

SCOTTISH PUBLIC SERVICE PENSIONS GOVERNANCE REVIEW KPMG RECOMMENDATIONS

This paper sets out the SPPA's proposed next steps to implement the recommendations made by KPMG in their report. Scottish Ministers have agreed the recommendations, subject to two caveats in relation to recommendations 6 (dedicated staff) and 11 (three year terms). These are covered below under the relevant proposals.

Roles and Responsibilities

1. *Scottish Government to consider tasking the LGPS Scheme Advisory Board to demonstrate that the local LGPS Pension Boards have achieved a reasonable working balance between the oversight of the local pension funds and the good governance and administration of the schemes, as required by the Public Service Pensions Act 2013 ('the 2013 Act') and the Pensions Regulator's Code of Practice 14.*

This is one of several strands which fall to the LGPS. These will be discussed between SPPA and the LGPSAB Secretariat at a meeting in **late August** and will be discussed at the SAB meeting in **late September**. The aim would be to agree a timetable for the work at the September meeting.

2. *On behalf of the Scottish Government, SPPA should consult with the Pensions Regulator and other relevant bodies to develop appropriate guidance for all Pension Board and Scheme Advisory Board members on what is expected of them, citing examples of best practice as appropriate. For example, this guidance should include what 'assisting the Scheme Manager' means in practice.*

The Pensions Regulator (TPR) has updated its high level guidance. SPPA will be meeting TPR in **late August/early September** to discuss the possible shape of more specific guidance and that will inform discussion with stakeholders, including Boards. The aim would be to issue more detailed advice for the Scottish schemes **by end November**.

Training

3. *SPPA, in its role as Scheme Manager, together with Local Authorities filling the same role for the LGPS, should ensure an annual training plan is in place for all Board members. This should cover those subjects common to all Boards as well as addressing issues specific to the challenges faced by different Boards.*

This work is **continuing**. Training plans already exist and form part of Board work plans. They are tailored to the needs of the respective Boards. SPPA provides support and training on issues which are common to all Boards. For instance, training on valuations is being delivered to all SABs between **August and October 2017**. SPPA will continue to monitor the implementation of the plans. For LGPS this will form part of the discussions in **August/September**.

4. *All Pension Board and Scheme Advisory Board members should be required to undertake the Pensions Regulator on-line training as part of their induction training.*

Board members do undertake this training. SPPA will ask all Boards to confirm that all members have completed the on-line training **by end September** and will maintain a requirement to complete the training as part of member induction in future.

5. *Training logs from all Boards should be submitted on a regular basis to SPPA (for unfunded Scheme Pension Boards and Scheme Advisory Boards and the LGPS Scheme Advisory Board) or the LGPS Scheme Advisory Board (for LGPS Pension Boards).*

This will be subsumed within the work on Training Plans (rec. 3)

Support for Boards

6. *Scheme Manager to ensure a consistently high standard of support is provided to the Boards it supports, preferably from dedicated staff to enable a consistency in approach. All Boards should issue papers and agendas and publish minutes within agreed timescales, thus allowing members sufficient time to prepare themselves for meetings.*

7. *SPPA should establish and set out clearly what level of support for Boards is appropriate within the available resources.*

8. *SPPA to consider appointing four dedicated pension managers, one for each of the four unfunded schemes, to act as the focal point for all SPPA interaction with the Scheme Advisory Boards and Pension Boards. The pension manager would attend all relevant Scheme Advisory and Pension Board meetings on behalf of SPPA*

SPPA accepts the need to ensure a consistently high standard of support to all Boards and is considering the best way for staff to deliver this. This may include the use of dedicated staff. The management of the schemes and the way in which the respective Boards are supported will be taken into account in designing the new Target Operating Model. As part of that work, SPPA is considering the dedicated manager model but has concerns that it may not represent the most efficient management of the schemes and that it would not deliver the level and consistency of service which the Boards expect. The expectation is that SPPA will put a model to Boards by **the cycle of meetings towards the end of 2017**.

9. *All relevant information concerning public service pension Boards, including the LGPS Boards, should be published in one central location (for example the SPPA website). This website should include the Terms of Reference for each Board, meeting minutes, annual reports and details of all Board members. It would also be helpful if references to each of the LGPS Pension Boards used a common naming convention. Such a depository of information will enable members of pension schemes and the general public to easily find relevant information and facilitate comparison where appropriate.*

Much of the information is already available and work is being done on ensuring consistency. The aim is to have the information brigaded as recommended **by end October 2017**

Board Composition

10. *Scottish Government may wish to seek assurances that the two largest Boards require a membership of 14 and 24, when the majority appear to be able to discharge their duties with an average of fewer than 10 members.*

SPPA will discuss with the two Teachers' Scheme Boards the extent to which the numbers are necessary to discharge their respective duties. This will be on the agendas for the Boards' **September** meetings.

11. *In consultation with Board members, and in particular Board Chairs, a succession plan is put in place for each Board to ensure a balance is struck between ensuring sufficient experience is retained whilst also introducing new blood to the Boards. In the absence of an alternative suggestion, tenures of three years are proposed, with the opportunity to serve an additional term if agreed.*

There is a need to maintain expertise and plan for succession. Boards made clear the need to avoid a cliff edge where all members' terms of office expire simultaneously. When the current terms expire, SPPA would therefore propose to use a mixture of 3 and 4 year appointments to ensure that not all members' terms would expire at the same time. Once that staggering is in place, the term could revert to 3 years for all.

12. *The current practice of appointing independent Chairs for the four unfunded scheme Pension Boards has worked well and should continue. The value of using independent Vice-Chairs is less clear and after the next round of member appointments/extensions, SPPA in consultation with the relevant Boards should review the need for these posts.*

As recommended, SPPA will explore this with the Boards **after the next round of member appointments/extensions**.

13. *The current practice of SPPA, on behalf of Scottish Government, providing the Chair for the Firefighters' Scheme Advisory Board and the Police Scheme Advisory Board should cease. A new Chair for each of these two Boards should be appointed as soon as possible and consideration should be given to the post being given to an independent candidate. Furthermore, consideration should be given to future Chairs of all the Scheme Advisory Boards being independent appointments.*

SPPA will cease chairing the Fire and Police SABs. SPPA will consider, with the relevant Boards, the issue of independent chairs as **part of the forthcoming (re)appointment cycle**.

14. *Cease the practice of independent Chairs attending the SPPA Corporate Board as a matter of course. They should be invited as observers, when appropriate.*

This has been implemented.

15. *It is recommended that the Scottish Government takes steps to ensure that its Boards reflect the diversity of the members that they represent. In particular, pensioners should be represented on Boards as member representatives.*

SPPA will explore with Boards and stakeholders how to improve the diversity of the membership and how best to ensure that pensioners are represented on Boards. This will be done **as part of the forthcoming (re)appointment cycle**.

Board Interaction

16. *Consideration should be given to establishing a formal distribution of minutes between Pension Boards and their respective Scheme Advisory Boards.*

This is being implemented.

17. *All Pension Board members and Scheme Advisory Board members should be encouraged to attend other Pension and Scheme Advisory Board meetings wherever this is practicable and at least once during their tenure.*

Boards may wish to discuss how they go about this, possibly coordinating exchange visits between Boards. This could start immediately and would be a **continuing** part of Board member development.

18. *An annual public service pensions conference should be organised for all Board members to attend. SPPA is probably best placed to take on this task.*

SPPA will organize a conference and would propose holding it in **autumn 2018**. As a first step, SPPA will seek views of Board members on what they would wish a conference to achieve.