



Agenda Item 5

General Governance Matters

Falkirk Council

Title: General Governance Matters

Meeting: Joint Meeting of Pensions Committee and Pension Board

Date: 26 November 2024

Submitted By: Director of Transformation, Communities & Corporate Services

1. Purpose of Report

1.1 This report updates the Committee and Board on miscellaneous matters related to Falkirk Council Pension Fund business.

2. Recommendation

2.1 **The Pensions Committee and Board are invited to note the contents of this report.**

3. Pensions Committee and Pension Board Membership

3.1 It is pleasing to report that the final vacancy on the Pension Board has been filled by Andy Witty who stands as the Employer Representative for Admission Bodies.

3.2 There are now no remaining vacancies on either the Pensions Committee or the Pension Board.

4. McCloud Remedy Update

4.1 As reported at the last joint meeting of the Pensions Committee and Board, the non-inclusion of McCloud remedy data in the 2024 annual benefit statements was reported to the Pensions Regulator on 14 October 2024. It is anticipated that as the requirement to disclose the McCloud remedy data in the 2024 statements is to be removed from scheme rules, the Regulator will not take any enforcement action.

4.2 The Pensions team also continues to update the McCloud rectification data views in the pension administration system for affected members. This is a significant task due to the numbers of cases (over 10%) with an error, due to the calculation routines within the pensions administration system not being developed to generate the required data for all permutations.

4.3 Agreement to develop the pensions system to accommodate McCloud adjustments in transfer calculations has been agreed and will be delivered in four phases. The first of which will be delivered by end of June 2025. The final phase is expected to be delivered by December 2027.

- 4.4 There is still no data view within which to store McCloud data for Councillors, though the software provider understands that Scottish Funds require this to be delivered. However, even once the data view is delivered all underpin checks will be calculated manually for this group. This is because of the time and costs associated with the development required to automate the necessary calculations for a small cohort of the Scheme's membership.
- 4.5 Once the McCloud rectification data views have been populated, work will commence on identifying redress payments in line with guidance issued by Scottish Ministers.

5. Scottish Fire and Rescue Service

- 5.1 Falkirk Council Pension Fund is one of eight Scottish LGPS funds administering the rights of members of the Scottish Fire and Rescue Service (SFRS). In general, these rights relate to support and control room staff:
- who were formerly employed by Central Scotland Fire Brigade, or
 - who are employed by SFRS and work in the geographical area previously covered by Central Scotland Fire Brigade
- 5.2 The number of Falkirk members affected is as follows:
- | | | |
|-------------------|---|----|
| Active members | - | 20 |
| Deferred members | - | 29 |
| Pensioner members | - | 54 |
- 5.3 As reported to the September meeting of the Pensions Committee and Board, the SFRS will consolidate its membership into the Strathclyde Pension Fund.
- 5.4 The transfer of administration to Strathclyde will have no impact on members' entitlements. In line with the communications strategy to explain the reason for the changeover and provide reassurance about benefits being unaffected, an initial letter was issued to affected members in August and a second letter issued on 17 October to advise of the imminent transfer to Strathclyde Pension Fund.
- 5.5 The transfer was completed on 31 October and as Strathclyde has assumed responsibility for ongoing benefits, they will receive a share of the Fund's assets. The actual amount will depend on the market conditions at the transfer date and will be determined by actuarial assessment. It is estimated that the Falkirk payment could be in the order of £15m to £20m and, if known, a verbal update on the amount due to be paid will be given at the meeting.

6. Pensions Regulator Reporting

- 6.1 Each year the Regulator asks the Fund to complete a Scheme Return to provide the Regulator with:
- 6.1.1 Details about the Scheme and its membership.
- 6.1.2 Details of those managing or otherwise involved with the Scheme (e.g. trustees/managers, pension board members, employers).

- 6.1.3 Details of AVC providers and number of members with AVC pots.
- 6.1.4 Details of the Fund's common data quality score (98.6%) and scheme specific data quality score (92.32%).
- 6.2 When the Scheme return was submitted it flagged that the Pension Board should have equal numbers of Member Representatives and Employer Representatives on the Pension Board, necessitating a breach to be logged.
- 6.3 As reported earlier in this report the Final vacancy on the Pension Board was filled on 17 October 2024 and the information registrable with the Regulator updated to reflect this.

7. Funding Strategy Statement (FSS) guidance

- 7.1 The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish an FSS. To prepare this FSS, the administering authority uses guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This guidance was last updated in 2016.
- 7.2 The England & Wales LGPS Scheme Advisory Board (SAB) convened a working group to review the guidance and look at what new issues needed to be covered, or covered in more depth, in the revised guidance. The group includes a representative from a Scottish LGPS fund.
- 7.3 This project is close to completion and the revised guidance is nearing the final stages of the approval process. It is hoped the guidance will be available before the end of the year, following approval by the SAB, CIPFA and the Ministry for Housing Communities and Local Government.
- 7.4 It is further expected that, once approved, the guidance will be adopted for use by Scottish LGPS funds.

8. SAB statement and investigation into further opinion on fiduciary duty

- 8.1 The SAB issued a [statement on fiduciary duty](#) on managing and responding to lobbying activity which it hopes will help administering authorities:
- deal with the increasing levels of interest in how LGPS funds are invested
 - manage discussions with stakeholders and at board and committee meetings.
- 8.2 Additionally, the SAB Secretariat is seeking an opinion from Counsel as to whether there is a need to update [the previous advice received on the nature of fiduciary duty for administering authorities](#). Further information will be published when the opinion is received.
- 8.3 Though this guidance relates to the LGPS Regulations in force in England and Wales, there is read across to the LGPS Regulations as they apply in Scotland.

9. September 2024 CPI rate announced

- 9.1 Public service pensions are designed to keep pace with inflation as reflected through the September-to-September increase in the Consumer Prices Index (CPI).
- 9.2 On 16 October 2024, the Office for National Statistics announced the CPI rate of inflation for September 2024 was 1.7% and subject to confirmation from Government it is expected that:
 - 9.2.1 Deferred pensions and pensions in payment will increase by 1.7%. The pensions increase to these benefits takes place on the first Monday following 5 April and like the state retirement pension, does not change if the movement in CPI is negative.
 - 9.2.2 The pension built up by active scheme members for service after 31 March 2015 will be increased by 1.7%. The revaluation of this benefit takes place each 6 April but unlike deferred pensions and pensions in payment if the movement in CPI is negative, the value of that pension will go down.
- 9.3 Whether or not the revaluation and pensions increase will be 1.7% will be confirmed by the Government in Q1 of 2025.

10. Pensions Dashboard Update

- 10.1 On 22 October, the Minister for Pensions released a written ministerial statement confirming the Government's commitment to the existing published timetable for the launch of the Pensions Dashboard service, instructing the Pensions Dashboard Programme to prioritise work on the launch of the Moneyhelper dashboard service.
- 10.2 The connection date for public service pension schemes, such as the LGPS, is 31 October 2025 and the Fund's pensions administration software provider, Heywood, has been appointed to connect the Fund to the Pensions Dashboard.
- 10.3 A window to carry out the activity required to connect the Fund to the Pensions Dashboard ahead of the connection date has been booked for February 2025. It is, therefore, expected that the Fund will be ready to connect to the Pensions Dashboard ahead of the connection date though, as reported to the June meeting of the Pensions Committee and Board, the connection will not be switched on until 31 October 2025.
- 10.4 The work to connect the Fund to the Pensions Dashboard is projected to take 10 weeks and a progress update will be given to the March 2025 meeting of the Pensions Committee and Board.

11. ESG report on Fund's investments

- 11.1 At the joint meeting of the Pensions Committee and Board it was agreed that a report would be presented to a future meeting of the Pensions Committee and Board which would outline the Environmental, Social and Governance (ESG) issues relating to the Pension Fund's investments.
- 11.2 It is expected that this report will be brought to the next meeting that is scheduled to take place on 11 March 2025.
- 11.3 To ensure members of the Pensions Committee and Board are fully prepared, in advance of the report being released, a training session led by LPFI on relevant investment matters will be delivered in January 2025 (date to be confirmed).

12. Knowledge and Skills Questionnaire

- 12.1 As agreed in the March 2024 meeting of the Pensions Committee and Board, an annual survey of the knowledge and skills of the members of the Committee and Board and officers will be undertaken to identify skills gaps to inform training for 2025/26.
- 12.2 The short knowledge and skills questionnaire will be issued towards the end of November/early December.

13. Future Committee / Board Meeting Date

- 13.1 The next meeting of the Committee and Board is scheduled for 11 March 2025.

14. Implications

Financial

- 14.1 It is expected that the Fund will need to make a significant payment to the Strathclyde Pension Fund in respect of the rights of Scottish Fire and Rescue members. However, in doing so, it will cease to have any responsibility or obligation to make benefit payments in respect of Fire service scheme members.

Resources

- 14.2 No additional resources are required at this time.

Legal

- 14.3 There are no legal issues arising from this report.

Risk

- 14.4 This report presents future developments that could affect the LGPS in Scotland to the attention of the Pensions Committee and Pension Board. Material risks identified will be brought to the attention of the Committee and Board.

Equalities

- 14.5 There are no equality issues arising from this report.

Sustainability/Environmental Impact

- 14.6 There are no sustainability/environmental issues arising from this report.

15. Conclusion

- 15.1 The report brings a number of important governance matters to the attention of Committee and Board, including an update on the implementation of the McCloud Remedy; the administration of the pension rights of fire service personnel; and reporting to the Pensions Regulator.

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Appendices:

None

List of Background Papers:

The SAB issued a statement on fiduciary duty

Previous advice received on the nature of fiduciary duty for administering authorities