



## Annual Report 2017-18

# Scottish Local Government Pension Scheme Advisory Board (SAB) Annual Report 2017-18

## Opening Remarks from the Chair

On behalf of the Local Government Pension Scheme Advisory Board, I am delighted to be able to present the third 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, 2017-18 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/>

Councillor Alasdair Rankin  
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.

## Current SAB Members

Chair – Cllr Alasdair Rankin, COSLA  
Vice Chair – Brian Gallagher, Unite

Members representing Councils, Scheduled and Admitted Bodies:

Cllr Alastair Rankin	City of Edinburgh Council
Cllr Jim Goodfellow	East Lothian Council
Cllr Richard Thomson	Aberdeenshire Council
Cllr David Parker	Scottish Borders Council
Cllr Simon Mountford	Scottish Borders Council
Brian Strathie	Scottish Water
Vacant	

Members representing Scheme Member interests:

Dave Watson	UNISON (up to September 2018)
Simon Watson	UNISON (from September 2018)
Stephen Smellie	UNISON
Davena Rankin	UNISON (from January 2019)
Brian Gallagher	Unite
Willie McGonigle	Unite (up to January 2019)
Wendy Dunsmore	Unite (from January 2019)
Andy Thompson	GMB
Frank Gray	UCATT (up to January 2019)
Vacant	

Joint Secretary – Employers  
Jonathan Sharma, COSLA  
Kathy Cameron, COSLA

Joint Secretary – Trade Unions  
Simon 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 2018, 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 Scottish Public Pensions Agency (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 Review of Regulations – Pensionable Pay. 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 2017-

18, 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. This shows the workplan areas as at October 2018 and is included to show how the SAB has prioritised its work going on from 2017/18. For instance progress on the Structure Review consultation is summarised here. Further information on the SAB's ongoing work will be included in the 2018/19 Annual Report.

## **Structure Review**

The focus of the Board's work over the recent period has been a structural review of the funds in Scotland. In recent years COSLA and UNISON had commissioned separate studies into the benefits of merging the eleven funds or adopting shared services. The UK government also implemented the pooling of fund investments in England and Wales, which is continuing to develop. 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.

The Cabinet Secretary subsequently wrote to the Board confirming a wish to proceed with a consultation on the four options. This consultation was launched in June 2018 and is due to be reported to the Cabinet Secretary in April 2019. More information will be provided in the 2018/19 Annual Report.

## **Financial Overview**

Audit Scotland published a supplement to their annual Financial Overview of Local Government in Scotland 2017/18 on the SLGPS. This describes the scheme and governance arrangements together with an analysis of the financial position. It concluded that there were improved funding positions for most funds, however Pension funds have been reviewing their investment strategies due to factors such as the maturity of the pension fund, the overall funding position and investment advisers' outlook on markets (particularly in connection with EU withdrawal). The supplement can be found on Audit Scotland's website, link below:

[http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_181129\\_local\\_government\\_finance\\_supp2.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_181129_local_government_finance_supp2.pdf)

The Government Actuary has been appointed by the 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. Last year GAD produced a dry run report

before the first statutory report, which will be based on the 2017 valuations and is expected to be published in Spring 2019.

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.

The SAB will however be asked to give advice on the outcome of the GAD report when this is published.

LGPS Funds Accounts and Net Assets as at 31 March 2018 are detailed 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 this Annual Report, data is included on a like for like basis for Police Scotland and Scottish Water. For future years the data collection will pick up more 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; Scottish Water and Police Scotland)**

Table 2 - 2018 Membership Levels				
	Actual	Actual		
	2018	2017	%	Comparison to 2017
Total No of Employees	209,789	206,705	100.00	
Female	147,817	143,423	70.46	↑
Male	61,971	63,282	29.54	↓
Female Employees In Scheme	117,731	115,350	79.65	↑
& Under SCP 21	22,414	23,240	19.04	↓
Male Employees In Scheme	51,279	54,617	82.75	↓
& Under SCP 21	7,065	7,288	13.78	↓
Employees Not in Scheme	33,999	36,738	17.77	↓
& Under SCP 21	13,264	14,746	40.14	↓

\*SCP – Scale Point

## Transparency of Investments

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 Sier 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 SAB has supported the development of a internet “portal” for Boards to share and analyse this information.

The Financial Conduct Authority also published a consultation paper on this issue in the wider investment industry 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 continued to promote the Transparency Code and have contacted their asset managers to bring the Code to their attention. Evidence is that the majority of fund managers are adopting the Code, for others this is work in progress. Funds are continuing to notice a modest improvement in the granularity of costs being disclosed, with cost templates covering the period 1 April 2017 to 31 March 2018 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 2017. 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 is developing an action plan to take these matters forward.

### **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 consulted 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 submitted a response to this consultation (see web site <http://lgpsab.scot/> ) and further direction is awaited from the Scottish Government.

### **Pay Protection**

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 pay protection qualifies as pensionable pay (see web site <http://lgpsab.scot/> ).

### **Regulation Changes**

With the new SLGPS having been in operation for three years there have continued to be a number of issues identified that may require regulation changes or revised guidance. Notably the Regulations which address the anomaly with the England and Wales scheme where members are allowed to retire at age 55 (as opposed to 60 in Scotland), if there is no cost to the employer, have now been introduced. The Board has been giving regular consideration to these matters and will keep the benefit regulations under review.

### **Future Work**

The Board plans to progress the areas set out above and in its current workplan (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	Ongoing	Update on action plan to be provided at the SAB meeting on 12 <sup>th</sup> February 2019.
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.	The consultation was issued on 18 <sup>th</sup> June with a launch event held with employer and employee representatives, and closed on 7 December 2018.	The SAB has considered an interim report from the consultants running the consultation, and a final report is due in April 2019.
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	The SAB supported the development of a web portal for boards to share and analyse transparency data, due in mid-2019.
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.	Ongoing	The original work was completed in 2016. Further consideration on data collection will be considered by the Annual report working group.
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	To allow the Board to consider the information provided by Funds from the recent valuation exercise.	2019	Michael Rae from GAD gave a presentation to the Board at the 4 <sup>th</sup> October meeting on 2017 Valuation work. The cost cap work will report in mid-2019.

		impact on the cost cap.			
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**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 the SPPA's Agenda item.
13	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.	Ongoing	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.

Appendix II : Fund Account as at 31st March 2018																	
	Aberdeen	Dumfries &	Falkirk	Fife	Highland	Lothian	LOBUSES	NESPF	Orkney	Scottish	Scottish	Shetland	Strathclyde	Strathclyde	Tayside	Tayside	TOTAL
Fund account for year ended	Transport	Galloway								Borders	Homes			No 3 Fund		Transport	
31/03/2018	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	to 30/6/17	£000
<b>Income</b>																	
<b>Employers</b>																	
Normal Contribution	528	18,825	58,978	73,225	39,853	133,301	7,516	94,463	7,530	13,631		12,941	399,241	1,631	66,623	100	928,386
Deficit Recovery Contributions	1,500	2,262	2,436	-	1,525	7,876		3,898			675				417		20,589
Strain Costs		1,712	958	4,348	360	12,558	215	6,763	25	1,209		86	17,520	(120)	5,644		51,278
Others																	
Please provide details -		-		-													-
	<b>2,028</b>	<b>22,799</b>	<b>62,372</b>	<b>77,573</b>	<b>41,738</b>	<b>153,735</b>	<b>7,731</b>	<b>105,124</b>	<b>7,555</b>	<b>14,840</b>	<b>675</b>	<b>13,027</b>	<b>416,761</b>	<b>1,511</b>	<b>72,684</b>	<b>100</b>	<b>1,000,253</b>
<b>Employees</b>																	
Employee Contributions	100	5,850	18,026	18,038	12,858	42,578	2,060	29,533	2,401	4,525	-	3,890	125,492	181	23,931	18	289,481
	<b>100</b>	<b>5,850</b>	<b>18,026</b>	<b>18,038</b>	<b>12,858</b>	<b>42,578</b>	<b>2,060</b>	<b>29,533</b>	<b>2,401</b>	<b>4,525</b>	<b>-</b>	<b>3,890</b>	<b>125,492</b>	<b>181</b>	<b>23,931</b>	<b>18</b>	<b>289,481</b>
<b>Transfer Values</b>																	
Group transfers	-	-		-	-	-		-			-						-
Individual transfers	-	1,964	3,482	4,356	3,386	5,536	10	3,371	532	245	-	1,422	6,375		2,414		33,093
	<b>-</b>	<b>1,964</b>	<b>3,482</b>	<b>4,356</b>	<b>3,386</b>	<b>5,536</b>	<b>10</b>	<b>3,371</b>	<b>532</b>	<b>245</b>	<b>-</b>	<b>1,422</b>	<b>6,375</b>	<b>-</b>	<b>2,414</b>	<b>-</b>	<b>33,093</b>
<b>Other</b>																	
Others																	
Please provide details -																	
Other Income	320			-				4			-	28	539				891
	<b>320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>891</b>
	<b>2,448</b>	<b>30,613</b>	<b>83,880</b>	<b>99,967</b>	<b>57,982</b>	<b>201,849</b>	<b>9,801</b>	<b>138,032</b>	<b>10,488</b>	<b>19,610</b>	<b>675</b>	<b>18,367</b>	<b>549,167</b>	<b>1,692</b>	<b>99,029</b>	<b>118</b>	<b>1,323,718</b>
<b>Expenses</b>																	
<b>Benefits Payable</b>																	
Pension Payments	(3,210)	(23,943)	(52,758)	(57,895)	(42,981)	(141,778)	- 8,425	(99,288)	(4,827)	(16,794)	- 6,789	(10,006)	(422,583)	(5,612)	(80,427)	(507)	(977,823)
Lump Sum Retirement payments	(914)	(5,260)	(13,778)	(18,281)	(8,265)	- 48,895	- 3,277	(26,184)	(1,451)	(4,523)	- 563	(2,965)	(110,307)	(1,843)	(20,961)		(267,467)
Lump Sum Death Benefits	(2)	(634)	(2,167)	(2,954)	(1,594)	- 6,384	- 295	(4,646)	(149)	(231)	-	(223)	(15,180)	(51)	(2,283)		(36,793)
Others																	
Please provide details -	-	-		-				- (381)									(381)
	<b>(4,126)</b>	<b>(29,837)</b>	<b>(68,703)</b>	<b>(79,130)</b>	<b>(52,840)</b>	<b>(197,057)</b>	<b>(11,997)</b>	<b>(130,118)</b>	<b>(6,808)</b>	<b>(21,548)</b>	<b>(7,352)</b>	<b>(13,194)</b>	<b>(548,070)</b>	<b>(7,506)</b>	<b>(103,671)</b>	<b>(507)</b>	<b>(1,282,464)</b>
<b>Payments to and on Account of Leavers</b>																	
Group transfers	-	-				- 173		-									(173)
Individual transfers	-	(1,879)	(5,969)	(4,809)	(3,028)	- 10,925	- 418	(4,373)	(1,090)	(577)	- 120	(527)	(30,743)	(284)	(3,588)	(146)	(68,476)
Refunds to members leaving service	-	(87)	(246)	(252)	(204)	- 615	- 9	(562)	(24)	(64)		(40)	(1,516)		(228)		(3,847)
Others																	
Please provide details -	-	(5)		(29)	(5)	- 361		(1)	(3)			(49)	(318)				(771)
	<b>-</b>	<b>(1,971)</b>	<b>(6,215)</b>	<b>(5,090)</b>	<b>(3,237)</b>	<b>(12,074)</b>	<b>(427)</b>	<b>(4,936)</b>	<b>(1,117)</b>	<b>(641)</b>	<b>(120)</b>	<b>(616)</b>	<b>(32,577)</b>	<b>(284)</b>	<b>(3,816)</b>	<b>(146)</b>	<b>(73,267)</b>
	<b>(4,126)</b>	<b>(31,808)</b>	<b>(74,918)</b>	<b>(84,220)</b>	<b>(56,077)</b>	<b>(209,131)</b>	<b>(12,424)</b>	<b>(135,054)</b>	<b>(7,925)</b>	<b>(22,189)</b>	<b>(7,472)</b>	<b>(13,810)</b>	<b>(580,647)</b>	<b>(7,790)</b>	<b>(107,487)</b>	<b>(653)</b>	<b>(1,355,731)</b>

<b>Management Expenses</b>																	
<b>Administrative costs</b>																	
Employee Costs	(32)	(223)	(379)	(1,475)	(783)	(1,051)	(53)	(1,070)	(104)	(132)	(25)	(310)	(2,973)	(1,013)	(3)	(9,626)	
System Costs	(10)	(112)	(218)	-	(152)	(242)	(12)	(333)	(35)	(130)	(8)		(218)	(142)	(1)	(1,613)	
Legal Fees in connection to Pensions Administration		-	-	-	-	(56)	-	(1)								(57)	
Office Costs		(15)	(45)	(3)	(31)	(106)	(3)	(2)		(26)	(1)		(514)			(746)	
Printing and postage	(2)	(1)	(70)	(11)		(79)	(4)	(64)	(2)		(2)		(178)			(413)	
Sundry costs	(6)	(8)		(1)	(19)	(20)	(6)	(140)	(2)		(2)		(32)	(71)		(307)	
Membership fees and subscriptions	(1)	(4)		(7)	(2)	(2)		(28)		(4)			(65)			(113)	
Others																	
Please provide details -		(1)	(37)	(114)	(4)	(130)			(113)					(33)	(84)	(516)	
	<b>(51)</b>	<b>(364)</b>	<b>(749)</b>	<b>(1,611)</b>	<b>(991)</b>	<b>(1,686)</b>	<b>(78)</b>	<b>(1,638)</b>	<b>(256)</b>	<b>(292)</b>	<b>(38)</b>	<b>(310)</b>	<b>(3,980)</b>	<b>(33)</b>	<b>(1,310)</b>	<b>(4)</b>	<b>(13,391)</b>
<b>Oversight and Governance</b>																	
Employee Costs	(6)	(45)	(109)		(139)	(461)	(32)	(189)			(12)	(83)	(448)	(97)		(1,621)	
Independent Advisors	(3)	(34)	(30)	(34)	(52)	(65)		(41)	(75)	(65)	(2)		(326)	(37)		(764)	
Performance measurement		(14)	(16)	-	(24)	(50)	(19)			(39)	(5)		(79)			(246)	
Engagement and Voting				(80)		(82)	(6)	(23)			(2)					(193)	
Legal/Tax advisory fees			(37)	-		(213)	(9)	(28)			(3)		(75)	(23)	(12)	(400)	
Actuarial fees	(61)	(58)	(62)	(124)	(110)	(64)	(9)	(109)		(22)	(24)		(92)	(38)	(3)	(776)	
External Audit	(1)	(24)	(20)	(23)	(29)	(41)	(2)	(39)	(20)	(20)	(1)		(54)	(23)	(2)	(299)	
Internal Audit	-			-	(10)	(53)		(9)					(27)	(8)		(107)	
Transition management (include transaction costs)				-		-					(40)					(40)	
Office Costs			(52)	-		(44)	(6)				(3)					(105)	
System Costs		(3)		-	(25)	(24)	(3)									(55)	
Membership fees and subscriptions		(1)	(18)	-		(29)		(14)		(2)						(64)	
Others																	
Please provide details -	(1)	(7)	(159)	(36)		(113)		(15)		(85)	(6)					(422)	
	<b>(72)</b>	<b>(186)</b>	<b>(503)</b>	<b>(297)</b>	<b>(389)</b>	<b>(1,239)</b>	<b>(86)</b>	<b>(467)</b>	<b>(95)</b>	<b>(233)</b>	<b>(98)</b>	<b>(83)</b>	<b>(1,101)</b>	<b>(37)</b>	<b>(189)</b>	<b>(17)</b>	<b>(5,092)</b>
<b>Investment Management Expenses</b>																	
External management fees (invoiced)	(825)	(288)	(4,961)	(3,628)	(3,628)	(3,970)	(635)	(5,928)	(1,054)	(1,395)	(50)	(1,078)	(24,423)	(114)	(5,674)	(44)	(57,695)
External management fees (deducted from capital)		(2,375)	(3,489)	(3,710)	(1,403)	(11,345)	(694)	(5,069)		(2,392)	(55)	(340)	(62,874)	(302)	(3,308)	(4)	(97,360)
Performance fees (invoiced and deducted from capital)	-		(861)	(1,746)	(1,137)	(3,900)		(5,033)		(75)		(33)	(7,655)				(20,440)
Transaction costs	-		(613)	(1,936)	(307)	(956)	(33)	(2,679)	(69)	(4,196)			(4,161)		(1,764)	(5)	(16,719)
Property operational costs	-			-		(558)		(259)					(9,186)				(10,003)
Custody fees	(43)	(6)	(126)	(275)	(97)	(300)	(33)	(124)	(43)	(65)	(14)	(32)	(144)	(154)	(13)	(1,469)	
Employee Costs				-		(706)	(52)				(18)					(776)	
Office Costs				-		(45)	(3)				(1)					(49)	
System Costs				-		(218)	(16)				(6)					(240)	
Membership fees and subscriptions				-		(18)										(18)	
Others													(218)				
Please provide details -			(3)	-	(943)	(4,329)	(348)		(3)	(69)				(46)	(2)	(5,961)	
	<b>(868)</b>	<b>(2,669)</b>	<b>(10,053)</b>	<b>(11,295)</b>	<b>(7,515)</b>	<b>(26,345)</b>	<b>(1,814)</b>	<b>(19,092)</b>	<b>(1,169)</b>	<b>(8,192)</b>	<b>(144)</b>	<b>(1,483)</b>	<b>(108,661)</b>	<b>(416)</b>	<b>(10,946)</b>	<b>(68)</b>	<b>(210,730)</b>
	<b>(991)</b>	<b>(3,219)</b>	<b>(11,305)</b>	<b>(13,203)</b>	<b>(8,895)</b>	<b>(29,270)</b>	<b>(1,978)</b>	<b>(21,197)</b>	<b>(1,520)</b>	<b>(8,717)</b>	<b>(280)</b>	<b>(1,876)</b>	<b>(113,742)</b>	<b>(486)</b>	<b>(12,445)</b>	<b>(89)</b>	<b>(229,213)</b>

<b>Return on Investments</b>																		
Investment income	812	6,867	37,721	24,752	38,686	155,129	7,785	53,070	6,089	8,195	879	3,407	285,195	502	84,653	247	713,989	
Irrecoverable withholding tax	-	-	(1,309)	(261)	(875)	(2,113)	(144)	(300)	(101)	(426)	(2)				(1,263)		(6,794)	
Change in market value of investment	1,962	17,126	35,996	132,439	88,087	1,044,952	90,672	276,265	24,071	33,717	26,569	4,232	966,852	2,107	112,447	905	2,858,399	
	<b>2,774</b>	<b>23,993</b>	<b>72,408</b>	<b>156,929</b>	<b>125,898</b>	<b>1,197,968</b>	<b>98,313</b>	<b>329,035</b>	<b>30,059</b>	<b>41,486</b>	<b>27,446</b>	<b>7,639</b>	<b>1,252,047</b>	<b>2,609</b>	<b>195,837</b>	<b>1,152</b>	<b>3,565,593</b>	
Repatriation of Transport Fund Assets (Tay PF)															70,774		70,774	
Net Contributions and Withdrawals															(208)		(208)	
<b>Net increase/decrease in the Fund during the year</b>	<b>105</b>	<b>19,579</b>	<b>70,065</b>	<b>159,474</b>	<b>118,908</b>	<b>1,161,416</b>	<b>93,712</b>	<b>310,816</b>	<b>31,102</b>	<b>30,190</b>	<b>20,369</b>	<b>10,320</b>	<b>1,106,825</b>	<b>(3,975)</b>	<b>245,500</b>	<b>528</b>	<b>3,374,934</b>	



Appendix II: Net Assets Account as at 31st March 2018																
	Aberdeen Transport	Dumfries & Galloway	Falkirk	Fife	Highland	Lothian	LOBUSES	NESPF	Orkney	Scottish Borders	Scottish Homes	Shetland	Strathclyde	Strathclyde No 3 Fund	Tayside	TOTAL
	£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		-		93,305	82,464	156,876			20,272						531,384	884,301
Index Linked securities	1,117	-		84,448	33,213	502,439	73,313				127,970		14			822,514
Corporate Bonds		-	4,181	70,997	181,826											257,004
Fixed Interest Securities (PIV)	38,126	100,672	140,202	82,510				220,491	20,164			39,157	3,056,605	116,335		3,814,262
Index Linked securities (PIV)		28,848	37,011					251,551		34,622						352,032
	<b>39,243</b>	<b>129,520</b>	<b>181,394</b>	<b>331,260</b>	<b>297,503</b>	<b>659,315</b>	<b>73,313</b>	<b>472,042</b>	<b>40,436</b>	<b>34,622</b>	<b>127,970</b>	<b>39,157</b>	<b>3,056,619</b>	<b>116,335</b>	<b>531,384</b>	<b>6,130,113</b>
<b>Equities</b>																
Equities	-	-	849,972	601,823	877,608	4,220,475	273,603	1,553,953	218,502	236,164	28,221		4,804,105		2,123,941	15,788,367
Equity (PIV)	48,350	157,483		878,706	13,639			1,072,753	1,383	149,881		95,995	6,410,685	46,371	511,174	9,386,420
Equity (initised insurance policies)		407,377	490,882		311,039							197,989				1,407,287
	<b>48,350</b>	<b>564,860</b>	<b>1,340,854</b>	<b>1,480,529</b>	<b>1,202,286</b>	<b>4,220,475</b>	<b>273,603</b>	<b>2,626,706</b>	<b>219,885</b>	<b>386,045</b>	<b>28,221</b>	<b>293,984</b>	<b>11,214,790</b>	<b>46,371</b>	<b>2,635,115</b>	<b>26,582,074</b>
<b>Property</b>																
Direct Property	-	-	2,500			356,741		293,045					1,880,660			2,532,946
Property (PIV)		82,789	137,120	212,702	184,779		38,146			95,449	7,998	48,267			434,085	1,241,335
Property (LP)		-	24,445			67,969										92,414
	-	<b>82,789</b>	<b>164,065</b>	<b>212,702</b>	<b>184,779</b>	<b>424,710</b>	<b>38,146</b>	<b>293,045</b>	-	<b>95,449</b>	<b>7,998</b>	<b>48,267</b>	<b>1,880,660</b>	-	<b>434,085</b>	<b>3,866,695</b>
<b>Alternatives (Limited Partnerships)</b>																
Private Equity (LP)	-	-	58,780		83,292	129,311		232,461					1,364,769			1,868,613
Private Equity (PIV)		-				5,048										5,048
Infrastructure (LP)		-	145,369	38,979		663,194	39,243			2,313			384,758			1,273,856
Infrastructure (PIV)		-						88,899								88,899
Commodities (LP)		-				132,532	8,361						10,413			151,306
Commodities (PIV)		-		2,660												2,660
Private Debt (LP)		-	2,180			89,234	6,716						263,163			361,293
Private Debt (PIV)		-				14,142	30,100			31,809					457	76,508
Diversified Growth/Absolute Return (PIV)	10,584	76,961	238,469	204,355				311,028	99,999	64,570		75,585				1,081,551
Hedge Fund (LP)		-														-
Hedge Fund (PIV)		-														-
Others													469,436			
Please provide details -		-			55,000					51,335					1,088	576,859
	<b>10,584</b>	<b>76,961</b>	<b>444,798</b>	<b>245,994</b>	<b>138,292</b>	<b>1,033,461</b>	<b>84,420</b>	<b>632,388</b>	<b>99,999</b>	<b>150,027</b>	<b>-</b>	<b>75,585</b>	<b>2,492,539</b>	<b>-</b>	<b>1,545</b>	<b>5,486,593</b>
<b>Derivatives</b>																
Currency Forwards		-	158		1,123	657							1,697		3,172	6,807
Others		-	95													95
Please provide details -		-														
	-	-	<b>253</b>	-	<b>1,123</b>	<b>657</b>	-	-	-	-	-	-	<b>1,697</b>	-	<b>3,172</b>	<b>6,902</b>

<b>Cash &amp; Cash Equivalents</b>																
Cash	1,450	185	147,392	152,748	44,359	216,036	14,074	90,704	5,466	17,805	3,602	3,054	2,123,340	45,491	64,335	2,930,041
Others																
Please provide details -	171	-		1,342		14,095	1,380	22,780			459					40,227
Investment income due		1,658	4,071	2,474	5,316					991		108	24,311		15,035	53,964
Accounts receivable for sales		-	7,982	1,754	644								41,803		18,129	70,312
Accounts payable for purchases		-	(8,806)	(4,003)	(735)										(22,123)	(35,667)
	<b>1,621</b>	<b>1,843</b>	<b>150,639</b>	<b>154,315</b>	<b>49,584</b>	<b>230,131</b>	<b>15,454</b>	<b>113,484</b>	<b>5,466</b>	<b>18,796</b>	<b>4,061</b>	<b>3,162</b>	<b>2,189,454</b>	<b>45,491</b>	<b>75,376</b>	<b>3,058,877</b>
<b>NET FUND INVESTMENT ASSETS</b>	<b>99,798</b>	<b>855,973</b>	<b>2,282,003</b>	<b>2,424,800</b>	<b>1,873,567</b>	<b>6,568,749</b>	<b>484,936</b>	<b>4,137,665</b>	<b>365,786</b>	<b>684,939</b>	<b>168,250</b>	<b>460,155</b>	<b>20,835,759</b>	<b>208,197</b>	<b>3,680,677</b>	<b>45,131,254</b>
<b>Non Current Assets</b>																
Others																
Please provide details -	324	-			509	557		33								1,423
<b>Non Current Liabilities</b>																
Others													(64,276)			
Please provide details -		-				-										(64,276)
<b>Current Assets</b>																
Contributions due	13	146	6,394	1,904		13,508	734	9,696	86	204		1,428	44,151		8,537	86,801
Strain on Fund		-	110			971		157								1,238
Sundry Debtors	252	10	42	77	7,173	160	10	4,952	1,089	1,320	31	3	5,711		2,472	23,302
Prepayments		-				283						53				336
Cash Balances	1	1,198	3,192	1,745	5,137	27,278	2,440	19	60				47,133		4,957	95,392
Others																
Please provide details -	48	-	120	191		4,483	385			53	146	163				5,589
	<b>638</b>	<b>1,354</b>	<b>9,858</b>	<b>3,917</b>	<b>12,819</b>	<b>47,240</b>	<b>3,569</b>	<b>14,857</b>	<b>1,235</b>	<b>1,577</b>	<b>2,409</b>	<b>1,647</b>	<b>32,719</b>	<b>-</b>	<b>15,966</b>	<b>149,805</b>
<b>Current Liabilities</b>																
Benefits Payable	(133)	(238)	(1,080)	(4,067)	(716)	(5,745)	(201)	(7,713)		(340)		(1,113)	(15,988)		(3,334)	(40,668)
HMRC		(2)				(2,940)		(1,605)							(20)	(4,567)
Contributions in Advance		-				(8,719)		(5,500)			(15)					(14,234)
Miscellaneous Creditors/Expenses	(232)	(730)	(1,630)	(3,223)	(1,681)	(2,760)	(161)	(12,140)	(340)	(1,500)		(470)	(46,281)	(1,301)	(423)	(72,872)
Others																
Please provide details -		-	(261)		(178)	(395)			(289)	(93)					(2,243)	(3,459)
	<b>(365)</b>	<b>(970)</b>	<b>(2,971)</b>	<b>(7,290)</b>	<b>(2,575)</b>	<b>(20,559)</b>	<b>(362)</b>	<b>(26,958)</b>	<b>(629)</b>	<b>(1,933)</b>	<b>(15)</b>	<b>(1,583)</b>	<b>(62,269)</b>	<b>(1,301)</b>	<b>(6,020)</b>	<b>(135,800)</b>
<b>Net assets of the Fund at 31 March 2018</b>	<b>100,071</b>	<b>856,357</b>	<b>2,288,890</b>	<b>2,421,427</b>	<b>1,883,811</b>	<b>6,595,430</b>	<b>488,143</b>	<b>4,125,564</b>	<b>366,392</b>	<b>684,583</b>	<b>170,644</b>	<b>460,219</b>	<b>20,806,209</b>	<b>206,896</b>	<b>3,690,623</b>	<b>45,145,259</b>