

Scottish Teachers' Pension Scheme Advisory Board

DRAFT

Date: 29 March 2021

Location: Virtual Meeting via Microsoft Teams

Chair: Des Morris (EIS - Member)

Attendees: Anne-Marie Pettie (GAD); Archie MacIver (UWS); Andy Witty (Colleges Scotland); Brenda Callow (SPPA); Clair Ramage (COSLA); Dave Wilkinson (NASUWT); David Parker (COSLA); Euan Duncan (SSTA); Fiona Dalziel (SSTA); George Russell (GAD); Greg Walker (SPPA); Iain Coltman (SPPA); Joanne Rigby (GAD); Cllr. Jim Goodfellow (COSLA); John Edward (SCIS); Louise Wilson (EIS); Mary Senior (UCU); Michael Dolan (EIS); Neil Shaw (SLS); Paul Gibson (SPPA); Simon Cameron (COSLA); Stephen Stewart (EIS); Stuart Robb (SG);

Observer Clare Scott (Chair STPS Pension Board)
Paul Gibson (SPPA)

Secretariat: Clare Moffat (SPPA)

Apologies: Dougie Atkinson (VOICE); Greg Dempster (AHDS); Phil Daggart (COSLA); Stephanie Walsh (SGEWU); Stuart MacArthur (SPPA); Tom Nash (SPPA)

1. Welcome and Introductions

1.1 The Chair welcomed everyone to the meeting, introduced new attendees and noted apologies.

2. Conflicts of Interest

2.1 No new conflicts of interest were declared.

3. Minutes of the Previous Meeting Action Points/Matters

3.1 The minutes of the meeting held on 4 March 2021, previously circulated to the group on 24 March 2021, were agreed as accurate with action points/matters arising discussed and closed accordingly.

3.2 The Chair suggested a technical working group should be created to consider immediate detriment and winding down (ref. paras 4.5, 4.6 and 4.9). SPPA confirmed HMT discussions with Whitehall departments and other devolved governments are underway however recommended no action on immediate detriment in advance of legislation changes. The member side highlighted the urgency to resolve these cases in advance of summer retirements and the Chair thanked SPPA for indicating a subgroup could be created from May 2021.

3.3 The Chair raised the SAB's response to the consultation on changing the normal minimum pension age from 55 to 57 (para 5) and sought confirmation the member side were drafting the response which was to be circulated to employer side. The member side agreed to forward to the response to the employer side by 2 April 2021.

4. Provisional Cost Cap Results

4.1 The Chair referred to GAD's *2016 Valuation: Cost Cap – Directions* (paper 1) and invited GAD to update the group.

4.2 GAD advised the paper would update the group on the process for completing the 2016 valuations and the draft HMT Directions dated 12 March 2021.

4.3 GAD explained that the key elements of the Directions which impact the cost cap calculations and results are: what costs should be included; over what period should remedy cost be paid for; and the data, assumptions and methodology to be used.

4.4 GAD then presented scheme specific provisional results (paper 2) which they expect to quote in the final cost cap valuation report if: there are no changes to the draft HMT Directions; SPPA are content with GAD's approach to identifying members in scope for McCloud remedy; and SPPA decide to adopt assumptions in line with GAD's recommendation, following consultation with SAB. GAD emphasised that the provisional results presented were subject to change, dependent on these decisions.

4.5 The provisional results suggested the cost cap cost of the scheme would be 1.1% above the employer cost cap and the resulting transitional protection remedy cost would be 4.8% pensionable pay over 2019-2023. GAD illustrated how this cost varied by age of different benefits. This illustrated the biggest increase in cost of benefits would be for younger members, where the final salary scheme is more valuable, and for older members, where the CARE scheme is more valuable, and also highlighted a significant proportion of the scheme membership lies at ages where the increase in the cost of benefits is less.

4.6 GAD confirmed the calculations originate from data and assumptions used in the 2016 valuation. GAD do not recommend changes to the 2016 valuation assumptions, explained the methodology applied and confirmed they will produce a new Cost Cap

Valuation Report which will sit alongside the 2016 valuation reports issued in 2019 when the Directions are finalised.

4.7 Both the employer and member sides requested clarity on why no allowance will be made “for the passage of time”, particularly the use of more recent mortality assumptions. GAD explained the HMT Directions required that the data, method and assumptions should generally be consistent with those set for the 2016 valuation however the 2020 valuation will use appropriate assumptions at the time when those calculations are undertaken.

4.8 The member side raised points on the 4 and 15 year spreading period, models and sensitivities. The SPPA confirmed that these spreading periods are directed by HM Treasury and therefore cannot be amended. GAD confirmed that the 15 year spreading period in respect of spreading deficit/surplus is broadly standard with other pension schemes. The member side confirmed that it would be useful to have a range of models.

4.9 SPPA confirmed the 4 year spreading period in respect of McCloud remedy costs would not be changed and explained that the policy rationale was to capture the cost of the McCloud remedy over a period aligned with service eligible for the remedy. SPPA confirmed SAB will be consulted when draft Directions are decided and agreed GAD could be asked to provide further modelling for comparison at that time.

AP – SPPA to work with GAD to produce comparisons for the SAB

5. Phased Withdrawal of Independent Schools

5.1 The Chair asked the board’s opinion on the update paper provided by SPPA.

5.2 Following discussion on the potential effects on the scheme and concerns this change could detriment new employees, John Edward, representing SCIS, advised the proposal was not intended as a vehicle to cut costs but would offer independent schools in Scotland an alternative to leaving the scheme completely. SCIS also confirmed schools were not inducing members to opt out. John advised that schools would like options as any increase in contributions could lead to total withdrawal from the scheme and confirmed employer contributions, as they are salary costs, could impact on the charitable covenant of independent schools. John advised two independent schools have already left the scheme in Scotland and raised concern of scheme members being impacted when moving employment between Scotland and England. He also advised the issue of the Pensions Regulator oversight which would prohibit any inducements to existing scheme members.

5.3 The board agreed no action should be taken at this time however the proposal could be considered when the Department for Education draft regulations, expected September 2021 at earliest, are available.

Action - SCIS will gather the views of any schools that see withdrawal of their participation (employer and employee contributions) as their remaining alternative.

6. Participation Rates

6.1 The Chair acknowledged SPPA's significant work to produce the additional age profile data included in the paper and noted a large number of members did not give a reason why they were opting out of the scheme.

6.2 Member side welcomed the age analysis and asked if further detail could be provided to reflect how many current employees had opted out of the scheme in each authority. SPPA advised this information is not held by the agency and, following an enquiry from the employer side, confirmed the report data collated is based on each opt out form received (therefore if a member opted out, was automatically enrolled).

6.3 The board asked SPPA to provide the data over a two-year period to allow comparison.

Action – SPPA to provide opt out data for two-year period

7. Rotation of SAB Chair

7.1 The Chair confirmed SG were due to chair from 1 April 2021 however SG had requested to stand down. SPPA suggested the board consider rotating the chair role between member and employer side on a bi-partite basis.

7.2 The member side raised concerns that the SG's valued role on SAB would diminish. SG representative reassured the board of SG's intention to continue to attend and participate in SAB meetings.

7.3 Employer side confirmed they had not been notified of this proposal in advance of the meeting. It was suggested the current Chair continue until 31 May 2021 to give the board the opportunity to consider the proposal. The employer side confirmed an employer chair from 1 June 2021 would align with local elections due in May 2022.

7.4 The board agreed to the current Chair continuing until 31 May. Board members confirmed they would consider the situation further and provide views at the next meeting on a proposed move to a bipartite arrangement between employer and member side on a temporary basis. The SPPA confirmed that no briefing paper was available but agreed to circulate a paper outlining the proposal in advance of the next meeting.

Action – SPPA to circulate paper outlining bi-partite (member/employer) rotational chair proposal.

8. Date of Next Meeting

8.1 The Board agreed that the next meeting should be scheduled for either week commencing 10 or 17 May 2021, determined by a doodle poll to gather member availability.

9. Any Other Business

9.1 With no further business, the Chair thanked everyone for participating and closed the meeting.

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Action Ref.	Action	Action Owner	Latest position	Action closed
104	SPPA to circulate paper outlining bi-partite (member/employer) rotational chair proposal.	SPPA	See paper 5 scheduled for discussion at agenda item 8 on 24 May 2021	New
103	SPPA to provide opt out data for two-year period	SPPA	See paper 4 at standing agenda item 7 on 24 May 2021	New
102	SCIS will gather the views of any schools that see withdrawal of their participation (employer and employee contributions) as their remaining alternative.	SCIS		New
101	SPPA to work with GAD to produce McCloud modelling comparisons for the SAB	SPPA	To be circulated when available	New
100	SG to contact SPPA regarding the situation of the position of meeting Chair from 1 April 2021	SG	<ul style="list-style-type: none"> Confirmation received from SG 29 March 2021 Proposed bipartite Chair arrangement between COSLA and Member reps, rotating on a 12 monthly basis (briefing to be shared) Agreed 29.03.2021 existing Chair will continue until 31.05.2021 while board consider proposal. 	Closed
99	SPPA to consider the approval times of minutes	SPPA Governance	SPPA Governance to seek views on approach to approval of minutes	Open
93	The member side to draft and liaise with the employer side on a joint response to HM Treasury on increasing the normal minimum pension age	Member and Employer Board representatives		Open

92	Following the McCloud consultation response, member representatives to draft wording and circulate for full Board agreement to facilitate a joint response to HMT	Member and Employer Board representatives	Letter issued to HMT on 31 March 2021	Closed
91	COSLA to review employer communications on opting out	COSLA	Ongoing	Open
90	SPPA to review communications available to members on SPPA website regarding opting out	SPPA	Ongoing	Open
89	SPPA to review Phased Retirement literature available on SPPA website and report back to group	SPPA	Ongoing	Open
86	COSLA to update SAB on SNCT Terms & Conditions (including rescheduled meetings with Payroll Managers) at next meeting	COSLA	COSLA update to be scheduled at SAB meeting in May 2021 Scheduled for discussion at agenda item 5 on 24 May 2021 – paper 3 to follow	Open
79	COSLA to review the Scheme Eligibility paper on Senior Management posts with Stakeholders and take Legal Advice.	COSLA	Remains ongoing, COSLA will update Board members in due course. Verbal update scheduled at agenda item 6 on 24 May 2021	Open

78	Scheme Comparison Paper - Chair confirmed SAB members should go back to member organisations for further consideration.	SAB Members	Ongoing	Open
73	Revised version of SNCT Terms and Conditions with commentary to be circulated by 29 January 2020. SAB members to provide comments to COSLA by 5 February Paper to be drafted and issued by COSLA. COSLA to circulate final revised version by 14 February 2020	COSLA and SAB members	Ongoing Scheduled for discussion at agenda item 5 on 24 May 2021 – paper 3 to follow	Open
8	Secretariat to ensure approved agendas, minutes, and work plan are shared with the Pension Board and published on the SPPA website as appropriate	SPPA 18/06/2015 Secretariat	C/F to action when minutes approved	Remains open