

Specialist Support to the SAB

The SAB previously agreed to issue a tender for specialist support to the SAB, for 5 days a year with a possible extension for another 5 days. This was awarded to Barnett Waddingham, and the joint secretaries have engaged with them around contemporary issues where support would be helpful. It is proposed to engage them to provide papers to the SAB on the issues detailed below. They would draw up these papers in conjunction with the joint secretaries, and present them to the SAB.

The SAB is asked to agree these recommendations.

Paper 1

On cost-collar “pre-breach mechanism”

The English and Welsh SAB has a mechanism for considering a potential breach of the cost collar prior to the HM Treasury assessment of this. The intention behind this is to mitigate the impact of passing the “cliff edge” and substantial changes being abruptly made to the scheme, or alternatively substantial costs being placed on employers or scheme members. The SAB has a working group on this, which has considered the issue and now collected information on the overheads associated with such a mechanism, and on the sensitivity of the collar to being breached in light of the additional “economic check” which has been introduced. The working group needs to meet again, and it is recommended that Barnett Waddingham be asked to attend and then to produce a paper detailing the working groups recommendations.

Paper 2

On risk assessment of climate change

Climate change will potentially affect most aspect of human society, including pensions and specifically investments. The DWP previously initiated a requirement for private pension funds to assess and mitigate risks associated with climate change. There has been a publicly stated intention for MHCLG to issue regulations to apply similar requirements to the LGPS, and the SAB has a representative on an English & Welsh SAB working group looking at this. However, there may be benefits in the SAB better understanding the issues and, given the potential scale of this issue, being able to take a pro-active approach in Scotland. Therefore, it is recommended that Barnett Waddingham be asked produce a paper setting out the issue and discussing approaches which might be taken on it.

Paper 3 – On the UK Government policy agenda

The new UK government has launched a pensions review with a view to legislating in 2025. There are clearly some common themes continuing from the 2023 Mansion House speech by the previous Chancellor, but also some differences. It appears that the review will primarily, perhaps exclusively, focus on England and Wales. However, there may be elements that directly apply to Scotland, and notwithstanding that the policy agenda is likely to resonate to an extent north of the border. This also links with the response from the Minister for Public Finance (shared with the SAB) on Autumn Statement and investments. Therefore, it is recommended that Barnett Waddingham be asked to produce a paper reviewing the UK Government’s pensions policy agenda, and specific implications for Scotland.