

HEALTH WEALTH CAREER



SLGPS CONSULTATION REVIEW LAUNCH EVENT

MERCER RESEARCH PAPER

27 JUNE 2018

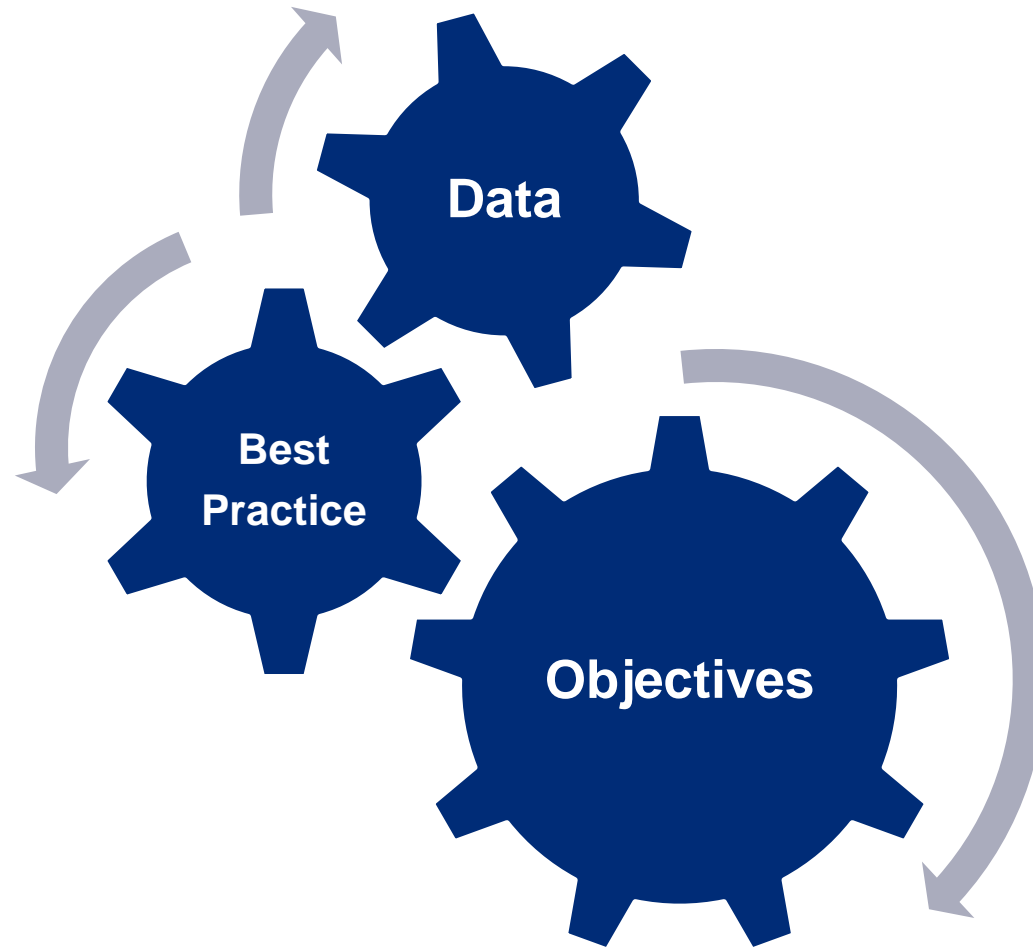
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AGENDA

- Background
- Objectives
- Structure options
- Focus on infrastructure and asset pooling
- Conclusions

BACKGROUND



OBJECTIVES



THE SITUATION IN SCOTLAND

31 MARCH 2015

- Total assets of **£35bn**
- 66% equities, 13% bonds and **21% alternatives**.
- Relatively low investment fees
- Investment returns of **8.1% p.a.** over the last 5 years (range 6.1% to 9.6%)
- The average added value from **active management** over the last 5 years was **0.7% p.a.** (range -0.8% p.a. to 2.6% p.a.).

SIX OPTIONS

Aggregate
fees

Joint
procurements

Risk
management
options

Return
enhancements

Joint
infrastructure
investing

Asset pooling

OBJECTIVE DEPENDENT

FOCUS ON INFRASTRUCTURE

Strategic appeal

Long term investor advantage

Fee savings through scale

Investment options increase through scale

Network advantages

FOCUS ON ASSET POOLING BENEFITS

Leverage scale

Larger
opportunity set

Professional
decision making

Greater control

Risk
management

Faster
implementation

Improved
transparency

Reduced
resource
demands at a
local level

Reduced costs
of change

FOCUS ON ASSET POOLING CHALLENGES

Set-up costs

Ongoing
operating
expenses and
governance costs

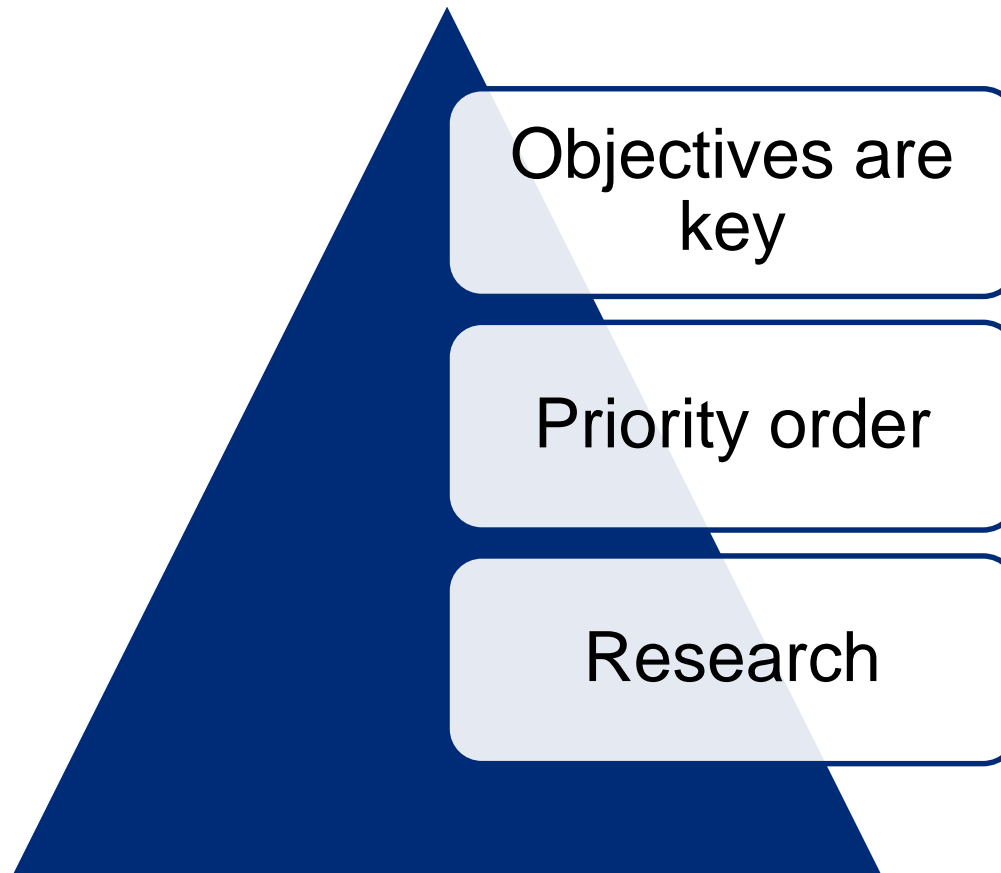
Shared vision,
goals, purpose

Loss of control for
individual funds

Timeframe for
success

Expertise

CONCLUSIONS



Not all options are mutually exclusive

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