

September 2021

BULLETIN

Cessation

Following the report of the SAB's working group on cessation issues, a set of proposals has been agreed to help guide Funds with employers who wish to withdraw from the LGPS. These are broadly around the extent and limitations of guarantees covering admitted bodies, but also that funding strategy statements should include proportionate steps to address historic liabilities and steps to transfer staff between funds.

Cost Cap

The SAB has submitted a response to HM Treasury consultation on the cost cap, available [HERE](#). Key points include that the LGPS is a funded scheme where real-world costs can be examined, and the broad assumptions that are used for funded schemes are inaccurate and inappropriate, and in any event could be more sophisticated. It also pointed out that having a 'cost collar' around the costs of the scheme inevitably created a cliff edge, and it is was breached there would be a major financial impact for either employers or members. The SAB has also written to the Scottish Ministers highlighting issues around the cost cap.

Structures

The SAB received and agreed a report from its structures sub-group, which is developing business cases for the alternative structures of LGPS Funds in Scotland. This included the project Purpose and Principles, to provide a reference point to test relevance and validity of evidence, and plans for a gap analysis of existing evidence by an experts working group. Communications and engagement are well under way, but the volume of work means that future deadlines will be tight. Subsequent reports will be made to each SAB meeting.

Climate Risks

The Pension Schemes Act 2021 introduced an array of reporting requirements for large private sector pension schemes around identifying and managing climate-related risks. These [regulations](#) were based on the report of the Taskforce for Climate-related Disclosures (TCFD). On both sides of the border, the UK and Scottish Governments are now looking at similar requirements for the LGPS, although there are no consultations at this stage. The SAB is liaising with the English and Welsh LGPS SAB's "[Responsible Investment Advisory Group](#)" on best practice and emerging issues.

Improving communication

The SAB previously agreed to invite chairs from local Fund Boards to attend meetings as observers, to make the work of the SAB more open and accessible. This has successfully happened for the last two meetings, and as there has been some turnover in chairs another invitation is being circulated. In addition, the SAB has decided to publish its meeting papers and minutes on its website. As minutes need to be agreed, the SAB bulletin will continue to be issued after meetings as a rapid update.

Further details on our website www.lgpsab.scot.