

# MINUTES

## A&B – Public

<b>Special Pension Fund Committee</b> <b>Council Chamber, Town Hall, Lerwick</b> <b>Monday 8 October 2018 at 2pm</b>  <b>Present - Members:</b> A Cooper                      S Coutts S Leask                        E Macdonald R McGregor                I Scott T Smith  <b><u>Apologies:</u></b> C Smith                      G Smith R Thomson	<b>Special Pension Board</b> <b>Council Chamber, Town Hall, Lerwick</b> <b>Monday 8 October 2018 at 2pm</b>  <b>Present - Members:</b> M Bell                        D Marsh A Westlake                R Williamson  <b><u>Apologies:</u></b> J Fraser                      A Goudie
<b>In Attendance:</b> J Manson, Executive Manager – Finance J Riise, Executive Manager – Governance and Law M Smith, Team Leader – Expenditure C Bain, Treasury Accountant S Brown, Senior Assistant Accountant K Adam, Solicitor L Adamson, Committee Officer	

### **Chair**

Mr Coutts, Chair of the Pension Fund Committee, presided.

### **Circular**

The circular calling the meeting was held as read.

### **Declarations of Interest**

None

#### 19/18      **Scottish LGPS Restructure Review**

The Committee and Board considered a report by the Executive Manager – Finance (F-074-F) that sought responses to a consultation on the future of the Scottish Local Government Pension Scheme (SLGPS).

In his introduction, the Treasury Accountant outlined the four options proposed by the Scheme Advisory Board (SAB) that the consultation seeks views on from employee and employer groups for the LGPS as set out in Section 4.5 of the report, for responses by 7 December 2018.

In response to questions, the Treasury Accountant confirmed that a number of other Local Authorities have submitted their responses, and that guidance is sought from the Committee as to their views on the four options presented. The Treasury Accountant said that in his opinion, the full merger which would require a new body to be set up to have responsibility for all Scotland's Pension Funds, investments

and administration, would appear to be a drastic option at this time, particularly as all Scottish pension funds are currently in a good funding position. The full merger would remove any local control, and contributions from each Council would be at a level set by the new body.

During the discussion, an overview was provided from a number of the responses submitted on the consultation, which was noted to be wide ranging including support for the status quo through to the full merger position. The Executive Manager – Governance and Law advised that the consultation responses would be made available to the Committee/Board separately, for Members to be aware of the factors raised by other Local Authorities and for comparisons to be made to inform the final response.

In response to a question relating to the success of the pooled pension funds that have been operating in England and Wales over the past 5 years, as referred to in section 4.11 of the report, the Treasury Accountant advised on the controversy in terms of the operation and management of the pooled funds, and on the difficulty to agree a Pension Strategy and on the limited choice of Fund Managers in a pooled situation.

During the discussion comment was made that the main factor relative to the full merger, but also an area of uncertainty at this time, would be the level of employer's contribution. In that regard, it was noted that Shetland could lose out as being a near fully funded Pension Fund compared to those Funds not so well funded.

In response to a question relating to the extent of consultation with the Admitted Bodies, it was noted that the recommendation at 1.2 of the report includes consultation with the Admitted Bodies in order to inform the final response. In that regard, it was suggested that the Team Leader – Expenditure liaise with Mr J Johnston, the Admitted Body representative on the Board, on his proposals to communicate the consultation to the Admitted Bodies network.

During the discussion concern was expressed on a number of areas, including the uncertainty on the costs and benefits from a pooled structure, and it was suggested that the full merger option would be creating another potentially costly quango at a time when the Pension Funds were operating well. It was also questioned whether there would be benefit from all 11 Local Authorities meeting to discuss the four options as presented.

In responding to questions, the Committee and Board were advised on the historic arrangement whereby all 32 Local Authorities in Scotland were linked to the 11 Pension Funds currently in operation.

During the discussion, comment was made on the need to influence Scottish Government in terms of Policy to include wide ranging options in the legislation. The Executive Manager – Governance and Law advised on the forthcoming Leaders meeting where a CoSLA position might be established on the future of the LGPS in Scotland.

During debate, the Leader commented that the discussion today clearly demonstrates the local view, in that there would need to be a strong argument why the status quo should not be retained. He agreed that it would be useful to share the responses from the other Local Authorities with members of the Committee and Board, and proposed that a further meeting of the Committee and Board be

arranged before the submission deadline. Support was confirmed for the status quo position, however the importance for feedback from our other Admitted Bodies was also stressed and for their views to be taken into account within the final response.

In referring to the Cabinet Secretary's Foreword to the SAB Consultation document at Appendix A, comment was made on the Government's move towards centralisation, and that the LGPS would appear to be another case in that regard. It was stressed that with any amalgamation of Funds local control would be lost, and that the full merger should be strongly opposed. Reference was also made to the Government's intention as set out in the Foreword, for the SAB to advise on better management of the LGPS to support investment in infrastructure projects.

The Executive Manager – Governance and Law referred to a Brief prepared by the SAB on the Review of the Structure of the SLGPS, which he suggested could also be circulated to Members of the Committee and Board.

The Committee and Board then heard from the Union representatives on the Board. Mr Marsh advised on his views in terms of the options in the consultation, and said that while he shared concerns at the loss of local control, there was also the question of whether the loss of local control was as important as investing to achieve the greater return. He also reported on Unison Scotland's views being very firmly in favour of the full merger, with opportunities for greater net returns from a single Pension Fund, to the benefit of both Members and employers. Mr Williamson advised that he had been involved in meetings to discuss the options, and he found the consultation posed more questions than answers. He also referred to the difficulty to set up a central body to administer a single scheme, and said that a lot of work would be needed before he was convinced to change from the status quo.

Mr Coutts thanked the Board Members for their contributions and moved that the Committee approve the recommendations in the report, with a further meeting of the Committee and Board to be arranged before the submission deadline of 7 December 2018. Mr T Smith seconded.

### **Decision:**

The Pension Fund Committee and Pension Board NOTED the key issues detailed in the report; and

The Pension Fund Committee RESOLVED to grant delegated authority to the Executive Manager – Finance, or his nominee, in consultation with the Chair of the Pension Fund Committee, to conduct further consultation with members of the Committee, Board and Admitted Bodies, in order to inform a final response for presentation to a further meeting of the Pension Fund Committee/Pension Board prior to submission to the Pensions Institute by 7 December 2018.

The meeting concluded at 2.40pm.

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Chair