

November 2023

BULLETIN

The Government Actuaries Department (GAD) presented the SAB with its draft report on overall **membership data for the Scottish LGPS**. Whilst this uses data from 2017 and 2020, the year of the last scheme valuation, it has a wealth of information. It covers active, deferred and retired members, and looks at gender comparisons on participation, retirement ages, income and pensions, amongst many other things. Once finalised, it will be of great interest to anyone wanting to understand the Scottish LGPS better. The SAB also continued its discussions on young worker participation rates in the LGPS, and on getting data to examine this.

On **investments**, the SAB heard that its concerns about the Economy Activity of Public Bodies (Overseas Matters) Bill are being taken to Ministers. This Bill would restrict any political or moral criteria being used by public bodies (including the LGPS) in making overseas investments. However, there is already fiduciary duty and stewardship responsibilities on funds, and new legislation means additional workload and legal costs to avoid potential litigation. It may prevent legitimate ESG concerns around companies violating human and workers' rights or damaging the environment being considered, and also undermine devolution and the remit of the Scottish parliament.

In addition, the Scottish Public Pensions Agency (SPPA) reported on forthcoming regulations to push English and Welsh LGPS Funds to invest more in UK infrastructure and private equity, and on increasing pooling of funds. These will not directly apply to Scotland, as it stands, but the SAB agreed to consider its views on them.

With most Funds now in surplus, the SAB also heard that the SPPA was looking to revise the LGPS regulations to follow the rules around **exit credits** for any employers seeking to leave the fund. There are additional factors to be taken into account when assessing and calculating exit credits in the English and Welsh regulations, and the SAB discussed encouraging employers to stay in the fund, and asked to be consulted over this.

On **training** for SAB members, the SAB reviewed its recent series of training events, and recommendations coming out of the last session. It agreed that it needed a more detailed induction and training programme, and to have a workshop to more thoroughly consider the recommendations. To support its work, it also agreed for a tender for specialist support go out to tender, and agreed its budget for 2024 unchanged from previous years.

The SAB has surveyed Scottish Funds around **good governance** standards, and is aware of the "LGPS Governance Compliance Statement Guidance" being reviewed by the in England and Wales SAB and forthcoming TPR Single code of Practice being introduced. In light of this, it decided to re-convene its Good Governance Working Group to consider the implications of these and recommendations for Funds and Boards.

The **Cost CAP Working Group** of the SAB had also been paused, to be able to consider the revised cost cap and the updated English and Welsh SAB 'pre-breach' mechanism which allows them to tweak the LGPS if a valuation outcome appears likely to breach the cost cap mechanism. The Scottish SAB had previously agreed that a similar mechanism might help ensure stability for the LGPS in Scotland, and now the position south of the border is resolved it agreed to reconvene the group to consider an appropriate system for Scotland.

Finally, the SAB also reviewed the recent online **Fee Transparency system** training sessions, which all Funds and Boards were invited to. These sessions were well received, but highlighted the importance of ongoing support for Funds and board members to make the most of it. A review of the system will shortly commence, and the SAB agreed to canvass funds for potential participants.

Further details on our website www.lgpsab.scot.