



## Annual Report 2016-17

# Scottish Local Government Pension Scheme Advisory Board (SAB) Annual Report 2016-17

## Opening Remarks from the Outgoing Chair

On behalf of the Local Government Pension Scheme Advisory Board, I am delighted to be able to present the second SAB Annual Report. The aim of this Annual Report is to provide a primary source of information about the work of the Board over the last financial year, 2016-17 for LGPS members, employers, and other stakeholders. The Board welcomes feedback on the information provided and how this can be developed for future reports.

More information can be found about the Board's work at our website: <http://lgpsab.scot/>

William McGonigle  
Outgoing Chair of SAB

## Introduction

The Scottish Local Government Pension Scheme Advisory Board (SAB) was established under the Public Service Pensions Act 2013 to provide advice to Scottish Government Ministers on the desirability of changes to the design of the scheme and the implication of other policy issues.

The SAB also provides advice to the Scheme Managers or the Scheme's Pension Boards in relation to the effective and efficient administration and management of the scheme.

The Scheme Advisory Board is responsible for:

- Providing advice on request about the desirability of changes to the design of the scheme; policy issues and changes to scheme regulations.
- Discussing and commenting on the potential implications of future valuation outcomes.
- Making recommendations on adjustments to the Scheme in the event that costs breach the employer cost cap.
- Providing advice to the Scheme Managers or the Scheme's Pension Boards in relation to the effective and efficient administration and management of the Scheme.

## Structure and People

The SAB is a bipartite Board comprising equal representation from employers and employee representatives. The partnership approach is also reflected in our administration arrangements with Joint Chairing on a rotational basis between the two sets of representatives and a Joint Secretariat sourced from existing resources within the Employers and Trade Union organisations.

## SAB Members

Chair (2016-17) – William McGonigle, Unite the Union  
Vice Chair (2016-17) – Cllr Alasdair Rankin, COSLA  
Members representing Councils, Scheduled and Admitted Bodies:

Cllr Alastair Rankin	City of Edinburgh Council
Cllr Jim Goodfellow	East Lothian Council
Cllr John Mitchell	Scottish Borders Council
Cllr Stuart Cree	Moray Council
Cllr Ian McAlpine	East Renfrewshire Council
Brian Strathie	Scottish Water
Vacant	

Members representing Scheme Member interests:

Dave Watson	Unison
Stephen Smellie	Unison
William McGonigle	Unite
Brian Gallagher	Unite
Tony Dowling	GMB
Andy McFarlane	Unite
Frank Gray	Unite

Joint Secretary – Employers’  
Jonathan Sharma, COSLA  
Outgoing – Hayley Wotherspoon  
Incoming – Kathy Cameron

Joint Secretary – Trade Unions  
Dave Watson, UNISON

There are a number of observers and advisers who support the SAB in the deployment of Board business. These include representatives from, and on behalf of, the Scottish Government, formal COSLA officials, pension scheme managers and representatives from professional associations.

### **The Local Government Pension Scheme**

The table below gives a snapshot of the Local Government Pensions Scheme as at 31<sup>st</sup> March 2017, showing the total numbers for the scheme.

**Table 1 – Local Government Pension Scheme in Numbers**



## **Communications**

The SAB has developed a bespoke website to act as a unique source of information and advice to all stakeholders. The site includes the minutes of SAB meetings along with other governance documentation, guidance documents and details of the Board's membership. The content of the website will develop as the work of the Board continues.

Similar information is also published on the local government pages of the SPPA website - <http://www.sppa.gov.uk/>

A short bulletin is also published after each meeting covering the key decisions. This bulletin is circulated to key stakeholders and is available on the SAB website - <http://lgpsab.scot/>

The SAB has also issued guidance to employers and funds on a number of issues as detailed on the workplan. The most recent guidance covered the Transparency of Investments Code (November 2016) and Pensionable Pay (May 2017). These are covered below.

## **Financial report**

The regulations underpinning the 2013 Act allow the SAB to collect a levy to support its work. In the first year of operation, the SAB adopted a straight proportion of the levy

raised by our equivalent SAB in England and Wales equating to £40,000. The SAB secretariat and support function is used from existing resources within both employer and trade union organisations to minimise the financial impact of our work on the public purse. During the business year 2016-17, the SAB primarily used these funds to support our structure review (see below). A regular financial report is considered by the SAB at each meeting and any monies not used are held over for the following financial year.

## **Workplan**

The Workplan drives the agenda of the Board and reflects its role in advising both the responsible authority (currently Derek Mackay, the Cabinet Secretary for Finance and the Constitution) and Scheme managers. The current Workplan is set out in Appendix I.

## **Structure Review**

The focus of the Board's work this year has been a structural review of the funds in Scotland. In recent years COSLA and UNISON have commissioned separate studies into the benefits of merging the eleven funds or adopting shared services. The UK government has also announced the pooling of fund investments in England and Wales. These pools would be of a similar size to a combined fund in Scotland.

The Board established a working group with terms of reference agreed by the Cabinet Secretary. It commissioned external research from consultants, Mercers, primarily to analyse the available data, and Iain Clacher of the University of Leeds, to provide a wider academic and outsider perspective of pension structures.

The working group presented a report to the April 2017 meeting of the Board which sets out four options for reform. This paper has been sent to the Cabinet Secretary.

## **Financial Overview**

Audit Scotland published a supplement to their annual Financial Overview of Local Government in Scotland 2015/16 on the SLGPS. This describes the new scheme and governance arrangements together with an analysis of the financial position. It concludes with an outlook that stresses the challenging investment environment facing all pension funds. The supplement can be found on Audit Scotland's website, link below:

<http://www.audit-scotland.gov.uk/report/local-government-in-scotland-financial-overview-201617>

The Government Actuary has been appointed by the Scottish Public Pensions Agency ("SPPA") on behalf of Scottish Ministers to report under section 13 of the Public Service Pensions Act 2013 in connection with the SLGPS. Section 13 provides for a review of LGPS Scotland funding valuations and employer contribution rates to check that they are appropriate and requires remedial steps to be taken where scheme managers consider appropriate. This year they produced a dry run report before the first statutory report, which will be based on the 2017 valuations.

The dry run found no evidence of material non-compliance, few concerns regarding solvency and generally sound long-term cost efficiency. They did find inconsistencies between the valuations in terms of approach taken, assumptions used and disclosures. They reported that these inconsistencies make meaningful comparison of local valuation

results unnecessarily difficult. This is something the Board has recognised in its data collection work.

An LGPS Funds Accounts and Net Assets statement is included at Appendix II.

## Scheme Membership

The Board has once again carried out a data collection exercise in relation to membership. The Board collated from councils, who make up 75% of the scheme membership, employee data by spinal column point and gender. For future years the data collection will pick up scheduled bodies data and data on pensions auto enrolment. A summary table is detailed below.

Membership of the scheme is only one part of the overall picture. The Board also needs to consider who is not in the scheme, not least for the purposes of measuring progress against the 2015 scheme's equality impact assessment. The SLGPS has historically had the lowest take up of any public sector pension scheme in Scotland. This is primarily due to the prevalence of low paid, part-time and women employees in local government – all factors that generally point to a low take up of pension opportunities. While it remains too soon to assess the full impact of auto-enrolment, initial results indicate that membership of the scheme is increasing, particularly amongst those groups that have been traditionally under-represented. Further work will be undertaken on this in the coming years.

**Table 2 – 2017 Membership Levels (local authority only)<sup>1</sup>**

	Actual	Actual 2016	%	Comparison to 2016
<b>Total No of Employees</b>	<b>197018</b>	<b>188656</b>	<b>100</b>	
<b>Female</b>	<b>138763</b>	<b>135673</b>	<b>70.43</b>	↑
<b>Male</b>	<b>58255</b>	<b>52983</b>	<b>29.57</b>	↑
<b>Female Employees</b>				
<b>In Scheme</b>	<b>110950</b>	<b>105143</b>	<b>79.96</b>	↑
<b>&amp; Under SCP 21*</b>	<b>21321</b>	<b>22204</b>	<b>19.22</b>	↓
<b>Male Employees</b>				
<b>In Scheme</b>	<b>49815</b>	<b>43612</b>	<b>85.51</b>	↑
<b>&amp; Under SCP 21</b>	<b>6421</b>	<b>6666</b>	<b>12.89</b>	↓
<b>Not in Scheme</b>				
<b>&amp; Under SCP 21</b>	<b>14509</b>	<b>16101</b>	<b>10.46</b>	↓

\*SCP – Scale Point

## Transparency of Investments

<sup>1</sup> It has been noted there were typographical errors in the 2016 report in the same table. These have been addressed in Table 2 above.

With more than £40bn of assets, there is an understandable interest in how contributions are invested. There are a number of public campaigns on pension investment activity and significant media interest.

The Board has also responded to growing interest in transparency of investment fees and received a presentation from Dr Chris Siers on this issue, highlighting the need for common industry standards on reporting transaction costs. Our colleagues in England and Wales have developed a transparency Code to address this issue and the Board agreed to adopt this in Scotland.

The Financial Conduct Authority also published a consultation paper on this issue which was highly critical of the absence of fee transparency and a range of other concerns. They have now published a final report and appointed Dr Chris Siers to chair its working group on disclosure of costs and charges for institutional investors.

Pensions Funds have begun to promote the Transparency Code and have contacted their asset managers to bring the Code to their attention. Whilst a number of fund managers are adopting the Code, for others this is work in progress. In some cases, fund managers are citing the need to check MIFID II requirements as well as property fund reporting requirements. Funds are noticing a modest improvement in the granularity of costs being disclosed, with cost templates covering the period 1 April 2016 to 31 March 2017 being provided. However, there is more work to be done working with private markets in particular in providing cost transparency.

### **Governance Review**

The Scottish Government appointed KPMG to undertake a review of governance across all public service pension schemes in Scotland. The subsequent report made a number of recommendations that have largely been accepted by Ministers. The Board set out its response to the recommendations in May (copy on website <http://lgpsab.scot/> )

The recommendations that are relevant to the SLGPS largely involve strengthening communications and training for members at fund and SAB level. The board will develop an action plan to take these matters forward.

### **Cessation Valuations**

Funds have continued to be as flexible as possible with cessation valuations by spreading the costs over a period of time. The SPPA has collated data from funds on the potential risks and the initial data report does not indicate any major concerns. Funds have addressed this issue locally, recognising that solutions vary considerably between employers. The current regulations do place some limitations on what funds can do and greater flexibility is anticipated in changes to the regulations later this year.

### **GMP indexation/equalisation HM Treasury consultation**

The introduction of the new State Pension in April 2016 replaced the previous arrangements which included the payment of Additional State Pension (AP) to those individuals who were members of contracted-out pension schemes. A UK Treasury consultation states that the abolition of AP after 5 April 2016 introduces an inequality in the payment of public service pensions between men and women as well as no longer providing a mechanism to fully index pension payments.

The consultation identified a number of options for addressing this issue. Although no solution is perfect, the board took the view that the conversion of GMP to main scheme pension best meets the criteria set out in the consultation (see SAB web site, <http://lgpsab.scot/>).

All of the options place all of the cost burden for indexation of pensions on the employers of the LGPS. The arrangements prior to April 2016 shared the cost between LGPS employers and the government through the AP element of state pension. The additional cost implications, on LGPS employers already facing a difficult and constrained financial environment should be recognised. The Board urged the government to provide additional funding or some level of compensation, given cuts to local authority budgets.

### **State Pension Age Review**

The UK government has accepted the key recommendations of the Cridland review of the State Pension Age (SPA). This brings forward the increase in the SPA to the age of 68 in 2037, seven years earlier than planned. If Westminster enacts these recommendations it will increase the normal retirement age for SLGPS members in line with the SPA. It will also have implications for the cost of the scheme that will need to be addressed in future valuations.

### **Exit cap**

The Scottish Government is consulting over the introduction of an exit cap on severance payments, following the introduction of such a cap by the UK Government. This would have legislative implications for the SLGPS as the entitlement to an actuarially unreduced pension is set out in the SLGPS regulations. The Board has submitted a response to this consultation (see web site <http://lgpsab.scot/> ).

### **Pensionable Pay**

The trade union and employer sides identified different interpretations of the regulations relating to the payment of pension contributions on payments made in consideration of loss of future pensionable payments. The Board agreed to approve changes to the HR guide to provide clarity as to when such payments qualify as pensionable pay (see web site <http://lgpsab.scot/> ).

### **Early Retirement**

The Board identified an anomaly with the England and Wales scheme where members are allowed to leave at age 55 if there is no cost to the employer. In Scotland members had to secure the agreement of the employing authority before the age of 60. The Board agreed to recommend changes in the regulations in bring the SLGPS in line with the England and Wales scheme. This change is cost neutral as a member in these circumstances will be subject to an actuarial reduction, unless the employing authority exercises its discretion. This will be picked up in the forthcoming set of Regulation changes.

### **Other Regulation Changes**

With the new SLGPS having been in operation for two years there have continued to be a small number of issues identified that may require regulation changes or revised

guidance. The Board has been giving regular consideration to these matters and will keep the benefit regulations under review.

### **Future Work**

The Board has and will continue to progress the areas set out above as appropriate and as highlighted in its current workplan attached at Appendix 1. This includes anticipated work to further develop options under the structure review and wider consultation on these; work to further develop transparency of investments; and expediting a governance review action plan.

## Current Workplan areas

No	Title	Description	Output Required	Completion Date	Update
1	SPPA Governance Review	Following the report from KPMG and the actions being taken forward by SPPA, SAB to agree an action plan.	An action plan covering training and communications actions for the Board to consider	February 2018	Draft action plan to be considered at the SAB meeting on 24 <sup>th</sup> January 2018
2	Structure Review	Following from the data collection exercise, to complete a review of the structure of the Scottish LGPS.	A report from the Scheme Advisory Board outlining the results of the review exercise.	Report considered by the SAB at its meeting on 23 <sup>rd</sup> April 2017.	As agreed at the April 2017 SAB meeting, the joint secretaries have written to the Cabinet Secretary for Finance and the Constitution, Derek Mackay, offering to discuss the outcome of the structure review. A response is still awaited from the Cab Sec.
3	Transparency of Investments	To consider how to improve transparency across the Funds in relation to investment decisions.	Guidance on transparency around investment costs and to ensure that this reflects best practice.	Ongoing	Transparency Code has been issued. An update on progress is included in the draft 2016/17 Annual Report to be considered at the January 2018 meeting.
4	Funding Levy mechanism	To agree a mechanism to allow the Scheme Advisory Board to fund the development work required to carry out its role.	That an agreed levy approach is agreed to support the work of the Board.	Complete	The original work was completed in 2015. The levy is now being collected each financial year and the SAB considers a financial report at each of its meetings.
5	Collection and Consistency of Fund Data	To scope out a body of work which will consider the collection of data across Scottish Local Government Pension funds.	A benchmarking exercise providing information on data collected by individual funds.	Complete	The original work was completed in 2016. There is an ongoing exercise to collect this information for inclusion in the SAB? Annual report.
6	Valuation Outcomes and Impact on Cost Cap	A triennial agenda item whereby GAD report will inform the Scheme Advisory Board on the outputs of the most recent valuation exercise and provide advice on any impact on the cost cap.	To allow the Board to consider the information provided by Funds from the recent valuation exercise.	To consider 2017 valuation at April 2018 meeting	

**Completed workplan areas**

7	Fiduciary Duty	To review the main fiduciary duties as they apply at all levels of the Scottish LGPS and consider appropriate guidance.	To provide guidance if required across the Scheme on fiduciary duty, taking account of recent evidence and opinion, including the recent Law Commission report.	31 <sup>st</sup> March 2015	Complete – guidance now issued to funds and available on the SAB website.  <a href="http://lgpsab.scot/fiduciary-duty-guidance/">http://lgpsab.scot/fiduciary-duty-guidance/</a>
8	Funding Issues for the Local Government Pension Scheme	To consider the issue of funding within the Scheme and how this impacts nationally and at fund level.	This item will cover all funding issues for the LGPS in Scotland.	Training session provided by Hymans Robertson in August 2015.  Standard agenda item.	No further update.

No	Title	Description	Output Required	Anticipated Timescale	Update
9	Cessation Valuation: Guidance and Regulation Review	To consider a range of matters raised as a result of recent activity on cessation valuations	That there are two areas for consideration by SAB and Scottish Government on 1) regulation review and 2) good practice guidance for Funds.	Exercise should take into account SPPA data collection exercise which is ongoing.  Urgency around issue would suggest 30 <sup>th</sup> June 2015 at the latest.	No further update
10	50:50 option review	To scrutinise the impact of the 50:50 option within the Scheme.	To allow for a meaningful consideration of the impact of the 50:50 offer within the Scheme.	June 2016.	SAB to clarify if further work to be undertaken on this

**Original Workplan Items now Standing Items on Board Meeting Agendas.**

No	Title	Description	Output Required	Anticipated Timescale	Update
11	Communications Strategy	To consider an appropriate strategy on communications for members and on guidance for funds where required	This item will be a standing meeting item and will ensure that the Board are communicating effectively with all stakeholders.		No further update. Covered in item 1
12	Review of Regulations	A standing item to ensure that regulations reflect legislation and are fit for purpose.	This item will be a standing meeting item and will inform/reflect the Board's response to existing regulations or those in draft form.		To be considered under Agenda Item 11

Appendix II : Fund Account as at 31st March 2017																		
	Aberdeen	Dumfries & Galloway	Falkirk	Fife	Highland	LOBUSES	Lothian	NESPF	Orkney	Scottish Borders	SHPF	Shetland	Strathclyde	Strathclyde No 3 Fund	Tay	Tay Transport	TOTAL	
Fund account for year ended 31/03/2017	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Income</b>																		
<b>Employers</b>																		
Normal Contribution	609	18,639	57,389	67,256	39,109	7,516	133,301	91,793	7,548	13,627		12,190	379,061	1,736	65,102	369		895,245
Deficit Recovery Contributions	1,500	2,146	2,214	90	818		7,876	3,766			675	18	4,872	1,400	697			26,072
Strain Costs	-	2,690	4,643	2,932	4,861	215	12,558	2,979	26	202		-	13,807		3,795			48,708
Others																		
Please provide details -				2,932									539					3,471
	2,109	23,475	64,246	73,210	44,788	7,731	153,735	98,538	7,574	13,829	675	12,208	398,279	3,136	69,594	369		973,496
<b>Employees</b>																		
Employee Contributions	115	5,782	17,944	17,881	12,508	2,060	42,578	28,856	2,298	4,544	-	3,818	122,077	235	23,518	71		284,285
	115	5,782	17,944	17,881	12,508	2,060	42,578	28,856	2,298	4,544	-	3,818	122,077	235	23,518	71		284,285
<b>Transfer Values</b>																		
Group transfers																		
Individual transfers	-	276	5,211	3,059	2,050	10	5,536	2,343	1,048	1,074	-	1,258	5,320		2,310			29,495
	-	276	5,211	3,059	2,050	10	5,536	2,343	1,048	1,074	-	1,258	5,320		2,310			29,495
<b>Other</b>																		
Others																		
Please provide details -	320	-						2				28	547					897
	320	-						2				28	547					897
	2,544	29,533	87,401	94,150	59,346	9,801	201,849	129,739	10,920	19,447	675	17,312	526,223	3,371	95,422	440		1,288,173
<b>Expenses</b>																		
<b>Benefits Payable</b>																		
Pension Payments	(3,083)	(23,336)	49,685	(54,814)	(40,840)	(8,425)	(141,778)	(94,624)	(4,446)	(15,910)	(6,789)	(9,312)	(411,007)	(5,349)	(75,312)	(2,029)		(946,739)
Lump Sum Retirement payments	(802)	(7,824)	15,286	(17,150)	(14,036)	(3,277)	(48,895)	(22,552)	(1,067)	(3,118)	(563)	(2,671)	(102,375)	(1,288)	(19,356)	(125)		(260,385)
Lump Sum Death Benefits	(80)	(963)	1,127	(2,245)	(2,046)	(295)	(6,384)	(4,230)	(158)	(958)	-	(802)	(18,507)	(51)	(3,208)			(41,054)
Others																		
Please provide details -								(378)										(378)
	(3,965)	(32,123)	66,098	(74,209)	(56,922)	(11,997)	(197,057)	(121,406)	(6,049)	(19,986)	(7,352)	(12,785)	(531,889)	(6,688)	(97,876)	(2,154)		(1,248,556)
<b>Payments to and on Account of Leavers</b>																		
Group transfers								(173)					(1,331)					(1,504)
Individual transfers	(65)	(1,343)	2,583	(3,218)	(822)	(418)	(10,925)	(4,625)	(755)	(1,690)	(120)	(332)	(22,352)	(354)	(214)			(49,816)
Refunds to members leaving service	-	(41)	310	(227)	(126)	(9)	(615)	(678)	(13)			(17)	(1,766)		(94)			(3,896)
Others																		
Please provide details -		(4)		(79)			(361)		(3)			(18)			(8,047)			(8,564)
	(65)	(1,388)	2,893	(3,524)	(1,000)	(427)	(12,074)	(5,303)	(771)	(1,690)	(120)	(367)	(25,449)	(354)	(8,355)			(63,780)
	(4,030)	(33,511)	68,991	(77,733)	(57,922)	(12,424)	(209,131)	(126,709)	(6,820)	(21,676)	(7,472)	(13,152)	(557,338)	(7,042)	(106,231)	(2,154)		(1,312,336)



<b>Management Expenses</b>																				
<b>Administrative costs</b>																				
Employee Costs	(29)	(136)	- 332	-	(795)	(53)	(1,051)	(971)	(103)	(125)	(25)	(219)	(2,318)	(32)	(956)	(12)			(7,157)	
System Costs	(10)	(110)	- 144	-	(222)	(12)	(242)	(321)	(37)	(102)	(8)	(94)	(239)		(197)	(3)			(1,741)	
Legal Fees in connection to Pensions																				
Administration	(3)						(56)	(41)											(100)	
Office Costs	(1)	(13)	-	(27)	(3)	(106)	(2)			(26)	(1)		(451)		(76)				(706)	
Printing and postage	(1)	(1)	- 47	-	(4)	(79)	(74)			(1)	(2)	(5)	(206)						(420)	
Sundry costs	(5)	(13)	-		(6)	(20)	(150)	(5)			(2)						(6)		(207)	
Membership fees and subscriptions	(1)	(5)	-			(2)	(4)			(1)			(41)						(54)	
Others																				
Please provide details -		(6)	- 59	(1,156)	(10)		(130)		(93)	(8)									(1,462)	
	(50)	(284)	- 582	(1,156)	(1,054)	(78)	(1,686)	(1,563)	(238)	(263)	(38)	(318)	(3,255)	(32)	(1,229)	(21)			(11,847)	
<b>Oversight and Governance</b>																				
Employee Costs	(4)	(42)	- 106	-	(106)	(32)	(461)	(131)			(12)	-	(289)		(97)	(1)			(1,281)	
Independent Advisors	(2)	(17)	- 63	(30)	(37)		(65)	(123)	(25)	(113)	(2)	-	(67)		(18)				(562)	
Performance measurement		(13)	- 17	(20)	(22)	(19)	(50)			(11)	(5)	-							(157)	
Engagement and Voting	-	-	- 13	(86)		(6)	(82)	(26)			(2)	-							(215)	
Legal/Tax advisory fees	-	(2)	- 64	-	(1)	(9)	(213)	(3)		(11)	(3)	-	(78)						(384)	
Actuarial fees	(26)	(6)	- 47	(20)	(30)	(9)	(64)	(112)			(24)	(21)			(11)	(17)			(387)	
External Audit	(1)	(24)	- 20	(33)	(29)	(2)	(41)	(32)	(20)	(18)	(1)	(30)	(53)		(23)	(8)			(335)	
Internal Audit	-	-	-	-	(1)		(53)	(6)											(60)	
Transition management (include transaction costs)												(40)	-						(40)	
Office Costs						(6)	(44)				(3)	-							(53)	
System Costs		(3)	-		(3)	(24)													(30)	
Membership fees and subscriptions	(1)	(1)	- 30	(8)			(29)	(21)		(6)									(96)	
Others													(567)							
Please provide details -	(4)	-	- 198	(1)	(35)		(113)	(14)		(82)	(6)	-							(1,020)	
	(38)	(108)	- 558	(198)	(261)	(86)	(1,239)	(468)	(45)	(241)	(98)	(51)	(1,054)	-	(149)	(26)			(4,620)	
<b>Investment Management Expenses</b>																				
External management fees (invoiced)	(154)	(500)	- 4,398	(3,044)	(3,330)	(635)	(3,970)	(5,194)	(852)	(1,082)	(50)	(1,282)	(21,293)		(5,135)	(165)			(51,084)	
External management fees (deducted from capital)	-	(2,063)	- 3,867	(3,825)	(1,274)	(694)	(11,345)	(5,020)		(1,808)	(55)	(138)	(50,724)	(304)	(3,135)	(17)			(84,269)	
Performance fees (invoiced and deducted from capital)	-	-	- 404	-	(1,003)		(3,900)	(4,655)				(35)	(14,185)						(24,182)	
Transaction costs	-	-	- 956	(16)	(396)	(33)	(956)	(1,117)	(52)	(59)			(1,437)		(24)				(5,046)	
Property operational costs	-	-	-	-	-		(558)	(347)					(7,856)						(8,761)	
Custody fees	(3)	(13)	- 145	(401)	(85)	(33)	(300)	(122)	(32)	(102)	(14)	(32)	(143)		(188)	(28)			(1,641)	
Employee Costs						(52)	(706)				(18)	-							(776)	
Office Costs						(3)	(45)				(1)	-							(49)	
System Costs						(16)	(218)				(6)	-							(240)	
Membership fees and subscriptions							(18)												(18)	
Others													(715)							
Please provide details -		-	- 21	-	(314)	(348)	(4,329)		(2)						(34)	(7)			(5,770)	
	(157)	(2,576)	- 9,791	(7,286)	(6,402)	(1,814)	(26,345)	(16,455)	(938)	(3,051)	(144)	(1,487)	(96,353)	(304)	(8,516)	(217)			(181,836)	
	(245)	(2,968)	- 10,931	(8,640)	(7,717)	(1,978)	(29,270)	(18,486)	(1,221)	(3,555)	(280)	(1,856)	(100,662)	(336)	(9,894)	(264)			(198,303)	
<b>Return on Investments</b>																				
Investment income	1,505	10,314	32,103	22,841	31,144	7,785	155,129	49,883	5,871	8,292	879	3,154	254,456	408	62,227	611			646,602	
Irrecoverable withholding tax	-	-	- 1,915	(94)		(144)	(2,113)	(70)	(139)	(113)	(2)	-	(2,587)						(7,177)	
Change in market value of investment	13,949	141,262	343,707	377,800	271,043	90,672	1,044,952	598,598	60,730	110,098	26,569	68,734	3,520,771	30,842	563,997	10,912			7,274,636	
	15,454	151,576	373,895	400,547	302,187	98,313	1,197,968	648,411	66,462	118,277	27,446	71,888	3,772,640	31,250	626,224	11,523			7,914,061	
Taxes on income from equities					(260)														(260)	
<b>Net increase/decrease in the Fund during the year</b>	<b>13,723</b>	<b>144,630</b>	<b>381,374</b>	<b>408,324</b>	<b>295,634</b>	<b>93,712</b>	<b>1,161,416</b>	<b>632,955</b>	<b>69,341</b>	<b>112,493</b>	<b>20,369</b>	<b>74,192</b>	<b>3,640,863</b>	<b>27,243</b>	<b>605,521</b>	<b>9,545</b>			<b>7,691,335</b>	

Appendix II: Net Assets Account as at 31st March 2017																		
	Aberdeen Transport	Dumfries & Galloway	Falkirk	Fife	Highland	LOBUSES	Lothian	NESPF	Orkney	Scottish Borders	SHPF	Shetland	Strathclyde	Strathclyde No 3 Fund	Tay	Tay Transport	TOTAL	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Investment Assets &amp; Liabilities</b>																		
<b>Bonds/Gilts</b>																		
Fixed Interest Securities		38,699	1,552	162,349				156,876	283,592	19,607					290,223	6,390	959,288	
Index Linked securities	-	28,350		83,406			73,313	502,439	7,382		127,970		171		83,863	7,962	914,856	
Corporate Bonds	7,527				210,606												228,389	
Fixed Interest Securities (PIV)	33,761	61,301	141,419	-						19,869			1,094,099	119,131	234,022	13,428	1,727,153	
Index Linked securities (PIV)	-	-	33,205	-	82,527				190,720				265,532				571,984	
	41,288	128,350	176,176	245,755	293,133	73,313	659,315	481,694	39,476	20,379	127,970		1,359,802	119,131	608,108	27,780	4,401,670	
<b>Equities</b>																		
Equities		55,136	818,939	504,542	816,130	273,603	4,220,475	1,414,031	194,980	257,512	28,221		6,895,550		1,588,155	33,704	17,100,978	
Equity (PIV)	44,247	499,596	479,576	-	13,047			1,159,186	1,330	180,028		285,817	6,354,701	74,758	849,557	828	9,942,671	
Equity (initiated insurance policies)					302,045												302,045	
	44,247	554,732	1,298,515	504,542	1,131,222	273,603	4,220,475	2,573,217	196,310	437,540	28,221	285,817	13,250,251	74,758	2,437,712	34,532	27,345,694	
<b>Property</b>																		
Direct Property	-	-	2,500	-				356,741	259,146				1,671,225				2,289,612	
Property (PIV)		77,508	142,819	194,478	159,328	38,146				32,169	7,998	48,349			346,275	4,984	1,052,054	
Property (LP)		-	-	-				67,969					1,786				69,755	
	-	77,508	145,319	194,478	159,328	38,146	424,710	259,146	-	32,169	7,998	48,349	1,673,011	-	346,275	4,984	3,411,421	
<b>Alternatives (Limited Partnerships)</b>																		
Private Equity (LP)	-	-	-	-				129,311	240,975				1,407,604				1,777,890	
Private Equity (PIV)		-	68,709	-	83,760			5,048					895,513				1,053,030	
Infrastructure (LP)		-	53,528	-		39,243	663,194										755,965	
Infrastructure (PIV)		-	60,676	44,754				8,361	132,532								105,430	
Commodities (LP)		-	-	-													140,893	
Commodities (PIV)		-	-	-									13,445				13,445	
Private Debt (LP)		-	-	-		6,716	89,234										95,950	
Private Debt (PIV)		-	4,782	-		30,100	14,142			11,588							60,612	
Diversified Growth/Absolute Return (PIV)	10,697	73,423	226,372	193,893				207,815	89,423	42,814		75,554					919,991	
Hedge Fund (LP)		-	-	-													-	
Hedge Fund (PIV)		-	-	-													-	
Others																		
Please provide details -		-	25,301	960,513	35,649					100,559		38,019			4,097		1,164,138	
	10,697	73,423	439,368	1,199,160	119,409	84,420	1,033,461	448,790	89,423	154,961	-	113,573	2,316,562	-	4,097	-	6,087,344	
<b>Derivatives</b>																		
Currency Forwards	-	-	(123)	-	715			657	(493)				(678)		601		679	
Others													1,795					
Please provide details -		-	76	-												34	1,905	
	-	-	(47)	-	715	-	657	(493)	-	-	-	-	1,117	-	601	34	2,584	
<b>Cash &amp; Cash Equivalents</b>																		
Cash	3,638	344	107,755	115,175		14,074	216,036	58,334	9,400	8,158	3,602	1,218	874,126	84	30,965	2,539	1,445,448	
Others													185,614	17,030				
Please provide details -		1,937	43,728	-	37,479	1,380	14,095				459	-			6,413	232	308,367	
Investment income due					3,764												3,764	
Accounts receivable for sales					10,612												10,612	
Accounts payable for purchases					-	135											(135)	
	3,638	2,281	151,483	115,175	51,720	15,454	230,131	58,334	9,400	8,158	4,061	1,218	1,059,740	17,114	37,378	2,771	1,768,056	
<b>NET FUND INVESTMENT ASSETS</b>	<b>99,870</b>	<b>836,294</b>	<b>2,210,814</b>	<b>2,259,110</b>	<b>1,755,527</b>	<b>484,936</b>	<b>6,568,749</b>	<b>3,820,688</b>	<b>334,609</b>	<b>653,207</b>	<b>168,250</b>	<b>448,957</b>	<b>19,660,483</b>	<b>211,003</b>	<b>3,434,171</b>	<b>70,101</b>	<b>43,016,769</b>	

<b>Non Current Assets</b>																	
Others																	
Please provide details -	350	-	37	-	792		557	78				-					1,814
<b>Non Current Liabilities</b>																	
Others																	
Please provide details -		-		-			-					-					-
<b>Current Assets</b>																	
Contributions due	19	144	6,280	4,674	4,234	734	13,508	9,510	62	251		1,342	39,642	40	7,705	34	88,179
Strain on Fund	-	-	696	-	1,207		971	58				-		146			3,078
Sundry Debtors	159	25	73	3,521	3,297	10	160	7,382	968	172	31	2	4,485	23	2,133		22,441
Prepayments		-		-	15		283					1					299
Cash Balances	2	2,300	3,729	1,506	3,045	2,440	27,278	78	66	1,507	2,232	1,011	49,396		4,396	209	99,195
Others																	
Please provide details -		-	136	-		385	4,483			1,355	146	-					6,505
	530	2,469	10,951	9,701	12,590	3,569	47,240	17,028	1,096	3,285	2,409	2,356	93,523	209	14,234	243	221,511
<b>Current Liabilities</b>																	
Benefits Payable	(129)	(312)	(904)	(3,277)	(1,213)	(201)	(5,745)	(7,046)	(49)	(464)		(1,048)	(21,563)				(41,951)
HMRC	(9)	(1)		-			(2,940)	(1,040)				-	(4,560)				(8,550)
Contributions in Advance	-	(55)		-			(8,719)	(4,750)				-	(14,489)				(28,013)
Miscellaneous Creditors/Expenses	(296)	(1,617)	(1,935)	(3,581)	(1,927)	(161)	(2,760)	(10,210)	(244)	(1,138)	(15)	(366)	(14,010)	(341)	(3,282)	(98)	(41,981)
Others																	
Please provide details -			(101)	-	(74)		(395)		(122)	(497)		-					(1,189)
	(434)	(1,985)	(2,940)	(6,858)	(3,214)	(362)	(20,559)	(23,046)	(415)	(2,099)	(15)	(1,414)	(54,622)	(341)	(3,282)	(98)	(121,684)
<b>Net assets of the Fund at 31 March 2017</b>	<b>99,966</b>	<b>836,778</b>	<b>2,218,825</b>	<b>2,261,953</b>	<b>1,764,903</b>	<b>488,143</b>	<b>6,595,430</b>	<b>3,814,748</b>	<b>335,290</b>	<b>654,393</b>	<b>170,644</b>	<b>449,899</b>	<b>19,699,384</b>	<b>210,871</b>	<b>3,445,123</b>	<b>70,246</b>	<b>43,116,596</b>