



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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**Item 10**

5th June 2019

## Scheme Developments

### Purpose of Report:

To update the Committee regarding developments affecting the Local Government Pension Scheme.

### Recommendations:

The Committee is asked to **NOTE** the contents of this report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

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## **1 Background**

The Committee is provided with periodic updates on changes to legislation, regulations or guidance affecting the Local Government Pension Scheme (LGPS). This report covers several current developments.

## **2 The Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2019**

After a technical consultation these regulations were laid before the Scottish Parliament on 2<sup>nd</sup> May 2019 and will come into force on 28<sup>th</sup> June 2019.

They amend:

- the Local Government Pension Scheme (Scotland) Regulations 2018
- the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
- the Local Government Pension Scheme (Scotland) Regulations 2014 (“the 2014 regulations”).

They are intended to correct various drafting errors and omissions to ensure that certain provisions of the 2018 regulations have the effect originally intended.

## **3 Actuarial Factors**

After a change in the Treasury’s SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate was confirmed in the UK’s autumn budget statement, various tables of factors which underpin benefit calculations have had to be updated by the Government Actuary’s Department (GAD). Once issued by GAD, they are uploaded into the Strathclyde Pension Fund Office (SPFO) pensions system. In some cases accompanying guidance has been issued and methodologies have changed. This process, which causes some disruption to processing and led to suspension of certain calculations, was expected to be completed by the end of May. SPFO has had some communication with the Scottish Public Pensions Agency on potential improvements to the process. These should include:

- working more closely with administrators from the start of any future review;
- providing detailed briefing to enable planning for implementation;
- ensuring implementation dates are clear; and
- where necessary, undertaking a full technical consultation to discuss issues before implementation.

## **4 2017 Review of Employer Cost Cap**

During 2018, based on 2017 actuarial data, GAD commenced a review of the cost of the scheme in comparison to the employer cost cap put in place when it was introduced in 2015. Expectations, based on similar valuations of other schemes are that the lower limit of the cost cap will have been breached- i.e. the scheme now appears to cost less than was estimated when it was implemented. This would require a revision (improvement) to the benefits package to ensure that the target cost for the scheme is achieved.

In January 2019, HM Treasury announced that the cost cap mechanism would be paused pending the outcome of a potential UK appeal to the

Supreme Court after a Court of Appeal judgement relating to the Firefighters Scheme found that the age-related transitional arrangements in the 2015 scheme reforms are discriminatory. The LGPS reforms included similar protections which could also be held to be discriminatory.

Accordingly, the nature, and the timescale for implementation, of changes to the provisions of LGPS Scotland flowing from the actuarial valuation of the scheme for cost cap purposes being undertaken by GAD is not currently clear. Some clarity on the expected timescale for the Supreme Court appeal was expected by end May.

Both of these issues – the cost cap review and the Supreme Court appeal – could result in upward pressure on employer contributions when the 2020 actuarial valuations of the Scottish LGPS funds are carried out.

## **5 Exit Payment Cap**

HM Treasury has opened a 12 week consultation on draft regulations restricting exit payments in the public sector. This consultation does not apply to Scotland. Scottish Ministers are still considering their response to a separate consultation on the subject which was carried out in Scotland in 2017.

## **6 Structure Review**

At its meeting on 24<sup>th</sup> April, the Scheme Advisory Board (SAB) considered a draft report from the Pensions Institute on the consultation which it had carried out on the structure of the Local Government Pension Scheme in Scotland. Some 60 responses were received and have been published on the SAB website. It is apparent from these that of the options consulted on:

- only 1 response favours pooling;
- a majority of responses favour the status quo or some version of it with greater co-operation; and
- a significant minority of responses support merger.

SAB will write to Scottish Ministers before next steps in the process are agreed.

## **7 Policy and Resource Implications**

### **Resource Implications:**

*Financial:* None

*Legal:* None

*Personnel:* None

*Procurement:* None

**Council Strategic Plan:** Strathclyde Pension Fund aligns with the theme of a well governed city.

## **Equality and Socio-Economic Impacts :**

*Does the proposal support the Council's Equality Outcomes 2017-22*

The Scottish Government has responsibility for the scheme regulations and ensuring equalities issues are addressed within them.

*What are the potential equality impacts as a result of this report?*

No specific equalities impacts.

*Please highlight if the policy/proposal will help address socio economic disadvantage.*

## **Sustainability Impacts:**

*Environmental:*

Environmental issues are addressed in the Fund's Responsible Investment strategy.

*Social, including Article 19 opportunities:*

Social issues are addressed in the Fund's Responsible Investment strategy

*Economic:*

Economic issues are addressed in the Fund's Responsible Investment strategy.

**Privacy and Data Protection impacts:**

None.

## **8 RECOMMENDATIONS**

The Committee is asked **to NOTE** the contents of this report.