

FOR YOUR **FUTURE**





2018/19 Overview

Richard McIndoe
Director

Brexit



Britain's EU divorce delves into chaos

Britain in Brexit chaos

Dealing with Brexit chaos

Brexit chaos: U.K. lawmakers fear for their safety as stakes — and tensions — mount

Britain's EU divorce delves
into chaos

Britain in Bre

Brexit Chaos: Will They Stay or Will They
Go?

Dealing w

Britain Becomes Greece as Brexit Chaos Invades Politics and the Economy

The Sydney Morning Herald

Britain in Brexit chaos

BREXIT CHAOS. U.K. law
safety as stakes — an

Brexit chaos for their
mount

Brexit chaos stirs bafflement

Britain's EU divorce delves
int Brexit chaos blamed for crash in car
production

UK output fell 44% as factories shut down in April

Brexit chaos hits Irish shares

ney Stave or Will They

FT Collections
Brexit chaos

Markets

Pound Investors Are Bailing Out as May's Fate Deepens Brexit Chaos

Theresa May resigns as PM over
Brexit chaos

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Brexit chaos

r their
mount

'It's chaos': how Brexit crisis
paralysing the House of Lords

Theresa May's legacy will be defined
by Brexit chaos

BREXIT CHAOS SITS PARLIAMENT

A graphic with the text "BREXIT CHAOS" in large, bold, white letters with a red outline. The background is split: the left side shows a portion of the Union Jack (red, white, and blue), and the right side is blue with yellow stars, resembling the European Union flag.

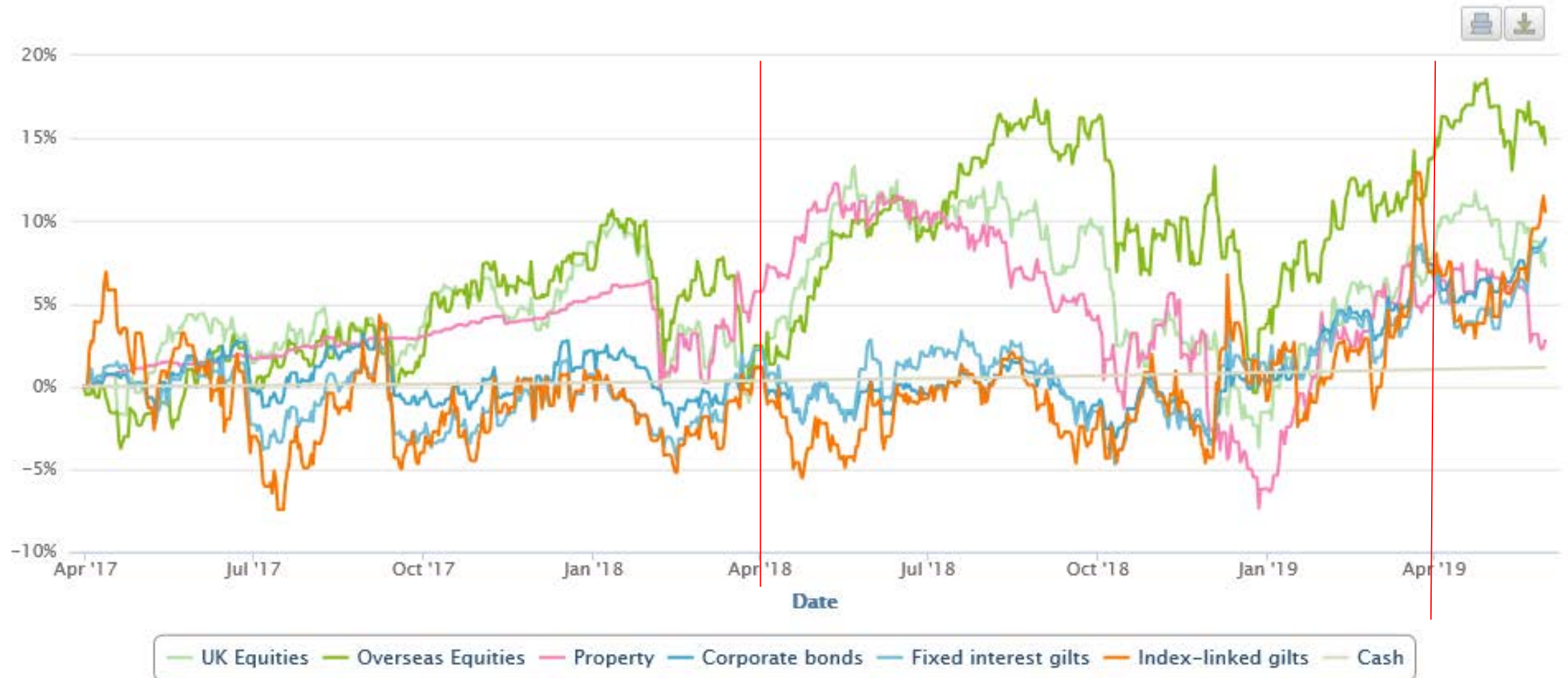
**BREXIT
CHAOS**

Brexit chaos?



Brexit chaos?

Sterling total returns of major asset classes since 31 March 2017



Source: Bloomberg

Climate chaos?





Renewable electricity generation hits
record high in Scotland

Climate chaos?



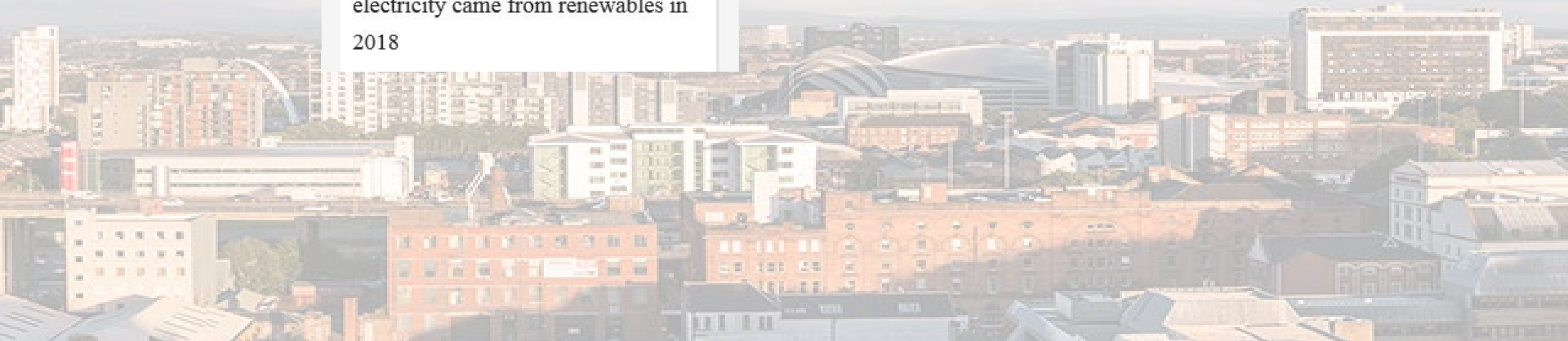
Climate chaos?



Renewable electricity generation
record high in Scotland



Revealed: A third of the UK's
electricity came from renewables in
2018



Climate chaos?



Renewable electricity generation
record high in Scotland



Revealed: A third of the UK's
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“It is anticipated that almost all
of the growth in listed
renewable energy over the next
decade will be driven by
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business”

Siv Jensen

Climate chaos?



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renewable energy as their main
business”**

Siv Jensen

Royal Dutch Shell ties executive pay to carbon reduction

3 December 2018

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Energy giant Royal Dutch Shell is to set carbon emission targets and link them to its executive pay.

The Anglo-Dutch company has made the move after pressure from investors, led by asset manager Robeco and the Church of England Pensions Board.

Scheme Administration

SCOTTISH STATUTORY INSTRUMENTS

REGULATIONS

on the protection of natural resources

The Local Government Pension Scheme (Scotland) Regulations 2018

THE EUROPEAN PARLIAMENT

Having regard to the Treaty on

Having regard to the proposal

After transmission of the draft

Having regard to the opinion of

Having regard to the opinion of

Acting in accordance with the

Whereas:

(1) The protection of natural resources and Fundamental Rights of the European Union (TFEU) provide that everyone has the right to a high level of environmental protection;

(2) The principles of, and the objectives of, the Treaty on the Functioning of the European Union, and the Regulation is intended to contribute to the economic and social progress, to the sustainable development and to the well-being of natural persons.

(3) Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 609/1974 (Data Protection Directive), is hereby amended.

Made 15th May 2009

Laid before the Scottish Parliament 15th May 2009

Coming into force in accordance with regulation 1(2)

The Scottish Ministers make the following Regulations in exercise of the powers conferred by sections 7, 12 and 24 of the Superannuation Act 1972(a) and of all other powers enabling them to do so.

In accordance with section 7(5) of that Act, they have consulted such associations of local authorities as appeared to them to be concerned, such local authorities with whom consultation appeared to them to be desirable, and such representatives of other persons likely to be affected by the proposed regulations as appeared to them to be appropriate.

DRAFT – 1 NOVEMBER 2017

SCOTTISH STATUTORY INSTRUMENTS

2018 No.

PUBLIC SERVICE PENSIONS

The Local Government Pension Scheme (Scotland) Regulations 2018

Made 20th February 1998

Laid before the Scottish Parliament 10th March 1998

Coming into force in accordance with regulation 1

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Membership, contributions and benefits

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SCOTTISH STATUTORY INSTRUMENTS

REGULATIONS

on the protection of natural resources

The Local Government Pension Scheme (Scotland) Regulations 2018

THE EUROPEAN PARLIAMENT

Having regard to the Treaty on

Having regard to the proposal

After transmission of the draft

Having regard to the opinion of

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Acting in accordance with the

Whereas:

(1) The protection of natural resources and Fundamental Rights of the European Union (TFEU) provide that everyone has the right to a high level of environmental protection;

(2) The principles of, and the objectives of, the Treaty on the Functioning of the European Union, and the Regulation is intended to contribute to the economic and social progress, to the sustainable development and to the well-being of natural persons.

(3) Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 609/1974 (Data Protection Directive), is hereby amended.

Made 20th February 1998

Laid before Parliament 10th March 1998

Coming into force 1st April 1998

The Secretary of State, in exercise of the powers conferred on him by sections 7 and 12 of the Superannuation Act 1972(1) and of all other powers enabling him in that behalf, after consultation with such associations of local authorities as appeared to him to be concerned, the local authorities with whom consultation appeared to him to be desirable and such representatives of other persons likely to be affected by

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Scheme Administration

SCOTTISH STATUTORY INSTRUMENTS

2019 No. 4

PUBLIC SERVICE PENSIONS

The Local Government Pension Scheme (Miscellaneous Amendments) Amendment (Scotland) Regulations 2019

Made 2019

Laid before the Scottish Parliament 2019

Coming into force 28th June 2019

The Scottish Ministers make the following Regulations in exercise of the powers conferred by sections 1, 2 and 3 and schedule 2, paragraph 3(b) of the Public Services Pensions Act 2013(a) and all other powers enabling them to do so.

In accordance with section 21(1) of the Public Services Pensions Act 2013, the Scottish Ministers consulted such persons or the representatives of such persons as appeared to the Scottish Ministers likely to be affected by these Regulations.

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Miscellaneous Amendments) Amendment (Scotland) Regulations 2019, and subject to paragraph (2) come into force on 28 June 2019.

(2) These Regulations have effect from 1 June 2018.

Amendment of the Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2019

2.—(1) The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2019(b) are amended in accordance with paragraphs (2) and (3).

(2) In regulation 2(12)(b) for “penultimate” substitute “third”.

(3) Regulation 2(27) is revoked.

KATE FORBES

Authorised to sign by the Scottish Ministers

St Andrew’s House,

Edinburgh

2019

(a) 2013 c.25.

(b) S.S.I. 2019/161.

Coming into force

DRAFT – 1

SCOTTISH STATUTORY INSTRUMENTS

REGULATIONS

on the protection of natural heritage

The Local Government Pension Scheme (Benefits) (Scotland) Regulations 1998

THE EUROPEAN PARLIAMENT

Having regard to the Treaty on

Having regard to the proposal

After transmission of the draft

Having regard to the opinion of

Having regard to the opinion of

Acting in accordance with the

Whereas:

(1) The protection of natural heritage is a matter of common concern to all Member States and the European Union; and

(2) The principles of, and the objectives of, the Treaty on

(3) Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data

Made

Laid before the Scottish Parliament 15th May 2009

Coming into force in accordance with regulation 1(2)

The Scottish Ministers make the following Regulations in exercise of the powers conferred by sections 7, 12 and 24 of the Superannuation Act 1972(a) and of all other powers enabling them to do so.

In accordance with section 7(5) of that Act, they have consulted such associations of local authorities as appeared to them to be concerned, such local authorities with whom consultation appeared to them to be desirable, and such representatives of other persons likely to be affected by the proposed regulations as appeared to them to be appropriate.

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"The Budget confirms a reduction of the discount rate for calculating employer contributions in unfunded public service pension schemes, to 2.4 percent plus CPI (in line with established methodology to reflect OBR forecasts for long-term GDP growth).



"The Budget confirms a reduction of the discount rate for calculating employer contributions in unfunded public service pension schemes, to 2.4 percent plus CPI (in line with established methodology to reflect OBR forecasts for long-term GDP growth).

"The valuations indicate that there will be additional costs to employers in providing public service pensions over the long-term."



Scheme			
LGPS_S	Club transi	LGPS_S	Factors for non-club transfers-in based on NPA 67
		LGPS_S	Factors for non-club transfers-in based on NPA 67
		LGPS_S	Factors for non-club transfers-in based on NPA 68
		LGPS_S	Factors for non-club transfers-in based on NPA 68
LGPS_S	Club transi	LGPS_S	Factors for non-Club tra
LGPS_S	Club transi	LGPS_S	Club transfer factors based on Normal Pension Age of 68
		LGPS_S	Factors for non-Club tra
LGPS_S	Club transi	LGPS_S	CRA Conversion Factor
		LGPS_S	Factors
LGPS_S	Club transi	LGPS_S	Pensioner cash equivalence cases
		LGPS_S	Pensioner cash equivalence cases
LGPS_S	Club transi	LGPS_S	Non club transfers based on NPA 65
		LGPS_S	Non club transfers based on NPA 65
LGPS_S	Club transi	LGPS_S	Non club transfers based on NPA 66
		LGPS_S	Non club transfers based on NPA 66
LGPS_S	Club transi	LGPS_S	Non club transfers based on NPA 66
		LGPS_S	Non club transfers based on NPA 67
LGPS_S	Club transi	LGPS_S	Non club transfers based on NPA 67
		LGPS_S	Non club transfers based on NPA 67
LGPS_S	Club transi	LGPS_S	Non club transfers based on NPA 68
		LGPS_S	Non club transfers based on NPA 68
LGPS_S	Club transi	LGPS_S	Factors for non-club transfers-in based on NPA 65
		LGPS_S	Factors for non-club transfers-in based on NPA 65
LGPS_S	Club transi	LGPS_S	Factors for non-club transfers-in based on NPA 65
		LGPS_S	Factors for non-club transfers-in based on NPA 66

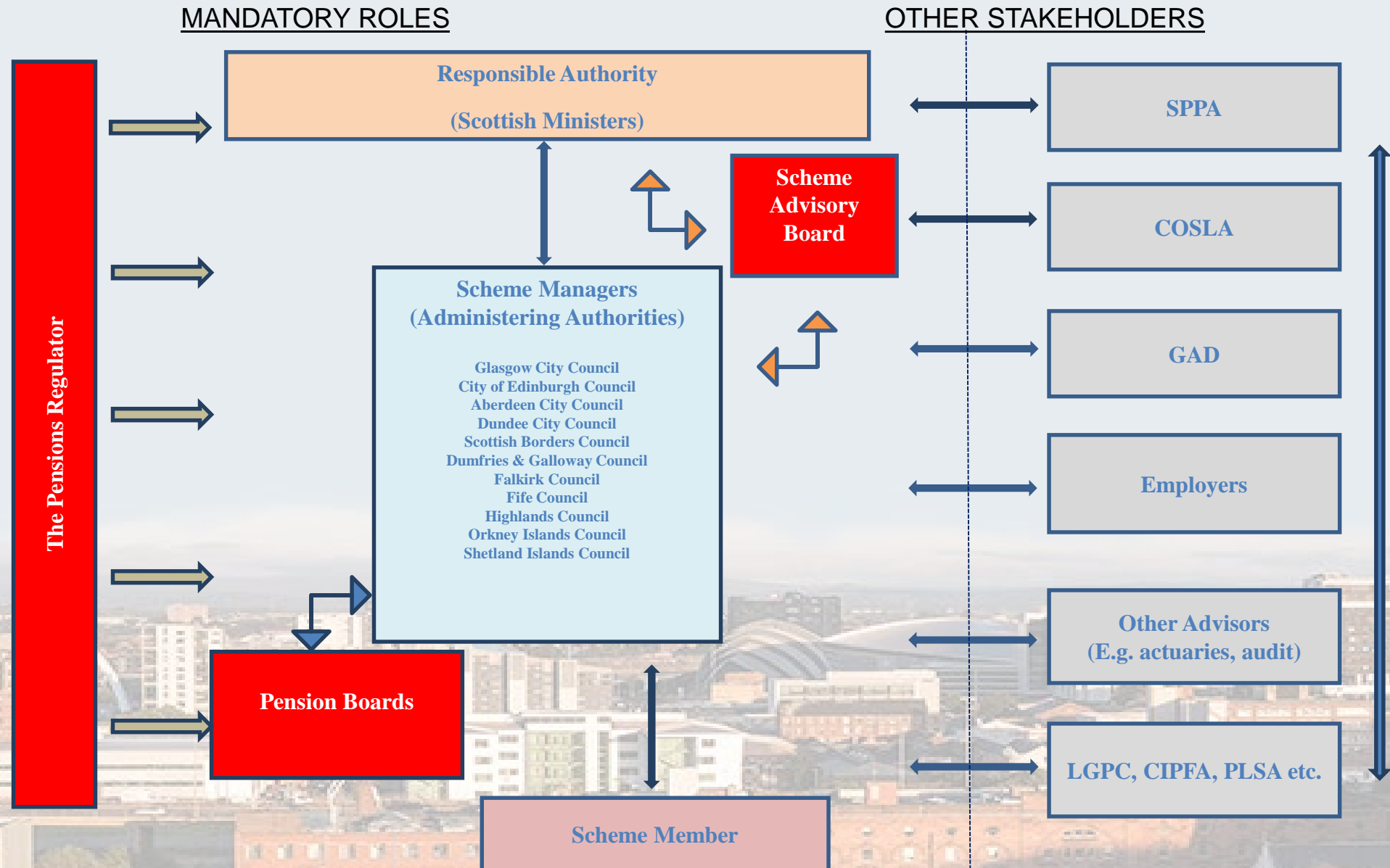
count rate for calculating employer contributions in
to 2.4 percent plus CPI (in line with established
long term GDP growth).

al costs to employers in providing public

count rate for calculating employer contributions in
a 2.4 percent plus CPI (in line with established

Scheme			Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa					
LGPS_S	Club transi	LGPS_S	16	5.66	0.34	0.85				
		LGPS_S	17							
		LGPS_S	18	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa				
		LGPS_S	19							
		LGPS_S	20	16	5.66	0.34	0.85			
LGPS_S	Club transi	LGPS_S	21	17	5.78					
		LGPS_S	22	18	5.90					
		LGPS_S	23	19	6.02	Gross Pension of £1 per annum	Lump	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
		LGPS_S	24	20	6.15					
		LGPS_S	25	21	6.27	16	16	6.25	0.36	0.84
LGPS_S	Club transi	LGPS_S	26	22	6.41	17	17	6.38	0.37	0.86
		LGPS_S	27	23	6.54	18	18	6.52	0.37	0.88
		LGPS_S	28	24	6.68	19	19	6.66	0.38	0.91
		LGPS_S	29	25	6.82	20	20	6.80	0.39	0.93
		LGPS_S	30	26	6.96	21	21	6.94	0.40	0.95
LGPS_S	Club transi	LGPS_S	31	27	7.10	22	22	7.09	0.41	0.98
		LGPS_S	32	28	7.25	23	23	7.24	0.41	1.00
		LGPS_S	33	29	7.41	24	24	7.39	0.42	1.02
		LGPS_S	34	30	7.56	25	25	7.55	0.43	1.05
		LGPS_S	35	31	7.72	26	26	7.71	0.44	1.07
LGPS_S	Club transi	LGPS_S	36	32	7.88	27	27	7.87	0.45	1.10
		LGPS_S	37	33	8.05	28	28	8.04	0.46	1.12
		LGPS_S	38	34	8.22	29	29	8.21	0.47	1.15
		LGPS_S	39	35	8.39	30	30	8.38	0.48	1.18
		LGPS_S	40	36	8.57	31	31	8.56	0.49	1.20
LGPS_S	Club transi	LGPS_S	41	37	8.75	32	32	8.74	0.50	1.23
		LGPS_S	42	38	8.93	33	33	8.93	0.51	1.26
		LGPS_S	43	39	9.12	34	34	9.12	0.52	1.28
		LGPS_S	44	40	9.32	35	35	9.31	0.53	1.31
		LGPS_S	45	41	9.52	36	36	9.51	0.54	1.34
LGPS_S	Club transi	LGPS_S	46	42	9.72	37	37	9.72	0.55	1.36
		LGPS_S	47	43	9.93	38	38	9.92	0.56	1.39
		LGPS_S	48	44	10.14	39	39	10.14	0.57	1.42
		LGPS_S	49	45	10.36	40	40	10.36	0.58	1.44
		LGPS_S	50			41	41	10.58	0.60	1.47
LGPS_S	Club transi	LGPS_S	51			42	42	10.81	0.61	1.49
		LGPS_S	52			43	43	11.04	0.62	1.52
		LGPS_S	53			44	44	11.28	0.64	1.54
		LGPS_S	54			45	45	11.53	0.65	1.57
		LGPS_S	55			46	46	11.78	0.66	1.59
LGPS_S	Club transi	LGPS_S	56			47	47	12.04	0.68	1.62
		LGPS_S	57			48	48	12.31	0.69	1.64
		LGPS_S	58			49	49			
		LGPS_S	59			50	50			
		LGPS_S	60			51	51			
LGPS_S	Club transi	LGPS_S	61			52	52			
		LGPS_S	62			53	53			
		LGPS_S	63			54	54			
		LGPS_S	64			55	55			
		LGPS_S	65			56	56			
LGPS_S	Club transi	LGPS_S	66			57	57			
		LGPS_S	67			58	58			
		LGPS_S	68			59	59			
		LGPS_S	69			60	60			
		LGPS_S	70			61	61			
LGPS_S	Club transi	LGPS_S	71			62	62			
		LGPS_S	72			63	63			
		LGPS_S	73			64	64			
		LGPS_S	74			65	65			
		LGPS_S	75			66	66			
LGPS_S	Club transi	LGPS_S	76			67	67			
		LGPS_S	77			68	68			
		LGPS_S	78			69	69			
		LGPS_S	79			70	70			
		LGPS_S	80			71	71			
LGPS_S	Club transi	LGPS_S	81			72	72			
		LGPS_S	82			73	73			
		LGPS_S	83			74	74			
		LGPS_S	84			75	75			
		LGPS_S	85			76	76			
LGPS_S	Club transi	LGPS_S	86			77	77			
		LGPS_S	87			78	78			
		LGPS_S	88			79	79			
		LGPS_S	89			80	80			
		LGPS_S	90			81	81			
LGPS_S	Club transi	LGPS_S	91			82	82			
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		LGPS_S	93			84	84			
		LGPS_S	94			85	85			
		LGPS_S	95			86	86			
LGPS_S	Club transi	LGPS_S	96			87	87			
		LGPS_S	97			88	88			
		LGPS_S	98			89	89			
		LGPS_S	99			90	90			
		LGPS_S	100			91	91			
LGPS_S	Club transi	LGPS_S	101			92	92			
		LGPS_S	102			93	93			
		LGPS_S	103			94	94			
		LGPS_S	104			95	95			
		LGPS_S	105			96	96			
LGPS_S	Club transi	LGPS_S	106			97	97			
		LGPS_S	107			98	98			
		LGPS_S	108			99	99			
		LGPS_S	109			100	100			
		LGPS_S	110			101	101			
LGPS_S	Club transi	LGPS_S	111			102	102			
		LGPS_S	112			103	103			
		LGPS_S	113			104	104			
		LGPS_S	114			105	105			
		LGPS_S	115			106	106			
LGPS_S	Club transi	LGPS_S	116			107	107			
		LGPS_S	117			108	108			
		LGPS_S	118			109	109			
		LGPS_S	119			110	110			
		LGPS_S	120			111	111			
LGPS_S	Club transi	LGPS_S	121			112	112			
		LGPS_S	122			113	113			
		LGPS_S	123			114	114			
		LGPS_S	124			115	115			
		LGPS_S	125			116	116			
LGPS_S	Club transi	LGPS_S	126			117	117			
		LGPS_S	127			118	118			
		LGPS_S	128			119	119			
		LGPS_S	129			120	120			
		LGPS_S	130			121	121			
LGPS_S	Club transi	LGPS_S	131			122	122			
		LGPS_S	132			123	123			
		LGPS_S	133			124	124			
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		LGPS_S	135			126	126			
LGPS_S	Club transi	LGPS_S	136			127	127			
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		LGPS_S	138			129	129			
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		LGPS_S	140			131	131			
LGPS_S	Club transi	LGPS_S	141			132	132			
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		LGPS_S	143			134	134			
		LGPS_S	144			135	135			
		LGPS_S	145			136	136			
LGPS_S	Club transi	LGPS_S	146			137	137			
		LGPS_S	147			138	138			
		LGPS_S	148			139	139			
		LGPS_S	149			140	140			
		LGPS_S	150			141	141			
LGPS_S	Club transi	LGPS_S	151			142	142			
		LGPS_S	152			143	143			
		LGPS_S	153			144	144			
		LGPS_S	154			145	145			
		LGPS_S	155			146	146			
LGPS_S	Club transi	LGPS_S	156			147	147			
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		LGPS_S	158			149	149			
		LGPS_S	159			150	150			
		LGPS_S	160			151	151			
LGPS_S	Club transi	LGPS_S	161			152	152			
		LGPS_S	162			153	153			
		LGPS_S	163			154	154			
		LGPS_S	164			155	155			
		LGPS_S	165			156	156			
LGPS_S	Club transi	LGPS_S	166			157	157			
		LGPS_S	167			158	158			
		LGPS_S	168			159	159			
		LGPS_S	169			160	160			
		LGPS_S	170			161	161			
LGPS_S	Club transi	LGPS_S	171			162	162			
		LGPS_S	172			163	163			
		LGPS_S	173			164	164			
		LGPS_S	174			165	165			
		LGPS_S	175			166	166			
LGPS_S	Club transi	LGPS_S	176			167	167			
		LGPS_S	177			168	168			
		LGPS_S	178			169	169			
		LGPS_S	179			170	170			
		LGPS_S	180			171	171			
LGPS_S	Club transi	LGPS_S	181			172	172			
		LGPS_S	182			173	173			
		LGPS_S	183			174	174			
		LGPS_S	184			175	175			
		LGPS_S	185			176	176			
LGPS_S	Club transi	LGPS_S	186			177	177			
		LGPS_S	187			178	178			
		LGPS_S	188			179	179			
		LGPS_S	189			180	180			
		LGPS_S	190			181	181			
LGPS_S	Club transi	LGPS_S	191			182	182			
		LGPS_S	192			183	183			
		LGPS_S	193			184	184			
		LGPS_S	194			185	185			
		LGPS_S	195			186	186			
LGPS_S	Club transi	LGPS_S	196			187	187			
		LGPS_S	197			188	188			
		LGPS_S	198			189	189			
		LGPS_S	199			190	190			
		LGPS_S	200			191	191			
LGPS_S	Club transi	LGPS_S	201			192	192			
		LGPS_S	202			193	193			
		LGPS_S	203			194	194			
		LGPS_S	204			195	195			
		LGPS_S	205			196	196			
LGPS_S	Club transi	LGPS_S	206			197	197			
		LGPS_S	207			198	198			
		LGPS_S	208			199	199			
		LGPS_S								

Governance



Review of LGPS Structure - Background

Deputy First Minister
and Cabinet Secretary
John Swinney MSP

T: 0300 244 4000
E: dfr@scotland.gov.uk

Chair
Local Government
c/o Jane O'Donnell

12 August 2018

Dear Sir

I am writing to
Advisory Board
Unison.

I would like
for development
Board's work

I am writing to

I am writing to

I am writing to

I am writing to

I am writing to

I am writing to

I am writing to

I am writing to

I am writing to

I am writing to

Cabinet Secretary for Finance and the Constitution
Derek Mackay MSP



Scottish Government

T: 0300 244 4000
E: scottish.ministers@gov.scot

Dave Watson - d.watson@unison.org.uk
Jonathan Shama - jonathan@unison.org.uk

By email

24 January 2018

Dear Dave and Jonathan

REVIEW OF LGPS STRUCTURE

Thank you and your colleagues for the production of the report on the structure of the scheme which will lead to greater clarity and which the report has identified a number of options for the future.

I can confirm that I would be grateful to hear your views on the structure of the scheme based on the options identified in the report.

- Status quo of eleven funds
- Retain the eleven funds, with one or more common investment pools
- Merge the funds into one

I have asked Lorimer Mackenzie to discuss this with you and I look forward to hearing your views.

St Andrew's House, Regent Road, Edinburgh
www.gov.scot



Pensions Institute

Consultation on the

Review of the Structure of the Scottish Local Government Pension Fund

Carried out by the Pensions Institute

on behalf of the Scottish Local Government Pension Scheme Advisory Board

June 2018



DUMBARTON CASTLE



Finance

Stuart Tough
Finance Manager

Annual Report and Financial Statements 2018/19

Available for inspection on
the SPFO website
www.spfo.org.uk from
Friday 28th June 2019



**ANNUAL REPORT
AND FINANCIAL
STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2019

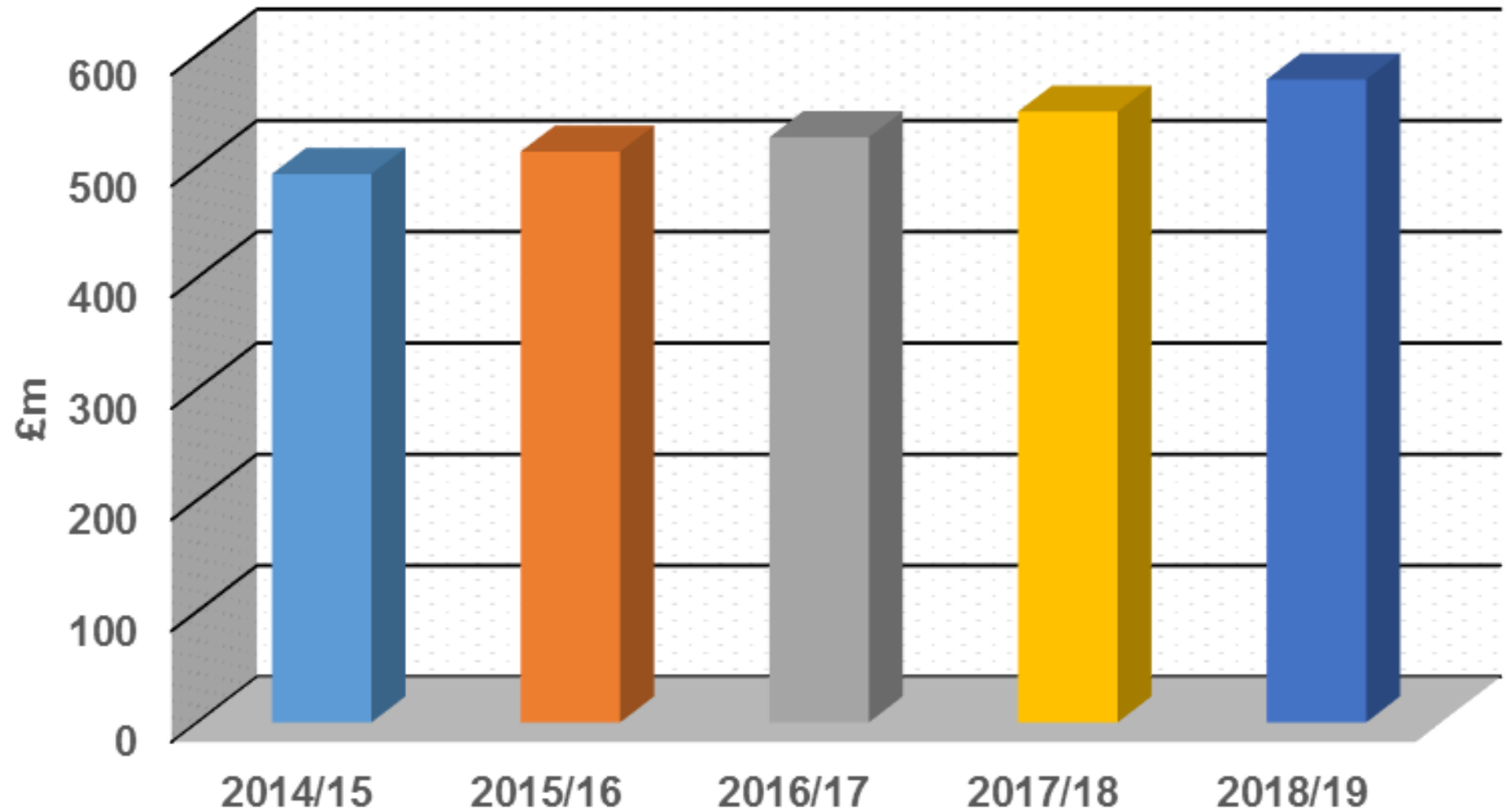
Agenda

- 2018/19 Annual Accounts
 - Fund Account
 - Return on Investments
 - Net Assets Statement
- Statistics, current and previous year movement and trends
- Future cashflow and factors

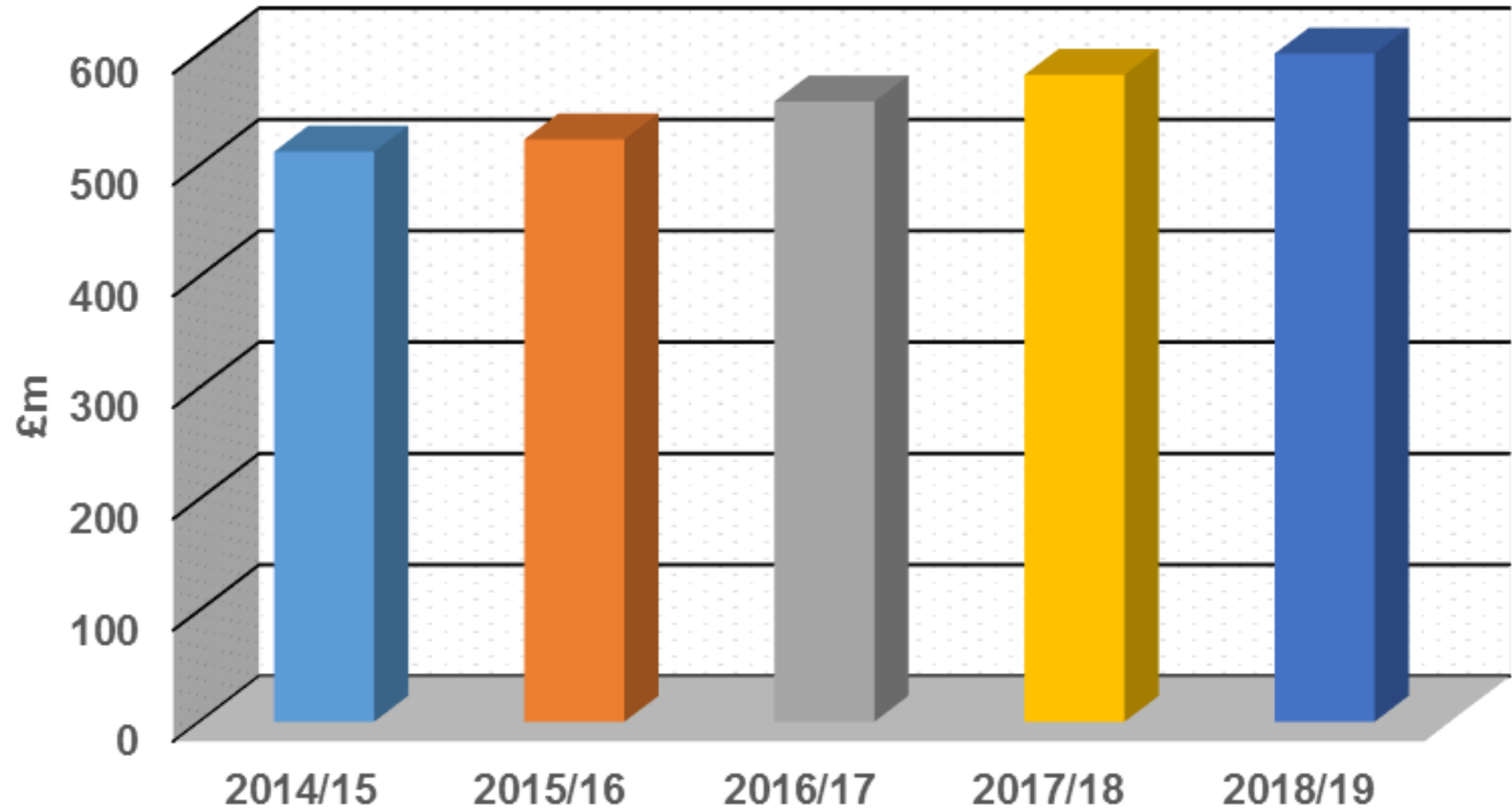
2018/19 Annual Accounts – Fund Account

2017/18 £m		2018/19 £m
	<u>Fund Income</u>	
417	Contributions receivable from employers	438
125	Contributions receivable from employees	131
6	Transfers In	9
1	Other Income	0
549		578
	<u>Fund Payments</u>	
422	Pensions	452
125	Lump Sums and Death Benefits	138
33	Payments to and on account of leavers	40
580		630
(31)	Net addition/(reduction) from dealings with members	(52)

Total Income from Members and Employers



Total Expenditure from Dealing with Members



Statistics

- Average Employee Contributions £1,300 (100,441 members)
- Average Employer Contributions £4,400 (172 employers for 100,441 members)
- Average Pension £5,800 (79,234 pensioners)
- Average Lump sum £44,800 (2,696 retirees)
- Average Transfers £359,400 (108 transfers out)
- Members 242,274 (4% increase and 15% from 2014)

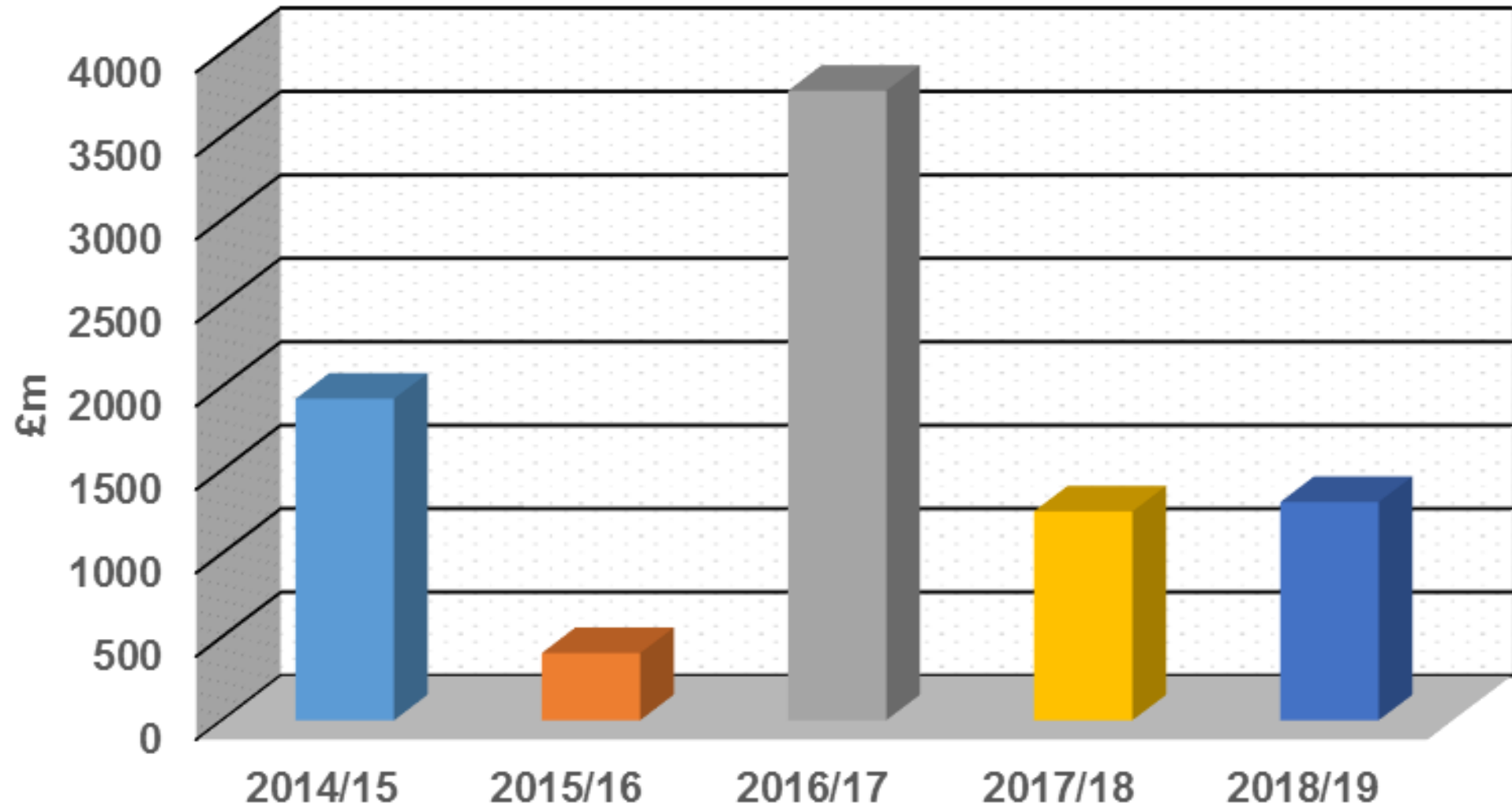
2018/19 Annual Accounts – Return on Investments

2017/18 £m		2018/19 £m
	<u>Return on Investments</u>	
285	Investment income	283
967	Change in market value of investments	1,025
1,252	Net returns on investments	1,308
(114)	Management expenses	(126)
(31)	Net addition/(reduction) from dealings with members	(52)
1,107	Net movement in the Fund during the year	1,130
	ADD	
19,699	Opening Net Assets as at 1st April	20,806
	EQUALS	
20,806	Closing Net Assets as at 31st March	21,936

Return on Investments

£1.3bn or 5.9%

Net Return on Investments



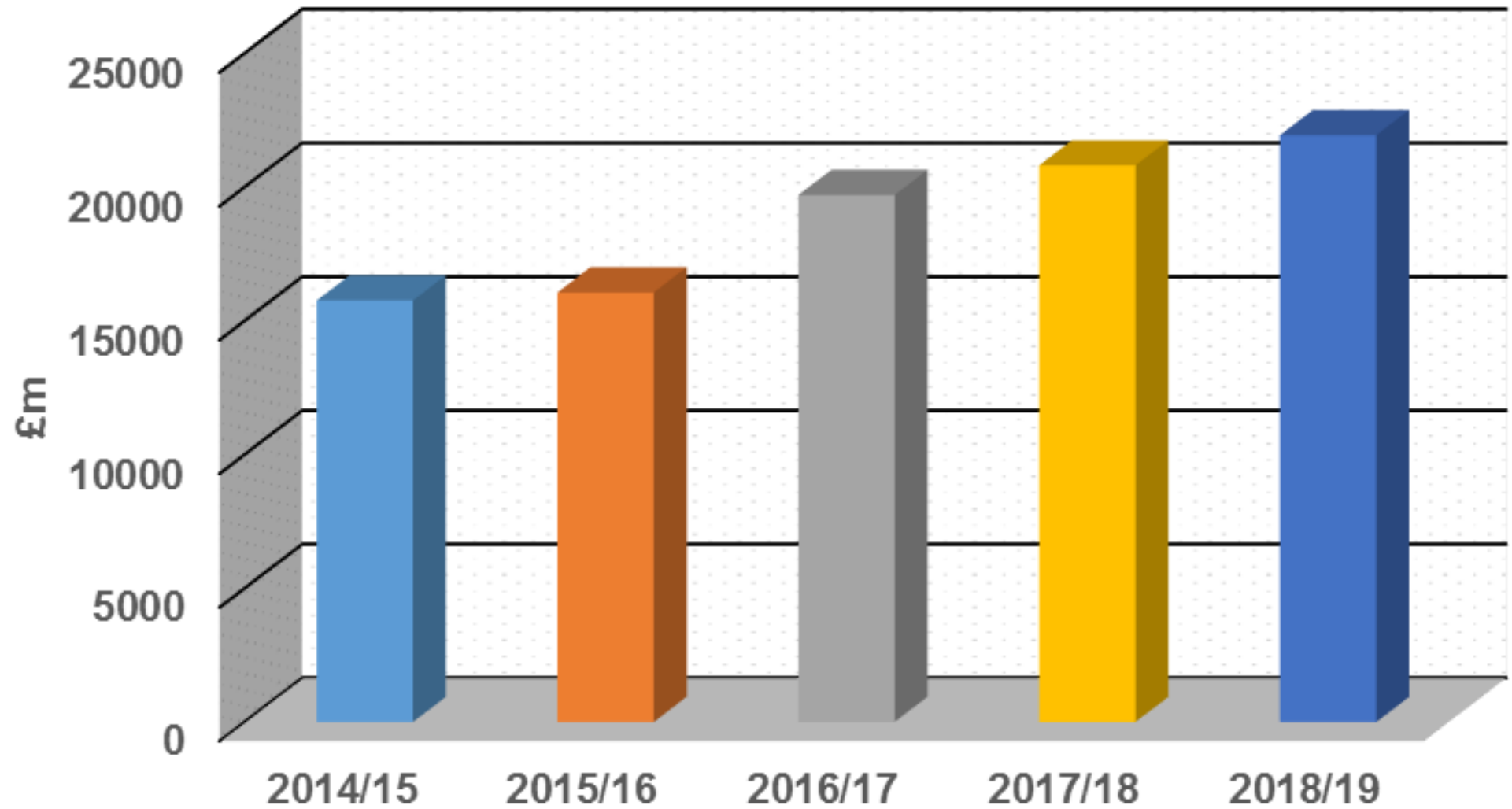
2018/19 Annual Accounts – Net Assets Statement

2017/18 £m		2018/19 £m
	<u>Investment Assets</u>	
7,286	Equities	8,563
10,395	Pooled Investment Vehicles	10,441
2	Derivative Contracts	3
1,881	Property	2,032
1,272	Cash and Other	888
20,836		21,927
(65)	Investment Liabilities	(37)
97	Current Assets	121
(62)	Current Liabilities	(75)
20,806	Net Assets	21,936

Net Assets

£21.9bn

Closing Net Assets of the Fund



Financial Summary

- Net Assets increased from £20.8bn to £21.9bn. Increase of 5%
- Highest ever Net Asset Value
- Triennial valuation 105.0%. Intervaluation 108.7%

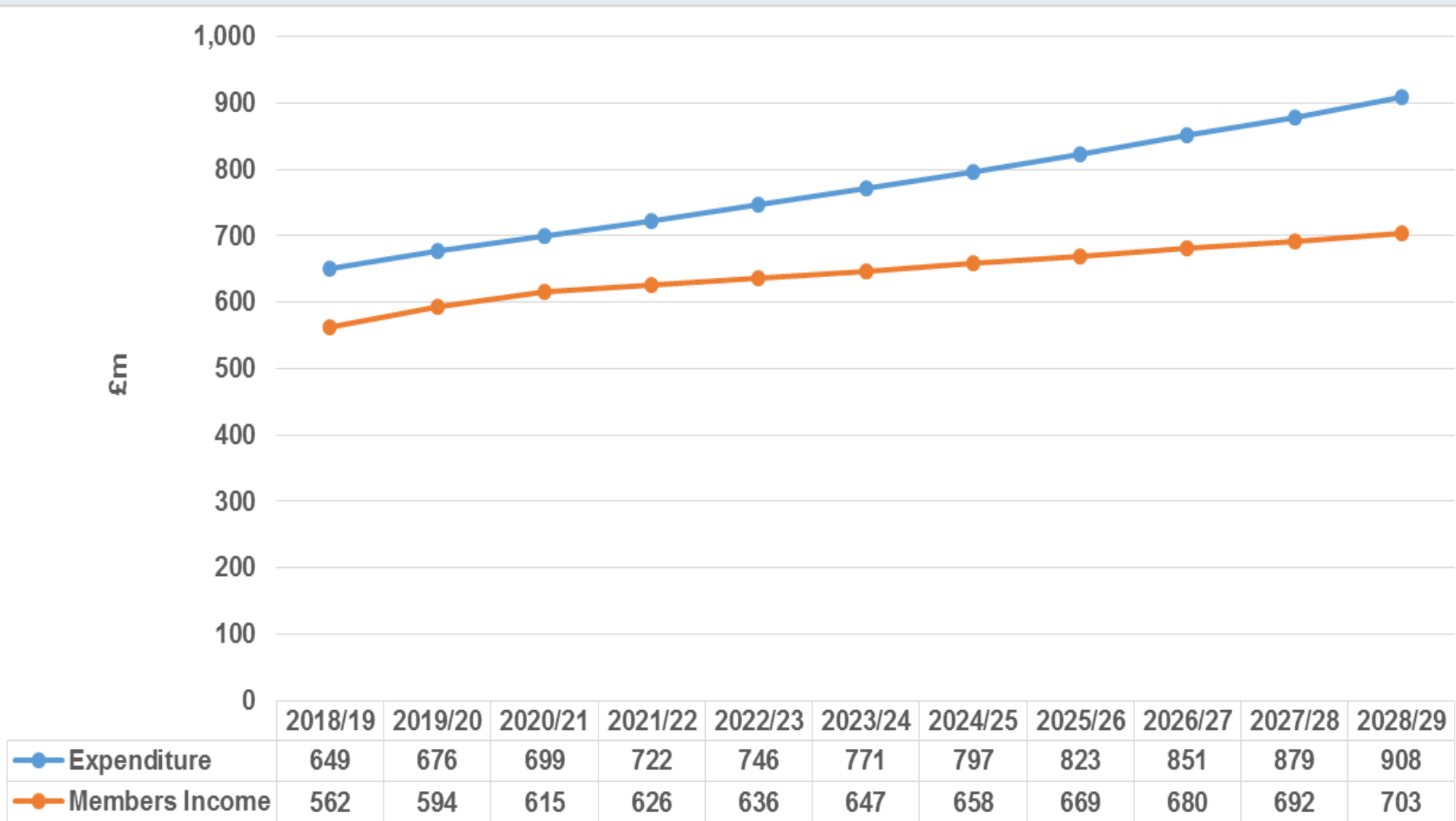
Summary

- Increasing fund expenditure (£630m) and income (£578m)
- Leads to reduction but investment income (£283m) sufficient to cover this
- Net Assets increasing to highest ever level of £21.9bn
- Increasing members to 242,000 (4%)

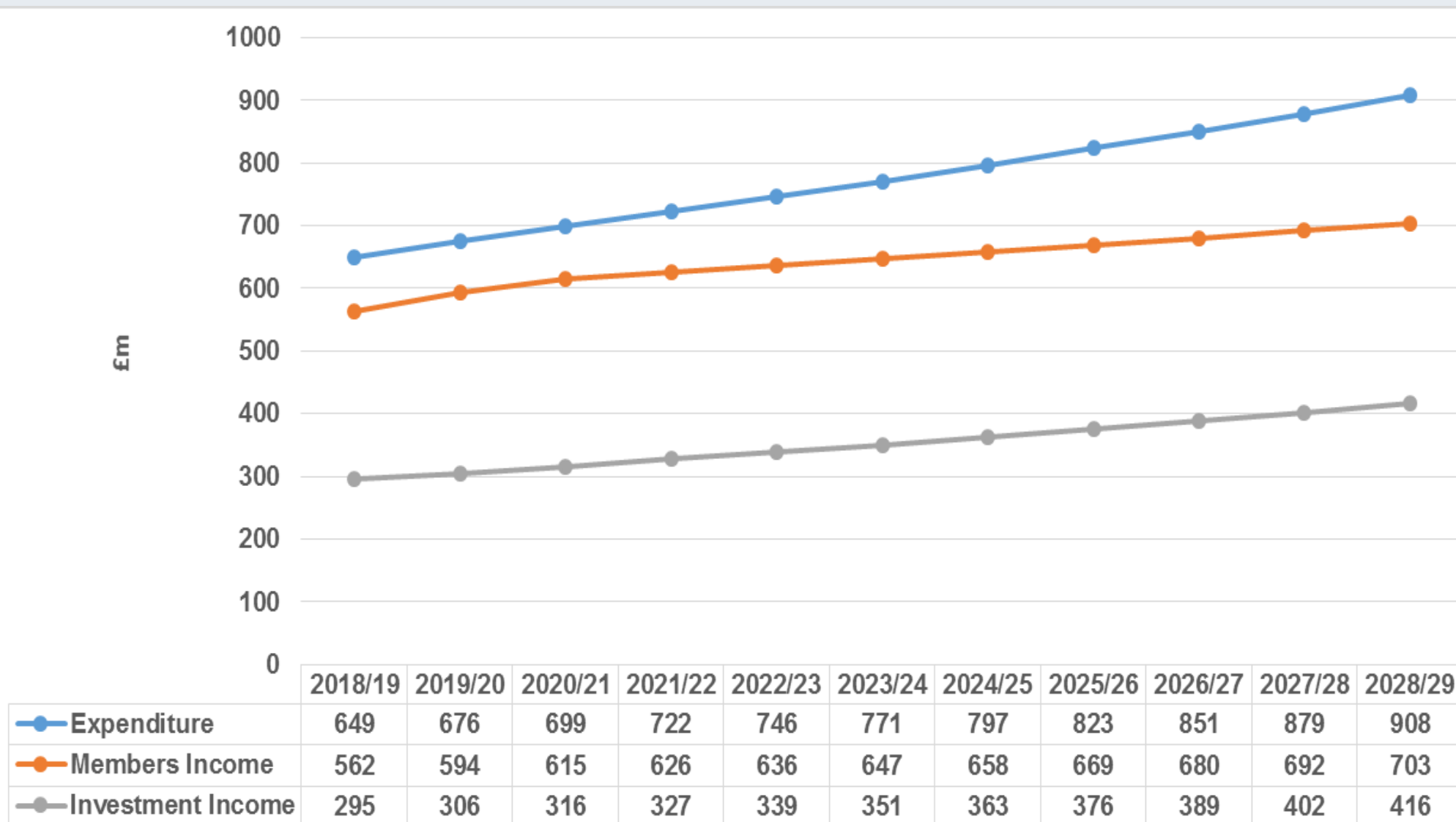
10 Year Cashflow Forecast – 2018/19 to 2028/29

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Employee Contributions	127,372	141,076	146,305	148,775	151,279	153,819	156,395	159,007	161,655	164,340	167,063
Employers Contributions	403,095	418,886	434,413	441,747	449,184	456,725	464,373	472,127	479,991	487,964	496,049
Strain on the Fund	23,000	25,000	25,625	26,266	26,923	27,596	28,286	28,993	29,718	30,461	31,223
Added Years	600	600	600	600	600	600	600	600	600	600	600
Transfer Values in	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Other	200	200	200	200	200	200	200	200	200	200	200
Total Income	562,267	593,762	615,143	625,588	636,186	646,940	657,854	668,927	680,164	691,565	703,135
Pensions Expenditure	456,067	460,336	478,426	497,134	516,478	536,478	557,156	578,532	600,628	623,468	647,075
Lump Sums	105,000	117,875	120,822	123,843	126,939	130,112	133,365	136,699	140,116	143,619	147,209
Death Gratuities	16,000	17,425	17,861	18,308	18,766	19,235	19,716	20,209	20,714	21,232	21,763
Refunds	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Transfer Values out	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Admin Costs	4,700	6,200	6,262	6,325	6,502	6,684	6,871	7,063	7,261	7,464	7,673
Total Expenditure	615,367	635,436	656,971	679,210	702,285	726,109	750,708	776,103	802,319	829,383	857,320
Net Additions/Deductions-	-53,100	-41,674	-41,828	-53,622	-66,099	-79,169	-92,854	-107,176	-122,155	-137,818	-154,185
Investment Income	295,177	305,508	316,201	327,268	338,722	350,577	362,847	375,547	388,691	402,295	416,375
Manager Fees	34,000	40,628	41,644	42,685	43,752	44,846	45,967	47,116	48,294	49,501	50,739

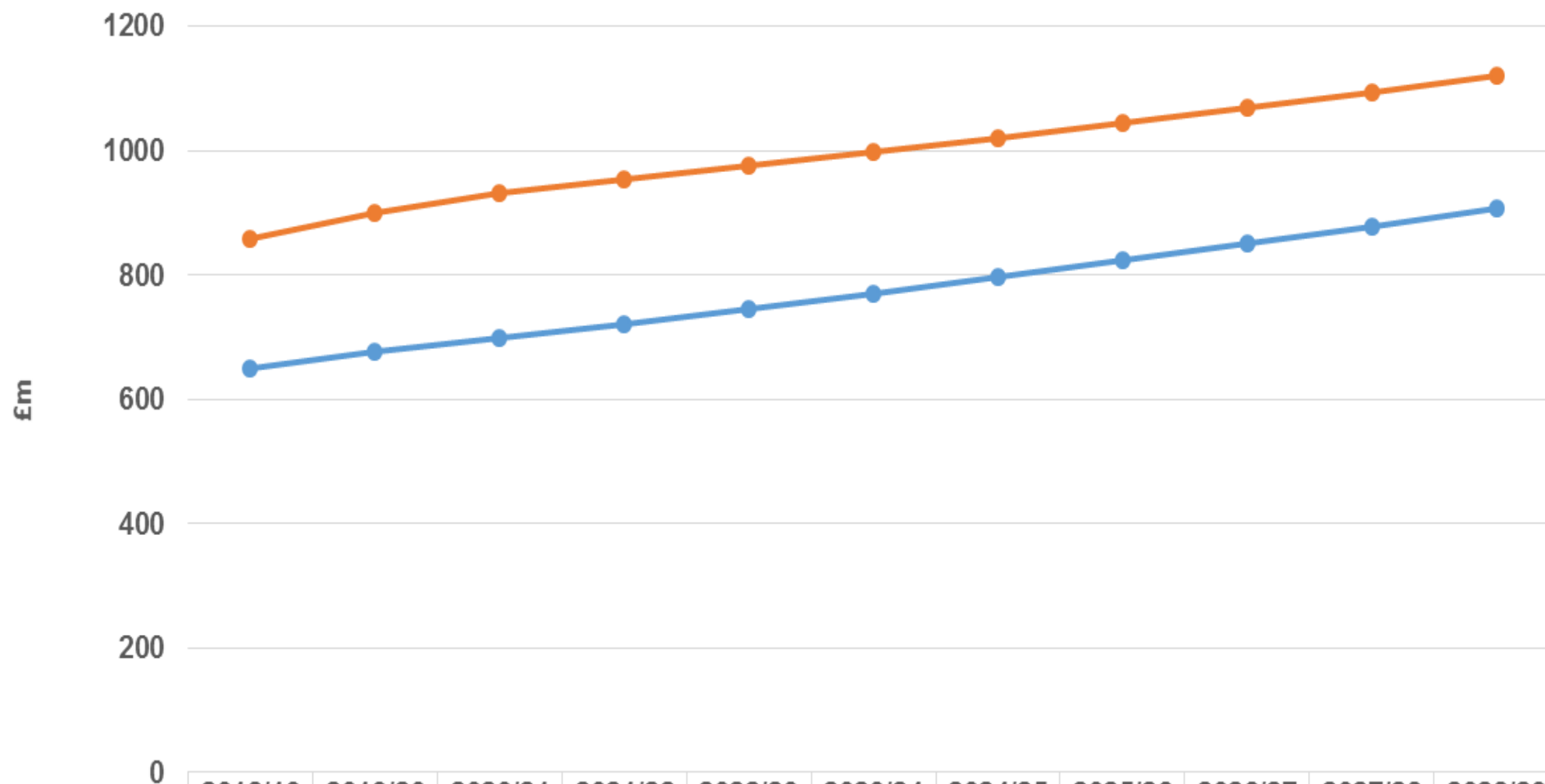
10 Year Cashflow Forecast - 2018/19 to 2028/29



10 Year Cashflow Forecast - 2018/19 to 2028/29



10 Year Cashflow Forecast - 2018/19 to 2028/29



	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Expenditure	649	676	699	722	746	771	797	823	851	879	908
Total Income	857	899	931	953	975	998	1021	1044	1069	1094	1120

Future

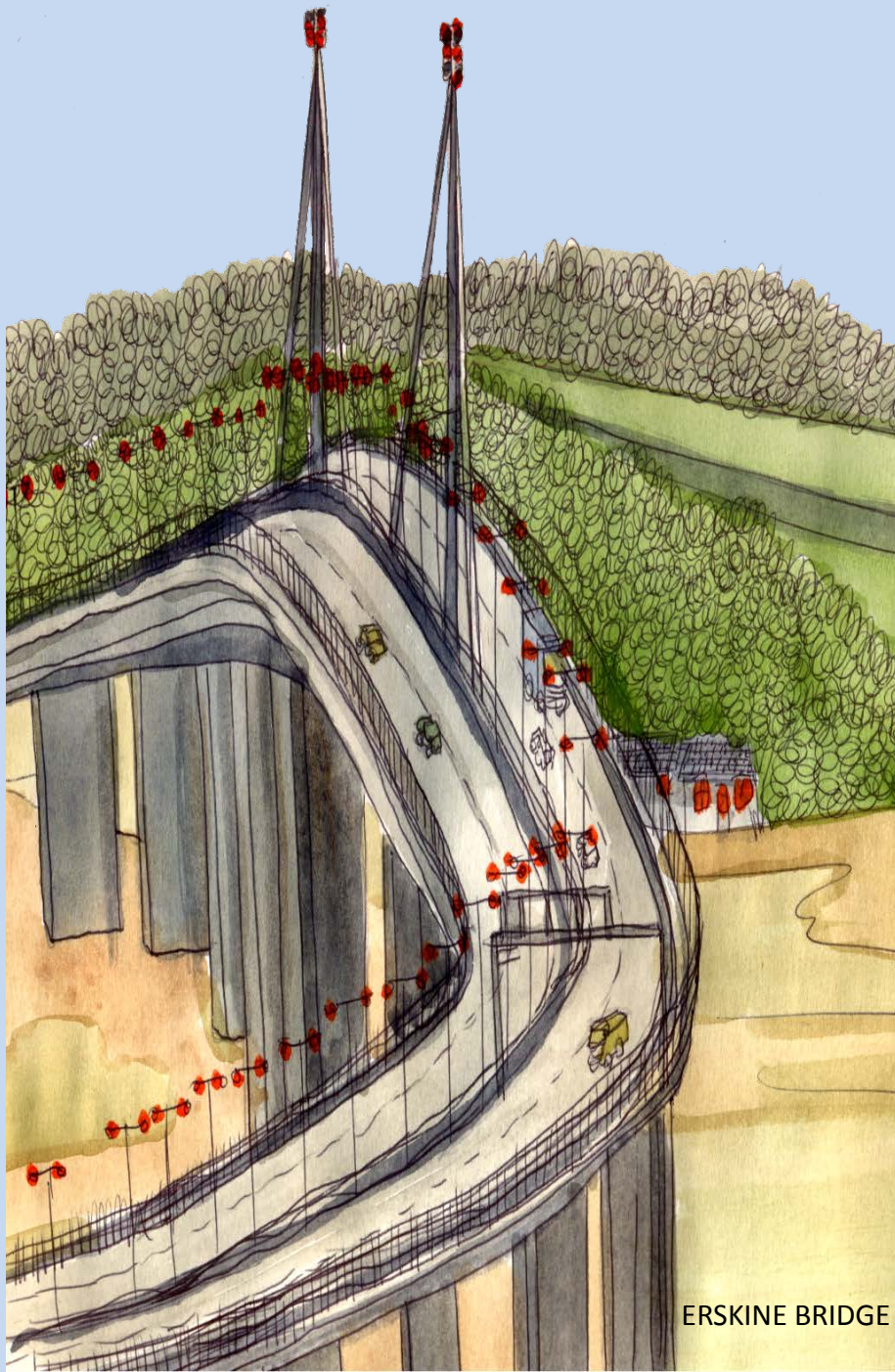
- Inflation
- Market conditions - including impact of Brexit
- Changes to LGPS
- Structure Review
- Fund 3 Transfer to Aberdeen City
- Change to investment mix
- GMP Equalisation
- McCloud / Age Discrimination Ruling

An aerial photograph of the Glasgow city skyline, showing various buildings, the Glasgow Arena, and the Glasgow Science Centre. The image is slightly faded to serve as a background for the text.

Stuart Tough
Finance Manager
stuart.tough@Glasgow.gov.uk
0141 287 0385



DUMBARTON CASTLE



ERSKINE BRIDGE



ADMINISTRATION

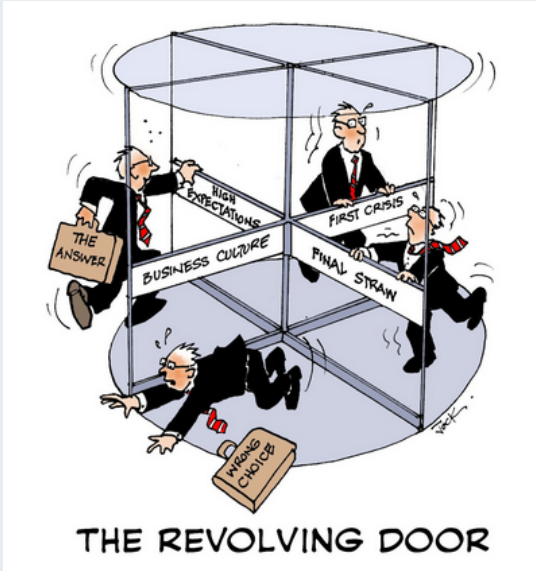
Linda Welsh
Pension Scheme Manager

Agenda

- Growth in membership
- Summary of activities
- Data Quality
- Another busy year ahead
- Karen Sweeney - Employer Engagement



Order from Chaos!



Draft 14 December 2018

SCOTTISH STATUTORY INSTRUMENTS

2019 No.

PUBLIC SERVICE PENSIONS

The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2019

Made - - - 2019
Laid before the Scottish Parliament 2019
Coming into force 2019

The Scottish Ministers make the following Regulations in exercise of the powers conferred by section 7 of the Superannuation Act 1972(a) ("the 1972 Act") and sections 1, 2 and 3 and schedule 2, paragraph 3(b) of the Public Service Pensions Act 2013(b) ("the 2013 Act") and all other powers enabling them to do so.

In accordance with section 7(5) of the 1972 Act, they have consulted such associations of local authorities as appeared to them to be concerned, such local authorities with whom consultation appeared to them to be desirable, and such representatives of other persons likely to be affected by these Regulations as appeared to them to be appropriate.

In accordance with section 21(1) of the 2013 Act, the Scottish Ministers consulted such persons or the representatives of such persons as appeared to the Scottish Ministers likely to be affected by these Regulations.

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2019, and come into force on [.....] 2019.
(2) Regulations 2 and 3 have effect from 1st June 2018.
(3) Regulation 4 has effect from 1st April 2015.

Amendment of the Local Government Pension Scheme (Scotland) Regulations 2018

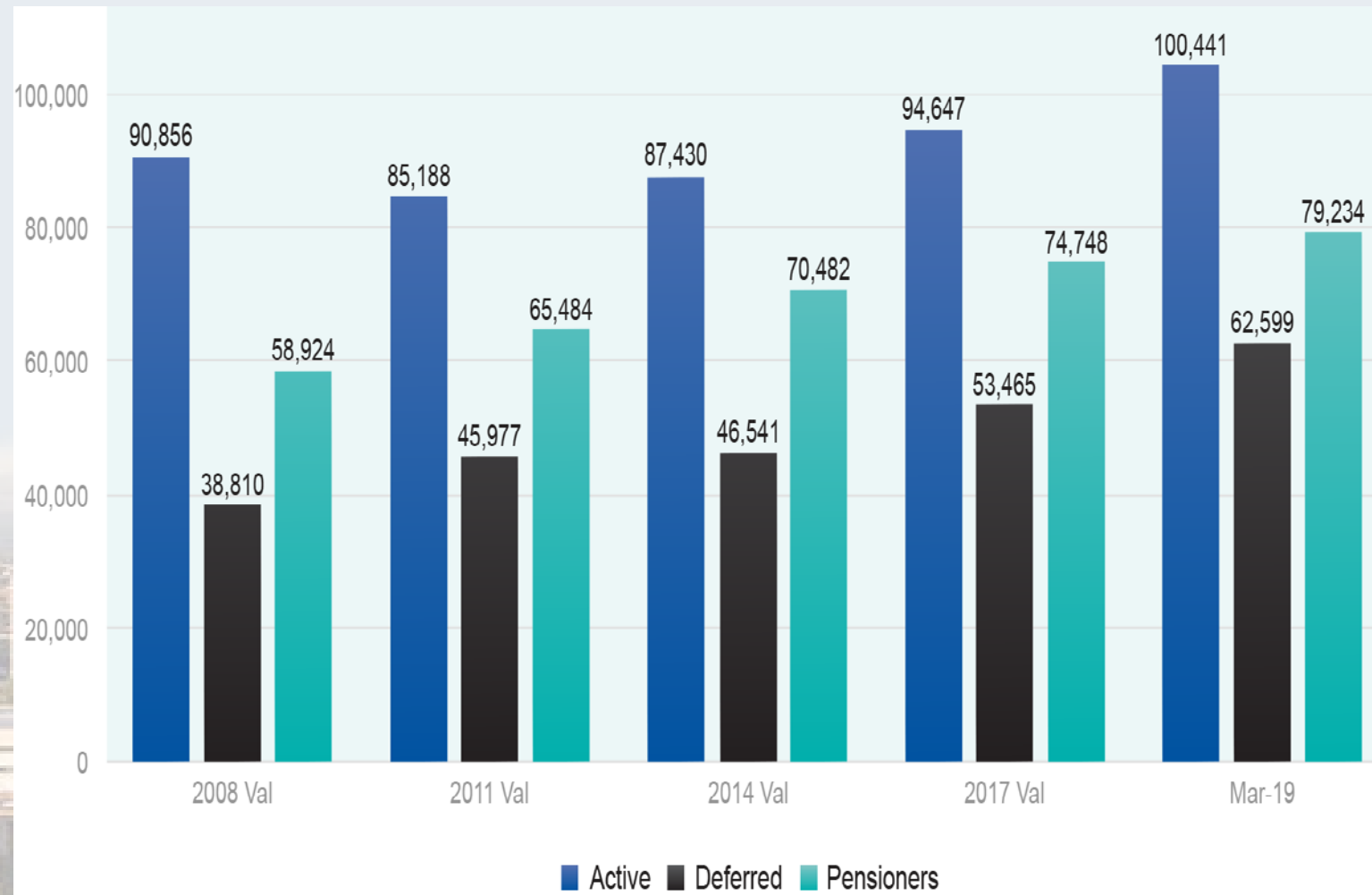
2.—(1) The Local Government Pension Scheme (Scotland) Regulations 2018(c) are amended in accordance with paragraph (2) to (4).
(2) In the citation of the enabling powers, for "Public Services Pensions Act 2013" substitute "Public Service Pensions Act 2013".
(3) In regulation 1(2) —

(a) 1972 c.11; section 7 was amended by the Public Service Pensions Act 2013, Schedule 8, paragraph 8; the functions of the Secretary of State under section 7 were transferred to the Scottish Ministers by virtue of S.I. 1999/1750.
(b) 2013 c.25.
(c) S.I. 2018/141.

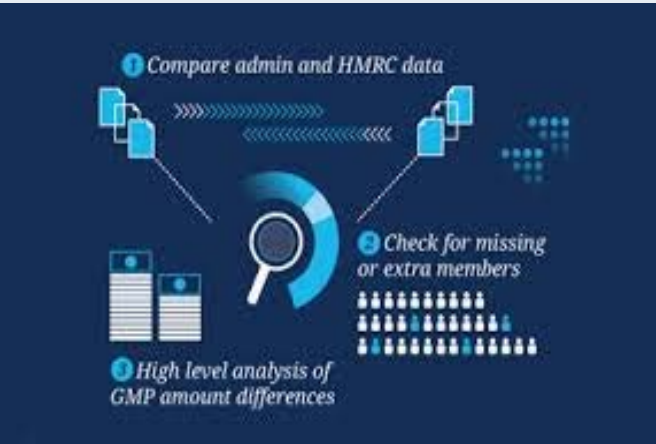


The Pensions
Regulator

Growth in membership from 2008 to 2019



Summary of activities



Your 2018 pension update

Your pension account at 31 March 2018

Annual pension at 31 March 2017	
+ Adjustments for inflation on 1 April 2017	
= The value as at 1 April 2017 to 31 March 2018	
+ Annual pension at 31 March 2018	

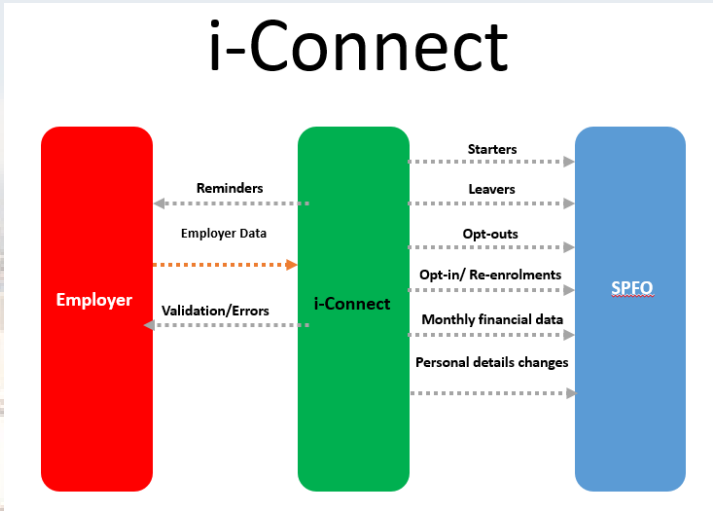
* In full-year adjustments for inflation that is added to your pension account on 1 April 2017 is 1.5%.

Your total benefits

If you take your benefits on	
As annual pension of	
a smaller annual pension of	
plus a lump sum of	
or something in between	

How we have calculated your benefits

* Your pension is based on your year of pensionable pay for that year + 40 or + 60 if you are in the 50/50 section.



Data Quality

A quick guide to improving your data

Information
for trustees
and scheme
managers

About this guide

Trustees and scheme managers should review their data at least once a year and if there are any issues, put an improvement plan in place to address them. This guide will help you design an improvement plan, or assess the one you currently have in place. It is applicable whether your pension scheme is administered in-house or by a third party provider.

The improvement plan should clearly set out the steps you are taking to improve your scheme data. Your plan will be unique to your scheme's circumstances. Your plan does not need to be complicated – the amount of detail you need to go into will depend on the complexity of the issues you are trying to address. However there are certain elements we expect to see in any robust improvement plan, based on our experience of good practice.

We expect all trustees and scheme managers to maintain accurate records. Failure to do so can put you at risk of failing to meet your legal obligations and we may take enforcement action where schemes are not meeting the standards we expect and are failing to demonstrate they are taking appropriate steps to improve their records.

What are your improvement plan's objectives?

In your plan, you should clearly set out the objectives you are trying to achieve by improving your data. If you have multiple objectives you should set them out in order of priority.

Example objectives

- ▶ Addressing data issues which impact your ability to run your scheme effectively, including paying out benefits correctly, processing core transactions, ensuring a high standard of service for members, keeping costs manageable or meeting various legal obligations. These issues might typically be identified through your annual data review, an audit or the valuation process
- ▶ Improving members' experiences, for example providing members with online access to their records

continued...

March 2019

The Pensions
Regulator

Data Type	2018 of tests passed %	2018 records without a single data failure %
Common data	99.1%	93%
Scheme-specific data	97.2%	88.5%

	Members	2018/19	Members	2017/18
		%		%
Record status matched	99,041	98.6	97,185	98.3
Missing new start data	663	0.7	761	0.8
Missing leaver data	737	0.7	924	0.9
Total employee members	100,441	100	98,870	100

Target < 2%
2018/19 actual 1.4%
2017/18 actual 1.7%

SPFO PERFORMANCE

Transactions	Volume	SPFO Target days	Target %	Achieved %	Statutory Deadline	Achieved %
New starts	14,248	15 days	95.0%	63%	1 month	84%
Refunds	2,140	7 days	90.0%	94%	As soon as reasonably practicable	100%
Deferred	3,898	10 days	90.0%	29%	2 months	47%
Retiral Estimates	3,708	20 days	80.0%	88%	2 months	98%
Payments						
Pensions payroll run on time	12	N/A	100%	100%	100%	100%
New retirals processed for due payroll date	896	N/A	95%	99%	N/A	N/A
Retirement lump sums paid on retirement date	896	N/A	95%	92%	N/A	N/A
Contribution income received by due date	12	N/A	100%	99%	100%	99%

Survey Results 2018/19

	Refunds	Retirals
Forms issued	2,140	2,696
Responses	1,074	850
Response rate (%)	50.2	31.5
“Satisfaction Rating” (%)	84.8	90.1
Target (%)	80.0	90.0
<i>2017/18 full year (%)</i>	<i>84.6</i>	<i>89.6</i>



Another busy year ahead

- 2019/20 Business & Development Plan, review:

- Administration Strategy
- Data Improvement Plan
- Administration structure and resource

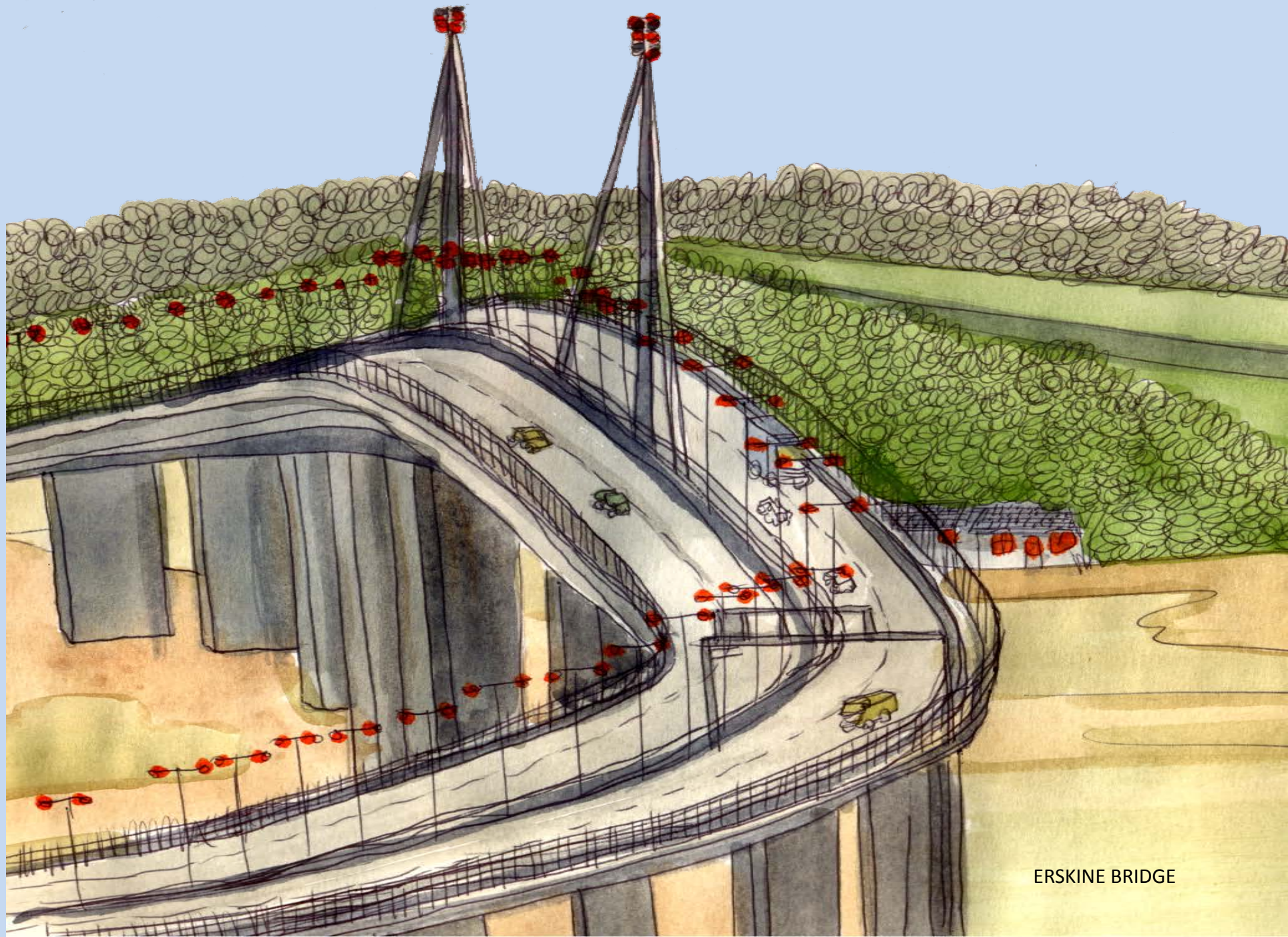


- Digital Delivery/improving the member experience

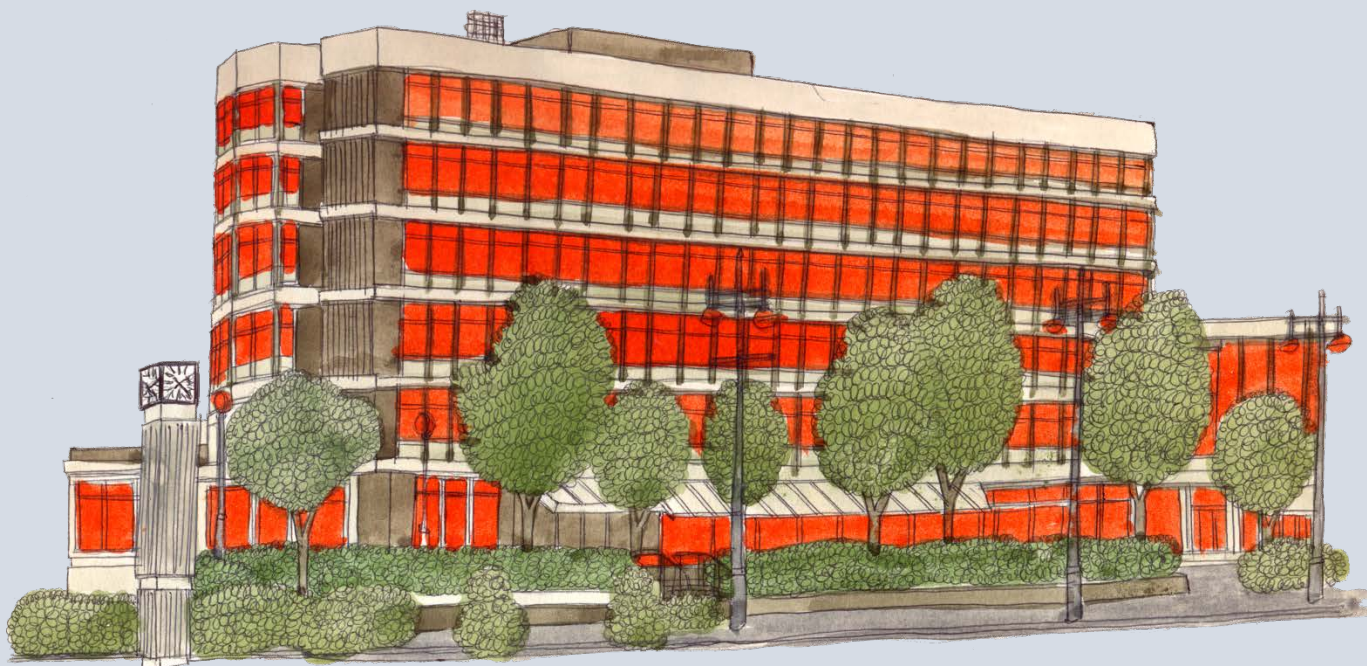


- Continued employer engagement





ERSKINE BRIDGE



MOTHERWELL CIVIC CENTRE

Administration

Employer Engagement

Karen Sweeney
Employer Engagement Manager

My Journey so far.....

.....

New Role created in 2017

No prior knowledge of Pension Administration

Focus on Local Authorities



2018/19



Employer Quotes

Following 2 previously extremely painful and difficult year ends, we agreed that we could not sustain the amount of effort and resource in this process year on year. We also had a **vast** number of Pension queries which needed to be resolved and updated urgently.

We agreed a way forward using a Data Improvement Plan, following Monthly meetings organised by SPFO.

We allocated 2 x full time resources to work on the plan, initially to clear the backlog of queries then begin the implementation of I Connect.

This would not have been achieved without the joined up working from SPFO and an allocated resource from Payroll. This has been a great achievement for all involved.

Lorraine Buttery
Payroll & Pension Manager
North Lanarkshire Council

Our payroll department have found the Year End Workshops very helpful as the information allows us to focus on our submissions and potentially avoid issues/problems at year end.

The training session we have attended (with further sessions to follow) has been invaluable as concentrates on different areas of administration. This is an area that we feel is vital to ensure correct processes are followed.

Bernadette Brennan Payroll Officer
Glasgow School of Art

WHATS NEXT?

50 Employers on i-Connect

Employer Visits

Data Improvement Plans

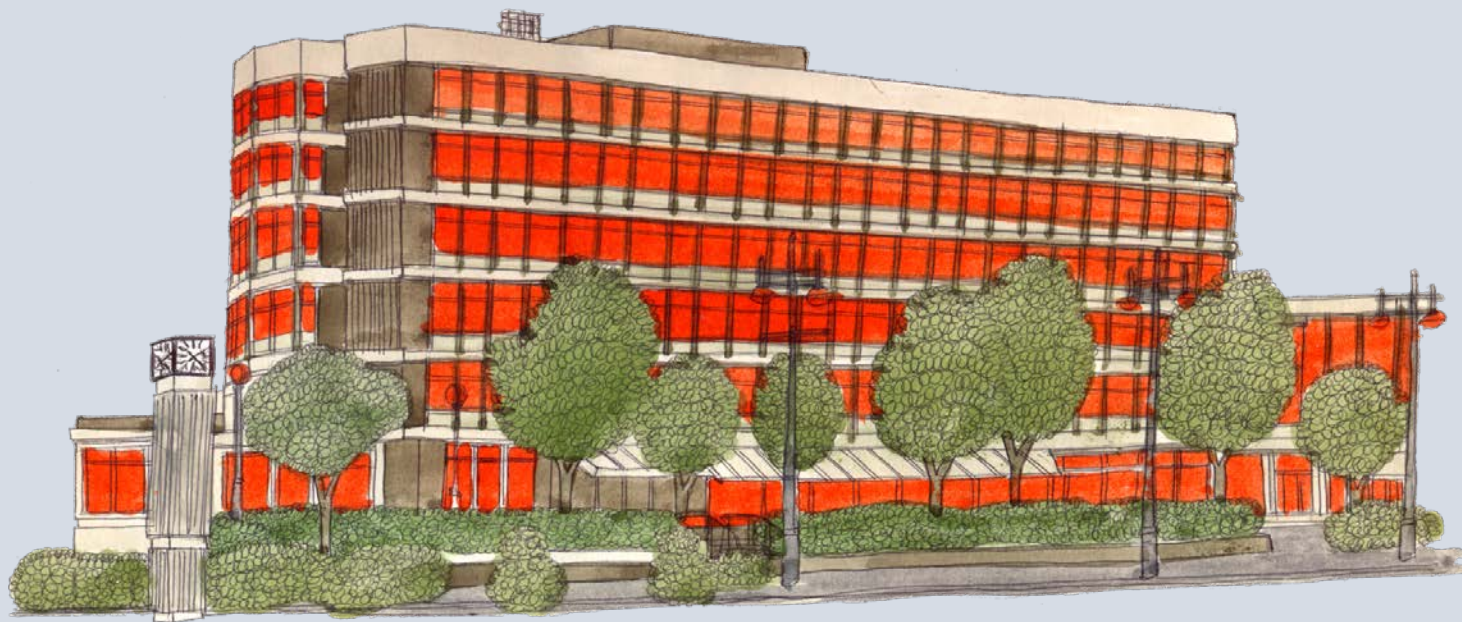
Employer Forums

Further 3 Training Days scheduled

karen.sweeney@glasgow.gov.uk

0141 287 7493





MOTHERWELL CIVIC CENTRE

2019 Actuarial Update

Strathclyde Pension Fund

- Catherine McFadyen FFA
- Steven Law FFA

Today

- Mortality
- Government Actuary's Cost Sharing Valuation
- McCloud
- 2019 Valuations in England & Wales
- Good Governance



Mortality



Press coverage

The Actuary

The magazine of the Institute & Faculty of Actuaries

Falling life expectancy to slash pension scheme liabilities

sky news

A lot of people in the City are getting very excited about death

“...”£2bn windfall to the life sector.”



MailOnline

British life expectancy falls by SIX MONTHS for men and women with experts blaming NHS cuts and a rise in dementia, diabetes and obesity

...”pension firms have already begun to cash in on falling life expectancies.”

THE WALL STREET JOURNAL

Home World U.S. Politics Economy Business Tech Markets Opinion Life & Arts

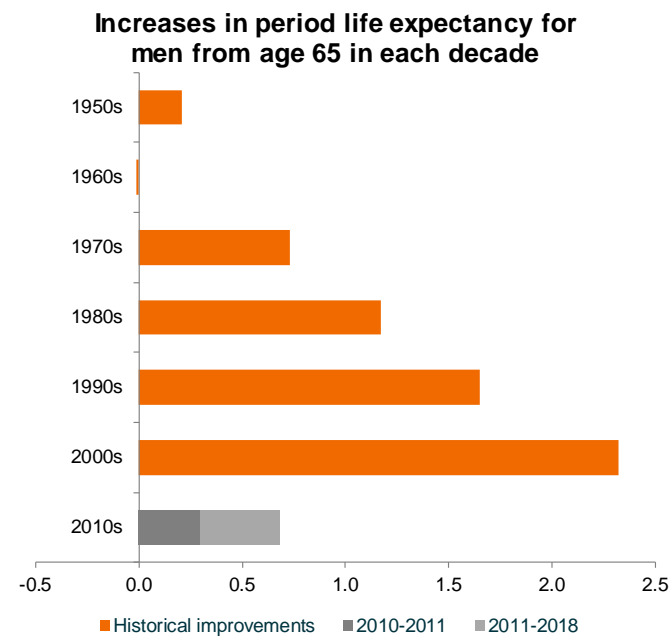
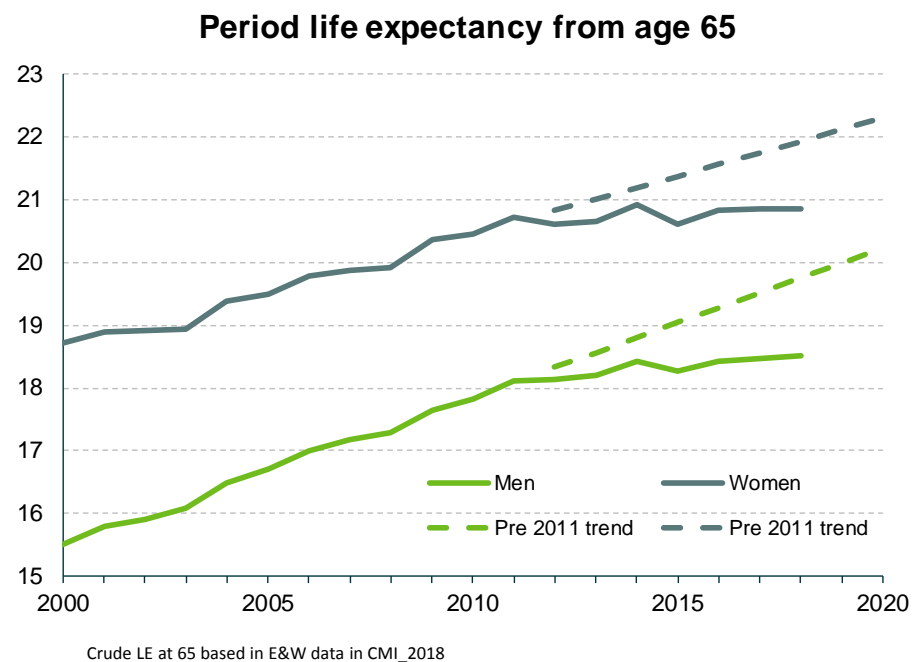
MARKETS | HEARD ON THE STREET

Life Was Short for Longevity Gains

Life expectancy at 65 is falling and that means cash windfalls for insurers



Is it true?



General population

What is driving recent experience?



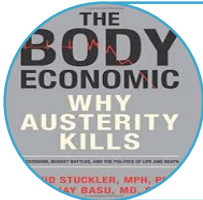
End of an era

Have we exhausted the era of cardiovascular improvements with no replacement driver of improvements?



High-rise 00s

Were the 2000s simply abnormally good e.g. strong investment in health care, drives for social (health) equality?



Cash-strapped Britain

Are austerity driven cuts (**supply**) impacting health outcomes, particularly of older people in an ageing population (**demand**)?



Frailty decline

A few harsh winters and flu seasons, each of which trigger frailty decline and premature mortality have merged together.



Rise of Dementia

Larger rise in dementia than attributable to ageing population – are current generations more 'prone' for some reason?

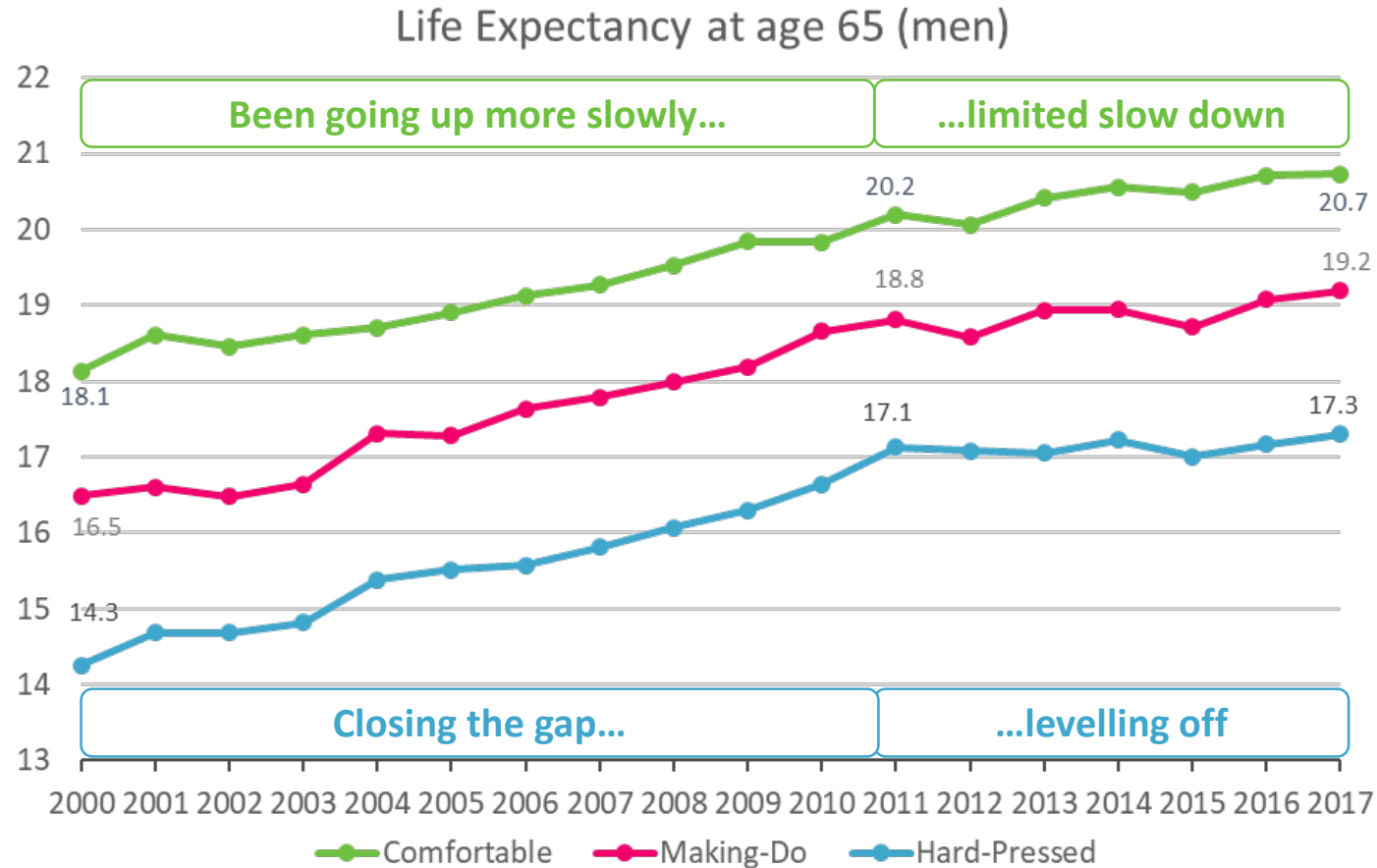


Data anomaly?..

Some have questioned if there an anomaly within the population data. **Unlikely given the results replicated in Club Vita.**

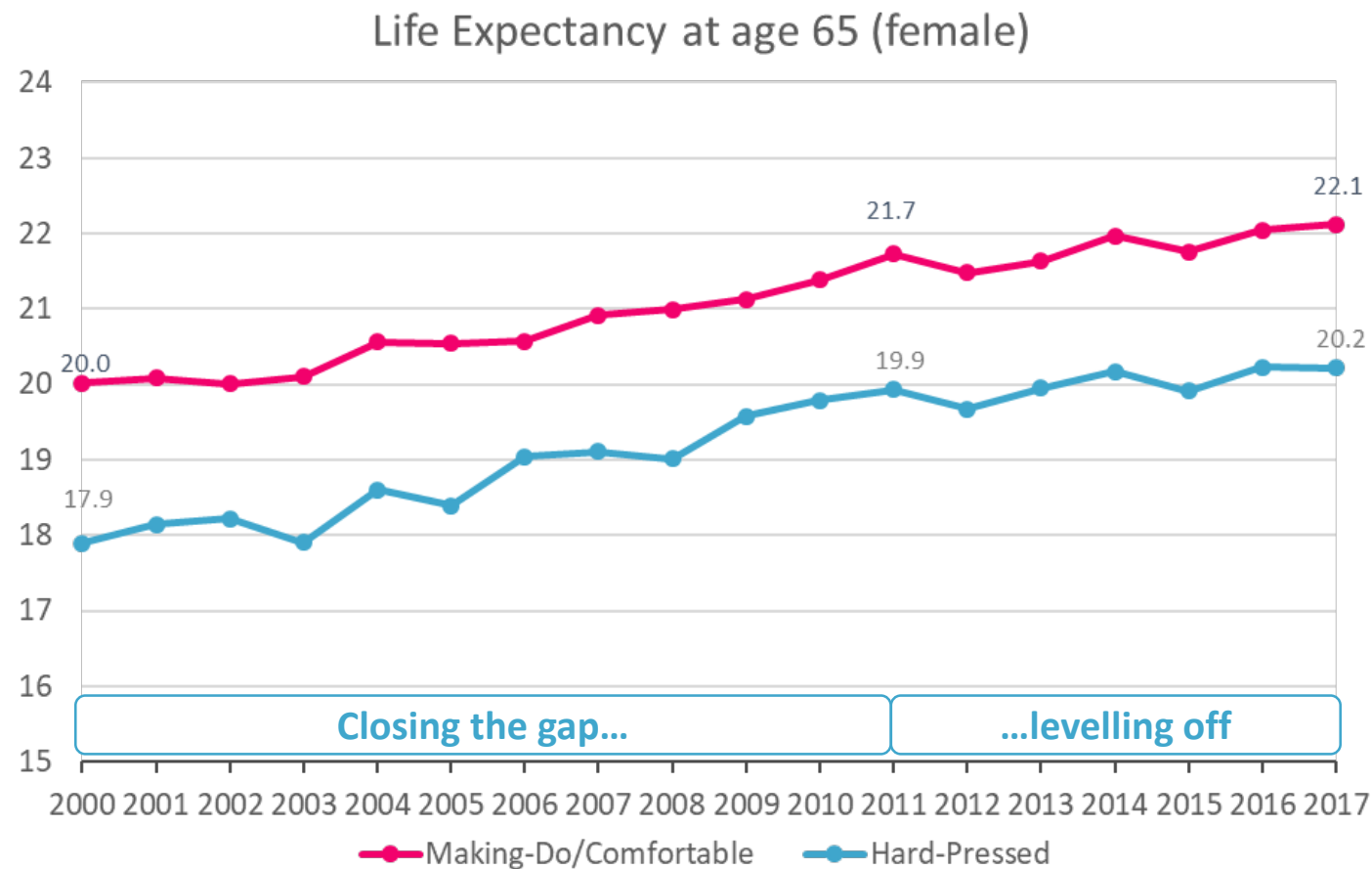
Are these experienced equally across society?

Everyone in the same boat?



Recent evidence (VITA)

Everyone in the same boat?



Recent evidence (VITA)

Cost Sharing

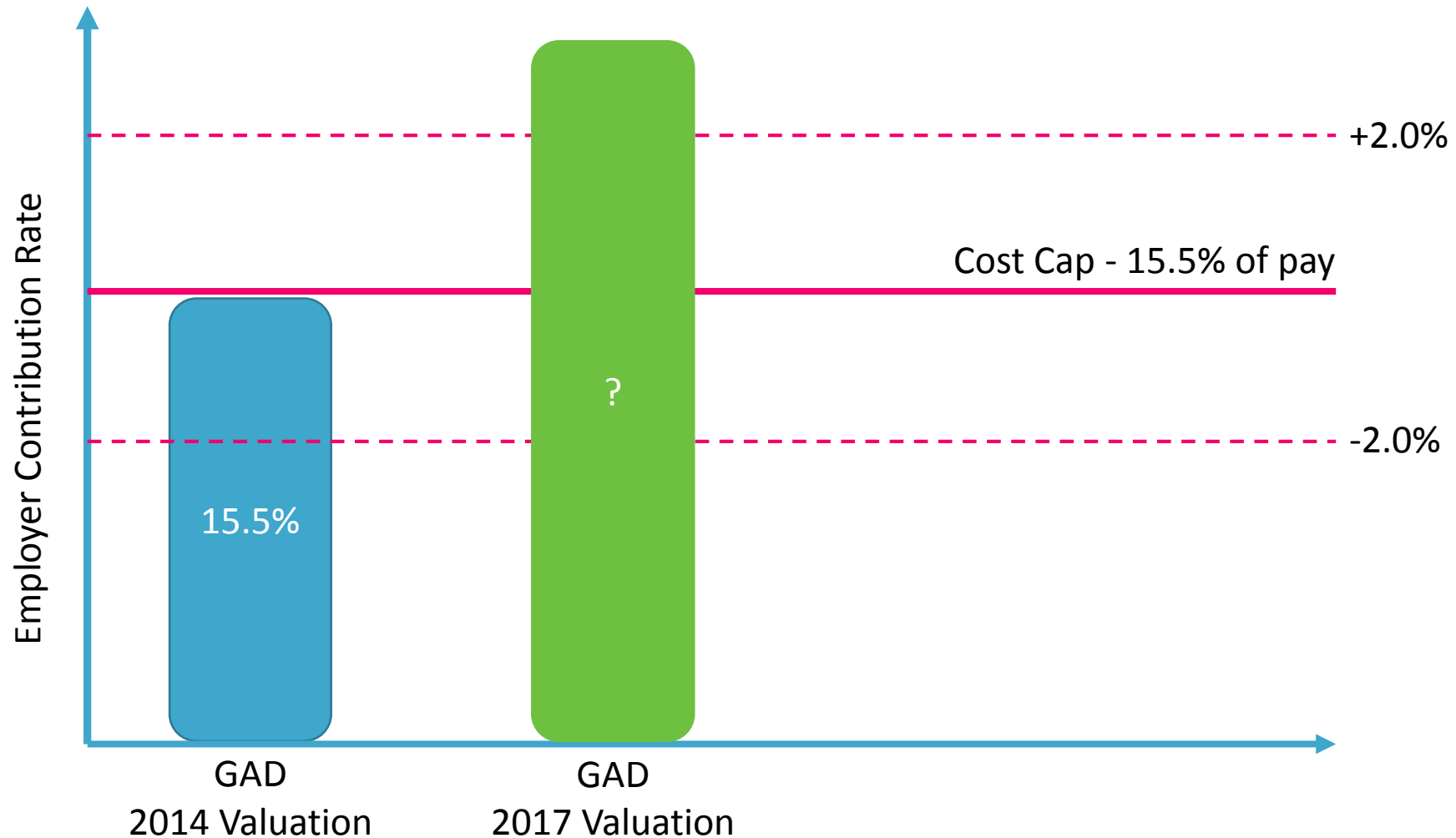


HMT Cost Sharing (LGPS Scotland)



Top 20 most
shared posts
2018

HMT Cost Sharing (LGPS Scotland)



Drivers of change

Value of Me

- Mortality
- Salary Growth
- Career Path

er Costs

ate
eases
Returns



Benefits likely to change?

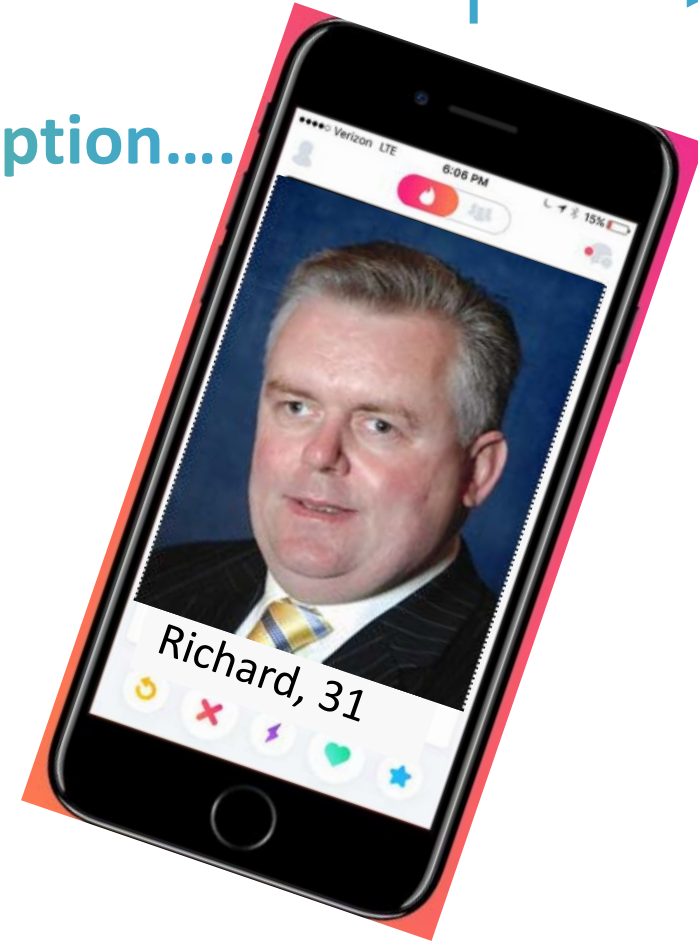
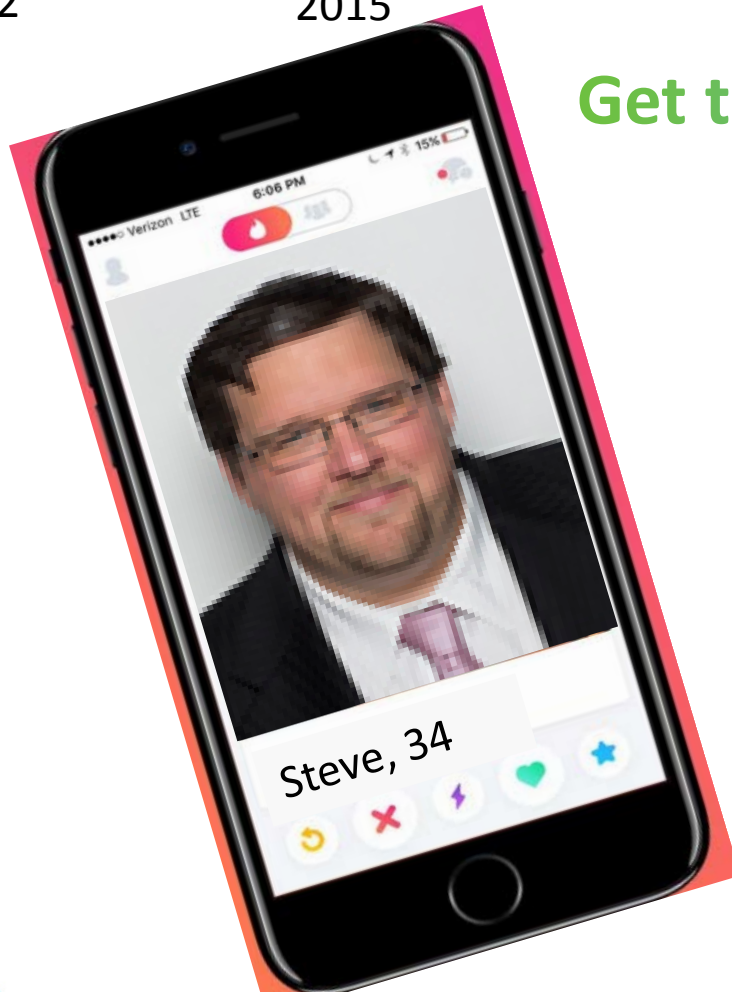
McCloud



“10 Year Protections”



Get the best option....



“10 Year Protections”



Administrator will calculate:

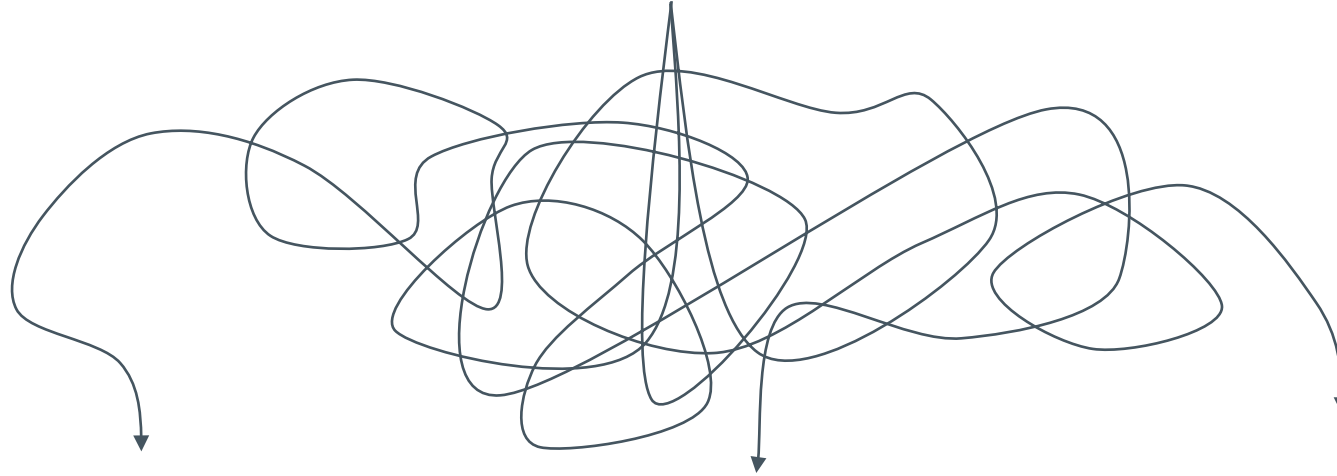
- Pension based current benefit structure
- Pension based on previous benefit structure

Member gets the better of the two

McCloud Case – Judged to be age discrimination

What happens next?

HMT Cost Cap process has been paused



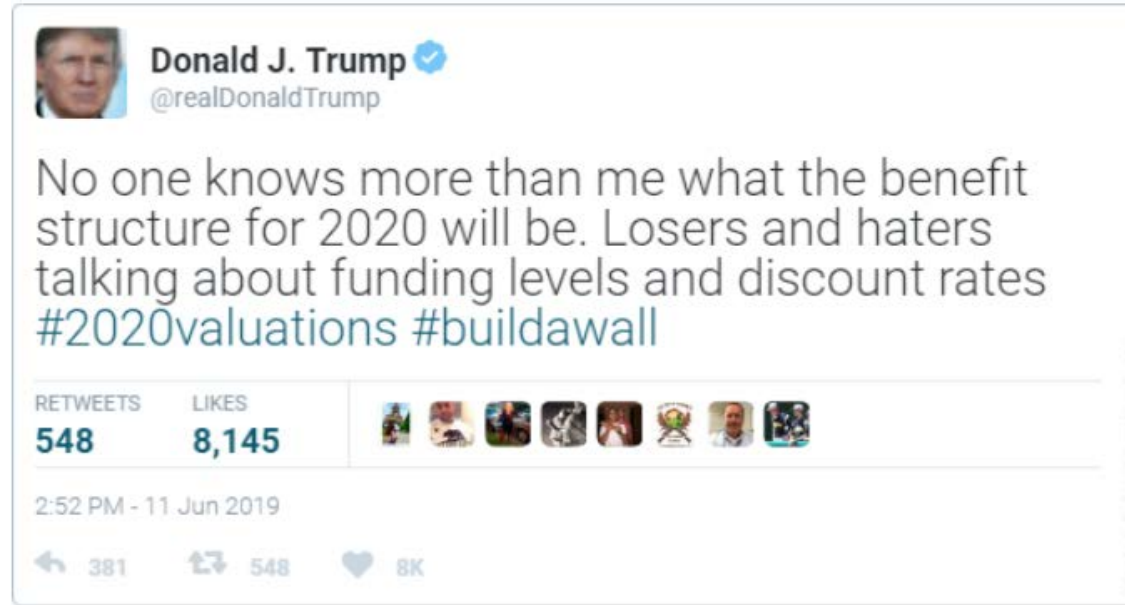
- Supreme Court hears the appeal
- Supreme Court rules against Govt
- Employment tribunal/mediation required to agree remedy

- Supreme Court hears the appeal
- Supreme Court rules for the Govt
- Cost cap process restarted & backdated

- Supreme Court does not hear the appeal
- Employment tribunal/mediation required to agree remedy

What benefits have you earned? What will you earn?

Outlook for 2020...



On plan with factors inside our control, but wider environment is introducing uncertainty

England & Wales



2019 Valuations...



Funding levels generally improved since 2016, but cost management or McCloud still to be taken into account

Good Governance Project

- Review of the governance of LGPS Funds in England & Wales

Structure

- Status quo
- Status quo+
- s102 Committee
- 'South Yorkshire Model'

Processes

- Conflicts of interest
- Scheme of delegation
- Budgets & business planning
- Roles & responsibilities
- Audit and accounts


People

- Committee training
- Representation
- Resourcing
- Officer training

No single right answer – promote best practice

Thank you





The material and charts included herewith are provided as background information for illustration purposes only. It is not a definitive analysis of the subjects covered, nor is it specific to circumstances of any person, scheme or organisation. It is not advice and should not be relied upon. It should not be released or otherwise disclosed to any third party without our prior consent. Hymans Robertson LLP accepts no liability for errors or omissions or reliance upon any statement or opinion.



GLASGOW EAST



Investments

Performance, Strategy, Activity

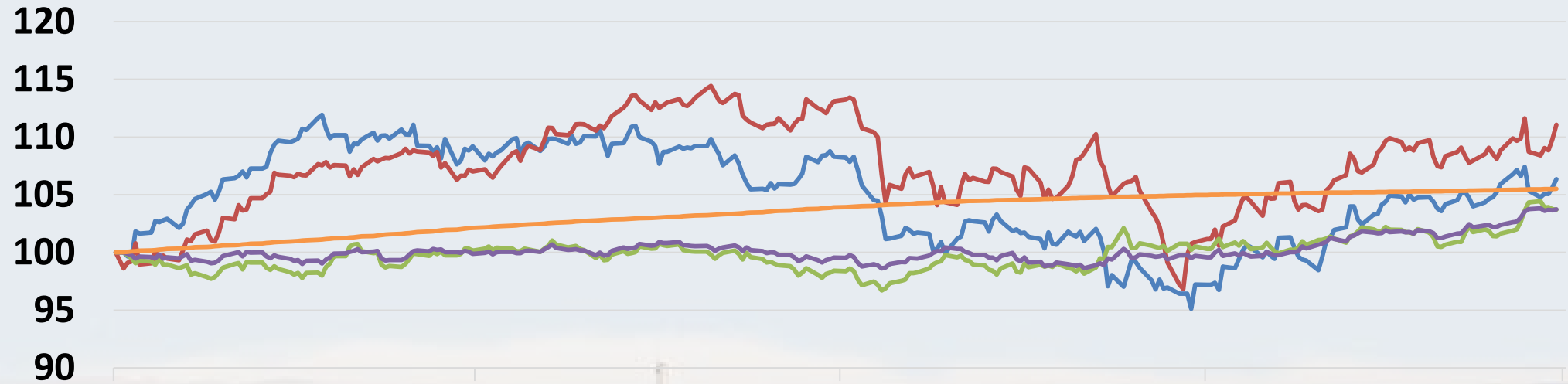
Jacqueline Gillies
Chief Investment Officer

Agenda

- Fund performance over 2018/19 and longer term
- Recap of investment strategy
- Investment activity in 2018/19



Investment Market Performance



— UK Equities (FTSE All Share)
— Gilts (FTSE All Stocks)
— UK Property (IPD)

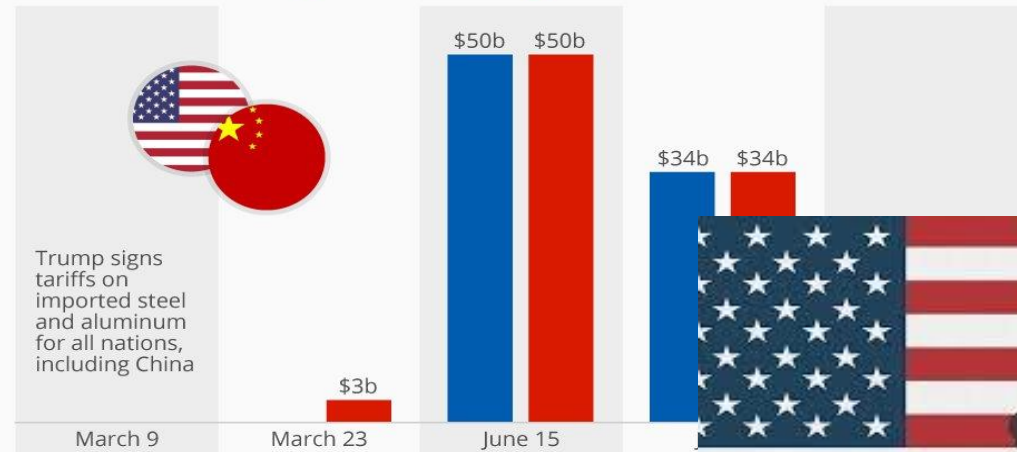
— Global Equities (MSCI ACWI)
— Corporates (ML Sterling Non Gilts)

USA vs CHINA

US/Chinese Trade War Escalates

Tariffs imposed in US/China trade war in 2018, by total value of affected imports*

■ US tariff action ■ Chinese tariff action



Trump signs tariffs on imported steel and aluminum for all nations, including China

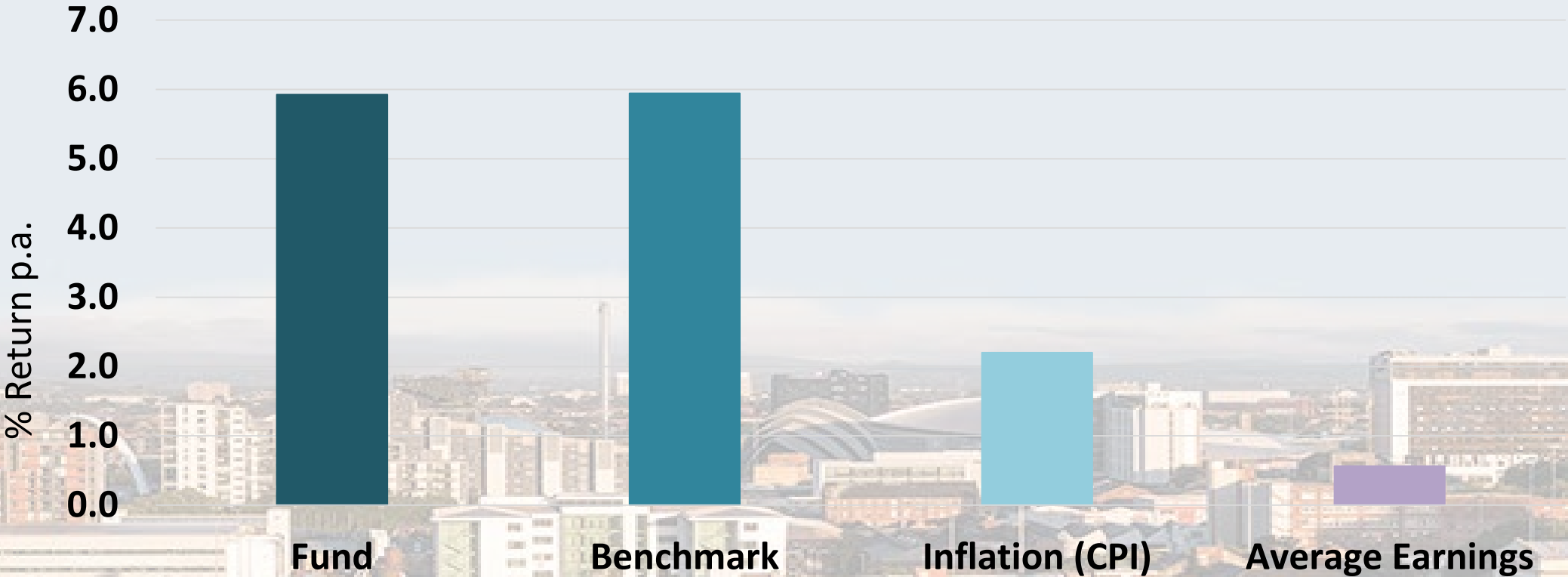
* as of August 23, 2018.
Sources: Bloomberg, CNN



TRADE WAR

Investment Performance

Fund Performance for Year Ended 31 March 2019

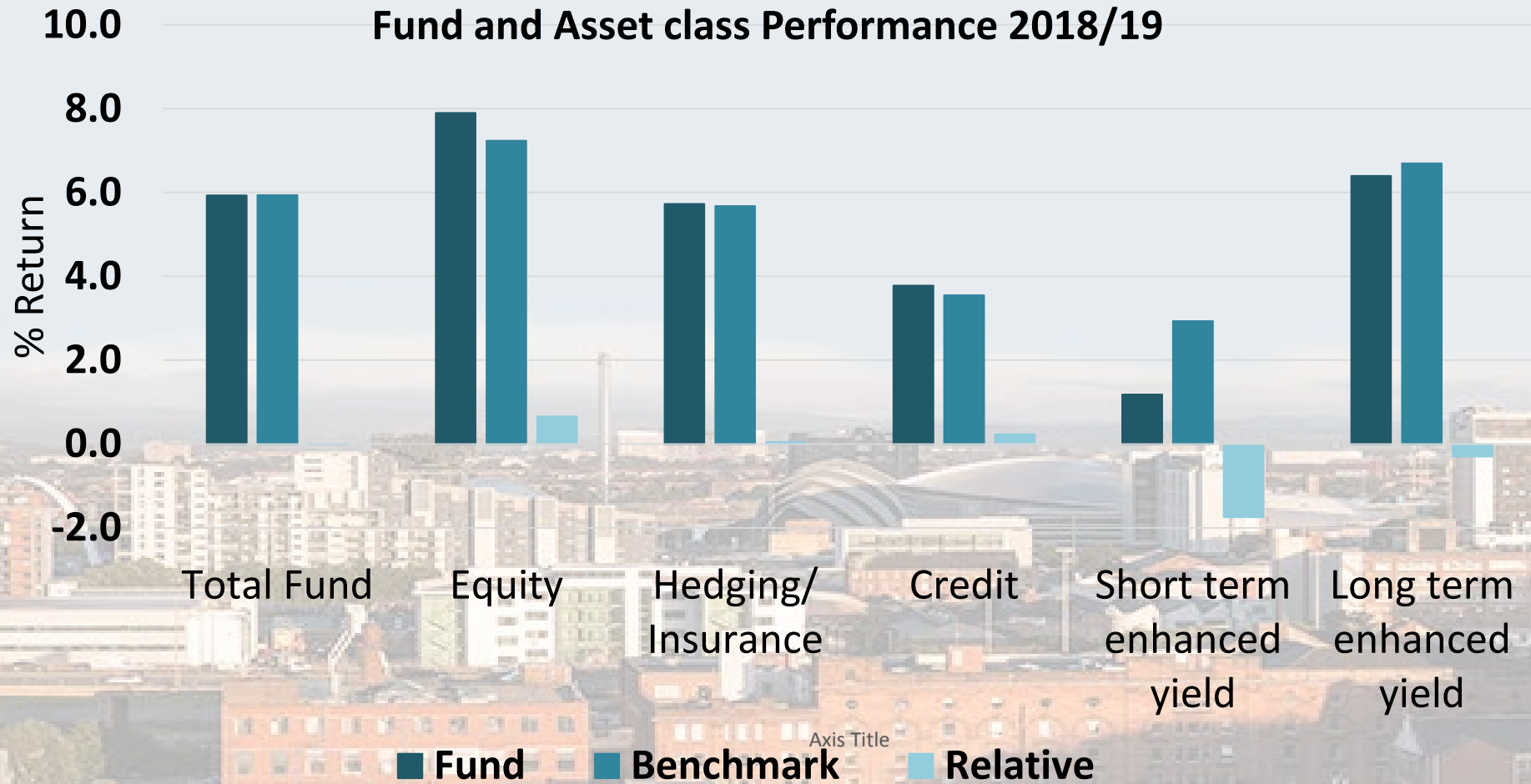


Investment Strategy

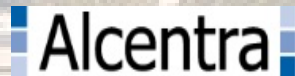


Asset Category	Main Objectives
Equity	To generate return
Hedging / Insurance	To reduce the exposure of the funding level to variations in interest rates and inflation
Credit	To ensure additional yield, provide income and reduce funding volatility
Short-term Enhanced Yield	To provide an income stream above the expected return on investment grade corporate bonds
Long-term Enhanced Yield	To provide a long-term income stream and a degree of inflation protection

Fund and Asset Class performance



Investment Structure



Investment Performance Equity Manager Summary

Manager	Annual Return (%)	Benchmark Return (%)	Relative Return (%)
Legal & General	5.9	5.9	-
Baillie Gifford	3.5	3.6	(0.1)
Lazard	14.6	10.5	4.1
Oldfield	6.4	12.0	(5.6)
Veritas	18.6	10.5	8.1
Henderson	2.2	(5.6)	7.8
JP Morgan	3.6	1.7	1.9
Genesis	4.5	-0.1	4.6
Pantheon	20.5	6.4	14.1
Partners Group (Private Equity)	11.6	6.4	5.2
Total Equity	7.9	7.2	0.7

Investment Performance Short Term Enhanced Yield Manager Summary

Manager	Annual Return (%)	Benchmark Return (%)	Relative Return (%)
PIMCO	0.3	4.3	(4.0)
Barings (Multi Credit)	2.0	5.0	(3.0)
Oakhill Advisors	1.6	5.0	(3.4)
Barings (Private Debt)	4.4	5.0	(0.6)
Alcentra	6.2	5.0	1.2
Ashmore	(2.8)	(3.0)	0.2
Total S/T Enhanced Yield	1.2	3.0	(1.8)

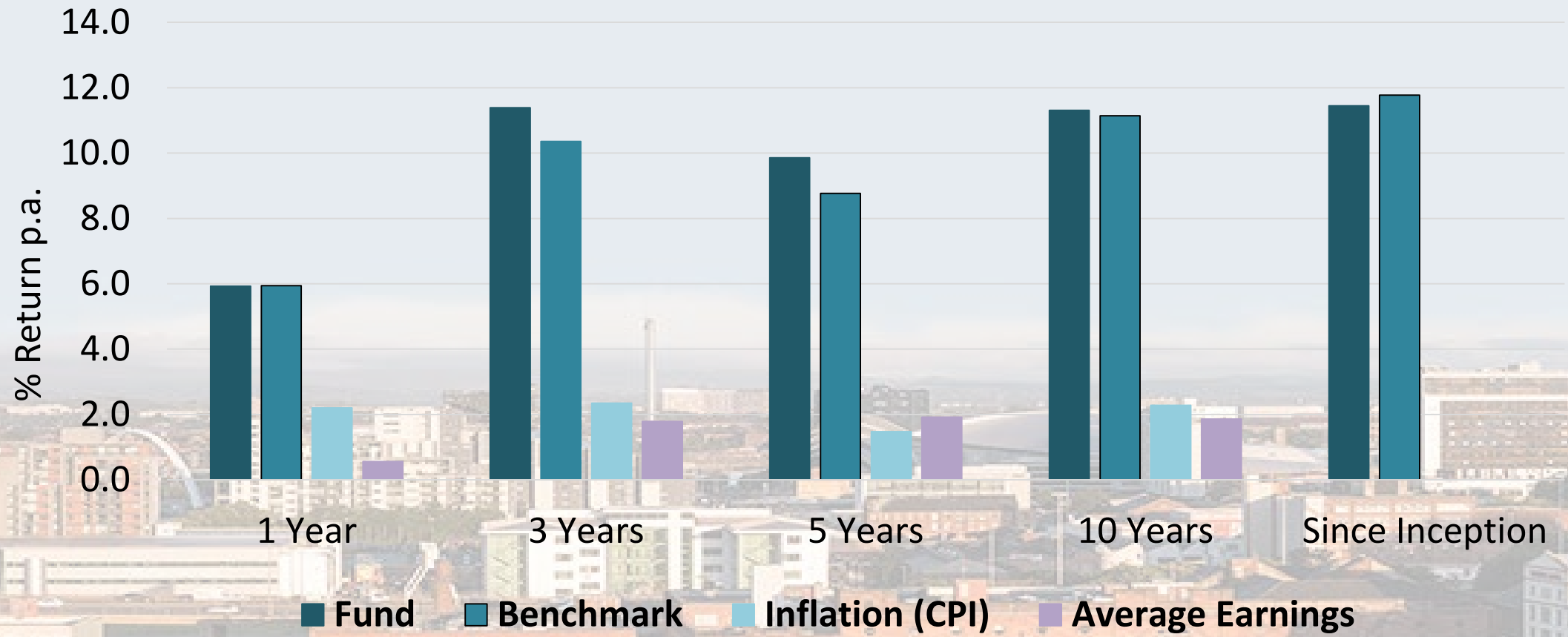
Investment Performance

Long Term Enhanced Yield Manager Summary

Manager	Annual Return (%)	Benchmark Return (%)	Relative Return (%)
DTZ	5.7	6.1	(0.4)
Partners Group (Real Estate)	9.2	13.4	(4.2)
Total L/T Enhanced Yield	6.4	6.7	(0.3)

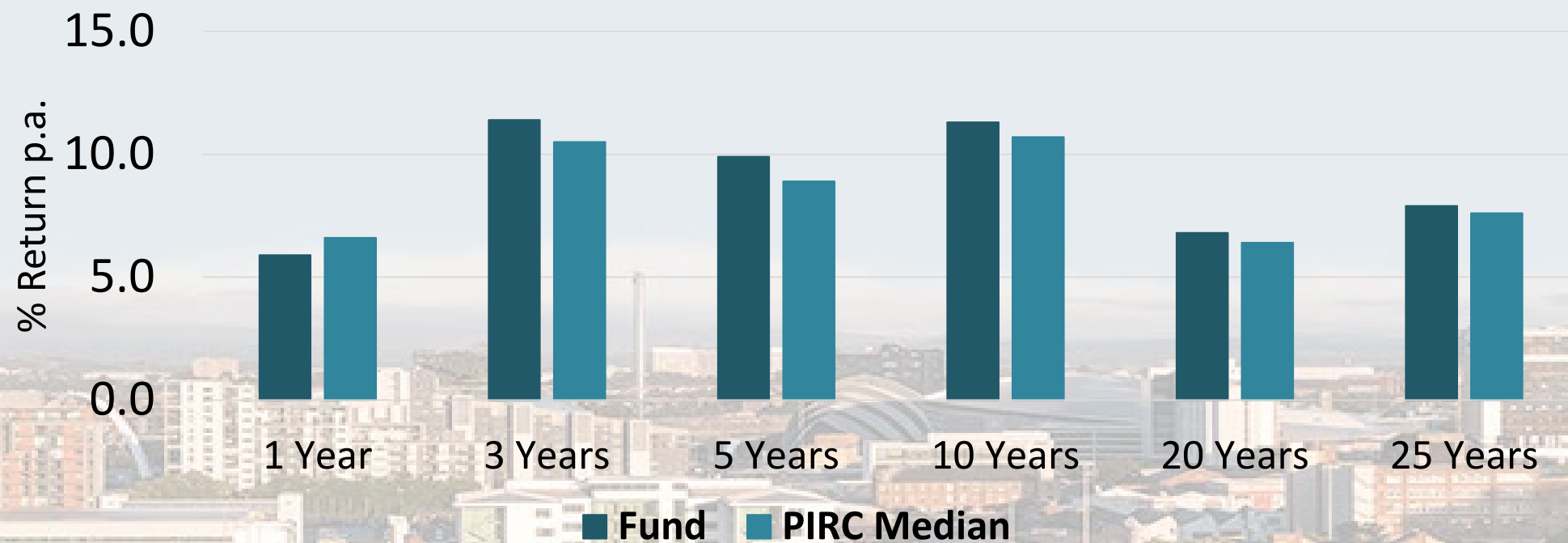
Long Term Performance

Long Term Performance to 31st March 2019



Pension Fund Returns to 31st March 2019

PIRC Local Authority Universe



Investment Strategy

Asset	Step 1	Step 2	Step 3	Step 4
	%	%	%	%
Equity	62.5	52.5	42.5	32.5
Hedging/Insurance	2.5	2.5	2.5	2.5
Credit	5.0	5.0	5.0	5.0
S/T Enhanced Yield	15.0	20.0	25.0	30.0
L/T Enhanced Yield	15.0	20.0	25.0	30.0
Return (% p.a.)	6.0	5.9	5.8	5.5
Volatility (% p.a.)	12	11	10	9

- Route map for strategy development agreed in 2015 and 'Step 1' implemented in 2016/17
- In 2018, the Strathclyde Pension Fund Committee agreed that Step 2 should be adopted as the strategic target model.

Investment Strategy Allocation vs Target March 2018

Asset Class	<i>31 Mar 2018 (£m)</i>	<i>31 Mar 2018 (%)</i>	Step 2 Target (%)
Equity	<i>11,757</i>	<i>56.6</i>	52.5
Hedging & insurance	<i>268</i>	<i>1.3</i>	1.5
Credit	<i>1,231</i>	<i>5.9</i>	6.0
STEY	<i>2,908</i>	<i>14.0</i>	20.0
LTEY	<i>2,766</i>	<i>13.3</i>	20.0
Cash	<i>1,838</i>	<i>8.9</i>	-
Total	<i>20,768</i>	<i>100.0</i>	100.0

Investment Activity

- Appointment of **JP Morgan** to invest **£500m** (2.5% of total Fund) in global infrastructure (**LTEY**)
- Investment of **£200m** in **Ruffer's Absolute Return Fund** (**STEY**)
- Procurement of **1 new private real estate debt manager**, and the appointment of **3** incumbents, **Barings, Alcentra and Partners Group**, to manage segregated, evergreen **private corporate debt** portfolios (**STEY**)



Investment Strategy

Allocation vs Target March 2019

- The Fund's **Equity** portfolios increased in value over the year largely as a result of positive equity market performance.
- Net drawdowns to **private equity** and **private debt** mandates and to the **direct investment portfolio** further increased the value of the Fund's **Equity**, **STEY** and **LTEY** investments respectively.

	<i>31 Mar 2018</i>	<i>31 Mar 2018</i>	<i>31 Mar 2019</i>	<i>31 Mar 2019</i>	Step 2 Target
Asset Class	(£m)	(%)	(£m)	(%)	(%)
Equity	<i>11,757</i>	<i>56.6</i>	12,788	58.4	52.5
Hedging & insurance	<i>268</i>	<i>1.3</i>	319	1.4	1.5
Credit	<i>1,231</i>	<i>5.9</i>	1,241	5.7	6.0
STEY	<i>2,908</i>	<i>14.0</i>	3,249	14.8	20.0
LTEY	<i>2,766</i>	<i>13.3</i>	3,471	15.9	20.0
Cash	<i>1,838</i>	<i>8.9</i>	826	3.8	-
Total	20,768	100.0	21,896	100.0	100.0



LAPF
INVESTMENTS
AWARDS

2018

WINNER

LGPS Investment Strategy
of the Year

www.lapfinvestmentsawards.com

Summary

- **Activity** in the year has moved the Fund closer to its strategic objectives
- Implementation and consideration of **further investment proposals** over the coming year will focus on bringing asset classes exposure towards strategic targets
- Fund has grown for **10th** consecutive year
- Strong performance place the Fund in the **top quartile** of local authority funds, over 3, 5, 10 and 25 year time horizons.



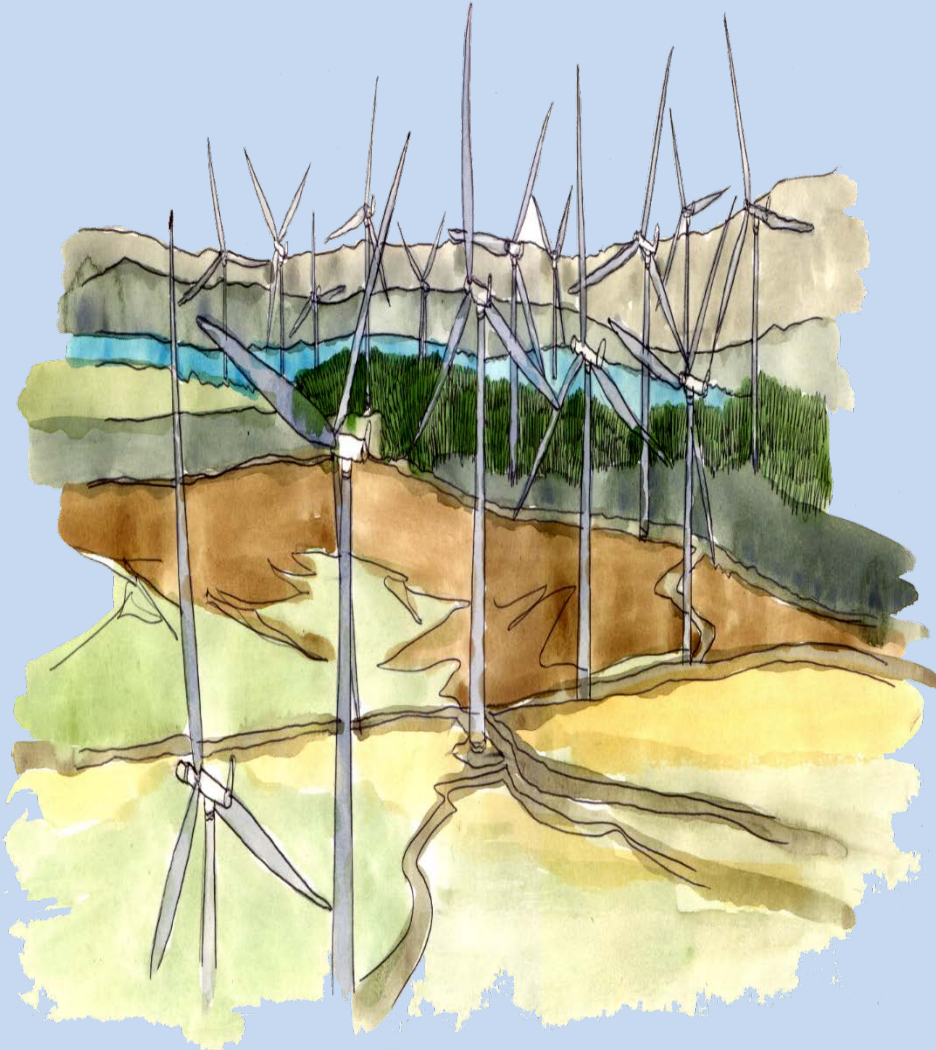
GLASGOW EAST



Investments

Direct Investment Portfolio

**Lorraine Sweeney
Assistant Investment
Manager**



WHITELEE WINDFARM

AGENDA

- **Background**
- **New Strategy**
- **Investment Process**
- **Investment Activity**
- **Investment Performance**
- **Portfolio Growth 2018/19**
- **Future Investments**

BACKGROUND

- Created in 2009 as the New Opportunities Portfolio.
- Investing on an opportunistic basis in assets outwith the current SPF structure.
- Opportunities in the UK with a regional focus.
- Re-branded in 2015 as the Direct Investment Portfolio.

NEW STRATEGY

- **Review of portfolio in December 2018.**
- **Primary objective remains identical to that of the overall SFP investment objective.**
- **Secondary objective of adding value through investments with a positive local, economic or ESG (environmental, social, governance) impact.**
- **Focusing on Equity, Long Term Enhanced Yield and Short Term Enhanced Yield asset categories.**
- **Target Net Asset Value (NAV) allocation of 5% of total Fund NAV with a range of 2.5% to 7.5% of total Fund.**
- **Growth in individual investment values – target range of £20m to £100m.**
- **Maintaining a minimum expected IRR of 5% for any proposed new investment.**

Investment process

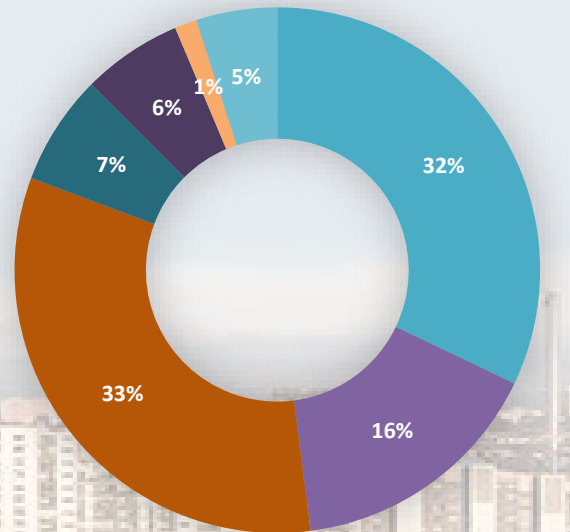
- Investment team receive proposals and carry out initial meetings and diligence.
- Proposals are shortlisted for internal discussion.
- Following a review of the investment opportunity Fund Managers present to the SPF Sounding Board.
- Investments are agreed at Committee.
- Investment team begin legal process.

Direct Investment Portfolio Investment Proposals (April 2018 – March 2019)



INVESTMENT ACTIVITY

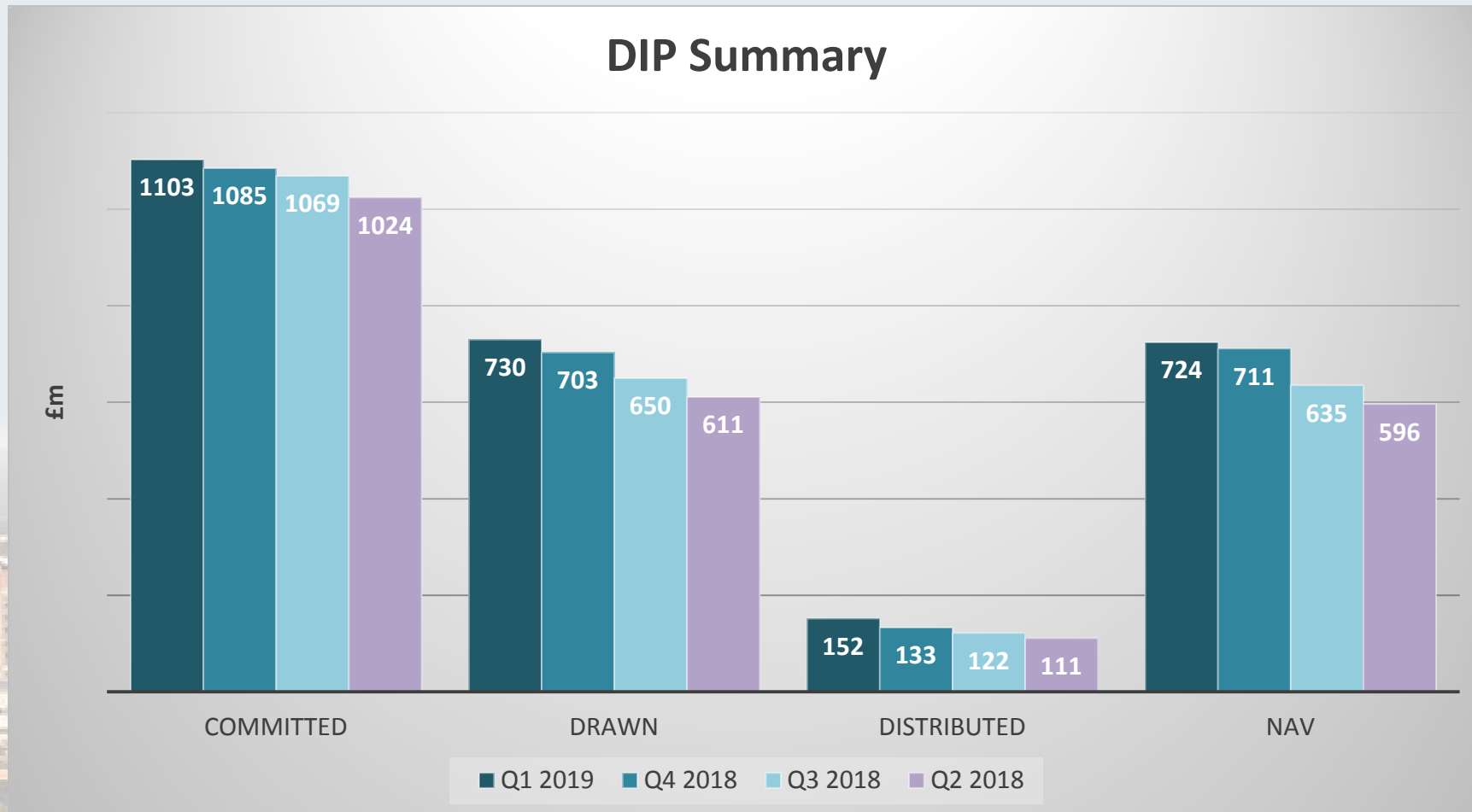
**Commitments by Sector
(£1,103m)**



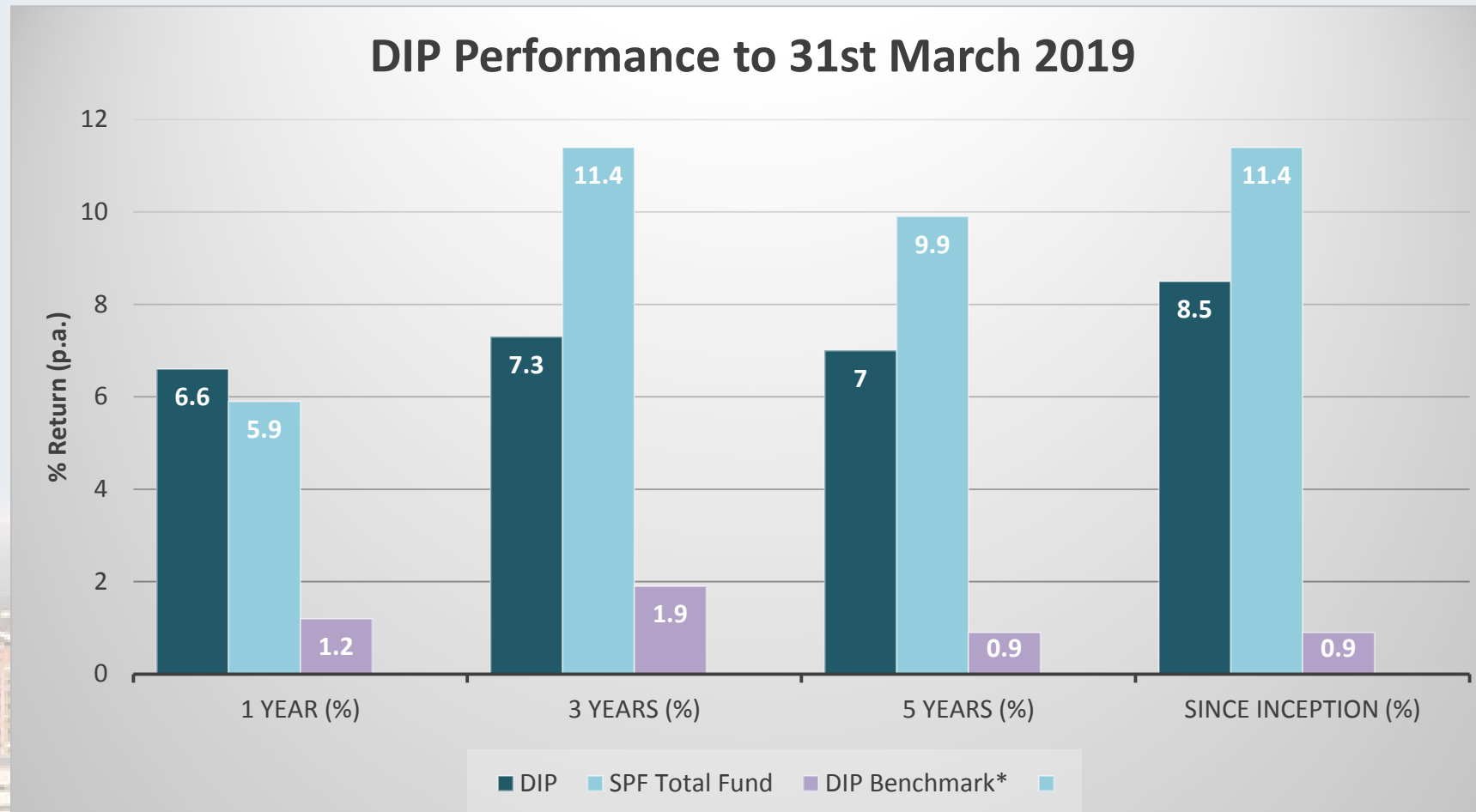
(£m)	Renewable Energy (354)
Credit (175)	Infrastructure (361)
Property (75)	Growth Capital (68)
Supported Living (15)	Venture Capital (55)

- The portfolio comprises **40** separate investments.
- **12** Renewable Energy
- **7** Infrastructure
- **8** Credit
- **2** Property/Supported living
- **11** Venture/Growth Capital
- A further 2 investments have been fully realised returning **£96m** for capital deployed of **£63m**.

INVESTMENT ACTIVITY



INVESTMENT PERFORMANCE



DIP Benchmark: 3 month LIBOR to 31st December 2018, CPI +3% from 1st Jan 2019

Portfolio Growth 2018/19

Infrastructure/Renewables

£50m to Equitix Fund V LP, Investing in Core Infrastructure in the UK

Including hospitals, schools, social housing, Renewable energy, university accommodation and other transport projects.

£50m to Greencoat Solar Fund II One of the UK's largest renewable energy infrastructure managers acquiring a diversified portfolio of operating, ground mounted solar farms in the UK.

An additional **£20m to Albion Community Power**.

Owners and operators of small-scale renewable energy plants across the UK.



Portfolio Growth 2018/19

Credit

£30m to Beechbrook UK SME Capital II Fund, focusing on direct lending to Small and Medium sized Enterprise in UK based companies.

£20m to GAM Real Estate Fund II, providing debt finance to the commercial real estate sector. The fund lends against a portfolio of diversified commercial properties.



Portfolio Growth 2018/19 Venture/Growth Capital

£15m to Epidarex Fund III – Investing in early stage, high growth life science companies including biotechnology, medical devices and pharmaceuticals.

£20m to Par Equity, making investments in private, early growth companies with innovative diagnostic, treatment or monitoring benefits.





SPF Infrastructure investment - M25

- **SPF invested in 19 infrastructure Funds**
- **£715m**
- **141 schools**
- **31 Hospitals**
- **14,900 social housing units**



SPF Venture Capital – Life Science

- SPF invested in 11 Venture/Growth Capital Funds
- £123m committed
- £93m in Scotland
- 10 Scottish Funds

CLYDEBUILT

Gallagher Shopping Park, Port Glasgow

Direct Investment Portfolio



Clyde Built - Port
Glasgow Gallagher
Retail Park



Crown Street Retail Park

Before



After

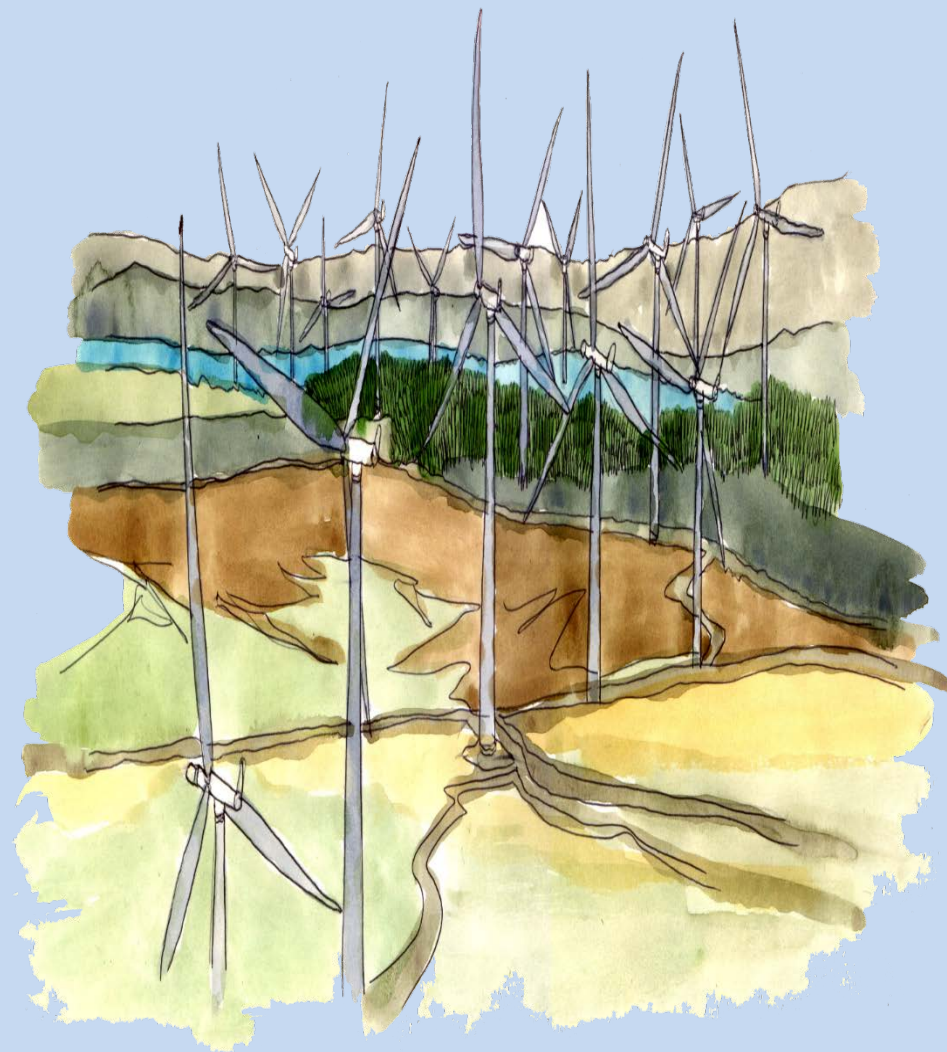


Future Investment

- **SPF continues to invest in alternative assets with a local or regional impact**
- **Capital Dynamics, Clean Energy Infrastructure Fund (£40m)**
- **Legal & General, UK Build to Rent (£75m)**
- **Places for People (PfP) Scottish Mid-Market Rental (£25m)**

Buchanan Wharf Site





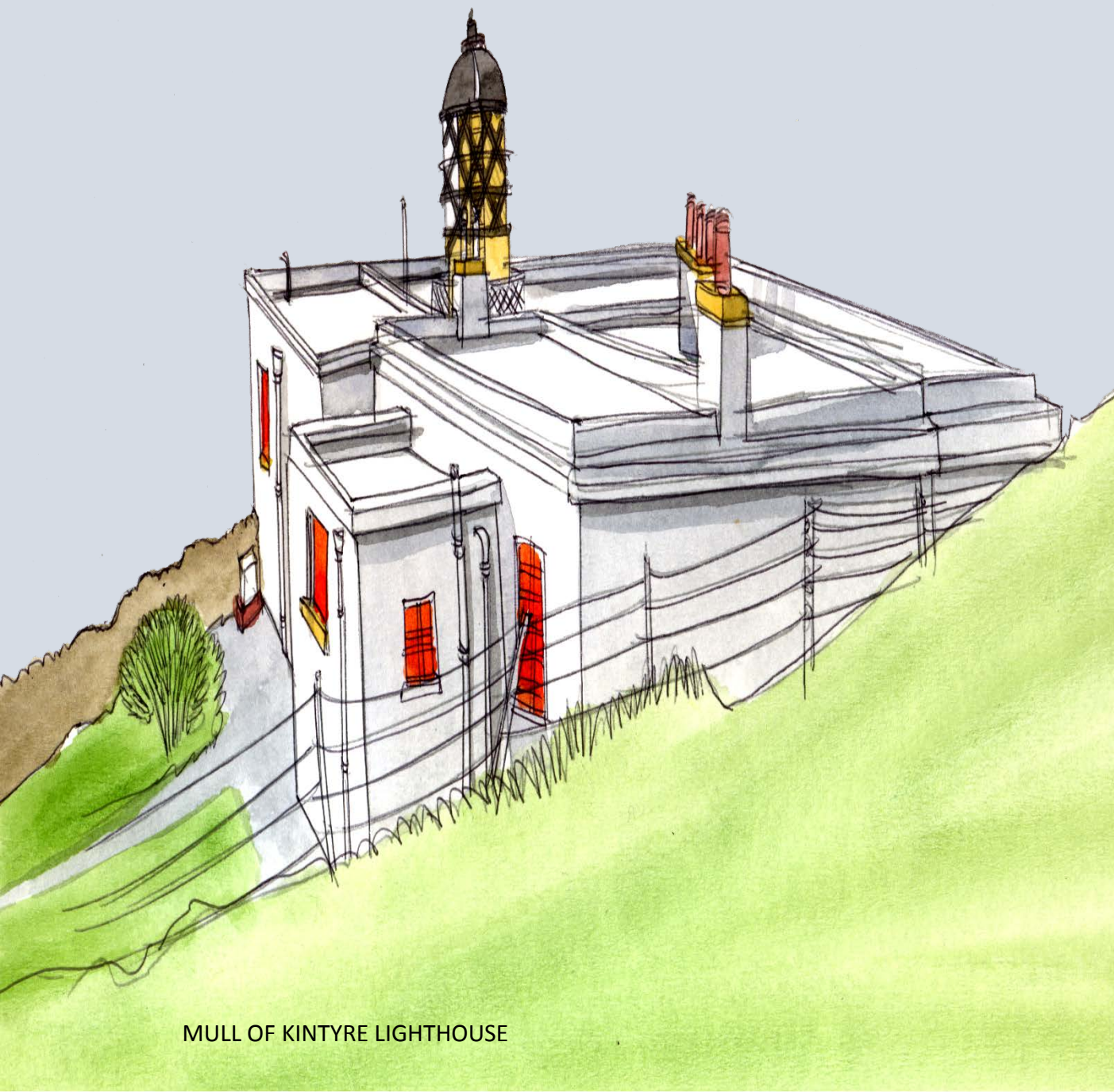
WHITELEE WINDFARM



Investments

Responsible Investment

Richard Keery
Investment Manager



MULL OF KINTYRE LIGHTHOUSE

Agenda

Order from Chaos

- Renewable Energy
 - Wind Energy
 - Waste to Energy
 - Anaerobic Digestion
 - Landfill
- Electric Vehicle Charging
- Waste Recycling - Plastic



Chaos - Climate Emergency!



FORTUNE

SKOLSTREJK
FÖR
KLIMATET



Greta Thunberg leads a school strike outside of Riksdagen, the Swedish parliament.

DEMAND ACTION ON THE CLIMATE EMERGENCY

Climate change is wreaking havoc on our wildlife and habitats, while putting more and more people's lives and homes at risk.

Nicola Sturgeon says world is facing a climate emergency

SNP leader tells party members she will step down if no zero carbon emissions

The Herald

NEWS

16th May

Glasgow City Council declares climate emergency

By Elle Duffy | [@ewduffy](#)
Social Media Journalist

Scotland declares 'climate emergency' following school strikes

INDEPENDENT

NEWS

[Home](#) | [UK](#) | [World](#) | [Business](#) | [Politics](#) | [Tech](#) | [Science](#) | [Health](#) | [Family & Education](#) | [Entertainment](#)

[Politics](#) | [Parliaments](#) | [Brexit](#) | [UK European Elections 2019](#) | [European Elections 2019](#)

UK Parliament declares climate change emergency

© 1 May 2019

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Internati

UK Parliament declares 'climate emergency'



INDEPENDENT

MPs make history by passing Commons motion to declare 'environment and climate change emergency'

...wave of action from parliaments and governments around the globe'

hcowburn |



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The Guardian UK edition ▾

MPs endorse Corbyn's call to declare climate emergency

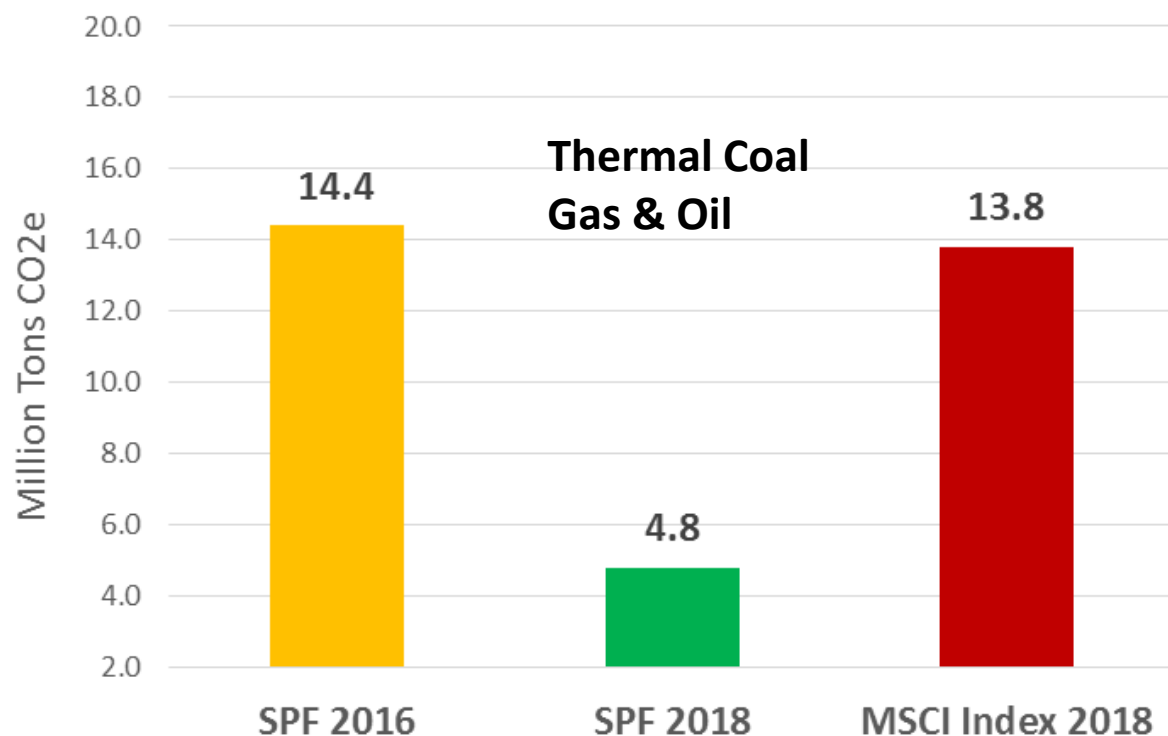
Environment secretary calls for cross-party approach as Labour leader says vote can 'set off wave of action'

Decarbonising

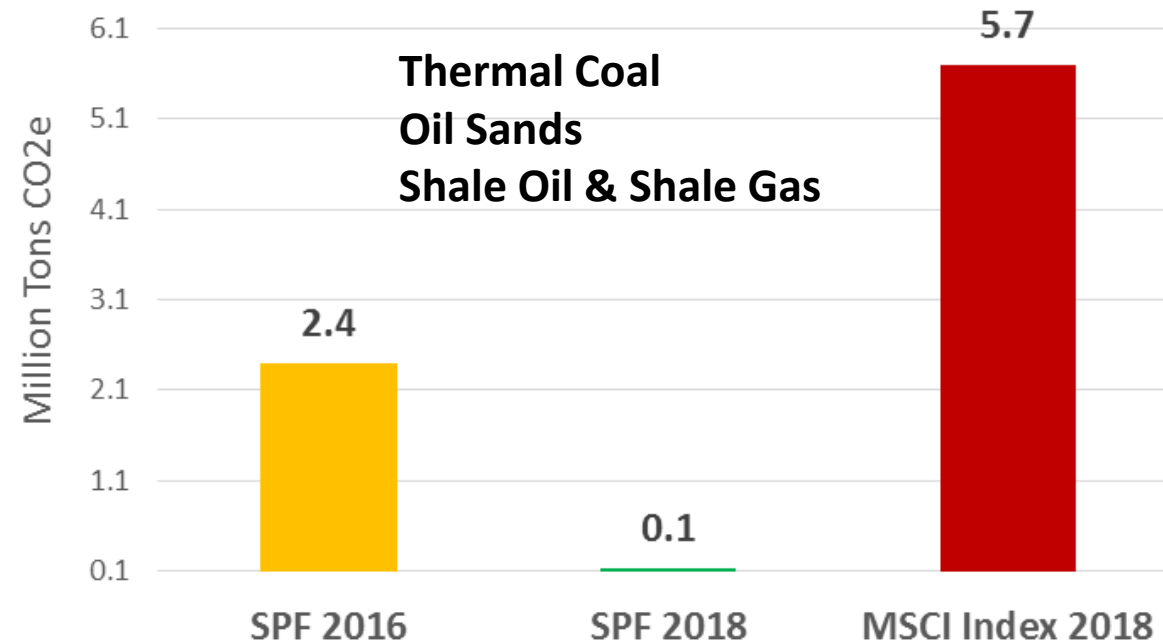
Carbon Footprint – Active Equity



Potential Emissions from Fossil Fuel Reserves



Potential Emissions from High Impact Fossil Fuel Reserves



SPF v MSCI ACWI

SPF v MSCI ACWI



Climate Change Engagement Initiatives



Wind Energy

❑ Case Study - NTR Wind Fund (DIP)

Scotland

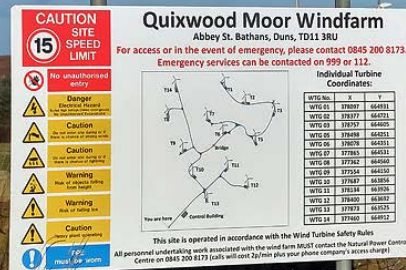
- 77,570 MWh renewable energy delivered in 2018.
- Impact saving of 12,961 tonnes of Co2 in 2018.
- 11,929 Homes powered

Ardoch and Over Enoch East Renfrewshire.

**7 turbines - clean energy for
8,000 homes.**

Quixwood Moor Scottish Borders

13 turbines -clean energy for 15,500 homes.



Airies Dumfries and Galloway

14 turbines - clean energy for 22,000 homes.

NTR Wind 1 LP Fund	Electricity Generated (MWh)	CO2e Saved (t)	Homes Powered
SPFO Total Impact	30,857	14,156	8,139
SPFO Scotland Impact	14,645	6,739	3,873

Wind Energy

- **Case Study - JP Morgan Infrastructure Investment Fund (IIF)**
- 11 energy, utility and electric generation companies in the United States, Western Europe and Australia.
- 180 solar projects and 44 wind farms.
- **UK - Ventient Energy Limited** - Edinburgh based – 44 employees.
- 34 wind farms + 1 solar = 6% of UK onshore wind capacity.
- Annual saving of 0.75 million tonnes of CO₂.
- Annual electricity generation equivalent of 420,000 average UK households.
- £1,500,000 in community funding per year.



JPAM Infrastructure Fund	Electricity Generated (MWh)	CO ₂ e Saved (t)	Homes Powered
SPF – Global Impact	763,000	350,974	199,722
SPF – UK Impact (Wind Energy)	96,500	44,383	23,446
SPF - Scotland Impact (Wind Energy)	61,500	28,278	14,939

IIF Wind Farms in Strathclyde



Ardrossan - North Ayrshire



A'Chruach - Argyll and Bute



Galawhistle - South Lanarkshire



Beinn Ghlas - Argyll and Bute

JPAM Infrastructure Fund – UK Wind	Electricity Generated (MWh)	CO2e Saved (t)	Homes Powered
JPAM IIF Local Impact - Strathclyde Region	385,000	176,962	93,487
SPF Local Impact – Strathclyde Region	22,000	10,175	5,376

Waste to Energy

❑ Case Study - Anaerobic Digestion - Iona Environmental Infrastructure (DIP)

Scotland

- 66,263 MWh renewable energy delivered in 2018.
- Impact saving of 12,270 tonnes of Co2 in 2018.
- 74,900 m3 bio fertiliser.
- Bulb Energy deal to supply decarbonised gas to up to 6,400 homes from Keithick and St Boswell's biomethane.

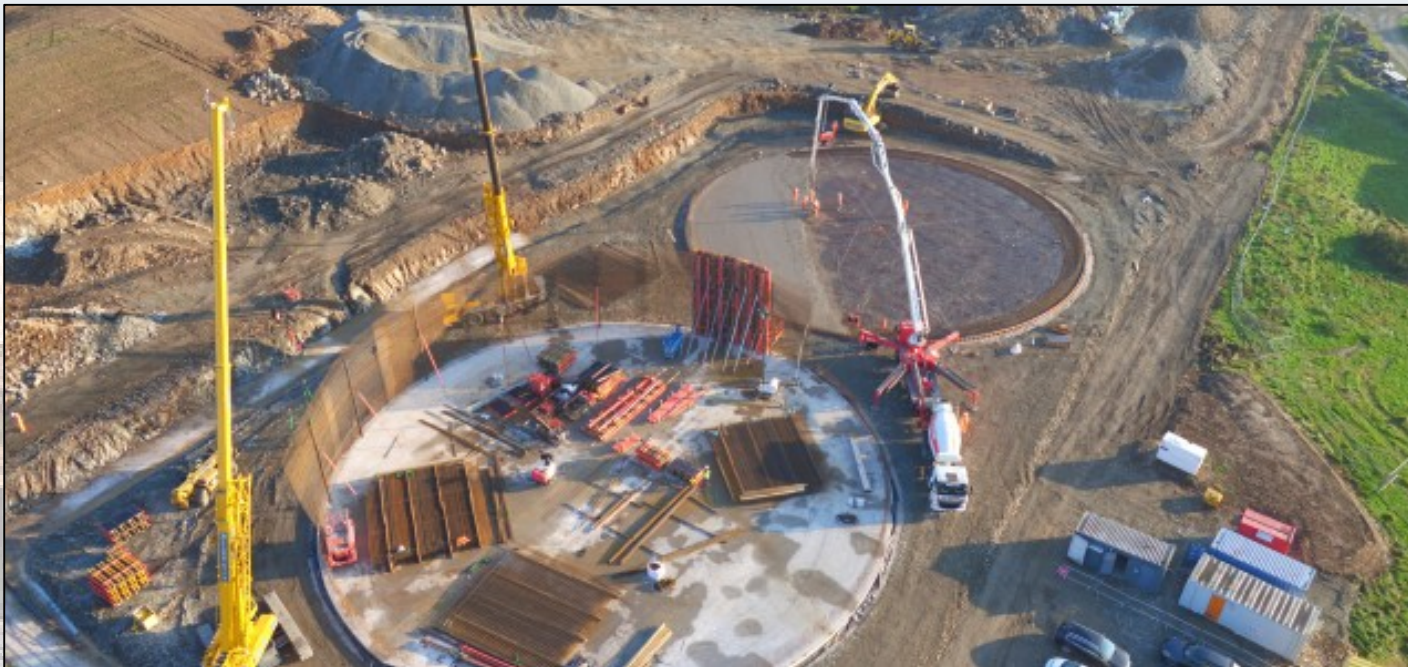


Iona ELIP1 Fund 2018	Electricity Generated (MWh)	CO2e Saved (t)	Homes Powered	Bio fertiliser Spread (m3)
SPFO Impact	17,330	3,556	2,054	35,416
SPFO Scotland Impact	9,343	1,730	290	10,561

Waste to Energy

❑ Anaerobic Digestion - Iona Environmental Infrastructure (DIP)

- Croft Head Biogas - Dumfries and Galloway.
- Waste slurries feedstock from local beef and dairy farming operations - supports compliance with OFGEM's sustainability targets.
- Capacity to generate renewable energy and heat for approximately 7,000 households per year and 69,000 m³ bio fertiliser.
- All biomethane is to be upgraded into the local gas distribution network.





Energy from Waste

❑ Case Study – Landfill - Pensions Infrastructure Platform (DIP)



West London Waste

Cornwall Waste

North Yorkshire Waste

PIP Multi-Strategy Infrastructure 2018	Waste processed (t)	Electricity Generated (MWh)	CO2e Saved (t)	Homes Powered
UK Total	960,000	394,081	189,159	111,000
Total SPFO Impact	58,848	24,157	11,595	6,804

Impact Investment - Renewable Energy

- SPF Global Renewable Energy Impact - DIP & JPAM IFF



**488,174t of Carbon
Dioxide Saved**



**289,622 Homes
Powered**

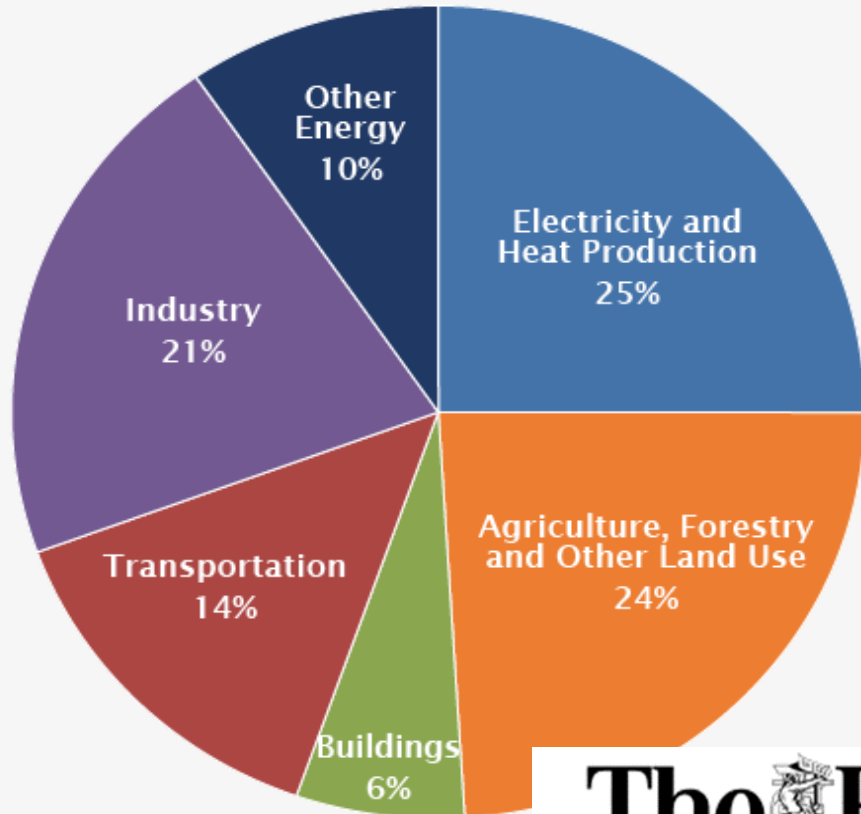


**1,126 GWh of Clean
Energy**

	Electricity Generated (MWh)	CO2e Saved (t)	Homes Powered
DIP - Total SPF	363,100	137,200	89,900
JPAM IFF - Total SPF	763,000	350,974	199,722
Total SPF Scotland	144,000	55,100	33,500

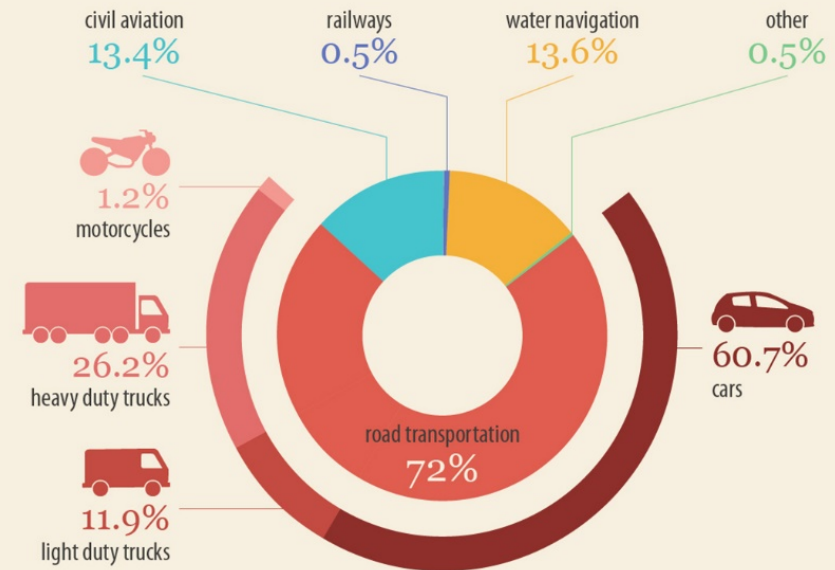
Electric Vehicle Charging

Global Greenhouse Gas Emissions
by Economic Sector



TRANSPORT CO2 EMISSIONS IN THE EU

Emissions breakdown by
transport mode (2016)



Source: European Environment Agency



The Herald

11th June

Scotland misses climate targets thanks to driving and flying

Electric Vehicle Charging

- The number of electric vehicles in the UK is set to increase sharply over the next decade with estimates predicting over 11m electric vehicles on the road by 2030.
- DIP invested via Panoramic Growth Equity in electric vehicle (EV) charging infrastructure specialist Pod Point.



Electric vehicle plug-in points overtake petrol stations across the UK



Electric vehicle drivers at risk by charging from home mains supply

Charity urges UK government to expand national network of public charging points

Electric Vehicle Charging

❑ Case Study - PodPoint

- 44 million miles of EV motoring.
- Sold over 60,000 electric chargers in the UK and Norway.
- Compatible with all plug-in vehicle brands.
- Public charging stations across the UK including Sainsbury's, Heathrow, The National Trust and David Lloyd's. **Locally - David Lloyd Thornliebank- Glasgow Fort - Port Glasgow McDonald's.**
- 2019 Tesco and Volkswagen partnership for 2,400 Pod Point charging points at 600 Tesco stores
Partnerships with Kia and Mitsubishi Motors to install all home charging units for all UK customers.
- Installing 150kw rapid chargers in the UK (3 x the power of the average UK charger).



SPFO UK Impact

**101t of Carbon
Dioxide Saved**



519 EV Chargers



**420,000 Car Miles
Charged**

More Chaos - Plastic Pollution!

The Mariana Trench



Bottom of the world - single-use plastic at 36,000 ft.

- Estimated 5.25 trillion pieces of plastic debris in the world's oceans - 8 million tonnes added each year - especially drinks bottles and plastic bags.
- Increasing numbers of marine creatures dying from plastic entanglement or plastic ingestion.

Mount Everest



Top of the world - single use plastic at 29,000 ft.

- Video In relation to this slide can be found at https://youtu.be/R8Z-otTQ_b8



Waste Recycling

❑ Case Study- Plastic Waste- Tomra Solutions



Scotland launches 20p deposit scheme for drinks cans and bottles



Most people still do not care about buying plastic bottles, say campaigners

Refundable charge to be added to glass and plastic bottles and cans sold in any shop

TOMRA WELCOMES SCOTLAND'S LANDMARK DEPOSIT RETURN SCHEME

The Scottish Government's announcement today that an ambitious and wide-ranging deposit return scheme (DRS) will be introduced by TOMRA.

- 82,000 machines collecting 35 billion containers annually in 60 countries.
- 4 million tons in CO2 emissions saved.
- One ton of recycled plastic saves:
 - 5,774 kWh of electricity.
 - 548 gallons of oil.
 - 30 cubic yards of landfill space.



- Tomra Systems - 3 year share price performance





House of Commons
Environmental Audit Committee

Greening Finance: embedding sustainability in financial decision making

Seventh Report of Session 2017–19

Report, together with formal minutes relating
to the report

Ordered by the House of Commons
to be printed 23 May 2018

HC 1063
Published on 4 June 2018
by authority of the House of Commons

- **House of Commons Environmental Audit Committee – Greening Finance**
- Strathclyde Pension Fund was identified as one of the 12 ‘more engaged’ funds.
- **“the ‘more engaged’ group had clearly identified climate change as a long-term risk (and opportunity), often some years ago, and were actively managing it.”**

- **Responsible Asset Allocator Initiative 2019 Leaders List.**
- Identified 25 institutions that set a global standard for leadership in responsible, sustainable investing.
- SPF ranked 22 out of 197 institutions rated. The only LGPS rated.
- **“The 25 funds on the Leaders List are a unique group, with enormous influence in capital markets around the world. Where they go, government leaders, policy makers and institutional investors tend to follow, leading to real change in sectors critical to the environment and to society.**

NEW AMERICA

The Responsible Asset Allocator Initiative

Executive Summary - April 2019



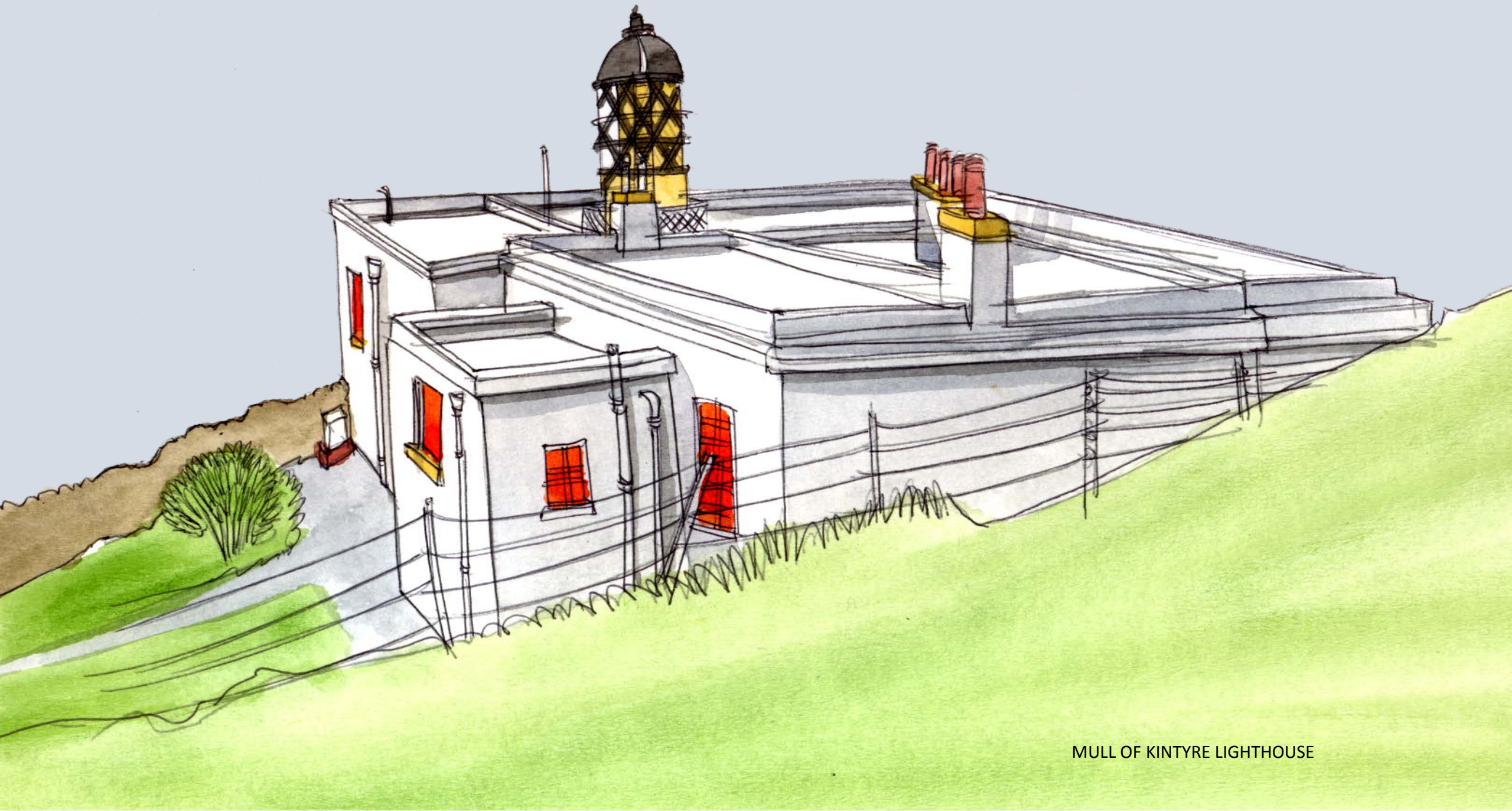
The Responsible Asset Allocator Initiative

The Responsible Asset Allocator Initiative (RAAI) at New America is focused on mobilizing capital from the world's largest institutions toward responsible investing and the achievement of the Sustainable Development Goals (SDG) of the United Nations. It is a window into the future of investing, a world where global savings institutions deploy funds not only to achieve financial returns but also to address the broader social and environmental challenges we face today.

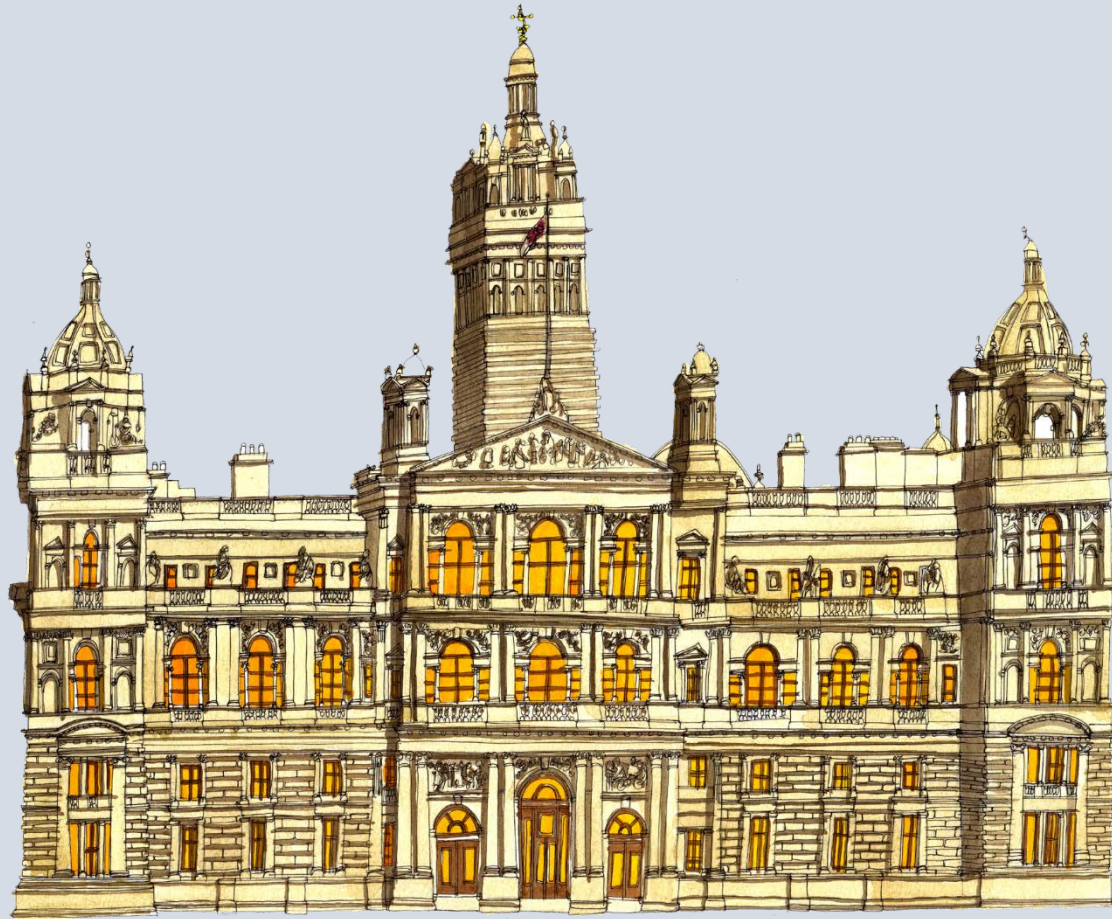
The RAAI index provides the first comprehensive analysis of how the world's largest long-term investors are developing sophisticated new strategies to manage environmental, social and governance (ESG) issues. The index, developed in partnership with the Fletcher School at Tufts, analyzes and rates approximately 200 Sovereign Wealth Funds (SWF) and Government Pension Fund (GPF) comprising \$21 trillion in assets, on their responsible investing practices. The RAAI publishes "The Leaders List: The 25 Most Responsible Asset Allocators," which ranks the top 25 scorers in the index, and also identifies the Finalists, the next highest scoring 25 firms. Together this group of asset allocators sets a global standard for leadership in responsible investing and provides a benchmark for the investment community to follow.

Activities of the Responsible Asset Allocator Initiative include:

- Analyzing the investment practices of the top 200 SWF/GPF and rating them against principles and criteria for responsible investing specifically designed for asset allocator needs.
- Selecting the top 25 scorers for the "Leaders List: The 25 Most Responsible Asset Allocators" in the world, providing a benchmark of best practices for peers.
- Gathering together the Leaders List, Finalists and other asset allocators to share knowledge and coordinate collective action.



MULL OF KINTYRE LIGHTHOUSE



Governance

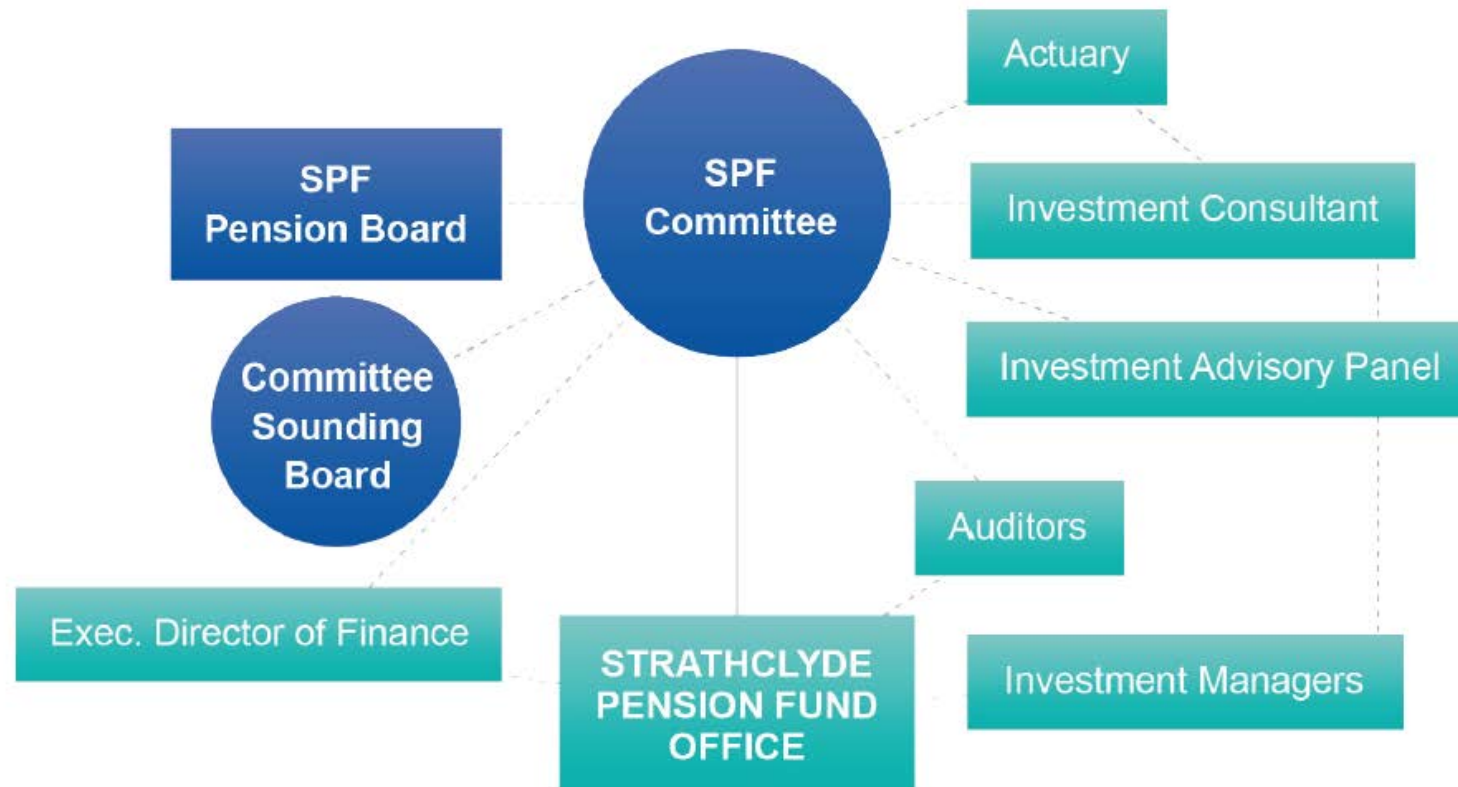
Richard McIndoe
Director

Agenda

- SPFO Governance Update
- Review of the Structure of the Scottish Local Government Pension Scheme (LGPS) - Update

Strathclyde Pension Fund Governance

STRATHCLYDE PENSION FUND GOVERNANCE



Strathclyde Pension Fund Committee



**Allan Gow
(Convener)**



Jennifer Layden



Christina Cannon



**Norman MacLeod
(Vice-Convener)**



Mandy Morgan



Euan Blockley



Martha Wardrop



Philip Braat

Strathclyde Pension Fund Committee



**Allan Gow
(Convener)**



Richard Bell



Christina Cannon



**Norman MacLeod
(Vice-Convener)**



Mandy Morgan



Euan Blockley



Martha Wardrop



Philip Braat

Strathclyde Pension Fund Committee



Allan Gow
(Convener)



Richard Bell



Christina Cannon



Ruairi Kelly
(Vice-Convener)



Mandy Morgan



David Meikle



Martha Wardrop



Philip Braat

Strathclyde Pension Fund Pension Board

4 x Employers

- Cllr. John Shaw
- Cllr. Tom Fisher
- Cllr. Collette Stevenson
- Mark Dickson

4 x TUs

- Andy Thompson
- James Corry
- Stephen Kelly
- Brian Gallagher

Responsibilities

Assisting the Scheme Manager in securing compliance with:

- Regulations and other legislation
- Requirements of the Pensions Regulator

Meetings

“A Pension Board is to meet at the same place and at the same time as the Pension Committee to consider the same agenda. The Chair of the Pension Committee is entitled to act as chair of that meeting.”

LGPS Governance Regulations 2015

SPF Committee Agenda

<u>May 2018</u>	<u>September 2018</u>	<u>December 2018</u>	<u>March 2019</u>
Training: UK property, DTZ Board Minutes <u>Items for Approval</u> Investment Strategy: <ul style="list-style-type: none"> £200m Absolute Return £500m Global Infrastructure <ul style="list-style-type: none"> Training Plan DIP: <ul style="list-style-type: none"> £50m Equitix £50m Greencoat £20m GAM Internal Audit: <ul style="list-style-type: none"> DIP review <u>Items for Noting</u> <ul style="list-style-type: none"> Fund summary IAP report 	Training: Global lending, Barings Board Minutes <u>Items for Approval</u> <ul style="list-style-type: none"> Scottish LGPS Structure Review - Draft Response DIP: <ul style="list-style-type: none"> £30m Beechbrook £20m Par Equity Internal Audit: <u>Items for Noting</u> <ul style="list-style-type: none"> Investment Performance IAP Report Fund summary Responsible Investment Report Business plan update 	Training: Private markets, Partners Group Board Minutes <u>Items for Approval</u> <ul style="list-style-type: none"> Review of Direct Investment Portfolio Review of No.3 Fund Scottish LGPS Structure Review - Draft Response DIP: <ul style="list-style-type: none"> £15m Epidarex Internal Audit: <ul style="list-style-type: none"> Guarantees and Covenants GDPR <u>Items for Noting</u> <ul style="list-style-type: none"> Administration Fund summary IAP report Financial Statements Risk Register Internal Audit follow-up 	Training: Absolute Return Investing, Ruffer, Board Minutes <u>Items for Approval</u> Investment Strategy: <ul style="list-style-type: none"> £700m Private Corporate Debt £200m Private Real Estate Debt <ul style="list-style-type: none"> Risk Policy & Strategy Statement Independent Property Valuer Appointment Business Plan 2019/20 Internal Audit Plan DIP: <ul style="list-style-type: none"> £20m Albion Internal Audit: <ul style="list-style-type: none"> Gifts & Hospitality Pensions Payroll <u>Items for Noting</u> <ul style="list-style-type: none"> Investment Performance Fund summary IAP report Responsible Investment report Business Plan update Annual Audit plan

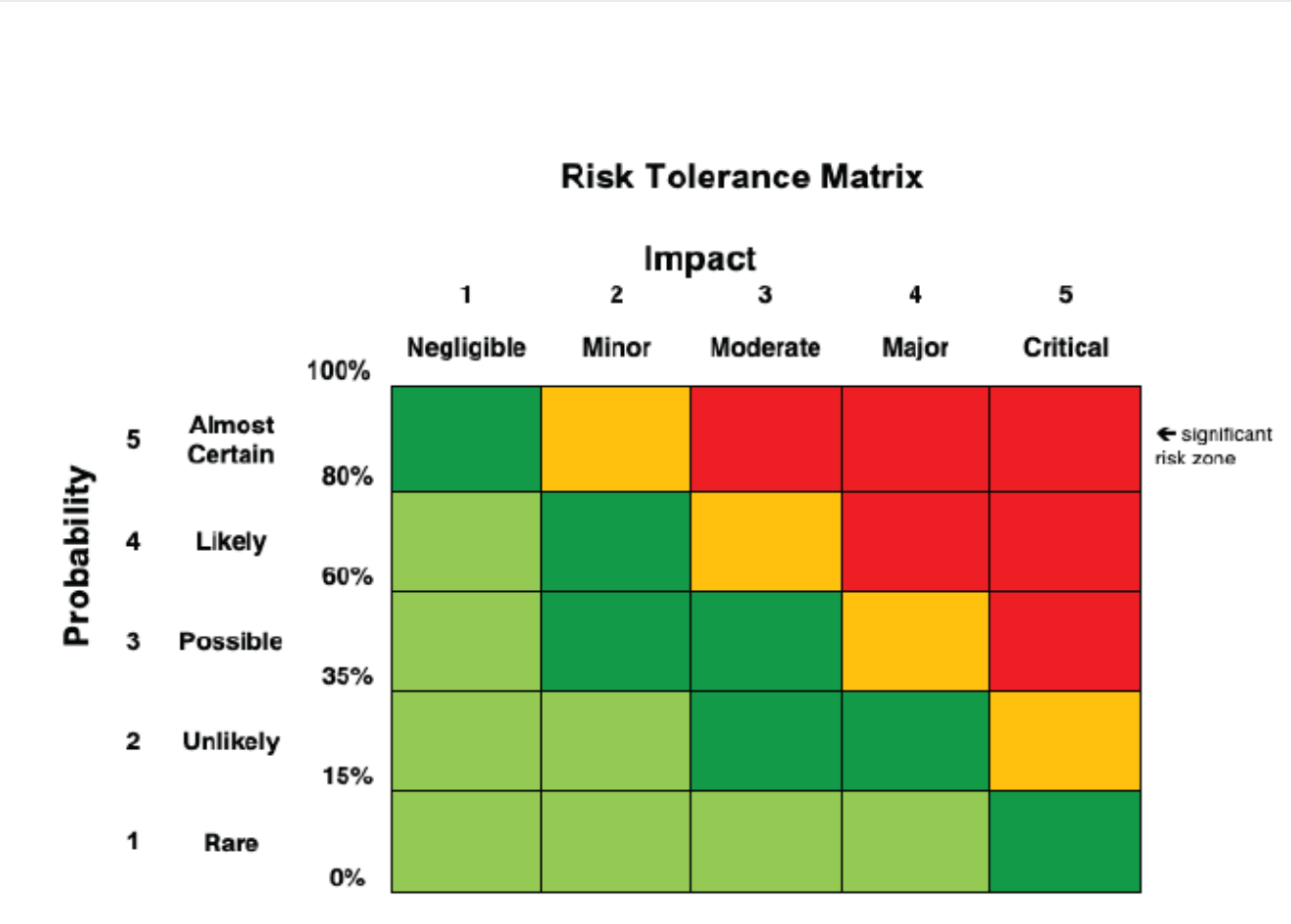
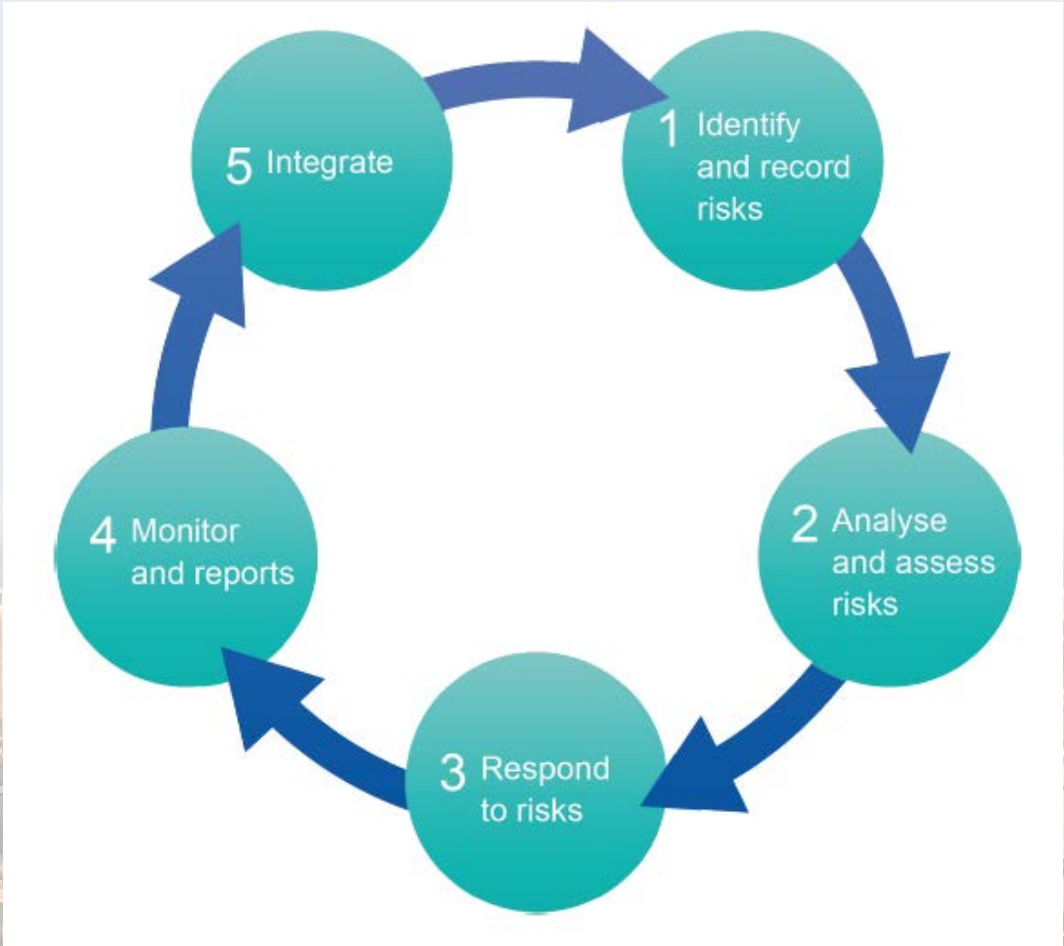
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Risk Policy and Strategy



Risk Register

Risk Ref No	Risk Title/Risk Description	RESIDUAL ASSESSMENT			
		Residual Probability	Residual Impact	Residual Risk	Movement
SPFO5	RISK: Pay and price inflation significantly more or less than anticipated. CAUSE: Macro economic. EFFECT: Increase in liabilities; increase in asset price volatility; potential underfunding; potential increase in employer contribution rates.	3	4	12	Static
SPFO3 1	RISK: Employer failure to carry out statutory functions including submission of member data and contributions to SPFO. CAUSE: Under-resourcing/Scheme Complexity. EFFECT: Missing, incomplete and incorrect records on pensions administration system; undermines service delivery and causes difficulties in establishing correct benefits at individual member level, and liabilities at employer and whole of Fund level; potential issues with the Pensions Regulator.	3	4	12	Static
SPFO1	RISK: Fund's investments fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. CAUSE: Macro economic. EFFECT: Long-term underfunding; significant increase in employer contribution rates.	2	5	10	Static

No.3 Fund

Strathclyde
No. 3
Fund

31 Mar
2017

Membership

Employees	118
Deferred Pensioners	114
Pensioners	897
Total	<hr/> 1,129

Funding

	(£m)
Liabilities	185
Assets	211
Surplus/(Deficit)	<hr/> 26

Funding Level	114%
Contributions	£0

Investment Strategy

Growth Portfolio	30%
Matching Portfolio	70%
Total	<hr/> 100%

No.3 Fund

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Employees	118
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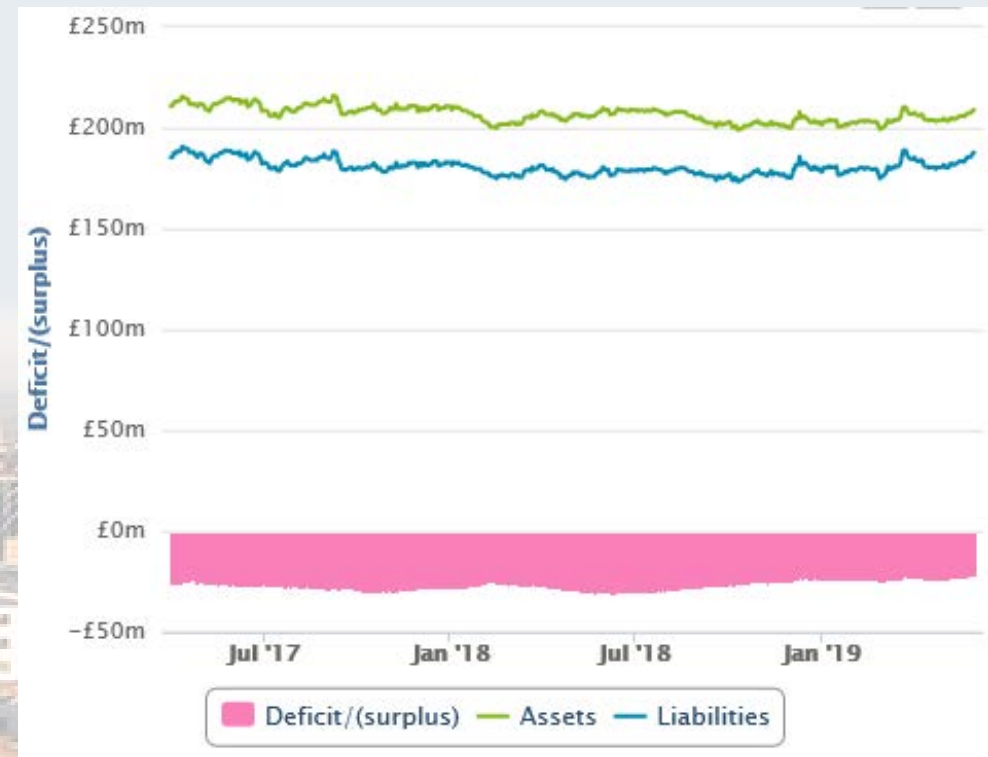
Funding

	(£m)
Liabilities	185
Assets	211
Surplus/(Deficit)	26

Funding Level	114%
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Investment Strategy

Growth Portfolio	30%
Matching Portfolio	70%
Total	100%



No.3 Fund

	Strathclyde No. 3 Fund	Aberdeen Transport Fund
	31 Mar 2017	31 Mar 2017

Membership

Employees	118	42
Deferred Pensioners	114	111
Pensioners	897	431
Total	1,129	584

Funding

	(£m)	(£m)
Liabilities	185	106.5
Assets	211	100
Surplus/(Deficit)	26	(6.5)

Funding Level

Contributions	114%	94%
	£0	33% plus £1.5m

Investment Strategy

Growth Portfolio	30%
Matching Portfolio	70%
Total	100%

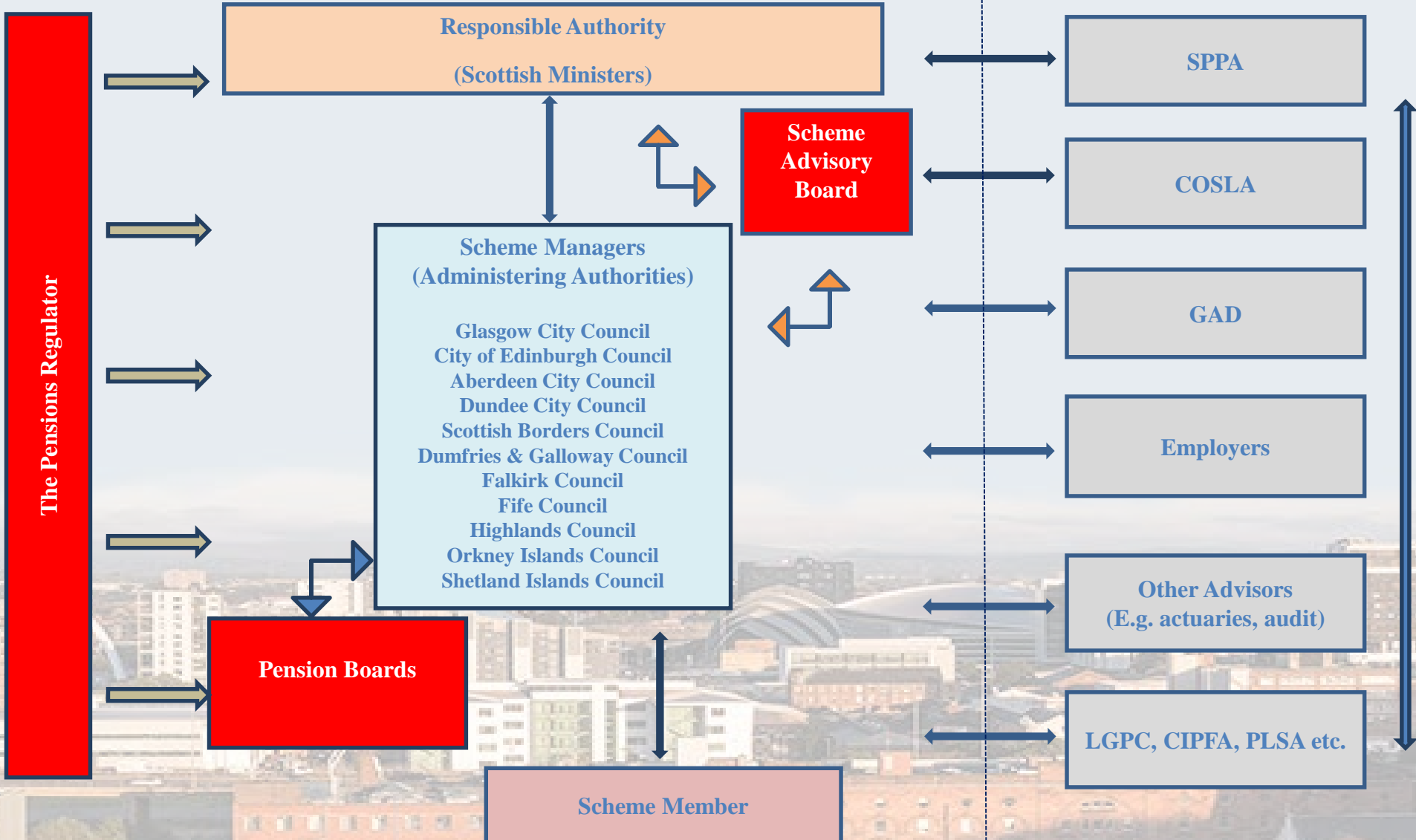
No.3 Fund

	Strathclyde No. 3 Fund	Aberdeen Transport Fund	Merged Fund
	31 Mar 2017	31 Mar 2017	31 Mar 2017
<u>Membership</u>			
Employees	118	42	160
Deferred Pensioners	114	111	225
Pensioners	897	431	1,328
Total	1,129	584	1,713
<u>Funding</u>	(£m)	(£m)	(£m)
Liabilities	185	106.5	291.5
Assets	211	100	311
Surplus/(Deficit)	26	(6.5)	19.5
Funding Level	114%	94%	Tbc
Contributions	£0	33% plus £1.5m	Tbc
<u>Investment Strategy</u>			
Growth Portfolio	30%		Tbc
Matching Portfolio	70%		Tbc
Total	100%		

LGPS (Scotland) – Governance Model

MANDATORY ROLES

OTHER STAKEHOLDERS



Consultation Process

The options:

- Retain the **current structure** with 11 funds.
- Promote **cooperation** in investing and administration between the 11 funds.
- **Pool investments** between the 11 funds.
- **Merge** the 11 funds into one or more new funds.

The criteria:

- Cost of investing
- Governance
- Operating risks
- Infrastructure investment

The timeline:

- **Launch:** 18th June 2018
- **Launch event:** 27th June 2018
- **Consultation closes:** 7th December 2018
- **Report:** April 2019

SPF Response

The options:

- Retain the **current structure** with 11 funds.
- **SPF is big enough**
- **Scottish LGPS is a success story.**
- Promote **cooperation** in investing and administration between the 11 funds.
- **Already happens but there is further scope.**
- **Pool investments** between the 11 funds.
- **An expensive experiment – little or no benefit to SPF or its members or employers.**
- **Merge** the 11 funds into one or more new funds.
- **Very expensive and disruptive - little or no benefit to SPF or its members or employers.**

The criteria:

- **Cost of investing:** **not all about size**
- **Governance:** **it works**
- **Operating risks:** **well managed**
- **Infrastructure investment:** **£1bn to date**

The timeline:

- **Draft to SPF Committee:** **5th September 2018**
- **Share with Employers:** **September 2018**
- **Final draft to SPF Committee:** **5th December 2018**
- **Submit:** **7th December 2018**

Strathclyde Pension Fund



Members	
Active	96,000
Deferred	62,000
Pensioner	78,000
Employers	236,000
Local Authorities	12
Scheduled Bodies	18
Admitted Bodies	143
	173
Investment Performance (% p.a.)	
3-years	14.2
5-years	10.9
Since 1976	11.6

Funding (30/09/18)	
	(£m)
Assets	22,122
Liabilities	19,321
Surplus	2,801

Accounts (2017/18)	
	(£m)
Opening Assets	19,699
Contributions etc	549
Pensions etc	(581)
	(32)
Investment Income	285
Investment Growth	967
Investment Costs	(113)
Closing Assets	20,806
Main Employer Group Contribution Rate	19.3%

Consultation Responses



The options:

- Retain the **current structure** with 11 funds. **It's big enough** and **Scottish LGPS is a success story.** **There is no need for** more **cooperation** in investing and **administration** between the 11 funds. **Nothing is happening but there is further scope.**
- **Pool investments** between the 11 funds.
- **An expensive experiment – little or no benefit to SPF or its members or employers.**
- **Merge** the 11 funds into one or more new funds.
- **Very expensive and disruptive - little or no benefit to SPF or its members or employers.**

The criteria:

- **Cost of investing:** **not all about size**
- **Governance:** **it works**
- **Operating risks:** **well managed**
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North East Scotland
PENSION FUND



COSLA

Dumfries & Galloway

Fife Pension Fund
Administered by Fife Council

Tayside Pension Fund



Glasgow Kelvin
College



East Lothian Council



: £1bn to date

The Society for Personnel and
Development Scotland

- **Pool investments** between the 11 funds.
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Glasgow Kelvin College



East Lothian Council

Borders COUNCIL

: £1bn to date

The Society for Personnel and Development Scotland

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The Society for Personnel and
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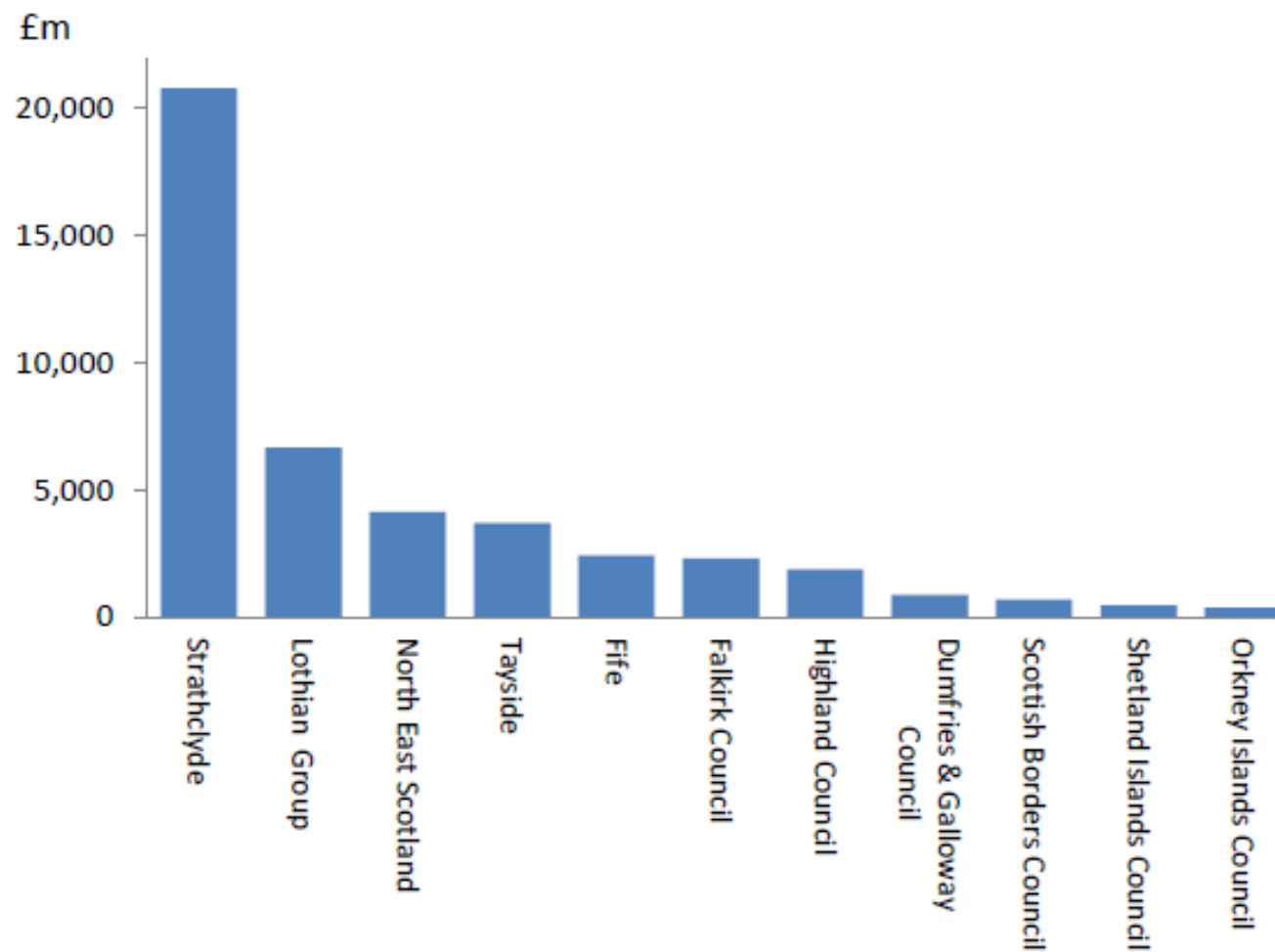
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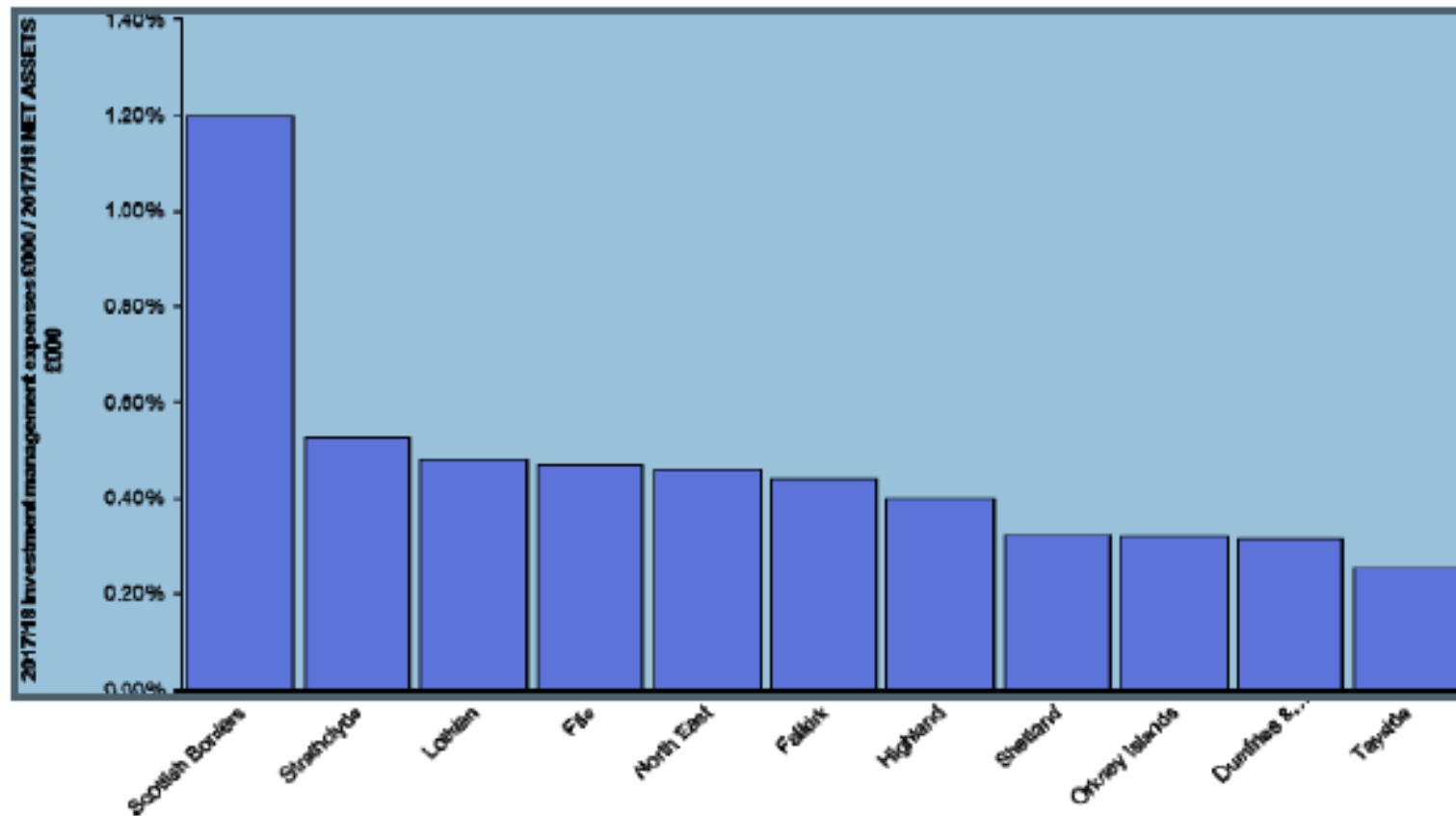


Scottish LGPS Funds – Size



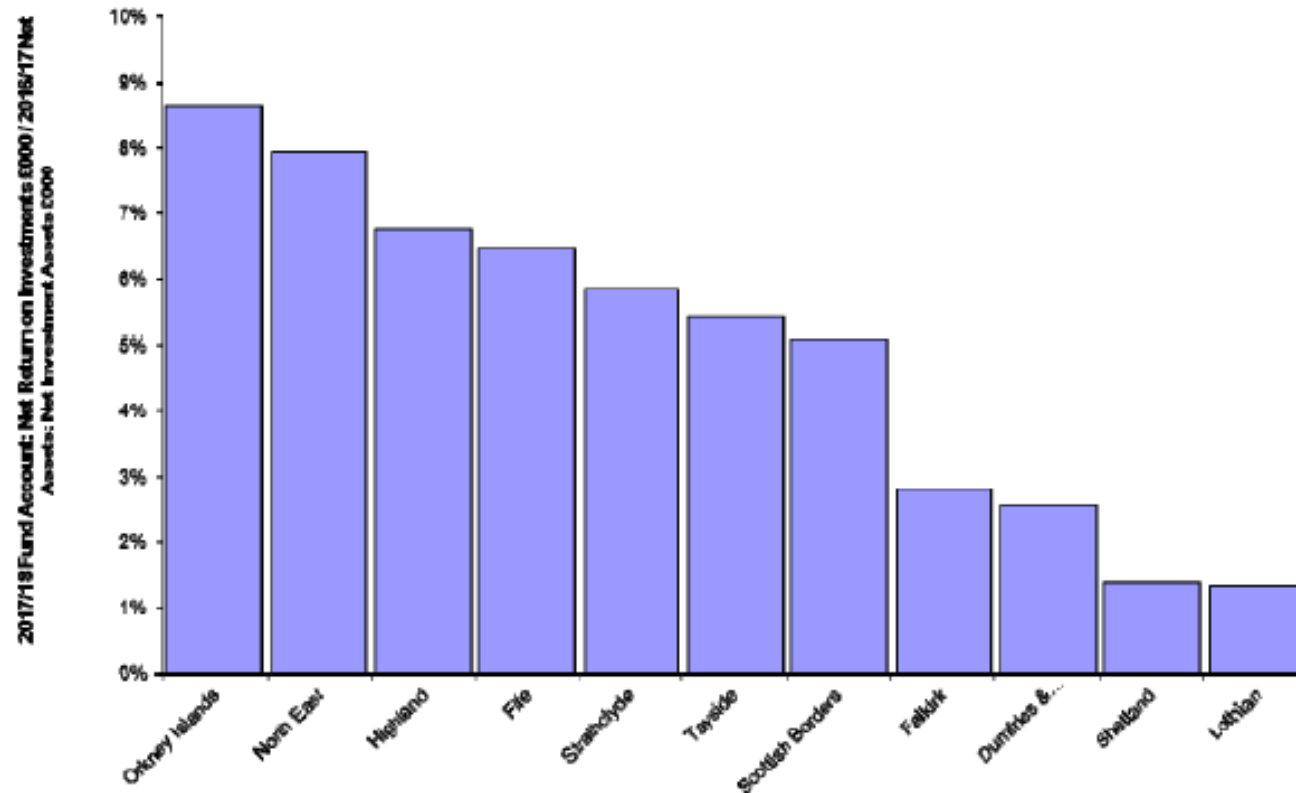
Scottish LGPS Funds – Cost

Accounts - Investment management expenses 2017-18



Scottish LGPS Funds – Performance

Net return on investments as a proportion of opening investments 2017-18



Report on the Consultation



Report on the Consultation on the

Review of the Structure of the Scottish Local Government Pension Fund

Part 1: Conclusions and key issues

Carried out by the Pensions Institute

on behalf of the Scottish Local Government Pension Scheme Advisory Board

David Blake

Matthew Roy

April 2019

CONFIDENTIAL DRAFT

Report on the Consultation



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David Blake

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April 2019

Derek Mackay MSP
Cabinet Secretary for Finance, Economy and Fair Work
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

Date 10th May 2019

Scottish LGPS Scheme Advisory Board Consultation on SLGPS Structure

I am writing to provide you with an update on this consultation and a copy of the subsequent report that the Scheme Advisory Board (SAB) commissioned from the Pensions Institute.

You will recall that I wrote to you in May of last year to say that, following your agreement, the SAB would conduct a consultation on the structure of the Scottish LGPS (SLGPS). The proposal for a consultation arose in response to the changes in hand in England and Wales which have since seen the establishment of pools, bringing together the investment resources of local authority pension schemes.

For the Scottish scheme, the issue has been the extent to which there may be benefits in the range of structural options open to them. These were identified as: 1) the status quo, with the 11 Scottish funds remaining substantially as they are; 2) forms of collaboration between funds in investment decisions and allocation to investment funds; 3) pooling of SLGPS investments along the lines adopted in England and Wales (acknowledging that various pooling structures have emerged); and 4) merging of SLGPS funds, maximally into a single fund or into a reduced number of larger-scale, merged entities.

The analysis of responses to the consultation is contained in the Pensions Institute report, which was discussed at the SAB's last meeting on 24th April.



Alasdair Rankin, SNP Councillor, City-Centre Ward

City Chambers, High Street, Edinburgh, EH1 1YJ. Tel 0131 529 3243
alasdair.rankin@edinburgh.gov.uk



Yours ever,

Councillor Alasdair Rankin
Convener of Finance and Resources

consultation respondent favoured the pooling rationale, we agreed to discount it from further

and status quo did not look very different, and report. As you know, most of the funds: thian and Falkirk Pension Funds have: aral years now. The Fife Pension Fund is now: investment strategy panel with independent: from the Lothian Fund. No member of the: iple and recognised that increased: itory amendments or other regulatory change, : substantial reform at a later date.

cluded that there was sufficient evidence to: ergers. It cited both academic research and: nual cost savings (£65m plus in a single: ms for larger funds.

: commission further work on the merger: ion of the status quo/collaboration and merger: compare with the potential organisational: at different governance arrangements would:

he remit for this work and what suitably: t on our behalf.

ww come to an end and I am succeeded by: nual rotation from employer representative to: would be happy to meet with you to discuss: t consultation that you might wish.

stitute's report on the consultation to Kate

The Long-Term View

PENSIONS AND LIFETIME SAVINGS ASSOCIATION



THE LONG-TERM VIEW PATIENT CAPITAL AND ILLIQUID INVESTMENT

A GUIDE FOR PENSION FUNDS

THE LONG-TERM VIEW PATIENT CAPITAL AND ILLIQUID INVESTMENT

CASE STUDY

1



STRATHCLYDE PENSION FUND

With over 230,000 members and £20 billion of investments Strathclyde Pension Fund is one of the two biggest Local Government Pension Scheme funds, one of the top 20 UK pension funds and one of the top 50 European pension funds.

Regrets, we've had a few, but then again...

Having a long-term perspective is one of six key principles in our Statement of Investment Principles (along with Diversification, Efficiency, Competitive Advantage, Pragmatism and Stewardship). Investing in patient capital helps us live up to those principles.

♦♦ ONE OF OUR REGRETS IS THAT WE DIDN'T EMBRACE ILLIQUID INVESTMENT MORE AT AN EARLIER STAGE ♦♦

That said, we did start a private equity programme in 1990. And private equity does require patience. It takes time to invest your money – you can't just buy a ready-made portfolio. And once invested, the money is effectively 'locked up' for 10 to 15 years or even longer. But it does come back to you. The programme we started in 1990 is still running. Our regret is that we didn't build it up more quickly. We waited instead to see how those initial investments got on. They did very well – an annual return of over 25%. So we did eventually increase our allocation to 7.5% of total assets – we're a big fund, so that's over £1.5 billion. Over the years we have invested £2.7 billion in private equity, had £2.5 billion returned to us, and our current investments have a value of £1.9 billion. Total return has been more than 13% per annum. Worth being patient for.

SOME LESSER-KNOWN BENEFITS OF PRIVATE EQUITY

As well as the returns, which were the main attraction for us, there are other things we like about private equity in comparison to quoted equity:

- ▶ Managers take significant stakes in companies – usually a majority holding. This allows them real influence or control of how a company is managed and developed.
- ▶ Private equity can bring about real change – by bringing technologies to the market, creating new businesses and allowing existing businesses to make a step change in their growth. Many of today's biggest companies started out in private equity ownership.
- ▶ Good managers do take environmental, social and governance (ESG) considerations seriously – and they can do something about them. That matters a lot to us.

HOWEVER...

- ▶ Private equity does have a whole new jargon – of drawdowns, distributions and Internal Rates of Return.
- ▶ It requires some management – the money can't all be invested at once and doesn't all come back at once.
- ▶ It is expensive – but the returns above are after all fees and expenses.

We don't think you need to be a fund our size to invest in private equity. But you do need a good manager or consultant.

Questions?



FOR YOUR **FUTURE**

