

May 2024

## BULLETIN

The **Gender Pensions Gap** is emerging as a major issue. Work by the English and Welsh LGPS SAB show it is much bigger than the Gender Pay Gap on this, and the Scottish SAB agreed to run a seminar explaining the issue for stakeholder in Scotland. Watch this space!

On **fund valuations**, the SAB had a presentation by actuarial advisors. At April 2023, funding was at a welcome 141%, up from 104% in 2020. In general, Funds have taken a relatively cautious approach to reducing employer contributions, which should help safeguard against risks including asset shocks and interest rate drops, although persistent high inflation and lower investment returns would cause concerns.

Employers leaving LGPS funds in surplus usually receive an **exit credit** rather than having to pay a deficit. The SPPA issued draft exit credit regulations on this, which give discretion to administering authorities on the exit credit amount. They will apply retrospectively from 1 June 2018, and **funds should note** that the (draft) says the new provisions do not apply to exit credits PAID before the commencement date (currently 29 June 2024). Therefore, if a payment slips to after this date, it will use the new (rather than existing) regulations.

As part of this, a SAB working group is considering if any guidance is needed to funds on factors to consider when exercising their discretion, to ensure a degree of consistency. A second group is finalising recommendations on whether a **Cost Control mechanism** is appropriate for Scotland, to limit the impact of LGPS scheme quadrennial valuations resulting in benefits being increased or reduced.

The SAB also agreed a range of measures to **develop its work**. These include:

1. A seminar for local board members on best practice in governance, including the new TPR single code.
2. Inviting local board chairs to SAB meetings.
3. Supporting time off work for local board representatives
4. Seeking to engage with Scottish Funds at their quarterly meetings
5. Deepening joint working with the English and Welsh SAB
6. An Induction and skills development programme for SAB members
7. Reviewing the resourcing of the SAB, including identifying significant projects to prioritise for specialist external support.
8. Being proactive in approaching SPPA on issues of concern

SPPA **Ill-health retirement guidance** has also been updated, emphasising that employers must independently assess relevant medical evidence rather than simply endorsing Occupational Health recommendations. Finally, GAD have updated the reduction / enhancement factors for member taking **early and late retirement**.

The SAB heard that Scottish Ministers had taken forward its representations on the UK Government's "Economic Activity of Public Bodies (Overseas Matters) Bill" which would potentially **limit investment decisions**. The SAB's strong view is that this is covered by Fiduciary Duty, and government intervention is unnecessary.

Finally, a SAB working group is looking at requirements for fund annual reports, basing this on the revised E&W SAB requirements. This needs some revision to be appropriate for Scottish conditions, but retaining CIPFA support for the final version is helpful.

The SAB is also keen to hear **your views on this bulletin**, and how it can be improved. Please email the joint secretaries [jonathan@cosla.gov.uk](mailto:jonathan@cosla.gov.uk) and [s.watson@unison.co.uk](mailto:s.watson@unison.co.uk).

**Further details on our website [www.lgpsab.scot](http://www.lgpsab.scot).**