



Scottish Public  
Pensions Agency  
Buidheann Peinnseanan  
Poblach na h-Alba

# NHS Pension Scheme (Scotland)

Annual Report and  
Accounts 2024/25



Presented to the Scottish Parliament  
under Section 22(5) of the Public  
Finance and Accountability  
(Scotland) Act 2000.

SG/2026/5:

NHS Pension Scheme (Scotland)  
(NHSPSS) 2024/25 Annual Report  
and Accounts



Scottish Government  
Riaghaltas na h-Alba

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# Scottish Public Pensions Agency



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The Scottish Public Pensions Agency (SPPA) is responsible for the administration, on behalf of Scottish Ministers, of the NHS Pension Scheme (Scotland) (NHSPSS). Members comprise NHS employees of all types (for example, hospital consultants, nurses, porters, and administrators) employed by Health Boards and a range of smaller employers, as well as General Medical Practitioners, their staff, and Dental Practitioners. The costs of administering the Scheme are not included within these accounts. These costs are reported in SPPA's annual report and accounts, which are published on the SPPA website - [Scottish Public Pensions Agency home page | SPPA](#)

The Agency also administers payments of compensation benefits due to NHS employees where their employers have capitalised their liability for these payments. The NHS Premature Retirement Compensation Scheme for Scotland is administered by the Scottish Government Directorate of Health and Social Care, but capitalised liabilities are transferred to the NHSPSS and administered by the SPPA.





# Accountability Report



# Corporate Governance Report

## 1. Report of the Scheme Manager

### 1.1 Introduction

This report provides a summary of the arrangements which ensure the NHSPSS is managed in accordance with legislative guidelines and provides information to aid understanding.

There is a range of information about the NHSPSS available on the [SPPA website](#).

### 1.2 Managers and advisors

Managers	
Agency Accountable Officer	Stephen Pathirana Chief Executive Scottish Public Pensions Agency 7 Tweedside Park Galashiels TD1 3TE
Scheme Administrator	Frances Graham to January 2025 Chris Nairns from January 2025 Chief Operating Officer Scottish Public Pensions Agency 7 Tweedside Park Galashiels TD1 3TE

Advisors

Scheme Actuary

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Legal advisors

Scottish Government Legal Directorate  
The Scottish Government  
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External auditor

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Audit Director  
Audit Scotland  
4th Floor,  
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### 1.3 Background to the Scheme

The NHSPSS is a statutory, defined benefit unfunded public service pension scheme set out in three 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, the NHSPSS, was introduced from 1 April 2015 (the 2015 scheme). Prior to this, the NHSPSS was a final salary scheme set out in two sections (the 1995 section and the 2008 section). Although both sections provide final salary benefits there are differences in the normal pension age, benefit accrual, lump sum provisions and other aspects.

Following the 2015 reforms, all new members from 1 April 2015 joined the 2015 Scheme but those final salary scheme (1995 and 2008 section) members who were within 10 years of their normal retirement age as at 1 April 2012 were fully protected and allowed to remain in their existing scheme. Those members who as at the 1 April 2012 were between 10 years and 13 years 5 months of their retirement date received protection against the changes on a tapered basis. They moved to 2015 Scheme 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 2015 Scheme from 1 April 2015.

These transitional protection arrangements were later 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 remedy 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 2015 scheme and the 1995 and 2008 sections provide a pension on retirement and a tax-free lump sum option. The 1995 section provides a pension based on 1/80th of each year of a member's final pensionable pay for each year of service, plus a lump sum of three times the pension. The 2008 section provides a pension based on 1/60th of final pay (or the best of the last ten years' pay) for each year of service. Generally, up to 25% of the capital value of the pension may be commuted to a lump sum on 1:12 basis. In the 2015 scheme, pension accrues on a different basis, of 1/54th of pensionable earnings each year, revalued annually by Consumer Price Index (CPI) +1.5%. Again, at retirement, some of the pension can be commuted to a lump sum. Both the 2015 scheme and 1995 and 2008 sections provide benefits on death for members' families or their dependants. Scheme members also have the option to transfer their pension between the NHSPSS and another scheme when they move into or out of NHS employment 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.

## Scheme Governance

The 2013 Act, which introduced the 2015 reforms, also required new scheme governance arrangements to be established. The 2015 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 pension scheme in line with scheme and other 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 Scottish Ministers, with the Minister for Public Finance having responsibility for devolved public service pensions.

Both Boards met regularly during 2024/25, 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

Member contribution rates in place from 1 April 2024 are shown in table 1 below. As a result of the reform of the member contribution structure, the contribution rates changed from 1 October 2024 to the rates detailed in table 2.

**Table 1 - Used in respect of members in pensionable employment on the last day of the previous scheme year and the first day of that current scheme year.**

Pensionable earnings band in 2023/24	Contribution percentage rate from 1 April 2024
Up to £13,330	5.7%
£13,331 to £25,367	6.1%
£25,368 to £30,018	6.7%
£30,019 to £37,663	8.2%
£37,664 to £37,830	9.8%
£37,831 to £39,497	10.0%
£39,498 to £48,009	10.8%
£48,010 to £51,954	11.3%
£72,657 and above	13.7%

**Table 2 - This table applies to any member who starts a new job or whose annual rate of pensionable pay changes during the current scheme year.**

<b>Pensionable earnings band in 2024/25</b>	<b>Contribution percentage rate from 1 April 2025</b>
Up to £13,330	<b>5.7%</b>
£13,331 to £26,762	<b>6.4%</b>
£26,763 to £31,669	<b>7.0%</b>
£31,670 to £39,734	<b>8.7%</b>
£39,735 to £41,669	<b>9.8%</b>
£41,670 to £50,650	<b>10.5%</b>
£50,651 to £54,811	<b>11.2%</b>
£54,812 to £76,652	<b>11.6%</b>
£76,653 and above	<b>12.7%</b>

### Employer contributions

The latest valuation of the NHSPSS, the 2020 valuation,<sup>1</sup> based on data as at 31 March 2020, confirmed that an increase in the employer contribution rate from 20.9% to 22.5% 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.

<sup>1</sup> [2020\\_NHS\\_Valuation\\_Results\\_Report.pdf](#)

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.

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

NHS staff, including General Medical and Dental Practitioners employed by Scottish Health Boards, and a range of smaller employers including General Medical Practices, are eligible to join the Scheme. There were 843 employers as at 31 March 2025.

## 1.6 Changes to the Scheme

During 2024/25, legislative changes affecting the operation of the NHSPSS were made by Scottish Statutory Instrument (SSI), including:

### McCloud 2015 Remedy

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 on 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, requires 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 NHSPSS schemes through the National Health Service 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 National Health Service Pension Schemes (Remediable Service) (Scotland) Regulations 2023, which came into force on 1 October 2023. These regulations provide for:

- The return of all eligible service that members have in the 2015 Scheme during the remedy period back into the 1995/2008 Section on 1 October 2023 – this is known as ‘rollback’
- Eligible active and deferred scheme members to be given a choice at retirement, through a Deferred Choice (DC) election, to receive the pension benefits in the reformed pension scheme, instead of the legacy scheme, for any pensionable service built up during the remedy period
- Eligible members who have already retired, including representatives of deceased members, to be given an ‘Immediate Choice’ (IC) between legacy scheme and new scheme benefits.

### **Remediable Service Statements (RSS)**

Under the 2023 regulations, all remedy eligible members are to be provided with a remediable service statement (RSS) by the scheme manager, ensuring that they have sufficient information to make an informed choice about which benefits they wish to receive for their remediable service.

Active and deferred members of the scheme are to receive their first Annual Benefit Statement (ABS) RSS by 1 April 2025 or such later date as the scheme manager considers reasonable after considering the circumstances of a particular member or class of members. The ABS-RSS will give benefit information based on the member’s remediable service in the legacy scheme, and the 2015 scheme, for the remedy period.

Where an active member provides the scheme manager with a notification that they are intending to retire after 1 October 2023, they are to be given a Deferred Choice on which benefits they wish to take. Like for the Annual RSS, the scheme manager has until 1 April 2025 to begin providing Deferred Choice Remediable Service Statement (DC-RSS) to retiring members. The information provided in the DC-RSS will enable the active or deferred members to make a deferred choice election about which set of benefits they wish to receive in respect of their remediable service.

For members who retired before 1 October 2023, the scheme manager is required to provide an Immediate Choice Remediable Service Statement (ICRSS) within 18 months of 1 October 2023 (1 April 2025) or such later date as the scheme manager considers reasonable after considering the circumstances of a particular member or class of members.

The IC-RSS will explain how taking benefits from the alternative scheme could affect the benefits that members are already receiving. Included will be details on any under or overpayments that would occur if an election for alternate scheme benefits is made for the remediable service.

Finally, for members subject to the McCloud remedy and affected by Annual Allowance pension tax, the scheme manager is required to recalculate Annual Allowance to reflect members' service now being in the legacy scheme for the remedy period. The growth (pension input figure) for the legacy scheme Annual Allowance will be revised to reflect the additional service in the remedy period.

Affected members will be issued with a Remediable Service Pension Savings Statement (RSS-PSS) for the tax years during the remedy period. This Statement will include recalculated pension input amount for the remedy period tax years and confirmation (where applicable) of the pension input amounts for the previous four tax years, 2014/15, 2013/14, 2012/13 and 2011/12.

The UK government introduced The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 (the '2023 tax regulations') which modify existing pensions tax legislation to make a number of technical changes to the tax treatment of those impacted by the remedy.

The 2023 tax regulations provided that members did not have to report any Annual Allowance charge for 2022/23 on their Self-Assessment Tax Return. The deadline for scheme managers to provide RSS-PSS for the remedy period and 2022/23 to 2023/24 was extended to 6 October 2024.

The SPPA worked throughout 2024/25 to provide Remediable Service Statements to members by the respective deadlines noted above. However, these deadlines were not met. Details of the NHSPSS scheme's McCloud Remedy performance are available in the section titled McCloud Remedy Performance Statement (as at March 2025).

### **McCloud Remedy Performance Statement (as at 31 March 2025)**

Under the Public Service Pensions and Judicial Offices Act 2022, SPPA was required to issue Remediable Service Statements (RSS) to all eligible NHSPSS members by 31 March 2025.

### **Performance Against Statutory Targets**

Immediate Choice Members (retired before remedy): As at 31 March 2025, 11 RSS had been issued to NHSPSS' scheme members.

**Deferred Choice Members (active/deferred):**

RSSs were not yet available at retirement for NHSPSS' scheme members as of the statutory deadline.

**Annual Benefit Statements (ABS):**

On 22 May 2025, SPPA reported that 8,026 Annual Benefit Statements – Retirement Savings Statements (ABS-RSS) were not issued by the 30 April deadline. Rectification was completed by 31 August 2025, with member letters sent in June.

**Record Amendments:**

SPPA was unable to complete all retrospective amendments to NHSPSS' pension records by 31 March 2025.

**Use of Discretion and Extensions**

SPPA formally notified TPR on 14 April 2025 that it was exercising discretion under Section 29(10)(b) of the Act to extend RSS deadlines. This was done in accordance with statutory provisions, with reasons documented and members informed.

**Initial Revised Target: 31 October 2025.**

**Further Revised Target:** The revised target is for all RSS statements to be issued by 31 July 2028, although SPPA anticipates that the vast majority will be delivered well in advance of this deadline.

**Performance Expectations for 2025/26**

SPPA will continue to:

- Prioritise less complex cases and members most at risk Ensure accuracy and consistency in RSS delivery Maintain transparent communication with members and stakeholders Target dates will be reviewed regularly and adjusted as needed to reflect operational realities and member needs.

**Employee Contribution Rates from 1 October 2024**

On behalf of Scottish Ministers, the SPPA published a consultation response in September 2023 on changes to member contribution structure in the NHSPSS.

The changes were necessary to ensure the correct level of contribution income was being received by the scheme, as required by HM Treasury. Other changes were also required to ensure the contribution structure was suitable for the

NHS Pension Scheme 2015 which is a Career Average Revalued Earnings (CARE) scheme. All members have been part of the CARE Scheme since 1 April 2022.

The consultation response confirmed the introduction of changes to the structure by rebalancing contribution rates and narrowing the range of contribution tiers, assessing contribution rates based on actual pay rather than whole-time equivalent, and changing the approach to increasing tier boundaries in line with AfC pay awards. It was proposed to implement the changes using a phased approach over two years.

This phased implementation aimed to minimise opt-outs and reduce the impact on take-home pay for members, while ensuring that the required contribution changes were implemented in a timely manner.

The second and final phase of these reforms, was introduced from 1 October 2024, and completed the planned adjustments to the member contribution structure.

### **Removal of abatement provisions for special class status (SCS) members who return to work**

The NHSPSS rules placed certain restrictions on the earnings and working commitments of some retired and partially retired staff who return to NHS employment. These rules had been suspended since March 2020, as part of temporary amendments initially introduced by the Coronavirus Act 2020. SPPA's consultation response published on 21 October 2022, confirmed that abatement for SCS members in the 1995 Section of the scheme would remain suspended until 31 March 2025.

From 1 April 2025, abatement for SCS members was permanently removed from scheme and the NHS Superannuation Scheme (Scotland) Regulations 2011, with the aim of increasing staff capacity in NHS Scotland by permanently removing restrictions on earnings.

### **Changes to the Pensionability of overtime for staff who work part-time**

From 1 October 2023, the Scottish Government introduced a new partial retirement option for members of the 1995 Section of the NHSPSS. This facility allows members to partially retire and claim up to 100% of their 1995 Section benefits while continuing to work and accrue further pension in the 2015 Scheme.

Scheme regulations were retrospectively amended, from 1 April 2024, to confirm that "overtime" is non-pensionable. The definition of overtime was updated to confirm that any additional hours worked beyond a member's contracted hours is considered overtime and therefore non-pensionable.



However, any additional hours worked by part-time employees above their contracted hours, up to whole-time equivalent hours, would be pensionable.

For members who have taken partial retirement in the last 12 months, including part-time members, any hours worked beyond contracted hours will be considered overtime and therefore non-pensionable.

For members who have taken partial retirement in the last 12 months, any hours worked beyond their contracted hours will be considered non-pensionable.

### **Removal of the maximum service limits for members wishing to partially retire**

The removal of maximum service limits from 1 April 2023, allowed 1995 Scheme pensioner members who had previously breached these limits to re-join the scheme upon returning to work. In order to complete the package of retirement flexibilities, scheme regulations were amended to make the existing partial retirement options also available to members of the 1995 Section who have breached the maximum service limits.

### **Clarification of the use of salary sacrifice schemes to access partial retirement**

Members who take partial retirement are required to reduce their pensionable pay by at least 10% for the 12 months following partial retirement. Where members enter into a salary sacrifice arrangement, under the rules of the scheme their pensionable pay reduces. However, we do not believe that salary sacrifice is an appropriate way of accessing partial retirement, as it does not require any change to a member's working commitment.

Scheme regulations were amended to state that entering into a salary sacrifice arrangement does not qualify as an eligible change to the terms of employment for the purpose of pursuing partial retirement. This proposed change was effective from 1 April 2024.

## Abolition of Lifetime Allowance (LTA)

At the UK Spring Budget on 15 March 2023 the UK Government announced the abolition of Lifetime Allowance (LTA) pension tax rules. This announcement removed the LTA charge from the start of the new tax year on 6 April 2023 and committed to fully abolishing the LTA in a future Finance Bill.

The UK Government consulted on draft clauses for the Finance Bill 2023 to 2024 between 18 July and 12 September 2023. Upon this becoming an act of Parliament, consequential amendments were made to the 1995, 2008, 2015 and transitional scheme.

These amendments will update relevant definitions or terminology and preserve existing provisions relating to the lifetime allowance to the extent that they apply prior to abolition. The intention is to ensure the smooth operation of legacy and any future lifetime allowance requirements post-abolition.

## Changes to the Pensionability of Carer's Leave

Amendments were made to the NHSPSS regulations to insert a deeming provision for members who take unpaid carer's leave. The deeming ensures that members who take carer's leave will continue to accrue pension membership during the time that they are absent from work. During the period of carer's leave, the employer will continue to pay contributions based on the member's substantive pensionable pay (their deemed pay), and the member will pay any owed member contributions upon their return to work.

This treatment of carer's leave is consistent with the existing approach to other authorised absences from work, some of which may be unpaid, such as maternity leave.

## 1.7 Looking forward

On behalf of Scottish Ministers, the SPPA consulted on a number of scheme changes which will be introduced in 2025-26. The consultation ran from 21 February to 28 March 2025 and proposed changes to the scheme in the following five key areas:

- To revise the employee contribution tier earnings thresholds from 1 April 2025, reflecting the 2024/25 AfC pay award. This is to ensure that the majority members are not moved into a higher contribution tier as a result of the pay uplift.
- To retrospectively amend the definition of overtime in the 2015 Scheme so that it aligns with the long-standing policy and practice for additional hours worked by part-time staff to be pensionable up to whole-time equivalent (WTE) hours.

- To clarify the method for calculating member contributions where pay reduces during a period of absence.
- To provide for general practitioner (GP) partners and non-GP (general practitioner) providers to update their annual certificate of pensionable profits for 2024/25 to the amount declared to HM Revenue and Customs (HMRC) on their revised tax return. This is required because of HMRC's reforms to standardise the accounting period for businesses.
- To make other technical and miscellaneous amendments, including new references to neonatal care leave that the UK Department for Business and Trade will bring into law from 6 April 2025.

## 1.8 Membership statistics

Details of the membership of the Scheme as at 31 March 2025 are as follows

### Active members

<b>Total brought forward from 31 March 2024</b>	<b>215,084</b>
Adjustment in year	469
<b>Revised active members as at 31 March 2024</b>	<b>215,553</b>
<b>Additions within the year</b>	
New members and re-joiners	15,651
<b>Leavers</b>	
Retirements	(4,075)
Leavers from active to deferred	(7,223)
Other leavers	(5,232)
<b>Total active members as at 31 March 2025</b>	<b>214,674</b>

### Members with deferred liability

<b>Total brought forward from 31 March 2024</b>	<b>68,902</b>
Adjustment in year	(1,034)
<b>Revised deferred members as at 31 March 2024</b>	<b>67,868</b>
New deferred from active members	7,223
Other new deferred members	35
Members leaving deferred status	(3,396)

## Active members

**Total members with deferred pension liability as at 31 March 2025** **71,730**

## Members receiving a pension

<b>Total brought forward from 31 March 2024</b>	<b>125,276</b>
Adjustment in year	563
<b>Revised pension members as at 31 March 2024</b>	<b>125,839</b>
New pensioners	6,381
Cessations	(3,769)
Other	(23)
<b>Total pensioners as at 31 March 2025</b>	<b>128,428</b>

## 1.9 Financial Position as at 31 March 2025

The Statement of Financial Position sets out the Scheme's assets and liabilities as at 31 March 2025. 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 actuary in accordance with the requirements of International Accounting Standard 19 (IAS19) and HM Treasury's Financial Reporting Manual (FReM). The Actuary has provided more information on the methodology of the valuation at section 2.

The pension liability as at 31 March 2025 was £53.7 billion (31 March 2024: £50.6 billion) – an increase of £3.1 billion. The liability has increased primarily due to a decrease in the discount rate and an increase in the expectations for future pension increases (CPI Inflation) and long-term pay increases.

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 2024/25 the total expenditure was (£4.5 billion) and total income was £2.7 billion giving a net expenditure of £1.7 billion (2023/24: £2 billion). This outturn represents an underspend against the budget set for the NHS which totalled £363 million.

In cash terms, there was an excess of income received over pension benefits of £538 million (2023/24 £432 million). This amount is returned to the Scottish



Consolidated Fund as the scheme does not require cash funding at this point.  
See table 1 below.

**Table 1: Cash Requirement from the Scottish Consolidated Fund**

	2024/25	2023/24
	£m	£m
Pension contributions	(2,650.5)	(2,317.3)
Transfers in	(66.6)	(39.3)
Other income	0.0	0.0
<b>Total income</b>	<b>(2,717.2)</b>	<b>(2,356.6)</b>
Pensions paid	1,607.4	1,456.4
Lump sums	517.7	424.8
Transfers out	11.4	14.0
Refunds	3.9	3.7
Other expenditure	0	0
<b>Total benefits paid</b>	<b>2,140.3</b>	<b>1,898.8</b>
<b>Total income less total benefits paid</b>	<b>(576.9)</b>	<b>(457.8)</b>
Movement in debtors and creditors	38.4	26.2
<b>Cash requirement from the Scottish Consolidated Fund</b>	<b>(538.4)</b>	<b>(431.5)</b>

## 1.10 Going concern

In common with many public pension schemes, the NHSPSS 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 £53.6 billion (2023/24 £50.5 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 NHSPSS enables members to make Additional Voluntary Contributions (AVCs) to an approved provider, Standard Life, 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.

Standard Life was appointed as the approved provider with effect from 8 October 2001, as an alternative to the original provider Equitable Life. A number of scheme participators kept their investments with Equitable Life. On 1 January 2020, the transfer of all the business of Equitable Life to Utmost Life and Pensions was completed, with the exception of certain excluded policies that remain with Equitable Life – now a subsidiary of Utmost Life and Pensions.

Employees may arrange to have agreed sums deducted from their salaries, for onward payment direct to Standard Life, 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 Standard Life or Utmost. Members participating in this arrangement receive an annual statement from Standard Life or Utmost, 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 Scottish Ministers have guaranteed pension payments in the unlikely event of a default by Standard Life or Utmost, the transactions and related assets and liabilities connected with the AVC scheme are private arrangements between Standard Life and Utmost 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 is not audited by Audit Scotland; it is included here for completeness only.

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

### 1.13 Utmost Life and Pensions

	WP110 2024/25	WO110 2024/25
<b>Value of fund at 1 April</b>	<b>6,067,769</b>	<b>5,042,819</b>
<b>Income</b>		
Contributions invested	-	25,257
Interest and bonuses/change in market value of assets	326,703	272,097
Internal transfers from other policies insured by the Society	-	25,498
<b>Total income</b>	<b>326,703</b>	<b>322,852</b>
<b>Expenditure</b>		
Life assurance premiums	-	(126)
Retirement benefits	(473,894)	(255,494)
Leavers (transfers and withdrawals)	(80,086)	(326,780)
Internal transfers to other Utmost policies	(25,498)	-
Deaths	(55,596)	(10,665)
Refunds	-	-
<b>Total expenditure</b>	<b>(635,074)</b>	<b>(593,065)</b>
<b>Closing balance as at 31 March</b>	<b>5,759,398</b>	<b>4,772,606</b>
<b>Fund value by type</b>		
	<b>31 March 2025</b>	<b>31 March 2025</b>
Equitable with profits	165,373	30,137
Equitable and Clerical Medical unit-linked (including Clerical Medical with-profits)	5,594,024	4,742,470
<b>Closing balance as at 31 March 2025</b>	<b>5,759,398</b>	<b>4,772,606</b>

WP110 is a scheme for pensioners following a personal pension review.

WO110 is a scheme for pensioners making regular contributions.



## 1.14 Standard Life Assurance Limited

Standard Life Assurance Limited has set up a Group Money Purchase Plan for the Scheme members who have moved their AVC funds to be managed by the company, and for those who are contributing to an AVC arrangement for the first time. Standard Life Assurance Limited is part of the Phoenix Group and uses the Standard Life brand under licence from the Standard Life Aberdeen Group. A statement of the movements in this plan for the period 1 April to 31 March follows:

	2024/25 £	2023/24 £
<b>Opening value of fund as at 1 April</b>	<b>20,234,962</b>	<b>19,339,796</b>
Normal contributions	1,509,547	945,302
Special contributions	175,755	239,607
Transfer values	1,048	3,703
<b>Total income</b>	<b>1,686,350</b>	<b>1,188,612</b>
<b>Expenditure</b>		
Retirements	(1,274,760)	(877,850)
Transfer out	(846,001)	(976,350)
Death benefits	(175,780)	(112,986)
<b>Total expenditure</b>	<b>(2,296,541)</b>	<b>(1,967,186)</b>
<b>Changes in market value of investments</b>	<b>883,358</b>	<b>1,673,740</b>
	<b>20,508,129</b>	<b>20,234,962</b>
<b>Net assets as at 31 March;</b>		
Low involvement:	273,850	213,123
Full range fund:	20,234,279	20,021,839
<b>Investments held in insurance policies with Standard Life Aberdeen PLC</b>	<b>20,508,129</b>	<b>20,234,962</b>

## 1.15 Further information

Any enquiries about the NHSPSS should be addressed to:

Chris Nairns  
Scheme Administrator  
Scottish Public Pensions Agency  
7 Tweedside Park  
Galashiels  
TD1 3TE

*Stephen Pathirana*

**Stephen Pathirana**  
**Accountable Officer**

15 January 2026



## 2. Report of the Scheme 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 NHS Pension Scheme (Scotland) as at 31 March 2025, and the movement in the scheme liability over the year 2024/25, prepared in accordance with the requirements of Chapter 12 of the 2024/25 version of the Financial Reporting Manual.
- 2.2 The NHS Pension Scheme (Scotland) 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 scheme 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 2025.

## 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.) £m
Males	35,566	1,489
Females	141,718	3,966
<b>Total</b>	<b>177,284</b>	<b>5,455</b>

\* Pensionable pay is the actual pay figure.

**Table B – Deferred members**

	Number	Total deferred pension* (p.a.) £m
Males	11,929	40.4
Females	44,672	121.1
<b>Total</b>	<b>56,601</b>	<b>161.5</b>

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

**Table C – Pensions in payment**

	Number	Annual pension* (p.a.) £m
Males	22,294	447.5
Females	76,426	581.9
Spouses & dependants	11,140	64.1
<b>Total</b>	<b>109,860</b>	<b>1,093.5</b>

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

## Methodology

- 2.5 The present value of the liabilities as at 31 March 2025 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 2025. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2025 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 2024 in the 2023/24 accounts.
- 2.6 This statement takes into account 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.

**Table D – Financial assumptions**

Assumptions	31 March 2025 p.a.	31 March 2024 p.a.
Nominal discount rate	5.15%	5.10%
Rate of increase in CPI inflation (informing increases to pensions in payment, deferred pensions and CARE revaluation)	2.65%	2.55%
Rate of general pay increases	3.40%	3.55%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
■ CPI inflation	2.40%	2.45%
■ Long-term pay increases	1.65%	1.45%
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 (2024) 09, dated 3 December 2024, 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 long-term salary increase rate of 3.40% is assumed from 31 March 2027. As instructed by SPPA, the salary increases for 2025-26 are assumed to be 4.25% and for 2026-27 the rate is assumed to be 3.75%.
- 2.11 The assessment of the liabilities allows for the known pension increases up to and including April 2025.
- 2.12 Additionally, for the accounts as at 31 March 2025, allowance has been made for known inflation experience up to March 2025 to inform, in part, the pension increase that is expected to apply in April 2026. This is consistent with the approach taken for the accounts as at 31 March 2024.

### Demographic assumptions

- 2.13 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
<b>Males</b>		
Retirements in normal health	S3NMA	102%
Current ill-health pensioners	S3IMA	151%
Future ill-health pensioners	S3IMA	151%
Dependants	S3DMA	92%
<b>Females</b>		
Retirements in normal health	S3NFA	116%
Current ill-health pensioners	S3IFA	151%
Future ill-health pensioners	S3IFA	151%
Dependants	S3DFA	100%

\* From the 'S3' series of standard tables published by the CMI and based on the experience of self-administered pension schemes. Separate tables are available based on experience of members split by sex, retirement type and pension amount band.

- 2.14 These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those adopted for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2024 were also based on the assumptions adopted for the 2020 valuation.
- 2.15 Mortality improvements are assumed to be in line with the 2022-based projections for the United Kingdom published by the ONS in January 2025. This represents an update to the assumption used for the 2023/24 accounts, where 2020-based improvements were used. Adopting the latest ONS 2022-based mortality projections for setting mortality improvements has also affected the liabilities disclosed. The impact is different for male and female members and also differs by age, due to the resulting changes in life expectancies.
- 2.16 The scheme's actuarial factors were updated in 2023/24 and remain in force. Consistent to the accounts calculations as at 31 March 2024, these have been allowed for in the calculating the accounting position as at 31 March 2025.
- 2.17 Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 7 May 2025.

## Liabilities

2.18 Table F summarises the assessed value as at 31 March 2025 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in sections 2.4 to 14. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2024 and 2025 both include an allowance for the higher cost of benefits accrued under McCloud.

**Table F – Statement of Financial Position**

	31 March 2025 £bn	31 March 2024 £bn
Total market value of assets	nil	nil
Value of liabilities	53.7	50.6
(Deficit)	(53.7)	(50.6)
of which recoverable by employers	n/a	n/a

## Accruing costs

2.19 The cost of benefits accrued in the year ended 31 March 2025 (the current service cost) is assessed as 22.1% of pensionable pay.

2.20 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 5.7% and 12.7% of pensionable pay, 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 2024/25 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2024/25 accounts.

**Table G – Contribution rate**

	2024/25 % of pay	2023/24 % of pay
Employer contributions	22.5%	20.9%
Employee contributions (average)	9.8%	9.7%
Total contributions	<b>32.3%</b>	<b>30.6%</b>
Current service cost (expressed as a % of pay)	<b>22.1%</b>	<b>27.6%</b>

2.21 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.

2.22 The pensionable payroll for the financial year 2024/25 was £8.1 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2024/25 (at 22.1% of pay) is assessed to be £1.8 billion.

2.23 Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a significant past service cost over 2024/25.

2.24 I am not aware of any events that have led to a significant settlement or curtailment gain or loss over 2024/25.

### Sensitivity analysis

2.25 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 2025 of changes to the most significant actuarial assumptions.

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

2.27 Table H shows the indicative effects on the total liability as at 31 March 2025 of changes to these assumptions (rounded to the nearest 0.5%).

**Table H – Sensitivity to significant assumptions**

Change in Assumption	Adjustment	Impact on Total Liability (%)	Impact on Total Liability (£)
<b>Financial assumptions</b>			
(i) discount rate*	+0.5% p.a.	-8.0%	-£4.3 bn
(ii) (long-term) earnings increase*	+0.5% p.a.	+0.5%	+£0.3 bn
(iii) pension increases*	+0.5% p.a.	+8.0%	+£4.3 bn
<b>Demographic assumptions</b>			
(iv) additional one-year increase in life expectancy at retirement		+3.0%	+£1.6 bn

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

The discount rate sensitivity has been estimated as c.17 years as at the underlying data date.

## COVID-19 and climate change

2.28 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 2024/25 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.

2.29 The 2020-based population mortality projections allowed for the short-term impacts of Covid-19 for 2019 to 2024 in line with the average views of an expert independent panel. The 2022-based population projections consider Covid-19 as a mortality shock event, applying an appropriate short-term adjustment rather than projecting its effects forward. Death rates from Covid-19 in excess of that already allowed for in the mortality assumptions and reflected in the membership data would emerge as an experience gain in future years' accounts.

**Tim Weir FIA**

**Actuary**

Government Actuary's Department

31 June 2025



### 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 (SPPA) to prepare a Statement of Accounts for each financial year to conform with the accounts direction on page 95 of these financial statements. This sets out details of the resources required, held, or disposed of during the year, and the use of resources by the NHS Pension Scheme (Scotland) (NHSPSS) 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 NHSPSS and of its income and expenditure, statement of financial position, changes in taxpayers' equity, and cash flows for the financial year 2024/25. The Principal Accountable Officer of the Scottish Government appointed the Chief Executive of the SPPA as the Accountable Officer for the Agency. As Accountable Officer, the Chief Executive is responsible to 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 NHSPSS'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 in particular to:

- Observe the accounts direction issued by 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 NHSPSS will continue in operation.
- Confirm that the Annual Report and Accounts as a whole are fair, balanced, and understandable, and takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced, and understandable.

**Stephen Pathirana**  
**Chief Executive, SPPA**





## 4. Annual Governance Statement

### 4.1 Agency's Governance Framework

The SPPA Governance Framework Document details our governance arrangements and can be found on our website – [Framework Document | SPPA](#).

The Framework Document was reviewed and updated in June 2025.

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 SPPA's functions. As the principal source of reference for corporate governance arrangements, the 'Framework Document' describes and sets out the:

- Relationship between the SPPA and Scottish Ministers.
- Responsibilities of the Accountable Officer and Scottish Ministers.
- Frameworks within which SPPA operates regarding Resource, Finance and Human Resources.

Additionally the SPPA also has a Statutory Framework which can be found on our website [Framework Document | SPPA](#) and outlines the schemes SPPA supports and relevant regulations.

## 4.2 Scope of Responsibility

As Accountable Officer during 2024/25, Chief Executive Officer Stephen Pathirana was responsible for maintaining an adequate and effective system of internal control, which supports the delivery of the SPPA vision, business priorities, aims and policies (including those set by Scottish Ministers), while safeguarding the public funds.

The SPPA adheres to the SPFM issued by 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 Governance and assurance controls specific to the NHS Pension Scheme (Scotland)

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 NHS 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 NHS Pension Board met SPPA on three occasions during 2024/25.

Pension Board meetings were less frequent than Terms of Reference intended, in part due to the transition to a new rhythm of meetings (supported by new Terms of Reference) but also due to the needs of the Executive Team and CEO and the staffing of the Governance Team, all these matters lead the CEO to cancel the planned November 2024 meeting. This was communicated through the routine email update the CEO sends.

The 2024/25 members and an overview of their attendance for the year are as follows:

NHS pension board membership	Representing	Meetings attended	Out of a possible
Brian Barbour* (resigned effective October 2024)	Independent Chair	3	3
David Vallery	Independent Vice-Chair	2	3
Claire Pullar (resigned May 2024)	Employer	0	0
Craig Black	Employer	2	3
Ailsa Paterson	Employer	3	3
Graeme Ferguson	Employer	3	3
Graeme Eunson	Member	3	3
David McColl	Member	3	3
Tom Wilson	Member	2	3
Raymond Marshall	Member	2	3
Yvonne Stewart** (replaced Claire Pullar, from September 2024)	Employer	0	1

\* Brian Barbour handed in his resignation in August 2024 but remained in post until the minutes of the last meeting were approved in October 2025.

\*\* Yvonne Stewart has been unable to attend due to illness

Member biographies and the board's terms of reference can be found on SPPA website – [NHS Pension Board | SPPA \(pensions.gov.scot\)](https://pensions.gov.scot/nhs-pension-board-sppa)

The Pension Board has published its report for the year, which may be found on SPPA website – [NHS Superannuation Scheme \(Scotland\) accounts | SPPA \(pensions.gov.scot\)](https://pensions.gov.scot/nhs-superannuation-scheme-scotland-accounts-sppa)

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

- Service to members was monitored at each meeting. These were held in hybrid form, with some Board members attending virtually and some in-person.
- The Board continued to receive updates on scheme-specific performance Matrix.
- The Board continue to monitor the operational impact of McCloud

Remedy. Throughout the year the Board raised concerns in respect of timelines for scheme members receiving Annual Benefit Statements and Remediable Savings Statements and the impact this may have on their annual tax self-assessments.

- The Board continues to have oversight of risks impacting the NHS Scheme.

#### 4.4.2 Scheme Advisory Board (SAB)

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

The SAB met 3 times in the 2024/25 financial year.

An overview of the 2024/25 Board members and their attendance for the year is as follows:

NHS Pension Scheme (Scotland) advisory board membership	Representing	Meetings attended	Out of a possible
Derek Lindsay	Employer – Chair	4	4
Robin McNaught	Employer	4	4
Andrew Carter	Employer	3	4
Jane Christie Flight	Employer	3	4
Lorraine Hunter	Employer	3	4
Ruth Kelly	Employer	2	4
Alan Robertson	Member	4	4
Graham Pirie	Member	2	4
Matt McLaughlin	Member	3	4
Phil McEvoy	Member	4	4
Ros Shaw	Member	3	3
Lorna Low (replacement for Jackie Mitchell)	Member	3	4
Phill Coghill (replacement for Ros Shaw)	Member rep	1	1

Member biographies and the board's terms of reference can be found on SPPA website - [NHS Scheme Advisory Board | SPPA \(pensions.gov.scot\)](https://pensions.gov.scot)

The SAB works closely with the SPPA Policy team. It acts as the key scheme policy adviser to the Scottish Ministers and as custodian for the NHS 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 has been supporting the SPPA to communicate the complex requirements of the 2015 Remedy to stakeholders through examining draft letters, statements and website content, and providing feedback.
- Member Contributions – SAB reviewed and advised on proposed adjustments to the contribution structure in line with the latest NHS pay award.
- Technical Scheme Amendments – SAB reviewed and advised on a number of regulatory changes proposed for April 2025, including pensionability of additional hours, contribution calculations during unpaid leave, and retrospective corrections to scheme rules.
- Gender Pensions Gap – SAB received detailed analysis from GAD highlighting a narrowing but persistent gap and committed to further sessions to explore policy solutions.
- National Minimum Pension Age – the Board discussed implications of the NMPA increase and advised on member communications

## 4.5 Management Advisory Board (MAB)

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

In 2024/25 MAB met on three occasions. MAB meetings were less frequent than Terms of Reference intended, in part due to the transition to a new rhythm of meetings (supported by new Terms of Reference) but also due to the needs of the Executive Team and CEO and the staffing of the Governance Team, all these matters lead the CEO to cancel the planned August 2024 meeting. This was communicated through the routine email update the CEO sends to MAB & ARC members to keep them informed.

The Board's work has included:

- Receiving reports from the Chief Executive on our progress in achieving key tasks outlined in our 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's risk registers.
- Considering financial statements, such as our draft Annual Report and Accounts and draft Annual Report and Accounts for the NHS Scotland and Scottish Teachers' Pension Schemes.
- Receiving regular updates on SPPA's Remedy work.

Both the MAB and ARC regularly carry out a self-assessment of their effectiveness.

## 4.6 Audit and Risk Committee (ARC)

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.

During the year, ARC met on four occasions. The ARCs 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.
- Reviewing SPPA's Annual Report and Accounts and Scottish Teachers' Pension Scheme 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.

ARC is supported outside of the formal meetings by Deep Dives with Agency subject matter experts, for 2024/25 two deep dives were held covering Agency Risk Management and Counter Fraud.

Draft minutes of the ARC are included on the MAB agenda for review and the Committee also publishes an annual report.

## 4.7 Governance Changes

The Agency moved part way through the year to a new rhythm of meetings and communications with boards. In 2025/26 the Management Advisory Board (MAB) will meet at least three times per year whilst the Audit and Risk Committee (ARC) will continue to meet at least four times per year. Scheme Pension Boards will have an annual seminar and an annual training event, of the minimum four formal meetings for each board throughout the year the seminar and training event will be included as one of these.

As part of this change SPPA has been issuing monthly communications to all Pension Scheme Boards on standing agenda items to improve frequency of communication.

Each member of MAB and ARC has paired with a member of the SPPA Executive Team to meet monthly and develop a closer working relationship.

With the exception of the changes set out above all other governance systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

## 4.8 SPPA Executive Team

During 2024/25, several changes were made to the Executive Team.

David Robb retired as Chief Executive Officer in June 2024 and was replaced following a successful recruitment exercise by Dr Stephen Pathirana on the 3rd of June 2024, Stephen had joined SPPA in May 2024 to enable a handover.

The role of Head of People, Strategy and Communications was discontinued in November 2024. Its responsibilities have been divided between two new positions: Head of People and Place (formerly Head of People) and Head of Strategy and Governance.

The role of Head of People was expanded to include oversight of our Estates and Environment team, resulting in the new title of Head of People and Place.

We welcomed a new Head of Strategy and Governance in November 2024.

Additionally, the role of Chief Operating Officer has been divided into two distinct positions: Chief Operating Officer and Chief Transformation Officer. This division ensures the Chief Transformation Officer has clear accountability for both business transformation and routine operational changes, while the Chief Operating Officer role will concentrate on operational service delivery and support teams.

The Head of Policy, Head of Strategy and Governance and Chief Finance Officer ceased to be members of the Executive Team in September 2025 as they were represented by the newly appointed Deputy Chief Executive.

The Executive Team met weekly during 2024/25 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 the SPPA Chief Executive Officer, or a delegate.

The members of the Executive Team who served the SPPA during 2024/25 are shown in the table below.

Role	Post holder
Chief Executive Officer	David Robb (left June 2024) Stephen Pathirana (from May 2024)
Deputy Chief Executive	Kate Thomson-McDermott (permanent from 1st September 2025)
Chief Operating Officer	Frances Graham (until December 2024), replaced by Christopher Nairns (interim, from December 2024)
Chief Transformation Officer	Frances Graham (from December 2024)
Chief Finance Officer	John Burns
Head of People & Place	Debbie Trafford (previously interim, substantive from November 2024)
Head of Strategy, Communications and Risk	Laura Pacey (left November 2024)
Head of Strategy & Governance	Stuart MacArthur (from November 2024)
Head of Policy	Iain Coltman

## 4.9 Risk



The agency applies a structured, tiered approach to risk management, aligned with government and industry best practices, including the Orange Book and Scottish Government's Risk Management guidance. SPPA adopted Scottish Government's Risk framework and registers – adapting only to reflect our status as an agency.

The agency's risk appetite is formally agreed, ensuring that planning and decision-making reflect the level of risk the SPPA is prepared to accept in pursuit of its objectives. Risk management is used to identify actual and emerging threats that may impact the achievement of these objectives.

Risk governance is implemented through a layered system of risk registers at team, divisional, and Executive Team levels and separate Internal Audit targeted topic reviews – a 'three lines of defence' model. Each division maintains a risk register, owned by the respective Executive Team member. Risk management is embedded in divisional decision-making, supported by the central risk function. Clear escalation and de-escalation protocols are in place across all divisions ensuring risks can be escalated to divisional or Executive Team risk registers.

The Executive Teams Strategic Risk Register captures internal and external risks, along with mitigating actions to reduce their likelihood and impact. Emphasis is placed on clearly identifying mitigating controls.

Annual internal control checklists inform the Certificate of Assurance process, as outlined in the Scottish Public Finance Manual (SPFM). The internal control checklists also help SPPA identify areas for improvement.

SPPA work closely with Scottish Governments Internal Audit function who provide assurance and advisory reviews of SPPA's processes and systems.

More information on Audit can be found on page 50.

## Key Risks

We review and manage risks in alignment with our Annual Business Plan. Our risk management approach is dynamic, allowing for the identification of emerging risks, reassessment of existing risks, and implementation of appropriate controls throughout the year.

The agency continues to adopt the going concern basis in preparing the financial statements. There are no material uncertainties that cast significant doubt on our ability to continue as a going concern.

The table below summarises the principal risks and uncertainties faced during 2024/25, including their assessed impact, likelihood, and current risk score. Each risk is accompanied by a description of how it is being managed and its potential implications for the delivery of our objectives.

Risk	Impact	Likelihood	Risk Score
McCloud Remedy (2015)	Very High	High (51–75%)	200
Member Data Accuracy	Very High	High (51–75%)	200
Timely and Accurate Payments	High	High (51–75%)	100

## Risk Definitions

- Very High Impact: destructive and unacceptable impact on objectives, requiring a major change in approach and potentially large resource consequences.
- High Impact: significant and unacceptable impact requiring material changes to critical processes, with resource implications that are challenging to absorb.

## McCloud Remedy (2015)

This remains our highest priority risk, reflecting the complexity of implementing the McCloud Remedy across public sector pension schemes. It involves identifying affected members, administering changes, and ensuring compliance with legislative requirements.

To manage this, we have dedicated resources to the McCloud Project, enhanced cross-functional collaboration, and engaged with industry-wide working groups to share best practices.

Looking ahead, failure to deliver the remedy effectively could undermine stakeholder confidence and delay benefit rectification. Continued focus on project governance and resource planning is essential to mitigate this risk.

This risk has remained high throughout 2024/25 due to ongoing implementation challenges.

## Member Data Accuracy

Inaccurate or incomplete member data can hinder automation, delay benefit processing, and affect compliance with regulatory standards.

We have made progress through the roll-out of I-connect for participating schemes which improves how data is aligned with our systems. We continue to manually process data for remaining schemes until we can move these schemes to I-connect.

Looking ahead, as automation increases, data accuracy becomes even more critical. Continued improvement in data quality initiatives will support operational efficiency and risk reduction.

This risk has remained consistently high throughout 2024/25 as our understanding has deepened. Its scope has evolved, and we have strengthened our capacity through targeted recruitment to address emerging challenges.



## Timely and Accurate Payments

Ensuring uninterrupted monthly payments to members is a core operational priority. This risk is heightened by resource reallocation to support the McCloud Remedy.

To address this, we have strengthened demand management, improved automation, and enhanced staff flexibility across schemes. Business continuity planning ensures resilience against system outages.

Looking ahead, sustained pressure on resources may impact service delivery although SPPA has very low appetite for risk in this area. Ongoing monitoring and adaptive workforce planning will be key to maintaining payment accuracy and timeliness.

This risk has remained high throughout the year due to ongoing resource pressures in delivering McCloud-related work. Maintaining strategic focus is essential to ensure this key objective is achieved.

## Emerging Risks

Through our risk management framework, we consistently identify and record emerging risks throughout the year. Recent areas of focus include preparatory work for the introduction of Pensions Dashboards, heightened attention to cybersecurity controls, budget allocations from the Scottish Government, and risks relating to staff engagement, wellbeing, and diversity.

These risks are actively monitored and managed at the appropriate levels of escalation to ensure timely and effective responses.

## Counter Fraud

During the 2024/25 period there have been:

- Four cases we have considered as potential instances of fraud that have not been found to be fraudulent.
- Two cases that were attempts to commit fraud that have been stopped by our controls.
- Three cases where fraud was committed.

SPPA is supporting an on-going investigation. Of the instances where fraud was committed, all three were related to bank details being changed via an online portal; they were not connected but each suspected to be the result of a personal device being hacked. SPPA supported all three victims of fraud to report their cases to police and advise of Action Fraud as a source for more support. SPPA was previously advised that as the agency is not defined as the

victim the police request the member registers the crime

Of the identified cases described above one relates to the NHS scheme.

### Information Security Incidents

During 2024/25 there were no reportable breaches referred to the ICO.

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.

We will record and report any breach to ARC within an end of year report, even if escalation to the Information Commissioner's Office is not warranted.

### Whistleblowing reports

There were no cases in this financial year.

### Audit

The SPPA regularly engages with The Scottish Governments Directorate of Internal Audit and Assurance, linking with the Audit and Risk Committee to inform suggested plans for yearly audit assessments.

Audits are carried out on a 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.

During 2024/25 the following reviews were undertaken by Internal Audit for SPPA:

- Oracle Fusion Organisational Readiness and Change Management (Assurance Review – resulting assurance category = Reasonable)
- Financial Governance and Sustainability (Assurance Review – resulting assurance category = Reasonable)
- Customer Satisfaction (advisory)
- Cybersecurity and Data Security (advisory)
- Manual Payments and Scottish Government Shared Services (advisory)

In addition, follow-up reviews were conducted for previous years' audits relating to:

- IT Contract Management

## ■ Transfers In and Out.

The Scottish Governments Directorate of Internal Audit and Assurance have issued SPPA with an annual assurance opinion of Reasonable Assurance. This means controls are adequate but require improvement. They note this is a further improvement upon 2023-24 and the past few years have shown a positive trajectory for the agency but this is the lower end of the Reasonable Assurance scale and continued efforts by the agency are required.

They do not identify any significant issues but acknowledge the challenges of Remedy and Oracle implementation (both detailed further in the Key Risk section above) on business as usual delivery and recognise SPPA for having done well to manage the significant competing pressures.

## **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.

## **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.

## 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 have materially changed in the last three years.

*Stephen Pathirana*

**Stephen Pathirana**  
**Accountable Officer**

15 January 2026

# Parliamentary Accountability Disclosures and Audit Report



## 5. Statement of Outturn against Parliamentary Supply

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 as outlined in the Budget (Scotland) Act 2024.

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 have 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 2024-25

All figures presented in £000's

SOPS Note	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)		Prior Year
	Voted	Non- Voted	Total	Voted	Non- Voted	Total	Voted	Total	
5.2	(1,738, 027)	0	(1,738, 027)	(2,100, 937)	0	(2,100, 937)	0	(362, 910)	(2,045, 011)
<b>Total</b>	(1,738, 027)	0	(1,738, 027)	(2,100, 937)	0	(2,100, 937)	0	(362, 910)	(2,045, 011)

Figures in the areas outlined in the thick line cover 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 2024/25

All figures presented in £000s.

	SOPS Note	Outturn	Estimate	Outturn v Estimate, Saving/ (excess)	Prior Year Outturn 2023/24
Net cash requirement	5.4	(538,286.3)	(468,127.0)	70,159.3	(432,000)

## 5.2 SOPS Outturn Detail by Estimate Line

All figures presented in £m.

Annually Managed Expenditure (AME)	Resource		Outturn	Programme	Estimate	Outturn v Estimate, saving/ (excess)	Prior Year outturn 2023/24
	Gross	Income	Net	Total	Total		
Voted expenditure	4,455	(2,717)	1,738	1,738	2,101	363	2,045
<b>Total resource</b>	<b>4,455</b>	<b>(2,717)</b>	<b>1,738</b>	<b>1,738</b>	<b>2,101</b>	<b>363</b>	<b>2,045</b>

### Explanation of the variance between Resource Estimate and Outturn:

The outturn is less than the Estimate by £363 million and this is due to an adjustment in the Spring Estimate to reflect the increase in the discount rate.

Accrued resources for the NHSPSS and Scottish Teachers' Pension Scheme are covered by one limit in the Budget (Scotland) Act 2024. In 2024-25 the combined accrued resources of £2,749 million were below the combined limit of £3,527 million. Refer also to the Report of the Scheme Managers (section 1).



### 5.3 SOPS Reconciliation of net resource outturn to net operating expenditure

All figures presented in £m.

	Reference	Resource Outturn	Prior Year outturn 2023/24
Total resource outturn	SoPS Note 5.2	(1,738)	(2,045)
<b>Less:</b> income paid/payable to the Scottish Consolidated Fund		-	-
<b>Net operating expenditure in Consolidated Statement of Comprehensive net expenditure</b>	<b>SoCNE</b>	<b>(1,738)</b>	<b>(2,045)</b>

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

	Reference	Resource Outturn	Estimate	Outturn vs Estimate, Saving/ (excess)
<b>Total Resource outturn</b>	SoPS Note 5.2	(1,738,027)	(2,100,937)	362,910
<b>Accruals to cash adjustments:</b>				
Non-cash items		4,453,357	4,670,001	(216,644)
Movement in working balances		(38,409)	0	(38,409)
<b>Use of Provisions:</b>				
Adjustment to reflect movement in premature retirement provision	Note 12	(2,207)	-	(2,207)
Adjustment to reflect movements in scheme liability: benefits payable and pension payments to and on account of leavers	Notes 11.3 & 11.4	(2,136,429)	(2,569,064)	432,635
<b>Total</b>		<b>2,276,314</b>	<b>2,100,937</b>	<b>175,377</b>
Funding (to) from the Scottish Consolidated Fund		(538,286)	-	(538,286)
<b>Net cash requirement</b>		<b>-</b>	<b>-</b>	<b>-</b>

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 NHSPSS is part of the overall cash authorisation of the Scottish Government in the Budget (Scotland) Act 2024. In the year to 31 March 2025, there was £538.3 million receipts in excess of budget (i.e. unapplied income) payable to the Scottish Consolidated Fund.

## 6. Losses and special payments

### Losses Statement

	2024/25	2023/24
Total number of losses	1,005	1,609
Total value of losses (£)	155,503	179,836

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

In March 2025 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 below:

	2024/25
Total number of losses	1,005
Total value of losses (£)	155,503

There were no special payments during 2024-25.

## 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 NHS Pension Scheme (Scotland) for the year ended 31 March 2025 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 2024/25 Government Financial Reporting Manual (the 2024/25 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 2025 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 2024/25 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 13 August 2024. My period of appointment is five 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](http://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 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 Manager and Annual 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

*Michael Oliphant*

15 January 2026

# Financial Statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2025

		2024/25	2023/24
	Note	£m	£m
<b>Income</b>			
Contributions receivable	3	(2,650.5)	(2,317.3)
Transfers in	4	(66.6)	(39.3)
		<b>(2,717.1)</b>	<b>(2,356.6)</b>
<b>Expenditure</b>			
Service costs	5	1,807.6	2,086.8
Enhancements	6	6.8	7.2
Transfers in – additional liability	7	66.6	39.3
Pension financing costs	8	2,572.3	2,266.7
Other expenditure		0.2	0.2
Premature retirement financing cost	12	1.7	1.5
Capitalised receipts	12	0.0	0
		<b>4,455.2</b>	<b>4,401.6</b>
<b>Net expenditure for the year</b>		<b>1,738.0</b>	<b>2,045.0</b>
<b>Other comprehensive net expenditure</b>			
Pension remeasurements			
Actuarial (gains)/losses	11.7	806.7	(6,440.1)
Increase/(decrease) in premature retirement provision net of financing charge	12	1.5	(1.6)
Total other comprehensive net (income)/expenditure		<b>808.2</b>	<b>(6,441.7)</b>
<b>Total comprehensive net (income)/expenditure for the year ended 31 March</b>		<b>2,546.2</b>	<b>(4,396.7)</b>

The notes on pages 70-94 form part of these financial statements.

**Statement of Financial Position as at 31 March 2025**

	Note	31 March 2025 £m	31 March 2024 £m
<b>Current assets</b>			
Receivables (within one year)	9.1	222.1	182.5
<b>Current liabilities</b>			
Payables (within one year)	10.1	(53.6)	(67.1)
<b>Net current assets, excluding pension liability</b>		<b>168.5</b>	<b>115.4</b>
<b>Provisions for liabilities and charges</b>			
Premature retirement provision	12	(34.2)	(34.9)
Pension scheme liability	11.2	(53,689.0)	(50,565.4)
Provision for outstanding refunds	17	(6.9)	-
Provision to pay practitioners	13	(7.8)	-
<b>Net liabilities including pension liability</b>		<b>(53,569.4)</b>	<b>(50,484.9)</b>
<b>Taxpayers' equity</b>			
General fund		(53,569.4)	(50,484.9)
		<b>(53,569.4)</b>	<b>(50,484.9)</b>

The notes on pages 70-94 form part of these financial statements.

**Stephen Pathirana**  
**Accountable Officer**

*Stephen Pathirana*

15 January 2026

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2025

	Note	2024/25 £m	2023/24 £m
<b>Balance at 1 April (opening)</b>		<b>(50,484.9)</b>	<b>(54,450.0)</b>
Funding to the Consolidated Fund	SoPS 5.4	(538.3)	(431.6)
Combined net expenditure	SoCNE	(1,738.0)	(2,045.0)
Other comprehensive net expenditure	SoCNE	(808.2)	6,441.7
<b>Net changes in taxpayers' equity</b>		<b>(3,084.5)</b>	<b>3,965.1</b>
<b>Balance at 31 March</b>		<b>(53,569.4)</b>	<b>(50,484.9)</b>

The notes on pages 70-94 form part of these financial statements.



## Statement of Cash Flows for the year ended 31 March 2025

		2024/25	2023/24
	Note	£m	£m
<b>Cash flows from operating activities</b>			
<b>Net expenditure for the year</b>	<b>SoCNE</b>	<b>(1,738.0)</b>	<b>(2,045.0)</b>
Adjustments for non-cash transactions:			
(Increase)/decrease in receivables	SoFP	(39.6)	(23.8)
Increase/(decrease) in payables and provisions	SoFP	1.2	(2.5)
Movement in premature retirement:			
Provision	12	(0.7)	(4.3)
Net of financing cost	12	(1.5)	1.6
Movement in pension scheme liability:			
Service and financing cost	11.2	4,379.9	4,353.5
Enhancements and transfers in	11.2	73.4	46.4
Benefits paid	11.3	(2,121.2)	(1,876.7)
Refunds and transfers	11.4	(15.2)	(17.7)
<b>Net cash inflow from operating activity</b>		<b>538.3</b>	<b>431.6</b>
<b>Cash flows from financing activities</b>			
Funding (to)/from the Scottish Consolidated Fund		(538.3)	(431.6)
<b>Net financing</b>		<b>(538.3)</b>	<b>(431.6)</b>
<b>Increase/(decrease) in cash and cash equivalents in the period</b>		<b>0.0</b>	<b>0.0</b>

The notes on pages 70-94 form part of these financial statements.

# Notes to the Financial Statements for the Year Ended 31 March 2025

## 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 2024/25 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 of particular relevance 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 NHS Pension Scheme (Scotland) (NHSPSS)

The NHSPSS is an occupational pension scheme operated by the SPPA on behalf of employees of the NHS and other organisations who satisfy the membership criteria. From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Revalued 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, the National Health Service Pension Scheme (Scotland) Regulations 2015, the National Health Service Superannuation Scheme (Scotland) Regulations 2011 (the 1995 Section) as amended, and the National Health Service Pension Scheme (Scotland) Regulations 2008 (the 2008 Section) 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 2025 is £53.7 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 on.

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 and 1.14 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. It is 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 as a result 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 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 5.1% (2023/24 4.15%). The interest cost is determined by applying the nominal discount rate of 5.1% 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 5.15% from 31 March 2025.

## 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 (PUCM) and is discounted based on the nominal discount rate of 5.15%.

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 (section 2).

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 2025 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 National Health Service (Scotland) Compensation for Premature Retirement Scheme

Compensation payments are met by employers. For administrative purposes, benefits are paid to the member and the employer is subsequently re-charged for the costs.

Compensation payments for the costs of service enhancements for staff leaving before their normal retirement age since 1 April 1995 are met by NHS employers. Prior to that date the NHSPSS met the cost of accrued benefits and employers met the cost-of-service enhancements. Compensation payments made after that date do not, therefore, feature in the Pension Scheme Accounts.

Compensation payments for post-1 April 1995 awards and for pre-April 1995 service enhancements are, with one exception, paid on behalf of the Scottish Government Health Directorate and the payments made are recovered from the employers. The one exception is where the employer capitalises the liability. For technical reasons, the Health Directorate cannot accept responsibility for future payments and consequently capitalised receipts are transferred to the Pension Scheme which then takes on the responsibility for paying the compensation concerned.

The premature retirement provision is valued annually using longevity factors based on the current Treasury discount rate. There is a £0.7 million increase in the liability because of the revaluation and other adjustments (see Note 12). The financing charge is based on the nominal discount rate of 5.10%. 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.

Except where stated otherwise below, the accounting policies outlined at Note 2 above, apply.

## 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 NHSPSS 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 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

		2024/25	2023/24
		£m	£m
Employers		(1,840.3)	(1,580.2)
Employees:			
Normal		(803.4)	(730.0)
Purchase of additional pension	6	(6.8)	(7.2)
		<b>(2,650.5)</b>	<b>(2,317.4)</b>

### 4. Pension transfers in

		2024/25	2023/24
		£m	£m
Individual transfers in from other schemes	2.4	(66.6)	(39.3)
		<b>(66.6)</b>	<b>(39.3)</b>

### 5. Service cost

		2024/25	2023/24
		£m	£m
Current service cost	2.6	1,807.6	2,086.8
Past service cost	2.7	0	0
	11.2	<b>1,807.6</b>	<b>2,086.8</b>

## 6. Enhancements

		2024/25	2023/24
		£m	£m
Employees:			
Purchase of additional pension	3 & 11.2	6.8	7.2
		<b>6.8</b>	<b>7.2</b>

## 7. Transfers in – additional liability

		2024/25	2023/24
		£m	£m
Individual transfers in from other schemes	4 & 2.4	66.6	39.3
		<b>66.6</b>	<b>39.3</b>

## 8. Pension financing cost

Note	Note	2024/25	2023/24
		£m	£m
Net interest on defined benefit liability	11.2	2,572.3.	2,266.70
		<b>2,572.3</b>	<b>2,266.70</b>

## 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

	2024/25	2023/24
	£m	£m
<b>Amounts falling due within one year</b>		
Pension contributions due from employers	148.1	119.7
Employees' normal contributions	65.5	54.7
Employees' purchase of additional pension	0.6	0.4
Cash in transit	-	-
Other receivables	7.9	7.7
<b>Total receivables</b>	<b>222.1</b>	<b>182.5</b>

## 9.2 Intra-government balances

	2024/25	2023/24
	£m	£m
<b>Amounts falling due within one year</b>		
Balances with other central government departments	-	0.6
Balances with NHS bodies	212.8	172.9
Balances with non-governmental bodies	9.3	9
<b>Total receivables</b>	<b>222.1</b>	<b>182.5</b>

## 10. Payables

### 10.1 Analysis by type

	2024/25	2023/24
	£m	£m
<b>Amounts falling due within one year</b>		
Pensions	(26.3)	(32.6)
Overpaid contributions – employees	-	(12.4)
HM Revenue and Customs	(27.3)	(22.1)
<b>Total payables</b>	<b>(53.6)</b>	<b>(67.1)</b>

### 10.2 Intra-government balances

	2024/25	2023/24
	£m	£m
Balances with other central government bodies	(27.3)	(22.1)
Balances with non-governmental bodies	(26.3)	(45)
<b>Total payables</b>	<b>(53.6)</b>	<b>(67.1)</b>

## 11. Provisions 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 2025. An actuarial valuation of the scheme for resource accounting purposes has been carried out as at 31 March 2025. The assessment of the pension liability as at 31 March 2025 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 2025 is £53.7 billion. This compares to the liability of £50.6 billion as at 31 March 2024.

The Statement by the Scheme's Actuary (section 2) 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	2025	2024	2023	2022	2021
<b>Financial assumptions</b>					
Rate of increase in salaries	3.40%	3.55%	3.65%	4.15%	3.72%
Inflation assumptions	2.65%	2.55%	2.40%	2.90%	2.22%
Discount rate	5.15%	5.10%	4.15%	1.55%	1.25%
<b>Life expectancy (years) – current pensioners*</b>					
Males (age 60)	27.0	27.1	27.1	27.6	27.5
Males (age 65)	22.3	22.3	22.2	22.8	22.7
Females (age 60)	28.7	28.4	28.3	29.1	29.1
Females (age 65)	23.8	23.5 <sup>2</sup>	23.4	24.2	24.2
<b>Life expectancy (years) – future pensioners*</b>					
Males (age 60)	28.5	28.9	28.8	29.4	29.3
Males (age 65)	23.7	23.9	23.8	24.4	24.3
Females (age 60)	30.1	30.0	29.9	30.7	30.6
Females (age 65)	25.2	25.0	24.9	25.8	25.8

\* The life expectancy at age 60 or 65 of active and deferred members will depend on their current age. Illustrative life expectancies for current non-pensioners at age 60 and 65 are based upon members currently aged 40 and 45, respectively.

Future improvements in mortality are now assumed to be in line with the 2022-based population projections published by the Office for National Statistics (ONS). These projections treat COVID-19 as a short-term mortality shock, applying appropriate adjustments rather than projecting its long-term effects. This approach results in a small reduction in life expectancies compared to previous projections. The current mortality assumptions do not make any additional allowance for the impact of COVID-19 or other pandemics beyond what is already reflected in the membership data (refer to Statement by the Actuary section 2.26).

**2** The 2024 figure for females aged 65 has been updated following a review of the data presented in the 2023/24 SPPA Annual Report and Accounts. It was identified that the previously published figure was incorrect. This has been verified against the Government Actuary's Department (GAD) tables provided to SPPA for both the current and prior years. The updated figure now accurately reflects the source data.

Long-term price inflation is assumed to be 2.65% per annum. The above assumptions mean that the gross rate of investment return is assumed to be approximately 5.15% per annum, and salary inflation close to 3.40% 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 (consumer price index) used in HM Treasury forecasting. The rates are set out in the above table. 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 assumption 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 Report of the Scheme's Actuary.

## Analysis of scheme liability

11.1.5 The following table show the scheme liability as at 31 March 2025, approximately split by active members, deferred pensioners, and current pensioners. Corresponding figures for previous years are provided for comparison.

Present value of the actuarial liability in respect of:	2025 £bn	2024 £bn	2023 £bn	2022 £bn	2021 £bn
Active members (past service)	28.0	26.6	32.6	65.6	61.7
Deferred pensions	3.0	3.0	3.7	6.8	5.4
Pensions in payment	22.7	21.0	18.2	22.7	19.8
<b>Total liabilities</b>	<b>53.7</b>	<b>50.6</b>	<b>54.5</b>	<b>95.1</b>	<b>86.9</b>

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 the 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 11.7 and 11.8. 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 2025 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 8.0% (see Table H of the Statement by the Actuary). The impact of changes in pensioner mortality assumptions is 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 2024/25 as well as an analysis of the actuarial gain/loss over the year 2024/25. Corresponding figures for the year 2023/24 are provided for comparison.

		2024/25	2023/24
	Note	£m	£m
<b>Scheme liability as at 1 April</b>		<b>(50,565.4)</b>	<b>(54,500.0)</b>
Current service cost	5	(1,807.6)	(2,086.8)
Pension financing cost	8	(2,572.3)	(2,266.7)
		<b>(4,379.9)</b>	<b>(4,353.5)</b>
Enhancements	6	(6.8)	(7.2)
Pension transfers in	7	(66.6)	(39.3)
		<b>(73.4)</b>	<b>(46.4)</b>
Benefits payable	11.3	2,121.2	1,876.7
Pension payments to and on account of leavers	11.4	15.2	17.7
		<b>2,136.4</b>	<b>1,894.4</b>
Experience gain/(loss) arising on scheme liabilities	11.5	(806.7)	6,440.1
<b>Scheme liability as at 31 March</b>		<b>(53,689)</b>	<b>(50,565.4)</b>

### 11.3 Analysis of benefits paid

	2024/25	2023/24
	£m	£m
Pensions to retired employees	1,508.3	1,365.9
Pensions to dependents	95.3	86.0
Lump sum benefits on retirement	517.7	424.8
<b>Per Statement of Cash Flows</b>	<b>2,121.2</b>	<b>1,876.7</b>

### 11.4 Analysis of payments to and on account of leavers

	2024/25	2023/24
	£m	£m
Refunds to members leaving service	3.9	3.7
Individual transfers to other schemes	11.4	14.0
Contribution equivalent premium	0.0	0
<b>Per Statement of Cash Flows</b>	<b>15.3</b>	<b>17.7</b>

### 11.5 Analysis of actuarial gains/(loss)

	2024/25	2023/24
	£m	£m
Experience (loss) arising on the scheme liabilities	(206.70)	(1,759.9)
Changes in demographic assumptions	(100)	200
Changes to financial assumptions as at 31 March	(500)	8,000
<b>Per Statement of Comprehensive Net Expenditure</b>	<b>(806.70)</b>	<b>6,440.1</b>

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/(loss)

	2024/25	2023/24	2022/23	2021/22	2020/21
<b>11.6 History of actuarial gains/ (losses)</b>					
Amount (£m)	(206.70)	(1,759.9)	(6,409.1)	505.5	1,474.2
Percentage of the present value of the scheme liabilities	(0.4%)	(3.4%)	(11.7%)	0.5%	2%
<b>Total amount recognised in the Statement of Changes in Taxpayers' Equity:</b>					
Amount (£m)	(806.70)	6,440.1	45,790.9	(3,694.5)	(6,425.8)
Percentage of the present value of the Scheme liabilities	1.5%	12.8%	84.0%	(3.9%)	(7.0%)

## 12. Movement in premature retirement provision

	2024/25	2023/24
	£m	£m
<b>Balance as at 1 April</b>	<b>(34.9)</b>	<b>(39.2)</b>
Capitalised receipts	0.0	0.0
Capitalised pension payments	3.9	4.2
Financing cost	(1.7)	(1.5)
(Increase)/decrease in premature retirement provision net of financing cost	(1.5)	1.6
<b>Balance as at 31 March</b>	<b>(34.2)</b>	<b>(34.9)</b>
<b>Movement in premature retirement provision</b>	<b>0.7</b>	<b>4.3</b>



## 13. Practitioner Pension Contribution underpayments/overpayments

The Scheme continues to address historic discrepancies in practitioner pension contributions relating to the period 2008 to 2022, identified through the Practitioner Contributions Project. These discrepancies include both overpayments (amounts potentially refundable to members) and underpayments (amounts potentially recoverable).

In 2023/24, contribution adjustments were recognised in the Statement of Financial Position as receivables and payables. However, as validation is still ongoing and settlement is not expected within 12 months, the Scheme has reassessed its approach in line with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

For the year ended 31 March 2025:

- No new receivables or payables have been recognised;
- Instead, a non-current provision of £7.79 million has been recognised to reflect the estimated net obligation resulting from historic overpayments, less any expected recoverable underpayments.

This provision represents the Scheme's best estimate based on validated samples and extrapolation, and remains subject to material uncertainty as reconciliation work continues.

The Scheme will continue to refine estimates and progress communications with affected members during 2025/26. Further adjustments to the provision may be made in future periods as additional data is validated.

## 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 neither applies 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 GMP equalisation means that members did not receive their full entitlement. The ruling may require the NHSPSS 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).

## **Scheme Pension Overpayments**

A further contingent liability has been noted in respect of historic overpayments of Scheme pensions that may be written off during 2025/26.

## 15. Related party transactions

The NHSPSS 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 NHS 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 have undertaken any material transactions with the Scheme during the year.

## 16. Losses

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

	2024/25	2023/24
Number of losses cases	1,005	1,609
	£	£
<b>Total loss (£)</b>	<b>155,503</b>	<b>179,836</b>
<b>Consists of:</b>		
Below de minimis limit	7,989	29,472
Uneconomic to pursue further/other reasons as per SPFM	147,514	150,364
	<b>155,503</b>	<b>179,836</b>

There were no individual losses or special payments in excess of £300,000 which would require separate disclosure during the year to 31 March 2025, or that have been recognised since that date.

## 17. Unclaimed refunds

As at 31 March 2025, the accounts include £6.9 million (2024: £7.08 million) in payables relating to 16,022 former members (2024: 16,378) who are entitled to a refund of pension contributions but have not yet applied to receive it.

These balances represent known, individual obligations and are legally payable on request. However, based on historical patterns of claims, the Agency does not expect the majority of these refunds to be settled within the next 12 months.

Accordingly, the balance has been reclassified from current liabilities to payables greater than one year in the Statement of Financial Position to better reflect the expected settlement timeline. This change in presentation does not impact the underlying value of the obligation.

The Agency continues to monitor refund entitlements and is progressing work to improve tracing, member communications, and engagement with employers to facilitate the payment of these balances where appropriate.

## 18. Financial instruments

As the cash requirements of the NHSPSS are met through the Scottish Government budgeting 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 NHSPSS's expected purchase and usage requirements and the NHSPSS is therefore exposed to little credit, liquidity, or market risk.

## 19. Events after the reporting period

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

## 20. Accounts authorisation

The Accountable Officer authorised these financial statements for issue on 15 January 2026



**Scottish Government**  
**Riaghaltas na h-Alba**

**SCOTTISH NHS 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 NHS Pension Scheme (Scotland) 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

# Serving those who serve Scotland



Scottish Public  
Pensions Agency  
Buidheann Peinnseanan  
Poblach na h-Alba

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