

Scottish Local Government Pension Scheme Advisory Board

SPPA Update - 6 September 2023

1. McCloud Remedy Regulations - update

The Court of Appeal found that the transitional protection arrangements provided when public sector schemes were reformed in 2015 amounted to unlawful age discrimination in the Judicial and Firefighters' pension schemes. The UK Government confirmed that the age discrimination must be 'remedied' across all public sector schemes.

These 'remedy' regulations are now with the Scottish Statutory Instruments (SSI) unit for styling, which includes checking references for the Scottish scheme and adding footnotes. A 'Policy note' has also been completed to accompany regulations.

These regulations are due to be signed by the Minister on 30 August and laid in the Scottish Parliament on 4 September. They will 'come into force' from 1 October 2023.

2. Outcome of the E&W Consultation on changes to the SAB's cost management process – to note

Under Section 13 of the Public Service Pensions Act 2013, public service pension schemes are subject to 4-yearly valuations by the Government Actuary's Department (GAD).

At the time of introduction, the LGPS (England and Wales) SAB provided an additional check on scheme costs. The SAB Cost Management Process (CMP) provides that, if valuations show that the costs of providing benefits have risen or fallen outside the agreed target range, recommendations must be made to bring costs back within that range.

Following the Government Actuary's review of the HM Treasury CCM a consultation was launched in June 2021 on 3 proposals:

1. a redesign of the CCM – to ensure it only considers past and future service benefits built up in the reformed schemes, with all legacy scheme costs excluded,
2. widening the corridor from 2% to 3% of pensionable pay, thereby reducing the likelihood of future a breach, and

3. introducing an economic check, so that a breach of the mechanism would only be implemented if it would still have occurred had the impact of any change in long-term economic assumptions been considered.

On 11 May 2023 the government published its [response to the proposals](#) for changes to the Scheme Advisory Board Cost Management Process.

3. CARE Revaluation Regulations – update

At the beginning of the year the Scottish LGPS SAB recommended to Scottish Ministers that the annual revaluation for 2015 CARE pension increases changes from 1 April to 6 April each year to align the rate of CPI used in both calculations.

SPPA consulted on this change from 14 to 27 March 2023 and will publish its response to this consultation in due course. We are currently awaiting a laying date from the Scottish Government’s Legal Department to implement this change.

4. Good Governance – for action

The E&W SAB [The Good Governance Report](#) provided by Hymans Robertson, has been accepted by DLUHC for implementation. SPPA would be grateful if the SAB could take a view on this report and if they have any recommendations to make?

5. Guidance - The Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022 – to note

The Scheme Advisory Board in England & Wales provided [guidance](#) on Employer Flexibilities when similar provisions were introduced there. It has previously been brought to our attention that fund authorities and their actuaries believe that guidance to implement 2022 Regulations is also needed in Scotland. We would be grateful if the SAB could take a view of this and if they have any recommendations to make.

6. National Care Service – presentation and Q&A

6.1 Connie Hendry, SG Workforce Lead and Neil Campbell, ISIO (formerly Deloitte) will attend the SAB meeting to talk about the Pensions Options Report and next steps for work on the new National Care Service.

7. McCloud data issues guidance – for action

7.1 E&W SAB produced guidance to assist administering authorities recreate notional salary membership for the McCloud remedy period. This guidance reconfirms what data is needed and considers the options if administering authorities have not been able to collect the necessary data, or they have reason to believe it is not accurate.

It also suggests a method for checking 'notional' reckonable service in the remedy period.

7.2 Administering Authorities are currently working on ensuring their data is correct in the lead up to McCloud Remedy regulations being made in October 2023.

7.3 Scottish SAB may consider issuing similar guidance in Scotland, for when service information is not available from employers.

8. **DLUHC consultation on investment reforms – to note**

On 11 July 2023 the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on E & W LGPS investment reforms. The consultation was announced by the Chancellor in his 'Mansion House Speech.' The consultation seeks views on proposals in five areas:

- Pooling: a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale
- Levelling up: requiring that funds have a plan to invest up to 5 percent of assets to support levelling up in the UK
- Private equity: an ambition to increase investment into high growth companies via unlisted equity
- Investment consultants: regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS
- Definition of investments: a technical change to the definition in the LGPS Investment Regulations 2016.

The consultation will close on 2 October 2023.

Contact: kimberly.linge@gov.scot or craig.finlay@gov.scot