

FOR YOUR **FUTURE**



# 2017/18 Overview



Richard McIndoe  
Director SPFO





OUR PENSION  
PAYS FOR  
CLIMATE CHANGE

SNOWMEN  
AGAINST  
GLOBAL WARM

Strathclyde Pension  
DIVEST

# Responsible Investment and Climate Change



House of Commons  
Environmental Audit Committee

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## Greening Finance: embedding sustainability in financial decision making

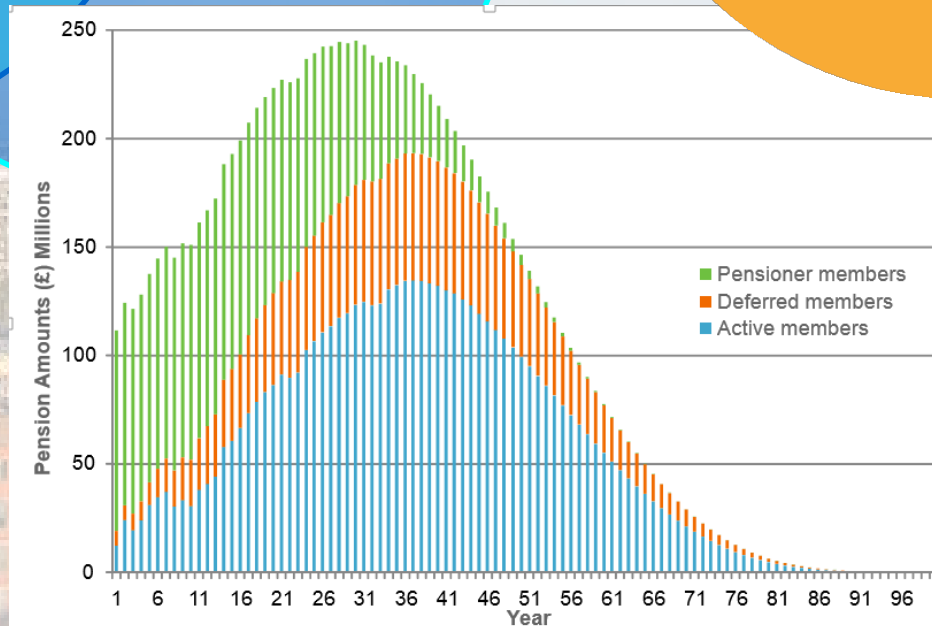
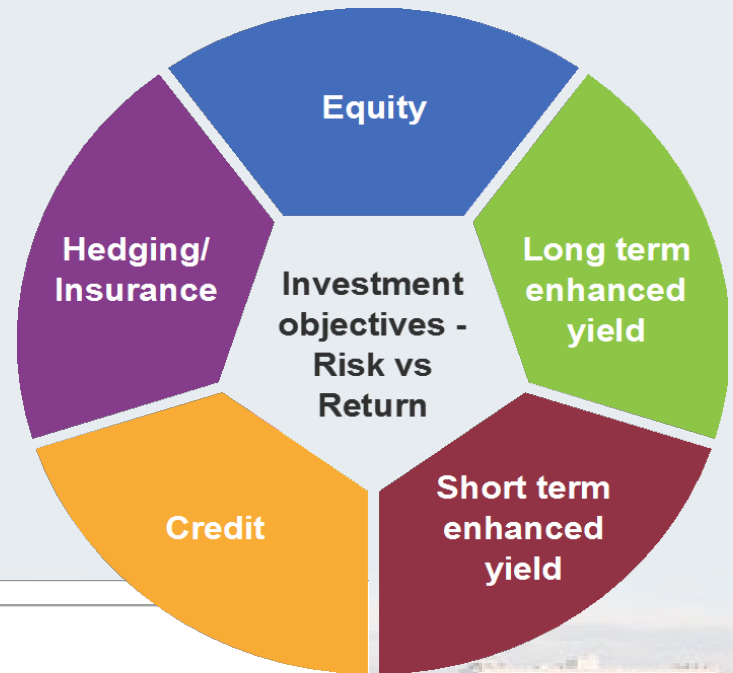
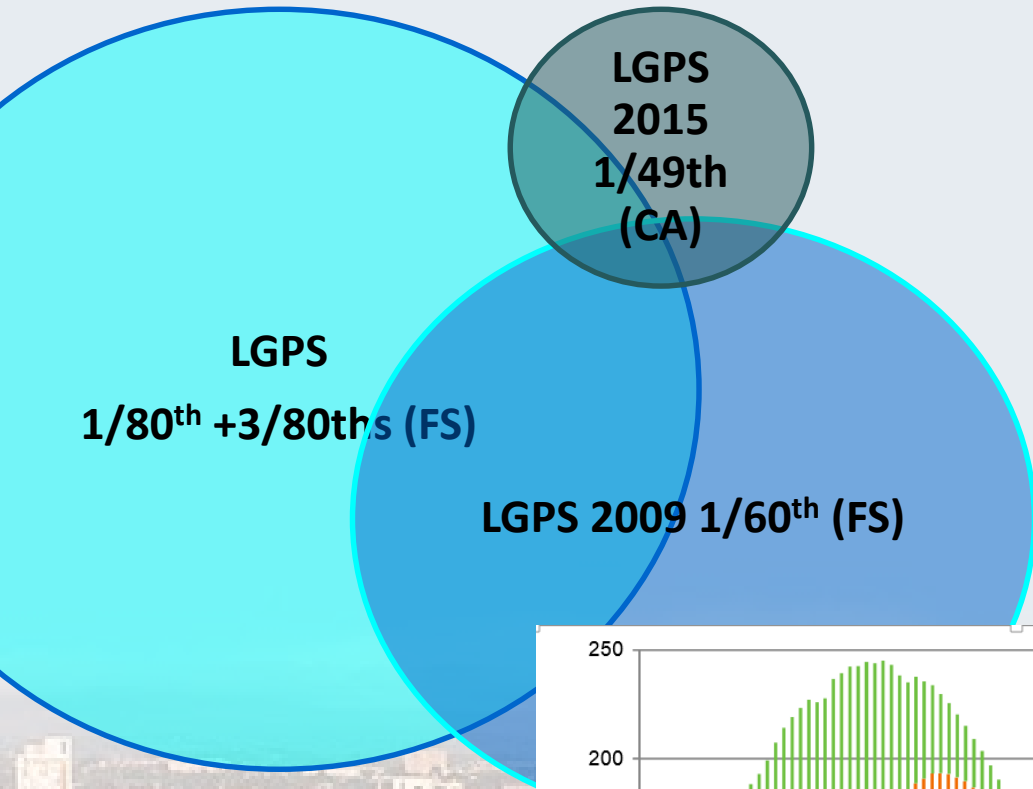
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Seventh Report of Session 2017–19

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00.01 a.m. on Monday 4 June 2019



# Actuarial Valuation



# Actuarial Valuation



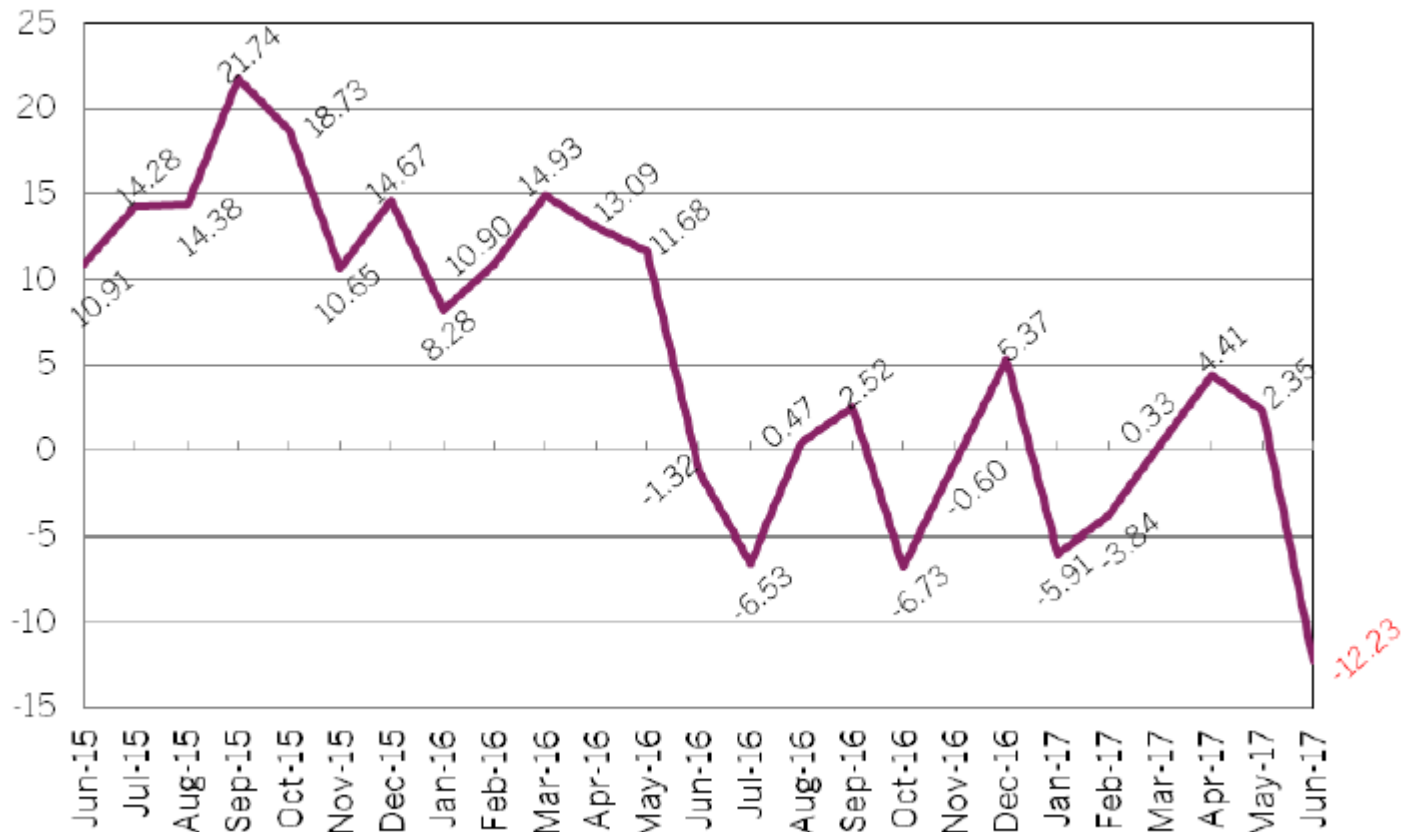
# Investment

## Weekly tracker

How likely is it that scheme investments will be at a higher value in six months?

**PROFESSIONAL  
PENSIONS**

**PENSIONS BUZZ**





# Investment

Market Summary > S&P 500 Index  
INDEXCBOE: .INX

2,773.64 +1.29 (0.047%) ↑

7 Jun, 11:20 GMT-4 · Disclaimer

1 day

5 days

1 month

**1 year**

5 years



# Scheme Administration

SCOTTISH STATUTORY INSTRUMENTS

2014 No. 164

## PUBLIC SERVICE PENSIONS

### The Local Government Pension Scheme (Scotland) Regulations 2014

Made - - - - 5th June 2014

Laid before the Scottish Parliament 9th June 2014

Coming into force in accordance with regulation 1

## CONTENTS

SCOTTISH STATUTORY INSTRUMENTS

2009 No. 187

## PENSIONS

### The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2009

Made - - - - 14th 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.

SCOTTISH STATUTORY INSTRUMENTS

2015 No. 0

## PUBLIC SERVICE PENSIONS

### The Local Government Pension Scheme (Scotland) Amendment Regulations 2015

SCOTTISH STATUTORY INSTRUMENTS

2014 No. 233

## PUBLIC SERVICE PENSIONS

### The Local Government Pension Scheme (Transitional

STATUTORY INSTRUMENTS

1998 No. 366 (S.14)

## PENSIONS

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

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

# Scheme Administration

## SCOTTISH STATUTORY INSTRUMENTS

### REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 27 April 2016

on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 16 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee <sup>(1)</sup>,

Having regard to the opinion of the Committee of the Regions <sup>(2)</sup>,

Acting in accordance with the ordinary legislative procedure <sup>(3)</sup>,

Whereas:

- (1) The protection of natural persons in relation to the processing of personal data is a fundamental right. Article 8(1) of the Charter of Fundamental Rights of the European Union (the 'Charter') and Article 16(1) of the Treaty on the Functioning of the European Union (TFEU) provide that everyone has the right to the protection of personal data concerning him or her.
- (2) The principles of, and rules on the protection of natural persons with regard to the processing of their personal data should, whatever the nationality or residence, respect their fundamental rights and freedoms, in particular their right to the protection of personal data. The Regulation is intended to contribute to the accomplishment of an area of freedom, security and justice and of an economic union, to economic and social progress, to the strengthening and the convergence of the economies within the internal market, and to the well-being of natural persons.
- (3) Directive 95/46/EC of the European Parliament and of the Council <sup>(4)</sup> seeks to harmonise the protection of fundamental rights and freedoms

Made

Laid before the Scottish Parliament

15th May 2009

Coming into force in accordance with regulation 1(2)

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INSTRUMENTS ¶

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Scotland) Amendment

INSTRUMENTS

Regulations 1998

Regulations 1998

Made

Laid before Parliament

Coming into force

20th February 1998

10th March 1998

1st April 1998

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# Scheme Administration

DRAFT – 1 NOVEMBER 2017

SCOTTISH STATUTORY INSTRUMENTS

2018 No.

PUBLIC SERVICE PENSIONS

The Local Government Pension Scheme (Scotland) Regulations 2018

Made - - - - 2018  
 Laid before the Scottish Parliament 2018  
 Coming into force in accordance with regulation 1

CONTENTS

PART 1  
 Membership, contributions and benefits  
*Preliminary Provisions*

1.	Citation, commencement and extent	4
2.	Introductory	4
	<i>Membership</i>	
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4.	Restriction on eligibility for active membership	6
5.	Ending active membership	7
6.	Deferred members	7
7.	Pensioner members	7
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SCOTTISH STATUTORY INSTRUMENTS

REGULATIONS

on the protection of natural

The Local

THE EUROPEAN PARLIAM

Having regard to the Treaty on

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After transmission of the draft

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Having regard to the opinion o

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Whereas:

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provide that everyone h
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SCOTTISH STATUTORY INSTRUMENTS

REGULATIONS

such data, and repealing

REGULATIONS

(Scotland) Amendment

REGULATIONS

Article 8(1) of the Charter of  
the European Union (TFEU)

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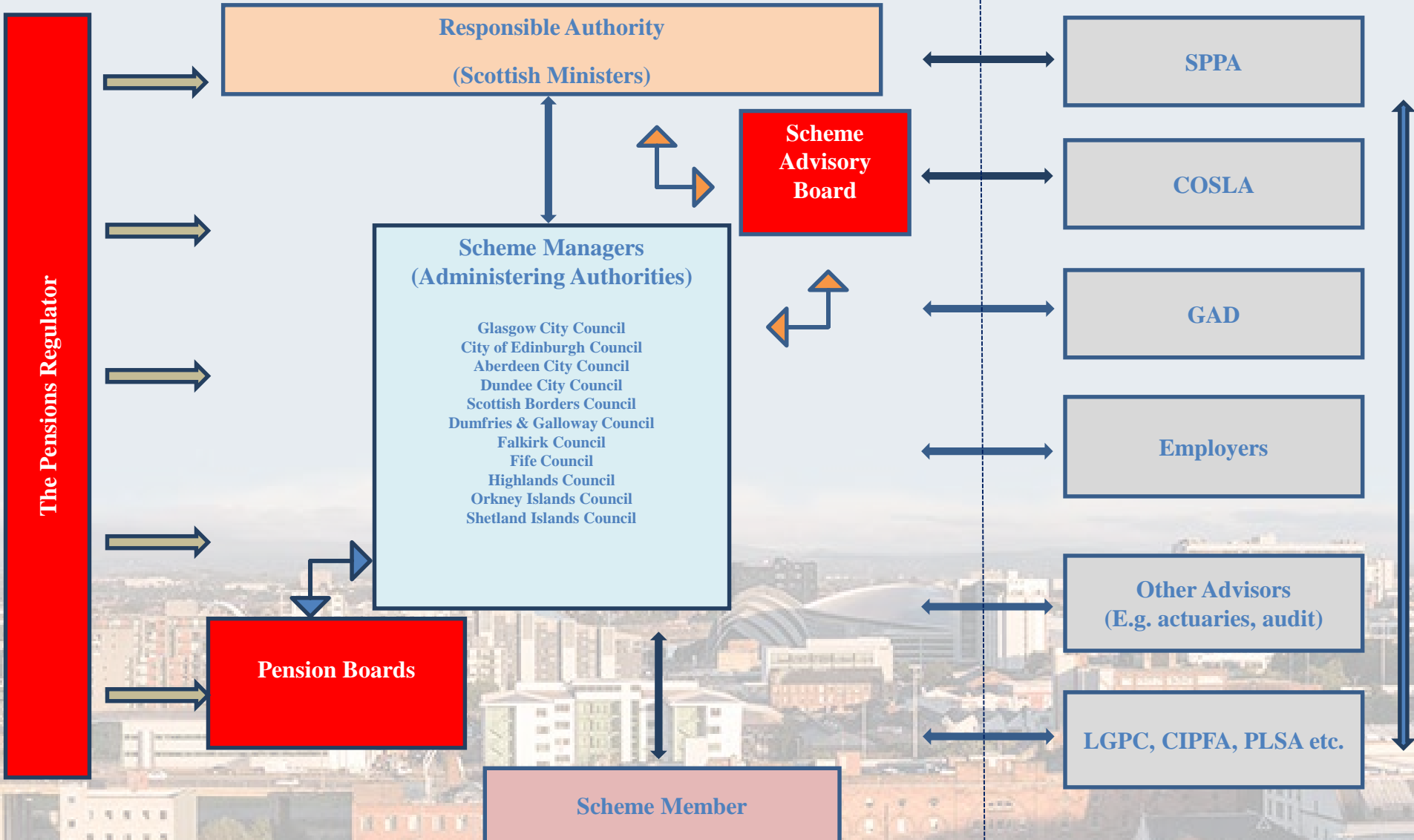
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# Governance

## MANDATORY ROLES

## OTHER STAKEHOLDERS





- DB Scheme of the Year
- DB Communications
- Best use of Alternatives



**IPE AWARDS**  
2017  
WINNER

UK

- Best UK Scheme

# LAPF Investments Awards

For local authority pension funds and their advisers

- Best Investment Strategy



# Finance – Annual Report and Accounts 2017/18



Paul Murphy  
Finance Manager

# Final Accounts 2017/18

An aerial photograph of Glasgow, Scotland, showing a mix of modern and traditional architecture, the River Clyde, and the Broughton Ferry Bridge. The sky is a deep blue with some light clouds.

**ANNUAL REPORT  
AND FINANCIAL  
STATEMENTS**

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**FOR THE YEAR ENDED  
31 MARCH 2018**

# Agenda

- 2017/18 Annual Accounts
  - Fund Account
  - Return on Investments
  - Net Assets Statement
- Statistics, current and previous year movement and trends
- Future cashflow and factors





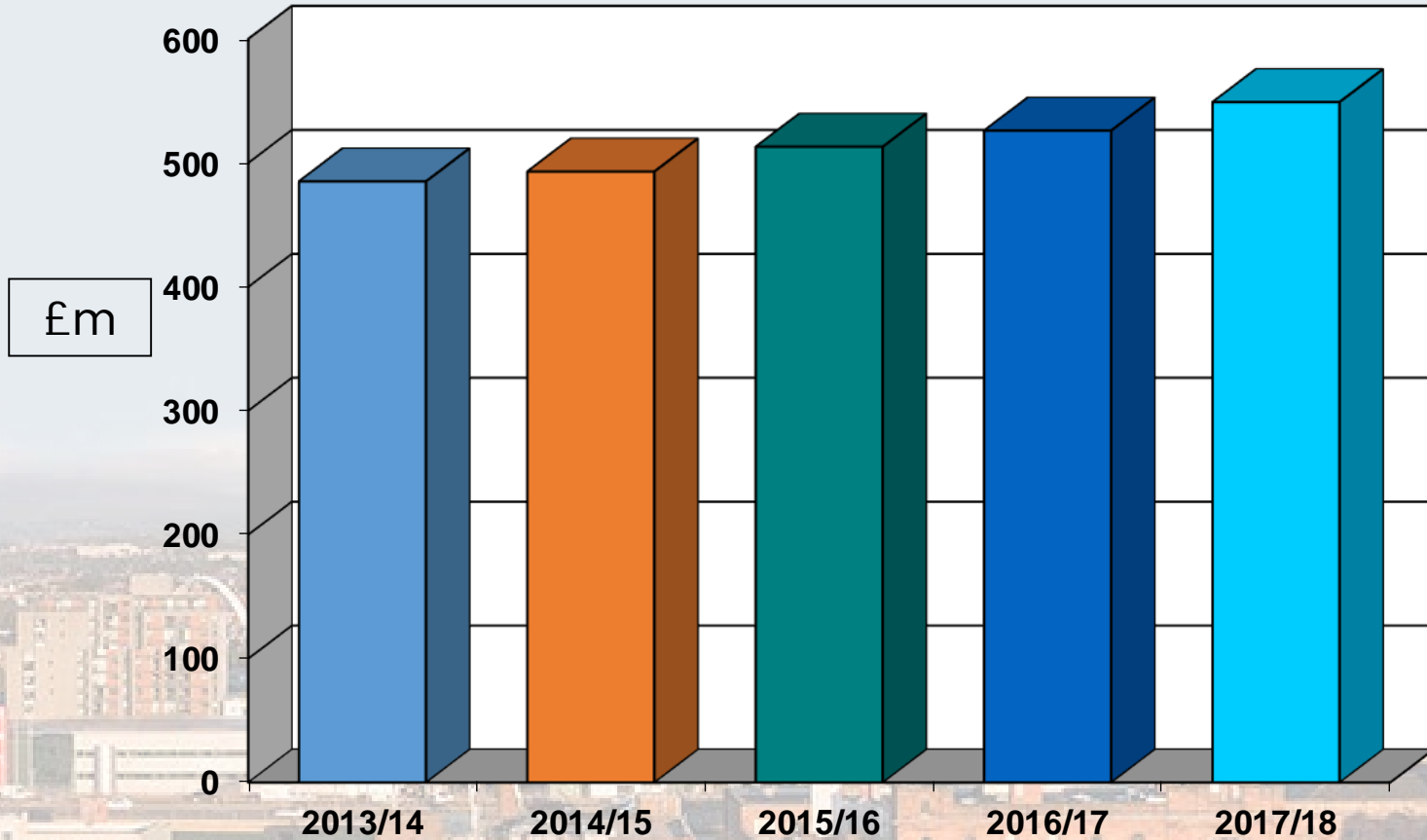
# 2017/18 Annual Accounts – Members

2016/17

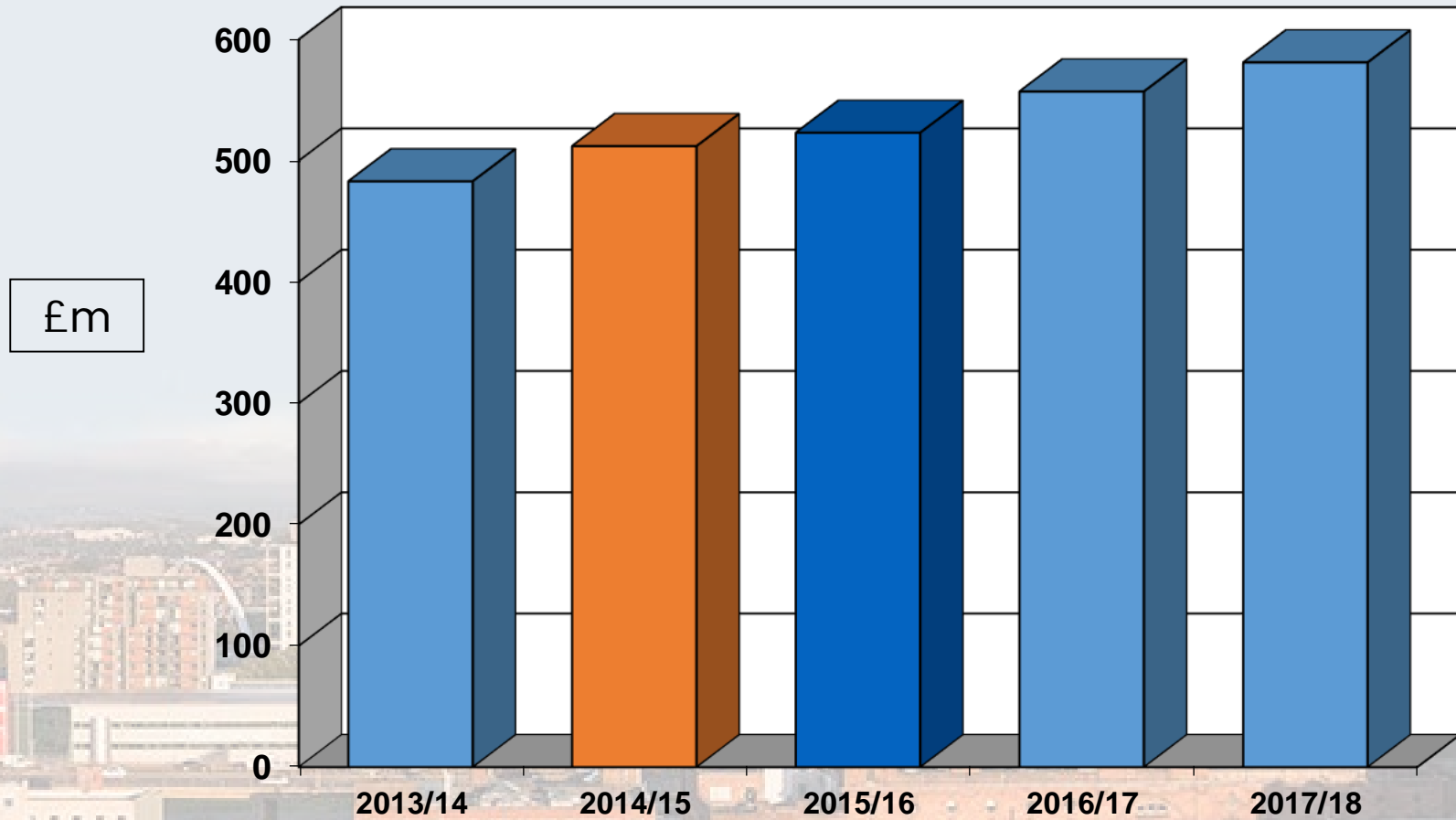
2017/18

<i>£m</i>	FUND INCOME	<i>£m</i>
398	Contributions receivable from employers	417
122	Contributions receivable from employees	125
5	Transfers in	6
1	Other income	1
<b>526</b>		<b>549</b>
	FUND PAYMENTS	
411	Pensions	422
121	Lump sums and Death Benefits	125
25	Payments to and account of Leaver	33
<b>557</b>		<b>580</b>
<b>-31</b>	Net addition/Reduction - from dealings with members	<b>-31</b>

# Total Income from Members and Employers



# Total Expenditure from Dealing with Members



# Statistics

- Average Pension **£5,600** (76,683)
- Average Lump sum **£37,900** (2,150)
- Average employee contributions **£1,300** (98,870 net cost £1,000)
- Average employer contributions **£4,300** (178 employers for 98,870 staff)
- Members **233,312** (5% increase and 14% from 2014)



# Return on Investments

£1.2bn or

6%

## 2017/18 Accounts – Return on Investment

2016/17

2017/18

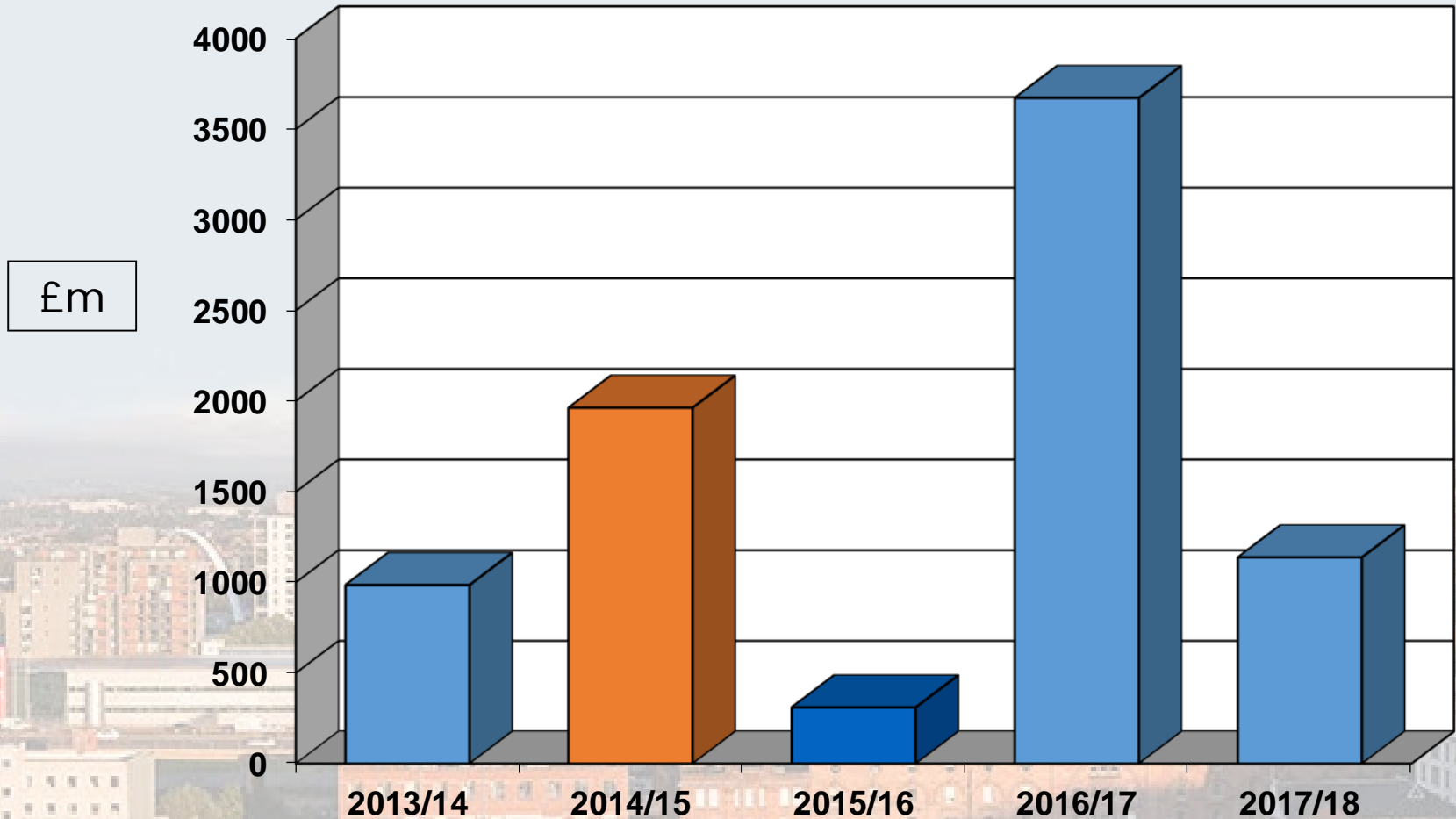
**£m**

### RETURNS ON INVESTMENTS

**£m**

252	Investment income	285
(101)	Management expenses	(114)
3,521	Change in market value of investments	967
<b>3,672</b>	<b>Net returns on investments</b>	<b>1,138</b>
<b>3,641</b>	<b>Net movement in the Fund during the year</b>	<b>1,107</b>
	ADD	
<b>16,059</b>	Opening net assets as at 1st April	<b>19,699</b>
	EQUALS	
<b>19,699</b>	Closing net assets as at 31st March	<b>20,806</b>

# Net Return on Investments



# Net Assets

£20.8bn



## 2017/18 Annual Accounts – Net Assets

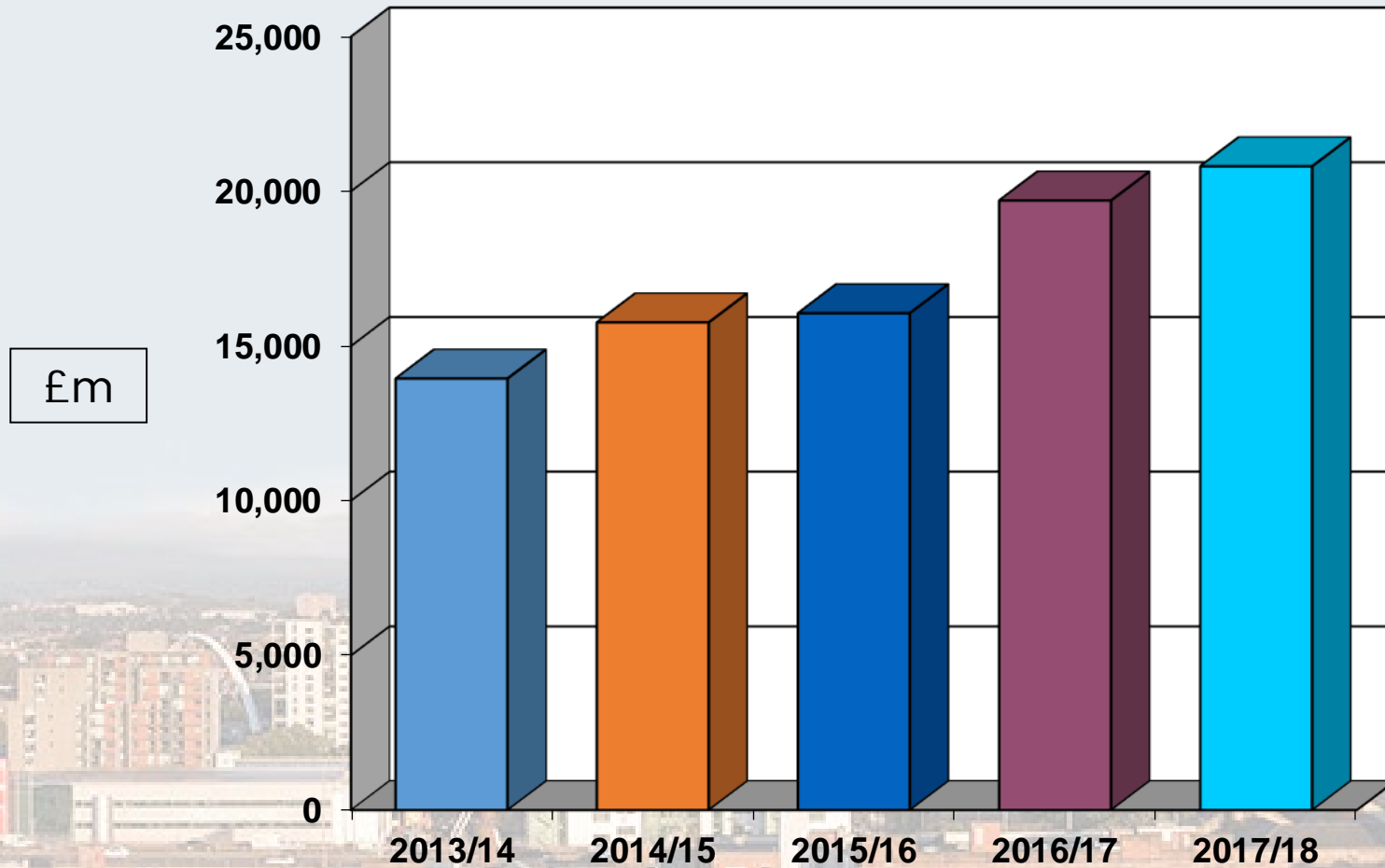
2016/7

2017/18

<b>£m</b>	<b>Investment Assets</b>	<b>£m</b>
9,213	Equities	7,286
7,714	Pooled Investment Vehicles	10,395
280	Derivative Contracts	2
1,673	Property	1,881
1,096	Cash and Other	1,272
<b>19,976</b>		<b>20,836</b>
(315)	Investment liabilities	(65)
93	Current Assets	97
(55)	Current Liabilities	(62)
<b>19,699</b>	<b>Net Assets</b>	<b>20,806</b>



# Closing Net Assets of the Fund



# Financial Summary

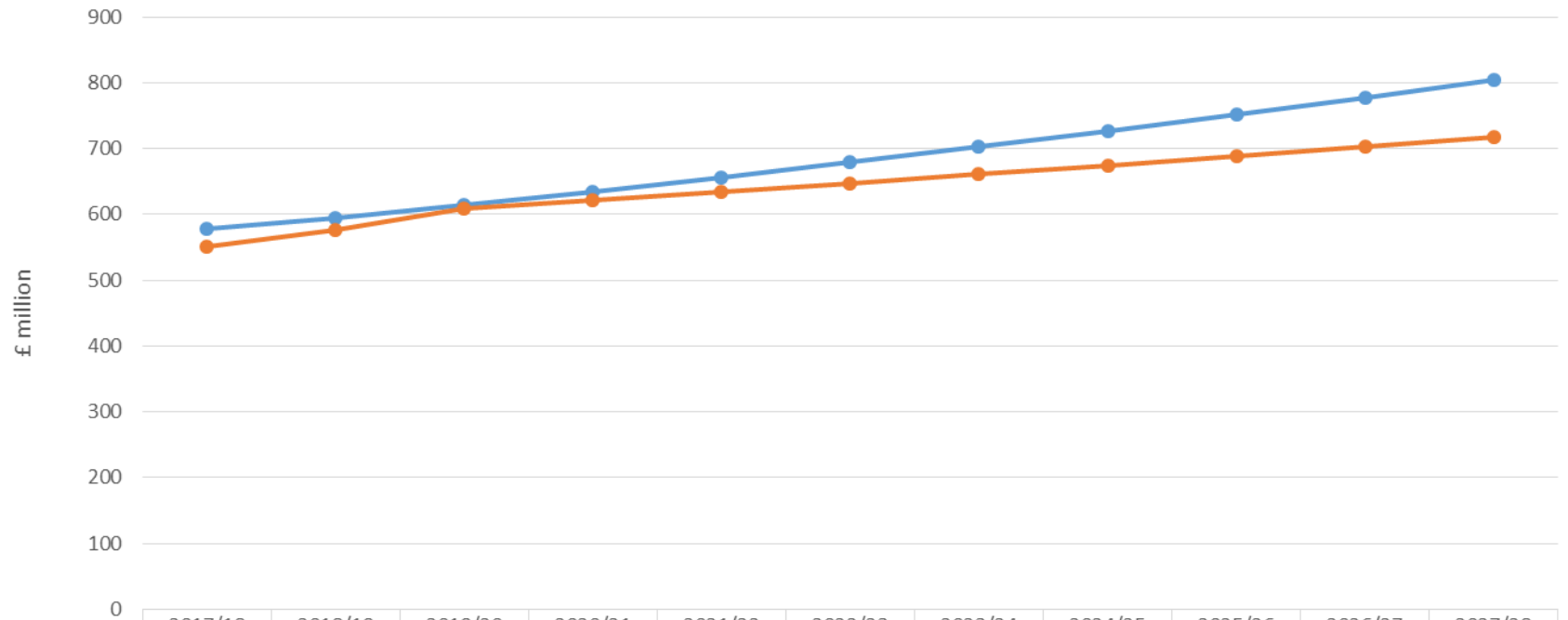
- Net Assets increased from £19.7bn to £20.8bn. Increase of 6%
- Highest ever Net Assets value
- Triennial revaluation 105.0%. Intervaluation 105.6%

## Summary

- Increasing fund expenditure (£581m) and income (£549m)
- Leads to reduction but investment income (£285m) sufficient to cover this
- Increasing members to 233,000 (5%)

# 10 Year Cashflow

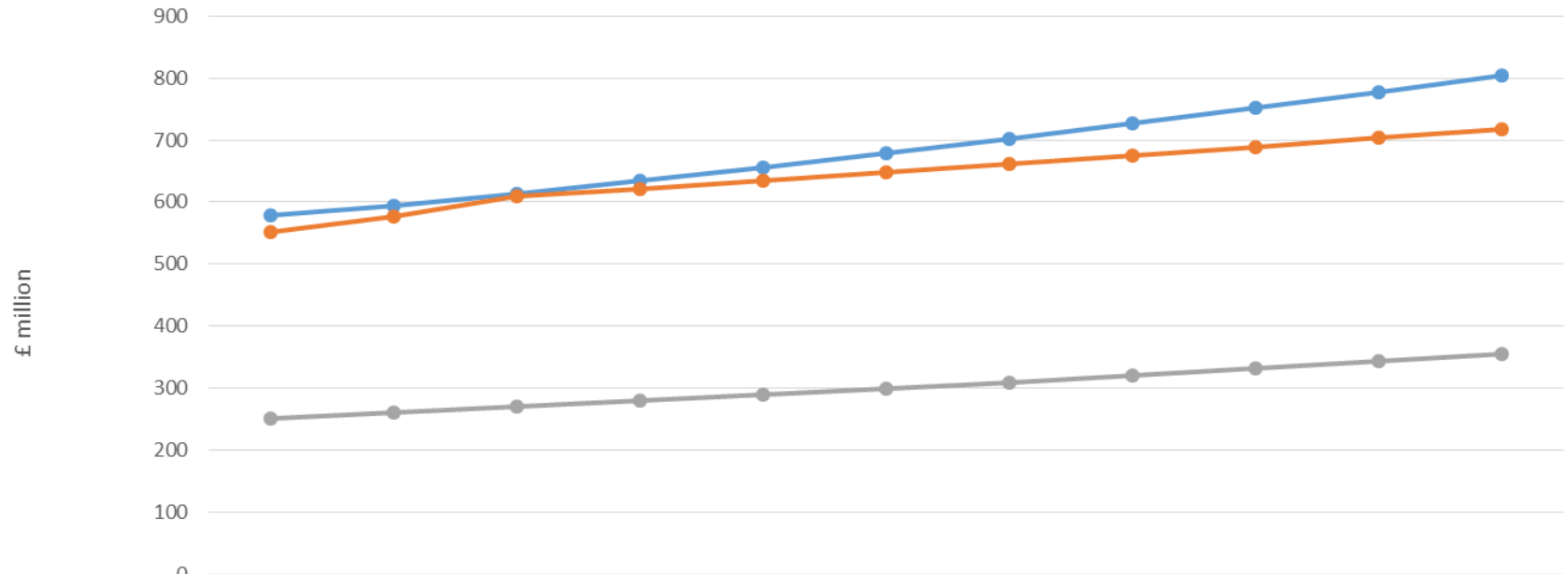
Strathclyde Pension Fund Cash Flow for 2017/18 to 2027/28



	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Expenditure	578	594	614	635	656	679	702	726	751	777	804
Income	552	577	609	622	635	648	661	675	689	703	718

# 10 Year Cashflow

Strathclyde Pension Fund Cash Flow for 2017/18 to 2027/28



	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
—●— Expenditure	578	594	614	635	656	679	702	726	751	777	804
—●— Members Income	552	577	609	622	635	648	661	675	689	703	718
—●— Investment Income	252	261	270	279	289	299	310	320	332	343	355



# Future

- Auto-enrolment
- Inflation
- Market conditions
- Freedom and Choice and Structure Review

An aerial photograph of a city skyline, likely Denver, Colorado, featuring a large stadium with a distinctive blue and white curved roof. The city is densely packed with various buildings, including residential high-rises and commercial structures. The background shows a hazy horizon with mountains under a clear sky.

# Questions?

# Administration



Linda Welsh  
Pension Scheme Manager

# Agenda

- Another challenging year - (Oh great more grey hairs & wrinkles, you would never know I am only 25!!)
- Membership Data
- SPFO performance
- Employer engagement/performance
- What's next:
  - TPR Data Quality
  - Fund Data Improvement Plan
  - I-Connect/Online submissions
  - Improving everyone's experience

# Another Challenging Year!

Payments  
85,000  
pensioners x 12  
£550 million

Processes  
100,000

Valuation  
13,000 records  
cleansed

ABS  
98% issued  
by 31<sup>st</sup>  
August



GDPR



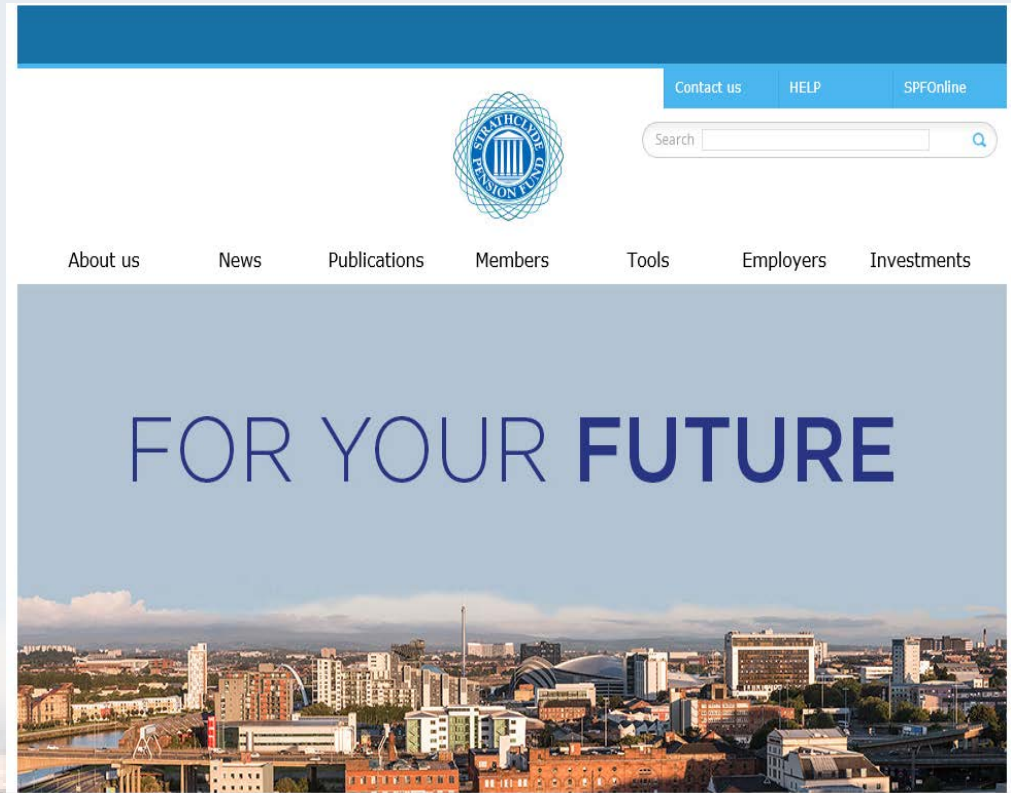
Welcomed  
new Pension  
Board and  
Committee

Digital  
Delivery

Regulations  
2018



# Digital Delivery



63,617 registered  
17/18 target was  
53,000



# The Local Government Pension Scheme (Scotland) Regulations 2018

DRAFT – 1 NOVEMBER 2017

SCOTTISH STATUTORY INSTRUMENTS

2018 No.

## PUBLIC SERVICE PENSIONS

The Local Government Pension Scheme (Scotland) Regulations  
2018

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### CONTENTS

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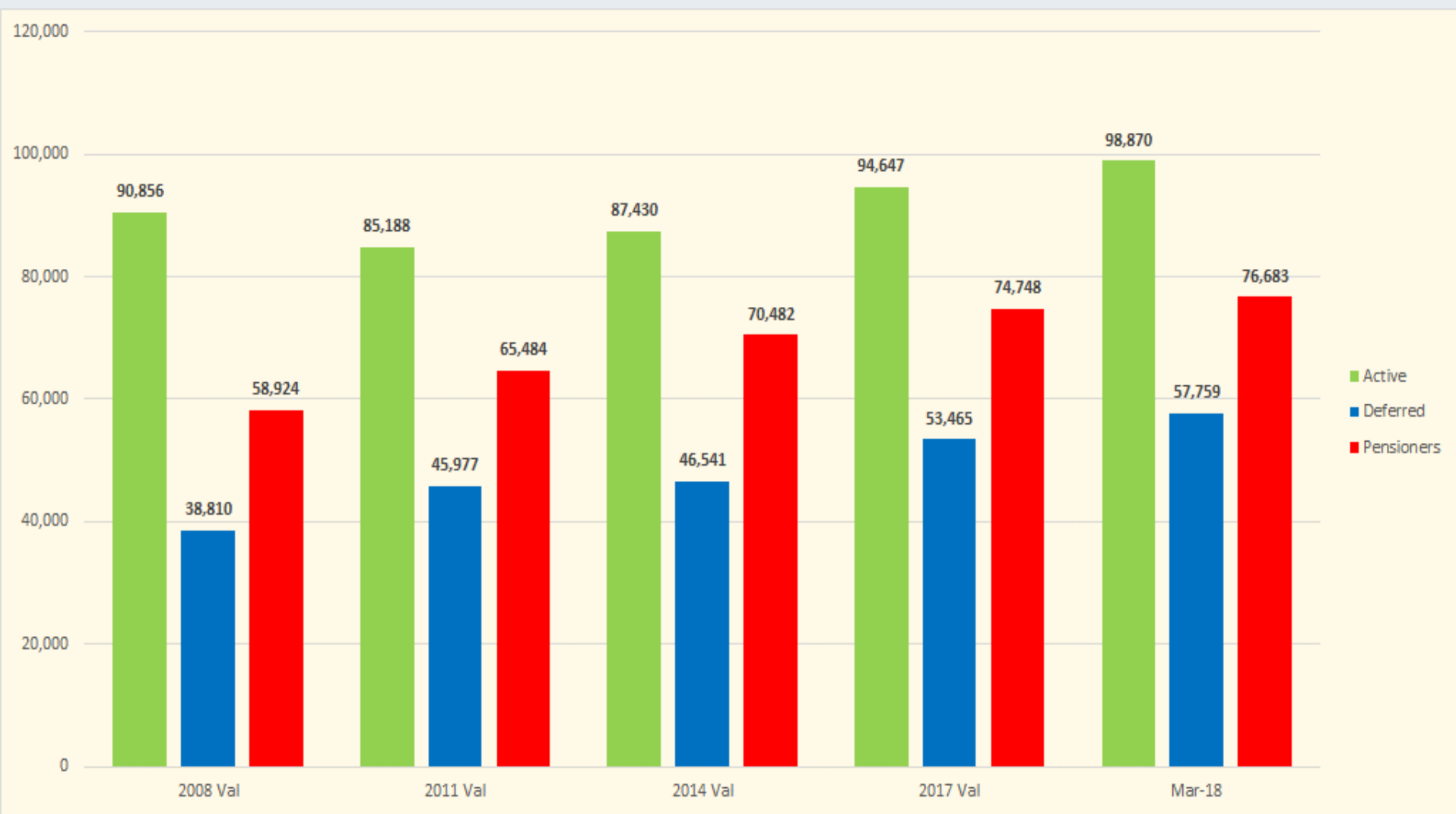
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- Effective date – 1<sup>st</sup> June 2018
- Consolidation of Regulations
- Retirement Benefits – Regulation 29 (13) - Regulation removed so that members who reach age 55 and elect to take early payment of their pension, with an actuarial reduction, do not need their employer's consent.
- Special Circumstances where revised valuations and certificates must be obtained - Regulation 61 - Regulation amended to give more flexibility for administering authorities to manage liabilities when employers leave the Scheme and to provide for 'exit credit' to exiting employers if appropriate.

# Membership Data



# SPFO Performance

Transactions	Volume	SPFO Target days	Target %	Achieved %	Statutory Deadline	Achieved %
Data Changes	16,309	15 days	95%	94.3%	2 months	100%
Refunds	2,335	7 days	90%	94.1%	As soon as reasonably practicable	100%
Deferred	2,220	10 days	90%	71.6%	2 months	83.15%
Retiral Estimates	3,159	20 days	80%	79.7%	2 months	98%
<b>Payments</b>						
Pensions payroll run on time	12	N/A	100%	100%	100%	100%
New retirals processed for due payroll date	1,050	N/A	95%	92.2%	N/A	
Retirement lump sums paid on retirement date	1,050	N/A	95%	92%	N/A	
Contribution income received by due date	12	N/A	100%	100%	100%	100%

# Member Survey Results

	Refunds	Retirals
Forms Issued	2,335	2,135
Responses	1,297	881
Response Rate (%)	55.5	41.3
<b>“Satisfaction rating” (%)</b>	<b>84.6</b>	<b>89.6</b>
Target (%)	80.0	90.0
2016/2017 full Year (%)	82.8	88.6

# Our achievements!



## Professional Pensions -

- *DB Scheme of the Year*
- *DB Communications*
- *Best use of Alternatives*



## IPE Award

- *Best UK Fund*



## LAPF Investments –

- *Investment Strategy*



# Employer Engagement



# Employers Performance

<b>Service Standard</b>	<b><i>Achieved 16/17</i></b>	<b><i>Achieved 17/18</i></b>
<b>New start good quality data (Local Authority Employers)</b>	<b>72%</b>	<b>88%</b>
<b>Electronic notification of changes received (Local Authority Employers)</b>	<b>60%</b>	<b>74%</b>
<b>Prior notice of retirement (2 months)</b>	<b>35%</b>	<b>52%</b>
<b>Submission of year-end contribution return by the 20<sup>th</sup> May</b>	<b>76%</b>	<b>66%</b>
<b>Remittance of employee and employer contributions by the 19<sup>th</sup> of the month following deduction (Local Authority Employers)</b>	<b>99%</b>	<b>100%</b>

# Employer Data

	31 <sup>st</sup> March 2018	
	Members	%
Record status matched	97,185	98.3
Missing new start data	761	0.8
Missing leaver data	924	0.9
Total employee members	98,870	100

***Aggregate prior and current year exception rate of 1.7% achieves the year-end target of <2%.***

# What's Next?





# Why accurate data matters



Ensures the Fund retains accurate member details and pays the correct benefits



Help employees decide on pension choices through correct information



Accurate data for fund valuation = correct charges levied on employers



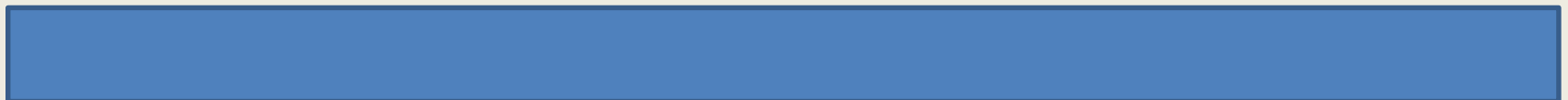
Minimise risk of fines or additional charges



Reduce effort expended responding to pension queries for both the Fund & Employers



Annual benefit statements produced on time and accurately



## Data Improvement Plan

### Activity

Set objectives you want to achieve



Define outcomes and scope of plan



Define activities, dependencies, timeline,  
resources and governance



Deliver



Report





# Employer challenges

Supporting  
multiple  
interfaces

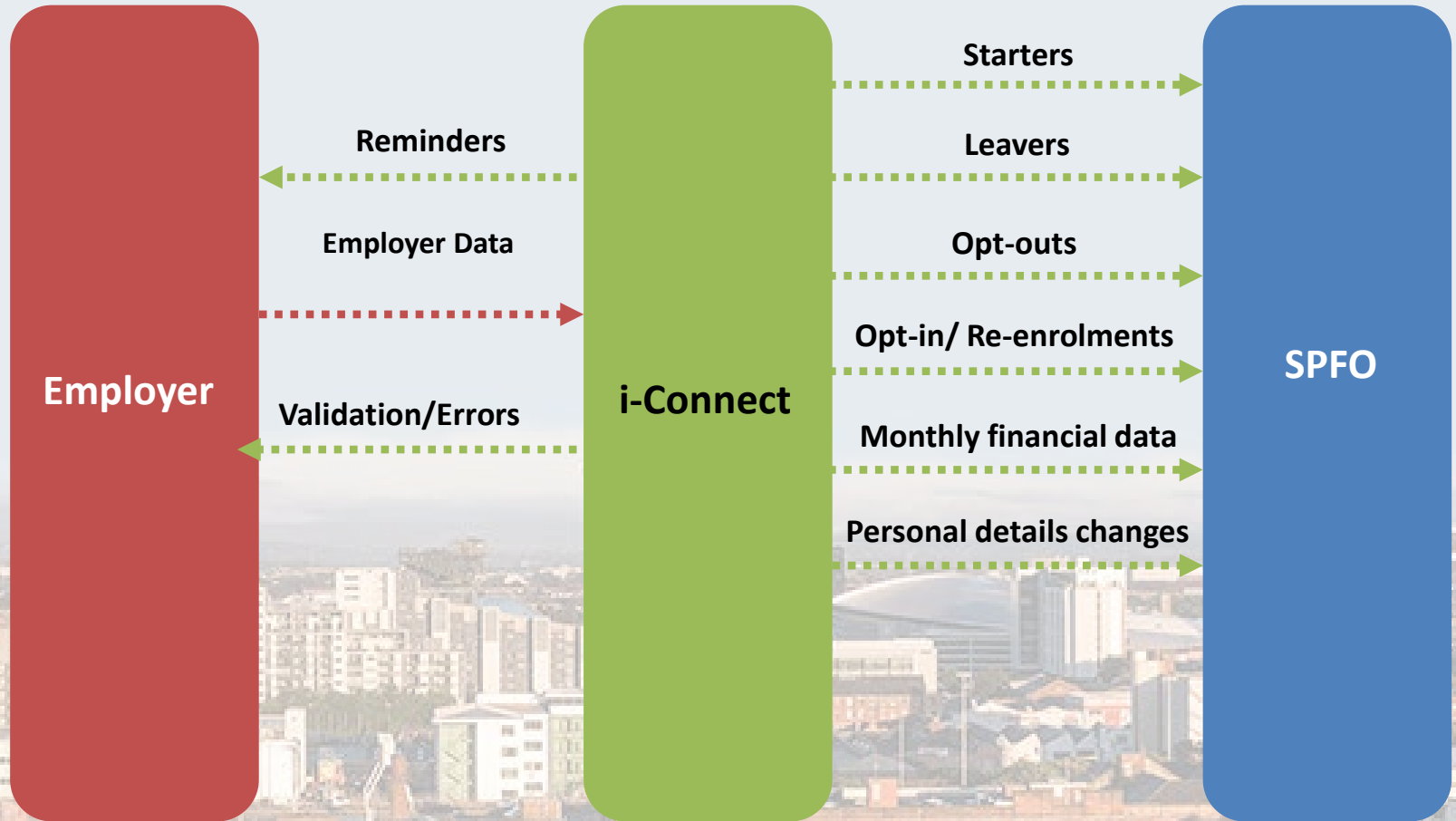
Lack of technical  
knowledge,  
when supporting  
employee  
pension queries

Lack of  
resource to  
provide data,  
e.g. at year  
end

Identify  
changes to be  
sent to the  
pension  
scheme

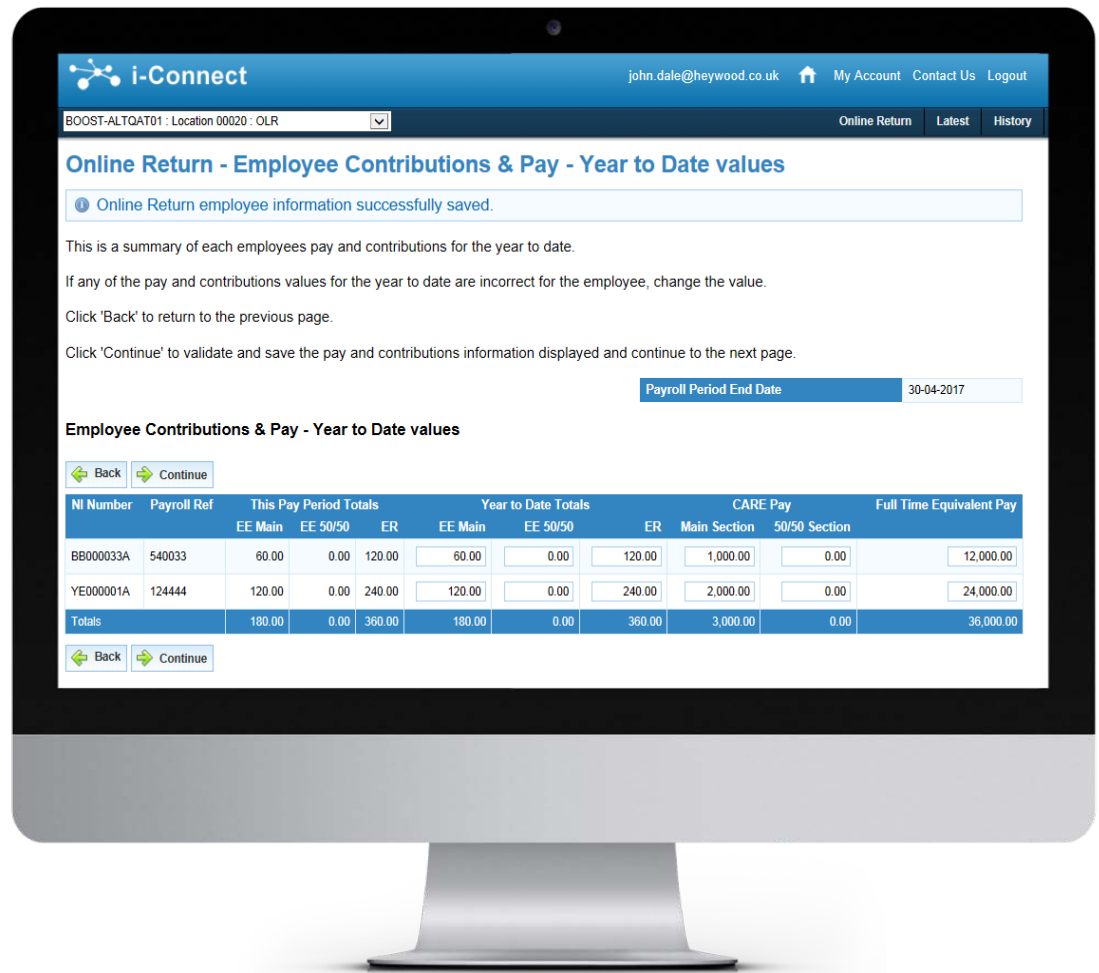


# i-Connect

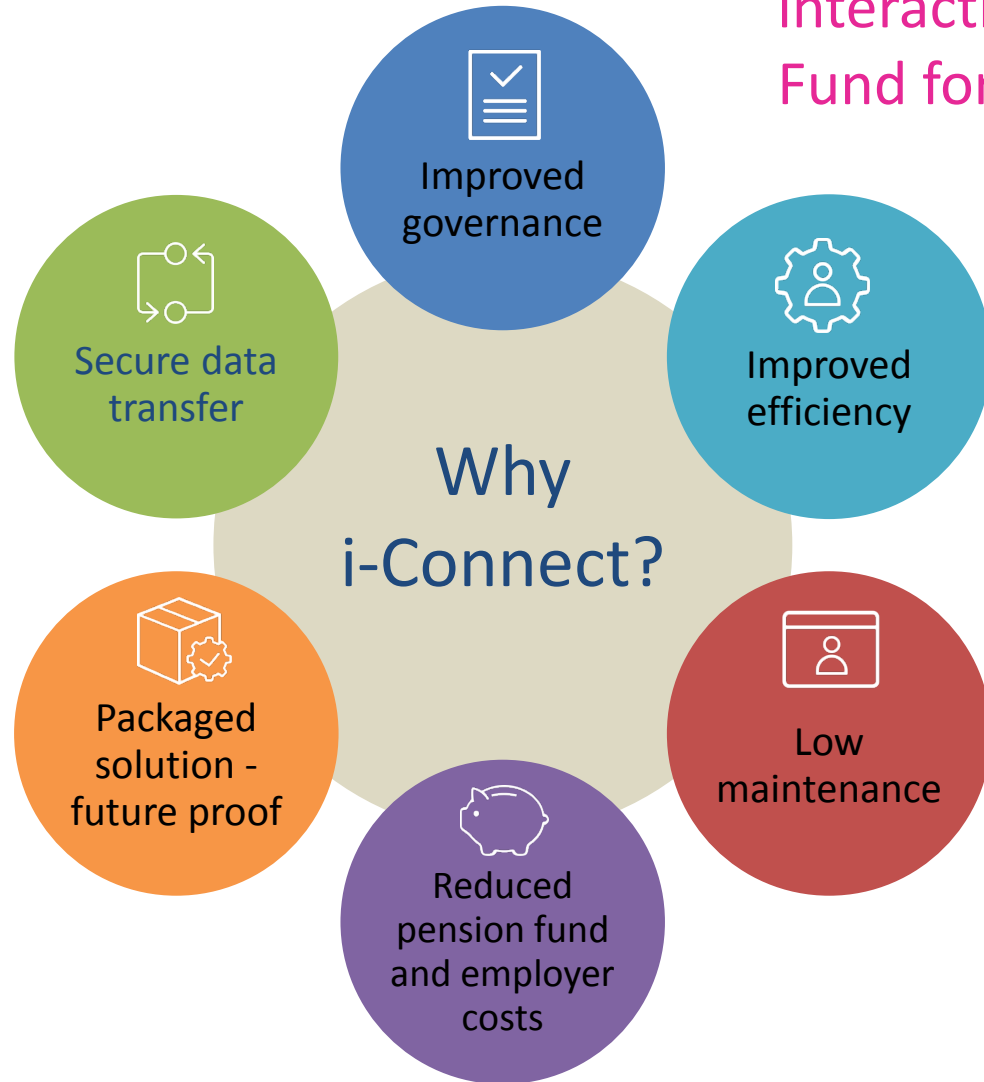


# i-Connect Online Return

*“The perfect solution for small employers who are unable to produce the payroll extract file”*



# Why i-Connect?



“i-Connect simplifies interactions with the Fund for the employer”



# Everyone's Happy



**Questions?**





# 2017 Valuation

Strathclyde Pension Fund AGM  
Friday 15 June 2018

Catherine McFadyen FFA  
Steven Law FFA



# Strathclyde Pension Fund



# What happened since 2014



- Pre-retirement
  - Pay increases 2.7% p.a.
  - Less IH retirements
  - Benefit increases 0.7% p.a.

- Post-retirement
  - Benefit increases 0.7% p.a.
  - ‘Positive’ death experience



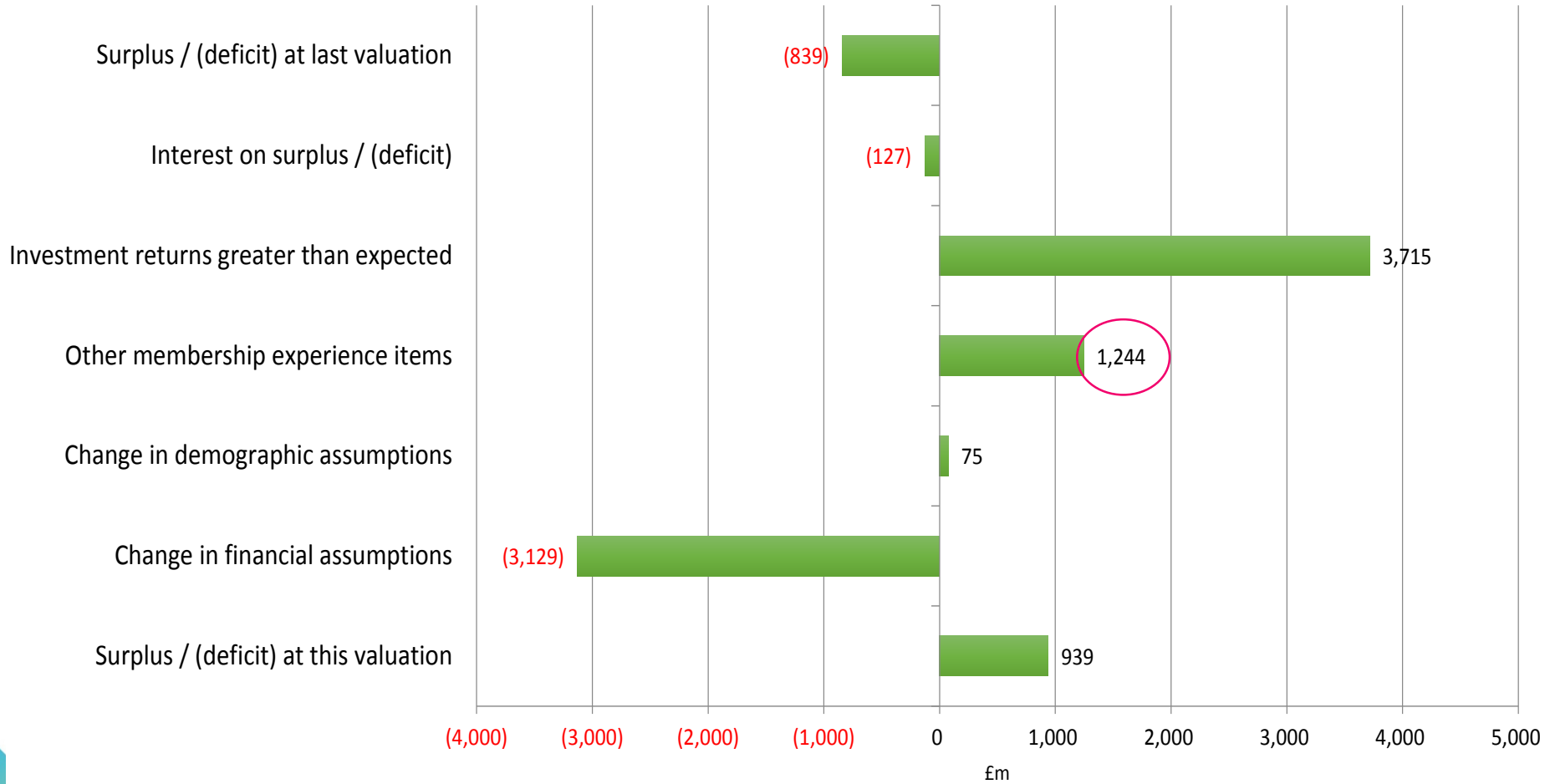


# Actuarial assumptions

	2011	2014	2017
Discount Rate			
Pre-retirement	5.9%	5.1%	3.7%
Post-retirement	5.5%	4.7%	3.3%
Salary Increases	5.1%	4.5%	3.6%
Benefit Increases	2.8%	2.7%	2.4%



# In numbers



# In numbers

Valuation Date	31 March 2014	31 March 2017
<b>Past Service Liabilities</b>	<b>(£m)</b>	<b>(£m)</b>
Employees	6,920	9,057
Deferred Pensioners	1,569	2,233
Pensioners	6,299	7,470
<b>Total Liabilities</b>	<b>14,788</b>	<b>18,761</b>
<b>Assets</b>	<b>13,949</b>	<b>19,699</b>
<b>Surplus / (Deficit)</b>	<b>(839)</b>	<b>939</b>
<b>Funding Level</b>	<b>94%</b>	<b>105%</b>



# But challenges remain



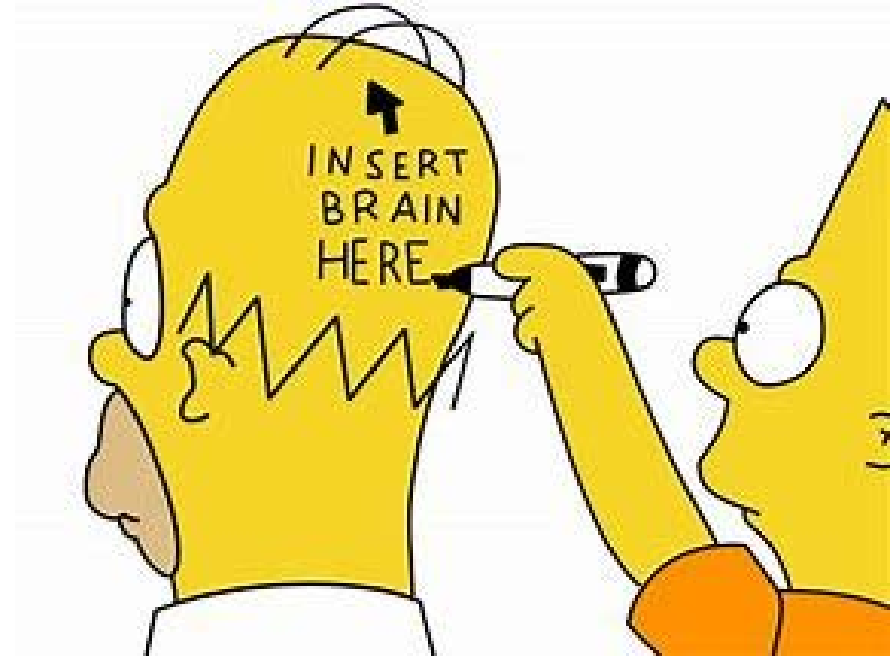
- Market uncertainty
  - Global trade
  - US economic experiment
  - Brexit negotiations
- Employer risks
  - Affordability
  - Cessation
  - Data
- Managing external pressure
  - Untested regulators
  - Public perception



# LGPS Scotland

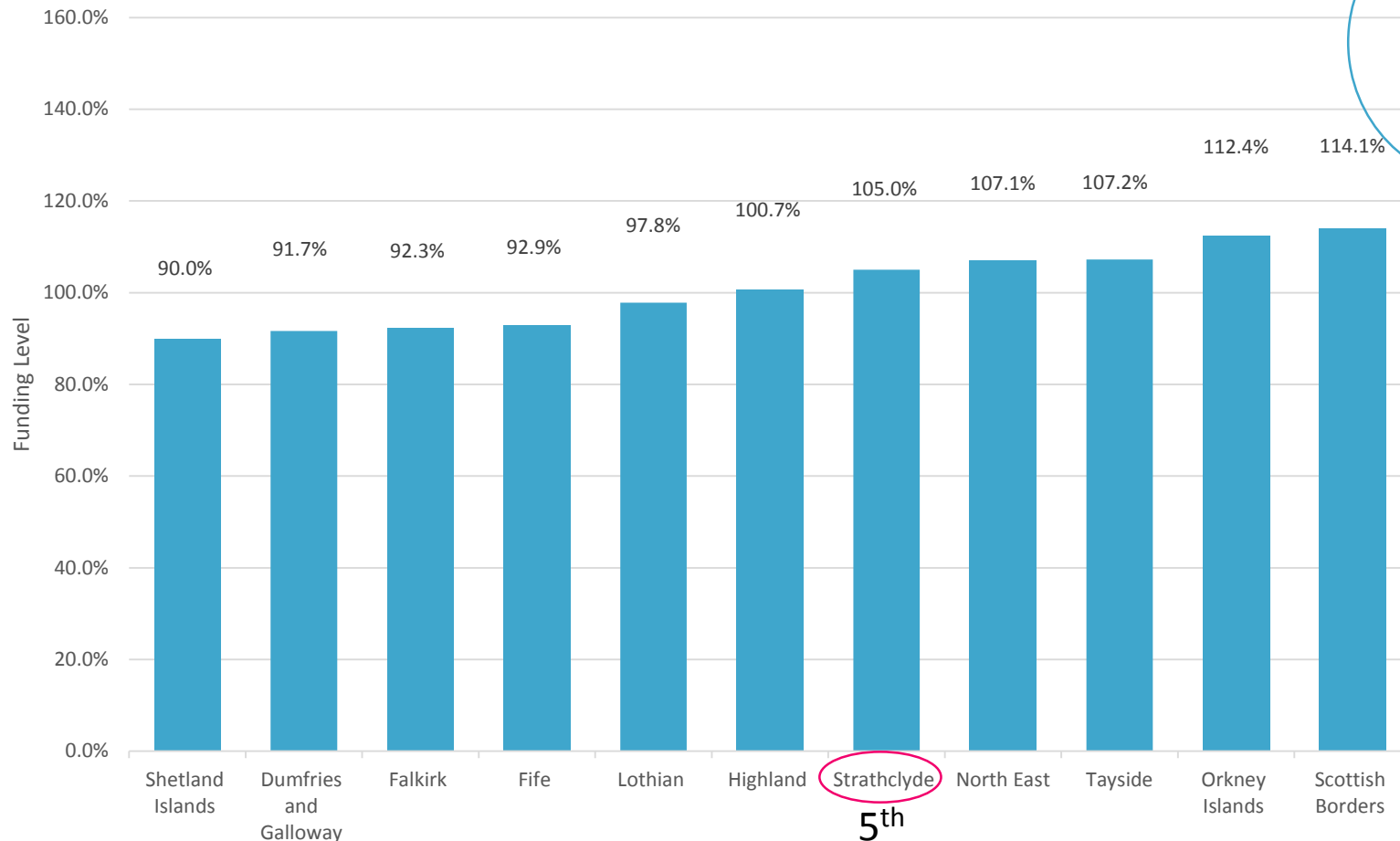


# Reflecting on the 2017 valuations



# Reported 2017 Funding Levels

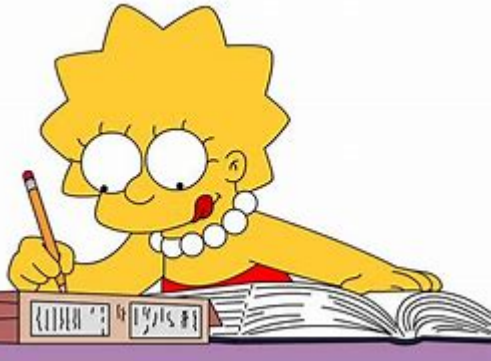
Scottish LGPS Funds - 2017 Reported Funding Levels



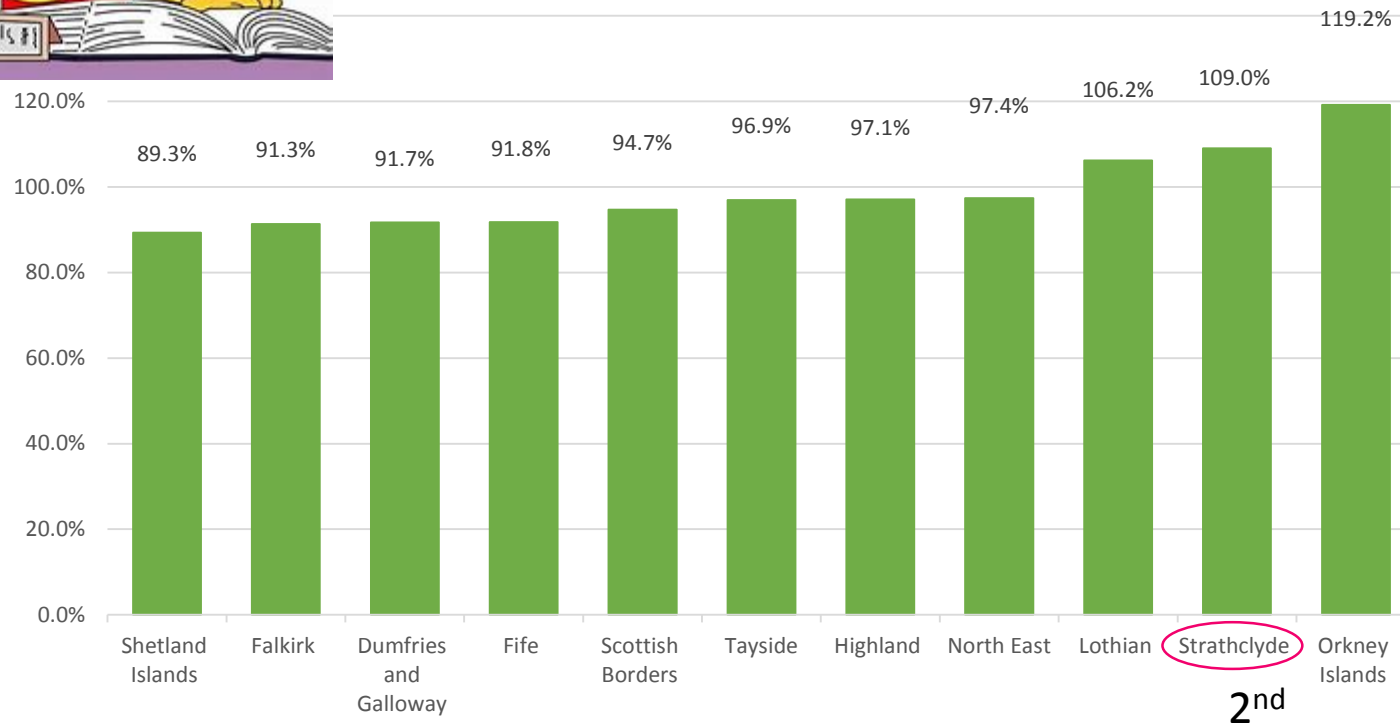
**Range:**  
**90.0%**  
**To**  
**114.1%**

Source: 2017 actuarial valuation reports

# Rebased 2017 Funding Levels



Scottish LGPS Funds - 'Like for Like' Funding Levels



# Current Contribution Rates

Fund	Average Total Contribution Rate 2018/19 – 20/21	Movement over period
Strathclyde Pension Fund	19.6%	<i>Stable</i>
Lothian Pension Fund	21.3%	<i>Increasing</i>
North East Scotland Pension Fund	19.4%	<i>Stable</i>
Tayside Superannuation Fund	17.1%	<i>Stable</i>
Scottish Borders Pension Fund	18.9%	<i>Stable</i>
Dumfries and Galloway Pension Fund	21.7%	<i>Stable</i>
Falkirk Council Pension Fund	22.0%	<i>Increasing</i>
Fife Council Pension Fund	24.1%	<i>Increasing</i>
Highland Council Pension Fund	19.7%	<i>Stable</i>
Orkney Islands Pension Fund	17.6%	<i>Decreasing</i>
Shetland Islands Pension Fund	20.6%	<i>Stable</i>



Source: 2017 actuarial valuation reports

# Good news

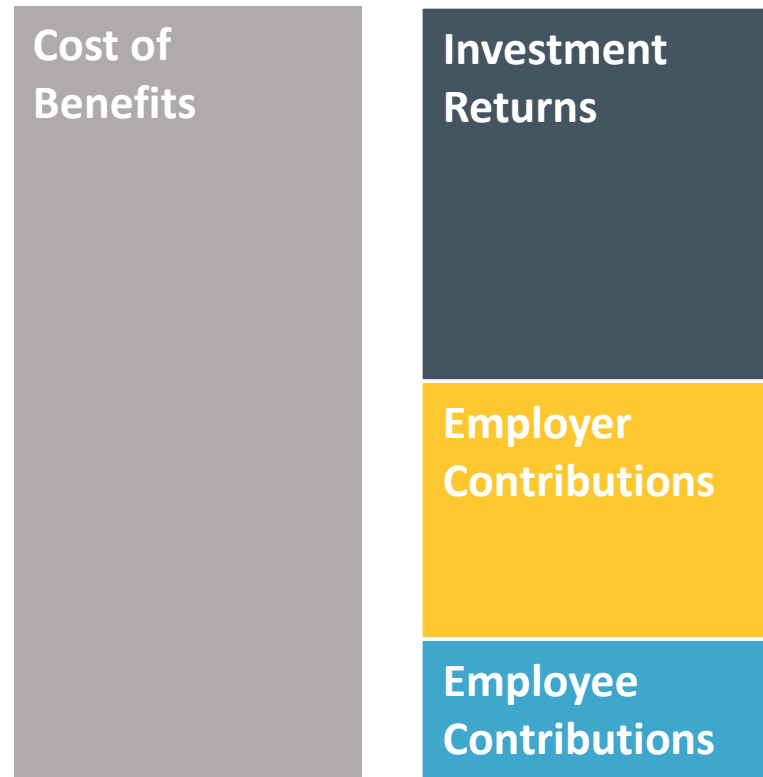


- Strong investment performance means that the LGPS in Scotland is holding more assets per £ of pension to be paid in future than ever before.
- The investment return needed on the assets currently held to be able to pay benefits earned has fallen from **4.5%** in 2014, to **3.3%** at 2017.

- *Expected* asset returns have also fallen
- Payrolls have fallen relative to liabilities so paying any new deficits with contributions would be harder



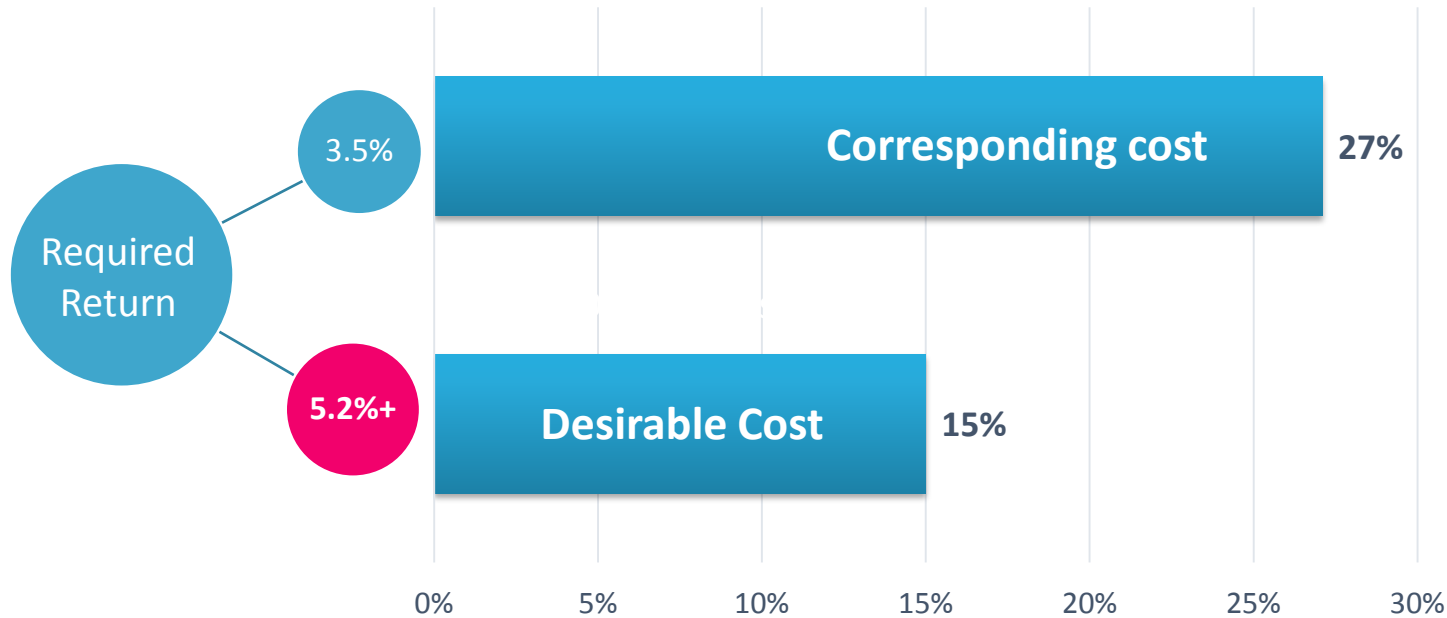
# Funding the cost of new benefits



**Benefits and employee contributions are fixed**



# How much do new benefits cost?



# Summary



Past service is well funded..  
...but there are still challenges to face:

- Protect past service funding via investments
  - Past service liabilities are large vs payroll
- Cost of the scheme going forward
  - Markets remain uncertain
  - Need to make sure future service is affordable
  - Cost risk for employers

# Any questions



Thank you



# End of Session 1



# Investments



Jacqueline Gillies  
Chief Investment Officer

# Agenda

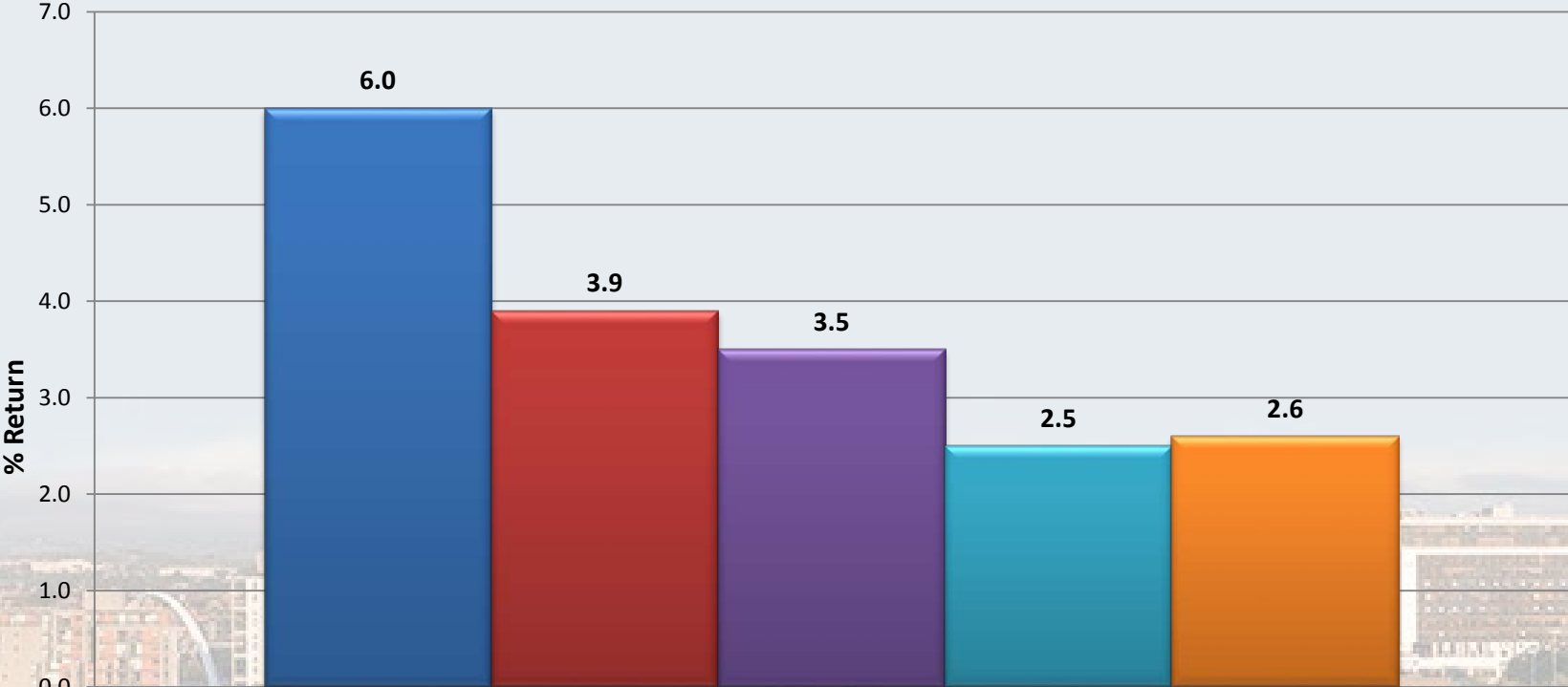
- **Investment Performance**
- **Investment Strategy**
- **Investment Activity**
- **Direct Investment Portfolio**





# Investment Performance

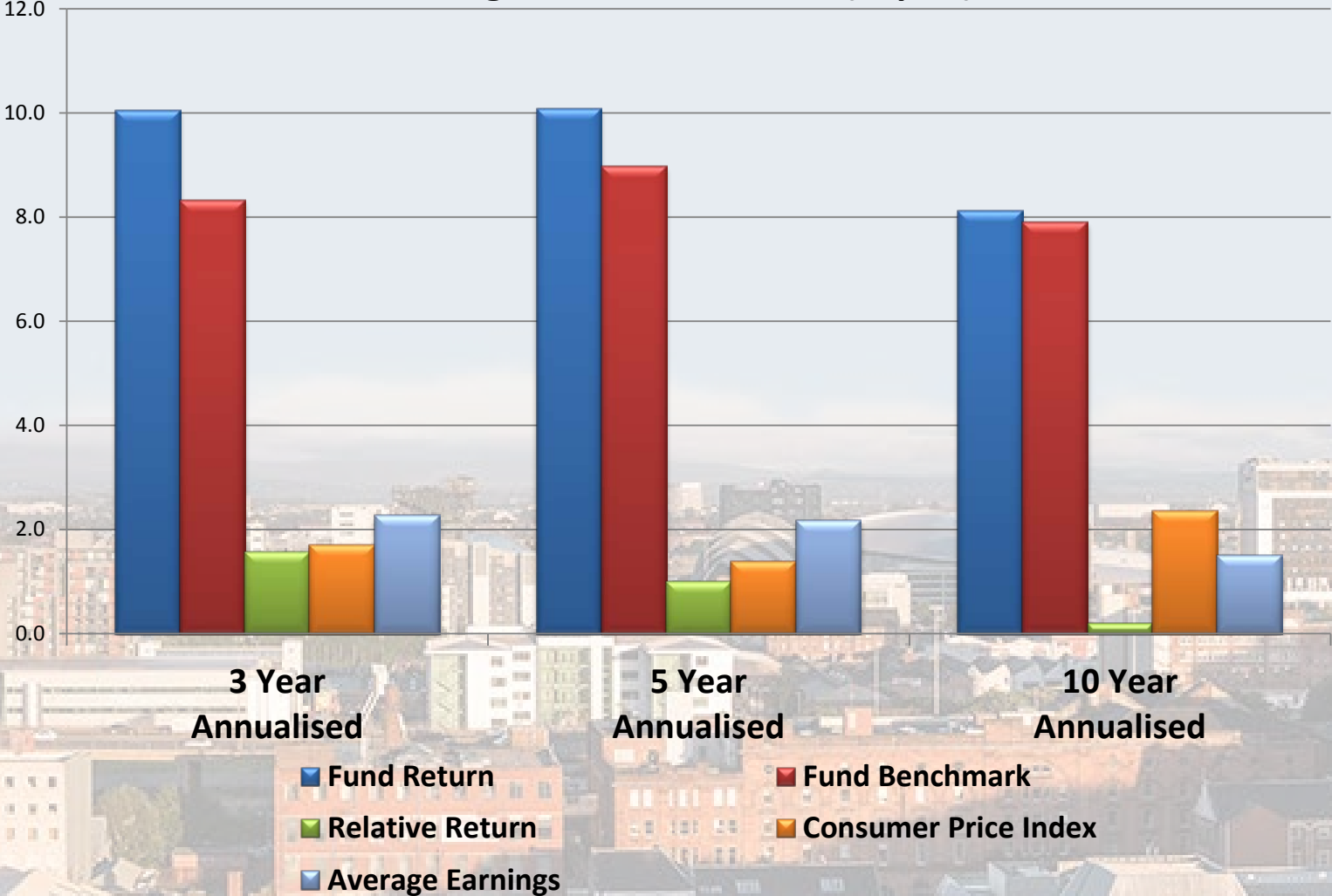
Fund performance for year ended 31 March 2018



- Fund Return
- Fund Benchmark
- Actuarial Assumed Return
- Consumer Price Index
- Average Earnings

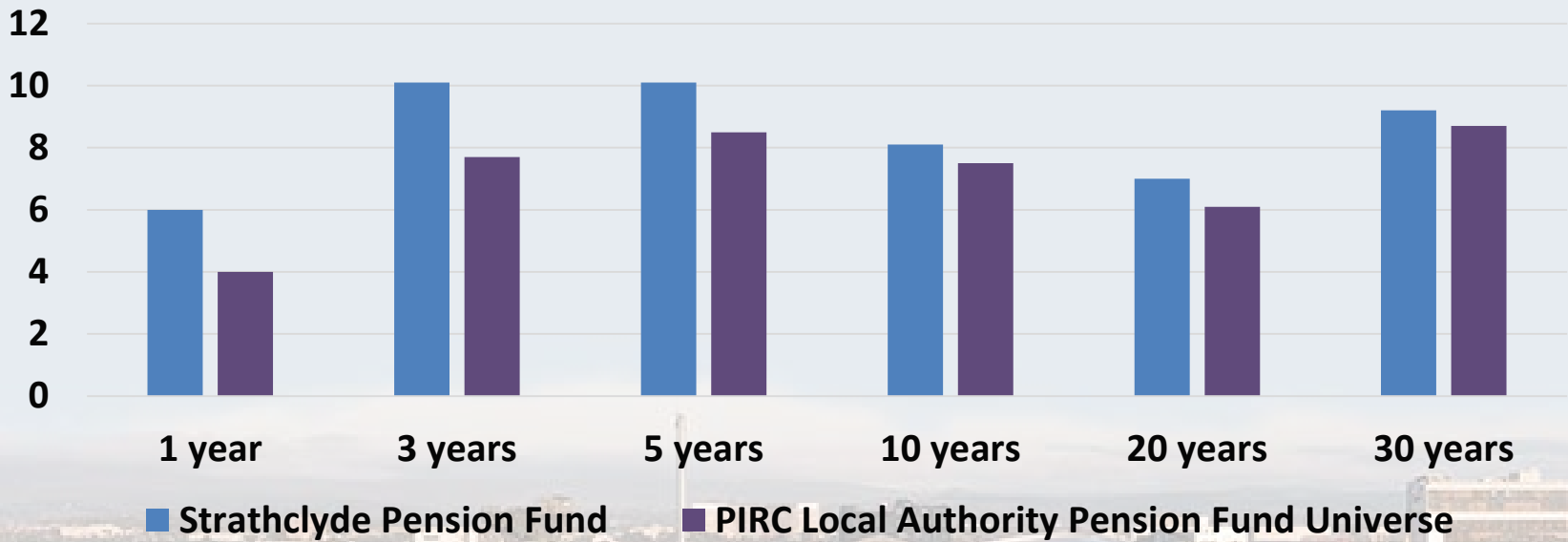
# Investment Performance

## Long Term Performance (% p.a.)



# Investment Performance

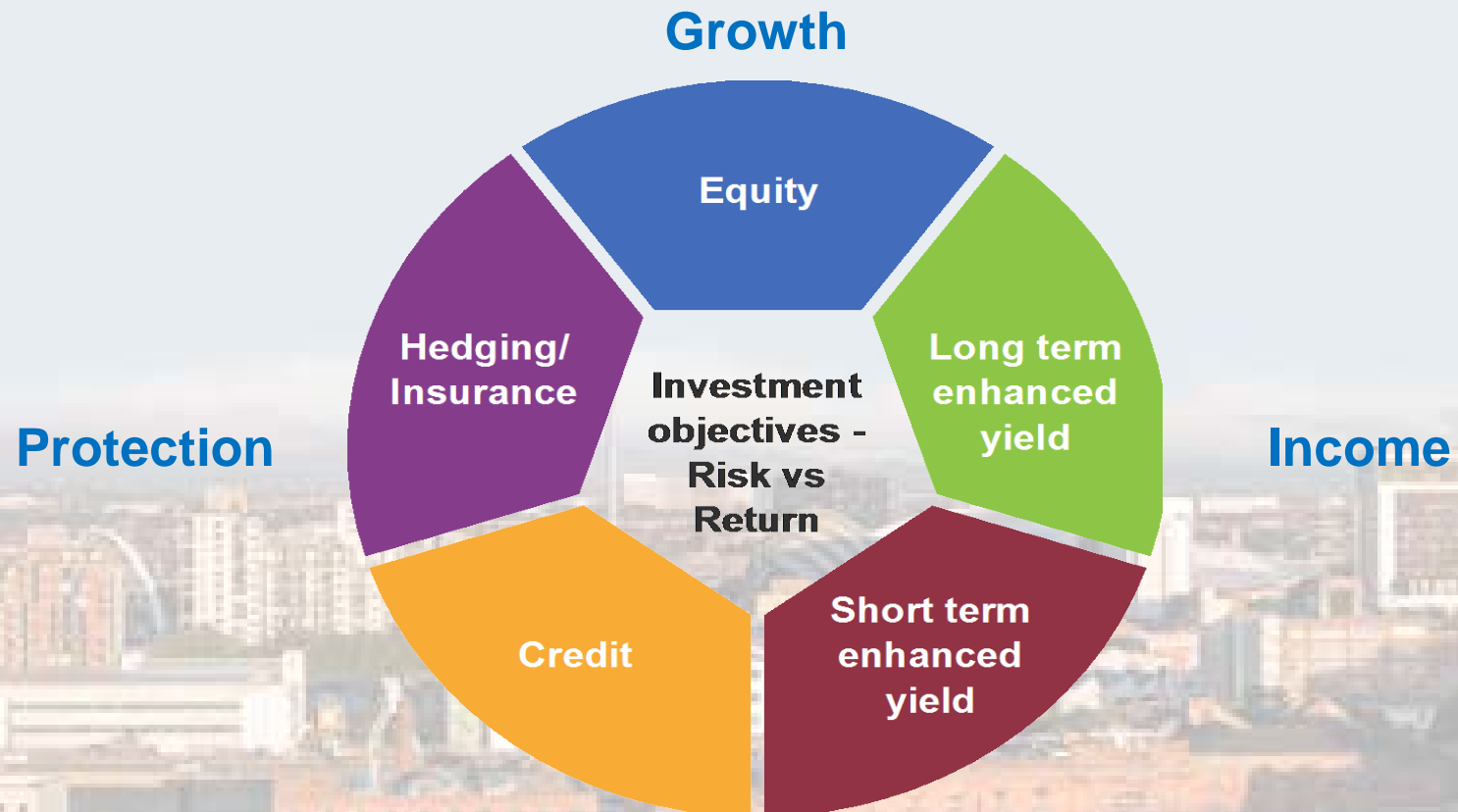
PIRC Local Authority Universe Results (% return p.a.)



	1 year	3 years	5 years	10 years	20 years	30 years
<b>Percentile Ranking</b>	8	3	7	18	8	13
<b>No of Participants</b>	61	61	61	56	53	48

# Investment Strategy

- The Fund has adopted a risk-return asset framework as the basis for modelling and agreeing investment strategy



# Investment Strategy and Structure

The current objectives of the investment strategy are to achieve:

- a greater than 2/3 probability of being 100% funded by 2031; and
- a less than 10% probability of falling below 70% funded over the next three years.

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

# Investment Strategy and Structure



# Investment Performance 2017/18

Asset	Fund	Benchmark	Relative (+/-)	Allocation 31 <sup>st</sup> March 2017
	%	%	%	%
<b>Equity</b>	<b>6.1</b>	<b>3.5</b>	<b>2.6</b>	<b>68.6</b>
<b>Hedging/Insurance</b>	<b>0.7</b>	<b>0.7</b>	<b>0.0</b>	<b>1.4</b>
<b>Credit</b>	<b>1.5</b>	<b>1.7</b>	<b>(0.2)</b>	<b>5.4</b>
<b>S/T Enhanced Yield</b>	<b>2.4</b>	<b>3.5</b>	<b>(1.1)</b>	<b>8.3</b>
<b>L/T Enhanced Yield</b>	<b>9.3</b>	<b>7.2</b>	<b>2.1</b>	<b>12.4</b>
<b>Total Fund</b>	<b>6.0</b>	<b>3.9</b>	<b>2.1</b>	<b>100.0</b>



# Investment Performance: Equity Manager Summary

Manager	Annual Return (%)	Benchmark Return (%)	Relative Return (%)
Legal & General	4.1	2.8	1.3
Baillie Gifford	9.4	4.3	4.9
Lazard	4.1	2.4	1.7
Oldfield	0.9	1.3	(0.3)
Veritas	0.9	2.4	(1.4)
Henderson	10.2	6.6	3.4
JP Morgan	17.2	8.0	8.4
Genesis	10.1	11.0	(0.8)
Pantheon	8.8	1.2	7.5
Partners Group (Private Equity)	11.0	1.2	9.6
Total Equity	6.1	3.5	2.6

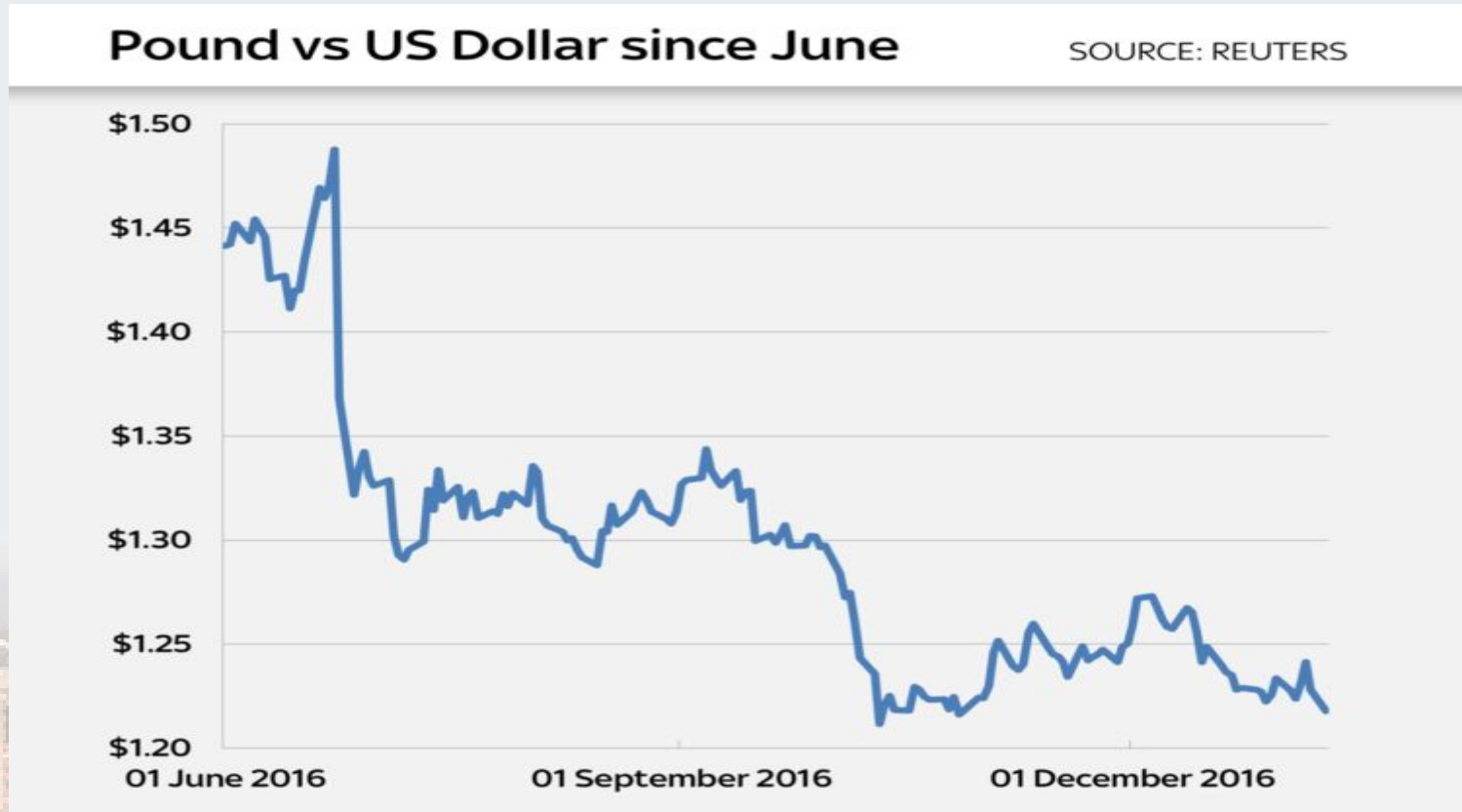
# Investment Performance: S/T Enhanced Yield Manager Summary

Manager	Annual Return (%)	Benchmark Return (%)	Relative Return (%)
PIMCO	1.1	3.7	(2.5)
Barings (Multi Credit)	3.8	4.4	(0.6)
Oakhill Advisors	2.6	4.4	(1.7)
Barings (Private Debt)	5.3	4.4	0.9
Alcentra	8.0	4.4	3.5
Total S/T Enhanced Yield	2.4	3.5	(1.1)

# Investment Performance: L/T Enhanced Yield Manager Summary

Manager	Annual Return (%)	Benchmark Return (%)	Relative Return (%)
DTZ	11.2	10.4	0.8
Partners Group (Real Estate)	3.6	1.8	1.8
Total L/T Enhanced Yield	9.3	7.2	2.1

# Investment Activity: Currency Hedging



**The Fund implemented a strategic currency hedge of 33% of listed equity holdings in September 2017.**

# Investment Activity: De-Risking

*“The objective of the de-risking strategy is to protect the funding level. The strategy is based on a trigger level of 105% funding. If this was achieved a switch of 10% of total assets from growth to income and protection categories would be implemented”.*

*Strathclyde Pension Fund, Statement of Investment Principles*

## Implementation

<b>Phase 1</b>	<b>Purchase of equity market short futures to value of £2.1bn (10% of total Fund) in December 2017</b>
<b>Phase 2</b>	<b>Sale of equity positions from 6 equity managers; unwinding of futures positions during Q1 2018</b>
<b>Phase 3</b>	<b>Re-investment/ commitment of 4% of Fund with Barings, Alcentra, Oak Hill, Ashmore (short term income managers) in Q1 2018; commitment of 1% of Fund to DTZ (long term income); remaining proceeds held in Cash</b>
<b>Phase 4 (to be completed)</b>	<b>Allocate remaining proceeds from de-risking to new short/ long term income managers</b>

# Investment Activity: De-Risking

FTSE All Share Index: 9 months to 31<sup>st</sup> December 2017  
(+8.7%)



# Investment Activity: De-Risking

FTSE All Share Index: 3 months to end March 2018 (-6.9%)





# Investment Activity: Triennial Review of 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

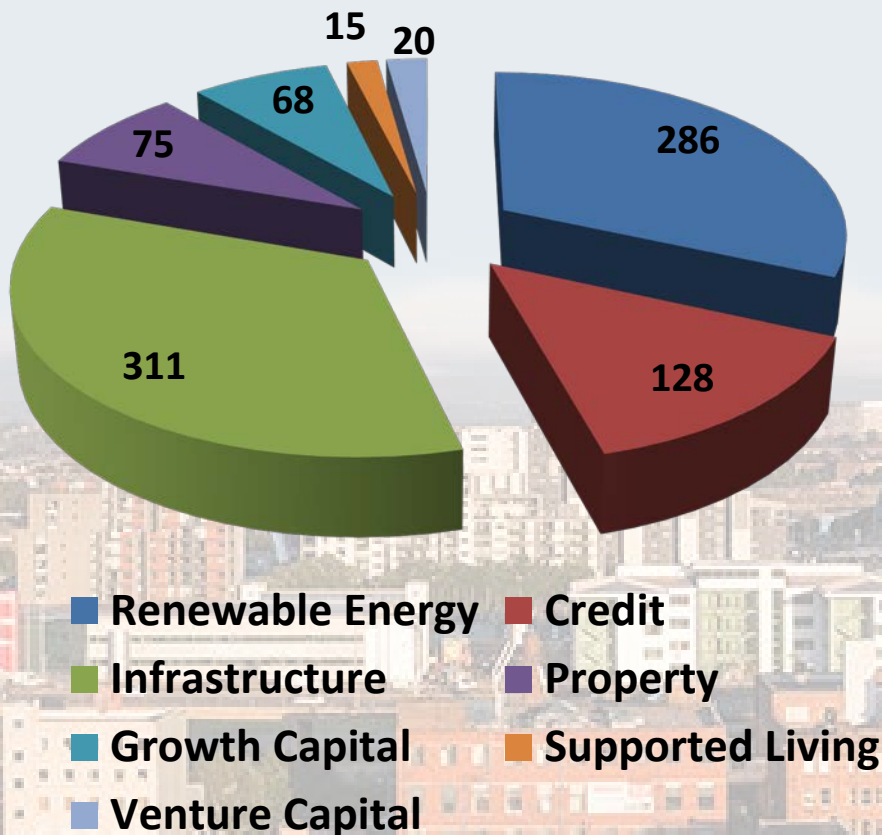
- Committee has agreed that the Fund should move to ‘Step 2’
- Next stage will focus on identifying and implementing a detailed investment structure consistent with ‘Step 2’
- Initial focus will be investing de-risking proceeds by identifying suitable managers and/or funds for allocations to absolute return, private debt and infrastructure

# Current Allocations

<b>Asset</b>	<b>31<sup>st</sup> March 2018</b>	<b>31<sup>st</sup> March 2017</b>	<b>Target allocation</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Equity</b>	<b>56.6</b>	<b>68.6</b>	<b>57.5</b>
<b>Hedging/Insurance</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>
<b>Credit</b>	<b>5.9</b>	<b>5.4</b>	<b>6.0</b>
<b>S/T Enhanced Yield</b>	<b>18.4</b>	<b>8.3</b>	<b>20.0</b>
<b>L/T Enhanced Yield</b>	<b>13.3</b>	<b>12.4</b>	<b>15.0</b>
<b>Cash</b>	<b>4.4</b>	<b>3.9</b>	<b>-</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# Direct Investment Portfolio

**Direct Investment Portfolio:  
Commitments by Sector (£m)**



**DIP** investments are typically illiquid, self-liquidating and opportunistic. Focused on investment in Scotland and the rest of the UK, strong fundamentals are usually enhanced by a positive local, economic or ESG (Environmental, Social, Governance) impact which adds value to the investment rationale.

**Investments Agreed: 37**  
**Investments Agreed (£m): £902m**

**Net Asset Value (NAV)**  
**31/03/18 £551m**

**Total Capacity (5% Max NAV)**  
**31/03/18 £1,040m**

# Direct Investment Portfolio Performance

	Q1 2018 (%)	1 year (%)	3 year (% p.a.)	5 years (% p.a.)	Since Inception (% p.a.)
Direct Investment Portfolio	1.5	7.6	9.0	13.7	8.7
SPF Total Fund Return	-1.8	6.0	10.0	10.1	11.6
3 mth LIBOR	0.1	0.4	0.6	0.6	0.8

	DIP Equity	DIP S/T Enhanced Yield	DIP L/T Enhanced Yield
1 Year %	20.1	-5.3	7.6

# Direct Investment Portfolio

During 2017/18, Committee agreed the following new commitments:

- **£20m to Resonance British Wind Energy Income Fund II** to acquire and hold a portfolio of small and medium sized operational, onshore wind farms in the UK
- **£30m to Temporis Operational Renewable Energy Fund II** to invest in UK based wind and solar projects post construction and in the early stages of their operating life
- An additional **£80m to Pensions Infrastructure Platform's UK Multi-Strategy Fund**
- **£30m to Tosca Debt Fund** to provide secure loans to UK regional business in the lower mid-market
- **£50m to Hermes Infrastructure Fund II** to create a portfolio of direct investment in utilities, renewable energy, transport & social infrastructure assets
- **£50m to Dalmore Capital Fund 3 LP** to generate income from a diversified portfolio of low volatility infrastructure equity assets

**Review of the Direct Investment Portfolio arrangements and capacity a priority in the Fund's 2018/19 business plan.**

# Summary

- **Activity in the year has moved the Fund closer to its strategic objectives of reducing equity exposure and volatility of return over time**
- **The Direct Investment Portfolio, having been built up consistently over the past 5 years, continues to grow and DIP investments contributing meaningfully to the performance of the Fund overall**
- **Strathclyde Pension Fund's investments have grown for the 9<sup>th</sup> consecutive year: strong returns place it in the top quartile of local authority funds over all short, medium and longer term time periods**

**Questions?**



# Responsible Investment



Richard Keery  
Investment Manager





# Responsible Investment

## •Guiding Principle

- As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios.

## •Active Ownership

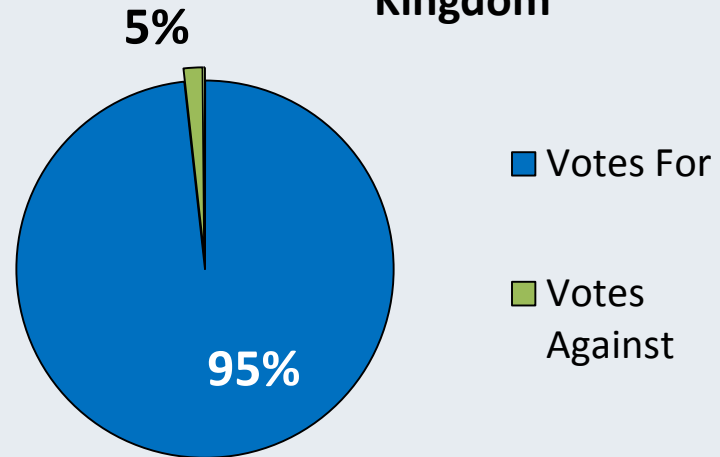
- The Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach.
- The Fund's active ownership approach can be divided into four distinct areas:

- **Voting Globally**
- **Engagement Through Partnerships**
- **Shareholder Litigation**
- **Impact Investing**

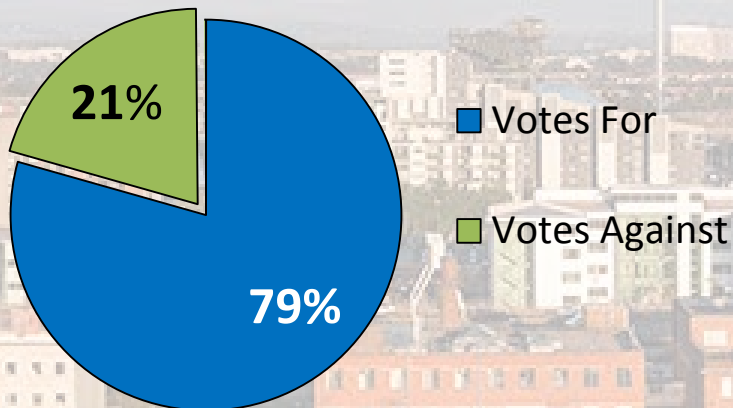
# Corporate Governance – Voting

- ❑ 61,469 resolutions at 5,024 company meetings
- ❑ 100% of total votes lodged (UK & Overseas)
- ❑ 85% of votes in support of management

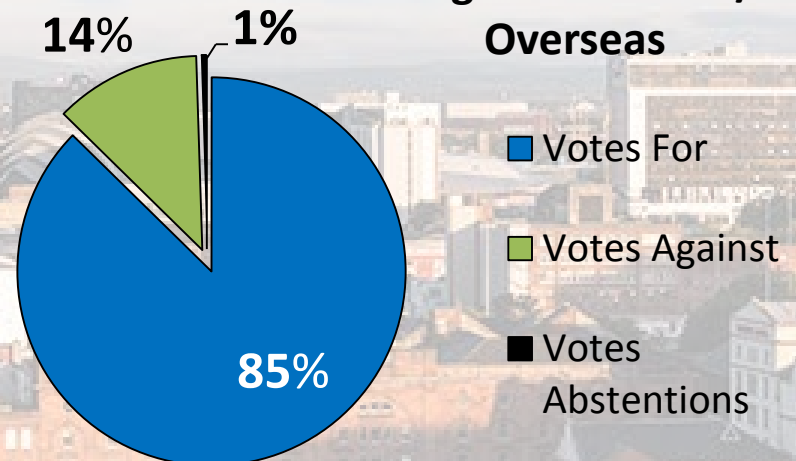
## Voting Results 2017/18 United Kingdom



## Voting Results 2017/18 Executive Remuneration



## Voting Results 2017/18 Overseas



# 2017/18 ESG - Engagement topics

- Child labour
- Mine safety
- Climate change**
- Welfare and sustainability in the cocoa industry
- Executive remuneration
- Water rights
- Farm animal welfare
- Corporate corruption
- Cybersecurity
- The Living wage
- Deforestation
- Fire & Building safety in the Bangladesh garment industry
- UK Corporate Governance Code
- Labour rights
- Protection of endangered species
- Human rights
- Inhumane weapons
- Fossil fuel to renewables
- Tax transparency
- Oil and gas exploration and extraction in the Arctic
- Factory farming emissions



# Engagement Through Partnerships



Specialist RI engagement overlay provider focusing on ESG issues linked to international conventions and standards



Collaborative body of 71 LGPS promoting high standards of corporate governance and corporate responsibility



The PRI's 6 Principles contribute to developing a more sustainable global financial system



IIGCC - collaborative platform to address long-term risks and opportunities associated with climate change



UK charity with a vision of an investment system that serves savers and communities, and protects the environment



# Shareholder Litigation

An important part of the Fund's active ownership is litigation aimed at companies whose illegal activities or negligence have resulted in financial losses.

Goal is to obtain damages and to promote good corporate governance and sound business practices.

- ❑ Over US\$7 million recovered in US class actions since 2007
- ❑ 2017 recovered approximately US\$1.6m from 25 US claims
- ❑ £1.3m recovered from UK High Court litigation against RBS
- ❑ Lead Plaintiff in US class action against PlyGem Holdings Inc.- \$26m settlement obtained for investors
- ❑ 2017 extended class action claims to Australia

FINANCIAL TIMES



RBS agrees £800m payout over 2008 rescue rights issue

Bank settles with some of the claimants who allege it misrepresented its health



TREASURY  
WINE ESTATES



**WorleyParsons**  
resources & energy



# Impact Investing

## Direct Investment Portfolio

Over £700m committed to renewables and Infrastructure



**biogaspower**

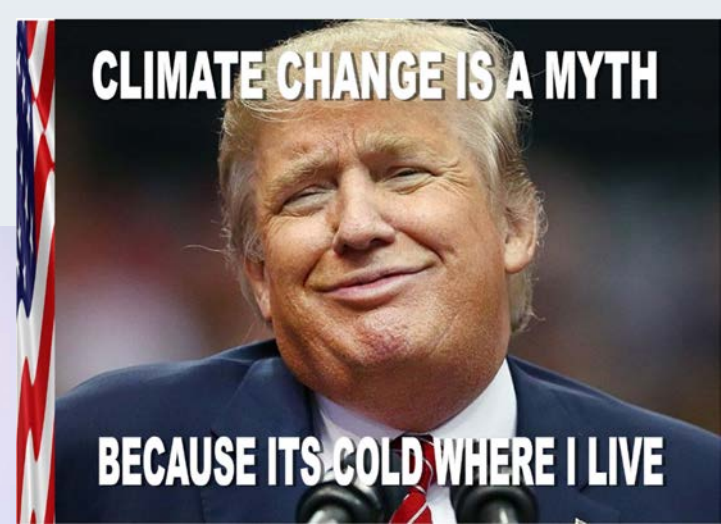






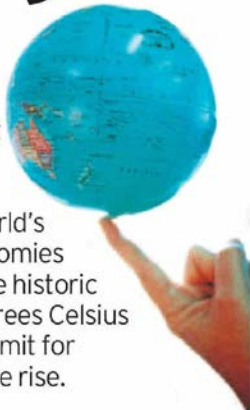
“But for the sake of our children and our future, we must do more to combat climate change.”

— President Barack Obama, State of the Union, Feb. 12, 2013



Climate change

2 degrees



That's the amount the planet will be allowed to warm. Leaders of the world's eight richest economies have agreed to the historic deal setting 2 degrees Celsius as the maximum limit for global temperature rise.



Donald J. Trump @realDonaldTrump



Following

Give me clean, beautiful and healthy air - not the same old climate change (global warming) bullshit! I am tired of hearing this nonsense.

RETWEETS

336

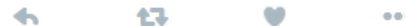
LIKES

366



1:44 AM - 29 Jan 2014

104



# Millions wiped off UK local government pensions due to coal crash, analysis shows

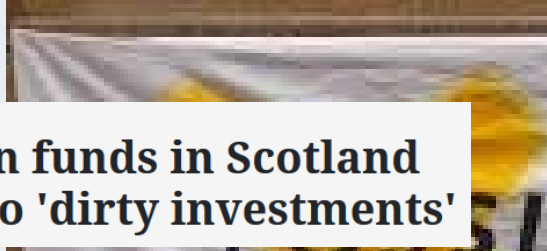
Members of the scheme would each be hundreds of pounds better off if funds had been divested from fossil fuels, say campaigners



LOCAL GOVERNMENT PENSIONS, FOSSIL FUELS & THE TRANSITION TO A NEW ECONOMY

20th September 2015

# Public sector pension funds in Scotland ploughing £1.7bn into 'dirty investments'



## Divestment ?



### Protest over pension fund

A DEMO is being held in Glasgow urging a pension fund to cut ties with the fossil fuel industry.

Campaigners say Strathclyde Pension Fund has made £26million in losses because of the ongoing oil crash and collapse of the coal industry.

Campaigners are now demanding that the fund cuts ties with the fossil fuel industry.

Fund managers were asked to review the feasibility of disinvesting the fund from oil, coal and gas companies but this was rejected.

A protest has been planned for June 21 at 9am at the steps at Glasgow Royal Concert Hall.

**NEWS**

Home | UK | World | Business | Politics | Tech | Science | Health | Family & ...

Scotland | Scotland Politics | Scotland Business | Edinburgh, Fife & East | Glasg...

South Scotland

### Council's pension fund investment in fossil fuels is criticised

CLIMATE CHANGE | Fracking | Renewable energy | Coal | Divestment | International campaign | Flooding | Sto...

Who we are | Our campaigns | Take part | Le...

### UK council pension funds invest over £16 billion in climate-wrecking fossil fuels

Local authorities urged to end investments in climate-changing dirty fuels: gas, coal and oil.

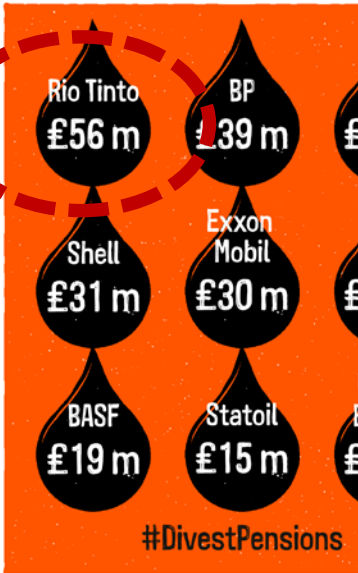
Share Publicly

Privately



# Case Study – Rio Tinto

How much of Scottish local authority pension funds are invested in fossil fuel companies



Dear @GlasgowCC please stop bankrolling these climate-wreckers  
Time to #Divest & stop #FuellingTheFire via @platformlondon  
[platformlondon.org/2017/11/09/cou ...](https://platformlondon.org/2017/11/09/cou...)



## STRATHCLYDE PENSION FUND

**Fund Total** £19,658,803,554  
**Total Fossil Fuel Investments** £802,759,409 (4.08%)  
 Direct Investments £326,537,605 (1.66%)  
 Projected Indirect Investments £476,221,804.00 (2.42%)

### Top Fossil Fuel investments

1	RIO TINTO ORD GBP0.10	£79,646,267
---	-----------------------	-------------



UK local authorities  
**£14 billion**  
 of their pension funds  
 invested in fossil fuel companies

Greater Manchester	752m
Strathclyde	671m
West Yorkshire	

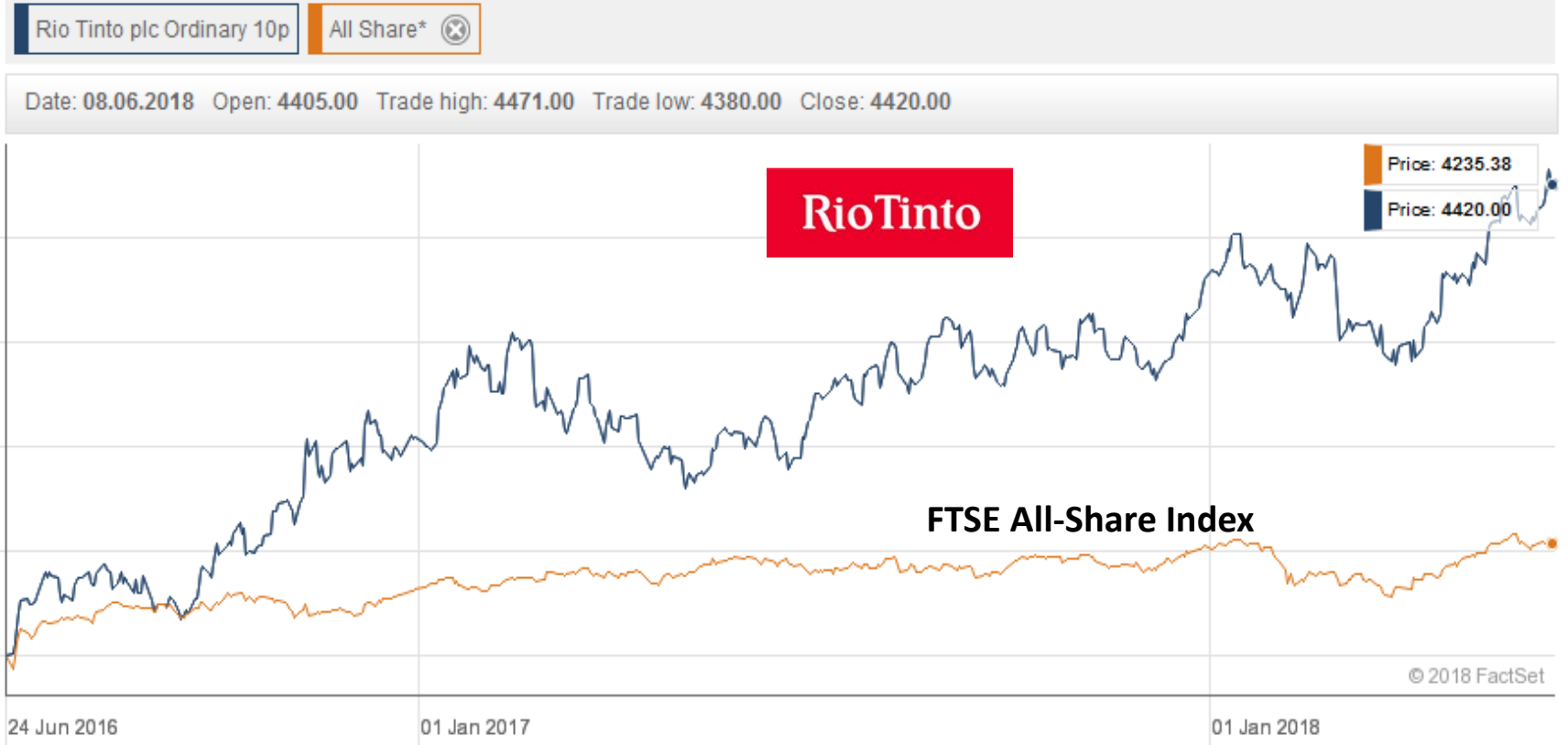
COUNCILS:  
**FUELLING THE FIRE**

A new report on the local government pension scheme and fossil fuels

350 friends of the earth see things differently Friends of the Earth Scotland 106 COMMUNITY REINVEST

# Rio Tinto v FTSE All Share

RioTinto





# Renewable Energy

**RioTinto**

- Weipa 6.7MW (PV) solar farm in Queensland Australia



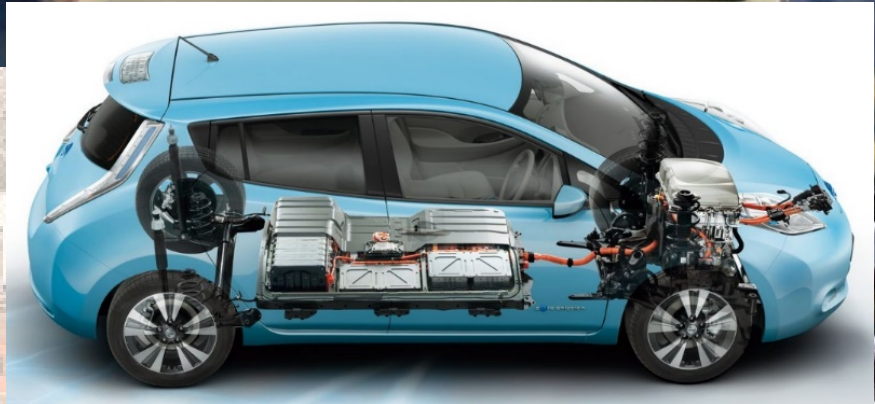
- 224MW Chute-du-Diable hydroelectric plant Quebec
- Rio Tinto is the largest private sector producer of hydroelectricity in Canada.



# Renewable Energy - Lithium



- **Jadar Lithium project Serbia**
- 136 million tons of declared resources- one of the largest lithium deposits in the world.



Lithium is used in batteries for hybrid and electric cars.

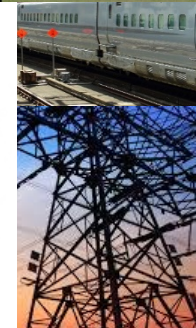
NEXT YEAR, TESLA PLANS TO MAKE **500,000 ELECTRIC CARS** ALL OF WHICH WILL REQUIRE **LITHIUM-ION BATTERIES**



# Aluminium

RioTinto

- Major producer of Aluminium
- 3.5 million tons per annum.



 <p><b>STRONG AND LIGHT</b></p>	 <p><b>EASY TO FORM</b></p>	 <p><b>PERFECT FOR FOOD PACKAGING</b></p>	 <p><b>GREAT REFLECTOR</b></p>
 <p><b>FIREPROOF</b></p>	 <p><b>EASY TO RECYCLE</b></p>	 <p><b>LONG LIFE – LITTLE MAINTENANCE</b></p>	 <p><b>SUPERCONDUCTOR FOR HEAT AND ELECTRICITY</b></p>



# Aluminium

- Tesla Model S body and chassis are built almost entirely of aluminium
- Aluminium is the predominant material in solar and photovoltaic panel frames





# Aluminium

- Zero Carbon Aluminium Smelting
- Rio Tinto, Alcoa and Apple - Government of Canada and Quebec
- Eliminates all direct greenhouse gases and produces pure oxygen



This could be the biggest advance in aluminum production in 130 years

## Apple Backs a New Joint Venture for Zero-Carbon Aluminum Smelting

The "revolutionary" new process could further reduce life-cycle emissions for clean energy technologies

MAY 14, 2018 WASHINGTONPOST LEAVE A COMMENT



The Guardian

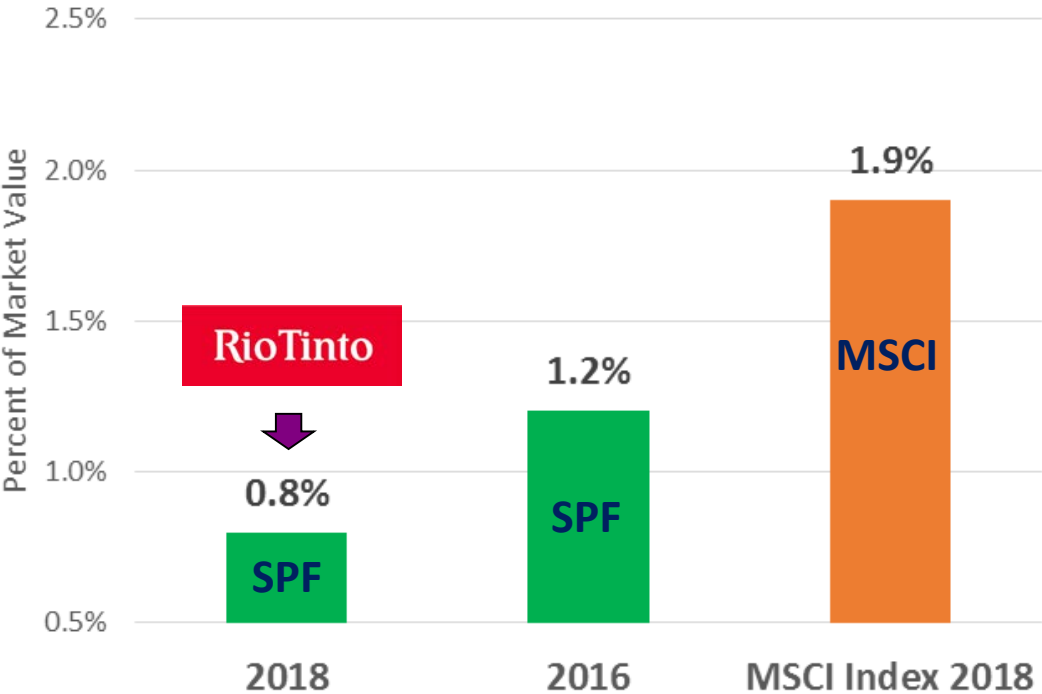
### New technology could slash carbon emissions from aluminium production

Development could transform how one of the world's most common materials is made

# Carbon Footprint – Active Equity

**Decarbonising**

Weight of Holdings Owning Thermal Coal



Guardian

Sport Culture Lifestyle More

Money Markets Project Syndicate B2B

**Rio Tinto sells its last Australian coalmine for \$2.25bn**

The sale of the Kestrel mine makes Rio now the only major global company with no coal assets

**Rio Exits Coal Business With \$4 Billion of Deals in a Week**

By Thomas Biesheuvel and David Stringer

27 March 2018, 14:41 GMT+1 Updated on 28 March 2018, 02:23 GMT+1

- Miner agrees to sell Kestrel mine to EMR, PT Adaro Energy
- Sale leaves Rio 'leaner and greener'; UBS Group analyst says

UK COMPANIES MARKETS OPINION WORK & CAREERS LIFE & ARTS

Rio Tinto PLC + Add to myFT

**Rio Tinto completes coal exit with Kestrel mine sale**

**Rio Tinto exits coking coal, seeks new economy metal ventures**

London (Platts)--22 Mar 2018 9:23 am EDT/1323 GMT

Miner Rio Tinto is selling its last remaining Australian coking coal asset, Kestrel, shifting growth into investments in metals and minerals for batteries and new economy applications.



SPF v MSCI ACWI



# Engagement – Rio Tinto

RioTinto

- **Grasberg mine open pit - tailings management vs riverine disposal**
- 240,000 tonnes per day of heavy metal rich waste tailings - 170 km long zone of impact
- Dialogue with **GES** since 2009 - revised mine waste policy published in 2012
- Commitment not to use riverine tailings disposal in future
- Other labour, safety, security and social issues



# Climate Change Initiatives



**Renewable Energy 100** Collaborative initiative supporting companies that make a public pledge to switch to 100% renewable electricity.

Industry accounts for around half of the world's electricity consumption, switching this demand to renewables would accelerate the transformation of the global energy market and aid the transition to a low carbon economy.



**Committed to 100% electricity from renewable sources by 2030. Interim target of 65% renewable electricity by 2020**



**Committed to run manufacturing facilities on 100% renewable power by 2020. Already achieved net zero energy at its head office in Ireland**



**Committed to powering its global operations with 100% renewable electricity by 2030**



# Climate Change Initiatives



**Energy Productivity 100** - Global collaborative initiative supporting businesses that commit to double energy productivity and maximize the economic output of energy used

By focusing on energy productivity outcomes, corporates can reduce their own energy demand and significantly contribute to reducing energy demand globally

**Companies pledging to double energy productivity by 2030**





# Climate Change Initiatives



**Electric Vehicle 100** - bringing together companies committed to accelerating the transition to electric vehicles (EVs) and electric transport by 2030

Electric transport offers a major solution in cutting millions of tons of greenhouse gas emissions per year, as well as curbing transport related air and noise pollution

**Companies committed to supporting the transition to EV**



Deutsche Post DHL Group



Heathrow



# Climate Change Initiatives

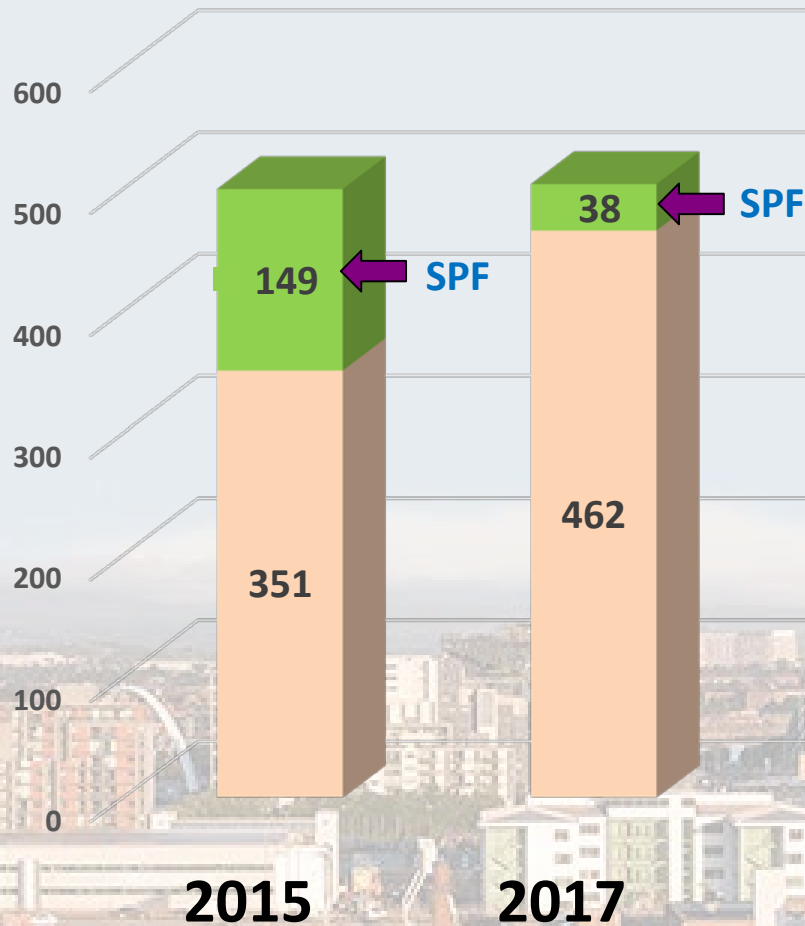
- **CDP Carbon Action** - Collaborative initiative to accelerate company action on carbon reduction and energy efficiency activities
- **CDP Water** – Asks companies to provide data about their efforts to manage and govern freshwater resources
- **CDP – Forests** – Asks companies to provide data on their efforts to stop deforestation



- **IIGCC** - Collaborative platform to encourage public policies, investment practices and corporate behaviour that address long-term risks and opportunities associated with climate change

# The Asset Owners Disclosure Project

## Global Climate 500 Index



Rates the world's 500 largest asset owners on their success at managing climate risk within their portfolios.

**Strathclyde Pension Fund is ranked at 38 out of the 500 asset owners surveyed in the 2017 Global Climate 500 Index and is the top ranked LGPS**

Improvement due to carbon footprinting, climate change engagement initiatives and investment in renewable energy through the Direct Investment Portfolio.

# Principles for Responsible Investment



## 2017 PRI assessment report

The PRI assessment report is compulsory for all asset owner and investment manager signatories and demonstrates how a signatory has progressed in its implementation of the Principles year-on-year

**Overall score A+** - over 3 assessed modules bands A – E

- Strategy and Governance** A+ (30 out of a maximum 30 from 10 indicators)
- Indirect Listed equity:** A (38 out of a maximum 42 from 14 indicators)
- Direct Listed equity-active ownership:** A+ (23 out of a maximum 27 from 9 indicators)

**2017 - Fund's best PRI survey outcome - scoring the maximum possible A+**

**Questions?**







# IIGCC

Institutional Investors Group on Climate Change

## Overview

The investor voice on climate change

## Institutional Investors Group on Climate Change – who we are

- IIGCC is an *investor-led network* of **155 asset owners and managers**. From 11 European countries, together we represent over €21 Trillion in assets.
- [Ten investors sit on IIGCC's Board](#) which sets IIGCC's strategic direction. Many active members lead or participate in our programmes.
- The Board has set a simple vision for IIGCC to work toward: **Investors taking action for a prosperous, low carbon future.**
- IIGCC's mission is to **mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policy makers and fellow investors.**
- IIGCC does this by providing investors with the collaborative platform to encourage public policies, investment practices and corporate behaviour that address long-term risks and opportunities associated with climate change.



## Our programmes – what we do

IIGCC's Mission is to mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policy makers and our fellow investors. We implement it through four programmes:



### Policy

#### Activities:

- Global policy
- EU policy
- Brexit
- National issues



### Corporate

#### Activities:

- Best practices.
- Engagement
- Resolutions



### Investor Practices

#### Activities:

- Governance
- Strategy
- Disclosure



### Property

#### Activities:

- Best practices
- Engaging with real estate companies
- Building policy



## Corporate Programme

### Programme overview

The programme provides market leading resources for investors to assess company strategies on climate change and facilitates collaborative shareholder engagement with companies. At the heart of the programme has been the development of sector specific ‘Investor Expectations Guides’ which have been produced by investors to set out for companies how they should be addressing climate risk and opportunity.

### Activities

- **Best practices:** Workshops, roundtables and guidance development on the resilience of different sectors to the transition to a low carbon economy.
- **Engagement:** Collaborative engagement with more than 40 companies across Europe. Investors with over €8Tn participate in this group. IIGCC is also coordinating the global Climate Action 100+ initiative.
- **Resolutions:** Coordinating shareholder resolution activity in Europe and helping investors understand which US resolutions to support (Aiming4A has been incorporated into the group).



The Investor Expectations Guides set the agenda for engagement with companies in four key sectors; oil and gas, mining, autos and utilities.



IIGCC is coordinating engagement with European Companies as part of The Climate Action 100+



## Investor Practices Programme

### Programme overview

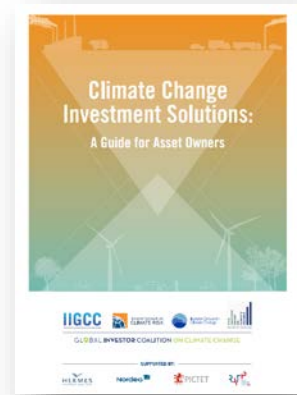
New in 2017, the programme helps investors identify and manage climate-related risks and opportunities while providing guidance on how investors can meet provide market leading disclosures.

### Activities

**Governance:** working with boards, trustees and senior management to understand and manage climate-related risks and opportunities.

**Strategy:** Developing strategic tools and metrics to enable owners and managers to address climate risk and opportunity in their portfolios

**Disclosure:** Providing guidance to investors on implementation of the TCFD recommendations



IIGCC's 2015 Climate Change Investment Solutions Guide set out a roadmap for asset owners to address climate change



IIGCC worked with global partners to develop the Low Carbon Investment Registry and Taxonomy



## Investor Practices – state of play and future plans

Official support for the TCFD recommendations has grown 20% in the first half of 2018 - and Europe is taking the lead.



Legislators are increasingly identifying climate risk, investment and reporting as priority areas for policy and regulation



### Governance

**Addressing Climate Risk in Investment Portfolios**



### Strategy, tools and metrics

**Climate Scenarios**



### Disclosure

**Applying the TCFD Recommendations**



## Policy Programme

### Programme overview

The programme develops investor positions on policy and regulatory frameworks at international, regional (EU) and occasionally at national level. The group also develops more detailed letters, statements and reports on issues ranging carbon pricing to autos regulation to a sustainable financial system. IIGCC also co-ordinates the global policy work of the Investor Agenda.

### Activities

**Global policy:** Supporting the Paris Agreement and TCFD. Close dialogue with the UNFCCC, IEA, OECD, G7/G20 and the UN Secretary General’s office. Investor events at COPs. Co-ordination of global policy collaboration with other investor organisations i.e. the Global Investor Statement

**EU policy:** Ensuring the investor view is understood and reflected in priority negotiations:

- *Climate Change:* 2050 strategy, EU ETS, and vehicle emissions
- *Energy:* energy efficiency, renewables, governance of the Energy Union
- *Sustainable finance:* taxonomy, investor duties, disclosure, benchmarks

**Other issues:** Brexit developments; national issues; countering corporate lobbying



IIGCC has set out position papers advising the EU and national governments on developing investable emissions reductions planning



IIGCC Chair features at the Finance Day UN Press Conference at the November 2017 UNFCCC COP23





## Policy – recent activity



European Parliament hearing on vehicle emissions



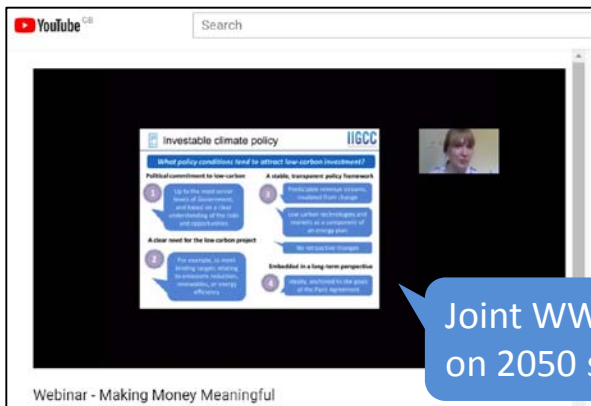
Writing to Ministers

Global Investor Statement



Energy op eds

COP23



Joint WWF webinar on 2050 strategies



Meeting Espinosa

Lobbying in Brussels on buildings





## Business case: how does IIGCC benefit its members?

Joining IIGCC gives members a number of clear advantages:



**Access** – Invitations to speak and attend high-level events and meetings with policy makers. IIGCC receives direct invitations to climate and energy policy meetings hosted by the European Commission, European Parliament and national governments offering opportunities for member participation.



**Knowledge sharing** – Regular webinars, thought leadership research and events provide opportunities to hear expert guidance on how to assess and manage the risks and opportunities of climate change and climate policy.



**Influence** – When IIGCC members speak together, they influence decision makers. Our collaborative engagements have a track record of delivering meaningful change at major companies.



**Distinction** – Membership demonstrates to clients and beneficiaries effort to deepen understanding of risks and opportunities associated with climate change and to manage these in investment processes.

## Contact us

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**Stephanie Pfeifer**  
Chief Executive Officer  
Adam House  
7-10 Adam Street  
The Strand  
London, WC2N 6AA

E: [SPfeifer@iigcc.org](mailto:SPfeifer@iigcc.org)  
M: +44 (0) 779 058 0177

**Oliver Grayer**  
Project Director  
Adam House  
7-10 Adam Street  
The Strand  
London, WC2N 6AA

E: [OGrayer@iigcc.org](mailto:OGrayer@iigcc.org)  
M: +44 (0) 7733 444 941

**Rachel Ward**  
Head of Policy  
Adam House  
7-10 Adam Street  
The Strand  
London, WC2N 6AA

E: [RWard@iigcc.org](mailto:RWard@iigcc.org)  
M: +44 (0) 7786 977 259

**Charlotte Bloxham**  
Office Manager and Finance Assistant  
Adam House  
7-10 Adam Street  
The Strand  
London, WC2N 6AA

E: [CBloxham@iigcc.org](mailto:CBloxham@iigcc.org)  
M: +44 (0) 207 520 9305

**Questions?**

# Governance

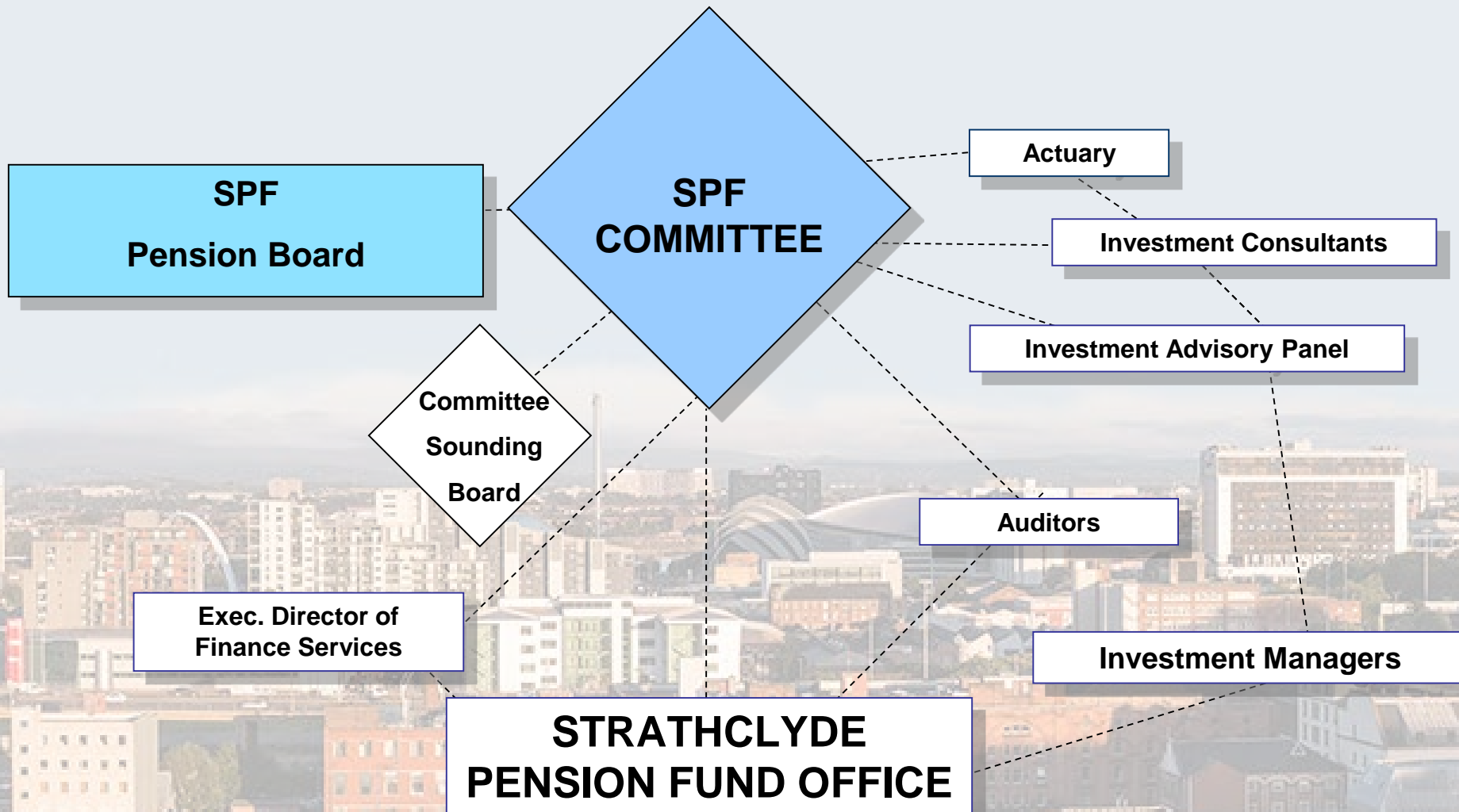


Richard McIndoe  
Director SPFO

# Agenda

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

# Strathclyde Pension Fund Governance





# Strathclyde Pension Fund Committee



**Allan Gow  
(Convener)**



**Ken Andrew**



**Christina Cannon**



**Norman MacLeod  
(Vice-Convener)**



**Mandy Morgan**



**Euan Blockley**



**Martha Wardrop**



**Philip Braat**

# Strathclyde Pension Fund Committee



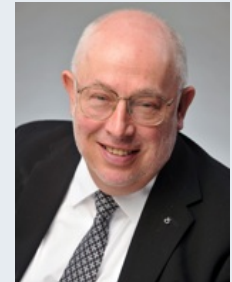
**Allan Gow  
(Convener)**



**Jennifer Layden**



**Christina Cannon**



**Norman MacLeod  
(Vice-Convener)**



**Mandy Morgan**



**Euan Blockley**



**Martha Wardrop**



**Philip Braat**

# Strathclyde Pension Fund 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

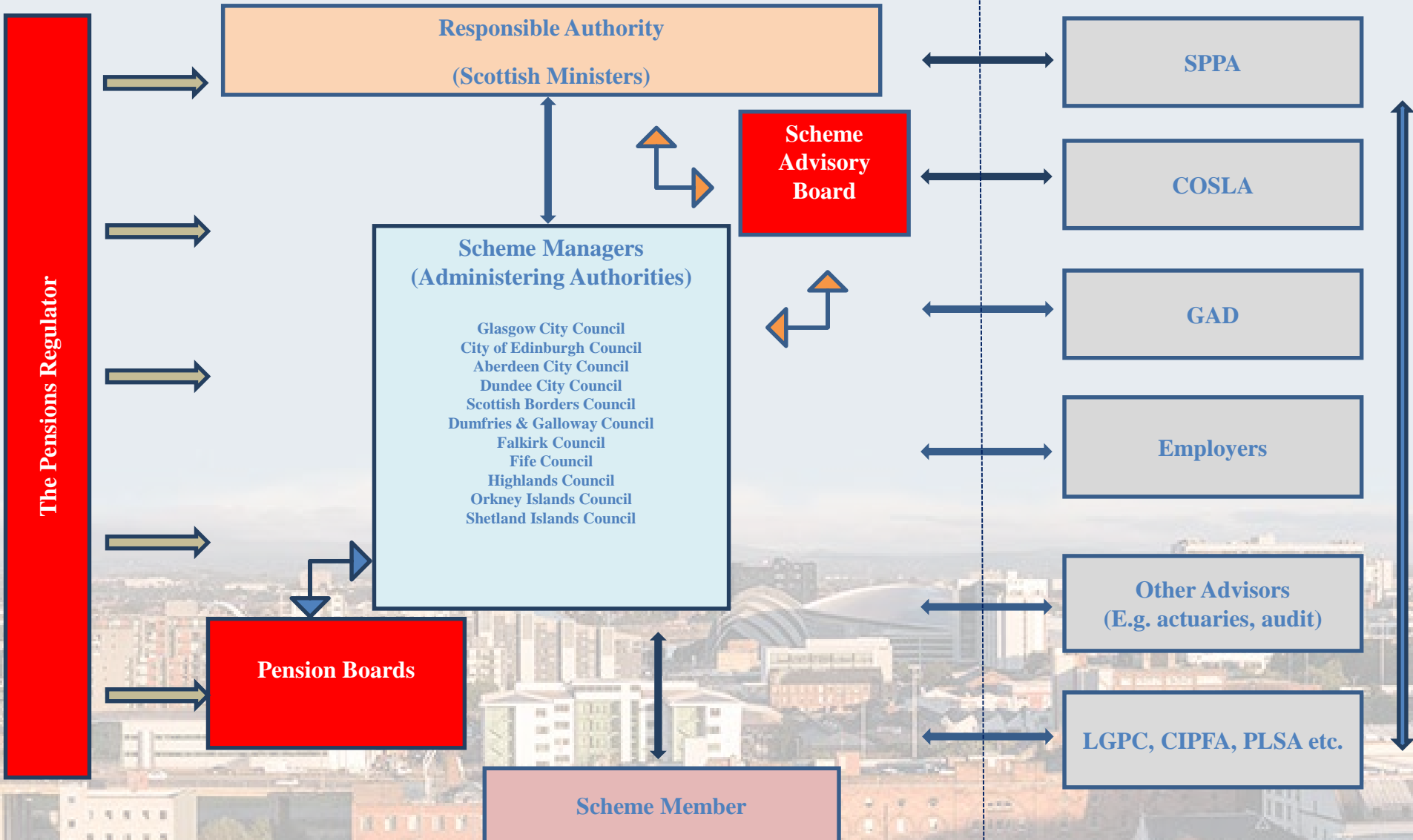
“A Pension Board is to meet at the same place and at the same time as the Pension Committee to consider the same agenda. The Chair of the Pension Committee is entitled to act as chair of that meeting.”

LGPS Governance Regulations 2015

# LGPS (Scotland) – Governance Model

## MANDATORY ROLES

## OTHER STAKEHOLDERS



# Review of LGPS Structure

Cabinet Secretary for Finance and the Constitution  
Derek Mackay MSP



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

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

Dave Watson - d.watson@unison.co.uk  
Jonathan Sharma - jonathan@cosla.gov.uk

By email

24 January 2018

Dear Dave and Jonathan

## REVIEW OF LGPS STRUCTURE

Thank you and your colleagues for the work and commitment which has gone into the production of the report on the structure of LGPS pension funds. As you know, I support any work which will lead to greater collaboration between the funds and I appreciate the way in which the report has identified a sensible range of options for consideration.

I can confirm that I would be grateful if the LGPS Advisory Board would consult on the future structure of the scheme based on the options you have identified:

- Status quo of eleven funds in Scotland.
- Retain the eleven funds, but with closer collaboration.
- One or more common investment pools.
- Merge the funds into one or more new funds.

I have asked Lorimer Mackenzie, Acting Director of Policy at SPPA, to coordinate work with you and I look forward to hearing the recommendations which arise from the consultation.

DEREK MACKAY

St Andrew's House, Regent Road, Edinburgh EH1 3DG  
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

# Review of LGPS Structure

## 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



# Review of LGPS Structure

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## The criteria:

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

# Review of LGPS Structure

## The options:

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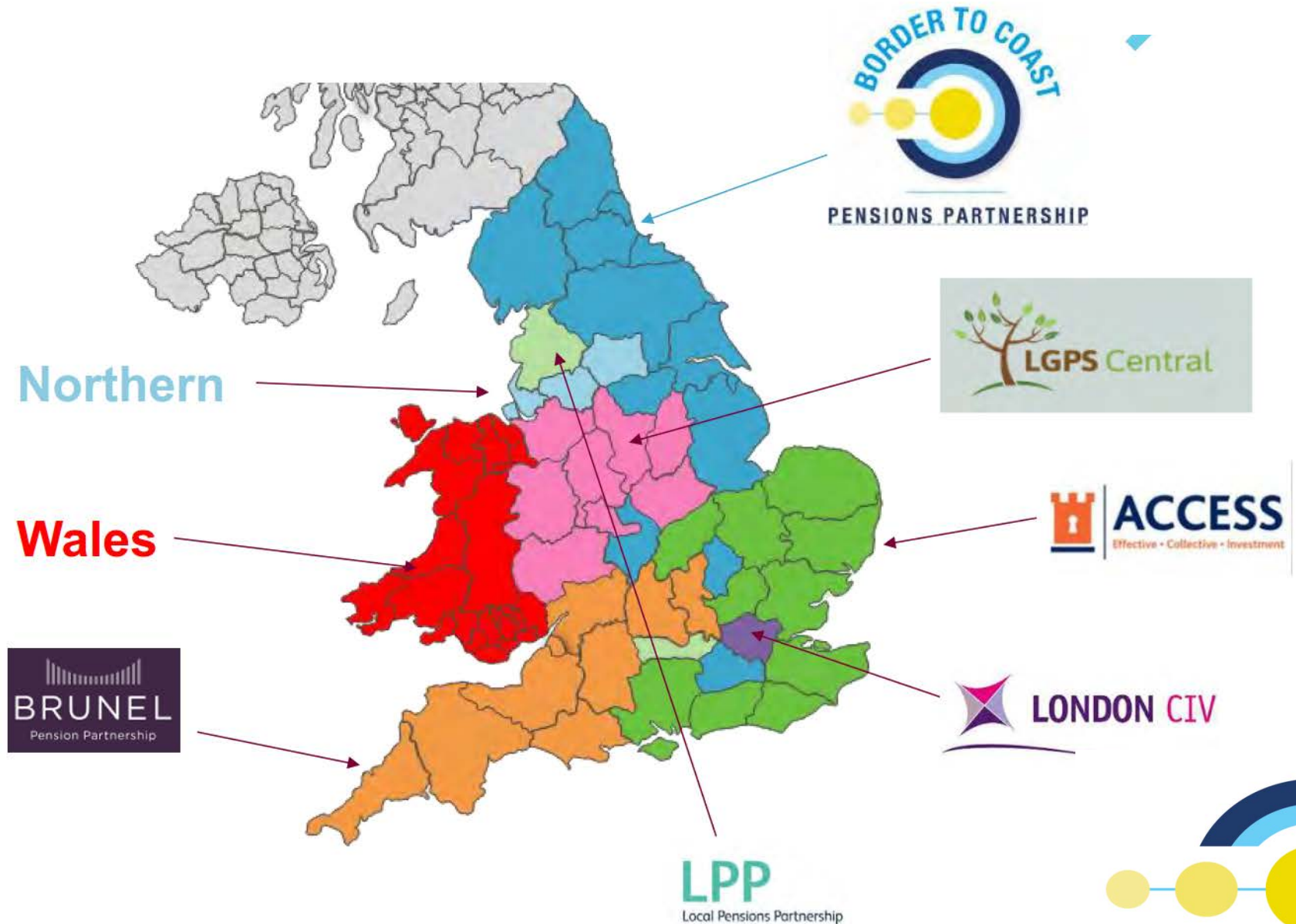
## The criteria:

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

## The timeline:

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

# LGPS England & Wales





- DB Scheme of the Year
- DB Communications
- Best use of Alternatives



# LAPF Investments Awards

For local authority pension funds and their advisers

- **Best Investment Strategy**

An aerial photograph of a city skyline, likely St. Louis, Missouri, featuring the Gateway Arch and the Scottrade Center. The word "Questions?" is overlaid in large, bold, black text in the center of the image.

**Questions?**