



Government  
Actuary's  
Department

# Local Government Pension Scheme (Scotland)

Funding analysis in conjunction with GAD's  
section 13 report as at 31 March 2023

Garth Foster FIA C.Act

Bethany Collier

5 September 2025

Navigating risk | Cutting through complexity

# Funding levels changes

The overall funding level of the aggregate scheme, on the local funding basis, has improved since 2020; with all funds now in surplus as at 31 March 2023.

The scheme appears to be in a very strong financial position:

- Aggregate local funding level has improved from 104% to 141%.
- Assets have increased from £46 billion to £60 billion.

## Contribution Rate

The average primary contribution rate has decreased slightly from the 2020 valuations. The secondary contribution rates, payable from 2024, have also decreased from the previous valuation (reflecting the better overall funding level). See section 3 for further information.

## Investments

The open funds remain heavily invested in return seeking assets, with the split between these and defensive assets remaining relatively stable since the previous valuation. The majority of funds’ investments remain in equities, with the bulk invested overseas. Of the defensive assets, corporate bonds have the largest allocation.

## Dashboard information

Each fund has provided standardised information; including the fund’s liabilities calculated on a standardised basis. This has been included in each fund’s valuation report and used for this report.



# Contents

<b>1. Introduction.....</b>	<b>4</b>
<b>2. Funding levels on the local valuation bases ...</b>	<b>5</b>
<b>3. Contribution rates.....</b>	<b>7</b>
<b>4. Investments.....</b>	<b>8</b>
<b>Appendix A – Fund abbreviations .....</b>	<b>9</b>



# 1. Introduction

- 1.1 The Government Actuary has been appointed by Scottish Ministers to report under section 13 of the Public Service Pensions Act 2013, in connection with the 2023 actuarial valuations of the Local Government Pension Scheme Scotland (“LGPS Scotland” or “the scheme”). The Scottish Public Pensions Agency (“SPPA”) provides oversight to the scheme and also maintains guidance and regulations.
- 1.2 This report contains our analysis of the funding position of the funds within LGPS Scotland as at 31 March 2023. It is largely factual background information and is intended to provide context to our main section 13 report, published alongside this report on 5 September 2025.
- 1.3 This report will be of relevance to administering authorities and other employers, actuaries performing valuations for LGPS funds, the LGPS Scotland Scheme Advisory Board (“SAB”), HM Treasury (“HMT”) and the Chartered Institute of Public Finance & Accountancy (“CIPFA”), as well as other LGPS Scotland stakeholders.
- 1.4 This work has been carried out in accordance with the applicable Technical Actuarial Standard: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

- 1.5 The data used for our 2023 assessment in this report comes from two different sources:
- Data available from individual funds’ 2023 valuation reports.
  - Additional data about the 2023 actuarial valuations provided by funds and their actuarial advisors.
- We have also used data drawn from our 2020 section 13 funding report, [published in 2023](#), for comparison purposes.

## Compliance

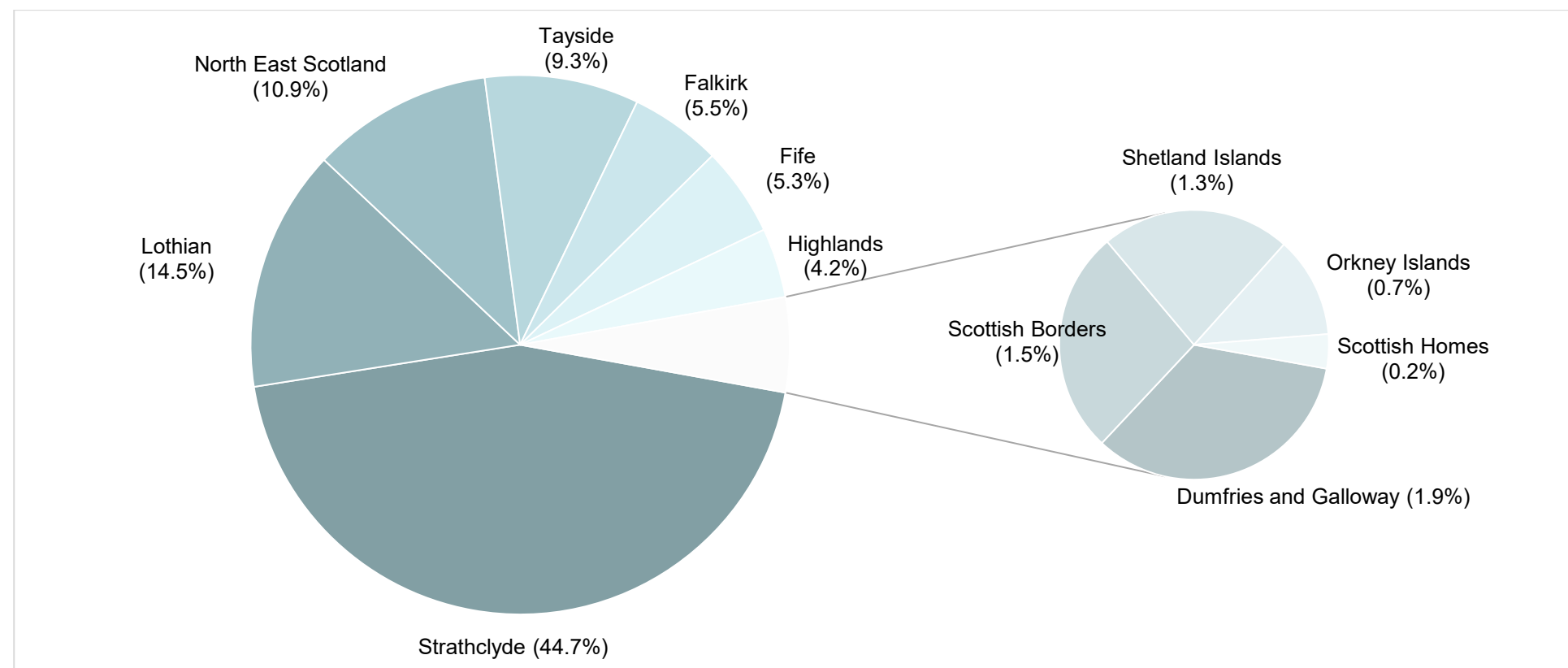
- 1.6 Any checks that GAD has made on the data used in this report do not represent a full independent audit of the data supplied. In particular, GAD has relied on the general completeness and accuracy of the information without independent verification.
- 1.7 GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this report.



## 2. Funding levels on the local valuation bases

2.1 Chart 1 shows the split of the local fund liabilities in LGPS Scotland by individual fund. As in 2020, the Strathclyde and the Lothian pension funds represent around 60% of the total liabilities; whereas the closed fund (Scottish Homes) amounts to around 0.2% of the total liabilities.

**Chart 1: Graph to show split of fund liabilities in LGPS Scotland by individual funds**



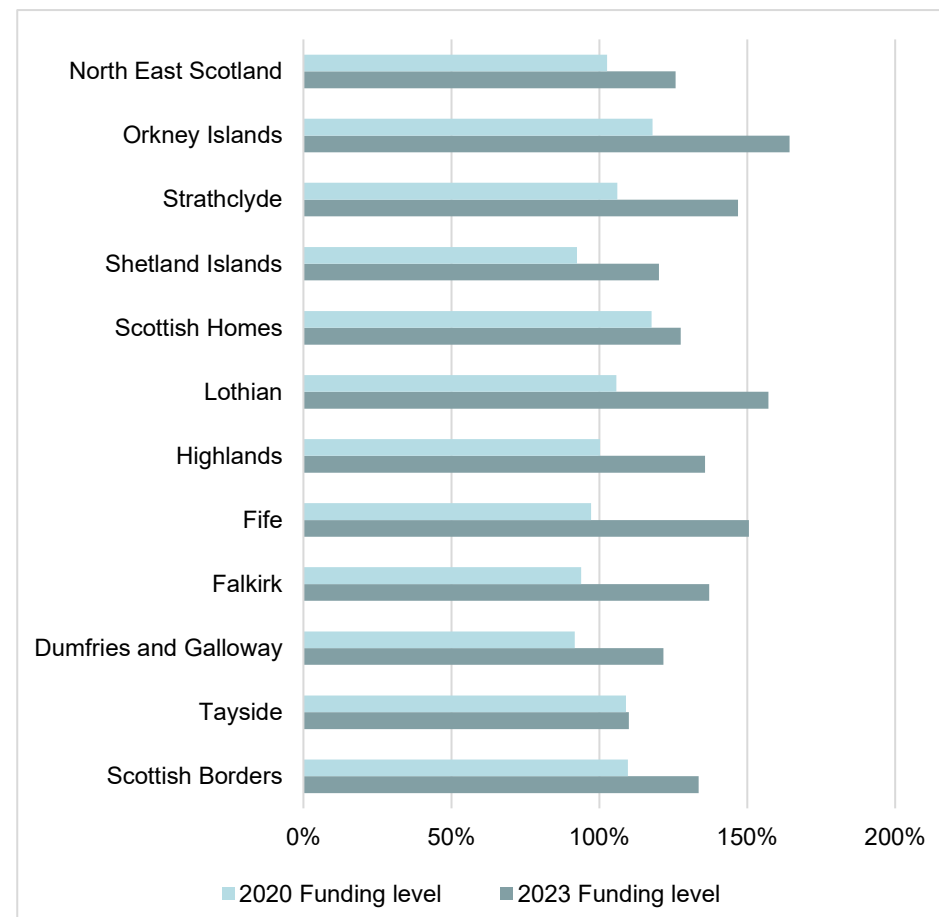
2.2 Scottish local government consists of 31 local authorities. These participate in the LGPS Scotland through funds managed by eleven administering authorities. The local authorities are allocated across these administering authorities and funds as shown in Appendix I of the Review of LGPS Scotland fund valuations as at 31 March 2023 under Section 13: Appendices report.

2.3 For ease of reference shortened fund names have been used in this report. A list of the abbreviated, and complete, fund names is provided in Appendix A.

2.4 Chart 2 shows how funding levels on the local fund bases have changed between 2020 and 2023.

2.5 Over the period between the 2020 and 2023 valuations, the total scheme assets increased by around £14 billion, from £46bn to £60bn. Total scheme liabilities, disclosed on the prudent local funding basis, decreased by around £1.5bn from £44bn to £42.5bn. This has resulted in the aggregate funding level of the scheme increasing from 104% to 141%.

**Chart 2: Local funding levels at the 2020 & 2023 valuations**



### 3. Contribution rates

- 3.1 Secondary contribution rates are negative where a fund has decided to pay lower contributions than the primary rate would indicate (i.e. the expected cost of future benefits), for example, to utilise a surplus.
- 3.2 The total employer contribution amounts for 2024-25 and subsequent years are shown in Table 1. Since the 2020 valuations, the average contribution rate has reduced. The average primary contribution rate over 2023-24, set at the 2020 valuation, was 24.5%, and the average secondary contribution rate was -4.3%. The specific contribution rate changes, between valuations, have varied across the individual funds.

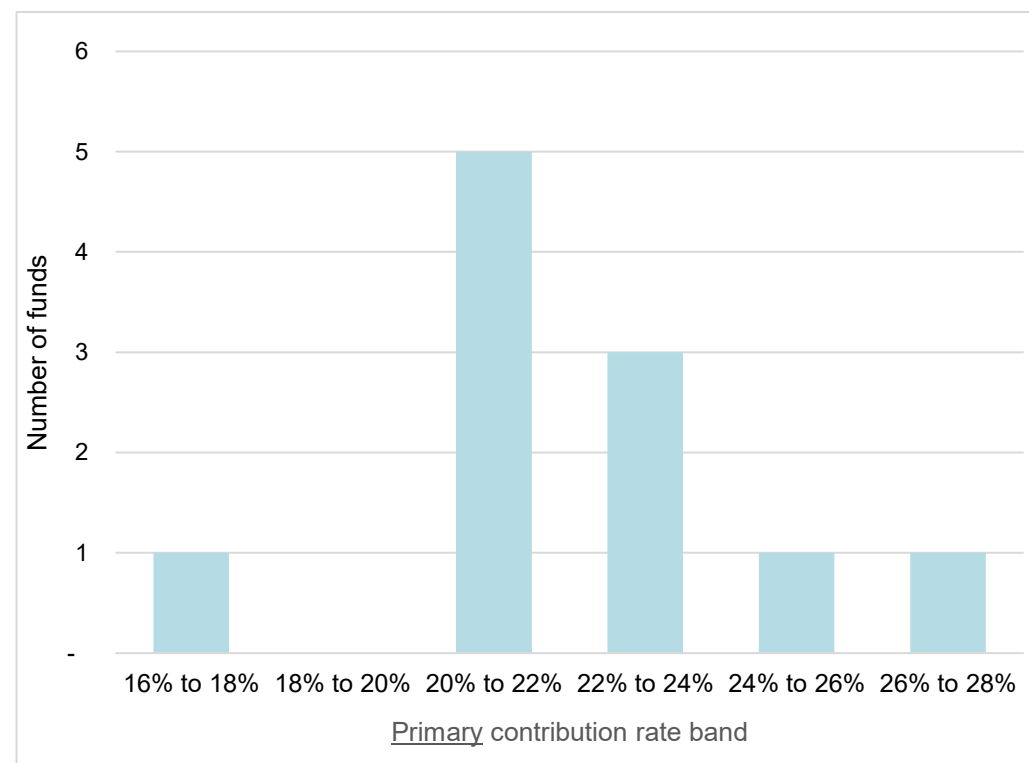
**Table 1: LGPS Scotland: Aggregate employer contribution rates following the 2023 valuation**

	2024-25	2025-26	2026-27
Primary contribution rate	22.0%	22.0%	22.0%
Secondary contribution rate	-9.5%	-9.6%	-4.8%
<b>Total</b>	<b>12.5%</b>	<b>12.4%</b>	<b>17.2%</b>

- 3.3 The weighted average contribution rates over the three-year valuation period are heavily influenced by the Strathclyde pension fund, due to its size relative to the other funds. This is shown by the average secondary rates, where the year-by-year structure for the aggregate scheme reflects the unique backloaded structure adopted by the Strathclyde fund.

- 3.4 The distribution of different primary contribution rates for the open funds is shown in Chart 3. The rate shown for each fund is the weighted average contribution rate across all active employers within the fund.
- 3.5 There is some variation in primary rates at the 2023 valuations, but all funds set rates between 17% and 27%. The range of rates set by funds at the 2020 valuation was between 20% and 28%.

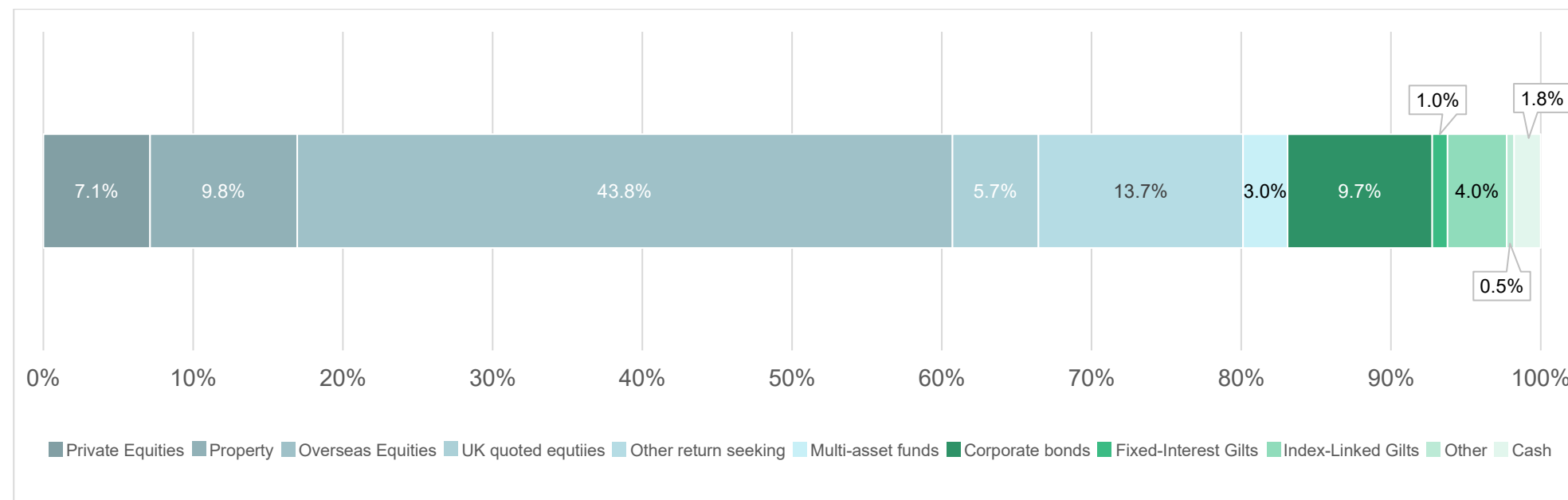
**Chart 3: Number of open funds split by primary contribution rate at the 2023 valuation**



## 4. Investments

4.1 Chart 4 shows the weighted average investment strategy of the open funds. The chart shows the asset split between return seeking (blue-grey in chart), and defensive assets (green in chart). The overall proportion of assets invested in return seeking classes is broadly similar to that at the previous valuation, increasing slightly from 80.2% to 83.1%.

**Chart 4: Shows the average weighted investment strategy of the open funds**



4.2 The majority of scheme investments remain in equities, with the bulk invested overseas. Of the defensive assets, corporate bonds have the largest allocation.

4.3 We note that the breakdown shown is based on the data provided by the fund actuaries. There is a wide range of investments held by funds and it is not always possible for fund actuaries to allocate all assets to the categories used for this purpose.

4.4 The analysis may therefore not be directly comparable with the equivalent chart in our previous report and should generally be treated with caution (particularly the asset split between UK and Overseas equities). For example, a global equity fund holding which includes some UK equities is likely to be recorded only as an overseas equity holding. Further, private equity is not separated between UK and overseas. It is therefore likely that the UK asset holdings are understated.



# Appendix A – Fund abbreviations

Pension Fund	Abbreviation
Dumfries and Galloway Council Pension Fund	Dumfries and Galloway
Falkirk Council Pension Fund	Falkirk
Fife Pension Fund	Fife
Lothian Pension Fund	Lothian
North East Scotland Pension Fund	North East Scotland
Orkney Islands Council Pension Fund	Orkney Islands
Scottish Borders Council Pension Fund	Scottish Borders
Scottish Homes Pension Fund	Scottish Homes
Shetland Islands Council Pension Fund	Shetland Islands
Strathclyde Pension Fund	Strathclyde
Tayside Pension Fund	Tayside
The Highland Council Pension Fund	Highlands