The 2024/25 audit of the

Scottish Public Pensions Agency

AUDITOR GENERAL

Prepared for the Public Audit Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000
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Key messages

1 Following the 2018 McCloud judgement on age discrimination within the UK's 2015 pension reforms, the Scottish Public Pensions Agency (SPPA) has a legal responsibility for delivering pensions 'remedy' calculations to members of the NHS, police, firefighters' and teachers' pension schemes. These calculations involve giving eligible members the choice between final salary pension benefits (legacy) and Career Average Revalued Earnings benefits (CARE) for the period 1 April 2015 to 31 March 2022. UK legislation required pension administrating bodies, including the SPPA, to provide scheme members with Remedial Service Statements (RSS) outlining their options by 1 April 2025.

2 The SPPA did not meet the statutory deadline of 1 April 2025 for issuing RSS to eligible scheme members. The agency underestimated the scale and complexity of the work involved in calculating the options for members across each of its four schemes. The SPPA has informed The Pensions Regulator of a series of extensions and is now working towards revised deadlines through to 31 July 2028, over three years late, to fulfil its obligations.

3 The SPPA is prioritising work to fulfil its statutory obligations for remedy calculations, but progress remains slow. As of November 2025, the SPPA had issued RSS to 108,506 (55 per cent) scheme members out of a total eligible population of 196,316. This includes active and deferred members as well as those in retirement. The SPPA had issued RSS to 24 per cent of retired members (16,437 out of 68,239) including 85 per cent of police scheme members (4,601 out of 5,395), 25 per cent of

NHS scheme members (9,918 out of 39,587) and nine per cent of teachers' scheme members (1,918 out of 21,422). The agency had not yet commenced issuing RSS to 1,835 eligible retired firefighter scheme members. Delays mean that retired scheme members may not be receiving their full pension entitlement.

4 The SPPA has reported several reasons for Remedy delays. These include: a lack of preparedness within the agency to cope with the volume and complexity of cases; delays in guidance and clarification from HM Treasury, HM Revenue and Customs and the Government Actuary's Department; delays in obtaining reliable data from third parties; and issues with data and systems that require manual interventions. Many of these issues are ongoing so it remains unclear whether the SPPA will meet its revised timescales for delivering its Remedy obligations.

5 The SPPA has not demonstrated sufficient transparency regarding its progress on Remedy. By setting overly ambitious revised targets, it created an impression of progress to scheme members that did not fully account for the potential challenges and complexities involved. Similarly, the agency did not announce further, more significant delays, until shortly before missing its revised 31 October 2025 deadline. The SPPA also did not respond fully to information requested on Remedy performance by the Parliament's Finance and Public Administration Committee during 2025. The auditor has reported further concerns about the governance and transparency of the agency in their annual audit report, demonstrating that these issues are not limited to Remedy.

The 2024/25 audit of the Scottish Public Pensions Agency

Introduction

1. I have received the audited annual report and accounts, including the auditor's annual audit report, for the Scottish Public Pensions Agency (SPPA) for 2024/25. I am submitting these accounts and auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.

2. The appointed auditor has issued unqualified audit opinions on the SPPA's 2024/25 annual report and accounts.

3. My report brings to the Scottish Parliament's attention issues relating to the SPPA's performance in discharging its responsibilities in relation to the 2015 Pensions Remedy, as well as wider concerns about the agency's governance and transparency.

Background

4. In April 2015, the UK Government introduced changes to pension regulations which replaced final salary schemes with career average (CARE) pension schemes. In 2018, the UK Court of Appeal subsequently ruled that protections given to older scheme members were discriminatory to younger scheme members (known as 'the McCloud Sargeant Judgement').

5. All public sector pension schemes are required to 'remedy' this discrimination by offering eligible members the choice between final salary pension benefits and CARE benefits for the period 1 April 2015 to 31 March 2022. The SPPA has a legal responsibility for delivering this remedy for the pension schemes it administers, covering the NHS, police, firefighters and teachers.

6. Retrospective remedy provisions under The Public Services Pensions and Judicial Offices Act 2022 (the Act) commenced on 1 October 2023. Under the Act, UK pension administrating bodies, including the SPPA, were required to provide scheme members with Remedial Service Statements (RSS) outlining their options by 1 April 2025.

7. In the auditor's annual audit report on the 2024/25 audit of the SPPA, he highlighted significant concerns about the agency's progress in meeting these statutory responsibilities and fulfilling its 2015 Remedy obligations.

8. More information about the audit of the SPPA's 2024/25 annual report and accounts can be found in the annual audit report.

Remedy timescales

9. The SPPA did not meet its 1 April 2025 legislative deadline for providing affected members, across each of its four public pensions schemes, with Remedy calculations and options via RSS.

10. In the same month, the SPPA notified The Pensions Regulator (TPR), in line with TPR guidance, of a revised timescale for all RSS to be issued by 31 October 2025. The agency did this under Section 29(10) b of the Act which states that the relevant date can be 'such later day as the scheme manager considers reasonable in all the circumstances in the case of a particular member or a particular class of member'. This included some cohorts with a shorter revised timescale of 30 April 2025 (NHS) and 31 May 2025 (police and teachers) that were not subsequently met. Following guidance from TPR, the agency provided 'breach of law' reports for the affected cohorts in May and June 2025.

11. In July 2025, the agency approached TPR to advise that it was further extending the timescales for the police scheme to 31 December 2025 and that it was reviewing the timescales for the other schemes. In correspondence with TPR, the SPPA acknowledged that the previous extended dates were 'ambitious'.

12. In September 2025, the SPPA's Chief Executive wrote to the Scottish Government with a progress update and a request for additional funds over the medium-term period to deliver Remedy. This noted that:

- In failing to meet Remedy timescales, there was an acceptance that there was a lack of preparedness at the SPPA, challenges around data and systems as well as delays in clarifying guidance from the UK Government.
- Under the best-case scenario, where the SPPA receives the full amount of additional funds requested, it will take until at least June 2027 to complete 'core' Remedy work which involves issuing RSS to all those currently in receipt of a pension.
- Under the worst-case scenario, where the agency receives no additional funding, Remedy deadlines will extend out to 2030.

13. In October 2025, the SPPA wrote again to TPR advising of further delays. This informed the regulator that those cohorts under the teachers', NHS and fire schemes, which had previously had a

31 October 2025 timescale, would now be moved to 31 December 2026 (for teachers and fire) and 31 July 2028 (for NHS). No changes were made to the 31 December 2025 deadline for police, although this is now expected to continue into 2026. At the time of the audit, TPR had not provided a view on the SPPA's actions or deadline extensions.

Remedy performance

14. The SPPA is prioritising work to fulfil its statutory obligations for Remedy calculations, but progress remains slow. As of November 2025, a total of 108,506 (55 per cent) members had received their RSS. This includes active (currently contributing to the scheme), immediate choice (members in receipt of a pension) and deferred members (not contributing but not yet receiving a pension). Of that total, 16,437 (24 per cent) members already in receipt of a pension, have received their RSS.

Exhibit 1.

The SPPA's Remedy progress as of November 2025 – issued Remedial Service Statements (population figures in brackets)

The SPPA had issued RSS to 55 per cent of scheme members. Of those currently in receipt of a pension (immediate choice), the SPPA had made most progress with police scheme members (85 per cent) but had not yet commenced issuing RSS to fire scheme members (0 per cent).

	Police	Fire	NHS	Teachers	Total
Immediate choice	4,601 (5,395)	0 (1,835)	9,918 (39,587)	1,918 (21,422)	**16,437 (68,239)**
Active	7,477 (7,654)	1,487 (2,214)	55,909 (67,828)	27,196 (30,848)	**92,069 (108,544)**
Deferred	0 (1,846)	0 (1,072)	0 (12,188)	0 (4,427)	**0 (19,533)**
Total	**12,078 (14,895)**	**1,487 (5,121)**	**65,827 (119,603)**	**29,114 (56,697)**	**108,506 (196,316)**

Source: SPPA

15. For those currently in receipt of a pension, the SPPA had made most progress with police scheme members (85 per cent), followed by NHS scheme members (25 per cent) and teachers' scheme members (nine per cent) but it had not yet commenced issuing RSS to Firefighter scheme members (0 per cent).

16. Delays in implementing the 2015 Remedy could have significant implications for retired scheme members. Until recalculations are completed and RSS issued, members continue to receive payments based on their original scheme allocation, which may not be the most beneficial. This creates uncertainty in financial planning and can result in underpayments or overpayments that require retrospective adjustment, including interest on arrears. Furthermore, adjustments may trigger complex tax implications for previous years, adding administrative burden and potential stress for affected members. Any delays to these calculations could further complicate the tax implications. An eight per cent interest charge, funded by the UK Government, is applied to all Remedy pension benefit payments accrued since 2015.

Remedy challenges

17. The SPPA reported that progress with the 2015 Remedy has been impacted by several issues both internal and external to the agency. Reasons include:

- **Lack of preparedness within the SPPA to cope with the volume and complexity of cases** – The agency has struggled to cope with the volume and complexity of cases as well as the demands of delivering business-as-usual activities such as paying pensions, maintaining pension records and issuing annual benefit statements. The agency reported that implementing Remedy has increased its annual workload five-fold. Cases can become complex where there are different legacy benefits or 'life events' impacting on the calculation of pension benefits, such as changes in marital status, job changes and changes to working patterns, work absences and ill-health.
- **Delays in guidance and clarification from HMRC and additional time required to get assurance from Government Actuary's Department (GAD)** – For example, the SPPA reported it did not receive guidance on the application of tax on Remedy interest payments from HMRC until September 2024. It then required clarification on technical aspects before it could update its systems to process calculations. Similarly, the SPPA reported that additional time was then required to engage with GAD to provide assurance on how Remedy guidance was being interpreted and applied.
- **Significant amount of reliance on manual processes for complex cases** – In March 2025, the SPPA was able to fully automate the issuing of RSS for some straight-forward cases.

This was only after significant time was spent ensuring that the correct guidance, policy and algorithms were applied to each calculation and involved input from GAD in providing this assurance. Automation provides significant efficiencies for the SPPA, however manual processing and interventions are required on many of the remaining cases due to their complexity.

- **Delays in obtaining reliable data from third parties** – The SPPA relies on scheme employers providing up-to-date and accurate data such as information relating to ill-health retirements or changes in pay information and pay definitions.
- **Historic backlog of issues requiring remedial action** – As part of its work on Remedy, the agency identified historic errors in some of its pension calculations that required remedial action. Although errors identified are reported to be small, it remains the responsibility of the agency to correct these. The SPPA is aware that ongoing work with Remedy may identify further cases requiring corrective action.

Governance and transparency

18. The SPPA has not demonstrated sufficient transparency regarding its progress on Remedy. By setting overly ambitious revised targets, it created an impression of progress to scheme members that did not fully account for the potential challenges and complexities involved. The agency has provided several updates to scheme members via letters, newsletters and website updates, but these are limited to high-level information about delays rather than a more informed assessment of progress. In addition, the agency formally notified TPR only a few days before the revised 31 October 2025 deadline that this date would not be met with timescales moving significantly by over a year for teachers' and firefighter schemes (31 December 2026) and just under three years for the NHS scheme (31 July 2028).

19. The SPPA also did not respond fully to information requested on Remedy performance by the Parliament's Finance and Public Administration Committee during 2025. In November 2025, the Committee noted that the lack of information made it 'difficult to establish exactly what progress has been made to date and what progress is anticipated by when'. The Committee requested the agency to provide evidence in person at its meeting on 2 December 2025. The SPPA needs to provide greater transparency over Remedy progress to scheme members and the Parliament by providing detailed and regular updates between now and the end of the programme.

20. In his 2024/25 annual audit report, the auditor also raised concerns about SPPA governance. The auditor reported that the agency needs to ensure stability within its leadership following a period of significant change. This included a new Chief Executive being appointed in June 2024, followed by the creation of two new posts: Chief Transformation

Officer and Deputy Chief Executive. This builds on changes in previous years meaning the agency has not had a consistent senior management team for any reasonable length of time.

21. The auditor also raised concerns about the Audit and Risk Committee's (ARC) effectiveness due to the limitations on information and support provided to the committee by the agency. This followed issues raised by ARC members as part of its own annual report. The chair of the ARC announced her resignation shortly before the annual report was approved by the Committee, and ahead of her agreed term. The SPPA Chief Executive has committed to improvements to increase the effectiveness of the ARC. The auditor also raised concerns about the risk of reduced scrutiny due to the reduction in frequency of formal meetings of its Management Advisory Board (attended by executive team members and non-executive members) and changes to remove the scrutiny role of scheme pension boards.

22. The annual report and accounts for the SPPA were approved by the ARC on 8 January 2026. The audit process was hampered by poor quality supporting evidence, and several audit adjustments were required to correct the financial statements. The auditor has raised a number of recommendations, some of which remain outstanding from previous years.

Conclusion

23. I am concerned about the SPPA's progress in meeting its 2015 Remedy obligations and about its capacity to deliver outstanding cases by the extended timescales. The impact of ongoing delays is of significant concern to many scheme members, particularly those close to retirement or those currently in receipt of a pension. It is important that the SPPA provides greater transparency over Remedy progress to scheme members and the Scottish Parliament by providing detailed and regular updates between now and the end of the programme.

24. Similarly, the SPPA must take action to address other issues regarding governance and transparency raised by the auditor, specifically the concerns impacting the effectiveness of the ARC.

25. I will continue to monitor the progress made by the SPPA with a view to further public reporting in the future if appropriate.

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AUDIT SCOTLAND

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500
www.audit.scot

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