

Scottish Local Government Pension Scheme Advisory Board

SPPA Update - 28 June 2022

1. Regulations - The Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022

1.1 The Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022 (2022/153) were laid before the Scottish Parliament on 3rd May 2022. This SSI was laid under section 24 of the Public Service Pensions Act 2013. The regulations come into force on 1 June 2022 and some of the changes have backdated effect.

Survivor Pensions

1.2 These Regulations change the rules for calculating pre-April 15 survivor pensions in response to two court cases: Walker v Innospec and Goodwin v Department for Education. The changes are intended to place surviving same-sex civil partners, survivors of married same-sex couples and male survivors of female married members in a similar position to female survivors of male married members. These changes are retrospective and take effect from 5 December 2005

1.3 They also clarify the rules allowing deferred members who left before 1 April 2015 to elect for early payment between 55 and 60 without needing their former employer's consent and they also allow pension credit members, who were awarded the credit as part of a pensions sharing order, under the 1998 or 2008 Regulations, to elect for early payment (with an actuarial reduction) on or after age 55, rather than on or after age 60. These changes take effect with retrospective effect from 2018.

1.4 Where the recalculation of a partner's pension causes a reduction to the rate of an eligible child's pension, administering authorities are expected to recalculate that child's pension and adjust future payments. We would not expect authorities to recoup past overpayments.

Fund Authorities Flexibilities when dealing with employers

1.5 The regulations amend The Local Government Pension Scheme (Scotland) Regulations 2018, to provide further flexibilities for fund authorities in dealing with exiting employers, including deferred debt arrangements and also to allow for amendments to an employer's contribution rate between valuations.

1.6 These changes mirror those provided by The Department for Levelling Up, Housing and Communities (DLUHC) (formerly The Ministry of Housing, Communities and Local Government) for England and Wales in 2020. They are provided as a result of recommendations from the Scottish Local Government Pension Scheme Advisory Board.

Cost Cap Amendment

1.7 The cost cap figure is amended from 15.5% to 15.2% in the Scottish LGPS regulations, after the Government Actuary's Department (GAD) identified an error in their original calculation. This will allow GAD to conclude the 2017 Cost Cap Valuation and is not expected to affect the outcome.

McCloud

1.8 As a result of responses received, following the consultation on these Amendment Regulations, Scottish Ministers decided to address retrospective changes to 'the underpin', in respect of the 'McCloud Judgement', separately in The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2022, as consulted on in Scotland in April 2021. These regulations are expected to be made later in 2022.

TCFD Reporting

1.9 DLUHC is expecting to publish a public consultation, in the Autumn, which will cover the Task Force on Climate-related Financial Disclosures (TCFD) reporting, levelling up and pooling guidance for administering authorities.

1.10 The Scottish SAB sub-group previously advised their intention to follow E&W regulations in this area and Scottish Ministers believe it would be helpful if a representative of the Scottish SAB were to attend the E&W SAB Responsible Investment sub-group.

Proposed Merger

1.11 You may have seen an announcement from Lothian Pension Fund and Falkirk Council Pension Fund that they are now in the final stages of exploring the potential to merge their operations.

1.12 After an investigation of the expected benefits, costs and risks it is intended that this move will benefit both scheme members and employers.

1.13 The two funds have been working successfully together for more than 10 years. Subject to final approval by the administering authorities' councils, regulatory clearances and legislative process, the merger could be completed in 2023.

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