

October 2018

BULLETIN

Scheme Cost Cap

The board received an update from GAD on the cost cap. If, as a result of the current triennial valuation the scheme cost cap is breached, then Scottish Ministers will have to decide how to rectify that. If a breach occurs, it is most likely be that costs are lower than expected, and therefore the scheme would need to be made more generous.

The assumptions used to calculate the nominal scheme costs to compare against the cap are being updated. Whilst the most significant ones are set by the UK Treasury, others are devolved to Scottish level and the most significant of these is relates to life expectancy, which is now falling. The SAB officers are drafting a response on this.

Despite nominal scheme costs falling, costs in many real LGPS funds are rising, and GAD will be producing a paper for the SAB on how the cost cap relates to real world costs. It is also proposed that the scheme will move to a quadrennial valuation in future.

Training and development

Further to the governance review, the SAB agreed to seek updated information from boards on training and to review what support can be offered to board members, including to SAB board members. It was agreed that links with boards needed to be strengthened, and SAB officers were tasked with bringing forward proposals on this.

Transparency

The board agreed to participate in a tendering process to set up an online portal to receive and share data on investment costs, based on the transparency template, and give boards a suite of basic analytical and comparative reports. This still requires final approval, but is due to go live in time for the next financial year.

Regulations

The SPPA reported that it had received additional legal resources, which would enable a faster implementation of corrections to the 2018 regulations.

Pensions Developments

The board considered a paper on current pensions issues. This report included the merging of pensions advisory bodies; increased supervision of DB funds by the Pensions Regulator; the Work and Pensions Committee inquiry into fee transparency, unusually high transfer payments; climate change risks to investments, progress on a pensions dashboard and a forthcoming consultation on collective defined contribution schemes.

Equal pay

The board discussed the implications of the pensions contributions and benefits being properly included in Equal Pay settlements. It decided to remind local boards of their duties relating to this and seek information on arrangements at local level.

Further details on our website www.lgpsab.scot.