

**Scottish Parliamentary Pension  
Scheme**

**Annual Accounts 2014-15**

**HMRC Approval Number 0045455RY**

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## Trustees' Report

### Background

The Scottish Parliamentary Pension Scheme (SPPS) was established on 6 May 1999 under transitional provisions of the Scotland Act 1998. The original legislation that governed the SPPS was The Scotland Act 1998 (Transitory and Transitional Provisions) (Scottish Parliamentary Pension Scheme) Order 1999 (S.I. 1999 No.1082) ("the 1999 Order"). However, since 1999 there have been a number of significant legislative changes at a UK level which have affected all pension schemes. The Finance Act 2004 and the Pensions Act 2004 transformed the tax and legal environment in which pensions operate in the UK, necessitating changes to the rules of the SPPS. The 1999 Order was subsequently replaced by The Scottish Parliamentary Pensions Act 2009 ("the 2009 Act") with the new SPPS rules coming into force from 1 September 2009. Under section 1(2) of the 2009 Act all the functions, rights, liabilities and obligations in relation to the SPPS were transferred from the Scottish Parliamentary Corporate Body (SPCB) to a board of Trustees from 1 September 2009.

The Pension (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975 (as amended) are applicable to pensions paid from the SPPS. The guaranteed level of increases for pensions in excess of the Guaranteed Minimum Pension is the Consumer Price Index (CPI) over the year. As the movement in the CPI for the year was 1.2%, pensions that were in payment for a year were also increased by 1.2%. Pensions that were in payment for less than a year were increased by a proportionate amount depending upon the number of months it had been in payment. There were no discretionary increases.

### Aim of the Report

It is the intention of the Trustees to disclose relevant information, including actuarial and accounting details, to all members of the SPPS. Therefore, in accordance with Schedule 1, Rule 104 of the 2009 Act, the Trustees will arrange for the audit of the annual accounts and lay a copy of the audited accounts and audit report before the Parliament within 7 months of the end of the accounting year.

### Management of Fund

At the date of approval of the annual report, the Trustees were:

| Name                                | Elected          |
|-------------------------------------|------------------|
| Tavish Scott MSP (chair)            | 7 December 2011  |
| Duncan McNeil MSP                   | 21 February 2013 |
| Gil Paterson MSP                    | 7 December 2011  |
| Alex Johnstone MSP                  | 7 December 2011  |
| Alasdair Morgan (pensioner trustee) | 7 December 2011  |

## **Scheme Administration**

The day to day running of the SPPS is carried out by the Secretariat to the Trustees within the Scottish Parliament's Human Resources Office. Any queries about the SPPS should be sent to the Secretariat at the following address:

Scottish Parliamentary Pension Scheme  
Secretariat to the Trustees  
The Scottish Parliament  
Human Resources Office  
Edinburgh  
EH99 1SP  
Telephone (Direct Dial): 0131 348 6695  
Fax: 0131 348 6639  
e-mail: [derek.stein@scottish.parliament.uk](mailto:derek.stein@scottish.parliament.uk)

The Scottish Public Pensions Agency (SPPA) provides a pension administration service for members on behalf of the Trustees.

## **Income**

Income of the SPPS is derived from two main sources (a) contributions from participating scheme members and (b) contributions from the Scottish Consolidated Fund (SCF).

Members and office-holders contribute 11% of their salaries if they accrue benefits on a fortieths basis or 6% of their salaries if they accrue benefits on a fiftieths basis. The SCF contributes 20.2% of a participating member's and office-holder's pensionable salary.

The 6% contribution rate for the fiftieths accrual rate came into effect from 6 May 1999 whilst the 11% contribution rate was introduced along with the fortieths accrual rate from 1 September 2009.

## **Actuarial Valuation**

The Actuary was required to produce an initial actuarial valuation of the assets and liabilities of the SPPS as at 6 May 1999 and thereafter to conduct a full valuation at three yearly intervals. The most recent valuation report dated 9 February 2015 covered the period 1 April 2011 to 31 March 2014. It found that, at the valuation date, there was a surplus of £8.4 million. The Scheme Actuary, at that review, recommended that the SCF's contribution rate should be maintained at 20.2% of pensionable salaries.

An annual Report of the Actuary, as required by IAS 19 – Employee Benefits, for the period 1 April 2014 to 31 March 2015 can be found at pages 10 to 13 of this report.

## **Scheme Membership**

As at 31 March 2015 membership of the scheme consisted of 127 active MSP scheme members plus the Lord Advocate and Solicitor General for Scotland. Of the 127 active MSP scheme members 27 were also accruing additional benefits simultaneously in their capacity as office-holders. The qualifying office-holder positions were the First Minister, 9 Cabinet Secretaries, 14 Ministers, Presiding Officer and 2 Deputy Presiding Officers.

There were 58 deferred pensioners (former pension scheme members who were not yet in receipt of a pension) and 62 pensions in payment at the year end.

Movement in the membership of the SPPS during the year included 1 death in service, 1 death in retirement and 4 new pensioner members.

### **Preparation of annual accounts**

The SPPS is a public service pension scheme and as such exempt from the majority of the requirements of the 1995 Pensions Act including those relating to accounts. However, the accounts have been prepared, as far as appropriate, in accordance with the Statement of Recommended Practice, Financial Reports of Pension Schemes issued in 2007, in order to conform to best practice reporting requirements. A statement of the Trustees responsibilities with regard to the preparation of the accounts is on page 14. This includes confirmation that the accounts have been prepared on a going concern basis.

The audited accounts are expected to be laid before the Parliament within 7 months of the end of the accounting year. Copies of these accounts are available from the Secretariat on request.

### **Summary Financial Information**

Income during the period was £2,636,000 (2013-14 £2,589,000), and expenditure, by way of pensions, death in service payments, transfers out and expenses, was £936,000 (2013-14 £1,433,000). The net assets of the SPPS at 31 March 2015 were £55,873,000 (2013-14 £49,262,000).

During the period a total of £1,700,000 (2013-14 £1,171,000) was remitted to the Fund Managers for investment. No other investments or cash sums were held.

### **Investment details and performance**

The Pensions Act 1995, Section 35, requires that the Trustees of pension funds prepare and maintain a 'Statement of Investment Principles'. Whilst the SPPS is statutorily exempt from this requirement a 'Statement of Investment Principles' has been produced by the Trustees through a desire to comply with best practice for funded schemes. A copy of this is available from the Secretariat on request.

The statement includes a policy on investment and explains that, as this is a relatively new scheme, contributions are likely to exceed benefits for many years. Accordingly, it should not be necessary to sell assets to pay benefits in the medium term; this enables the investment strategy to be predominantly equity based, increasing the probability of a higher investment return on the SPPS's assets over the long term. The risk of this type of investment has been considered. The initial size of the SPPS's assets is not sufficient to allow a widely diverse portfolio and therefore it was decided to invest in Pooled funds run by an independent management company.

### **Investment Manager**

The Trustees have appointed Baillie Gifford, a UK registered Fund Manager, as Fund Manager for the SPPS and the Trustees have delegated the responsibility for day to day

investment management to them. Investments are made through the Baillie Gifford Managed Pension Fund and Baillie Gifford Diversified Growth Pension Fund. The main feature of the policy is that the benefits obtained are entirely dependent on the investment performance of the assets of the Funds. Baillie Gifford is paid an investment management fee excluding charges based on a percentage (0.45% for the Managed Pension Fund and 0.65% for the Diversified Growth Pension Fund) of the total market value of the Funds per annum, which is deducted from the value of the Funds each month. All the assets within the unit linked funds that Baillie Gifford operate are owned by Baillie Gifford and are registered in the name of Baillie Gifford. The SPPS does not have a custodian as it invests in units in pooled funds which does not require a custodian. The custodian for both Baillie Gifford funds is as follows:

Bank of New York  
One Canada Square  
LONDON  
E14 5AL

Investing in the Baillie Gifford funds began on 4 August 1999. Up to April 2012 income has been invested in the Baillie Gifford Managed Pension Fund and from May 2012 onwards in the Baillie Gifford Diversified Growth Pension Fund. In the period from 1 April 2014 to 31 March 2015 £1,700,000 was invested in the Baillie Gifford Diversified Growth Pension Fund. This compares with £1,171,000 invested in the period from 1 April 2013 to 31 March 2014. At 31 March 2015 the market value of the units held within the Funds was £55,615,000 (£49,010,000 on 31 March 2014). The comparative value of the Managed Pension Fund units is:

|               |       |
|---------------|-------|
| 31 March 2015 | £8.11 |
| 31 March 2014 | £7.33 |
| 31 March 2013 | £6.84 |
| 31 March 2012 | £5.84 |
| 31 March 2011 | £5.71 |
| 31 March 2010 | £5.11 |

The unit price for the Diversified Growth Pension Fund is:

|               |       |
|---------------|-------|
| 31 March 2015 | £1.94 |
| 31 March 2014 | £1.80 |
| 31 March 2013 | £1.78 |

### **Tavish Scott MSP**

**Chair of Pension Trustees**  
(On behalf of the Trustees)

**Date:      October 2015**

## Investment Manager’s Report for the Year Ended 31 March 2015

The Trustees have prepared a Statement of Investment Principles which sets out their policies on investment and their strategy for achieving them, a copy of which is available on request.

Day to day responsibility for the management of investments has been delegated to Baillie Gifford Life Limited, who operate in accordance with guidelines and restrictions set out in the Life Policy Agreement and with instructions given by the Trustees from time to time.

Investments comprise units in pooled funds managed by Baillie Gifford, the holdings of which are regarded as being readily marketable.

### Portfolio Valuation

|   | 31 Mar 2014<br>GBP | 31 Mar 2015<br>GBP |
|---|--------------------|--------------------|
| Baillie Gifford Managed Pension Fund            | 34,895,618         | 38,594,333         |
| Baillie Gifford Diversified Growth Pension Fund | 14,113,540         | 17,020,377         |
| <b>Total</b>                                    | <b>49,009,158</b>  | <b>55,614,710</b>  |

### Distribution of Assets

The distribution of assets as at 31 March was as follows:

|   | 31 Mar 2014<br>% | 31 Mar 2015<br>% |
|---|------------------|------------------|
| Baillie Gifford Managed Pension Fund            | 71.2             | 69.4             |
| Baillie Gifford Diversified Growth Pension Fund | 28.8             | 30.6             |
| <b>Total</b>                                    | <b>100.0</b>     | <b>100.0</b>     |

## Performance Objective

The Trustees have set a performance objective for the investment managers which takes account of the liability profile of the fund and the level of risk that the Trustees believe appropriate.

### Performance to 31 March 2015 (%)

| Baillie Gifford Managed Pension Fund   | Fund (Net) | Benchmark |
|--|------------|-----------|
| To outperform the CAPS median Balanced Pooled Fund by 1.0 - 1.5% p.a. gross over rolling 3 year periods. |            |           |
| Five Years (p.a.)  | 9.7        | 7.8       |
| Three Years (p.a.)   | 11.6       | 10.4      |
| One Year   | 10.6       | 10.7      |

| Baillie Gifford Diversified Growth Pension Fund  | Fund (Net) | Base rate<br>+3.5% |
|--|------------|--------------------|
| To outperform the UK base rate by at least 3.5% per annum (net of fees) over rolling five year periods with an annualised volatility of less than 10%. |            |                    |
| Five Years (p.a.)  | 6.5        | 4.0                |
| Three Years (p.a.)   | 6.5        | 4.0                |
| One Year   | 7.9        | 4.0                |

Source: Statpro

### Summary Risk Statistics

| Baillie Gifford Diversified Growth Pension Fund |     |
|---|-----|
| Delivered Volatility (%)                        | 4.4 |

Annualised volatility, calculated over 5 years to the end of March 2015  
Source: Baillie Gifford



## **Economic and Market Background – 12 Months to 31 March 2015**

### **Multi Asset**

Major investment markets delivered positive returns over the period, helped by an increase in investor confidence, signs of general improvement in the economic backdrop, and continued loose monetary policy in many developed countries.

Although there were several flashpoints around the world, and these situations created uncertainty in terms of global security, most had a limited impact on investment markets. By contrast, a sharp fall in the oil price and the resulting weakness in the Russian currency were of concern to investors and caused an increase in market volatility. However, the falling oil price was beneficial for some countries, particularly net oil importers, and consumers more generally.

In the US, despite occasional setbacks, confidence in the economic recovery continued to grow. The generally favourable mood prompted the Federal Reserve to reduce and then halt its bond buying programme. This positive tone, combined with other factors such as low interest rates and the return of considerable amounts of cash to shareholders through share buyback programmes and dividend payments, helped the US stock market to reach all-time highs.

Economic data in the UK also suggested an improving environment, with the revised GDP figure for 2014 above forecast. Again, this helped the stock market reach record levels towards the end of the period.

Although, economic recovery remained weak in the Eurozone, support grew for European markets as the European Central Bank announced plans to increase its programme of quantitative easing. A win for the leftist Syriza Party in the Greek election caused some concern about the financial stability of Europe, but the new government subsequently secured agreement with Eurozone partners over extending Greece's bailout deadline, and this brought some relief in the single currency area.

In Japan, the government moved to implement the third of prime minister Abe's 'three arrows', aimed at structural reform and creating a basis for the fragile economic recovery to gather pace. However, change was slower than many had hoped and Abe called a snap election in a bid to secure a stronger mandate to enact his policies. He was returned to power with a substantial majority, giving him the authority to resume his economic plan at his chosen pace.

Against this backdrop, the US equity market recorded a 12% rise, which converted to a 25% return for sterling investors, and the UK gained 7%. Europe rose 19% in local currency terms - 7% in sterling - Emerging Markets gained 13% in local currency and 16% after conversion, and Developed Asia (including Japan) was up 13%, or 16% for UK-based investors.

The volatility in markets prompted periodic moves into areas perceived as less risky and this led to positive performance by bonds. UK government bonds gained 14%, while overseas government bonds rose 8% in local currency terms. UK corporate bonds were also in demand among investors seeking to improve their returns in a low interest rate environment, and recorded a rise of 13%.

Although the mood among investors has been improving, further political and economic challenges remain. However, overall, we are optimistic on the outlook for the global economy. We continue to find a range of attractive businesses with excellent long-term growth prospects.

### **Diversified Growth**

The main contributors to the positive performance of the Diversified Growth Fund included economic risk assets such as listed equities, emerging market bonds and property. Allocations to asset classes such as absolute return, structured finance and infrastructure were also helpful. No single asset class detracted from returns over the 12-month period under review.

The Fund maintained a broadly diversified portfolio with a substantial allocation to more defensive assets such as investment grade bonds, structured finance and cash. We believe this will deliver a worthwhile return in a range of different economic environments and help to mitigate market falls.

Moves in allocation over the latter part of the period bolstered what was already a cautious slant to the portfolio, which remains diversified across many asset classes. The largest exposure is to equities but that accounts for approximately one-fifth of the portfolio and is half what our asset allocation limits would permit us to own, if we were truly bullish on equities. The next largest allocations are to high yield credit markets and structured finance, but we believe our exposure to rising interest rates in these allocations is limited. Indeed, we have recently added a short position in US 10-year Treasury futures to offset interest rate risk in the portfolio. Other credit instruments held are either short-dated (and hence have a much lower risk of being negatively influenced by rising interest rates) or floating-rate instruments, where the coupon payment will rise with market interest rates.

The only other allocation that exceeds 10% of the portfolio is to bonds issued by governments of developing economies. Yields on these are much higher than on developed economy government bonds - around 6% on average - so we feel there is a stronger valuation argument for owning them.

Central banks are still working out how best to handle monetary policy without derailing the fragile recovery or lurching into deflation. Asset class valuations appear to reflect this continued intervention, increasing our cautiousness. Although some investors may have become too relaxed, there appears to be substance to the recovery that is underway and our overall expectation is that this will continue across the world, albeit at a gentle rate. However, given the significant price increases we have seen across many asset classes over recent years, prospective returns are likely to be lower in future.

## Largest Holdings

### Top Ten Largest Holdings

| <b>Baillie Gifford Managed Pension Fund</b>       | <b>% of Portfolio</b> |
|---|-----------------------|
| Baillie Gifford Emerging Mkts Gwth Fund C Accum   | 6.0                   |
| Baillie Gifford Emerging Mkts Bond Fd C Gross Acc | 2.8                   |
| BG Worldwide Global Credit Fund C GBP Acc         | 2.5                   |
| BG Worldwide Active Cash Plus Fund C GBP Acc      | 2.4                   |
| Baillie Gifford Global Bond Gross C Acc           | 1.8                   |
| St. James's Place                                 | 1.7                   |
| Baillie Gifford British Smaller Cos Fund C Accum  | 1.6                   |
| Prudential  | 1.5                   |
| Baillie Gifford Japanese Smaller Cos Fund C Accum | 1.3                   |
| Ashtead   | 1.2                   |

| <b>Baillie Gifford Diversified Growth Pension Fund</b> | <b>% of Portfolio</b> |
|--|-----------------------|
| Baillie Gifford Emerging Mkts Bond Fd C Gross Acc      | 7.6                   |
| BG Worldwide Global Credit Fund C USD Acc              | 6.4                   |
| Baillie Gifford Global Alpha Growth Fund C Acc         | 5.9                   |
| Baillie Gifford Global Income Growth Fund C Accum      | 5.0                   |
| Baillie Gifford High Yield Bond Fund C Gross Acc       | 4.6                   |
| Galene Fund  | 3.8                   |
| Metreta Fund   | 3.0                   |
| BG Worldwide Japanese Fund C GBP Acc                   | 2.9                   |
| Allianz Merger Arbitrage Strategy                      | 2.9                   |
| Julius Baer Multibond ABS Fund                         | 2.7                   |

## Scottish Parliamentary Pension Scheme (SPPS) - Report of the Actuary

### Accounting Year ended 31 March 2015

#### Introduction

- A. This statement has been prepared by the Government Actuary's Department at the request of the Trustees of the Scottish Parliamentary Pension Scheme (SPPS). The Trustees have commissioned GAD to assess the liabilities of the Scheme in accordance with International Accounting Standard 19 (IAS19), and to prepare a statement for inclusion in the Scheme's accounts.
- B. The SPPS is a final salary defined benefit scheme, the rules of which are set out in the Scottish Parliamentary Pensions Act 2009 and subsequent amendments. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).
- C. This statement is based on an assessment of the liabilities as at 31 March 2014, with an approximate uprating to 31 March 2015 to reflect known changes.

#### Membership Data

- D. Tables 1 to 3 summarise the membership data as at 31 March 2014 and 31 March 2015 used to prepare this statement.

**Table 1 – Active members (MSPs and officeholders combined)**

| Number | 31 March 2014                          |                        | 2014/15        |
|--------|--|------------------------|----------------|
|        | Total salaries in membership data (pa) | Total accrued pensions | Total salaries |
|        | (£ million)                            | (£ million)            | (£ million)    |
| 128    | 8.41                                   | 1.543                  | 8.52           |

**Table 2 – Deferred members**

| 31 March 2014 |  |
|---------------|--|
| Number        | Total deferred pension (pa)<br>(£ million) |
| 56            | 0.671                                      |

**Table 3 – Pensions in payment**

| 31 March 2014 |                                   |
|---------------|-----------------------------------|
| Number        | Total pension (pa)<br>(£ million) |
| 58            | 0.512                             |

## Methodology

- E. The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2014-15 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2015 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2013-14 Resource Accounts.
- F. This statement takes into account the benefits normally provided under the scheme, including age retirement benefits and benefits applicable following the death of the member.

## Principal financial assumptions

- G. The principal financial assumptions adopted to prepare this statement are shown in Table 4.

**Table 4 – Principal financial assumptions**

|   | 31-Mar-15<br>(% p.a.) | 31-Mar-14<br>(% p.a.) |
|---|-----------------------|-----------------------|
| Gross discount rate                                 | 3.3                   | 4.4                   |
| Price inflation (CPI)                               | 2.2                   | 2.5                   |
| Earning increases (excluding promotional increases) | 4.2                   | 4.5                   |
| Real discount rate (net of CPI)                     | 1.1                   | 1.9                   |

## Demographic assumptions

- H. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2015 are based on those adopted for the 2014 funding valuation of the SPPS.
- I. The standard mortality tables known as S1NxA are used. Mortality improvements are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom.

- J. The contribution rate used to determine the accruing cost in 2014-15 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2013-14 Resource Accounts.

## Liabilities

- K. Table 5 summarises the assessed value as at 31 March 2015 of benefits accrued under the scheme prior to 31 March 2015 based on the data, methodology and assumptions described in paragraphs D to J. The corresponding figures for the previous year end are also included in the table.

**Table 5 – Statement of Financial Position**

£ million

|                              | 31 March<br>2015 | 31 March<br>2014 |
|------------------------------|------------------|------------------|
| Total market value of assets | 55.8             | 49.2             |
| Value of liabilities         | 72.6             | 57.1             |
| Surplus/(Deficit)            | (16.8)           | (7.9)            |
| Funding Level                | 77%              | 86%              |

## Pension cost

- L. The value of benefits accruing in the year ended 31 March 2015 (the Current Service Cost) is 52.6% (including member contributions) (2014: 54.9%), as determined at the start of the year. Members accruing benefits at an accrual rate of 1/40<sup>th</sup> contribute 11% of pay, and members accruing benefits at an accrual rate of 1/50<sup>th</sup> contribute 6% of pay. Table 6 shows the standard contribution rate used to determine the Current Service Cost for 2013/14 and 2014-15.

**Table 6 – Contribution rate**

|   | Percentage of pensionable pay |         |
|---|-------------------------------|---------|
|   | 2014-15                       | 2013-14 |
| Value of accruing benefits (excluding expenses)                     | 52.6%                         | 54.9%   |
| Members' contribution rate (average)                                | 10.7%                         | 10.7%   |
| Employer's share of value of accruing benefits (excluding expenses) | 41.9%                         | 44.2%   |

- M. For the avoidance of doubt the employer's share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by the Scottish Parliamentary Corporate Body (SPCB), currently 20.2%, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for Resource Accounts and for scheme funding purposes is the discount rate net of pension increases, which was 1.9% pa for the 2014-15 Current Service Cost (1.80% pa for 2013-14) compared with 3.5% pa for scheme funding. The higher discount rate for scheme funding is determined considering the assets held by the scheme and the expected returns on those assets. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS19.
- N. The pensionable payroll for the financial year 2014-15 was £8.52 million (2014: £8.37 million). Based on this information, the accruing cost of pensions in 2014-15 (at 52.6% (2014: 54.9%) of pay) is assessed to be £4.48 million (2014: £4.60 million). There is no past service cost and so this is the total pension cost for 2014-15.

**Ken Kneller**  
**Fellow of the Institute and Faculty of Actuaries**  
**Government Actuary's Department**

**29 June 2015**

## **Trustees' Responsibilities Statement**

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees who choose to comply with current pension regulations and legislation. Pension scheme regulations require the trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice “Financial Reports of Pension Schemes”.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the scheme in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

This report was approved by the trustees on

Signed for and on behalf of the Trustees

**Tavish Scott MSP**

Chair of Pension Trustees (On behalf of the Trustees)

Date



## Summary of Contributions paid in year

During the year the contributions paid to the SPPS from the SCF under the schedule of contributions were as follows:

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| SCF normal contributions                                       | 1,718        | 1,691        |
| Active member normal contributions                             | 901          | 888          |
| Active member additional contributions to purchase added years | 4            | 3            |
| Total contributions  | <u>2,623</u> | <u>2,582</u> |

### Tavish Scott MSP

#### Chair of Pension Trustees (On behalf of the Trustees)

**Date: October 2015**

Reconciliation between contributions paid shown above and contributions reported in the annual accounts:

|   | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Contributions paid:                           | 2,623        | 2,582        |
| Less opening debtor                           | (217)        | (214)        |
| Add closing debtor                            | 222          | 217          |
| Contributions reported in the annual accounts | <u>2,628</u> | <u>2,585</u> |

No additional contributions in 2014-15 or 2013-14 were paid by active members of the SPPS direct to the two approved providers of Additional Voluntary Contribution schemes.

**INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF SCOTTISH PARLIAMENTARY PENSION SCHEME**

We have examined the Summary of Contributions to Scottish Parliamentary Pension Scheme, in respect of the scheme year ended 31 March 2015, to which this report is attached.

This statement is made solely to the scheme's trustees in accordance with the Pensions Act 1995. Our work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustees for our work, for this statement, or for the opinions we have formed.

**Respective responsibilities of trustees and the auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a payment schedule showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the payment schedule.

It is our responsibility to provide a Statement about Contributions paid under the payment schedule and to report our opinion to you.

**Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the payment schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the payment schedule.

**Statement about Contributions payable under the Payment Schedule**

In our opinion contributions for the scheme year ended 31 March 2015 totalling £2,628,000 as reported in the summary of contributions and payable under the payment schedule have in all material respects been paid at least in accordance with the payment schedule.

**BDO LLP**  
*Statutory auditor*  
Edinburgh  
United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## **Governance Statement**

### **Scope of Responsibility**

This statement is given in respect of the accounts for the SPPS. We acknowledge our responsibility as Trustees for ensuring that a sound and effective system of internal control is maintained and operated that supports the achievement of the SPPS's objective whilst safeguarding the SPPS's assets. Officials from the SPCB and SPPA provide a full secretariat and administrative service to the Trustees.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the SPPS's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the SPPS's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It is based on a framework of regular management information including independent advice from the SPPS's professional advisors, appropriate administrative procedures, segregation of duties and a system of delegation and accountability.

### **Administration**

Day to day administration and accounting responsibility has been delegated to the SPCB and the Trustees rely on their internal control procedures which form part of the system of internal control operated by the SPCB. Appointed officials of the SPCB make payment of all awards. Reliance is also placed on the system of internal control operated at the SPPA. The approval of pension awards for routine retirement (i.e. due to age or non-return to the Parliament) is delegated to the SPPA. The Trustees only approve pension awards in other circumstances (e.g. ill health).

### **Risk and Control Framework**

With the Trustees taking up responsibilities from September 2009, reliance is placed on existing SPCB controls. A risk register specific to the SPPS has been developed.

Controls operational during 2014-15 included:

- All funds are controlled by the appointed officials of the SPCB through a designated Royal Bank of Scotland account;
- Regular reconciliations are conducted by the appointed officials of the SPCB of the designated Royal Bank of Scotland account;
- Regular reconciliations of the funds with the investment monies transferred are conducted by the appointed officials of the SPCB. The Investment Managers produce monthly reports on stock transactions and valuations;
- The Trustees delegated responsibility for the day to day investment management entirely to Baillie Gifford. Quarterly reports were received from Baillie Gifford. This includes a Fund Manager's report; details of investment performance; a list of current holdings; and accounting and corporate governance information;

- Separation of duties exists between appointed officials of the SPCB whereby the official initiating a payment cannot authorise the production of the payable instrument or despatch the instrument; and
- The Trustees have access to all documents and records.

### **Internal Control**

The SPCB and the Scottish Government including SPPA are both subject to review by internal audit who operate to standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risk to which the SPCB and the Scottish Government are respectively exposed and internal audit plans are based on this analysis.

The Trustees' development and maintenance of the internal controls is assisted by the relevant internal audit comment and by the work of the external auditor. Comments made by the external auditor in their management letter and other reports are taken into account.

### **Tavish Scott MSP**

**Chair of Pension Trustees**  
(On behalf of the Trustees)

**Date:     October 2015**

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE SCOTTISH PARLIAMENTARY PENSION SCHEME**

We have audited the financial statements of the Scottish Parliamentary Pension Scheme for the year ended 31 March 2015 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the scheme's trustees in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustees for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 14, the scheme's trustees are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### **BDO LLP**

*Statutory auditor*  
Edinburgh  
United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## Fund Account for the year to 31 March 2015

|   | Note | 2015<br>£'000        | 2014<br>£'000        |
|---|------|----------------------|----------------------|
| <b>Contributions and Benefits</b>               |      |                      |                      |
| Contributions receivable                        | 3    | 2,628                | 2,585                |
| Transfers in from other schemes                 | 4    | 8                    | 4                    |
|   |      | <u>2,636</u>         | <u>2,589</u>         |
| <br>  |      |                      |                      |
| Benefits payable                                | 5    | (648)                | (619)                |
| Other payments                                  | 6    | (235)                | (697)                |
| Administration expenses                         | 7    | (53)                 | (25)                 |
| Transfers out to other schemes                  | 4    | 0                    | (92)                 |
|   |      | <u>(936)</u>         | <u>(1,433)</u>       |
| <br>  |      |                      |                      |
| <b>Net income from dealings with members</b>    |      | <b>1,700</b>         | <b>1,156</b>         |
| <br>  |      |                      |                      |
| <b>Returns on Investments</b>                   |      |                      |                      |
| Change in market value of investments           |      |                      |                      |
| – Managed funds                                 | 8    | 4,906                | 2,508                |
| – Additional voluntary contributions            | 12   | 5                    | 4                    |
|   |      | <u>4,911</u>         | <u>2,512</u>         |
| <br>  |      |                      |                      |
| <b>Net return on investments</b>                |      | <b>4,911</b>         | <b>2,512</b>         |
| <br>  |      |                      |                      |
| <b>Net increase in the SPPS during the year</b> |      | <b>6,611</b>         | <b>3,668</b>         |
| <br>  |      |                      |                      |
| <b>Net assets of the SPPS</b>                   |      |                      |                      |
| At 1 April 2014                                 |      | <u>49,262</u>        | <u>45,594</u>        |
| <b>At 31 March 2015</b>                         |      | <u><b>55,873</b></u> | <u><b>49,262</b></u> |

The notes on pages 22 to 26 form part of these accounts

## Net Assets Statement as at 31 March 2015

|                                       | Note | 2015<br>£'000        | 2014<br>£'000        |
|---------------------------------------|------|----------------------|----------------------|
| <b>Investments at market value</b>    |      |                      |                      |
| Managed funds                         | 11   | 55,615               | 49,009               |
| AVC                                   | 12   | 101                  | 96                   |
|                                       |      | <u>55,716</u>        | <u>49,105</u>        |
| <b>Current assets and liabilities</b> |      |                      |                      |
| Current assets                        | 9    | 222                  | 217                  |
| Current liabilities                   | 10   | (65)                 | (60)                 |
|                                       |      | <u>157</u>           | <u>157</u>           |
| <b>Net current assets</b>             |      | <u>157</u>           | <u>157</u>           |
| <b>Net Assets of the Fund</b>         |      | <u><u>55,873</u></u> | <u><u>49,262</u></u> |

The accounts summarise the transactions of the SPPS and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the SPPS, which does take account of such obligations, is dealt with in the Government Actuary's report on the position of the SPPS as at 31 March 2015 and these accounts should be read in conjunction with that report.

Approved and authorised for issue on behalf of the Trustees:

**Tavish Scott MSP**

**Chair of Pension Trustees**  
(On behalf of the Trustees)

**Date: October 2015**

The notes on pages 22 to 26 form part of these accounts

## Notes to the Accounts

### Accounts for the year ended 31 March 2015

#### 1. Basis of preparation

The financial statements have been prepared in accordance with The Statement of Recommended Practice (SORP) on Financial Reports of Pension Schemes, revised in May 2007.

The accounts summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits in the future.

The actuarial report does take these liabilities into account (an annual actuarial statement, as required by IAS 19 – Employee Benefits, can be found at pages 10-13).

#### 2. Accounting policies

The principal accounting policies are:

- a) Pension contributions from the SCF and members are accounted for on an accruals basis.
- b) Benefits are accounted for on the date they fall due.
- c) Transfer values from or to other pension arrangements are accounted for on a cash basis.
- d) Refunds of contributions are accounted for on an accruals basis.
- e) All other expenditure is accounted for in the period to which it relates.
- f) Baillie Gifford investments are priced on a single swing price basis which is SORP compliant. Other unit investments are priced on a bid price basis.

#### 3. Contributions receivable

Fund contributions are based on members' salaries.

|   | <b>2015</b>         | 2014         |
|---|---------------------|--------------|
|   | <b>£'000</b>        | £'000        |
| <b>SCF</b>  |                     |              |
| SCF contributions                                     | <b>1,722</b>        | 1,693        |
| <b>Members</b>  |                     |              |
| Members and office-holders of the Scottish Parliament | <b>906</b>          | 892          |
| <b>Total contributions receivable</b>                 | <b><u>2,628</u></b> | <u>2,585</u> |



#### 4. Transfer values

|                            | <b>2015</b><br><b>£'000</b> | 2014<br>£'000 |
|----------------------------|-----------------------------|---------------|
| <b>Transfer values in</b>  | <b>8</b>                    | 4             |
| <b>Transfer values out</b> | <b>0</b>                    | 92            |

#### 5. Benefits payable

The SPPS has sixty two current beneficiaries. There were fifty eight beneficiaries in 2013-14. Benefits payable to beneficiaries were as follows.

|                   | <b>2015</b><br><b>£'000</b> | 2014<br>£'000 |
|-------------------|-----------------------------|---------------|
| Pensions          | <b>560</b>                  | 514           |
| Pension lump sums | <b>88</b>                   | 105           |
| AVC pensions      | <b>0</b>                    | 0             |
|                   | <b>648</b>                  | 619           |

#### 6. Other Payments

One MSP died during the period (2013-14 three) resulting in death in service payments under the terms of the SPPS.

|                           | <b>2015</b><br><b>£'000</b> | 2014<br>£'000 |
|---------------------------|-----------------------------|---------------|
| Death in Service Payments | <b>235</b>                  | 697           |

#### 7. Administrative expenses

Actuarial fees are payable to the Government Actuary. Audit fees are payable to a private sector auditor.

|                               | <b>2015</b><br><b>£'000</b> | 2014<br>£'000 |
|-------------------------------|-----------------------------|---------------|
| Audit fees                    | <b>16</b>                   | 15            |
| Actuarial fees                | <b>35</b>                   | 8             |
| Administration fees (note 13) | <b>2</b>                    | 2             |
|                               | <b>53</b>                   | 25            |

The cost of administering the SPPS was borne jointly by the Scottish Parliamentary Corporate Body (SPCB) and the SPPA. The SPPS is not recharged with administrative costs incurred on its behalf by the SPCB. Baillie Gifford's charge for investment management and costs associated with the Fund is 0.49% per annum of the value of the units held in the Baillie Gifford Managed Pension Fund (2013-14

0.52%) and 0.91% per annum of units held in the Baillie Gifford Diversified Growth Pension Fund (2013-14 0.84%) of the value of the Funds accrued on a daily basis. The management charge for the year is £321,109 (2013-14 £283,341), (see note 8).

## 8. Changes in market value of investments

Investments from income accrued are made at approximately monthly intervals.

|                                 | <b>2015</b>   | 2014   |
|---------------------------------|---------------|--------|
|                                 | <b>£'000</b>  | £'000  |
| Opening balance at 1 April      | <b>49,009</b> | 45,330 |
| Add investments made in year    | <b>1,700</b>  | 1,171  |
|                                 | <b>50,709</b> | 46,501 |
| Closing balance at 31 March     | <b>55,615</b> | 49,009 |
| <b>Increase in market value</b> | <b>4,906</b>  | 2,508  |

The increase in investment of £4,906,228 is after the management charge and costs associated with the Fund.

## 9. Current assets

|                               | <b>2015</b>  | 2014  |
|-------------------------------|--------------|-------|
|                               | <b>£'000</b> | £'000 |
| Contributions due to the SPPS | <b>222</b>   | 217   |
|                               | <b>222</b>   | 217   |

The outstanding balance was received in line with the Schedule of Contributions.

## 10. Current liabilities

|                    | <b>2015</b>  | 2014  |
|--------------------|--------------|-------|
|                    | <b>£'000</b> | £'000 |
| Pension due        | <b>46</b>    | 43    |
| Audit fee          | <b>15</b>    | 15    |
| Government Actuary | <b>4</b>     | 2     |
|                    | <b>65</b>    | 60    |

## 11. Investments

The following table summarises the holdings in the Baillie Gifford funds as at 31 March 2015. Fuller details of the holdings are available in the Fund's quarterly report.

|  | <b>2015</b><br><b>£'000</b> | <b>2015</b><br><b>%</b> | 2014<br>£'000 | 2014<br>%    |
|--|-----------------------------|-------------------------|---------------|--------------|
| <b>Baillie Gifford Managed Pension Fund</b>            |                             |                         |               |              |
| <b>Equities</b>  | <b>32,191</b>               | <b>83.41</b>            | <b>29,383</b> | <b>84.20</b> |
| UK   | 13,257                      | 34.35                   | 12,545        | 35.95        |
| North America  | 6,464                       | 16.75                   | 5,524         | 15.83        |
| Europe   | 5,905                       | 15.30                   | 5,451         | 15.62        |
| Asia   | 4,083                       | 10.58                   | 3,120         | 8.94         |
| Emerging   | 2,482                       | 6.43                    | 2,743         | 7.86         |
| <b>Fixed Interest Bonds</b>                            | <b>3,852</b>                | <b>9.98</b>             | <b>3,367</b>  | <b>9.65</b>  |
| UK   | 1,081                       | 2.80                    | 527           | 1.51         |
| Overseas bonds and index linked                        | 2,771                       | 7.18                    | 2,840         | 8.14         |
| <b>Cash and Deposits</b>                               | <b>2,551</b>                | <b>6.61</b>             | <b>2,146</b>  | <b>6.15</b>  |
| <b>Total Fund</b>                                      | <b>38,594</b>               | <b>100</b>              | 34,896        | 100          |
| <b>Baillie Gifford Diversified Growth Pension Fund</b> |                             |                         |               |              |
| <b>Equities</b>  | <b>3,897</b>                | <b>22.90</b>            | <b>2,512</b>  | <b>17.80</b> |
| Listed Equities  | 3,625                       | 21.30                   | 2,103         | 14.90        |
| Private Equities                                       | 272                         | 1.60                    | 409           | 2.90         |
| <b>Property</b>  | <b>511</b>                  | <b>3.00</b>             | <b>283</b>    | <b>2.00</b>  |
| <b>Bonds</b>   | <b>11,489</b>               | <b>67.50</b>            | <b>9,977</b>  | <b>70.70</b> |
| High Yield Bonds                                       | 2,571                       | 15.10                   | 1,805         | 12.80        |
| Investment Grade Bonds                                 | 1,089                       | 6.40                    | 1,327         | 9.40         |
| Structured Finance                                     | 2,145                       | 12.60                   | 1,382         | 9.80         |
| Commodities  | 834                         | 4.90                    | 974           | 6.90         |
| Emerging Market Bonds                                  | 1,702                       | 10.00                   | 1,707         | 12.10        |
| Infrastructure   | 732                         | 4.30                    | 565           | 4.00         |
| Government Bonds                                       | 0                           | 0.00                    | 720           | 5.10         |
| Absolute Return  | 1,447                       | 8.50                    | 692           | 4.90         |
| Insurance Linked                                       | 885                         | 5.20                    | 720           | 5.10         |
| Special Opportunities                                  | 85                          | 0.50                    | 85            | 0.60         |
| <b>Cash and Deposits</b>                               | <b>1,123</b>                | <b>6.60</b>             | <b>1,341</b>  | <b>9.50</b>  |
| <b>Total Fund</b>                                      | <b>17,021</b>               | <b>100</b>              | 14,113        | 100          |
| <b>Total Investment</b>                                | <b>55,615</b>               |                         | <b>49,009</b> |              |

Any investment income received on the Funds' investments and any tax recoveries are reinvested in the pooled funds. The £1,700,000 invested this year has been used to purchase additional units in the Baillie Gifford Diversified Growth Pension Fund.

## 12. Additional Voluntary Contributions

The 1999 Order made provision for scheme members to make additional voluntary contributions (AVCs) to supplement their pension entitlements. This provision was however discontinued under the 2009 Act although existing AVC contracts were allowed to continue under transitional provisions. Under the 1999 Order scheme members could arrange to have agreed sums deducted from their salaries for onward payment to one of the two approved providers, Equitable Life Assurance Society or Scottish Widows. The aggregate movements and amounts of AVC investments are as follows:

|  | <b>2015</b>  | 2014  |
|--|--------------|-------|
|  | <b>£'000</b> | £'000 |
| AVC investments as at 1 April                      | <b>96</b>    | 92    |
| Retirements from scheme                            | <b>0</b>     | 0     |
| Increase in AVC investment values                  | <b>5</b>     | 4     |
| <b>AVC investments at 31 March</b>                 | <b>101</b>   | 96    |
| <b>Market value of AVC investments by provider</b> |              |       |
| Equitable Life                                     | <b>84</b>    | 80    |
| Scottish Widows                                    | <b>17</b>    | 16    |
|  | <b>101</b>   | 96    |

## 13. Related party transactions

During the period of account, the SPPS has had material transactions with the SPCB, which is regarded as a related party. The transactions are disclosed in note 3 to these accounts as contributions receivable from the SCF and note 9 as the outstanding contributions balance at the year end. In addition, in 2014-15, the SPCB provided short term funding of £57,000 (2013-14 £121,000) in April 2014 to the SPPS to part fund the death in service payments arising in this month. This avoided the need for the SPPS to sell investments to fund this payment. The SPPS repaid the short term funding fully in May 2014.

None of the Trustees or members of the SPCB has undertaken anything other than normal pension contribution transactions and will receive no enhanced benefits other than the usual scheme benefits. The SPCB and SPPA provide administration services. Under a contract for services introduced from 1 April 2013 between the SPPA and the SPPS for the provision of a pension administration service, the SPPS incurred a fee of £1,800 (2013-14 £1,800) (note 7). Neither key management, staff nor any other related party has undertaken any material transactions with the SPPS during the year.

## **Compliance Statement**

The purpose of this compliance statement is to disclose some additional information required by law.

### **What is the SPPS?**

The rules of the SPPS are set out under Schedule 1 of the 2009 Act. The SPPS provides benefits for Members and office-holders of the Scottish Parliament. All MSPs and office-holders are members of the SPPS from the date they enter the Parliament unless they opt specifically not to be.

The main provisions of the SPPS are:

- an immediate pension of one fortieth or one fiftieth of final salary for each year of service on retirement at age 65;
- an immediate pension on retirement at any time on the grounds of ill health;
- an actuarially reduced pension paid at any time after age 55;
- a five eighths widow/ers pension;
- childrens' pensions (at the rate of one quarter of the basic or prospective pension of the Member if there is one child or three eighths if there are two or more children);
- a lump sum death gratuity on death in service equal to four years' salary with provision for more than one nominee;
- the purchase of added years;
- transfer of pension rights (into and out of the scheme);

### **Relationship with State Retirement Scheme**

The SPPS is contracted out of the State Second Pension Scheme and participating members of the SPPS will therefore pay a lower rate of National Insurance Contribution.

The pension retired scheme members receive from the SPPS is in addition to any entitlement to State Retirement benefits.

### **How the Trustees of the SPPS are Appointed**

Schedule 1, Rule 6 of the 2009 Act states that there are to be at least 3 but no more than 6 Fund Trustees. All Trustees are elected by the Scottish Parliament having been nominated by the SPCB. A person who is prevented by the Pensions Act 1999 (c.26), or by any other enactment or rule of law, from being a pension scheme trustee is barred from being a Trustee of the SPPS. The Scottish Parliament may remove a Trustee. A Trustee may resign by giving written notice to the Presiding Officer and the other Trustees.

### **Trustee Meetings**

Trustee meetings are usually held quarterly unless a need arises to meet for specific purposes. During the year 3 normal Trustee meetings were held.

The Trustees may act by a majority of those present at any meeting of the Trustees at which a quorum is present. A meeting of the Trustees is quorate if 3 or more Trustees are present.

### **Internal Dispute Resolution**

The Trustees have implemented an Internal Dispute Resolution procedure in accordance with the requirements of the Pensions Act 1995. Details of the procedure can be obtained from the Secretariat.

### **Advisers Appointed by the Trustees in Connection with the SPPS as at 31 March 2015**

Actuary - The Government Actuary's Department  
Auditor - BDO LLP  
Banker – Royal Bank of Scotland  
Investment Manager - Baillie Gifford  
Legal Adviser – Any one of the three SPCB outsourced legal contracts  
(Brodies, Anderson Strathern, Morton Fraser)  
Pension Administration Service – Scottish Public Pensions Agency  
Secretariat – SPCB, Human Resources Office

### **Funding Standard**

The SPPS is exempt from the requirements of The Occupational Pension Schemes (Scheme Funding) Regulations 2005. However, the Trustees have decided, with advice from the SPPS's professional advisers, to adopt relevant regulations as a matter of good practice where practicable.

### **Tax Status of the Scheme**

The SPPS is a statutory pension scheme under Section 611A of the Income and Corporation Taxes Act 1988, as amended by Schedule 12 of the Finance Act 1999, and is a deemed registered scheme under the Pensions Act 2004 and is an 'approved scheme' for the purposes of accepting transfer values.

## **Investment Manager**

Baillie Gifford's responsibilities include:

- (i) carrying out all the day-to-day functions relating to the management of the Fund;
- (ii) the allocations of the balanced portfolio between categories of investments and for the selection of individual stocks within each category of investment;
- (iii) deciding whether it is appropriate to retain or realise individual investments within the portfolio;
- (iv) exercising the investment powers in such a way that will give effect to the principles contained in the Statement of Investment Principles, so far as is reasonably practicable, and in particular to have regard to the suitability and diversification of the investments within the guidelines set by the Trustees.