Scottish Parliamentary Pension Scheme

Annual Accounts 2022-23

HMRC Approval Number 0045455RY

Contents

	Page
Trustees' Report	1
Investment Report	7
Report of the Actuary	11
Statement of Trustees' Responsibilties	15
Summary of Contributions paid in year	17
Independent Auditor's statement about contributions	18
Governance Statement	20
Independent Auditor's Report	22
Fund Account	26
Net Assets Statement	27
Notes to the Accounts	28
Compliance Statement	39

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 3.1%, pensions that were in payment for a year were also increased by 3.1%. 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
Pauline McNeill MSP (Chair)	14 June 2017
Murdo Fraser MSP	9 March 2022
Gordon MacDonald MSP	9 March 2022
Mark Ballard (deferred member)	9 March 2022

Scheme Administration

The day to day running of the SPPS is carried out by the Secretariat to the Trustees within the Scottish Parliament's Pay and Pensions 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
Edinburgh
EH99 1SP
Telephone (Direct Dial): 0131 348 6637
e-mail: dawn.gibbons@parliament.scot

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 least every three years. The most recent valuation report dated 30 May 2023 covered the period 1 April 2019 to 31 March 2022. It found that, at the valuation date, there was a surplus of £26.6 million. Following prolonged higher than expected rates of inflation, the Scheme Actuary conducted further analysis in September 2022. At that review, the Scheme Actuary recommended that the SCF's contribution rate should be increased by 0.8% per annum for the period 2023 to the next valuation in 2025 to help reduced risk with the SCF's contribution rate remaining below the full cost allocation.

An annual Report of the Actuary, as required by IAS 19 – Employee Benefits, for the period 1 April 2022 to 31 March 2023 can be found at pages 11 to 14 of this report.

Scheme Membership

As at 31 March 2023 there were 130 (2021-22 130) active positions accruing a pension. Active membership of the Scheme consisted of 128 (2021-22 128) active MSP Scheme members plus the Lord Advocate and Solicitor General for Scotland. Of the 128 active MSP Scheme members 31 (2021-22 30) were also accruing additional benefits simultaneously in their capacity as office-holders. The qualifying office-holder positions were the First Minister, 9 (2021-22 9) Cabinet Secretaries, 18 (2021-22 17) Ministers, 1 (Presiding Officer (2021-22 1) and 2 Deputy Presiding Officers (2021-22 2).

There were 69 (2021-22 76) deferred pensioners (former pension Scheme members who were not yet in receipt of a pension) and 138 (2021-22 132) pensions in payment at the year end.

Movement in the membership of the SPPS during the year included 1 new deferred pension. 8 (2021-22 23) new pensioner members came into payment during 2022-23. There were 2 pensioner deaths during 2022-23 with spouse pension not payable during 2022-23.

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 15. 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 £3,092,000 (2021-22 £3,297,000), and expenditure, by way of pensions, and expenses, was £2,529,000 (2021-22 £3,914,000). The net assets of the SPPS at 31 March 2023 were £97,218,000 (2020-21 £104,582,000).

During the period a total of £469,000 (2021-22 £548,000) was remitted to the Fund Managers for investment, £1,710,000 received in income from share and securities (2021-22 £1,324,000), £NIL transferred between funds, and £NIL (2021-22 £1,000,000) of these investments withdrawn in year. 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 (SIP). Whilst the SPPS is statutorily exempt from this requirement a SIP 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.

Implementation Statement

In line with disclosure requirements for a defined benefit scheme and in line with our Statement of Investment principles mentioned in the previous section, we can confirm in 2022-23 the Trustees fully complied with these. The Trustees appoint a Fund Manager to invest in line with the principles – see Investment Manager section.

Going Concern

The Scottish Parliamentary Pension Scheme (SPPS) as set out in the Scottish Parliamentary Pensions Act 2009 is funded by contributions from participating scheme members and the scheme sponsor, The Scottish Parliamentary Corporate Body (SPCB). The SPCB is founded by Scotland Act 1998 (legislation.gov.uk) with information on funding in S21.
The SPCB are committed to the continued payment of contributions and have recently agreed an increase in sponsor contribution rates following evidence from the SPPS 2022 valuation report. The pension scheme sponsor has not experienced any insolvency and has no material uncertainty in the sponsoring employer accounts. The trustees are not award of any sponsor financial, operational or legal difficulties. The fund trustees can confirm there has been no formal consultation or discussion on the winding up of the scheme.

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, Baillie Gifford Diversified Growth Fund and Baillie Gifford Sustainable Growth 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 (0.43% for the Managed Pension Fund, 0.55% for the Diversified Growth Fund and 0.50% for the Sustainable Growth Fund) of the total market value of the

Investment Manager (continued)

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 the 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. The Scheme transferred from the Baillie Gifford Managed Pension Fund into the underlying Baillie Gifford Managed Fund (OEIC) on 6 March 2018. In 2016-17, the Scheme transferred from the Baillie Gifford Diversified Growth Pension Fund into the underlying Baillie Gifford Diversified Growth Fund (OEIC) on 3 January 2017. In May 2021 some investments were moved from the Baillie Gifford Management Fund to the Baillie Gifford Sustainable Growth Fund. This fund was rebranded as Baillie Gifford Sustainable Growth Fund in 2022. In the period from 1 April 2022 to 31 March 2023 £469,000 was remitted to and invested in the Baillie Gifford Funds, £1,710,000 received in income from share and securities was also invested in these Funds £NIL transferred between funds, and £NIL investments withdrawn in year from the Baillie Gifford Diversified Growth Fund. This compares with £548,000 remitted and invested, £1,324,000 of income from shares and securities and £8,210,000 sales in the period from 1 April 2021 to 31 March 2022. At 31 March 2023 the market value of the units held within the Funds was £97,022,000 (£104,471,000 on 31 March 2022).

The unit price of the Managed Fund units is:

31 March 2023	£13.27
31 March 2022	£14.15
31 March 2021	£15.67
31 March 2020	£10.59
31 March 2019	£10.67
31 March 2018	£9.87

The unit price for the Diversified Growth Fund is:

31 March 2023	£2.14
31 March 2022	£2.34
31 March 2021	£2.26
31 March 2020	£1.92
31 March 2019	£2.11
31 March 2018	£2.11

The unit price for the Sustainable Growth Pension Fund is:

31 March 2023	£6.56
31 March 2022	£7.75

Pauline McNeill MSP
Chair of Pension Trustees
(On behalf of the Trustees)

Date: 25 October 2023

Investment Report for the Year Ended 31 March 2023

Day to day responsibility for the management of investments has been delegated to Baillie Gifford Life Limited, which operates in accordance with guidelines and restrictions set out in the Life Policy and the Key Features Document 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 2022 GBP	31 Mar 2023 GBP
Baillie Gifford Managed Fund B Accum	64,878,047	60,843,229
Baillie Gifford Diversified Growth Fund B2 Acc	32,071,606	29,321,157
Baillie Gifford Sustainable Growth Pension Fund	7,521,024	6,857,465
Total	104,470,677	97,021,851

Distribution of Assets

	31 Mar 2022 %	31 Mar 2023 %
Baillie Gifford Managed Fund B Accum	62.1	62.7
Baillie Gifford Diversified Growth Fund B2 Acc	30.7	30.2
Baillie Gifford Sustainable Growth Pension Fund	7.2	7.1
Total	100.0	100.0

Performance Objective

Where appropriate, the term 'Benchmark' refers to the relevant 'Target' or 'Comparator' benchmark as disclosed in the Fund's Prospectus.

Performance to 31 March 2023 (%)

	Fund (Net)	Benchmark
Baillie Gifford Managed Fund		
To achieve capital growth over rolling five-year periods.		
Five Years (p.a.)	6.1	4.2
Three Years (p.a.)	7.8	8.4
One Year	-6.3	-4.3
	Fund (Net)	Target
Baillie Gifford Sustainable Growth Fund		
To achieve capital growth over rolling five-year periods.		
Five Years (p.a.)	7.9	10.2
Three Years (p.a.)	10.2	16.0
One Year	-15.4	-0.9
	Fund (Net)	Base Rate +3.5%
Baillie Gifford Diversified Growth Fund		
To achieve (after deduction of costs): - an annualised return over rolling five-year periods that is at least 3.5% more than UK Base Rate - a positive return over rolling three-year periods - annualised volatility of returns over rolling five-year periods that is below 10% There is no guarantee that a positive return will be achieved over rolling three-year periods, or any time period, and capital may be at risk.		
Five Years (p.a.)	0.3	0.8
Three Years (p.a.)	3.6	0.9
One Year	-8.8	2.3

Source: StatPro

Summary Risk Statistics

Baillie Gifford Diversified Growth Fund	
Delivered Volatility (%)	8.6

Annualised volatility, calculated over 5 years to the end of March 2022.
Source: Baillie Gifford

Economic and Market Background – to 31 March 2023

Managed Fund*

The Fund did well during the first three months of the new year, a welcome upturn following disappointing performance over the course of 2022. Stock selection in the North America portion of the Fund was the key contributor to a positive result in the period. The Managed Fund's bond portfolio was essentially flat over the first quarter of the year, rallying earlier in the period before a pullback due to concerns about the banking sector in March. The Fund had a small, around 0.1 per cent, position in Silicon Valley Bank which was sold following a loss of confidence by its depositors. In addition, we have made a small reduction to the Fund's overall exposure to high yield bonds as the fallout from Silicon Valley Bank's collapse adds to the tighter financial conditions which result from higher interest rates.

Diversified Growth*

The portfolio remains cautiously positioned and well diversified; predicted volatility is around 6%, well below the 10% per annum limit. Given our view on growth and inflation, where we believe the most probable outcome is that of a developed market recession, the largest tactical positions continue to be those that will stand to benefit most from falling interest rates, such as holdings of US and Australian Treasuries, in addition to the related emerging market and investment grade credit holdings.The Fund's overall equity exposure remains low. However, we continue to be excited about a number of long-term opportunities in infrastructure, property, commodities, emerging market (and particularly Asian) high yield and structured finance. These can all be sensitive to the short-term economic outlook and market direction, so we are looking to take advantage of price volatility where we see opportunities presented. The Fund's long Japanese yen position and VIX futures help to provide some direct balance to short-term volatility, while the cash position can – and insurance linked securities (ILS) holdings also – serve to control overall volatility. While positioned to be resilient through the rest of the year in the face of recession, the portfolio is also sufficiently flexible to adapt to changing conditions and take advantage of opportunities as they arise.

Sustainable Growth Fund*

During 2023 the Baillie Gifford Global Stewardship Fund was renamed by Baillie Gifford as the Sustainable Growth Fund. Volatility has historically been a friend to long-term investors. In the last 20 years, increased periods of market volatility have heralded the grassroots of a subsequent bull market. While 'the market' is on recession watch, those with a long-term mindset buy up the subsequent cycles' winners. With this in mind, we have made opportunistic additions to several of our most resilient names. As we look to the future, we draw comfort in knowing that focusing on enduring growth franchises has proven worth. Our Risk and Analytics team have helped us in this regard, producing work that shows us a focus on the top quintile of earnings growers over the next decade will significantly tilt the odds in favour of owning a portfolio of outperforming stocks. This is even more important when our starting point is today, a time we still believe to be of maximum fear. Their work shows that stocks that have suffered significant drawdowns (as some of our stocks have) stand the best chance of recovery when they produce mid-single-digit revenue growth and, more importantly, double-digit earnings growth. Finding those winners of tomorrow will remain our focus on your behalf in the coming quarters and years.

*Source: Baillie Gifford: Report for the quarter ended 31 March 2023

Top Ten Largest Holdings

Baillie Gifford Managed Fund B Accum	% of Portfolio
The trade desk	1.6
Shopify	1.5
Tesla Inc	1.3
Prosus	1.3
Moderna	1.3
TSMC	1.2
Amazon.com	1.1
NVIDIA	1.0
AstraZeneca	1.0
Rio Tinto	1.0

Baillie Gifford Diversified Growth Fund B2 Acc	% of Portfolio
Baillie Gifford Emerging Markets Bond Fund C acc	11.2
BG Worldwide Global Strategic Bond Fund C USD Acc	4.3
Plutus CLO Fund	3.5
Aspect Core UCITS Fund C GBP	3.0
Baillie Gifford Emerging Markets Corporate	2.9
Baillie Gifford Global Income Growth Fund C Acc	2.7
Ashmore Asian High Yield Bond Fund Acc	2.6
UBS CSI 500 NTR index + 7.05% ETN (c)	2.4
Fair Oaks Senior CLO Note	2.3
Galene Fund	2.3

Baillie Gifford Sustainable Growth Pension Fund	% of Portfolio
MarketAxess Holdings	0.9
MercadolLibre	0.8
Abiomed	0.6
DMG Mori	0.5
L’oreal	0.4
Samsung Sdi Co Ltd	0.4
Alphabet	0.4
SoftBank group	0.4
DSV	0.3
Sumitomo Mitisui Trust	0.3

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

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 2022 with an approximate uprating to 31 March 2023 to reflect known changes.

Membership Data

D. Tables 1 and 2 summarise the membership data as at 31 March 2022 used to prepare this statement.

Table 1 – Active members (MSPs and officeholders combined)

31 March 2019			2021/22
Number	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)	Total salaries (£ million)
154	9.1	1.879	9.57

Table 2 – Deferred members and pensions in payment

	31 March 2019	
Category	Number	Total pension (pa) (£ million)*
Deferreds**	95	0.980
Pensioners	101	1.067

*Including pension increase as at April 2019
**Including former office holders who are still MSPs

Methodology

A. 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 2022-23 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2023 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2021-22 Resource Accounts.

B. 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

C. The principal financial assumptions adopted to prepare this statement are shown in Table 3.

Table 3 – Principal financial assumptions

	31 March 2023 (% p.a.)	31 March 2022 (% p.a.)
Gross discount rate	**4.65**	**2.65**
Price inflation (CPI)	**2.60**	**3.15**
Earning increases (excluding promotional increases)	**4.10**	**4.65**
Real discount rate (net of CPI)	**2.00**	**-0.50**

Demographic assumptions

A. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2023 are based on those adopted for the 2022 funding valuation of the SPPS.

B. The standard mortality tables known as S3NxA are used. Mortality improvements are in accordance with those incorporated in the 2020-based principal population projections for the United Kingdom.

C. The contribution rate used to determine the accruing cost in 2022-23 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2021-22 Resource Accounts.

Liabilities

A. Table 4 summarises the assessed value as at 31 March 2023 of benefits accrued under the scheme prior to 31 March 2023 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 4 – Statement of Financial Position (£ million)

	31 March 2023	31 March 2022
Total market value of assets	97.1	104.4
Value of liabilities	91.4	136.8
Surplus/(Deficit)	5.70	(32.4)
Funding Level	106%	76%

Pension cost

A. The value of benefits accruing in the year ended 31 March 2023 (the Current Service Cost) is 88.7% (including member contributions) (2022: 86.2%), as determined at the start of the year. Members accruing benefits at an accrual rate of 1/40th contribute 11% of pay, and members accruing benefits at an accrual rate of 1/50th contribute 6% of pay. Table 5 shows the standard contribution rate used to determine the Current Service Cost for 2021-22 and 2022-23.

Table 5 – Contribution rate

	Percentage of pensionable pay	
	2022-23	**2021-22**
Value of accruing benefits (excluding	88.7%	86.2%
Members' contribution rate (average)	10.7%	10.7%
Employer's share of value of accruing	78.0%	75.5%

A. 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), (20.2% for 2022-23, rising to 21.0% for 2023-24) 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 -0.50% per year for the 2022-23

Current Service Cost (-0.40% per year for 2021-22) compared with 2.25% per year for the 2022 scheme funding valuation. The higher discount rate for scheme funding is determined by considering the assets held by the scheme and the expected returns on those assets. The discount rate for Resource Accounts is set each year to reflect the requirements of IAS19.

B. The pensionable payroll for the financial year 2022-23 was £9.97 million (2021-22: £9.57 million). Based on this information, the accruing cost of pensions in 2022-23 (at 88.7% (2021-22: 86.2%) of pay) is assessed to be £8.84 million (2021-22: £8.25 million). There is no past service cost and so this is the total pension cost for 2022-23.

Julia Leunig

Fellow of the Institute and Faculty of Actuaries

Government Actuary's Department

June 2023

Statement of Trustees' Responsibilities

The accounts, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension Scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited accounts 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 the liabilities to pay pensions and benefits after the end of the Scheme year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice ''Financial Reports of Pension Schemes''.

In discharging these responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the accounts on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

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 report of the Actuary 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 report of the Actuary . 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 26 September 2023

Signed for and on behalf of the Trustees

Pauline McNeill MSP
Chair of Pension Trustees
(On behalf of the Trustees)

Date: 25 October 2023

Summary of Contributions paid in year

During the year, the contributions paid to the SPPS from the SCF under the Scottish Parliamentary Pensions Act 2009 and the recommendations of the Scheme Actuary were as follows:

	2023 £'000	2022 £'000
SCF normal contributions	2,007	1,923
Active member normal contributions	1,062	1,019
Active member additional contributions to purchase added years	3	7
Total contributions	3,072	2,949

Pauline McNeill MSP
Chair of Pension Trustees
(On behalf of the Trustees)

Date: 25 October 2023

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

	2023 £'000	2022 £'000
Contributions paid:	3,072	2,949
Less opening debtor	(255)	(244)
Add closing debtor	257	255
Contributions reported in the annual accounts	3,074	2,960

No additional contributions in 2022-23 or 2021-22 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

Statement about contributions

We have examined the Summary of Contributions to Scottish Parliamentary Pension Scheme ('the Scheme') for the year ended 31 March 2023 on page 17.

In our opinion, contributions for the year ended 31 March 2023, as reported in the Summary of Contributions, have in all material respects been paid at least in accordance with the Scottish Parliamentary Pensions Act 2009 and the recommendations of the Scheme Actuary.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Scottish Parliamentary Pensions Act 2009 and the recommendations of the Scheme Actuary. 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 Scottish Parliamentary Pensions Act 2009 and the recommendations of the Scheme Actuary.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 15, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a statement 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 Scottish Parliamentary Pensions Act 2009 and the recommendations of the Scheme Actuary.

Auditor's responsibilities for the preparation of a Statement about Contributions

It is our responsibility to provide a statement about contributions paid under the Scottish Parliamentary Pensions Act 2009 and the recommendations of the Scheme Actuary and to report our opinion to you.

Use of our report

This statement is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under 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 statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body, for our audit work, for this statement, or for the opinions we have formed.

DocuSigned by:
BDO LLP
C17EC688DFBB4C8...

BDO LLP
Statutory auditor
Edinburgh, UK
United Kingdom

Date 26 October 2023

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 2022-23 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;

Risk and Control Framework (continued)

- 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.

Pauline McNeill MSP
Chair of Pension Trustees
(On behalf of the Trustees)

Date: 25 October 2023

Independent Auditor's Report

To the Trustees of Scottish Parliamentary Pension Scheme

Opinion on the 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 2023 and of the amount and disposition at that date of its assets and liabilities, other than 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 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements of Scottish Parliamentary Pension Scheme ('the Scheme') for the year ended 31 March 2023 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – *Financial Reports of Pension Schemes* (revised 2018).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we 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 as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine 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 Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees intend to wind up the Scheme or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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 economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the Scheme's legal and regulatory frameworks, focusing on those which we determine to be the most significant, and how the Scheme complies with these.
- Enquiring of the Trustees, and where appropriate, the administrators or consultants as to whether:
    - the Scheme is in compliance with laws and regulations that have a material effect on the financial statements;
    - they have knowledge of any actual, suspected or alleged fraud;
    - any reports have been made to the Pensions Regulator.

Based on our understanding of the Scheme, we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Acts 1995 and 2004 and those that relate to the reporting framework (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 and the Statement of Recommended Practice 'Financial Reports of Pensions Schemes' 2018 ('The SORP'). We also considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls by the Trustees and those involved in the preparation of the financial statements and underlying accounting records. We determined that the principal risk was related to the posting of inappropriate journals, which may act to conceal fraudulent activity.

Audit procedures performed to respond to the identified risks included, but were not limited to, the following:

- Testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- Enquiring of management and the Trustees with regard to actual and potential litigation and claims.
- Reviewing the disclosures in the financial statements and testing to supporting documentation to assess compliance with relevant laws and regulations, as detailed above.
- Reviewing minutes of meetings of the Trustees.
- Reviewing any significant correspondence with the Pensions Regulator.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under 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 Scheme's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
BDO LLP
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BDO LLP
Statutory auditor
Edinburgh, UK
United Kingdom

Date 26 October 2023

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

Fund Account for the year to 31 March 2023

	Note	**2023** **£'000**	2022 £'000
Contributions and Benefits			
Employer contributions	3	**2,005**	1,933
Members contributions	3	**1,069**	1,027
Transfers in from other Schemes	4	**18**	337
		3,092	3,297
Benefits payable	5	**(2,307)**	(3,719)
Other payments	6	**(12)**	(149)
Administration expenses	7	**(210)**	(46)
		(2,529)	(3,914)
Net (withdrawals)/additions from dealings with members		**563**	(617)
Returns on Investments			
Change in market value of investments			
– Managed funds	8	**(9,699)**	(8,207)
– Income from Shares & Securities	8	**1,710**	1,324
– Other Income	8	**71**	118
– Additional voluntary contributions	12	**(9)**	7
Net return on investments		**(7,927)**	(6,758)
Net increase /(decrease)in the SPPS during the year		**(7,364)**	(7,375)
Net assets of the SPPS			
At 1 April		**104,582**	111,957
At 31 March		**97,218**	104,582

The notes on pages 28-38 form part of these accounts

Net Assets Statement as at 31 March 2023

	Note	**2023 £'000**	2022 £'000
Investments at market value			
Managed funds	11	**97,022**	104,471
AVC	12	**135**	176
		97,157	104,647
Current assets and liabilities			
Current assets	9	**267**	255
Current liabilities	10	**(206)**	(320)
Net current assets/(liabilities)		**61**	(65)
Net Assets of the Fund		**97,218**	104,582

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 2023 and these accounts should be read in conjunction with that report.

Approved and authorised for issue on behalf of the Trustees:

Pauline McNeill MSP
Chair of Pension Trustees
(On behalf of the Trustees)

Date: 25 October 2023

The notes on pages 28 to 38 form part of these accounts

Notes to the Accounts

Accounts for the year ended 31 March 2023

1. Basis of preparation

The Financial statements have been prepared in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (revised 2018).

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 not take these liabilities into account (an annual actuarial statement, as required by IAS 19 – Employee Benefits, can be found at pages 11-14). The functional currency of the Scheme is pounds sterling and the level of rounding is to the nearest £1,000.

The financial statements as at 31 March 2023 continue to be prepared on a going concern basis and no adjustments have been made to the financial statements. The Trustees have considered the funding levels of the Scheme, the investment strategy and performance. The Trustees consider the basis to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet benefit payments in the normal course of affairs for at least the next twelve months.

2. Accounting policies

The principal accounting policies are:

a) Pension contributions from the SCF and members are accounted for on an accruals basis.

b) Investment income is accounted for when declared by the fund manager. This income is reported through the change in market value. The income received from shares and securities was additional income and re-invested in the Fund.

c) Benefits are accounted for in the period to which they relate.

d) Transfer values from or to other pension arrangements are accounted for on a cash basis.

e) Refunds of contributions are accounted for on an accruals basis.

f) All other expenditure is accounted for in the period to which it relates.

g) 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.

h) The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

i) Investments are valued at their fair value at the date of Statement of Net Assets in line with the fair value hierarchy set out in note 13.

j) There were no other significant judgements made in applying these accounting policies as at 31 March 2023.

3. Contributions receivable

Fund contributions are based on members' salaries.

	2023 £'000	2022 £'000
SCF		
SCF employer contributions	**2,005**	1,933
Members		
Members and office-holders of the Scottish Parliament	**1,069**	1,027
Total contributions receivable	**3,074**	2,960

4. Transfer values

	2023 £'000	2022 £'000
Individual transfers in from other Schemes	**18**	337
Individual transfers out to other Schemes	**-**	-

5. Benefits payable

The fund has 138 current beneficiaries at year end. There were 132 beneficiaries in 2021-22. Benefits payable to beneficiaries were as follows.

	2023 £'000	2022 £'000
Pensions	**1,778**	1,565
Pension lump sums	**498**	2,154
AVC pensions	**31**	-
	2,307	3,719

6. Other Payments

No MSPs died during the period (2021-22 none) resulting in death in service payments under the terms of the SPPS.

Scheme payments were due to HMRC in 2022-23 in respect of 2021-22.

	2023	2022
	£'000	£'000
HMRC payments	**4**	-
Scheme and other payments to HMRC	**8**	149
	12	149

7. Administrative expenses

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

	2023	2022
	£'000	£'000
Audit fees	**18**	21
Actuarial fees	**190**	23
Administration fees (note 16)	**2**	2
	210	46

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 annual charge for investment management and costs associated with the Fund is 0.43% of units held in the Baillie Gifford Managed Pension Fund (2021-22 0.46%), 0.55% of units held in the Baillie Gifford Diversified Growth Pension Fund (2021-22 0.9%) and 0.5% of units held in the Baillie Gifford Sustainable Growth Fund of the value of the Funds accrued on a daily basis.

8. Changes in market value of investments

	2023	2022
	£'000	£'000
Opening balance at 1 April	**104,471**	111,687
Add investments made in year	**469**	8,759
Other income – management fee rebate	**71**	118
Income from shares & securities	**1,710**	1,324
Less Investments sold in year	**-**	(8,210)
Less unit sales from Diversified Growth Fund	**-**	(1,000)
	106,721	112,678
Closing balance at 31 March	**97,022**	104,471
(Decrease)/Increase in market value	**(9,699)**	(8,207)

The decrease in investment of £9,698,593 (2021-22 decrease £8,206,505) includes the management charge and costs associated with the Fund. The income received from shares and securities was additional income and re-invested in the Fund.
Investments made in 2021-22 include an initial investment into the Baillie Gifford Sustainable Growth Fund (£8,210,461) which was funded by the sale of investments in the Baillie Gifford Managed Pension Fund (£8,210,461). In addition, £1,000,000 of funds were withdrawn in 2021-22 to repay short term funding provided in year by the SPCB (see note 16).

9. Current assets

	2023	2022
	£'000	£'000
Contributions due to the SPPS	257	255
Refund due to the SPPS	10	-
	267	**255**

10. Current liabilities

	2023	2022
	£'000	£'000
Pension due	150	146
Scheme payments to HMRC	8	16
Short term funding due to SPCB	4	126
Audit fee	18	21
Government Actuary	26	11
	206	**320**

11. Investments – Bailie Gifford

The following table summarises the holdings in the Baillie Gifford funds as at 31 March 2023. Fuller details of the holdings are available in the Fund's quarterly report.

	2023 £'000	**2023 %**	2022 £'000	2022 %
Baillie Gifford Managed Fund				
Equities	**48,887**	**80.35**	**50,378**	**77.65**
UK	12,595	20.70	12,677	19.54
North America	11,566	19.01	11,717	18.06
Europe	11,493	18.89	10,913	16.82
Asia	7,009	11.52	8,350	12.87
Emerging	6,224	10.23	6,721	10.36
Fixed Interest Bonds	**11,542**	**18.97**	**11,211**	**17.28**
UK	986	1.62	1,246	1.92
Overseas bonds and index linked	10,556	17.35	9,965	15.36
Cash and Deposits	**414**	**0.68**	**3,289**	**5.07**
Total Fund	**60,843**	**100**	**64,878**	**100**

Baillie Gifford Diversified Growth Pension Fund

	2023 £'000	**2023 %**	2022 £'000	2022 %
Equities	**3,753**	**12.8**	**7,280**	**22.70**
Listed Equities	3,753	12.8	7,280	22.70
Property	**1,349**	**4.60**	**2,726**	**8.50**
Bonds	**19,997**	**68.20**	**19,981**	**62.30**
High Yield Bonds	2,756	9.40	2,438	7.60
Investment Grade Bonds	1,261	4.30	321	1.00
Structured Finance	2,815	9.60	1,860	5.80
Commodities	1,114	3.80	1,347	4.20
Emerging Market Bonds	4,017	13.70	1,924	6.00
Infrastructure	3,137	10.70	7,056	22.00
Government Bonds	2,522	8.60		
Absolute Return	1,261	4.30	4,618	14.40
Insurance Linked	1,026	3.50	353	1.10
Special Opportunities	88	0.30	64	0.20

Cash and Deposits	**4,222**	**14.40**	**2,085**	**6.50**
Total Fund	**29,321**	**100**	**32,072**	**100**

Baillie Gifford Sustainable Growth Pension Fund

Equities	**6,830**	**99.60**	**7,423**	**98.7**
UK	418	6.10	442	5.88
North America	3,264	47.60	3,581	47.61
Europe	1,365	19.90	963	12.81
Asia	1,029	15.00	2,362	31.41
Emerging	754	11.00	75	0.99
Cash and Deposits	**28**	**0.40**	98	1.30
Total Fund	**6,858**	**100**	**7,521**	**100**
Total Investment	**97,022**		**104,471**	

Any investment income received on the Funds' investments and any tax recoveries are reinvested in the pooled funds. The £469,000 invested in 2022-23, (2021-22 £548,000) has been used to purchase additional units in the Baillie Gifford Sustainable Growth Fund. It is not possible for transactions costs of the purchases and sales during the year to be separately identified.

12. Investments - 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, Utmost (formerly Equitable Life Assurance Society) or Scottish Widows. The aggregate movements and amounts of AVC investments are as follows:

	31 Mar 2023 £'000	31 Mar 2022 £'000
AVC investments as at 1 April	**176**	169
Retirements from scheme	**(32)**	0
(Decrease)/increase in AVC investment values	**(9)**	7
AVC investments at 31 March	**135**	176

Market value of AVC investments by provider		
Utmost	**106**	147
Scottish Widows	**29**	29
	135	176

13. Fair value of investments

The Scheme's investment assets and liabilities are included in the financial statements at fair value. The fair value of investments has been determined using the following hierarchy:

Level 1 where there is a quoted price for an identical asset in an active market at the reporting date

Level 2 where such quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary

Level 3 where quoted prices are not available and recent transactions of an identical asset on their own are either unavailable or not a good estimate of fair value

The Scheme's investment assets and liabilities within these categories as at the end of the reporting period is as follows:

	Level			31 March 2023 Total
	1	2	3	
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	97,022	-	97,022
AVC investments	-	135	-	135
Total	-	97,157	-	97,157

Analysis for the prior period end is as follows:

	Level			31 March 2022 Total
	1	2	3	
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	104,471	-	104,471
AVC investments	-	176	-	176
Total	-	104,647	-	104,647

The Scheme's investments in pooled investment vehicles have a single closing price, which is used to place a fair value on these units. These unitised pooled investment vehicles are not traded on an active market but the manager is able to demonstrate that they are priced daily. These are included at the last price provided by the manager at or before the year end.

14. Investment risk

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 for the Baillie Gifford investments are as follows:

- **Credit Risk**: the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

- **Market Risk**: the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in Market Prices.

Market risk comprises three types of risk:

- **Interest rate risk**: the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- **Currency risk**: the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

- **Other price risk**: the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees set the investment policy after seeking advice from their investment advisers and other appropriately qualified experts on the suitability of certain asset classes having regard to the nature, timing and currency of the Scheme's liabilities, the funding level of the Scheme and the Trustees appetite for risk.

Due to the size and maturity of the Scheme, the Trustees believe that the most cost effective way of investing to achieve suitable diversification is to use pooled investment vehicles. The Scheme has exposure to the risks above because of the Scheme's use of pooled investment vehicles and the investments made by those vehicles.

Where a pension Scheme invests in a pooled investment vehicle it obtains direct exposure to the credit and market risks arising from the pooled investment vehicle and indirect exposure to the credit and market risks arising from the underlying investments of the pooled vehicle. The following table summarises the extent to which the various classes of investments are affected by financial risks.

The following table summarises the extent to which the various classes of investments are affected by financial risks.

		Market risk				
	Credit risk	Currency	Interest rate	Other price	2023 value	2022 value
Pooled investment vehicles					97,021,851	104,470,678
Direct	●	◐	◐	◐		
Indirect	◐	◐	◐	●		

In this table:

● indicates that the risk noted significantly affects the asset class.

◐ indicates that the risk noted partially affects the asset class.

○ indicates that the risk noted hardly affects the asset class.

Investment Strategy

The Trustees' objectives are to invest the assets in a manner that strike a balance between:

ensuring that the likelihood of failing to meet the Scheme's liabilities remains within an appropriate level of risk;

minimising the cost to the Scottish Parliamentary Corporate Body of providing the Scheme benefits; and

ensuring that the charges borne by the Scottish Parliamentary Corporate Body for accruing benefits are reasonably stable over time.

Hence, the investments of the Scheme are managed to ensure that the investment risks are contained to a level acceptable to the Trustees, whilst recognising that a total risk averse investment strategy is likely to give lower returns over the longer term and hence increase the long term cost of the Scheme.

The Scheme's investments are currently held in three pooled investment vehicles that predominantly seek to provide equity-type returns. The investment criteria of pooled investment products are set by the documents governing those products, hence whilst the Trustees remain responsible for the strategic allocation of the investments between funds, they have delegated individual investment decisions within the funds to their investment manager.

The current investments held across the three pooled investment vehicles holds:

61% in equities, both listed and private in a variety of markets

1% in property

33% in bonds

5% in cash and deposits

Credit Risk
The Scheme is subject to credit risk in relation to the instruments it holds in the pooled investment vehicles. In addition, the Scheme is indirectly exposed to the credit risks arising from the investments held by those vehicles, such as risks arising from the vehicles' investments in bonds and cash balances.

The direct credit risk arising from investing in pooled investment vehicles is mitigated by investing in funds that ring fence investor assets and the regulatory environments in which the pooled manager operates. Trustees carry out due diligence checks on the appointment of new pooled managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

The indirect credit risk that arises from the investments made by the vehicle is mitigated by the investment manager by holding a diverse strategy that is not reliant on any single asset.

Interest rate risk
The Scheme is subject to interest rate risk because some of the pooled vehicles' investments are held in bonds and cash.

The Trustees are aware that, given the majority of the Scheme's investments are in return seeking assets, significant changes in interest rates may lead to the risk that the asset and liability values change in significantly different ways. This risk is mitigated by diversifying the return seeking assets to reduce downside risk and the risk and appropriateness of the investment strategy will be assessed by the Trustees at each actuarial valuation and as the Scheme matures.

Currency risk
The Scheme is subject to currency risk indirectly because some of the investments held by the Scheme's pooled investment vehicle are held in overseas markets. The risk is spread across a variety of overseas markets and asset classes.

Other price risks
Other price risks arise indirectly in relation to the Scheme's investments in the pooled investment vehicles and the investments held by these vehicles in a wide range of assets such as listed and private equities, property, infrastructure and commodities. The Scheme's exposure to this risk is mitigated by the investment manager by holding a diverse strategy that invests across a wide range of asset classes and holding a diverse strategy that is not reliant on any single asset.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2023	2022
	£'000	£'000
Authorised unit trusts	97,022	104,471

No investments are held via unit linked insurance companies, open ended investment companies or shares of limited liability partnerships. The unit trusts may investment in this type of investment.

15. Concentration of investments

The investments at the year end which represent more than 5% of the total value of net assets of the Scheme comprise the investments in the Baillie Gifford Managed Fund B Accum, Baillie Gifford Diversified Growth Fund B2 Acc and Baillie Gifford Sustainable Growth Pension Fund in both the current and prior year.

16. 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 2022-23 short term funding of £40,829 was provided by the SPCB along with the SPCB paying a lump sum payment of £170,376 on behalf of the SPPS and paying also HMRC penalty payments of £3,685 on behalf of the SPPS in February and March 2023 (note 10). The SPPS repaid a total of £336,687 in year representing the amount due to the SPCB at 31 March 2022 of £125,482 and £211,205 of in year short term funding loans. The SPPS was due to repay the SPCB £3,658 at 31 March 2023.

In 2021-22 short term funding of £1,302,383 was provided to the SPPS with £1,176,901 repaid in the prior year. The SPPS was due to repay the SPCB £125,482 as at 31 March 2022. This £125,482 has now been paid off in the year to 31 March 2023. Short term funding was provided to temporarily cover the costs of lump sum payments to members who retired in the Election year until contributions could support the repayment of these sums. This reduced the requirement to sell units to cover these costs.

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 £2,400 (2021-22 £2,400) (note 7). Neither key management, staff nor any other related party has undertaken any material transactions with the SPPS during the year. Some Scheme members made a request for the Scheme to pay their annual allowance tax charge under the Scheme Pays facility. The total amounts to be paid by the Scheme to HMRC on behalf of Scheme members were £24,218 (2021-22 £182,579), of which £16,245 (2021-22 £166,334) was paid during the year, and £7,973 (2021-22 £16,245) remains accrued and to be paid post year end. In return for paying the annual allowance tax charges, the Scheme members' pension entitlement will be actuarially reduced at retirement.

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:

- a pension of one fortieth or one fiftieth of final salary for each year of service on retirement from 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 was contracted out of the State Second Pension Scheme and participating members of the SPPS therefore paid a lower rate of National Insurance Contribution. However, following the changes to the State Pension system, which came into effect from the 6 April 2016, the SPPS is no longer contracted out of the State Pension as this facility no longer exists.

The pensions that 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 2023

Actuary - The Government Actuary's Department
Auditor - BDO LLP
Banker – Royal Bank of Scotland
Investment Manager - Baillie Gifford
Legal Adviser – Through the SPCB's outsourced legal contract with Brodies
Pension Administration Service – Scottish Public Pensions Agency
Secretariat – SPCB, Pay and Pensions 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.