



Agenda Item 4

**Minute of Meeting of Scottish Local Government Pension Scheme Advisory Board**

**COSLA offices, Edinburgh**

**4 October 2018**

**Board members present:**

Councillor Alasdair Rankin (Chair)	COSLA
Councillor Jim Goodfellow	COSLA
Councillor David Parker	COSLA
Councillor Richard Thomson	COSLA
Stephen Smellie	UNISON
Simon Watson (Joint Secretary)	UNISON
Andy Thompson	GMB
Brian Strathie	Scottish Water

**Board members apologies**

Councillor Simon Mountford	COSLA
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**In attendance**

Bryan Smail	Falkirk Council
Richard McIndoe	Strathclyde Pension Fund
Catherine McFadyen	Hymans Robertson
Jonathan Sharma	COSLA
Kathy Cameron	COSLA
Victoria Rogers	SPDS

**Observers**

Lorimer Mackenzie	SPPA
Roddy MacLeod	SPPA
Iain Coltman	SPPA

## **1. Welcome and Apologies**

Apologies were received from Cllr. Simon Mountford and Clare Scott

## **2. Michael Rae, GAD – Presentation on 2017 Valuation Work**

The Government Actuary Division (GAD) representatives gave a presentation on the work that had been carried out on the 2017 statutory Valuation of the Scottish Local Government Pension Scheme. The presentation covered the assumptions which GAD are using for the Valuation on demographics which are then factored into financial assumptions already set by HM Treasury. The SAB's views were sought on the appropriateness of these assumptions. In discussion it was noted that the primary purpose of the Valuation is to test whether the cost cap mechanism needs to be adjusted, in light of the outcome of the Valuation. The SAB will in due course be required to consider its advice to Ministers on the cost cap and any changes to this, once GAD has provided its evaluation. The SAB noted that the Statutory Valuation is not related to local valuations but that local factors would be a consideration for the SAB in determining its advice to Ministers.

The SAB agreed to provide a response to the GAD consultation within 3 weeks of the meeting. It was also agreed that GAD would provide written clarification to the SAB on the cost cap mechanism to assist Members in their consideration.

The SAB noted that results are expected in April 2019, with any changes being applied from April 2020.

## **3. Conflict of Interest Declarations**

Previously SAB members had asked for clarification on what is meant by the term 'conflict of interest'. SPPA provided the SAB with a copy of the SPPA guidance on conflict of interest which was sent to all SAB members. This should be helpful to all SAB members to assess their individual positions in respect of their SAB responsibilities.

## **4. Minute of Last Meeting and Matters Arising**

The draft Minutes of the meeting were considered and agreed by the SAB. There was a request to set future meetings of the SAB for the whole year, to allow SAB members to plan ahead. Joint Secretaries to address this through the SAB Chair in the first instance. As the Chair for the SAB will pass to the Employees' side after the April meeting, dates for further meetings from then, until April 2020 will be arranged separately.

## **5. Scheme Advisory Board Work Plan – Review of Activities**

Regarding the Structure Review consultation, The SAB was asked for a view by Lorimer Mackenzie as to why industry organisations were being excluded from participating in the consultation process. Board members were told that SPPA had been contacted by a number of organisations and felt that if Ministers considered it necessary, would ask SPPA to consult separately. It was noted that a clear decision had previously been taken by SAB members that the consultation was to take place with the 11 Funds, as well as employers and trades unions to seek views on the 4 options, to allow the SAB to make recommendations to Ministers. The plan was that this was to happen before seeking any wider views on issues that might emerge on collaboration, pooling or creation of one or more Funds.

## **6. Transparency Code – update**

Simon Watson, the incoming Joint Secretary for the employees' side sought views on whether the Funds were all signed up to the use of the Transparency Code. It was clarified that it is not for the Funds to sign up to the Code, rather this is more for investment managers. It was noted that it would be difficult to quantify but the information to date was that progress in this regard has been positive. Members were reminded of the reference to the Transparency Code in the SAB Workplan. There was also discussion on the request to consider that the SAB endorse its inclusion in the tendering exercise to engage in an online portal. The SAB endorsed this in principle but agreed that more information on set up costs and ongoing costs would be needed to make a firm decision on involvement.

## **7. Governance Review – training and communication – verbal update**

The SAB was advised of the exercise carried out earlier this year to understand the training plans of the 11 Funds. It was also noted that individual Funds have made events available to SAB members. It was suggested that while local training may be available, it would be helpful to have a training workplan for the SAB itself. SAB members were reminded that the KPMG governance review had recommended that

“SPPA, in its role as Scheme Manager together with Local Authorities filling the same role for the LGPS, should ensure an annual training plan is in place for all Board members. This should cover those subjects common to all Boards as well as addressing issues specific to the challenges faced by different Boards”

It was agreed that a proposal regarding a training workplan would be developed for the next meeting.

## **8. Annual Report working group – verbal update**

The first meeting of the short life working group on the SAB Annual Report took place on 24 September and was attended by Cllrs Rankin, Mountford, Goodfellow and Clare Scott from the Lothian Pension Fund. The group agreed that the current annual report needed to provide improved detail on the health of the scheme in Scotland and that as a starting point, it would be useful to look at the annual report produced by the Local Government Association team to help frame any changes. While there was a concern that the LGA report may be too detailed, it was thought unnecessary to adopt all of the elements in that report for use in the SAB report. It was agreed that the Annual Report needed to evolve to take account of changes such as investment cost transparency and pooling.

The group examined each of the headings in the LGA Report and used these to identify areas where change could be recommended to take place. The group has agreed to meet again on 24 October and a further date on 16 November has also been agreed should there be a need to meet again. It was noted that a copy of the note of this meeting would be sent to all members of the SAB.

## **9. Pensions Update**

Simon Watson summarised the key points in the Pensions Update paper sent out to all SAB members. The paper covered issues on the following topics:

- Life expectancy
- Complaints process changes
- Actions by the Pension Regulator
- Fee transparency
- Transfer payments
- Climate change investment risks relating to defined contribution schemes
- Pensions dashboard – actions by the UK Government, and
- A formal consultation on collective defined contributions

The SAB noted the Pensions Update.

## **10. SPPA update**

Lorimer MacKenzie indicated that the SPPA policy team had now expanded and he had been joined at the meeting by Roddy MacLeod and Ian Cortland. Lorimer went on to note the actions around the latest SPPA Regulations and the letter of comfort issued to Funds, at the Funds request. Richard McIndoe also spoke to his paper on the Regulations and raised the concerns of the technical meeting of the Scottish Pensions Liaison Group on the LGPS 208 Regulations. It was noted that the group had suggested several additional changes that could be addressed in the re-drafting of the Regulations to remove some of the administrative burden from the Funds. It was noted that the Funds remain concerned about the Regulations and are looking for clarity on the issues highlighted in the paper.

Lorimer MacKenzie went on to discuss the request that the cost of the fees for the GAD work be passed on to the SAB, as is done with other schemes. In this case, SPPA see the top slicing of the costs from Health and Police budgets but have been advised that to do so to the Local Government budget would not be acceptable. There was discussion on this issue and it was suggested that GAD provide advice to Ministers and not to the Local Government Scheme, therefore it was not seen as relevant that the SAB should consider paying this cost. It was agreed that the chair of the SAB would write to SPPA on this issue.

## **11. Financial Report**

The statement shared with SAB members set out the current position on the state of the SAB accounts as at September 2018. It was noted that the consultancy costs for the work on the Structure Review consultation will be recorded in future statements.

## **12. AOB**

The SAB was asked to consider what was understood on Equal Pay and Pensions by the Pension Funds. And SPPA was asked whether advice was provided to the Funds on this issue. It was noted during discussion that it was clear that the matter was for employers in terms of compensation which is non-pensionable, or pay arrears, which could involve pensions. It was agreed that contact would be made with the Funds and with council Heads of HR to seek clarity on this matter.

**Future Meeting Dates for Noting:**

January/ February 2019  
April 2019