Scottish Parliamentary Pension Scheme

Annual Accounts 2021-22

HMRC Approval Number 0045455RY

Contents

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 0.5%, pensions that were in payment for a year were also increased by 0.5%. 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 from 29 March 2022)	14 June 2017
Murdo Fraser MSP	9 March 2022
Gordon MacDonald MSP	9 March 2022
Mark Ballard (deferred member)	9 March 2022

Management of Fund (continued)

Alison Harris (Chair to 9 March 2022), Gil Paterson and Mark Ruskell were Trustees until 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 26 May 2021 covered the period 1 April 2017 to 31 March 2019. It found that, at the valuation date, there was a surplus of £13.3 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 2021 to 31 March 2022 can be found at pages 11 to 14 of this report.

Scheme Membership

As at 31 March 2022 there were 130 (2020-21 156) active positions accruing a pension. Active membership of the Scheme consisted of 128 (2020-21 125) active MSP Scheme members plus the Lord Advocate and Solicitor General for Scotland. Of the 128 active MSP Scheme members 30 (2020-21 29) were also accruing additional benefits simultaneously in their capacity as office-holders. The qualifying office-holder positions were the First Minister, 9 (2020-21 11) Cabinet Secretaries, 17 (2020-21 14) Ministers, 1 (Presiding Officer (2020-21 1) and 2 Deputy Presiding Officers (2020-21 3).

There were 76 (2020-21 69) deferred pensioners (former pension Scheme members who were not yet in receipt of a pension) and 132 (2020-21 107) pensions in payment at the year end.

Movement in the membership of the SPPS during the year included 23 (2020-21 2) new pensioner members and 20 (2020-21 1) deferred pensioner. The movement in 2021-22 is higher than the previous year due to the election in May 2021.

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 £3,297,000 (2020-21 £2,946,000), and expenditure, by way of pensions, and expenses, was £3,914,000 (2020-21 £1,491,000). The net assets of the SPPS at 31 March 2022 were £104,582,000 (2020-21 £111,957,000).

During the period a total of £548,000 (2020-21 £1,441,000) was remitted to the Fund Managers for investment, £1,324,000 received in income from share and securities (2020-21 £953,000), £8,210,000 transferred between funds, and £1,000,000 (2020-21 £nil) 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 2021-22 the Trustees fully complied with these. The Trustees appoint a Fund Manager to invest in line with the principles – see Investment Manager section.

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 Global Stewardship 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, 0.86% for the Diversified Growth Fund and 0.53% for the Global Stewardship 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 the Baillie Gifford funds is as follows:

Bank of New York
One Canada Square
LONDON
E14 5AL

Investment Manager (continued)

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 Global Stewardship Fund. In the period from 1 April 2021 to 31 March 2022 £548,000 was remitted to and invested in the Baillie Gifford Funds, £1,324,000 received in income from share and securities was also invested in these Funds £8,210,000 transferred between funds, and £1,000,000 of investments withdrawn in year from the Baillie Gifford Diversified Growth Fund. This compares with £1,441,000 remitted and invested, £953,000 of income from shares and securities and £nil sales in the period from 1 April 2020 to 31 March 2021. At 31 March 2021 the market value of the units held within the Funds was £104,471,000 (£111,687,000 on 31 March 2021). The value of the Managed Fund units is:

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 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 Global Stewardship Pension Fund is:

31 March 2022	£7.75

Covid 19

As in 2020-21, we are continuing to deal with the Covid-19 pandemic in 2021-22. The SPCB had established a significant support network at the outset of the pandemic. This investment in digital parliamentary services ensured that anyone who was working from home had the technology to enable them to do so effectively and securely. This enabled the Fund Trustees and secretariat to work from home with the same level of cyber security that applied when working from the parliament building. This arrangement has continued to be effective during 2021-22. All banking transactions have been continued to be carried out without issue. The pensioner payroll is maintained by the SPCB's Pay and Pensions office and all pensioners have been paid accurately and on time. As we progress into 2022-23, the SPCB has moved to a hybrid arrangement for an interim period as new ways of working are determined with staff currently expected to be in the office for part of the working week.

The SPCB, the scheme sponsor, which is funded via the UK government block grant, did not experience any funding issues or run into any financial difficulties of being unable to meet its financial commitments including the funding of members pension contributions in 2021-22.

Covid impacted less on market volatility in 2021-22 compared to the previous year. Investment markets however have been impacted by inflation and the war in Ukraine. More information on this is contained within the Investment Report.

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

Date: 26 September 2022

Investment Report for the Year Ended 31 March 2022

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 2021 GBP	31 Mar 2022 GBP
Baillie Gifford Managed Fund B Accum	80,866,069	64,878,047
Baillie Gifford Diversified Growth Fund B2 Acc	30,821,054	32,071,606
Baillie Gifford Global Stewardship Pension Fund	-	7,521,024
Total	111,687,123	104,470,677

Distribution of Assets

	31 Mar 2021 %	31 Mar 2022 %
Baillie Gifford Managed Fund B Accum	72.4	62.1
Baillie Gifford Diversified Growth Fund B2 Acc	27.6	30.7
Baillie Gifford Global Stewardship Pension Fund	-	7.2
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 2022 (%)

	Fund (Net)	Benchmark
Baillie Gifford Managed Fund		
To achieve capital growth over rolling five-year periods.		
Five Years (p.a.)	8.9	5.4
Three Years (p.a.)	9.8	7.0
One Year	-9.7	5.4
	Fund (Net)	Target
Baillie Gifford Global Stewardship Fund		
To achieve capital growth over rolling five-year periods.		
Five Years (p.a.)	15.3	13.3
Three Years (p.a.)	16.4	16.1
One Year	-15.2	15.2
	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.)	3.1	3.9
Three Years (p.a.)	3.5	3.8
One Year	3.7	3.7

Source: StatPro

Summary Risk Statistics

Baillie Gifford Diversified Growth Fund	
Delivered Volatility (%)	7.2

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

Economic and Market Background – to 31 March 2022

Managed Fund*

The horrifying humanitarian crisis in Ukraine highlights that the ability to live in peace and freedom are privileges, not to be taken for granted. The Baillie Gifford Managed Fund had de minimus direct exposure to Russia (0.9 per cent as of end January 2022) through two equity holdings and one corporate bond. The latter position has been sold. We attempted to sell the portfolio's limited Russian equity holdings. Unfortunately, liquidity was limited before market access became technically impossible as the clearing networks withdrew. Consequently, we are now carrying these shares at a fair value of zero. We will continue to monitor the situation and comply with international sanctions. The Baillie Gifford Managed Fund delivered a negative absolute return and underperformed the peer group over the first quarter of 2022 as well as the 12-month period to end March.

Diversified Growth*

It has been a turbulent start to the year with investment markets reacting initially to short-term inflation data and then to the war in Ukraine. The impacts are complex, and, from a financial perspective, a number of markets have experienced a period of volatility. Growth equities and bond markets have generally had poor quarters, while many commodities have benefited from the disruption to supply chains. However, it is Russia's belligerence that has rightly been dominating recent headlines with its aggression having a devasting impact on the Ukrainian people and the surrounding area. The international response condemning Russia's actions has been near-universal, with diplomatic pressure applied alongside a raft of coordinated economic sanctions. As well as fuelling existing concerns over economic growth and higher inflation, especially in Europe, it has also meant that other key issues – such as energy security and the risk of outright war between the West and Russia – have come to the fore.

The Diversified Growth Fund has not been immune to these events, giving back around half of the returns generated during the previous 12 months. However, while this has been a difficult period performance-wise, many of the fundamental developments we have seen in the past three months have only increased our overall sense of optimism and confidence in the portfolio. Over the quarter, the biggest detractor from performance was listed equities. While the allocation to the internally-managed Global income Growth Fund and cyclical recovery equities generally held up well, our larger exposures to growth equities – via Baillie Gifford active funds – and Chinese A-shares had very poor quarters. At the same time, several holdings within our emerging market bond and property asset classes also sold off during the first few weeks of the year, although the underlying property holdings did stage something of a rally later in the last quarter of the year.

Several investments did contribute positively to fund performance. This was most clearly within commodities and the allocation to silver and rare earths, as well as a number of holdings within our infrastructure allocation. Both have benefited from a continued push towards green energy as well as an increased focus on the future provision of domestically generated energy. However, we have been disappointed by some of those holdings we would have expected to provide a level of diversification while equity markets were falling. This is particularly the case within our absolute return asset class where we have a broad spectrum of underlying holdings with very different return and risk characteristics. Some of these have performed as expected, such as our interest

Diversified Growth* (continued)
rate volatility investments, which have added value, while others – most notably our investments in intraday trend funds and commodity carry – served only to exacerbate the drawdown seen elsewhere. As a result, the overall defensive contribution we often associate with absolute return failed to materialise. Reflecting on this, the poor return from our commodity carry investments is not surprising given what has happened in Ukraine and the impact on oil prices, and we now see even greater potential for future returns from those holdings, particularly if the world tips into a recession. However, the investment case for intraday trend funds no longer stands, and we have replaced them with VIX futures – a position that should provide a much cleaner hedge in the event of further market weakness. The portfolio held little in the way of Russian assets before the invasion, and what exposure it had was indirect. Observing international sanctions and trading restrictions, the exposure is now de minimis (less than 0.01 per cent, with the remaining positions to be exited as market conditions permit) and it is highly unlikely to increase in the near term. There was a larger exposure to Ukrainian assets, with a 0.75 per cent direct investment in a Ukrainian government bond. Unsurprisingly, this has performed poorly, however, we are retaining the holding (now c.0.25 per cent of the fund). We see still the potential for longer-term value here: the investment would directly benefit from GDP recovery and growth over the next decade and beyond – and we believe the position would recover well in a scenario where Russia came to occupy the Donbas and Crimea regions only.

In a medium-term view, the abrupt change in geopolitical relations only strengthens the case for Europe seeking energy independence and our investments in renewable energy developers (to which the portfolio has a significant amount of exposure in both the infrastructure and commodities asset classes). Meanwhile, wage inflation is increasing the attraction and adoption of automation and other disruptive activities (to which our growth equity allocation is well-positioned); and supply chain disruption only prompts greater inventories and demand for the logistics properties that store them (and this is an area to which we have recently been adding, specifically in the US).

Lastly, and while we acknowledge the economic challenges the current situation presents, we believe there are still positive signs and prompts for underlying GDP growth. The headwinds of inflation and commodity market disruption are in many ways mitigated by high levels of household savings, low unemployment, healthy corporate balance sheets and still accommodative policy.

Global Stewardship Fund*
Although Global Stewardship has a five-year time horizon, we recognise that short-term performance has been very poor and will seek to address this below. Before that though, to address the impact of the war in Ukraine it is worth stating that Global Stewardship does not have any holdings in either Russia, Belarus or indeed Ukraine. In addition, portfolio companies have very limited business exposure to these countries. As a result, it is likely to be the second-order impacts of Putin's actions that will have a more significant impact on ongoing performance. What are these second-order effects? In the short term, greater than usual levels of uncertainty leading to heightened volatility in financial markets. In addition, the potential for a disruption in supply has contributed to a rise in the price of oil and gas, along with other commodities. Beyond that, there is a risk of a broader deterioration in the global political environment, which is feeding into our ongoing thinking about the portfolio's holdings in Chinese companies.

Global Stewardship Fund* (continued

*Source: Baillie Gifford: Report for the quarter ended 31 March 2022

Top Ten Largest Holdings

Baillie Gifford Managed Fund B Accum	% of Portfolio
Tesla Inc	1.4
The trade desk	1.3
ASML	1.1
Shopify	1.1
BHP group	1.1
St. James Place	1.0
Amazon.com	1.0
Rio Tinto	1.0
TSMC	1.0
Diageo	1.0

Baillie Gifford Diversified Growth Fund B2 Acc	% of Portfolio
Baillie Gifford Global Income Growth Fund C Acc	6.5
Baillie Gifford Global Alpha Growth Fund C Acc	3.8
Baillie Gifford LTGG Investment Fund C Acc	3.3
Baillie Gifford Cyclical Recovery Equity	2.7
UBS CSI 500 NTR index + 9.8% (c) ETN	2.7
CS CSI 500 NTR index + 9.5% ETN	1.9
GS strategic Dividend Fund I-23	0.8
GS S&P China A Midcap 500 NTR index + 9.00% ETN	0.5
GS strategic Dividend fund I-24	0.5
Goldman Sachs strategic dividend fund- I-25	0.1

Baillie Gifford Global Stewardship Pension Fund	% of Portfolio
Tesla Inc	4.4
NVIDIA	3.7
TSMC	3.2
Shopify ‘A’	3.0
Pacira BioSciences	2.8
Market Axers Holdings	2.5
IMCD Group NV	2.4
Workday Inc	2.3
The Trade Desk	2.1
FANUC	2.0

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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 2019 with an approximate uprating to 31 March 2022 to reflect known changes.

Membership Data

D. Tables 1 and 2 summarise the membership data as at 31 March 2019 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

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 2021-22 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2022 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2020-21 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 3.

Table 3 – Principal financial assumptions

	31 March 2022 (% p.a.)	31 March 2021 (% p.a.)
Gross discount rate	2.65	2.00
Price inflation (CPI)	3.15	2.40
Earning increases (excluding promotional increases)	4.65	4.15
Real discount rate (net of CPI)	-0.50	-0.40

Demographic assumptions

H. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2022 are based on those adopted for the 2019 funding valuation of the SPPS.

I. The standard mortality tables known as S2NxA are used. Mortality improvements are in accordance with those incorporated in the 2020-based principal population projections for the United Kingdom.

J. The contribution rate used to determine the accruing cost in 2021-22 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2020-21 Resource Accounts.

Liabilities

K. Table 4 summarises the assessed value as at 31 March 2022 of benefits accrued under the scheme prior to 31 March 2022 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 2022	31 March 2021
Total market value of assets	104.4	111.8
Value of liabilities	136.8	129.2
Surplus/(Deficit)	(32.4)	(17.4)
Funding Level	76%	87%

Pension cost

L. The value of benefits accruing in the year ended 31 March 2022 (the Current Service Cost) is 86.2% (including member contributions) (2021: 73.3%), 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 2020-21 and 2021-22.

Table 5 – Contribution rate

	Percentage of pensionable pay	
	2021-22	**2020-21**
Value of accruing benefits (excluding expenses)	86.2%	73.3%
Members' contribution rate (average)	10.7%	10.7%
Employer's share of value of accruing benefits (excluding expenses)	75.5%	62.6%

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 -0.40% per year for the 2021-22 Current Service Cost (0.25% per year for 2020--21) compared with 2.25% per year for the 2019 scheme funding valuation. 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 to reflect the requirements of IAS19.

N. The pensionable payroll for the financial year 2021-22 was £9.57 million (2020-21: £9.44 million). Based on this information, the accruing cost of pensions in 2021-22 at 86.2% (2020-21: 73.3%) of pay) is assessed to be £8.25million (2020-21: £6.92 million). There is no past service cost and so this is the total pension cost for 2021-22.

Hayley Spencer
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department **7 September 2022**

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 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 23 September 2022

Signed for and on behalf of the Trustees

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

Date: 26 September 2022

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:

	2022 £'000	2021 £'000
SCF normal contributions	1.923	1,908
Active member normal contributions	1,019	1,007
Active member additional contributions to purchase added years	7	15
Total contributions	2,949	2,930

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

Date: 26 September 2022

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

	2022 £'000	2021 £'000
Contributions paid:	2,949	2,930
Less opening debtor	(244)	(240)
Add closing debtor	255	244
Contributions reported in the annual accounts	2,960	2,934

No additional contributions in 2021-22 or 2020-21 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 2022 to which this report is set out in the Trustees' Report on pages 1 to 5.

In our opinion, contributions for the year ended 31 March 2022, as reported in the Summary of Contributions and payable under the Schedule of Contributions, have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 26 May 2021.

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 Schedule of Contributions. 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 Schedule of Contributions.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 15 and 16, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions 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 Schedule of Contributions.

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

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions 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

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BDO LLP
Statutory auditor
Edinburgh, UK
United Kingdom

Date 05 October 2022

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 2021-22 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: 26 September 2022

Independent Auditor's Report

To the Trustees of Scottish Parliamentary Pension Scheme

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2022 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 2022 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 either 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:

enquiring of 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.

in addressing the risk of fraud through management override of controls, 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.

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 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: 05 October 2022

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

Fund Account for the year to 31 March 2022

	Note	**2022 £'000**	2021 £'000
Contributions and Benefits			
Employer contributions	3	**1,933**	1,910
Members contributions	3	**1,027**	1,024
Transfers in from other Schemes	4	**337**	12
		3,297	2,946
Benefits payable	5	**(3,719)**	(1,273)
Transfers out to other Schemes	4	**-**	(141)
Other payments	6	**(149)**	(14)
Administration expenses	7	**(46)**	(63)
		(3,914)	(1,491)
Net expenditure/income from dealings with members		**(617)**	1,455
Returns on Investments			
Change in market value of investments			
– Managed funds	8	**(8,207)**	29,679
– Income from Shares & Securities	8	**1,324**	953
– Other Income	8	**118**	101
– Additional voluntary contributions	12	**7**	18
Net return on investments		**(6,758)**	30,751
Net increase in the SPPS during the year		**(7,375)**	32,206
Net assets of the SPPS			
At 1 April		**111,957**	79,751
At 31 March		**104,582**	111,957

The notes on pages 30 to 39 form part of these accounts

Net Assets Statement as at 31 March 2022

	Note	**2022 £'000**	2021 £'000
Investments at market value			
Managed funds	11	**104,471**	111,687
AVC	12	**176**	169
		104,647	111,856
Current assets and liabilities			
Current assets	9	**255**	265
Current liabilities	10	**(320)**	(164)
Net current assets		**(65)**	101
Net Assets of the Fund		**104,582**	111,957

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 2022 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: 26 September 2022

The notes on pages 30 to 39 form part of these accounts

Notes to the Accounts

Accounts for the year ended 31 March 2022

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 November 2014).

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.

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.
g) 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.
h) 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.
i) There were no other significant judgements made in applying these accounting policies as at 31 March 2022.

3. Contributions receivable

Fund contributions are based on members' salaries.

	2022 £'000	2021 £'000
SCF		
SCF contributions	**1,933**	1,910
Members		
Members and office-holders of the Scottish Parliament	**1,027**	1,024
Total contributions receivable	**2,960**	2,934

4. Transfer values

	2022 £'000	2021 £'000
Transfer values in	**337**	12
Transfer values out	**-**	141

5. Benefits payable

The fund has 130 current beneficiaries at year end. There were 107 beneficiaries in 2020-21. Benefits payable to beneficiaries were as follows.

	2022 £'000	2021 £'000
Pensions	**1,565**	1,189
Pension lump sums	**2,154**	84
	3,719	1,273

6. Other Payments

No MSPs died during the period (2020-21 none) resulting in death in service payments under the terms of the SPPS.

Scheme payments were due to HMRC in 2021-22 in respect of 2020-21.

	2022 £'000	2021 £'000
Scheme and other payments to HMRC	**149**	14
	149	14

7. Administrative expenses

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

	2022	2021
	£'000	£'000
Audit fees	**21**	19
Actuarial fees	**23**	42
Administration fees (note 15)	**2**	2
	46	63

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 0.46% of units held in the Baillie Gifford Managed Pension Fund (2020-21 0.50%), 0.9% of units held in the Baillie Gifford Diversified Growth Pension Fund (2020-21 0.99%) and 0.55% of units held in the Baillie Gifford Global Stewardship Fund of the value of the Funds accrued on a daily basis. The management charge for the year is £523,409 (2020-21 £594,849), (see note 8).

8. Changes in market value of investments

Investments from income accrued are made at approximately monthly intervals.

	2022	2021
	£'000	£'000
Opening balance at 1 April	**111,687**	79,513
Add investments made in year	**8,759**	1,441
Other income – management fee rebate	**118**	101
Income from shares & securities	**1,324**	953
Less Investments sold in year	**(8,210)**	-
Less unit sales from Diversified Growth Fund	**(1,000)**	-
	112,678	82,008
Closing balance at 31 March	**104,471**	111,687
(Decrease)/Increase in market value	**(8,207)**	29,679

The decrease in investment of £8,206,505 (2020-21 increase £29,678,575) 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 year include an initial investment into the Baillie Gifford Global Stewardship 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 units to repay short term funding provided in year by the SPCB (see note 15)

9. Current assets

	2022 £'000	2021 £'000
Bank	-	6
Contributions due to the SPPS	255	244
GAD fees due from SPCB	-	15
	255	**265**

10. Current liabilities

	2022 £'000	2021 £'000
Pension due	146	98
Scheme payments to HMRC	16	34
Short term funding due to SPCB	126	0
Audit fee	21	18
Government Actuary	11	11
Administrative expenses	0	3
	320	**164**

11. Investments – Bailie Gifford

The following table summarises the holdings in the Baillie Gifford funds as at 31 March 2022. Fuller details of the holdings are available in the Fund's quarterly report.

	2022 £'000	**2022 %**	2021 £'000	2021 %
Baillie Gifford Managed Fund				
Equities	**50,378**	**77.65**	**60,860**	**75.26**
UK	12,677	19.54	15,212	18.81
North America	11,717	18.06	14,483	17.91
Europe	10,913	16.82	14,766	18.26
Asia	8,350	12.87	9,089	11.24
Emerging	6,721	10.36	7,310	9.04
Fixed Interest Bonds	**11,211**	**17.28**	**14,289**	**17.67**
UK	1,246	1.92	0	0.00
Overseas bonds and index linked	9,965	15.36	14,289	17.67
Cash and Deposits	**3,289**	**5.07**	**5,717**	**7.07**
Total Fund	**64,878**	**100**	**80,866**	**100**

Bailie Gifford Diversified Growth Fund

	2022	**2022**	2021	2021
	£’000	**%**	£’000	%
Equities	**7,280**	**22.70**	**9,185**	**29.80**
Listed Equities	7,280	22.70	9,185	29.80
Private Equities	-	-	-	0.00
Property	**2,726**	**8.50**	**3,020**	**9.80**
Bonds	**19,981**	**62.30**	**17,013**	**55.20**
High Yield Bonds	2,438	7.60	1,603	5.20
Investment Grade Bonds	321	1.00	894	2.90
Structured Finance	1,860	5.80	1,634	5.30
Commodities	1,347	4.20	1,356	4.40
Emerging Market Bonds	1,924	6.00	2,836	9.20
Infrastructure	7,056	22.00	6,014	19.60
Absolute Return	4,618	14.40	2,404	7.80
Insurance Linked	353	1.10	216	0.70
Special Opportunities	64	0.20	31	0.10
Cash and Deposits	**2,085**	**6.50**	**1,603**	**5.20**
Total Fund	**32,072**	**100**	**30,821**	**100**

Baillie Gifford Global Stewardship Pension Fund

Equities	**7,423**	**98.7**	**0**	**0.00**
UK	442	5.88	0	0.00
North America	3,581	47.61	0	0.00
Europe	963	12.81	0	0.00
Asia	2,362	31.41	0	0.00
Emerging	75	0.99	0	0.00
Cash and Deposits	**98**	**1.30**	0	0.00
Total Fund	**7,521**	**100**	**0**	**0.00**
Total Investment	**104,471**		**111,687**	

Any investment income received on the Funds’ investments and any tax recoveries are reinvested in the pooled funds. The £548,000 invested in 2021-22, (2020-21 £1,441,000) has been used to purchase additional units in the Baillie Gifford Diversified Growth Fund.

Some funds were moved from the Baillie Gifford Managed Fund to the Baillie Gifford Global Stewardship Pension Fund in 2021-22. 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, Equitable Life Assurance Society or Scottish Widows. The aggregate movements and amounts of AVC investments are as follows:

	31 Mar 2022	31 Mar 2021
	£'000	£'000
AVC investments as at 1 April	**169**	151
Increase in AVC investment values	**7**	18
AVC investments at 31 March	**176**	169
Market value of AVC investments by provider		
Equitable Life	**147**	142
Scottish Widows	**29**	27
	176	169

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 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

Analysis for the prior period end is as follows:

	Level			31 March 2021 Total
	1	2	3	
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	111,687	-	111,687
AVC investments	-	169	-	169
Total	-	111,856		111,856

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**	**2022 value**	**2021 value**
Pooled investment vehicles					104,470,678	111,687,123
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 two pooled investment vehicles holds:

62% in equities, both listed and private in a variety of markets

3% in property

30% 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.

15. 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 2021-22 short term funding of £1,302,383 was provided to the SPPS (2020-21 £0) with £1,176,901 repaid in year. The SPPS is due to repay the SPCB £125,482 as at 31 March 2022. 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 (2020-21 £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 £182,579 (2020-21 £48,502), of which £166,334 (2020-21 £14,625) was paid during the year, and £16,245 (2020-21 £33,877) 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 2020

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.