

Local Government Pension Scheme Advisory Board

13:30-15:30, 10 May 2023

UNISON, 131 West Nile Street, Glasgow

Attendance

Cllr Simon Mountford	Scottish Borders Council
Cllr Vaughan Moody	East Dunbartonshire Council
Cllr David Richardson	East Ayrshire Council
Kirsty Robb	Borders College
Kenny Dick	Care Inspectorate
Brian Robertson (Chair)	UNITE
Simon Watson	UNISON
Stephen Smellie	UNISON
Davena Rankin	UNISON
Andrew Thompson	GMB
Jonathan Sharma	COSLA
Ed Gordon	COSLA
Martin Booth	Directors of Finance
Angela Rainey	SPDS
Catherine McFadyen	Hymans
Bruce Miller	Lothian Pension Fund
Richard McIndoe	Strathclyde Pension Fund
Kimberley Linge	SPPA
Iain Coltman	SPPA
Catherine McFadyen	Hymans

Martin Smith	Government Actuary Department
Michael Scanlon	Government Actuary Department

Apologies

Annette Drylie	GMB
Graham McNab	UNITE
Cllr David Parker	Scottish Borders Council
Cllr Mandy Watt	City of Edinburgh Council
Sarah Watters	COSLA
Alan Wilkinson	SPPA

Discussion

Item 1 – Welcome and Apologies

The Chair opened the meeting and noted the apologies.

The SAB noted that Brian Robertson would chair the meeting in Cllr Parker's absence. The meeting was advised that as this was due to be Cllr Parker's final meeting as Chair, a new Chair and Vice-Chair would be chosen at September's meeting.

Item 2 – Conflict of Interests

None stated.

Item 3 – Minute of the Last Meeting and Matters Arising

Amended minute of November meeting agreed. Minute of the previous meeting (February) agreed.

The SAB heard an update from JS on the work of the SAB's working groups.

Item 4 – Presentations

The SAB received two presentations from colleagues from the Government Actuary Department.

The first presentation, on '2020 Valuation Assumptions', advised the SAB that a paper on full demographic assumptions will be discussed at a future SAB meeting. The SAB heard that life expectancy figures used in the 2020 valuation are 1-1.5 years lower than in the previous valuation, and that these figures are based on Scottish data as opposed to UK-wide figures.

The second presentation focused on the SCAPE rate change.

Action: GAD colleagues to deliver further update at September's SAB meeting.

4b – SCAPE Rate Change

Michael Scanlon noted that discount rates will be significantly lower than CPI, advising that the OBR is expecting lower growth rates in the wider economy, this will have implications for factors and unfunded contribution rates, and the cost control mechanism. The new discount rate was noted at 1.7% above inflation.

SAB members noted a Factors Timeline of GAD Actions across the rest of the year, with the factor review expected to be officially complete by August-September 2023.

SAB members discussed the situation of education, noting that the Treasury is committed to increase education pension funding up to the rate changed in the discount rate.

On secondary effects, SAB members noted a potential for increased employers costs as a result of the factor review and the potential impact on dual employers (who may not have funded pension increases).

Michael Scanlon also noted that the discount rate will also be used in the cost control mechanism, which itself was modified for the 2017 valuation. Where the 3+-% corridor is breached an economic check is utilized, to implement those economic factors previously ignored in the valuation, as a means of avoiding a replica of a situation in 2016. In practice, if the economy is experiencing growth and life expectancy is growing, member benefits would remain unchanged. However, if life expectancy falls and economic factors are similarly decreasing, the cost control mechanism would recommend growth in member benefits, providing the economic check concludes that employers are able to afford it. But, no change to member benefits are expected as a result of the 2020 valuation.

Item 5 – National Care Service and LGPS

Ian Coltman provided an update on changes to the NCS proposal, advising of the postponement of the NCS Parliamentary debate. SAB members heard of a Ministerial desire to develop greater consensus on the pensions aspect of the NCS.

SAB members heard that Ministers wished for SAB participation in an upcoming report produced by Deloitte. This report will contain a number of options, with SAB members noting that although the pension options are important, the impact on social care is the primary consideration.

SAB members questioned the division between consideration of pensions and social care, and queried the timescales involved.

Item 6 – SPPA Update

KL noted that the proposed regulations are currently with the SPPA legal team and that legislation should be laid in Parliament in June.

The Group noted that conversations regarding cessation amendments are yet to take place and that a short technical consultation is expected to take place prior to implementation. The amendment is expected to pass through Parliament before the end of 2023.

Item 7 – Cessation Guidance

SW advised of changes to cessation guidance, noting differences to the guidance issued by the English & Welsh SAB, and highlighting the importance of the need to comply with Scots Law.

Action: SAB members agreed to recommendations contained in the guidance.

Item 8 – Good Governance

JS advised that though there is no immediate desire amongst Scottish funds to introduce governance regulations, it may be beneficial to consider guidance in preparation for future legislation and due to changes to governance legislation in England and Wales and the findings of the English and Welsh SAB.

JS advised that the Joint Secretaries will circulate information to funds on the matter if the paper's recommendations are agreed.

Action: The Group agreed to remove the reference to 'smaller funds' in the paper and circulate to information to all funds in Scotland.

Action: The Group agreed to conduct further work on good governance regulations and the workings of individual funds across Scotland.

Item 9 – Reply From Minister

JS advised the SAB that the final two paragraphs of the letter as circulated to the Group would be omitted from discussion at the request of SPPA. SAB members noted the contents of the letter.

There were no SAB comments on the structural review element of the Item, with the proposed training workshops to form the basis of a future decision on the matter.

The Chair asked for SAB members' views on the NCS. SAB members advised that the SAB is continuing to work with bodies on NCS proposals, and that the SAB should await further updates on the Bill.

SAB members agreed to further discuss the impact of a number of potential options relating to the NCS in preparation for consultation via Deloitte.

SAB members discussed the form that contact with Deloitte would take.

SS suggested a small group forming a list of questions in relation to a predicted number of options, this group would meet with Deloitte, with discussion then fed back to the main SAB.

The Chair suggested that a series of face to face meetings would be beneficial.

SAB members asked for further information on what form the broader Deloitte consultation is taking and how they are interacting with individual funds, local councils, and COSLA.

Action: Item to be included on September agenda.

Action: Joint Secretaries to collate questions and scenarios in preparation for any meeting with Deloitte.

Action: Further work to be conducted by the SAB on what form the initial contact with Deloitte takes

Item 10 – SAB Training Plan - Private

SAB members noted the contents of the paper and heard of the impetus for the proposals – increasing the knowledge basis of SAB members, with the cost of the training (£9000) highlighted to SAB members.

SAB members were asked their thoughts on the proposed dates.

SAB members agreed with the proposed contents of the sessions.

Action: SAB members agreed with the contents of the paper, with alternative dates in mid-July, and hybrid options explored.

Item 11 – SAB Levy and Budget – Private

JS noted discussion at the SAB Employers Pre-Meeting around a fixed split for funds at the £20,000 level to ensure proportionate contributions, with any changes to implementation from 2024-24 in light of set budgets from individual funds.

Action: SAB members agreed to defer agreement on allocations for 2024-25 at November's SAB.

Action: SAB members agreed on the allocation of the Levy for 2023-24 as set out in the paper.

Action: SAB members agreed the paper's recommendations.

Item 12 – SAB Workplan

JS advised of changes to the SAB workplan since the last meeting, noting the removal of completed items and asking for comment.

SAB members had no comment.

AOB

SW noted training planned by the English and Welsh on training surrounding the transparency portal. SW advised that the Scottish SAB had been offered a training. SAB members were advised that a date had not yet been set regarding the training nor a venue.

Next Dates

The Group agreed for in-person meetings during the Summer.

The Group agreed to look at hybrid options with altered meeting times to account for further travel distances.