

December 2020

BULLETIN

The Cost Cap

The cost of the LGPS in Scotland is calculated every three years based on a formula set by HM Treasury. If it is too high, or too low, then members contributions and benefits are reviewed. This calculation was delayed due to the McCloud judgement, but the SAB expects to receive an update in February. In several public sector pension schemes the “Cost Cap” has been breached at its lower end (meaning benefits or the accrual rate should be improved) and HM Treasury is now reviewing the formula. The SAB has been asked for its views to feed into the review and is consulting with advisors.

Cessation

The SAB agreed to issue advice to funds on employers wishing to leave the LGPS. The pension scheme is a benefit for members, and employers shouldn't be encouraged to withdraw, especially as where staff had been transferred out of local authority employment where they may have protected access to the LGPS. However where employers wish to leave, funds will be encouraged to look at different approaches that the regulations allow as long as they are efficient and effective for the scheme. These would include considering allowing the employer to cease future accrual and operate on a 'closed' on-going funding basis, and including this in the Fund's Funding Strategy Statement.

Funds should also engage with admitted bodies (if asked) about the extent and limitations of any guarantees, and provide cessation valuations in reports to employers on triennial valuations, including the 2020 one, and annually if requested.

Structures

Further work has been undertaken on getting expert advice on the future structure of LGPS funds, and a special SAB meeting has been set up for the start of January where it is anticipated final approval will be given to a recommended approach.

Fee Transparency

Having received feedback from Funds on the working of the new online fee transparency system, the SAB has approached its counterparts in England and Wales to explore how the system can be improved and developed.

Further details on our website www.lgpsab.scot.