

**March 2022**

# **BULLETIN**

## **Cost Control**

The Treasury has consulted on two options for how elements of the McCloud costs should be included in the LGPS cost control mechanism. This is a technical consultation, and although there would be potentially significant repercussions if there was a breach of the cost collar, it appears unlikely that either option would lead to this. The SAB felt the consultation did not provide enough clarity on the implications of either option, and has invited a GAD representative to the next meeting.

The SAB previously decided to explore the potential of being able to intervene in the scheme to avoid the cost collar being breached. The English and Welsh SAB has such a mechanism, and with the cost collar moving to 3% around the target rate, any breach would have a significant financial impact on members or employers. A sub-group has been established to explore different options, and review the experience south of the border.

## **Structure Review Project**

The project group has researched and extensively analysed existing reports and information relating to options for the future. It then undertook a gap analysis of information which would be needed to develop detailed business cases for the various options. To take this through to completion in the specified level of detail would require additional time and resources, and therefore the SAB has decided to seek clarification from Scottish Ministers on the nature of the advice they want to receive from the SAB.

## **Climate Risk**

The working group on climate risk reporting indicated that funds were making progress towards the Taskforce for Climate Related Financial Disclosures' aspirations, noting that these are currently voluntary. No major changes are currently needed to practice, but funds are encouraged to maintain progress in this area, and larger funds to offer support to other funds if it is requested.

In addition, SAB observers to the Responsible Investment Advisory Group reported back on developments on climate risk reporting on investments. Whilst this has been introduced for larger private sector funds, there have not been proposals put forward regarding the LGPS at this stage. This is a significant area of work, and will be kept under review by the SAB.

**Further details on our website [www.lgpsab.scot](http://www.lgpsab.scot).**