

November 2021

BULLETIN

Structure Review Project

The expert working group from the LGPS Fund structures review project has now completed a baseline review of 17 major pieces of existing evidence. This took a quality assurance approach, testing the evidence not on its conclusions but on its rigour, relevance, and whether it was duplicated by subsequent research. This will set the scene for subsequent pieces for work which will be needed to underpin business cases for the four options (status quo, enhanced co-operation, pooling, merger). In aid of this, funds have been generous in sharing information on the data they hold. It will also be important to baseline how the current system is working across the existing 11 funds, as significant variations have emerged.

The full analysis of the baseline information, and proposals for taking the project forward to conclusion (including methodology, work packages, timescales, and costs) will be developed and taken to the next SAB meeting in February 2022.

LGPS regulations amendments

The SPPA is consulting on a number of amendments to the LGPS regulations. These include correcting the employers target cost rate from 15.5% to 15.2% (this is used in the cost cap mechanism), which will allow the Government Actuaries Department (GAD) to finalise the 2017 scheme valuation. The changes will (if agreed) also allow for amendments to an employer's contribution rate in between valuations, and make some technical adjustments to survivor partner pensions and the (existing) 'underpin' protections.

Climate-related investment Risks

The SAB had been asked by Scottish Ministers for its recommendations on the introduction of climate risk reporting and ESG standards for local authority pension funds, broadly in line with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD). These have already been introduced for non-public sector pension schemes, and require them to have effective governance, strategy, risk management and targets for the assessment / management of climate risks (and opportunities). The SAB has established a short-life working group to bring forward proposals on this.

Cost Transparency

The SAB previously endorsed the Transparency Code to address the issue of disclosure of costs and fees, and the associated online reporting system. This has now been in operation for its first full financial year (2020/21) and reports are now available to LGPS Funds broken down into management fees, performance fees, and transaction costs.

Further details on our website www.lgpsab.scot.