

October 2016

BULLETIN

Structure Review

The working group on the structural review of pension funds in Scotland updated the SAB on progress with the project. This included Terms of Reference for the review, which were agreed. The working group is aiming to produce an options paper for the February meeting of the SAB.

Transparency Code

In February, the SAB received a presentation on the transparency of investment costs from Dr Chris Sier. The England and Wales SAB has now developed a code and template for cost reporting and it was agreed to follow this approach in Scotland.

Fiduciary Duty

The SAB has now published guidance on fiduciary duty together with the legal opinion commissioned by the board. These are available on the board's website www.lgpsab.scot.

Brexit

The Pensions Regulator has asked all pension schemes to consider the risks of Brexit for their schemes. It is likely that the IORP2 Directive will be implemented before Brexit and this strengthens EU rules on good governance (including ESG issues), information to scheme members and scheme transparency. Many financial regulations are founded in EU law, although others are global provisions. The SAB also recognised that uncertainty could have an impact on asset performance and agreed to keep this issue under review.

Valuations

The SAB received a presentation on the 2017 valuation outlook. While asset returns since 2014 have been very positive, the outlook is for much lower returns in future. This matters because a 1% lower return on assets, translates into an 8% increase in employer contributions.

Scheme Governance

KPMG has been appointed to undertake the governance review of public sector pension schemes in Scotland. It will be led by Ian Pollitt, who worked on the Hutton Report.

Cessation Valuations

The recommended changes to the regulations may take some time, so it was agreed to issue some interim best practice guidance to funds on this issue.

People

Frank Gray (UCATT) will be replacing Harry Frew, and Tony Dowling (GMB) will be replacing Alex McLuckie as trade union side members of the SAB.