section of our website.

4.9 Risk

The SPPA maintains a consistent, tiered approach to the management of risk in line with Scottish Government and Industry best practice. We continue to be led by the Scottish Government's Risk Management guidance and UK Government Orange Book.

Risk management is used to alert us to actual threats or emerging issues likely to impact the achievement of our objectives. This approach has been regularly reviewed and iterated to ensure it remains appropriate to meet the aims of agency and effectively engage the whole agency in risk discussions. Our Risk Champions Network has matured and expanded in 2023/24, providing useful cross-agency soundings and insight.

The risk appetite of the SPPA is being shaped to ensure that planning and decision making adequately reflects the risks we are prepared to take to achieve our objectives.

Throughout 2023/24, risk management maturity has progressed with each agency team developing risk registers; managing risks at appropriate levels. STPS risk register has developed throughout the year. Relevant risks were shared with Pension Boards each quarter for awareness and query. There are no risks specific to STPS only.

The Executive Team key strategic risks for 2023/24 are as follows and considered below.

Key Strategic Risks

Key Risk	Impact	Key mitigating activity	Impact on risk of mitigating activities
Data: quality is not in a fit and proper state	Our ability to rely upon it to carry out our responsibilities and obligations is compromised.	Dedicated Data improvement lead appointed. Established data profiling for basic member records.	Identified the most 'at risk' data tables allowing controls to be focused here and increase confidence in quality of data in low risk tables.
Operational delivery: risk of failure to pay pensions accurately and on time.	Pensioners will not be paid leading to loss of confidence and reputational damage for the Agency. Failure to deliver our purpose, responsibilities and service level agreements with Scottish Government, The Pensions Regulator, members, and	Detailed and closely monitored operational delivery plans allow agile resource management. Developing demand forecasting for all in-flows of work. Additional contract contingency in place to reduce risk of serious	Resources are mobilised to priority areas in sufficient time to meet forecast demands and focus on processing pensions awards in priority order.

	employers.	system disruption.	
People capability: having the correct skills and experience in house to effectively meet today's and tomorrow's demands.	Our ability to meet the needs of our stakeholders and deliver our priorities will be compromised.	Staffing establishment/ budget in place. Recruitment and resourcing controls operational. People Transformation lead appointed.	Identification and prioritisation of core/critical skills support all recruitment, resourcing, and training decisions, maximising positive outcomes for teams and the SPPA.
People capacity: insufficient resources or inappropriate operating model	Failure to meet our vision, deliver improvements identified for the business and have a negative impact on colleague wellbeing.	Executive Team recruitment completed. Restructured Customer Services leadership team. Recruitment and resourcing controls in place.	Robust leadership at Executive level. Increased resilience and improved reporting lines from Executive Team through operational delivery teams.
Cyber	If SPPA do not meet baseline security requirements, the organisation would be exposed and vulnerable to a cyber-attack.	Working with colleagues in Scottish Government IT team to ensure network is maintained appropriately. Annual Cyber awareness sessions held. NIST cyber principles agreed and plan in place to deliver.	Provides tangible assurance of steps taken to comply with recognised standards and approaches. Provides an opportunity to identify areas for further improvement allowing enhanced

			actions to be taken.
2015 Remedy	SPPA would fail to provide dual RSS statements to members and associated follow-up work, resulting in members receiving incorrect pension payments and SPPA not meeting legislation requirements.	Programme governance in place, with detailed delivery plans and timetables for change. Contingency measures in place to ensure legislation requirements are met.	Provide tangible assurance steps to comply with legislation; ensuring suitable changes to SPPA policy, processes, systems, and training and included.
Annual Accounts	SPPA reputation would be damaged by not providing accurate accounts in timely manner.	Improvements to financial organisation structure, increased liaison meetings between SPPA and Audit Scotland, improvements to process documentation and training.	Provide assurances to internal and external stakeholders of lessons learnt from previous years' accounts and improve resilience in this area.
Oracle Fusion	SPPA ability to make payments to members, procurement and perform various internal HR functions would be compromised.	Project being managed by core Scottish Government, and SPPA continue to liaise closely with project team.	Involvement in work ensures SPPA can react pro-activity to changes in these platforms.
35 hr working week	SPPA effectiveness could be impacted.	Changes negotiated between core Scottish Government and relevant Trade Unions. Improved	Mitigation of work continues to develop, linking reduction into efficiency improvements

		processes for change of contracted hours.	in processes to ensure no reduction in quality/qualitative measures.
SPPA funding	Failure to work within reduced budgets from core Scottish Government could lead to internal/external scrutiny from stakeholders, regulatory/legislative impacts.	Root and branch review of spending, prioritisations, and allocation. Reviewing potential revenue raising methods for agency, including use of estate.	Mitigation through efficiency saving and continuous improvement, to provide assurances that core activities can function.

Developing our annual strategic view, we have streamlined the corporate risks to reflect the key challenges to delivery of the annual business plan. Our highest risks from 2023/24 were the delivery of two high-profile projects (data improvements and Remedy legislation). These risks are managed through Programme and Change boards with regular updates being provided to internal and external stakeholders (including Pension Boards and ARC).

Of equal note is the risk of failure to deliver our agency purpose – paying pensions accurately and on time – which we have referred to as failure of operational delivery. This high-level risk highlights the core function of agency and the importance in the actions and planning to achieve this.

Risks continue to be identified by workshop, business plan analysis or colleague feedback, with risk owners leading scoring and contextual discussion on the risks and controls. Risks are reviewed monthly at leadership level and a minimum of quarterly at operational level. Strategic risks, highest scoring of which are summarised above, are presented to all boards quarterly and are open to challenge.

Business Continuity

In 2023 we established a Business Continuity Working Group that includes members of the Estate and Environment team, the SPPA (Scottish Public Pensions Agency) Risk and Assurance manager and SPPA Data Protection and Information Governance Manager.

Within this group we have devised a Business Continuity Testing Strategy where we will carry out different tests of our business continuity plan over the coming year/s. The first test took place in February 2024 where we tested the SPPA on-call process and carried out theory-based interviews with the on-call staff as well as a practical test. There have been many lessons learned and we have looked at areas where we can improve the on-call process to ensure our staff have the experience and knowledge required in the event of an incident occurring during out of normal working hours.

In August 2023 we had representatives from Police Scotland Organised Crime and Counter Terrorism Unit deliver postal threats awareness training to members of the Estate and Environment Team. This was beneficial for members of the Estate and Environment team as they manage the mailroom function and all incoming and outgoing mail packages, and this training enabled the Estate and Environment team to look at current working practices and make improvements to reduce the likelihood, impact, and severity of a postal threat event.

In February 2024 members of the Estate and Environment Team updated the Business Continuity Alert Phase Document and distributed grab bags to Senior Managers which contained the Business Continuity Alert Phase Document and an updated contacts list. A presentation to all relevant people took place which outlined the process should a business continuity incident/event take place.

Throughout the year, all quarterly health and safety inspections and fire safety inspections of the building have taken place and been followed up with a quarterly health and safety committee meeting with representation from all areas of the workforce.

Our Incident Management Process has been successfully deployed throughout the year and we are rolling out further iteration and education, taking on board colleague and Pension Board feedback.

We have worked closely with Scottish Government Business Continuity function to ensure we are following best practice and are sighted on key conversations such as power supply monitoring and central network resilience.

Other points to note:

- We have increased the numbers of staff who have had Fire Marshal training to sixteen and this has included members of the NHS Borders vaccination hub who were involved in the successful Fire Evacuation tests carried out on the 19 July 2023 and 6 March 2024.
- We have increased the numbers of First Aid at Work trained staff to eighteen, which is a record number. This should improve our own resilience should there be an incident/accident that requires first aid.

- We have updated and tested our Groupcall (Emergency Telephonic alert system for staff) with the most recent test taking place in October 2023.
- In March 2024 four members of the Business Continuity Working Group travelled to the UK Government Emergency Planning College in York for the Introduction to Business Continuity course which is the first tranche of formal business continuity training members of the group have had. We aim to roll this training out to other members of the Business Continuity Working group in 2024/25.

Fraud

There have been two instances of fraud, internal or external, committed against the SPPA in 2023/24. There were no instances of fraud within teacher's scheme.

We have worked with Scottish Government Counter Fraud department to review concerns or unusual activity. We continue to develop and enhance the counter fraud presence within agency to support staff vigilance and reporting processes. This work will improve assurances in this area.

Whistleblowing reports

There were no cases in this financial year.

4.10 Audit

The Directorate for Internal Audit and Assurance's annual assurance report for 2023/24 gave the SPPA an overall Reasonable Assurance opinion meaning that the Agencies procedures are adequate and effective yet require some improvements to enhance further. DIAA found risk, governance and/or control procedures had weaknesses but not of a significant nature. The annual report recognises the improvements SPPA has made in engagement and proposes recommendations such as Workforce planning, Management Information, and periodic review of guidance.

The SPPA regularly engage with Internal Audit and Assurance, linking with Audit and Risk Committee to inform suggested plans for yearly audit assessments.

Audits are carried out on quarterly basis, with recommendations being provided following fieldwork and analysis of current working practices. Recommendations are then considered by SPPA directors to respond to each suggested action.

Throughout 2023/24, four audits were held with one high priority recommendation received (meaning serious risk exposure or weakness requiring urgent consideration).

The following audits during 2023/24:

IT Contract Management
This audit gave limited assurance and resulted in agency introducing monitoring and regularly reporting on supplier contracts, with regular reviews with procurement colleagues.

Transfer In and Out
This audit gave reasonable assurance, and supported agency embedding risk management policy and best practices in this area, improving and co-ordinating training and operational instructions in this area.

Performance Reporting
This audit was advisory, so no assurance marking was provided. This work helped inform agency of existing working practices in this area, including suggestions for further embedding of agency KPIs.

Pensioner PAYE Tax Compliance
This audit gave reasonable assurance from external audit partners (Ernst & Young), helping articulate the relationships between finance, operational colleagues and HMRC; informing and supporting agency conversations to improve this area in efficiency and effectiveness.

4.11 Data Assurance

An undertaking to report serious personal data breaches to the Scottish Government's Data Protection and Information Assets Team is outlined within a Memorandum of Understanding as agreed with Scottish Ministers.

During the reporting period, SPPA further implemented the recommended improvements resulting from a wider consensual audit of the Scottish Government by the Information Commissioner's Office (ICO). For the SPPA, High and Reasonable levels of assurance were reported for the two thematic areas of Governance and Accountability and Information Risk Management respectively.

Minimal risk personal data breaches (concerning the Teachers' Scheme) were reported internally to the Agency Data Protection Officer on five occasions during the reporting period– a decrease of two on 2022/23. No breaches met the threshold as being reportable to ICO. A step-by-step guide to handling breaches is available on the SPPA's internal intranet and is also included within an Incident Management Process and Business

Continuity Plan. It is designed to consider the consequences of a breach in order to minimise harm to the data subject and to put in place the appropriate corrective measures.

On an annual basis, all the SPPA's colleagues are required to undertake Data Protection, Counter Fraud and Security training. The provision of a new Scottish Government training portal has enabled additional compulsory training, such as email Phishing awareness, to be included.

4.12 Information Assurance

The SPPA's colleagues are reminded through the Agency's Information Assurance Strategy that it is their responsibility to know where information is held, how to retrieve it and to understand what can be shared. The Agency's Executive Team have been assigned Information Asset Owner responsibilities and undergo appropriate training and guidance to understand and address risks to information. This will ensure that information is fully used within the law and for public good which is confirmed in writing to the senior information risk owner annually. The Data Protection and Information Governance Manger monitors compliance with standards in the protection of information assets to enable the organisation to function effectively, safely, and securely.

Our Information Assurance Framework document evidences the actions, procedures and policies undertaken by the Agency to meet the standards and best practice guidelines set out by the HMG Security Policy Framework. This forms part of our strategic approach to Information

Assurance. The annual Information Assurance Maturity assessment demonstrates SPPA has maintained a steady state.

4.13 Health and Safety

Our approach to health and safety is a partnership between the SPPA Executive Team, our members of staff, our Health and Safety Committee and the Trade Unions. The agency consults with the Scottish Government Health and Safety branch, and we have our own competent and trained personnel to advise on all health and safety matters and safe working practices and keep our staff informed of any health and safety developments or changes that may affect them.

- We moved to a hybrid working model in November 2021 and our successful hybrid working plan was created using a collaborative approach between our partners and stakeholders. The hybrid working plan has evolved since its implementation and we have made changes to the office environment that will help our staff be safe and secure whilst on-site and have provided support and education for our people to ensure good practice and a safer environment when working from home.
- The Agency is committed to eliminating all accidents and incidents relating to staff and visitors to the building. Accident and incident reporting systems are in place including the reporting of near-miss incidents which are analysed, and any remedial actions required are actioned promptly to reduce the likelihood of an incident occurring.
- We strongly encourage our staff and visitors to report all accidents/incidents and near-miss incidents to help us improve our health and safety practices within our workplace and for staff working at home.

Incidents 2023/24

We had no near-miss incidents; however, we have had a total of six incidents/accidents. These were all minor incidents such as slips/trips/falls and minor injuries and any required first aid and remedial actions were taken immediately to ensure no further accidents/incidents.

Health and Safety Inspections

We have continued to carry out our quarterly workplace health & safety and fire safety inspections throughout the year with no major issues to report. The main issues we identified were predominantly housekeeping issues and minor repairs, all of which were addressed by our facilities maintenance contractor.

Fire Evacuation Test

We carried out two fire evacuation tests throughout the year and both were a success with the building fully evacuated within two minutes.

On our last fire evacuation, we had representation from NHS Borders who participated in the exercise after we had some of their supervisors receive the Fire Marshal training alongside our own staff here at SPPA. We found this to be a success and we will offer this opportunity to future co-location partners to ensure we continuously improve our health and safety and fire safety protocols.

Co-location

In 2023 we produced an Estate Strategy, and it was agreed that we would continue to share more of our space within the building with other Scottish Government departments and Non-Departmental Government Bodies (NDPBs) after a successful pilot scheme with NHS Borders and Scottish Enterprise. We are currently in discussions with other agencies and NDPBs with a view to increasing co-location within the SPPA building.

With the experience we have gained of working with NHS Borders and Scottish Enterprise as co-location partners we have enhanced and improved our Health and Safety protocols within the SPPA building.

Other points to note:

CCTV Upgrade: In November 2023 we upgraded our CCTV to improve our Security and align with the security system that the Scottish Government have installed throughout the Scottish Government estate. This will enhance our security and help keep our people safe and secure whilst on-site.

Health and Safety Committee: The Health and Safety committee continue to hold quarterly meetings and there is representation from all areas of the business within the group. Feedback, ideas, and knowledge is shared amongst the group, and we also provide training opportunities for Fire Marshal training, First Aid courses and de-fib training. We also work together to raise awareness on Health and Safety issues throughout the office and health and safety committee members cascade this to their respective teams.

First aid/wellbeing room: In January 2024, changes and improvements were made to the First Aid room to double up as a wellbeing room should there be a first aid incident/wellbeing issue where a member of staff can go and recuperate/recover should they have an incident or an issue that affects their wellbeing.

First aid at work training: We have increased our first aid at work trained staff to a record high of eighteen members of staff. This will increase our resilience and improve the preparedness in the event of an accident/incident that requires first aid treatment.

Mental health first aid training: In March 2024, three members of staff attended the Mental Health First Aid training. This should be of great benefit to the staff who have had the training and will also raise awareness of the support available should there be a member of staff or visitor have a mental health issue/incident.

Legionella training: In January 2024 ten members of the Health and Safety committee attended the Legionella Responsible Persons course.

IOSH Managing Safely: In December 2023, five members of the Estate and Environment Team attended the IOSH Managing Safely course, this increases the number of staff to seven who have had this training and goes a long way to improving our knowledge and resilience of health and safety throughout the Estate and Environment team.

4.14 Reliance on Experts

The Agency relies on the work of experts. This includes taking advice from the Government Actuary's Department on matters including, but not limited to, the annual assessment of the value of pension liabilities.

4.15 Best Value

The Accountable Officer has a duty to secure Best Value in the services the SPPA provides. Best Value principles are embedded in the Agency's planning, governance, and business decision arrangements. Feedback from events is compiled and communicated to colleagues through formal and informal communication channels and minutes of the Management Advisory Board, ARC and Pension Boards are uploaded onto the SPPA website for transparency.

The Agency uses a range of mechanisms to obtain feedback from its customers and stakeholders; this includes from our Pension Boards which have member and employer representatives, targeted groups (such as the British Medical Association Scotland), desk-top research and complaint feedback.

We are also involved in an industry benchmarking programme which allows us to compare our service and delivery with other pension providers. Together, all this information provides event driven feedback on services and service levels provided and is utilised by departments to look at opportunities to improve service delivery.

4.16 Written assurances

The Chief Executive has received detailed statements of the current position from all Heads of Department regarding the operation and effectiveness of internal controls in the areas for which they are responsible. The Chief Executive has received assurance from the Scottish Government's Director General: Corporate in respect of the Scottish Government's human resources, payroll and financial systems that are shared with the Agency. There have been no significant matters arising from these written assurance statements to highlight. The process follows generally accepted corporate best practices and relevant guidance in this area, none of which has materially changed in the last 3 years.

Stephen Pathirana

Stephen Pathirana
Accountable Officer
09 December 2024

Parliamentary Accountability Disclosures and Audit Report

5. Statement of Outturn Against Parliamentary Supply
(this section is subject to audit)

In addition to the primary statements prepared under International Financial reporting Standards (IFRS), the UK Government Financial Reporting Manual (FReM) requires SPPA to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Independent Auditor's Report.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Scottish Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

The format of the SoPS mirrors the Supply Estimate, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament has voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following:

- outturn detail by Estimate line, providing a more detailed breakdown (SoPS note 5.2)
- a reconciliation of net resource outturn to net operating expenditure in the SoCNE, to tie the SoPS to the financial statements (SoPS note 5.3)
- a reconciliation of net resource outturn to net cash requirement (SoPS note 5.4)
- an analysis of income payable to the Scottish Consolidated Fund (SoPS note 5.5).

5.1 SoPS Summary of Resource Outturn 2023/24

All figures presented in £M's

Managed Expenditure (AME)	SoPS note	Outrurn			Estimate			Out-turn v estimate, saving/(excess)		Prior year out-turn
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	2022/23
Budgeted resources	5.2	1,157	0	1,157	1,279	0	1,279	0	121	2,347
Total resources		1,157	0	1,157	1,279	0	1,279	0	121	2,347

Please note that the Figures in the Voted columns are the voted control limits voted by Parliament. Refer to the Supply Estimate guide manual, available on gov.uk, for detail on the control limits voted by Parliament.

Explanations of variances between Estimate and Outturn are given in 5.2 SoPS and 5.3 SoPS.

Net Cash Requirement 2023/24

All figures presented in £000's

	SoPS note	Outturn	Estimate	Outturn v Estimate, Saving	Prior year outturn 2022/23
Net cash requirement	5.4	181,844	189,857	8,013	220,428

Administration Costs 2023/24
All figures presented in £000's

	SoPS note	Outturn	Estimate	Outturn v Estimate, Saving	Prior year outturn 2022/23
Administration costs	5.4	0	0	0	0

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

Explanations of variances between Estimate and outturn are given in 5.2 SoPS and 5.3 SoPS.

5.2 SoPS Outturn Detail by Estimate Line

All figures presented in £millions

Annually managed Expenditure (AME)		**Resource outturn programme**			**Estimate**	**Outturn v Estimate**	**Prior year outturn**
							2022/23
	Gross	**Income**	**Net**	**Total**	**Total**		
Voted expenditure	2,288	(1,130)	1,157	1,157	1,279	121	2,347
Total resource	2,288	(1,130)	1,157	1,157	1,279	121	2,347

Accrued resources for the NHSPSS and Scottish Teachers' Pension Scheme are covered by one limit in the Budget (Scotland) Act 2020. In 2023/24 the combined accrued resources of £3,202.9 million were below the combined limit of £3,760.8 million. Refer also to the Report of the Managers on pages 4 to 17.

5.3 SoPS Reconciliation of net resource outturn to net operating expenditure

All figures presented in £000's

	Reference	Resource Outturn	Prior year outturn 2022/23
Total resource outturn	SoPS note 5.2	1,157,895	2,347,583
Less: income paid/ payable to the Scottish Consolidated Fund		0	0
Net operating expenditure in Consolidated Statement of Comprehensive net expenditure	SoCNE	1,157,895	2,347,583

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to but different from IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the financial statements.

5.4 SoPS Reconciliation of net resource outturn to net cash requirement

All figures presented in £000's

	Reference	Resource outturn	Estimate	Outturn v estimate, saving/ (excess)
Total resource outturn	SoPS note 5.2	**(1,157,895)**	**(1,279,278)**	**121,383**
Accruals to cash adjustments:				
Non-cash items		2,287,529	2,422,721	(135,192)
Movements in working balances		8,249	0	8,249
Use of provisions:				
Adjustment to reflect movement in premature retirement provision	Note 13	(479)	0	(479)
Adjustment to reflect movements in scheme liability: benefits payable and pension payments to and on account of leavers	Notes 11.3 & 11.4	(1,319,247)	(1,143,443)	(175,804)
Total		**976,051**	**1,279,278**	**(303,227)**
Funding (to)/from the Scottish Consolidated Fund		181,844	0	181,844
Net cash requirement		**0**	**0**	**0**

As noted in the introduction to the SoPS above, outturn and Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

5.5 SoPS Income payable to the Scottish Consolidated Fund

The cash requirement for the Scottish Teachers' Pension Scheme is part of the overall cash authorisation of the Scottish Government in the Budget (Scotland) Act 2020. In the year to 31 March 2024 there were no cash receipts in excess of budget (i.e. unapplied income) payable to the Scottish Consolidated Fund.

6. Losses and special payments

Losses Statement

	2023/24	2022/23
Total number of losses	869	190
Total value of losses (£)	119,298	12,739

Special payments statement

	2023/24	2022/23
Total number of losses	0	1
Total value of losses (£'000)	0	0.5

There were no individual losses or special payments greater than £300,000.

In March 2024 SPPA management took a decision to implement interim capacity-saving measures in response to the anticipated increase in workload stemming from the management of pension remedy adjustments.

As part of these interim measures, the SPPA decided to halt the calculation of overpayments to determine if they fall below the £250 small overpayment limit. Instead, SPPA will now calculate the balance of pension payments following a member's death to assess the cost-effectiveness of pursuing recovery. The cost to serve for this process amounts to approximately £70 per member.

Also, SPPA will now treat any member who has been overpaid up to 15 days after the date of death as a small non-recoverable overpayment. This will eliminate the need for individual calculations and streamline processes. The total amount of losses including cases written off after the balance sheet date (and included in the total above) is shown in the table above.

There were no special payments during 2023/24.

7. Independent auditor's report to the Scottish Public Pensions Agency, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Teachers' Pension Scheme for the year ended 31 March 2024 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and notes to the financial statements, including the Statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the scheme's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 13th August 2024. My period of appointment is four years, covering 2023/24 to 2026/27. I am independent of the scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the scheme. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the scheme's current or future financial sustainability. However, I report on the scheme's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the scheme's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland)

Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the scheme;

- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the scheme;

- inquiring of the Accountable Officer concerning the scheme's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the scheme's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and my auditor's report thereon.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Report of the Scheme Manager and the Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Report of the Scheme's Managers and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Scheme Manager for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public

Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Oliphant, FCPFA
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2024

		2023/24	2022/23
	Note	**£m**	**£m**
Income			
Contributions receivable	3	(1,125.9)	(1,000.5)
Transfers in	4	(4.7)	(3.9)
Capitalised receipts	13	0.0	(0.1)
		(1,130.6)	**(1,004.5)**
Expenditure			
Service costs	5	980.3	2,506.7
Enhancements	6	2.2	1.7
Transfers in – additional liability	7	4.7	3.9
Pension financing costs	8	1,300.4	839.3
Other expenditure	12	0.1	0
Premature retirement financing cost	13	0.8	0.4
Capitalised receipts	13	0.0	0.1
		2,288.5	**3,352.1**
Net expenditure for the year		**1,157.9**	**2,347.6**
Other comprehensive net expenditure			
Pension remeasurements:			
Actuarial (gains)/ losses	11.5	(3,326.7)	(24,137.1)
Increase/ (decrease) in premature retirement provision net of financing charge	13	0.0	(8.0)
Total other comprehensive net (income)/ expenditure		(3,326.7)	(24,145.1)
Total comprehensive net (income)/ expenditure for the year ended 31 March		**(2,168.7)**	**(21,797.5)**

The notes on pages 63 to 79 form part of these financial statements.

Statement of Financial Position as at 31 March 2024

		2024	**2023**
	Note	**£m**	**£m**
Current assets			
Receivables (within one year)	9.1	90.4	96.0
Current liabilities			
Payables (within one year)	10.1	(20.7)	(18.1)
Net current assets excluding pension liability		**69.7**	**77.9**
Provisions for liabilities and charges			
Premature retirement provision	13	(19.9)	(20.4)
Pension scheme liability	11.2	(29,141.7)	(31,500.0)
Net liabilities including pension liability		**(29,091.9)**	**(31,442.5)**
Taxpayers' equity			
General fund		(29,091.9)	(31,442.5)
		(29,091.9)	**(31,442.5)**

The notes on pages 63 to 79 form part of these financial statements.

Stephen Pathirana

Stephen Pathirana
Accountable Officer
09 December 2024

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

		2023/24	**2022/23**
	Note	£m	£m
Balance as at 1 April		**(31,442.5)**	**(53,460.5)**
Funding from the Scottish Consolidated Fund	SoPS 5.4	181.8	220.5
Combined net expenditure	SoCNE	(1,157.9)	(2,347.6)
Other comprehensive net expenditure	SoCNE	3,326.7	24,145.1
Net changes in taxpayers' equity		2,350.6	22,018.0
Balance as at 31 March		**(29,091.9)**	**(31,442.5)**

The notes on pages 63 to 79 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2024

		2023/24	2022/23
	Note	**£m**	**£m**
Cash flows from operating activities			
Net expenditure for the year	**SoCNE**	**(1,157.9)**	**(2,347.6)**
Adjustments for non-cash transactions:			
(Increase)/ decrease in receivables	SoFP	5.6	(12.1)
Increase/(decrease) in payables	SoFP	2.6	2.8
Movement in premature retirement:			
Provision	13	(0.5)	(8.7)
Net of financing cost	13	0.0	8.0
Movement in pension scheme liability:			
Service and financing cost	11.2	2,280.7	3,346.0
Enhancements and transfers in	11.2	6.9	5.6
Benefits paid	11.3	(1,316.5)	(1,211.1)
Refunds and transfers	11.4	(2.7)	(3.4)
Net cash outflow from operating activities		**(181.8)**	**(220.5)**
Cash flows from financing activities:			
Funding from the Scottish Consolidated Fund		181.8	220.5
Net financing		**181.8**	**220.5**
Increase/ (decrease) in cash and cash equivalents in the period		-	-

The notes on pages 63 to 79 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 March 2024

Accounts for the year ended 31 March 2024

1. Basis of preparation of the Scheme Financial Statements

The financial statements of the Scheme have been prepared in accordance with a direction given by the Scottish Ministers, and the relevant provisions of the 2023/24 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans are relevant to these statements.

In addition to the primary statements prepared under International Financial Reporting Standards, the FReM also requires the Scheme to prepare an additional statement – a Statement of Outturn against Parliamentary Supply. This statement, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 The Scottish Teachers' Pension Scheme (STPS)

STPS is an occupational pension scheme operated by the SPPA on behalf of teachers employed by Scottish Local Authorities, Further Education Colleges, Universities and Independent Schools who satisfy the membership criteria. From 1 April 2015 the Scottish Teachers Pension Scheme 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. The previous scheme closed to new members on 1 April 2015. Members nearing pension age with service in the old Scheme were given transitional protection.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by Scottish Ministers. The contributions partially fund payments made by the Scheme, the balance of funding being provided by UK Treasury through the annual Supply Estimates process and the Budget (Scotland) Bill. The administrative expenses associated with the operation of the Scheme are borne by and reported in the accounts of the SPPA.

The accounts of the Scheme show the financial position at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme. The Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements, and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that report.

The financial statements have also regard to the governing scheme legislation, Teachers' Pension Scheme (Scotland) (No. 2) Regulations 2014 as amended, and the Teachers' Superannuation (Scotland) Regulations 2005 as amended.

The new CARE Scheme and the existing Scheme (closed to new members) covered by the regulations above, are treated as one scheme for accounting purposes in these statements.

2. The Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent they are meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items that are considered material in relation to the Scheme financial statements.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these accounts requires the Scheme management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. The key estimates and judgements relate to the valuation of the pension scheme liability.

The liability as at the 31 March 2024 is £29.1 billion with the most significant financial assumptions being the discount rate, general earning increases and pension increases, currently based on CPI. A change in these assumptions by +0.5% could result in a net increase in the total liability of £0.3 billion. Further details are set out within the report of the actuary, Table H and Note 11.

Further estimation uncertainty arises in relation to legal cases where either the outcome or impact of the cases on the Scheme remain uncertain at the reporting date. Management has therefore applied judgement in estimating the most likely impact on the Scheme based on the best available information at the reporting date.

2.3 Contributions receivable

Employers’ normal contributions are accounted for on an accruals basis in the month to which the associated salaries and wages relate. There are no employers’ special pension contributions.

Employees’ contributions are accounted for on an accruals basis in the month to which the associated salaries and wages relate.

Employees’ contributions paid in respect of the purchase of added years are accounted for on an accruals basis, and additional pension contributions are accounted for on a cash basis. The associated increase in the scheme liability is recognised as expenditure.

Where scheme members make Additional Voluntary Contributions (AVCs) to secure additional pension benefits through the Scheme's approved suppliers these were directly invested through individual contracts with those suppliers. These additional contributions are not included in the financial statements but are shown separately in section 1.13 of the annual report. Please refer to section 1.12 of the annual report for further information on Scheme AVC providers.

2.4 Transfers in and out
Transfers in are accounted for as income and by representing the associated increase in the Scheme liability. Transfers out reduce the Scheme liability. Both are accounted for on a cash basis. Group transfers in and out may be accounted for on an accruals basis where the Scheme has formally accepted or transferred a liability.

2.5 Other pension income
Other pension income includes refunds of Contributions Equivalent Premiums (CEP) and miscellaneous income. These are accounted for on a cash basis. To the extent that this income also represents an increase in the Scheme liability, it is also reflected in expenditure.

2.6 Current service cost
The current service cost is the increase in the present value of the Scheme liabilities arising from the current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The cost is calculated by applying the Scheme standard contribution rate to pensionable pay, which is imputed from the employers' contributions received.

2.7 Past service costs
Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period because of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the Statement of Comprehensive Net Expenditure on a straight-line basis over the period in which the increase in benefit vests.

2.8 Interest on scheme liabilities
The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The interest cost is based on a nominal discount rate 4.15% (2022/23 1.55%). The interest cost is determined by applying the nominal discount rate of 4.15% to the value of the Scheme liabilities at the beginning of the year, and to one half of the value of the movement in the liabilities during the year (excluding the interest charge and actuarial gains

and losses). This is based on the assumption that the increase or decrease accrues evenly during the year. The nominal discount rate increased to 5.10% from 31 March 2024.

2.9 Other expenditure

Other expenditure is accounted for on an accruals basis.

2.10 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit credit method and is discounted based on the nominal discount rate of 5.10%.

Further details of the financial assumptions used are set out at Note 11 to these accounts and in the Report of the Scheme's Actuary on pages 18 to 24.

For the purposes of IAS26 accounting, full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions. The assessment of the Scheme liability as at 31 March 2024 has been carried out by rolling forward the liability from the funding valuation at 31 March 2020.

2.11 Pension benefits payable

Pension benefits payable due to age, ill health retirements, and voluntary early retirement are accounted for as a decrease in the Scheme liability on an accruals basis.

2.12 Pension payments to those retiring at their normal retirement age

On retirement at normal retirement age, the member receives an annual pension and a lump sum or lump sum option. These transactions are accounted for as a decrease in the Scheme liability on an accruals basis.

2.13 Pension payments to, and on account of, leavers before their normal retirement age

Where a member of the Pension Scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the Scheme liability on a cash basis. Members with more than two years of service at the point of leaving can either transfer the value of their service to another pension scheme or preserve their accrued pension for payment at retirement age. These transfers are accounted for on a cash basis.

2.14 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.15 Actuarial gains and losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Statement of Comprehensive Net Expenditure for the year.

2.16 Accounting policies for the Scottish Teachers' Pension Scheme (STPS)

Compensation for Premature Retirement Scheme

Compensation payments for the costs of service enhancements for staff leaving before their normal retirement age are met by employers. For administrative purposes, benefits are paid to the member and the employer is subsequently re-charged for the costs. Except where stated otherwise below, the accounting policies outlined at Note 2 apply.

Employers have the option to capitalise the early retirement costs of employees. This transfers liability for payment to the pension scheme. Liability is discharged as benefits are paid. The premature retirement provision is valued annually using longevity factors based on the current Treasury discount rate to take account of the Net Present Value (NPV) of cash flows in the intervening year. The financing charge is based on a nominal discount rate of 4.15%. In practice, the financing charge is determined by applying the discount rate to the value of the early retirement liabilities at the beginning of the year, and to one half of the value of the movement in the liabilities during the year. There is a £0.5 million decrease in the premature retirement provision liability because of the revaluation and other adjustments (see note 13).

2.17 Provisions

IAS 37 Provisions, Contingent Liabilities and Contingent Assets applies in full, and in these accounts, provisions are made for legal or constructive obligations which are of uncertain timing or amount at the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation. Where material, they have been discounted using the appropriate discount rate as prescribed by HM Treasury.

2.18 Funding

The STPS participates in the Scottish Government's corporate cash account, which meets scheme expenditure when required.

2.19 Changes in Accounting Standards

All new standards issued, and amendments made to existing standards are reviewed by the Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable.

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts and is expected to be effective for accounting periods beginning on or after 1 January 2023, following an IASB decision to defer the effective date by one year. Mandatory adoption of IFRS 17 in central government is expected to be from financial year 2025-26 subject to the exposure draft consultation process with government entities and Financial Reporting and Advisory Board (FRAB) approval of the final application guidance. Some interpretations and adaptations are likely to be necessary to fit IFRS 17 effectively to public sector conditions. IFRS 17 is not expected to have an impact on the accounts as there are currently no insurance contracts in place.

3. Pension contributions receivable

		2023/24	2022/23
		£m	£m
Employers		(793.9)	(706.5)
Employees:			
Normal		(329.7)	(292.3)
Purchase of additional pension		(2.3)	(1.7)
		(1,125.9)	**(1,000.5)**

4. Pension transfers in

		2023/24	2022/23
	Note	£m	£m
Pension transfers in from other schemes	7	(4.7)	(3.9)
		(4.7)	**(3.9)**

5. Service cost

		2023/24	2022/23
	Note	£m	£m
Current service cost	11.2	980.3	2,506.7
		980.3	**2,506.7**

6. Enhancements

	Note	2023/24	2022/23
Employees:		**£m**	**£m**
Purchase of additional pension	3 & 11.2	2.3	1.7
		2.3	**1.7**

7. Transfers in - additional liability

	Note	2023/24	2022/23
		£m	**£m**
Individual transfers in from other schemes	4	4.7	3.9
		4.7	**3.9**

8. Pension financing cost

	Note	2023/24	2022/23
		£m	**£m**
Net interest on defined benefit liability	11.2	1,300.4	839.3
		1,300.4	**839.3**

9. Receivables – contributions due

Employers are responsible for the payment to the Scheme of both employer and employee contributions. Contributions relating to one month should be paid over by the employer by the 19th of the following month. Employers are also responsible for paying contributions relating to premature retirements where the employer is responsible for any enhancement to the member pension.

9.1 Analysis by type

		2023/24	2022/23
		£m	**£m**
Amounts falling due within one year:			
Pension contributions due from employers		62.9	64.3
Employees’ normal contributions		26.4	27.0
Employees’ purchase of additional pension		0.2	0.1
Cash in transit		0.0	3.8
Other receivables		0.9	0.8
		90.4	**96.0**

9.2 Intra-government balances

		2023/24	2022/23
		£m	**£m**
Amounts falling due within one year:			
Balances with other central government departments		0	3.9
Balances with local authorities		77.5	78.5
Balances with non-governmental bodies		12.9	13.6
		90.4	**96.0**

10. Payables

10.1 Analysis by type

		2023/24	2022/23
		£m	**£m**
Amounts falling due within one year:			
Pensions		(4.4)	(4.8)
Tax due to HM Revenue and Customs		(16.3)	(13.3)
		(20.7)	**(18.1)**

10.2 Intra-government balances

		2023/24	2022/23
		£m	**£m**
Amounts falling due within one year:			
Balances with other central government bodies		(16.3)	(13.3)
Balances with non-governmental bodies		(4.4)	(4.8)
		(20.7)	**(18.1)**

11. Provision for pension liabilities

11.1 Assumptions underpinning the provision for pension liability

11.1.1 An actuarial report by the Government Actuary's Department (GAD) was received for the accounting year ended 31 March 2024. An actuarial valuation of the scheme for resource accounting purposes has been carried out as at 31 March 2024. The assessment of the pension liability as at 31 March 2024 has been carried out by rolling forward the liability from the funding valuation at 31 March 2020. The assessed actuarial liability as at 31 March 2024 is £29.1 billion. This compares to the liability of £31.5 billion as at 31 March 2023.

The Statement by the Scheme's Actuary on pages 21 to 27 sets out the scope, methodology and results of the work the Actuary has carried out.

11.1.2 The main financial assumptions used for the assessment are prescribed by HM Treasury. The demographic and other assumptions adopted are the responsibility of SPPA on behalf of Scottish Ministers, having regard to both the FReM and advice from the Actuary.

The key assumptions used by the Actuary were:

As at 31 March	2024	2023	2022	2021	2020
Financial assumptions					
Rate of increase in salaries	3.55%	3.65%	4.15%	3.72%	4.10%
Inflation assumptions	2.55%	2.40%	2.90%	2.22%	2.35%
Discount rate	5.10%	4.15%	1.55%	1.25%	1.80%
Life expectancy (years) - current pensioners					
Males (age 60)	26.9	26.8	27.0	26.9	26.8
Males (age 65)	22.1	22.0	22.1	22.0	22.0
Females (age 60)	29.2	29.1	29.0	29.0	28.9
Females (age 65)	24.2	24.1	24.1	24.0	23.9
Life expectancy (years) - future pensioners*					
Males (age 60)	28.6	28.5	28.7	28.6	28.5
Males (age 65)	23.7	23.6	23.7	23.6	23.6
Females (age 60)	30.7	30.7	30.6	30.5	30.4
Females (age 65)	25.7	25.6	25.6	25.5	25.4

** The life expectancy from age 60 or 65 of future pensioners will depend on their current age. This table shows the life expectancy from age 60 for future pensioners currently aged 40 and from age 65 for future pensioners currently aged 45. In all cases, life expectancies relate to members retiring in normal health.*

Future improvements in mortality are now assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019, which leads to a small reduction in life expectancies. The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics (refer to Statement by the Actuary section 2.26).

Long-term price inflation is assumed to be 2.55% per annum. The above assumptions mean that the gross rate of investment return is assumed to be approximately 5.10% per annum, and salary inflation close to 3.55% per annum.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The Actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Agency acknowledges that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability. Conversely, a fall in the assumed rate of salary increase will result in a lower pension liability.

11.1.3 The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary's Department. The inflation assumption reflects the long-term assumption for the CPI used in Treasury forecasting. The rates are set out in the table in note 11.1.2. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

11.1.4 In accordance with IAS 19, the Scheme Managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analysis, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis, are included in the analysis of the pension liability below and in the Statement by the Actuary.

Analysis of scheme liability

11.1.5 The following table show the scheme liability as at 31 March 2024, approximately split by active members, deferred pensioners and current pensioners. Corresponding figures as at 31 March 2023 are provided for comparison.

Present value of actuarial liabilities in respect of:	2024 £billion	2023 £billion	2022 £billion	2021 £billion	2020 £billion
Active members	12	14.9	31.9	29.8	25.2
Deferred pensions	1.1	1.5	2.6	2.3	2.1
Pensions in payment	16.0	15.1	19.0	16.1	16.2
Total liabilities	**29.1**	**31.5**	**53.5**	**48.2**	**43.5**

11.1.6 Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. These variables include not only the key financial assumptions noted in table in note 11.1.2, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

11.1.7 The value of the Scheme liability included in the Statement of Financial Position may be significantly affected by even small changes in assumptions. If, for example, at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation, the value of the pension scheme liability will increase or decrease. The Agency accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future scheme liability charged or credited for the financial year, resulting from changes in assumptions, is disclosed in notes 11.5 and 11.6. The notes also disclose "experience" gains or losses for the financial year, showing the amount charged or credited because events have not coincided with assumptions made for the last valuation. A sensitivity analysis for each significant actuarial assumption as at the date of the Statement of Financial Position is included in table H in the Statement by the Actuary.

The principal financial assumptions are:
- the discount rate
- general earning increases
- pension increases (currently based on CPI).

A key demographic assumption is pensioner mortality.

Table H in the Statement by the Actuary shows the indicative effects on the total Scheme liability as at 31 March 2024 of changes to these assumptions (rounded to the nearest 0.5%).

The Scheme liability is very sensitive to the assumed discount rate, but this is primarily because changing the discount rate in isolation also changes the rate net of pension increase and earnings. If assumptions for pensions and earnings were increased at the same time, then the impact on the Scheme liability would be small.

Higher pension increases have a substantial effect because this has an impact on all categories of members. If pension increases were assumed to be 0.5% higher, then this would increase the total actuarial Scheme liability by about 6.5% (see table H of the Statement by the Actuary). The impact of changes in pensioner mortality assumptions are also significant.

The sensitivities detailed in table H within the Statement of the Actuary show the change in assumptions in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

11.2 Analysis of movements in the Scheme liability

The table below provides an analysis of the movement in the scheme liability over the year 2023/24 as well as an analysis of the actuarial gain/ (loss) over the year 2023/24.

		2023/24	**2022/23**
	Note	**£m**	**£m**
Scheme liability as at 1 April		**(31,500.0)**	**(53,500.0)**
Current service cost	5	(980.3)	(2,506.7)
Pension financing cost	8	(1,300.4)	(839.3)
		(2,280.7)	**(3,346.0)**
Enhancements	6	(2.3)	(1.7)
Pension transfers in	7	(4.7)	(3.9)
		(7.0)	**(5.6)**
Benefits payable	11.3	1,316.5	1,211.1
Pension payments to and on account of leavers	11.4	2.7	3.4
		1,319.2	**1,214.5**
Actuarial gain/ (loss)	11.5	3,326.7	24,137.1
Scheme liability as at 31 March		**(29,141.8)**	**(31,500.0)**

During the year ended 31 March 2024, contributions represented an average of 32.6% of pensionable pay (2022/23 32.5%).

11.3 Analysis of benefits paid

	2023/24	**2022/23**
	£m	**£m**
Pensions to retired employees	1,111.5	1,018.1
Pensions to dependents	67.7	59.4
Lump sum benefits on retirement	137.3	133.6
Per Statement of Cash Flows	**1,316.5**	**1,211.1**

11.4 Analysis of payments to and on account of leavers

	2023/24	2022/23
	£m	£m
Refunds to members leaving service	0.6	0.4
Individual transfers to other schemes	2.1	3.0
Per Statement of Cash Flows	**2.7**	**3.4**

11.5 Analysis of actuarial gain/(loss)

	2023/24	2022/23
	£m	£m
Experience (loss) arising on the scheme liabilities	(973.3)	(2,662.9)
Changes in demographic assumptions	100.0	300.0
Changes to financial assumptions as at 31 March	4,200.0	26,500.0
Per Statement of Comprehensive Net Expenditure	**3,326.7**	**24,137.1**

Scheme liabilities are calculated by reference to assumptions, which are set with regard to the actual experience of the Scheme, taking account of known future changes. Actual scheme experience will usually be different; for example, rates of staff turnover, mortality and salary progression are unlikely to be exactly as assumed. The actuarial gain/loss shows the financial impact of actual experience being different from that assumed.

11.6 History of actuarial gains/(losses)

The table below shows the experience gain (loss) and actuarial gain (loss) over the year 2023/24 expressed as a percentage of the scheme liability as at 31 March 2024.

	2023/24	2022/23	2022/21	2021/20	2019/20
Experience gain arising on the scheme liabilities					
Amount (£m)	(973.3)	(2,662.9)	128.50	659.10	658.40
Percentage of the present value of the scheme liabilities	(3.3%)	(8.6%)	(0.0%)	1.0%	2.0%
Total amount recognised in the Statement of changes in Taxpayers' equity:					
Amount (£m)	**(3,326.7)**	**24,137.1**	**(3,671.5)**	**(3,240.9)**	**(5,491.6)**
Percentage of the present value of the Scheme liabilities	**11.4%**	**76.5%**	**(7%)**	**(7%)**	**(13%)**

12. Other expenditure

	2023/24	2022/23
	£m	**£m**
Other expenditure	0.1	0.0
	0.1	**0.0**

13. Movement in premature retirement provision

	2023/24	2022/23
	£m	**£m**
Balance as at 1 April	**(20.4)**	**(29.1)**
Capitalised receipts	0.0	(0.1)
Capitalised pension payments	1.3	1.2
Financing cost	(0.8)	(0.4)
(Increase)/ decrease in premature retirement provision net of financing cost	0.0	8.0
Balance as at 31 March	**(19.9)**	**(20.4)**
Movement in premature retirement provision	**0.5**	**8.7**

14. Contingent liabilities

Additional Voluntary Contributions

In the unlikely event of default by an approved provider of AVCs, the Scottish Ministers will guarantee pensions in payment. This guarantee does not apply to members who use their accumulated AVC investment to purchase pension provision from a non-approved provider nor to members who have invested in a FSAVC. No provision has been made in these accounts in respect of the pension payments guarantee.

Guaranteed Minimum Pension (GMP) - Cash Equivalent Transfer Values (CETVs)

As a result of the court ruling of 20 November 2020 that scheme trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation has been achieved and members received their full entitlement, this may result in additional top-ups where members did not receive their full entitlement. The ruling may require the STPS revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs is yet to be determined, and the potential impact has yet to be established (i.e. for those who took a CETV and are in scope for a top up).

Teachers' Reduced Pay Employer Contribution Overpayments

SPPA is currently addressing an issue relating to the overpayment of pension contributions by several employers for Scheme members during periods when the members were on reduced pay such as maternity leave or sick leave. The agency has identified and addressed the potential source of the issue and is currently establishing the scale of the breach to plan remedial action and has reported this to the Pension Regulator (TPR) in October 2021.

Scheme Pension Overpayments

A further contingent liability has been noted in respect of historic overpayments of Scheme pensions that may be written off during 2024-25.

15. Related party transactions

The STPS falls within the limits of the Scottish Government which is regarded as a related party. During the year, the Scheme has had material transactions with teachers' employers and Scottish Government departments whose employees are members of the Scheme. None of the managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

16. Losses

During the financial year the recovery of some pension overpayments were terminated as the cases were uneconomic to pursue further. In other cases, recovery action was not initiated because the individual overpayments were below a set 'de minimis' limit used when assessing whether cases were uneconomic to pursue.

	2023/24	2022/23
Number of losses cases	869	190
	£	**£**
Total loss	**119,218**	**12,739**
Consists of:		
Below de minimis limit	13,769	4,069
Uneconomic to pursue further/ other reasons as per SPFM	105,529	8,670
	119,298	**12,739**

There were no individual losses or special payments in excess of £300,000 which would require separate disclosure during the year to 31 March 2024, or that have been recognised since that date.

17. Financial instruments

As the cash requirements of the STPS are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the STPS's expected purchase and usage requirements and the STPS is therefore exposed to little credit, liquidity or market risk.

18. Events after the reporting period

No material event has occurred after the year end which had a bearing on the accounts.

19. Accounts Authorisation

The Accountable Officer authorised these financial statements for issue on

SCOTTISH TEACHERS' PENSION SCHEME

DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the

Public Finance and Accountability (Scotland) Act 2000

1. The Scottish Public Pensions Agency shall prepare the statement of accounts for the financial year ended 31 March 2016 and subsequent years in respect of the Scottish Teachers' Pension Scheme in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the state of affairs of the pension Scheme at the end of the financial year and of the net outgoings and cash flows for the financial year then ended.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 17 January 2006 is hereby revoked.

Signed by the authority of the Scottish Ministers Dated 17 October 2016