

Pension Schemes Trustee speech – General Assembly 2019

Moderator, General Assembly

There are more people alive today than have ever died.

Commissioners have before them the Pensions Trustees written report, in their Blue Book.

You might imagine that it takes a lot for a cautious, Scottish, Presbyterian, Actuary, to be happy especially when financial matters are at play. Well, I could not be happier with the content of the report – and that takes some doing!

I'm delighted to report to you that the Pensions Schemes are in great shape, better than at any time in their history. Like many of their members who enjoy above average life expectancy – the schemes are in rude & vibrant health.

The trustees have already completed the triennial valuations due as 31 December 2018. This highly efficient completion is industry leading; a great demonstration of all the people, skills, systems, organisation and management of the schemes.

The results are shown in the blue book report, and I'd like to spend just a moment to highlight to you the excellent financial position of the schemes.

With only one exception: each of the scheme sections is in surplus, on a prudent actuarial basis. General assembly – in the pensions / actuarial world this position, of surplus on a prudent basis – is the gold standard. It is the primary objective to which pensions regulator aims all schemes towards.

For the schemes in surplus there are a number of significant implications:

- members security of accrued benefits is high
- trustees have increased ability to make discretionary increases, where scheme rules allow
- resource is available to invest in improving outcomes for members, such as improved service and reduced risks, including reduced investment risks
- the employing agencies, in this case – ministries council and the central services committee – are not required to make any new financial contribution, as all the money required are already held within the schemes

I mentioned increases to pensions – and am delighted that the trustees were able to grant and pay increases to the members of each scheme section. As a minimum the trustees awarded all increases established by scheme rules and legislation – to use the pensions jargon – these are the inflationary increases.

In addition, because of the strong financial position, where scheme rules permit, the trustees also awarded discretionary increases and the detail is set out in the written report.

The Pensions Trustees are established to serve the interests of members, and so it's especially pleasing to be able to report to you a significant uptick in the positive feedback received from members, partly in response to these increases.

For any commissioners who are members or have an interest in the schemes in any way – an invitation – actually a plea – from the trustees. We'd love to hear your views and experience of the schemes. What areas should we now prioritise for improvement? what could we do to improve member experience? Please speak to me or any of the trustees in person or you may always be in touch with the Pensions Manager – Jane McLeod.

Now I mentioned one section as an exception to being in surplus. Commissioners will know from the Blue Book and from the report of the Social Care Council earlier this week the exception is the CrossReach section of the pension Scheme for Staff. Progress has been significant for this section too. The deficit has reduced by £7.6m since the last triennial valuation. The section remains with a deficit of £5.2m and I'm pleased to note the Trustees and CrossReach have an agreement in place which will see this deficit reduce to zero by 2025, at the latest.

Options for delivering pension strategy

During the year the Trustees, with advice from the Schemes' actuary, conducted an exercise to understand if the merits of - to use the jargon, the 'buy-out option' were value for money for each of the schemes. That review is in its final stages and will be completed shortly.

Cost effective management

The Schemes continue to benefit from significant simplification work completed in recent years, including a simplification of the investment management arrangements, an update of Scheme rules and documentation and the implementation of a new administration software system. These items have delivered improved outcomes for members through better service, reduced risk and substantial financial savings annually. Investment

management fees are of the order of £600k per year lower under the current investment strategy – these savings accrue to the scheme, and available, each year, to fund benefit payments to members.

Two members of the administration team resigned during the course of the year and, with improved automation, only one member of staff will be replaced.

Changes in Staff and Trustees

Steve Kaney resigned as Pensions Manager and Secretary to the Trustees. Jane McLeod, sitting at the table here, was appointed in to this role, effective from March this year.

Kay Hastie retired as the pension fund accountant to the Schemes and Simon Bree was appointed in her place. I've already mentioned two members of the administration team resigned and, for the one role we are choosing to fill, recruitment is finalised.

In respect of Scheme Trustees:

Simon Bree resigned as a member nominated trustee of the Staff Scheme due to taking up his new role which includes providing accounting services relating to the Schemes to the Trustees.

Jennifer Hamilton, who brings significant legal experience, was appointed in his place.

Hamish Scott, a long serving Trustee, will today retire as an employer nominated trustee of all three Schemes.

The Trustees propose Hugh McKee is appointed as replacement. Mr McKee is an actuary with extensive experience as an executive and managing director within the life insurance and pensions industry. He has operated successfully as a life insurance company director and as a non-executive director of a savings bank. He is the Treasurer and an elder of Coatbridge New St Andrews Parish Church.

The General Assembly is asked to approve the appointment of Mr McKee as a Trustee of the Schemes.

The Vice Chair of the Trustees Douglas Millar will retire later this year. Douglas answered a call for volunteers at a previous General Assembly. It's a timely reminder for me to take the opportunity to ask you – General Assembly 2019 – to please consider if you or anyone you

know have the drive and energy to serve as a Pensions Trustee. No direct pensions knowledge or experience is required, as training is available. The key focus is the commitment to serve. We will be advertising shortly, in the meantime consider serving in such a role. Please speak with me or any Trustee or be in touch with the Pensions Manager, Jane McLeod.

The Trustees would like to record their thanks to all those who have left the service of the Schemes during the year. They embody a passion for service which means working hard to improve outcomes for Scheme members. The successes I've mentioned earlier would not have been possible without their contribution.

Moderator – this is an opportune time to recognise the strength and depth of resource available through this church family, in this context to provide individuals with the skills experience and willingness to serve as Pension Trustees. The most recent two, Jennifer and Hugh, with legal and actuarial experience respectively, are excellent examples of this resource.

Report on governance structures and on scheme administration

Moderator, The General Assembly of 2018 invited the Pension Trustees to bring a Report to this Assembly with recommendations on:

1. Governance Structures in respect of the Schemes
2. And Scheme Administration

The Trustees accepted that invitation and formed a working group, including external and independent expertise, to address the appropriate research and investigations.

This group consulted widely with relevant parties both within and externally to the church. Multiple meetings were held with each of the employing agencies to source views and input. Draft versions of the Report, published for Commissioners in the Blue Book, were shared for review and comment.

Having consulted widely and had the opportunity to receive broad feedback the Report sets out the principles identified for good governance and Scheme Administration, together with alternative methods available for delivering these things. Each alternative option is considered, together with the existing arrangements.

Looking at the summary:

On governance:

The Trustees conclude that, subject to a decision being taken to enter into a buy-out arrangement, the existing Governance Structure is considered to be the most effective and efficient for trustee oversight of the Schemes.

On Scheme Administration:

The Trustees conclude that the current administration arrangements are fit for purpose and that until a decision is taken on the buy-out option, no alternative to the current administration provisions can be considered as providing a more efficient means of administration for the Schemes.

Moderator, I have been asked on occasion about the work of the Pension Trustees. I've had observations like, is it not boring... there's no pay... Why does it matter...

There are more people alive today than have ever died. And for each of those who is a member of this church family and pension schemes, the Pension Trustees work to ensure they have the best possible outcome from their defined benefit pension scheme. That's why it matters.

It's not boring... well... it's got its moments.

It's true... There is no pay, though the rewards of serving are very fulfilling.

As I'm not a commissioner may I ask that the Principal Clerk moves the Proposed Deliverance.