

GAD Request for Costs for SLGPS Services

Request from SPPA

SPPA has informed the Joint Secretaries that it wishes to make arrangements for costs of the Government Actuaries Department (GAD) for work on the Scottish Local Government Pension Scheme to be recharged to the relevant sector.

Background

The SAB was previously informed that, for each of the other Public Sector Pension schemes, these costs are recouped by SPPA from the relevant sectors. A request was therefore made by SPPA to the SAB for advice on routes to recoup the costs for 2018-19, with arrangements for future years to be the subject for further discussion. This request was considered at the SAB's 4th October 2018 meeting where the SAB noted that GAD provides advice to Ministers and not to the Local Government Scheme, therefore it was not seen as relevant that the SAB should consider paying this cost. SPPA was duly informed of this position.

Subsequently in December 2019, SPPA wrote to COSLA seeking a resolution to this matter. In reply COSLA's Chief Executive noted the request and information provided to support this. The reply explained that the Directors of Finance for the lead LGPS Councils were consulted and stated clearly that they remained unconvinced that this charge should fall to Pension Funds. It was their view that this is a service which is primarily being provided on behalf of the Scottish Government, to meet its requirements under the Pensions legislation and should not have to be met by the administering authorities/ Funds.

There was therefore a strong reluctance for this charge to have to be met by the Funds. Saying that, if the charge was to be met by the Funds, then this should be applied from financial year 2021/22. This is because Fund budgets had already been set for 2020/21.

SPPA have now put forward a fresh request for the costs of GAD for SLGPS services to be met about the fairest method of allocating GAD costs to each fund. Details of the actuarial work undertaken by GAD on the SLGPS and work done on behalf of SPPA are included to the two Annexes accompanying this paper.

From SPPA's letter to COSLA, the arrangement would entail a fixed and level annual sum of £425,000 payable by the local government pension scheme over the life of the service level agreement for GAD services for the four-year period, 2020-21 to 2023-24. The joint secretaries however advised SPPA that it is unlikely any form of backdating would be agreeable to and that the comments from Directors of Finance are likely to be relevant, ie that any costs to be met by Funds would need to commence from the start of a financial year, therefore 2023/24 at the earliest.

What is being asked for from the SAB

Given this request and, having spoken with the English and Welsh SAB and with SPPA, the joint secretaries felt it appropriate to bring this issue back to the SAB for views. Key to this is the need to ensure transparency and accountability in the services and costs provided by GAD on the SLGPS and for the SAB to offer appropriate advice to SPPA/ Scottish Ministers.

Our understanding is that the English and Welsh SAB is invoiced by GAD and then recovers the costs through its levy on E&W LG Pension Funds.

Recommendations

- i. The SAB is asked to give views on the request for SLGPS funds to meet GAD costs on an annual basis and, if considered appropriate, agree that a suitable mechanism for allocation of costs be determined.