

November 2022

BULLETIN

Section 13 and scheme valuations

The SAB received a presentation from GAD on the section 13 report. Whilst this is still in draft form, the tone was positive. The report will include a standardised report on deficit/surpluses of funds and average employer contributions. The SAB discussion touched on assets held domestically and internationally. In addition, introducing a Scottish “pre-breach” mechanism for the scheme cost-cap was discussed, but it would be helpful to wait until HMT issues its draft directions around the cost cap, which may be in mid-2023.

Annual Allowances

A discrepancy has been identified between the dates of CARE scheme revaluations and the annual tax allowance. The effect of this is that increase in pension accrued in one year is exaggerated in times of rising inflation, and more members may breach the annual tax allowance limit. SAB chairs and secretaries will respond to Scottish Ministers.

Climate reporting

There is a clear move to making climate risk reporting mandatory, in line with private sector pension funds. The SAB agreed to reconvene its working group to examine the current DHULC proposals and what might be appropriate for Scottish Funds.

Good Governance

The SAB considered the outcomes of the Good Governance report produced for the E&W SAB. There appear to be some general good practice points raised in it, but repeating the whole process for Scottish Funds may be unnecessary, as the conclusions give a decent starting point. It was agreed to further consider the recommendations in detail, and how they, or any other points, may be appropriate for Scotland.

Guidance on deferred debt and cessation

Having previously consulted Funds, the SAB examined guidance on the new legislative changes around cessation, including on deferred debt. It felt that this needed slight tailoring for Scotland, but some consistency would be helpful and it should issues advice on this issue. The need for legislative clarity on the Scotland-specific 90-day cessation quotations was highlighted.

Structures changes

The SAB held a working group meeting to identify the next steps in this, bearing in mind the progress in Project Forth between Lothian and Falkirk Funds, and has another working group meeting in December.

Specialist support to the SAB

The potential need for increased specialist support for the SAB was discussed, in areas where substantive research or reports were required. The joint secretaries were tasked with bringing back firm proposals on this.

Further details on our website www.lgpsab.scot.