

Scottish LGPS SAB
Wednesday 29 November 2023

Recommendations following 2023 SAB member training

The SAB previously agreed to organise three training sessions on the governance, investments and organisation of LGPS Funds. Given the recent positive experience of face-to-face workshops, the SAB wanted these sessions to be held in person rather than online. Feedback from the first session was received from the SAB, and it asked for recommendations for action from the final session, which was held in-person only to facilitate this flexible discussion. Clare Scott was asked to design and run these sessions.

The SAB is asked to consider the outputs in the report below.

Introduction

The training highlighted that the SAB's role includes:

- Advising scheme managers in relation to effective and efficient administration and management
- Advising pension boards in relation to effective and efficient administration and management
- Advising Scottish Ministers, at the Scottish Ministers' request, on the desirability of changes to the Scheme.

An overarching theme in discussion for the way forward was how the SAB can identify good practice for both Funds and Boards, but there were a number of specific themes that also came out of discussion.

SAB external connections

The SAB needs to be more fully part of the LGPS landscape, to feed in its views and work, and to listen and learn from others. Some specific examples of this include:

- Developing closer links with the English and Welsh SAB, by maintaining joint-secretarial contact, links to LGPS, and increasing representation on and feedback from working groups on TCFD, Cost transparency etc.
- Developing closer links with Scottish Funds, including the quarterly fund meetings. These are 2-day meetings of all Scottish Funds, and the SAB may wish to report to these and engage in their discussions.

SAB member development

If the SAB is to be influential, its members should have a high attendance at SAB meetings and undertake SAB training. Some SAB members do training as part of pension committees/ pension boards, but some do not and not all attend bespoke training aimed at SAB level.

- The SAB develop a training policy and future plan
- SAB members to attend LGC, PLSA and other conferences for development and to highlight SAB priorities.

Advice to Funds

There needs to be a better two-way flow of information between SAB and the funds' pensions committees, boards and officers, and this links to the SAB (currently) rarely giving guidance, although this is part of its role.

- SAB should be more proactive in assessing effectiveness, efficiency and identifying and highlight good practice to Funds.
- If the SAB issues guidance, fund should be expected to follow this or explain why they are not.
- Transparency and consistency of reporting: The training highlighted the difficulties in overseeing efficiency and effectiveness of individual funds and the scheme overall. SAB should consider ways to facilitate SAB's oversight including revised guidance for annual report and accounts and participation in benchmarking exercises.
- Many funds often do not reply to SAB requests for information. There should be an expectation that this happens, and concerns escalated if it does not happen.
- The SAB bulletin could be improved. Feedback could be sought from stakeholders on how to improve this.

Capacity

SAB, pensions committee and local pension board members need sufficient and resources to undertake their roles.

- The SAB can support this by working with trade unions and COSLA to highlight and spread good practice.
- The SAB has agreed to contract for additional specialist support
- The joint-secretaries need sufficient time and resources to support the SAB
- For the SAB to develop a training policy and programme

Supporting pension boards

Different practices of pension boards were discussed during the training and given their relatively new creations, SAB should:

- Identifying what is good practice at board level, including use of Independent Professional Observers, and circulating it
- Communicating directly with members of pension boards (and committees?)
- Holding a one-day conference for local board members, to explore their role, good practice, and future work.
- Inviting local board chairs to SAB meetings as observers.
- Working with COSLA, unions, and others to ensure local pension board members have sufficient time off their usual work to undertake their roles.
- There may be a role for the SAB in understanding and then overseeing/improving knowledge/training for the funds

Recommendations to Scottish Ministers

The SPPA warmly welcomed the training sessions and feedback included an expectation that SAB members' attend meetings and training regularly. The SPPA might be able to contribute towards training in relation to the SPPA role.

The SPPA reported that the SAB's views are valued, whether requested or not. We are aware of and would appreciate the SAB's views on developments in England and Wales, including Climate risk, Cost transparency, and pooling. The SAB has not yet given a firm response on structures, mergers and pooling.

The McCloud remedy has been all-encompassing over the last couple of years, but as this eases SPPA are interested to know the SAB's view on improving the scheme, understanding participation rates, the operation of scheme benefits, the administration of local funds, and more. The responsibility of pension boards and committees has to be from the perspective of a trustee, to do the right thing for the members. Suggestions include:

- The SAB should consider if it's remit in regulations to give advice "upon request" is appropriate.
- The SAB should examine Scotland-wide issues to understand the operation of the scheme and be able to confidently make recommendations.