

Scottish LGPS SAB
Wednesday 29 November 2023

SAB Working Groups and Representatives

Introduction

The SAB currently has a number of working groups in abeyance, and a number representatives and observers on working groups of the English and Welsh SAB. The SAB has also agreed to commission external technical to support its work, and this will help to facilitate timely and high quality outcomes from the working groups. This paper proposes next steps for the working groups, and summarises SAB representatives.

It is proposed that the list of representatives and working groups be added to the SAB work plan document to give visibility to the work of representatives.

Good Governance Working Group

The SAB established a Good Governance Working Group in 2022 to review the outputs of the English and Welsh (E&W) SAB Good Governance review to assess what recommendations had relevance for Scotland. The working group made a number of recommendations to the SAB in May 2023.

Since then, the SAB has surveyed Scottish Funds to assess their governance practice against a number of criteria. The interim results of this survey were reported to the September 2023 SAB.

The E&W SAB has also been reviewing the “LGPS Governance Compliance Statement Guidance” which looks at compliance standards against which LGPS administering authorities are to measure their governance arrangements. This is not directly applicable to Scotland, but any substantial review of good practice in a LGPS Fund context is worthy of consideration.

Finally, The Pensions Regulator has consulted on and is expecting statutory approval to implement its new Single Code of Practice in the next few months.

It is proposed that the Good Governance Working Group be reconvened to:

1. Examine the previous recommendations in light of the survey of Fund governance
2. Consider advice to Funds on the implications of the TPR Single Code of Practice
3. Review proposals from the E&W SAB and their desirability and applicability to Scotland

The membership of the working group will be 2 SAB members, Joint Secretaries, Fund Advisors.

GGWG recommendations to SAB in May 2023:

- The Group’s overall conclusion is that, having reviewed in detail the recommendations of the E&W report on Good Governance, current practice in Scotland does not feel out of step and that there is strong merit in waiting to see what comes out of the consultation and regulations in E&W.
- Alongside this the SAB could issue the report to all Funds, along with the conclusions in this paper, to highlight whether there are potential for unintended consequences and, likewise, any good ideas emerging which merit further exploration outside of the regulatory developments in E&W.
- Specifically, the SAB could ask smaller funds to provide an indication of what their governance arrangements are.
- Any communication from the SAB on this could also encourage Funds to make sure that their governance is working properly, in light of the E&W report recommendations.
- This could include for instance whether all funds have capacity to support Pension Board members effectively.

Cost Management Working Group

The 2017 LGPS scheme valuation resulted in an unexpected breach of the LGPS cost collar, which was offset by the additional costs of the McCloud remedy, ultimately resulting in no change to scheme costs and benefits. However, had this breach occurred, it would have resulted in an increase in benefits for members, and significant rise in costs for employers.

In its response to the HMT review of the Cost Control mechanism, the SAB expressed a desire to explore a ‘pre-breach’ mechanism for the Scottish LGPS, cogniscent of a similar mechanism in E&W which may aid cost stability. Work on this was postponed pending a consultation on modifying the mechanism in E&W, to be able to examine any changes. Those changes have now been agreed amending s. 116 of 2013 LGPS Regulations and on 19 September 2023, HM Treasury issued a [written ministerial statement](#) detailing reforms to their cost control mechanism.

It is proposed that the SAB cost control working group be reconvened to:

1. Consider the statutory cost control mechanism
2. Consider the E&W ‘pre-breach’ mechanism
3. Make proposals to the SAB on a mechanism for Scotland.

The working group will comprise: 2 SAB members, Joint Secretaries, Fund Advisors, Actuarial Advisor

SAB working groups

Scottish SAB Good Governance Working Group	2 SAB members, Joint Secretaries, Fund Advisors
--	---

Scottish SAB Cost Control Working Group	2 SAB members, Joint Secretaries, Fund Advisors, Actuarial Advisor
---	--

SAB representatives and observers on E&W SAB groups

SAB (E&W) Responsible Investment Advisory Group	Stephen Smellie, Jonthan Sharma
SAB (E&W) Gender Pension Gap Working Group	Davena Rankin
SAB (E&W) Joint CIPFA Technical Working Group	Richard McIndoe
SAB (E&W) Compliance and Reporting Committee	Richard McIndoe