

Scottish Local Government Pension Scheme Advisory Board

SPPA Update - 29 November 2023

1. CPI Revaluation Regulations – to note

1.1 After consulting stakeholders earlier this year, Scottish Ministers agreed to move the date that revaluation is applied to CARE pensions from 1 April to 6 April each year to align the rate of CPI used in both calculations.

1.2 Also, in response to representation from fund authorities and their actuaries, Scottish Ministers undertook to make amendments to 60-61A to ensure they work as intended and to avoid unintended consequences. This resulted in a delay to the revaluation regulations.

1.3 The amended regulations will be made, as consulted on, and are currently with the Scottish Government's legal department for checking and styling before being laid. We expect these regulations to be laid in December 2023.

1.4 The regulations will apply retrospectively from 31 March 2023.

2. McCloud Remedy Regulations – to note

2.1 The Scottish Government laid The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 on 30 August 2023. The regulations came into force on 1 October 2023.

2.2 The regulations implement the McCloud remedy and amend the underpin rules to ensure that they work as intended.

2.3 Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 and makes relevant changes to the LGPS (Scotland) Regulations 2018.

3. Exit Credits – to note

3.1 Exit credit payments were introduced for the Scottish LGPS in 2018. Based on the wording of the legislation, the exiting employer has an automatic entitlement to be paid the exit credit by the administering authority (AA).

3.2 The provisional results from the 2023 triennial valuations show that the funding position of LGPS funds has improved significantly and we have been made aware of admission bodies who previously had significant deficits in June 2021, but exited an LGPS fund in the first half of 2023 with surpluses that required an exit credit to be paid.

3.3 In E&W provisions allowing for certain factors to be taken into account when assessing whether there is an exit credit and the amount of any exit credit were later included in amending regulations and statutory guidance.

3.4 SPPA has agreed to introduce legislative amendments and statutory guidance to bring the Scottish LGPS Regs in line with the position in E&W. We expect that these amendments will be made in Spring 2024.

4. McCloud Guidance – to note

4.1 Colleagues from the Department for Levelling-up, Housing and Communities (DLUHC) have set up a working group to discuss areas where guidance may be needed to support the McCloud remedy regulations.

4.2 LGA circulated the initial prioritisation policy for remedy cases on 16 October. This policy will also be discussed further at the McCloud guidance working group and consulted on before a final version is issued early next year.

4.3 Following the working group's initial meeting, DLUHC intend to circulate a draft of statutory guidance for the LGPS in E&W for views and comment. Scottish Ministers intend that once this guidance is finalised, it will also apply in Scotland.

5. DLUHC consultation on investment reforms – for action

5.1 As a result of the Chancellor's [Mansion House speech](#) in July 2023, the UK government launched a consultation on proposals relating to the next steps for investments in the LGPS.

5.2 The consultation sought views on proposals in five areas; Pooling, Levelling-up, Private equity, Investment consultants and a technical change to the definition in the LGPS Investment Regulations 2016.

5.3 On 22 November, the Department for Levelling Up, Housing and Communities (DLUHC) [responded to replies](#) to the consultation.

5.4 The UK government also announced that they would issue two calls for evidence on productive investment by Defined Benefit funds and the role of the Pension Protection Fund and on pension trustee skills, capability and culture.

5.5 SPPA would ask the SAB to consider DLUHC's response and their new call for evidence and ask them to provide a view to Scottish Ministers.

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