

# SCOTTISH PARLIAMENTARY PENSIONS ACT 2009

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### Part S Accounts, Audit and Actuarial Reports

421. The 1995 Act and the Pensions Act 2004 set out requirements that occupational pension schemes must follow in relation to the keeping and auditing of accounts and the obtaining of actuarial reports. These requirements are applicable to the scheme.
422. Occupational pension schemes should be administered efficiently and demonstrate legal compliance. Annual accounts and audit provide evidence of the health of the Pension Fund and how it is being managed. Together with actuarial reports, they provide information about investment, cost savings or system improvements and point towards the best path for future development.
423. Part S of Schedule 1 supplements the general rules applicable to all occupational pension schemes in relation to the keeping and audit of accounts and preparation of actuarial reports.

#### Rule 102: Accounts and audit

424. Rule 102(1) requires the Fund trustees to keep proper accounts relating to the scheme. The rule specifies that an annual statement of account must be produced for each financial year. The financial year ends on 31 March (see rule 109(1)). Reference should also be made to the requirements of the 1995 Act (section 49 and Regulations made thereunder) which set out responsibilities in relation to record keeping, requiring records to be kept in a prescribed form and manner and for a prescribed period.
425. Rule 102(2)(a) provides that the Fund trustees must arrange for an audit of the annual accounts within seven months of the end of each financial year. They are able to appoint auditors as required by and subject to the overriding general requirements of occupational pension schemes including those under section 47 of the 1995 Act and relevant statutory instruments.<sup>1</sup>
426. Rule 102(2)(b) requires that a copy of the annual accounts and audit report are laid before the Parliament, also within seven months of the end of each financial year.<sup>2</sup>

#### Rule 103: Actuarial reports

##### Actuaries

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<sup>1</sup> See Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 (S.I. 1996/1975) which include provisions as to the form and content of the auditor's statement (Regulation 3 and the schedule to the Regulations). See also the [Registered Pension Schemes \(Audited Accounts\) \(Specified Persons\) Regulations 2005 \(S.I. 2005/3456\)](#) which specify classes of people who can and cannot audit tax registered schemes

<sup>2</sup> Chapter 14 of the Standing Orders of the Scottish Parliament sets out the Rules for laying reports and documents before the Scottish Parliament

427. An actuary is a person qualified to calculate commercial risks and probabilities involving uncertain future events, especially in the context of insurance and life assurance calculations such as premiums, reserves, dividends and annuity rates.

**Actuarial valuations**

428. In relation to a pension scheme, an actuarial valuation is an assessment, usually carried out every three years, by the Pension Fund actuary, to work out what money needs to be put into the pension scheme in the future to ensure that the pensions can be paid.
429. Rule 103(1) defines the “scheme actuary” as the person appointed by the Fund trustees under section 47(1)(b) of the 1995 Act. That provision requires that an actuary is appointed for every occupational pension scheme by the trustees or managers. Reference should be made to the Occupational Pension Schemes (Scheme Administration) Regulations 1996,<sup>3</sup> specifically Regulation 4(1)(b) which provides that the qualifications of an eligible actuary must be either a Fellow of the Institute of Actuaries, or the Faculty of Actuaries or approved by the Secretary of State.
430. Rule 103(2) requires that the Fund trustees must obtain actuarial valuations at intervals of at least every three years. In addition to this mandatory valuation, the rule also enables the Fund trustees to request a valuation at any time.
431. The content of the actuarial report is set out in rule 103(3). It must include an overview of the general financial position of the Pension Fund and an actuarial valuation of the assets and liabilities. The scheme actuary must also recommend a contribution rate to be paid under rule 32(2)(a). The recommended rate must be shown as a percentage of the participating member salary payments.
432. Rule 103(4) provides that a copy of each actuarial report must be laid before the Parliament by the Fund trustees within three months of the Fund trustees obtaining it.