

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

19th May 2021 (by video-conference)

MINUTES

Present

Jim Goodfellow, Andy Thompson, Simon Mountford, Brian Robertson, Simon Watson, David Parker, Annette Drylie, Davina Rankin, Brian Strathie, Stephen Smellie, Lynne Robertson

In attendance

Martin Booth (Directors of Finance), Bruce Miller (LGPS Funds), Richard Mcindoe (LGPS Funds), Catherine McFadyen (Hymans), Iain Coltman (SPPA), Jonathan Sharma (COSLA - Joint Secretary)

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and apologies were noted.

2. Appointment of Chair and Vice Chair

Brian Robertson was nominated as Chair for the next year with Cllr David Parker nominated as Vice Chair. The SAB agreed both nominations.

It was also agreed that the former Chair and Vice Chair would meet with the incoming postholders for a handover discussion.

3. Conflict of Interest Declarations

None noted.

4. Minute of Last Meeting and Matters Arising

The Minute was AGREED as an accurate record for 17th February. Under the SPPA Update it was noted that the joint secretaries will bring a paper on the climate change committee to the September SAB.

The Minute was AGREED as an accurate record for 14th April Cost Cap Special Meeting.

5. Structure Review Project

Pat Tomlin spoke to her paper on structure review governance. The SAB welcomed the paper and approved the governance structure paper in its entirety. In the discussion that followed on who would slot into the various roles, the following was agreed:

1. Brian Strathie appointed as Project Sponsor.
2. Nominations for the sub-group were agreed, being:
Brian Robertson and Davina Rankin – Employees
Jim Goodfellow and David Parker – Employers.

3. Hugh Car (Scotland Excel) appointed as independent Chair of the Sub-Group.

During discussion a number of points were noted/ clarified:

- The role of the Project Sponsor was clarified. This role is accountable, on behalf of the SAB, for the overall delivery of this project, in line with its objectives and to promote the project on the SAB and to wider stakeholders
- It was noted that more time commitment from sub-group members is likely to be needed at the front end of the project.
- There may be a need for additional resource to be provided at cost. This would be a recommendation from the Sub-Group to the SAB, if deemed necessary.
- It may be necessary for the SAB to meet outside the regular scheduled meetings, to consider and agree certain phases of work, Sub-Group recommendations etc.

6. Cessation Training Session

The SAB was informed of the recent training session to unpick some concerns around the proposals put forward by SPPA.

Following the session, the SAB was asked to endorse the proposals, with some additional guidance to ensure employers are consistently treated fairly. As part of this was recommended to circulate English & Welsh guidance.

The SAB noted that concerns had originated from the employees side, however ultimately this is equally an employers side issue.

Some concerns were expressed regarding SPPA changing regulations and the bullet points set out in the paper. In particular it was felt to be unreasonable to direct funds on non-mandatory elements such as funding strategy statements. On a number of areas of the draft guidance it was felt that the language needs care and that words like Funds 'should' needed more consideration, ie to replace with 'consider'.

It was therefore agreed that the Joint Secretaries would take this away and speak with the Working Group and with SPPA and bring back a revised form of wording for the bullet points to SAB.

7. Cost Cap – GAD Assumptions

The SAB noted that it was being asked to confirm it is content with the 2017 assumptions in Appendix B of the letter from GAD to SPPA, which was shared as the paper for this item.

Catherine McFadyen offered comments on the letter and it was noted that the assumptions which are impactful are not in the SAB's gift to seek alteration, as these are set by the UK Treasury. It was further noted that the other assumptions, though limited, seem reasonable.

The SAB therefore agreed that it is content with the letter.

It was noted that the letter relates to results of the 2017 valuation, however GAD is now undertaking the 2020 cost cap valuation. It was therefore agreed that the SAB would write to the SPPA (and GAD) to express its concerns over applicability of the cost cap mechanism to the LGPS.

It was further noted that the UK Treasury is due to undertake a review on the cost cap mechanism, likely to be in June.

The SAB therefore directed the joint secretaries to draft a response and, if necessary, bring this back to an emergency meeting of the SAB.

8. Transparency Update

The SAB noted a letter from the English and Welsh SAB which explains the Byhiras transparency system and clarifies the costs to be met by the Scottish SAB. It was noted that there is reference to having separate Scottish information, which would come at a further cost. However, the joint secretaries, having reviewed the system further considered that it is not necessary to split out a Scottish summary at this time, given the system's purpose is to compare costs across the UK Funds.

9. SPPA Update

The SAB received an update from SPPA which covered upcoming changes to Regulations; GAD's Cost Cap (supplementing the discussion at item 8); and UK climate-related financial disclosures (with more on this about implications for Scottish LGPS to come to the SAB's September meeting).

The SAB noted the update on amending regulations and cost cap, including the error in GAD cost cap which will require amending regulation, in order that valuations can be completed. It was noted that the draft results do not anticipate a breach of the cost cap.

On the UK Pensions Bill, it was noted that there will be amending regulations in October, however this does not apply to public sector pension schemes. However, in England and Wales the MHCLG is looking at aligning reporting requirements, eg climate reporting. The potential for any likely implications for Scotland will be included in the paper on climate committee to come to the September SAB.

10. Draft SAB Annual Report 2019/20

The SAB received the draft 2019/20 Annual Report which had been prepared by the joint secretaries, with substantial assistance provided by the English and Welsh SAB, per the offer of support agreement with SPPA.

The SAB were being asked if they have any comments on the draft and to approve this.

In discussion it was agreed to amend the draft report as follows:

- Reference to the Employers side members, representing COSLA, to clarify that this is the case.
- Unite should be changed to Unite the Union.
- The membership during 2019 would need to be amended.
- Add a reference to climate transparency into the commentary.
- Clarify that the information included in the tables is drawn from the Funds as a footnote.

The SAB agreed to offer any further comments by the end of the week, following which the report would be finalised and published.

Post meeting note: the 2019/20 SAB Annual Report is published and available [here](#)

11. Scheme Advisory Board Work Plan

The SAB was updated on the Workplan which reflected the work areas being considered at this meeting. It was noted that the Multi-fund employers item had been moved to the completed section, as agreed by the SAB at its February meeting.

The Workplan was noted.

12. Financial report

The financial report was provided to clarify the funds available to the SAB, given the cost transparency costs to be met and the costs of the structure review project.

The SAB was asked to note the position and approve the SAB levy for 2021/22, this being the same as previous years £40k, with the same proportions to be collected from each Fund.

The report was noted and the 2021/22 Levy was approved.

13. AOB

The joint secretaries had one item of AOB: Catherine McFadyen had advised that Hymans are offering SAB training through a LGPS Online Learning Academy.

The SAB noted that Pension Board Members were being invited and that the invite was extended to SAB Members. The training would be chargeable to Members, should they wish to attend.

It was agreed that the offer would be shared with SAB Members.

Future Meeting Dates for Noting:

Wednesday 22nd September 2021

Wednesday 24th November 2021