



**Scottish Local Government Pension Scheme Advisory Group  
Minute of Meeting on 30 October 2019**

**Members attending**

Councillor Alasdair Rankin	COSLA
Councillor Richard Thomson	COSLA
Councillor Jim Goodfellow (V Chair)	COSLA
Councillor David Parker	COSLA
Councillor Simon Mountford	COSLA
Stephen Smellie	UNISON
Simon Watson (Joint Secretary)	UNISON
Andy Thompson (Chair)	GMB
Annette Drylie	GMB
Wendy Dunsmore	UNITE
Brian Robertson	UNITE

**In attendance**

Bruce Miller	Lothian Pension Fund
Richard McIndoe	Strathclyde Pension Fund
Tracey Russell	Dundee Pension Fund
Laura Colliss	NE Pension Fund
Bryan Smail	Falkirk Council
Catherine McFadyen	Hymans
Steven McNab	SPDS and Inverclyde Council
Kathy Cameron (Joint Secretary)	COSLA
Jonathan Sharma (Joint Secretary)	COSLA

**Observers**

Ian Coltman	SPPA
Kim Linge	SPPA

**Apologies**

Dr Davena Rankin	UNISON
Brian Strathie	Scottish Water
Victoria Rogers	SPDS and West Dunbartonshire Council

**AGENDA**

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and noted apologies

## **2. GAD Presentation on Section 13 Report**

Michael Scanlon, accompanied by Michael Rae of the Government Actuary Division (GAD) gave a presentation to the SAB on their Section 13 report.

In aggregate, LGPS Scotland is regarded to be in a strong financial position.

- The aggregate funding level on prudent local bases has improved from 94% at 2014 to 102% at 2017;
- 6 out of the 11 open funds are fully funded on their prudent local bases;
- Significant progress since the 2014 valuations, which is welcomed;
- the 5 closed funds were a concern in the Dry Run, but subsequently completed or planned mergers will leave only two closed funds;
- a consistent definition of Primary and Secondary Contribution Rates has been agreed between the three firms of actuarial advisors that undertake local valuations, going a long way towards improving consistency of valuation reporting;
- To further improve transparency and comparability, it would be helpful for administering authorities and other stakeholders to be able to make more meaningful comparisons between the actuarial valuations.

Further points were made about findings on compliance and Fund valuations were compliant with relevant regulations and consistency of approach on issues such as presentation of disclosures such as employer contribution rates in the 2017 valuations, compared with the 2014 valuations.

Members questioned the GAD representatives on a number of issues such as how standardised assumptions might take account of local circumstances. Also queried was the reason for the shift in the valuation cycle. It was noted that there could be less frequent changes for local Funds in employer contribution rates, but rates could be higher.

## **3. Nomination of Chair and Vice Chair**

Members formally agreed the appointment of incoming Chair Andy Thomson and Vice Chair, Councillor Jim Goodfellow.

## **4. Conflict of Interest Declarations**

No declarations were notified.

## **5. Minute of Last Meeting and Matters Arising**

The minutes were agreed, subject to the note that there was a difference of views on the actions by the previous Chair, to write to Scottish Ministers regarding the outcome of the Structure Review, without sharing a draft with the SAB first. It was also agreed that a copy of the final consultation report would be uploaded to the SAB website and advise Funds that this action had been taken.

## **6. Role of Advisers**

Advisers were asked to withdraw from the meeting for this item. Members considered the points raised in the report and noted that it was not easy for new members to identify who advisers are. The SAB was advised of the arrangements prior to the retirement of the one of the original Fund advisers and that the suggestion of bringing other fund advisers to the SAB, was to improve the level of engagement with the Funds. It was noted that advisers

only attended the members side pre meeting and not that of employees. It was noted that the SAB would find continuity of advice important.

The SAB noted the position regarding advisers presented in the paper and agreed that the joint secretaries would bring forward a paper to the next meeting, with a suggested approach for going forward.

## **7. Structure Review – Scoping**

The SAB considered a paper on a scoping for taking forward work on the structure review, following on from the discussion at the April SAB meeting on the consultants' draft report on the Structure Review Consultation. The SAB noted that the Cabinet Secretary, Derek Mackay, has given his encouragement to this work proceeding and therefore actions should be progressed without delay. However, care should be taken not to rush to take decisions, as there is a need to get further work done right.

The SAB agreed that this work should be taken forward on a principled basis with a set of principles outlined in the scoping paper. Therefore, the Joint Secretaries would give consideration to doing work flexibly, with assistance from the Advisers and that progress should be reported back at the SAB's meeting in January. It was asked that this work be done within a permissive environment. The SAB discussed this and there was broad consensus that whatever emerges from the work would need to be for the benefit of the Funds and their members.

It was agreed that the workplan would be updated to take account of the need to address the other issues raised in the report concerning investment cost transparency, infrastructure investment and multi-fund employers.

## **8. Transparency On-Line Data Portal**

Simon Watson gave a brief update on this issue and it was noted that Lothian Pension Fund was to host a workshop in late November where the preferred company Byhiras would provide a presentation on the transparency portal. It was also agreed that the company be invited to attend the next SAB meeting.

## **9. Member Training**

Members had the opportunity to consider a draft training plan, provided by Catherine McFadyen of Hymans. It was noted that Code of Practice 14 was due to be revised by the Pensions Regulator. It was felt helpful to see a version of the draft workplan developed for future meetings and proposals set out for monitoring of training. The SAB agreed that there should be a one-year training plan put in place.

## **10. Scheme Advisory Board Work Plan – Review of Activities**

Members were advised that the workplan had been updated to take account of recent decisions taken in each relevant workplan area. Other items are due to be added to the workplan, such as the structure review areas referred to in Item 7, as well as items arising in the SPPA update. It was suggested that consideration be given to the workplan in England and Wales, to take account of any issues that might have an impact in Scotland.

## **11. Financial Report**

The SAB received a Financial Report which gave some background on the SAB finances, for the benefit of new Members and to refresh Members' understanding. Members were advised that, whilst there is a reasonable sum available, there are commitments anticipated for the transparency portal, together with likely substantial costs for further engagement of external consultancy and advice for the structure review work.

The levy is currently based on England and Wales arrangements, as at the commencement of the Scheme Advisory Boards and the levy has been raised on this basis since then. Members were asked to agree the collection of the levy this year. Members considered whether to increase the levy in anticipation of likely cost commitments. However, the SAB felt it more appropriate to consider this once there is a better understanding of likely costs. The SAB therefore agreed to raise the levy for 2019/20 on the same basis as previously and at the same level.

The SAB was also reminded that the outgoing Chair had suggested at the last meeting that the SAB needed additional support and that this should be reflected in the levy as well.

It was agreed that the Joint secretaries would give further consideration to this issue and report back to the SAB.

## **12. Pensions Update**

An update on current Pensions issues of interest was provided and this was noted by the SAB.

## **13. SPPA update including Court of Appeal judgement**

### **Regulations - The Local Government Pension Scheme (Scotland) Pensions Amendment (Increased Pension Entitlement) Regulations 2019**

This relates to overpayments across the public service schemes were identified and Scottish Ministers chose to allow the pension in payment to remain unadjusted for affected pensioners in the Police, Firefighter and Local Government Pension schemes. SPPA provided an update on the provision of a new scheme award known as an Increased Pension Entitlement (IPE) which reflects the GMP-related overpayment. The regulations will be in force from the 30 December 2019.

### **Terms of reference - 4 year appointments**

The term of office for Scheme Advisory Board members, as set out in the SAB Terms of Reference (ToR), is up to four years. It was thought that this would facilitate the retention of expertise by enabling staggered terms of office, however the four year tenure ended in May this year. Joint Secretaries will discuss this and liaise with SPPA on handling of appointments.

### **Cessation Issues**

SPPA noted that each of the 11 Pension Funds in Scotland has a range of large and small employers. The larger employers i.e. Councils, have strong covenants with tax raising

powers but smaller employers, some of which are charities, have weaker covenants and are therefore considered a higher risk and therefore have to pay higher contributions. This however varies between funds with a range of different approaches with some funds allowing a greater degree of flexibility than others.

A small working group has been set up to discuss this issue. The SAB received a formal request that the SAB to convene a working group, representing employers (including Third Sector employers) and fund authorities to discuss the issues for third sector employers and explore whether draft guidance could be developed to be discussed at the SAB.

It was agreed that the joint secretaries will bring this into the SAB workplan and report on progress. Joint secretaries will also make contact with Doug Heron and Richard McIndoe who participate in the working group to discuss further.

### **Actuarial guidance**

As a result of the adjustment to the discount rate in October 2018 Budget, GAD undertook a review of all of the factors provided to Scottish Pension Funds. On 20 September the revised actuarial guidance for late retirements for implementation from 1 October 2019 were provided to the Funds. An updated consolidated factors workbook was also provided, which included corrections to the tables to align with the latest club memorandum. This workbook also includes 'Scheme pays', Annual Allowance and Lifetime Allowance factors.

A new process for providing and implementing GAD factor changes was agreed at the Scottish Pensions Liaison Group meeting held on 22 June 2019 which involves communication proposed changes to stakeholder groups including system providers. This process is proving effective, with a positive response from stakeholders, and will therefore be followed in all future factor reviews.

SPPA concluded by asking that local valuations follow suit in this regard and sought agreement to write either to the SAB or to the Funds on this issue. A question was raised regarding changing mortality statistics, however SPPA noted that there was nothing of significance in those statistics to change views on this matter.

### **Statutory valuations**

HMT Directions have recommended a shift to quadrennial statutory valuations for LGPS, in line with the unfunded schemes, after the 2020 valuation for the E&W scheme. SPPA will shortly be consulting on whether fund valuations in Scotland should similarly align.

### **McCloud – Employment Tribunal**

Following the December 2018 Court of Appeal ruling on McCloud/Sergeant, HM Treasury is leading on proposals for remedial action across all schemes, with SPPA involvement at Steering, Technical and Litigation Groups. Case management hearings are currently underway for unfunded schemes. The specific protection in the LGPS schemes differs from the other schemes – the statutory underpin in the transitional regulations applies only to those within ten years of retirements on 31 March 2012. SPPA is currently developing an approach that will remove this discrimination. SPPA indicated that they hoped to provide an update on this issue for the next SAB meeting

## **14. AOB**

A concern was raised about the volume of papers and timing of issue to SAB members. It was noted that the number of papers for this meeting were greater than normal, but acknowledged that perhaps there was a means to stagger the issue of papers for future meetings.

In response to a question about an outstanding Employers side vacancy, Members were asked to note that an approach would be made to Lynne Robertson of Inspire to invite her to join the SAB as a 3<sup>rd</sup> sector Employers representative. Joint secretaries to discuss with SPPA the next steps on this issue.

**Future Meeting Dates for Noting:**

The SAB agreed that dates for meetings in 2020 would be as follows:

Wednesday 29 January 2020;  
Wednesday 25<sup>th</sup> March 2020;  
Wednesday 24<sup>th</sup> June 2020  
Wednesday 28<sup>th</sup> October 2020.

All meetings. where possible, to start at 10.30am