

Scottish Local Government Pension Scheme Advisory Board

SPPA Update - 24 November 2021

1. Regulations - Draft Amendments to The Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141) (advisory)

1.1 The consultation on the Draft Amendments to The Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141) was published on 1 November 2021.

1.2 If the Board wishes to respond to this consultation you can do so by completing the Consultation [Response Form](#) which can be submitted electronically to SPPAPolicy@gov.scot or by post to the following address: Local Government Pensions Consultation, SPPA Policy, 7 Tweedside Park, Tweedbank, Galashiels, TD1 3TE.

1.3 The consultation will close on 7 January 2022 and we ask that anyone wishing to respond does so by then.

2. Government Actuary's Department (GAD) - Cost Cap update (advisory)

2.1 When this amendment comes into force, the cost control element of the 2017 actuarial valuation will be completed, based on the cost cap of 15.2% and on the amending directions published by HM Treasury on 7 October 2021, which take into account the McCloud remedy.

2.2 Accordingly, following this amendment to the scheme regulations, GAD will prepare the following reports in respect of the actuarial valuation of the scheme as at 31 March 2017, after liaison with SPPA and the SAB:

- i) a report on the data used;
- ii) a report on the actuarial assumptions adopted; and
- iii) a report assessing the 2017 cost cap position relative to the (adjusted) original cost cap of 15.2%. This report is expected to confirm that there has been no breach of the current cost cap mechanism (CCM).

2.3 Finalisation and publication of these reports will complete the 2017 actuarial valuation cycle for the scheme.

3. Governance (for discussion and advice)

3.1 The Department for Work & Pensions (DWP) published statutory guidance on Governance and reporting of climate change risk: guidance for trustees of occupational schemes in June this year.

3.2 The recent DWP consultation sought views on policy proposals to require trustees of larger occupational pension schemes, authorised master trusts and authorised schemes providing collective money purchase benefits, to have effective governance, strategy, risk management and targets for the assessment/ management of climate risks and opportunities. DWP also invited responses on proposals to disclose these in line with the recommendations of the international industry-led [Task Force on Climate-related Financial Disclosures \(TCFD\)](#).

3.3 From 1 October 2021 the [Occupational Pension Schemes \(Climate Change Governance and Reporting\) Regulations 2021](#) introduce new requirements relating to reporting in line with the TCFD recommendations, to improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk.

3.4 We understand that the Department for Levelling up Housing and Communities, (DLUCH) intends to consult on broadly similar reporting requirements which will be broadly in line with the DWP regulations coming into effect 1 Oct 2021 for the private sector, however there will be some differences. It is intended that all LGPS Funds will be expected to comply, rather than a phasing-in by size as in the DWP requirements and there will be no fines levied on local government fund authorities for non-compliance.

3.6 The first year it will apply will be 2022-23 and the first report will be due by end of 2023. Funds will be required to report on data quality in line with greenhouse gas protocol and the E&W Scheme Advisory Board will have a duty to report on the Funds' compliance and data quality.

3.7 Scottish Ministers are keen to consider climate risk reporting and ESG standards for local authority pension funds, broadly in line with the TCFD requirements and we would welcome the Scottish Scheme Advisory Board's recommendations in this respect.

4. McCloud Update – Progress on the Pensions Bill

4.1 The Public Service Pensions and Judicial Offices Bill is currently working its way through Parliament and is on track to get Royal Assent in early 2022.

4.2 DLUCH are expecting a series of technical amendments to be introduced into the Bill by the Government to supplement the existing clauses relating to the LGPS. These are likely to be introduced once the Bill completes its way through the Lords and moves to the Commons.

4.3 DLUCH have confirmed that they intend to provide their response to the consultation, setting out their policy approach and this will be published in early 2022.

4.4 Following that they intend that their final regulations will be made in Spring 2022 (March/ April). Scheme regulations will then come into force on 1 April 2023 (backdated to 1 April 2014).

4.5 Scottish Ministers intend to mirror those regulations making similar Scheme regulations in 2022 coming into force on 1 April 2023 (backdated to 1 April 2014).

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