

Deputy First Minister
and Cabinet Secretary for Finance, Constitution and Economy
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FAO - Scottish Local Government Pension Fund Authorities



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To Scottish Local Government Pension Fund Authorities

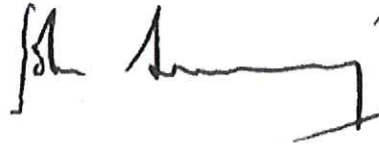
I have previously asked the Scheme Advisory Board of the Local Government Pension Scheme (LGPS) to consider in some detail the impact on Community Admission Bodies and on the LGPS of fund authorities' approaches to cessation valuations.

Initial responses supported the introduction of amendments to scheme regulations which my officials were already bringing forward and on which consultation closed on 10 October. The amendments contained in The Local Government Pension Scheme (Scotland) (Amendment No. 2) Regulations 2015 augment flexibilities which already exist in those regulations. Taken together, stakeholders have told us that they can enable fund authorities to take a balanced approach - considering the impact on the fund, organisations in question and scheme members - when dealing with and considering their approach to cessation valuations.

The Scottish Government expects these regulations to be in force in December 2015. However, given the support these have received from the Scheme Advisory Board and other stakeholders I am sending you this letter to confirm that it is entirely appropriate for fund authorities to consider these sensitive matters as if those regulations were already in place, and act accordingly.

It has also become clear that there is limited and incomplete information available to the Scheme Advisory Board and amongst the local government community about the scale and impact of cessation funding issues on affected bodies and the pension scheme. Consequently, I have asked the Board to carry-out a detailed assessment of this issue in Scotland, around which further policy guidance may subsequently be considered.

Given the significance of this issue to affected bodies; the eleven LGPS funds; and members of the LGPS and the communities they serve; I would expect fund authorities to seek all means to carefully avoid precipitating the triggering of cessation liabilities until that assessment has concluded and has been considered by the Scheme Advisory Board and by the Scottish Government. This is particularly important where there has been limited prior discussion between a fund authority and an organisation about its liabilities and relative proximity to a cessation event.

A handwritten signature in black ink, appearing to read 'John Swinney', written in a cursive style.

JOHN SWINNEY