MINUTE OF MEETING of SCOTTISH LOCAL GOVERNMENT PENSION SCHEME ADVISORY BOARD

COSLA Offices, Edinburgh

## **26th November 2015**

Board Members Present:

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| Cllr Stewart Cree (Chair) | COSLA |
| Cllr Ian McAlpine | COSLA |
| Cllr John Mitchell | COSLA |
| Brian Strathie  Rebecca Wilson | Scottish Water  Barony Housing Association |
| Harry Frew (Vice Chair)  Dave Watson (Joint Secretary) | UCATT  UNISON |
| William McGonigle | UNITE |
| Brian Gallagher | UNITE |
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Board Members Apologies:

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| Cllr Jim Goodfellow  Cllr Alasdair Rankin  Alex McLuckie  Andy McFarlane  Stephen Smellie | COSLA  COSLA  GMB  GMB  UNISON |
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In attendance:

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| Jane O’Donnell (Joint Secretary)  Richard McIndoe  Struan Fairbairn  Bryan Smail  Steven McNab  George Russell  Michael Rae  John Bayliss  Observers:  Chad Dawtrey  Kim Linge  Annette Greenslade | COSLA  Strathclyde Pension Fund  Lothian Pension Fund  Directors of Finance  SPDS  GAD  GAD  GAD  SPPA  SPPA  SPPA |
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**The Board received an awareness session from GAD colleagues on the Valuation Report in the morning of the 26th November. All Board members agreed that the session was particularly useful and extended their grateful thanks to GAD for supporting the morning session.**

**1. Welcome and Apologies**

* 1. Cllr Cree welcomed everyone to the meeting. Apologies were noted.

**2. Conflict of Interest Declarations**

2.1 There were no potential or actual conflicts of interest noted.

**3. Minute of the Last Meeting and Matters Arising**

3.1 The Board agreed to the minute of the meeting of 27th September 2015 and noted that all matters arising were covered on the agenda.

**4. GAD Valuation Report**

4.1The Board agreed to the recommendations of the GAD Valuation Report.

4.2Following the morning awareness session, the Board requested further information from GAD on the following matters – the different discount rates used in Scotland and E&W valuation, the different mortality data used within Funds compared to GAD, the commutation assumptions and the reasons why the assumptions on pay were chosen.

4.3Board members also noted that employers may be confused by the employer contribution rate for which they are responsible compared with the national rate used for valuation. It was agreed that further clarification of this in GAD’s public report would be helpful.

**5. Review of Advisers to the Board**

5.1 The Board agreed to replicate arrangements in England and Wales where there is a dedicated actuarial adviser for local pension funds and a legal adviser. The Joint Secretaries were asked to progress these appointments for the next financial year.

**6. Scheme Advisory Board Work Plan – Review of Activities**

6.1 The Board noted the revised work plan which included a new activity in relation to cessation valuations. The Board agreed the revised plan and that this should be sent to Mr Swinney for his agreement. The Board noted that the plan could not be made public until Mr Swinney has given his agreement.

6.2 The Board noted that the levy was required to be established by December 2015. The Board noted that the Scheme Advisory Board was still a relatively new body and that any levy raised in relation to its business should be proportionate. The Board agreed to set a levy at £40,000 for 2015/16 as the main business of the Board is still in its infancy and agreed that the distribution of the levy would be based on advice from pension fund managers.

6.4 The Board noted that Scottish Government will begin their review of pension governance arrangements in August 2016.

**7. Fiduciary Duty**

7.1 Struan Fairbairn from Lothian Pension Fund presented the submissions from legal firms bidding to provide the first review of existing legislation that could affect our understanding of the term, “Fiduciary Duty”.

7.2 The Board agreed that Pinsent Masons should be appointed and asked Struan Fairbairn to make the first contact on this matter on their behalf.

7.3 It was noted that a further update would be provided at the next meeting of the Board in February 2016.

**8. Data Collection Template**

8.1 The Board noted a follow up report which outlined the recommendations of recent CIPFA guidance on data collection and agreed that the Board’s data collection exercise should reflect those recommendations.

8.2 The Board asked the Joint Secretaries to liaise with pension fund managers to begin the process of collecting the data.

**9. Cessation Valuations and Updates on Recent Developments**

9.1 The Board noted a number of recent development regarding the issues raised on cessation valuations by community admission bodies.

9.2 The Board noted that some of those community admission bodies have received the decision relating to their appeals and that the fund in question had found a compromise position, via a third party, to prevent insolvency.

9.3 Rebecca Wilson noted that, for one organisation, the compromise position may not be suitable due to charity accounting requirements.

9.4 The Board agreed that officers would work with pension fund managers and Scottish Government officials to draft some best practice guidance reflecting on the learning in this area and that this was unlikely to begin until SPPA had completed their initial data collection exercise. Acknowledging the importance of this issue, the Board requested that the initial data collection exercise is completed as soon as possible.

9.5 The Board noted the request from Mr Swinney to provide an explanation of the fund’s compromise position. The Board agreed that it was appropriate to ask the fund to provide that information for this purpose and that requests for further detail, if required, should be directed to the fund manager.

**10. Review of Regulations – Issues Arising**

10.1 The Board noted three areas in which a review of existing regulations would be helpful.

1. Early retirement
2. Pensionable Pay
3. Investment Regulations

10.2 The Board asked officers to progress these areas with colleagues from SPPA and pension fund managers.

**11 Communications Update**

11.1 The Board agreed to consider the possibility of developing a website specifically for the purpose of sharing information from the Scheme Advisory Board. Joint Secretaries were asked to scope out possibilities for hosting the site and any related costs which should be considered. A further update was requested for the next meeting in February 2016.

**12 AOB**

12.1 It was noted that the next meeting would be on 25th February 2015 and would be held in UNISON Offices, Edinburgh.

12.2 The Board requested a presentation from Kas Bank on pension fund data collection and transaction costs.

The meeting closed at 4.30pm.