

November 2019

BULLETIN

Structures Review

The SAB agreed to publish the report into fund structures which it received at its last meeting. It highlights four key issues - evaluating a case for a merger; investigating boosting infrastructure investment opportunities; improving reporting on investment costs; and problems facing multi-fund employers. The SAB has set up a working group to look at merger and other options (including pooling) in detail, including risks, costs and benefits assessed against the current structure. Any decisions will be made in line with long term stability and sustainability of the funds, and be based on available evidence.

Firefighters and Judges Employment Tribunal

After the Court of Appeal ruling on unlawful protections in pension schemes (the McCloud/Sergeant case), HM Treasury is leading on equality proofing public sector pension schemes. LGPS protections only apply to those within ten years of retirement on 31 March 2012, and the SPPA is developing proposals to remove any discrimination.

“Section 13” report on Scottish LGPS funds

The Government Actuaries Department (GAD) reported that LGPS funds in Scotland are in a robust state, with 6 out of 11 fully funded, and aggregate funding levels at 102% (up from 94% in 2014). Mergers mean there are only 2 closed funds (down from 5 in 2014). Consistency has increased with a consistent definition of future and past (for deficits) contribution rates, but GAD wants to take this further with a common way of reporting fund valuations (for actuarial comparison purposes). Local variations in actual funding calculations would still apply, to allow for local differences in investment strategies etc.

Cost transparency on-line data portal

A contractor is currently building the online data portal to enable boards to compare investment fees and charges. This should bring more transparency and help boards get a better deal. The contractor - Byhiras - are doing presentations to various boards.

Guaranteed Minimum Pension (GMP)

GMP has led to some overpayments in pensions, which Scottish Ministers decided to allow to remain unadjusted for affected pensioners in the LGPS. This is reflected in a new scheme award called “Increased Pension Entitlement (IPE)”. The LGPS (Scotland) Pensions Amendment (Increased Pension Entitlement) Regulations 2019 are due to come into force from 30 December 2019.

Cessation Issues

Some smaller employers (admitted bodies) face a financial cliff edge to fund future liabilities if they no longer have members in the LGPS. Funds have different approaches to this, and the SAB will convene a working group with relevant employers to explore possible draft guidance.

Further details on our website www.lgpsab.scot.