



CLARE SCOTT

JULY 2023

# ROLE OF LGPS SCHEME ADVISORY BOARD - DISCUSSION

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# ROLES OF SCHEME ADVISORY BOARD & PENSION BOARDS

Scottish Government  
*(Responsible Authority)*

Scottish LGPS Scheme Advisory Board

SAB advise ... "the Scottish Ministers, at the **Scottish Ministers' request**, on the **desirability of changes to the Scheme**"

SAB advise.. "(on request or otherwise) to the **scheme managers** or ..**pension boards** in relation to the **effective and efficient administration and management**"

II Scottish LGPS  
"Administering  
Authorities"  
or "Scheme Managers"

II (Local) Pension Board

Pension Board... "assists the scheme manager ... **compliance** with **regulations**.. and requirements imposed by the Pensions Regulator (**governance and administration**)"

# ADVICE TO SCHEME MANAGERS OR PENSION BOARDS...

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- ... effective and ..
- ... efficient ...
- ... administration and management...



# ADVICE TO THE SCOTTISH MINISTERS,...

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- ...at the **Scottish Ministers' request**, on the
- ...**desirability of changes to the Scheme**





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**QUESTIONS?  
COMMENTS?**



# PENSIONS ADMINISTRATION & MEMBER SERVICE

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# MEMBERS' BENEFITS – “DEFINED BENEFIT”

Pre 2008	2008 to 2015	Post 2015
Final salary	Final salary	Career average
1/80 <sup>th</sup> Tax free cash of 3/80 <sup>th</sup>	1/60 <sup>th</sup> No automatic tax free cash 12 to 1 conversion	1/49 <sup>th</sup> Revalued with Consumer Price Index No automatic tax free cash 12 to 1 conversion
Pension Age 65 (or 60 if more than 25 years service)	Pension Age 65	Pension Age = State Pension Age

Benefits are defined by service, pay, retirement type  
(irrespective of how long members live or investment performance)



# GOVERNANCE OF PENSIONS ADMINISTRATION

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- Regulatory deadlines
  - Annual benefit statements
  - Annual pensions savings statements
  - Other transactions – joining, transfers etc (Disclosure standards)
  - Collecting contributions from employers
- The Pensions Regulator's Codes of Practice
- The Pensions Regulator's data measures (Common & Conditional)
- Pensions Administration Strategy? Discretions Policy. Communications Policy.
- Monitoring of performance
- Reporting of material breaches to The Pensions Regulator and/or Information Commissioner

# CHALLENGES – PENSIONS ADMINISTRATION

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- Complex... and increasingly so...McCloud
- Specialist knowledge / resources
- Data, data, data
- Administration systems
- Self-service for members / (More) automation?
- No consistent administration service standards

# WHO PAYS?

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- Members pay pre-determined contributions, dependent on salary

## Contribution Rates Tables

The table for the allocation of rates for 2023/24 is:

**Table 1**

<b>Table 1 - Tiered Contribution Pay Rates</b>	
<b>Pensionable Pay (2023/2024)</b>	<b>Rate (%)</b>
On earnings up to and including £25,300	5.5%
On earnings above £25,301 and up to £31,000	7.25%
On earnings above £31,001 and up to £42,500	8.5%
On earnings above £42,501 and up to £56,600	9.5%
On earnings of £56,601 and above	12%

# WHO PAYS?

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- Members pay pre-determined contributions, dependent on salary
- Long term aim for employers to pay twice the member rate for overall Scheme ...
- ... But employers pay the balance of the cost in each fund
- One of the few public sector schemes which is 'funded' i.e. pay as benefits are earned



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**QUESTIONS?  
COMMENTS?**



# ROLE OF ADMINISTERING AUTHORITY - FUNDING

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ROB BILTON

HYMANS ROBERTSON

# AGENDAS – DAY 2 & 3

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- Role of Administering Authority – Investment
- Alternative LGPS delivery models
  - Investment Pooling
  - Investment Collaboration
  - Pensions Administration Collaboration
  - Fund mergers
- 29 August & 12 October



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# LINKS FOR MORE INFORMATION

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- [Regulatory mapping of the LGPS by Pensions and Lifetime Savings Association](#)
- [The Pensions Regulator – Public Sector Code of Practice](#)
- [The Pensions Regulator New \(General\) Code of Practice](#)
- [Law Commission review of Fiduciary Duty](#)
- [LGPS Scotland Section 13 funding report as at 31 March 2020](#)

