## Review of the Structure of the Scottish Local Government Pension Scheme

**CONSULTATION RESPONSE FORM**

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| **Instructions**Responses in this form should be drafted in conjunction with the accompanying consultation report. To respond, please complete the **respondent details** and as many of the **consultation questions** your organisation wishes to complete and return the form via email to the Pensions Institute at consultation@pensions-intitute.org no later than **Friday, 7 December 2018**.This consultation is being conducted in electronic form only, so **responses must be emailed**; hard copy posted or delivered responses cannot be received. Any queries about the consultation should be addressed to Matthew Roy, Fellow, Pensions Institute at matthew.roy@pensions-institute.org.  |

**RESPONDENT DETAILS**

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| **Name of responding organisation(s)**Please list the full name of each organisationparticipating in this response. | **Organisation type**Is your organisation an administering authority, employer, or employee group? Please record for each responding organisation. |
| full names of responding organisationsThe Highland Council and The Highland Council Pension Committee and Board | type of organisationLocal Authority and Administering AuthorityPension Committee and Board |
| **Authors**Please list any people that wish to be recorded as authors of this response, including name, job title and organisation. | **Consent**Please confirm each author consents to their information being retained for analysing the consultation responses by writing ‘confirm’ by their name. |
| Edward Foster, Head of Corporate Finance and Commercialism, The Highland Council on behalf of The Highland Council Pension Fund. | Confirm |
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| **Date**Please date the response. | Date07.12.18 |

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| **Covering information**If you wish to include covering information with your response, please include the text here. The text can wrap onto additional pages if needed. |
| covering textThe Highland Council is the administering authority for the Highland Council Pension Fund. The information below is as at **30 September 2018**.

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| Membership | Employee members: 12,686Pensioner member: 9,577Deferred members: 8,805**Total membership: 31,068** |
| Employer Bodies | **29** employers which include The Highland Council, and Comhairle Nan Eilean Siar. |
| Investment Assets | **£2.0 billion** of investment assets, invested in a diversified portfolio which include global and UK equities (active and passive) fixed income, private equity and property debt. |
| Investment Performance | 3 years: **13.8%**5 years: **10.8%**Since inception (1975): **9.19%** |
| Funding | As at the 2017 Valuation, the Fund was assessed as 101% funded.The main employer group pays a contribution rate of 19.5% which was the rate for 2017/18 and this rate will remain stable until at least 2020/21. |

The Councillors representing the Highland Council and the members of the Pension Committee and Board have been consulted for their views on the Scottish Local Government Pension Scheme (SLGPS) Structure Review Consultation.Their view is that the current arrangement works well: the interests of the members are very well served in so far as the fund is making good returns whilst providing a very responsive local service and strong governance.Members had strong views that any investments in infrastructure had to be based on how this would fit with the fund’s investment strategy, being mindful of return targets and appropriate liquidity.Although members agreed that the current structure of the pension funds should remain they also were keen that any opportunities for shared working with other funds should be explored. They felt that the consultation document was imbalanced as the focus was on perceived weaknesses of the current structure and how the Pension Fund balances could be invested in the future and there was no reference to what worked well in the current arrangement. Members consider that any change to the structure of the fund should be undertaken with the aim of funding member’s benefits.Members were concerned that pooling of funds had not been proven to be a more effective investment route and would require a relatively high investment of resources to change the approach for no certain additional benefit.Members were concerned about the risks associated with merger that the surplus built up by the Fund could be converted to a deficit if merged with under-financed schemes. Therefore Highland Council would want a guarantee from the Scottish Government that if funds do end up being merged any deficit not made up by the employer will be funded by the Scottish Government. |

The consultation questions follow.

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| **CONSULTATION QUESTIONS**Question 1: Retain the current structure with 11 fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* How well informed do you feel about the investment costs in your fund? What information do you rely on to specify and measure these?

Historically, there has been a lack of transparency in this area, but the work being completed by the Scheme Advisory Board (SAB) and the Financial Conduct Authority to ensure there is consistent reporting on fees should improve this.As part of the Fund’s Annual Account process, costs are disclosed in the Annual Accounts to comply with the accounting code requirements and the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016. Cost information is requested from the Private equity and Property debt investment Managers which is included in the accounts. In order to comply with the CIPFA guidance, it is only costs that the Fund is liable for direct that are disclosed in the accounts and not underlying costs.Reports on underlying costs have in the past been presented to our Investment Sub Committee and if more information is required on costs, this is requested from Fund Managers. On an annual basis, the Fund sets a budget and all costs including Fund Manager fees and the Administration costs of the fund are monitored and reported regularly to Pensions Committee. From June 2018, the Fund’s investment managers’ performance information is reported to the Investment Sub Committee net of invoiced fees from June 2018 in order to ensure consistent reporting between investment managers.With regard to cost transparency, at present the LGPS SAB cost transparency templates cover listed assets only for both segregated mandates and pooled funds (not private equity and property debt). These templates will be replaced during the next 12 months by templates designed by the Financial Conduct Authority’s Institutional Disclosure Working Group, which are similar to those developed by the Scheme Advisory Board (SAB).The Scheme Advisory Board launched a “Code of Transparency Compliance System” tender in September for a system to validate / check for completion the templates received from the relevant fund managers for each of the relevant LGPS funds and or Pools (England and Wales). Subject to ongoing discussions with relevant parties and the SAB, the SLGPS funds may also be included in the final contract initially or at a later dateFollowing on from the above developments and successful and consistent implementation of the proposed templates by the Fund Managers, there will be further reporting on fees to future meetings of our Investment Sub Committee in 2019.All our Fund Managers other than the private equity manager provide us with completed cost transparency templates on an annual basis. The Fund’s private equity manager is actively involved in discussions to produce the cost transparency template for private markets.* How well does the current system manage investment costs?

SLGPS Funds have benefitted from the pooling in England and Wales in that some Fund Managers have proposed lower fee rates on a consistent basis across Funds.The implementation of the LGPS SAB cost transparency database will help to ensure there is consistency in reporting fees across all Funds and this can be used to compare fee levels being charged by the same Manager.* How would you improve the measurement and management of investment costs in the current system?

All fund managers employed by the LGPS should be required to disclose their full fee structure in line with the fee transparency cost on a consistent basis as part of the pension fund annual accounts process.With the proviso that the LGPS SAB cost transparency database is successfully implemented, this will act as a check on the consistency of fee information. The fee data can then be used to complete meaningful comparisons in order to achieve best value for all LGPS pension funds.1. Governance:
* How well informed do you feel about the governance of your fund? What information do you rely on to measure this?

The Fund has good governance structures in place. The Fund’s Governance policy is updated and presented to the Pensions Committee on an annual basis. Alongside this the Training Policy and Plan for the year is presented to the Pensions Committee and Board. This document contains links to the Pensions Regulator training and information on the CIPFA Skills and Knowledge framework and in the presentation, the regulatory requirement for Pension Board members to complete training is emphasised.In August 2018, officers issued the CIPFA Training Needs assessment to all Pensions Committee and Pensions Board members to complete and one of the competency areas is Governance. The responses to this are being analysed and training will be provided at the next Pensions Committee to address training gaps.In addition to the above, Hymans completed a study of Pension Funds which asked for Members to assess their confidence regarding a number of areas including Pensions Governance. The results for the Fund will be incorporated into future training events in 2019.* How well is the current system governed?

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| Due the regulatory framework that all LGPS funds must comply with there is a robust system of governance in place.In 2015, following the implementation of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, the Fund set up a Pensions Board. These Regulations were introduced following an extensive review by a UK Government commission leading to primary legislation and new scheme regulations.In order to comply with the Pension Fund Regulations 2015, the Scottish Public Pensions Agency (SPPA) commissioned a review of the Pension Board arrangements and how these were operating. The results of the review were overall positive with no fundamental weaknesses identified though KPMG made a number of recommendations to help the new boards establish their purpose. |

* How would you improve governance of the current system?

The Highland Council Pension Fund has strong governance structures in place and this is reviewed on an ongoing basis. Regular training is fundamental to good governance and officers circulate links to the Pensions Regulator on-line training regularly to our members. Attendance at training events is monitored and reported in the Annual Report and Accounts.Statutory External Audit of the LGPS is undertaken annually. There was a recommendation in 2016/17 regarding the frequency of Pension Committee meetings. Following this recommendation officers completed a review of Agenda items and benchmarked our governance structure against other SLGPS Funds and it was considered that 2 meetings a year covers business adequately with responsibility for monitoring investment performance and delivering the Fund’s investment objectives, strategies and policies being delegated to the Investment Sub Committee which meets quarterly. External Audit also concluded that based on their attendance at the Pensions Committee meetings and review of matters presented, they agreed that half yearly is sufficient to deal with the business arising currently. External Audit report on 2017/18 accounts - Item 12a<https://www.highland.gov.uk/meetings/meeting/4003/pensions_committee_and_board>The Fund’s officers and members continue to monitor and improve governance arrangements on an ongoing basis in line with best practice.* How important is it to maintain a local connection with respect to oversight and strategy?

The view of the members of the Highland Council Pensions Committee and Pensions Board is that the current arrangement works well: the interests of the members are very well served in so far as the fund is making good returns whilst providing a very responsive local service and strong governance.It is an essential component of the LGPS to have local decision making. The local Pension Board structure guarantees that local employee and employer representatives are involved in the operation of the Fund. If the governance structures were aggregated, there is a significant risk that this local representation would be lost. Decisions on the operation and investment of the Fund have a considerable impact on the future prosperity and financial security of thousands of employees, deferred pensioners and their dependents as well as the impact on local employers. Such decisions can only be made if local employee and local employer opinions are represented adequately.The LGPS represents a significant benefit for scheme members and significant cost for employers and decisions taken with regard to investments and retirals have a significant impact on local council budgets. Therefore, it is essential to have a local connection so that both employers and scheme members can exercise meaningful, oversight and that strategy is fully aligned to all their interests.Having the local connection increases accountability and transparency in decision making.How would you determine if the benefits of a local connection in governance outweigh the benefits of scale?The benefits of scale are yet to be demonstrated by the pooling exercise in England and Wales and general opinion is that it will take decades for any savings to be realised. It is also the case that creating the pools has added an extra layer of governance with additional bureaucracy and associated costs.The correlation between good governance and good performance has however been demonstrated by various studies. If good governance and performance is being delivered at a local level as it the case across the SLGPS and the benefits of scale are yet to be demonstrated, change would seem unnecessary.Reviewing performance of funds across Scotland does not show a clear link between performance and scale. Operating risks: * How well informed do feel about the operating risks of your fund? What information do you rely on to specify and measure these?

The Fund has a Risk Management Strategy and Policy Statement which is presented to Pensions Committee on an annual basis and a risk management update report is submitted to all meetings of the Pensions Committee. All reporting to Pensions Committee and Investment Sub Committee have a risk section to highlight the impact of any risks and how these are being managed.Members and officers can add risks to the Register. The Fund’s risk register was drafted by identifying the key objectives of the Pension Fund and risks that would prevent these objectives from being achieved. Risks are scored as Red, Amber or Green depending on the impact and likelihood of the risk and taking into account any mitigating controls.In order to manage risk on an ongoing basis, the risk register is reviewed regularly and risks are added as required.Risk Management update – Item 8 [https://www.highland.gov.uk/meetings/meeting/4003/pensions\_committee\_and\_board#](https://www.highland.gov.uk/meetings/meeting/4003/pensions_committee_and_board)* How well are operating risks managed in the current system?

At regular meetings between the Pensions Administration team and the Pensions Investment team, there is discussion of current risks to the operation of the fund and how these are being managed. Officers and members know there is a risk register and the process for updating this. Both Internal Audit and External Audit review key risks and the controls as part of their regular reviews.* How would you improve the measurement and management of operating risks in the current system?

The current system is working well and having input at a local level to manage risks is of benefit to scheme members and employers.1. Infrastructure:
* How well informed do you feel about your fund’s investments in infrastructure? What information do you rely on?

The Fund currently has no investments in infrastructure but is considering this asset class as part of an overall asset allocation to alternatives. However, this asset class will only be considered if there are available investment opportunities which meet the risk and return criteria of the Fund’s investment strategy.As part of the training progamme provided to officers and Members, infrastructure is regularly covered.* *How do you rate the current system’s ability to invest in infrastructure?*

Within the current system, LGPS funds are investing successfully in infrastructure either directly, collaboratively with other LGPS funds or using Infrastructure Fund Managers.In August 2018, officers invited Lothian Pension Fund to present to the Investment Sub Committee on their collaboration with other LGPS funds to invest in infrastructure. The Fund would consider collaboration as a potential route alongside others if an investment was to be made in infrastructure. * How would you increase investment in infrastructure in the current system?

Investments in infrastructure would increase if attractive opportunities were readily available which meet the risk/return profile and liquidity requirements of LGPS investment strategies.* *Do you have any additional comments about this option?*

Members of the Pensions Committee have strong views that any investments in infrastructure should only be made based on how this would fit with the fund’s investment strategy, being mindful of return targets and appropriate liquidity. |

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| Question 2: Promote cooperation in investing and administration between the 11 fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* What impact do you think promoting agreements between funds would have on investment costs?

There is already strong cooperation and an excellent network across the SLGPS Funds which is used to share knowledge and best practice. Funds can also access the LGPS (UK) procurement frameworks to secure best value when undertaking procurements.The potential for joint consultancy reports or reviews could possibly achieve savings. Joint procurements for services such as investment managers, custodians and other services could potentially save on time and lead to reduced fees. Also, collaborative investing where increased levels of investment could potentially leverage reduced fees or provide access to broader range of investment opportunities for smaller funds would be beneficial.* What would be the positive impacts?

Cost savings in completing joint procurement exercises and being able to potentially negotiate lower fees.Closer cooperation between the Funds will result in sharing expert investment knowledge and best practice across the SLGPS. Potentially enable smaller funds to access a broader range of investment opportunities* What would be the negative impacts?

Potential down side in concentrating more funds in one investment manager. Where currently several investment managers are involved in supporting funds across the LGPS there is the benefit of having a number of opinions and views and consequently reduced risk of poor advice impacting on funds.1. Governance:
* What impact do you think promoting agreements between funds would have on governance?

If collaborating with another Fund on an investment opportunity other Funds will have to make decisions quickly in order to access a particular investment opportunity. This may require delegated authorities to be set up and decisions would then be reported to Committee at a later date.Other than the above, promoting agreements between Funds should not impact governance.* What would be the positive impacts?

Closer cooperation and collaboration will result in sharing of knowledge and best practice but with the advantage that local input to the decision making process and local accountability for fund performance will be retained.* What would be the negative impacts?

There could be difficultly changing governance structures so that quick decisions can be taken on investment opportunities.1. Operating risks:
* What impact do you think promoting agreements between funds would have on operating risks?

By maintaining the existing SLGPS structure but promoting agreements between Funds, there is no risk to funding levels or investment performance but could be potential cost benefits.* What would be the positive impacts?

The option of promoting agreements and collaboration between the SLGPS funds would mean that funds could focus resource on continuously improving investment performance and maintaining good funding levels in order to fund pensions rather than diverting resource to a significantly costly and inherently risky restructure.Smaller funds would potentially be able to work with larger funds to access investment opportunities cost effectively if these were aligned to their investment strategies.* What would be the negative impacts?

Costs of putting formal agreements in place. Negative impacts if the collaboration breaks down, key staff with investment expertise at the Fund leading the collaboration leave, responsibilities at the funds collaborating are not clearly defined which creates tensions.1. Infrastructure:
* What impact do you think promoting agreements between funds would have on funds’ ability to invest in infrastructure?

Funds should only be investing in infrastructure opportunities if these offer the returns, risk and liquidity profile aligned to their investment strategy. If this is the case, the option to work with other funds to achieve an infrastructure asset allocation would be considered alongside other options.* What would be the positive impacts?

Smaller funds would be able to work with larger funds to access investment opportunities cost effectively.* What would be the negative impacts?

Potentially local interests could take priority over return and liquidity though this would be a breach of fiduciary duty.1. Do you have any additional comments about this option?

As noted above, there is already strong cooperation and an excellent network across the SLGPS Funds for sharing information and best practice. There is also the LGPS (UK) procurement framework which offers a cost effective way of completing procurements. Highland Council Pension Fund would consider collaborative agreements to access infrastructure alongside other options for alternative asset investments but the basis for an investment would depend on whether an investment offered the return, risk and liquidity profile which was aligned to our investment strategy in order to maintain the existing funding level. |

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| Question 3: Pool investments between the 11 fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* What impact do you think pooling investments between funds would have on the cost of investing?

As referenced in the Directors of Finance submission, the Mercers study of the LGPS 2015 accounts does not support the view that larger funds always have lower costs and perform better.Based on the experience of pooling in England and Wales the exercise requires considerable resource and is costly. If cost savings are achieved, it will be a considerable time before these are realised. Also, as noted above there is no correlation between pooling and better investment performance.* What would be the positive impacts?

See response above.The positive impacts of pooling investments, if any, are yet to be demonstrated. * What would be the negative impacts?

Where Funds are merged, the pooled structure might struggle to achieve an asset allocation that meets their return, risk and liquidity requirements where demand exceeds supply such as infrastructure or private debt.The Strathclyde Pension Fund response made an important point that reducing cost is only a positive impact if net returns improve. Cost reduction through pooling would be a negative if it led to a restricted choice of investment options and reduced returns or increased risk.The drive to reduce costs may result in fewer fund managers willing to engage with the LGPS.Significant transition costs will be incurred where funds decide to move assets from their current fund manager to the pooled investment fund manager.The resource required to set up the pools could be better focused on improving existing funds through cooperation and collaboration. * If asset pooling were possible, under what circumstances should a fund consider joining an asset pool?

It would only be if the return, risk and liquidity of investment opportunities offered by the pool fit with the Fund’s investment strategy that the Fund would consider joining an asset pool. There would also have to be a performance track record for the asset pools. The Fund would also have to complete a full cost benefit analysis before joining an asset pool but this cannot be done until there is performance and cost data available. * Under which circumstances should the SLGPS consider directing funds to pool?

If a Fund has poor investment performance and inadequate funding levels, there is a risk that future liabilities to pay pensions will not be fulfilled. 1. Governance:
* What impact do you think pooling investments between funds would have on governance?

More complicated governance structures as there would be another layer of governance and administration at the pool level as well as the Fund.* What would be the positive impacts?

Funds would retain local staff and expertise and maintain existing asset allocation strategies.* What would be the negative impacts?

Additional bureaucracy would be created under this option and recruiting staff with the correct experience and qualifications to run the pool may be outwith LGPS pay structures and more costly.Less local input to the investment decision making process.Pooling is restricted to investments and does not promote collaboration and cooperation in other areas such as Pensions Administration.Loss of knowledge and expertise at a fund level as staff may leave funds to work for the pools.1. Operating risks:
* What impact do you think pooling investments between funds would have on operating risks?

If the pools are managing funds internally, staff would need to have the same level of skills and expertise to manage risks as external managers or there would be a risk to investment performance.Risk that the pool’s internal investment team does not have access to the same level of research and analytical resources as external fund managers.* What would be the positive impacts?

See response above.* What would be the negative impacts?

Potential complications for annual accounts data requirements.1. Infrastructure:
* What impact do you think pooling investments between funds would have on funds’ ability to invest in infrastructure?

None. Funds should only be investing in infrastructure opportunities if these offer the returns, risk and liquidity profile that fit in with their investment strategy. It is not necessary to create pools to facilitate investment in infrastructure. Infrastructure investments are generally accessed through a limited partnership structure to increase their buying power and share risk. As mentioned previously, there are ongoing collaborations between Lothian Pension Fund and other funds to invest in infrastructure.* What would be the positive impacts?

As above, creating pools won’t impact investment in infrastructure.* What would be the negative impacts?

As above, creating pools won’t impact investment in infrastructure.Do you have any additional comments about this option?Members at Highland Council were concerned that pooling of funds had not been proven to be more effective investment route and would require a relatively high investment of resources to change the approach for no certain additional benefit.The pooling in England and Wales has been a resource intensive, costly exercise and the benefits are not yet proven and any savings will take several years to be realised. The pooling exercise has created staffing issues at the pools and funds and until the benefits of such an option can be demonstrated, this option should not be considered.  |

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| Question 4: Merge the funds into one or more new fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* What impact do you think mergers between funds would have on the cost of investing?

Significant costs and outlays would be needed to complete a restructure of the SLGPS. Such a restructure is an unnecessary expense for a system that is currently working with all SLGPS funds being fully funded at the 2017 Actuarial Valuations and all funds delivering good investment performance.* What would be the positive impacts?

None* What would be the negative impacts?

Significant costs of transitioning assets to a merged fund and consultant fees (investment advisors, actuaries).Uncertainty of the impact that merger will have on funding levels and could adversely impact funds being merged and result in increased employer contribution rates.The impact on funding levels and employer contribution rates is unknown.The timing of the merger may force asset sales at a time of volatility resulting in significant investment losses.As noted in the covering information, Members were concerned about the risks associated with merger that the surplus built up by the Fund could be converted to a deficit if merged with under-financed schemes. Therefore Highland Council would want a guarantee from the Scottish Government that if funds do end up being merged any deficit not made up by the employer will be funded by the Scottish Government.* If merging were possible, under what circumstances should a fund consider a merger?

If mutually beneficial to all the funds merging, following an extensive cost and benefit analysis.* Under what circumstances should the SLGPS consider directing funds to merge?

Significant governance failures, investment under performance and/or inadequate funding levels which means that future liabilities to pay pensions will not be fulfilled. 1. Governance:
* What impact do you think mergers between funds would have on governance?

A new governance structure would have to be set up for the funds being merged which would require the service of investment and actuarial consultants.* What would be the positive impacts?

None.* What would be the negative impacts?

Reduced opportunities for local input to decision making from employees and employers most impacted by the success of the fund. Leading to a loss of accountability and transparency in decision making.Significant restructuring costs with no certainty of improved investment performance and cost benefits.Loss of staff with financial expertise from local councils.1. Operating risks:
* What impact do you think mergers between funds would have on operating risks?

The merger of funds has a significant level of risk with could have severe consequences for the future of the SLGPS funds.* What would be the positive impacts?
* What would be the negative impacts?

Proposed merger will create uncertainty which will lead to staff turnover, loss of expert knowledge and poor performance. The uncertainty could also lead to scheme members leaving the fund.if there are a couple of larger funds set up for the SLGPS and these perform poorly with the risk of not meeting future liabilities, how will this be addressed? The current structure spreads this risk and action could be taken to address any smaller fund underperforming relatively quickly.Merger will have an impact on funding levels and could result in increased employer contribution rates. Local employers will have less representation and input to this process of setting employer rates and some local employers could face financial difficulties.1. Infrastructure:
* What impact do you think mergers between funds would have on funds’ ability to invest in infrastructure?

Larger funds may have a greater allocation to infrastructure which will be harder and take longer to achieve depending on the opportunities available.Funds will only invest in infrastructure as part it its alternatives portfolio if it is a correct fit for their investment strategy in terms of return, risk and liquidity requirements.* What would be the positive impacts?

As above* What would be the negative impacts?

As above1. Do you have any additional comments about this option?

On the Highland Council Pension Fund Pensions Board there is a representative from UNISON Western Isles (Local Government) Branch who supports the merger option. |

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| Question 5: Preferred and additional optionsThe text can wrap onto additional pages. |
| 1. Which option does your organisation prefer? Please explain your preference.

As noted in the initial context section, the view of the Members of the Highland Council is that the current arrangement works well: the interests of the members are very well served in so far as the fund is making good returns whilst providing a very responsive local service and strong governance. Therefore option1 to retain the current structure with 11 Funds is the preferred option. Although members agreed that the current structure of the pension funds should remain they also were keen that any opportunities for shared working with other funds should be explored. They felt that the consultation document was imbalanced as the focus was on perceived weaknesses of the current structure and how the Pension Fund balances could be invested in the future and there was no reference to what worked well in the current arrangement. Members consider that any change to the structure of the fund should be undertaken with the aim to fund member’s benefits.Members had strong views that any investments in infrastructure had to be based on how this would fit with the fund’s investment strategy, being mindful of return targets and appropriate liquidity.Members were concerned that pooling of funds had not been proven to be more effective investment route and would require a relatively high investment of resources to change the approach for no certain additional benefit.1. What other options should be considered for the future structure of the LGPS?

There is already currently strong cooperation and an excellent network across the SLGPS Funds for sharing information and best practice. Examples include the joint working between the Lothian and Falkirk Pensions Funds, and collaborative arrangements in place between the Lothian Pension Fund and other funds to invest in infrastructure. There is also the LGPS (UK) National procurement frameworks in place which enable funds to make savings and complete procurements efficiently.This cooperation and collaboration could be developed further using existing networks rather than force a costly pooling or restructure exercise on the SLGPS funds.The Scheme Advisory Board (SAB) has been in place since 2015 and has provided useful guidance to LGPS funds on fiduciary duty and other area. The SAB is also involved in developing system to ensure consistency of LGPS cost information. If there was greater investment in SAB, they could develop their role coordinating data to be shared across the funds leading to efficiencies and sharing of best practice. This would be a better use of resource, than a wholesale, costly and inherently risky restructure of the SLGPS.1. What would be the advantages and disadvantages of these other option for funds’ investment costs, governance, operating risks and ability to invest in infrastructure?

Funds should only invest in infrastructure as part of its alternative portfolio if the return, risk and liquidity meet the investment strategy as the aim of the fund is to provide retirement and death benefits to its scheme members. The legal requirement on funds to achieve this objective should not be breached for political gain risking pensioners’ and local employers’ financial security.1. Are there any other comments you would like to make?
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The consultation questions end.