Scottish Public Pensions Agency
Buidheann Peinnseanan Poblach na h-Alba

7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE
www.pensions.gov.scot

SPPAPolicy@gov.scot

Scottish LGPS
Administering Authorities

26 May 2026

Dear Administering Authorities,

The Local Government Pension Scheme (Scotland) 2026 Valuations

I am writing to provide an indication of the approaches recommended by SPPA in relation to certain aspects of the 2026 scheme valuations. It is hoped that this will help to ensure consistency in approach by administering authorities.

Funding Strategy Statements

As you are aware, Regulation 56 of the Local Government Pension Scheme (Scotland) Regulations 2018 require administering authorities to publish a funding strategy statement (FSS). In the past, these have been prepared in line with guidance prepared by CIPFA however in England and Wales this was replaced by guidance issued jointly by the Scheme Advisory Board (England & Wales), CIPFA and the Ministry of Housing, Communities and Local Government.

SPPA proposes that administering authorities in Scotland adopt this guidance as far as possible. Where it is considered any aspect of the guidance is not relevant for Scotland, SPPA is happy to engage with the Scottish SAB to provide clarity for Funds.

Gender Pension Statistics Reporting

SPPA recently consulted on amendments to scheme regulations, that included reporting on the gender pensions gap. Whilst we have not published our response to that consultation, I can confirm that it is the intention to require administering authorities to report on the gender pensions gap as part of the 2026 valuations. Whilst we work through what a final position may be, as a starting point we would expect Administering authorities to mirror the approach taken in England and Wales's 2025 valuations.

To that end, SPPA recommends that administering authorities use the guidance issued by the Government Actuary's Department in respect of the scheme in England and Wales (recognising that this does not deliver the full gender pensions gap reporting ambitions set out in the recent consultation, rather it takes steps towards this). Scottish specific guidance will follow in due course.

The guidance makes clear that each Fund's employers should be categorised, other than where that employer has fewer than 100 employees.

Climate Risk disclosures

For the 2025 valuations in England and Wales, the Scheme Advisory Board published guidance agreed by actuaries. It is proposed that administering authorities in Scotland follow that guidance for the 2026 valuations. That guidance is available here: https://lgpsboard.org/wp-content/uploads/2025/09/Climate-Risk-Reporting-Principles-January-2025-final.pdf.

Surplus management

It is understood Funds are anticipated to remain in positive funding positions. In line with the findings of GAD as set out in the Section 13 Report on the 2023 valuations, SPPA recognises that surplus usage is a central aspect of the valuations. As part of this, funds will need to carefully consider inter-generational equity between current and future taxpayers.

GAD highlighted "notable variations… between individual funds' approach to stability and prudence" and noted that "inconsistencies in outcomes will arise where funds place different weights on relevant factors", recommending that "further clarity on the choice of stability structures, their parameterisation, and the impact of that mechanism on contribution rates would be helpful."

SPPA agrees with this recommendation and asks that reports document clear reasons for decisions taken on surplus management. This will enhance transparency and will allow for easier comparison between funds, aiding future section 13 exercises. SPPA also recognises progress in the EW 2025 valuations in respect of the governance audit trail included in reports, and welcomes considerations towards building on this.

Cost Cap Valuation

You will be aware that the 2024 cost cap actuarial valuations are ongoing. The results of the 2020 cost cap valuation indicated that it would take a significant change in future assumptions for the mechanism to breach and trigger any changes to the scheme. We are not, at this stage, able to confirm any outcome of the ongoing cost cap valuation but would look to provide an update later in the year once results are available.

Yours sincerely

Iain Coltman
Head of Pensions Policy