Scottish Local Government Pension Scheme

Scheme Advisory Board

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BULLETIN

Welcome

The Scottish Local Government Pensions Scheme Advisory Board (SLGPSAB) is responsible for advising Scottish Ministers on the desirability of changes to the design of the scheme and the implication of other policy issues. Also the Board is responsible for the provision of advice to the Scheme managers or the Scheme's pension boards in relation to the effective and efficient administration and management of the scheme.

The minutes of meetings will be published on the SPPA website and there will be a short bulletin like this after each meeting.

The Scheme Advisory Board held its first meeting on 30 April 2015. Cllr Stewart Cree was elected as Chair and Harry Frew as Vice-Chair.

Draft work plan

The focus of the April meeting was consideration of a draft work plan for the SAB.

The immediate tasks include:

- Rigorous approach to the collection and consistency of fund data, including investment costs.
- A template to ensure greater transparency in the reporting of investments.
- Review of the investment regulations to give greater flexibility to pension funds.
- Guidance on fiduciary duty as it applies to the SLGPS.
- Funding issues and the impact of the latest fund valuation outcomes.
- Review benefits regulations in light of experience with the new scheme.
- A review of the structure of funds in Scotland.

The draft plan will go to Scottish Ministers and will then be published.

Pensions Choice

The UK Government's pensions choice provisions came into effect on 5 April 2015. As a Defined Benefit scheme the SLGPS is not directly affected. However, members can transfer their pension to a Defined Contribution scheme in order to realise a lump sum payment. There are charges and tax implications of doing this and the SLGPSAB is concerned about the risk of miss-selling and pensions scams. SLGPS pension funds have already taken some initial actions and the SAB will consider further guidance at its August meeting.

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Work Plan
The Deputy First Minister has approved the Scheme Advisory Board's first work plan with some additional points of emphasis. The full revised work plan will shortly be available on the SAB web page.

Pension Choice
The SAB has agreed guidance notes for employers on transfers from the SLGPS to Defined Contribution schemes as a result of the UK Government's pension changes. While as a Defined Benefit scheme the SLGPS is not directly affected, members could transfer their pension in order to realise a lump sum payment - although there are charges and tax implications of doing this. The guidance sets out the procedures that employers should follow.

Actuarial Valuation
The Government Actuary's Department made a presentation on their draft demographic assumptions to be used in the actuarial valuation of the scheme as at 31 March 2014. This is important as it influences the 'employer cost cap' that will be used to regulate the impact of future valuations on contributions and scheme benefits. The report also looked at changes in assumptions since 2013 that the current scheme was based on. There has been a small increase in cost due to improved life expectancy, but this is largely balanced out by a reduction in the cost of ill health retirement.

Data Collection
The SAB has agreed an initial set of common fund data across SLGPS funds to ensure greater transparency and consistency. This includes some basic data on investment costs, but the SAB will return to this issue in more detail in the work plan.

Fiduciary Duty
The application of fiduciary duty and public law duties to the SLGPS is topical in light of increased pressures to consider Environmental, Social and Governance (ESG) issues in investment. The SAB has given initial consideration to the issue and will be seeking further legal opinion on the Scots Law position.

Cessation Valuations and Impact on Community Admission Bodies
The SAB has considered representations from some Community Admission Bodies who are concerned that recent cessation valuations may place their organisations in jeopardy. The SAB is sympathetic to these concerns while recognising that it would be unreasonable to expect other employers to meet the cost of these payments. Funds have not changed they way they have dealt with this issue and have been prepared to be as flexible as possible by spreading the costs over a period of time. The SAB will recommend some messages that could be included in fund guidance.

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