



2026-08

ITEM 06

Ministerial Correspondence following Fit for the Future recommendations

Background:

Following a resolution of the Board to hold a workshop to consider the impact of the English and Welsh LGPS “Fit for the Future” reforms a workshop was held at Edinburgh City Chambers on 17th April 2026.

The recommendations from the workshop were sent to the Scottish Government in a letter to the Minister on 26 June 2026 (**Appendix A**).

The Deputy First Minister and Cabinet Secretary for Finance and Local Government’s response to the SAB Chairs of 4 August is attached (**Appendix B**).

Requests of the SAB from the Minister:

1. SAB to consider how it can play a key role in the support or coordination of this work to achieve collaborative local investment and reporting to Scottish Government, with progress made in the period to September 2027.
2. Standardised and as far as possible trackable reporting on impact of investment in Scotland by LGPS(S) Funds.
3. A quarterly update from SAB to Scottish Government starting from October 2026.
4. To arrange a meeting with the Minister in advance of October 2026.

Recommendations:

1. SAB to arrange a meeting as requested. The suggested attendees are: Chair and Vice Chair; Invest Local Working Group Chair and Vice Chair; SAB Joint Secretaries and SAB Policy Officer.
2. SAB Invest Local Working Group to discuss and recommend options for supporting local investment work and reporting.
3. SAB Invest Local Working Group to continue work on standard reporting template to provide requested measurable reporting.
4. SAB to add a standing agenda item to agree quarterly report to be submitted after each SAB meeting.

Appendix A: Letter from SAB Chairs to Deputy First Minister and Cabinet Secretary for Finance and Local Government

By email

26th June 2026

To: Jenny Gilruth MSP, Cabinet Secretary for Finance and Local Government

Cc: Hannah Goodlad, MSP, Minister for Public Finance

Dear Jenny,

I write to update you on the work of the Scottish LGPS Scheme Advisory Board (SAB) on local investments, governance and structures of the scheme. May I start by congratulating you on your recent appointment as Deputy First Minister and Cabinet Secretary for Finance and Local Government

From an original request by Ministers in February 2024, and building upon previous research, the SAB has undertaken a programme of work looking at governance and investment issues in the Scottish LGPS. Part of this was framed by proposals in the “Fit for the Future” consultation undertaken by UK Government.

We initially responded to Scottish Ministers in May 2024 and subsequently undertook a consultation with the 11 LGPS Funds in Scotland on the scale of their ‘local’ investment. For these purposes, we defined ‘local’ as Scottish. The overall conclusions were shared in our letter of 13 August 2025.

Further to this, I am pleased to confirm that the SAB Working Group on Local Investment, including representatives of LGPS Funds and Scottish Government, is now meeting on a regular basis to review and explore ongoing developments. We envisage this may provide a hub of expertise to provide further advice should you request it.

We were also asked to advise on the wider policy agenda in the LGPS. To develop a response, the SAB held a workshop on 17 April 2026, facilitated by George Graham, former Director of the South Yorkshire Pensions Authority. This considered questions within the three main aspects of “Fit for the Future” – Governance, Local Investment, and Pooling/Consolidation. The SAB met on 27 May 2026 and agreed the following recommendations:

1. That Scottish Ministers should support greater collaboration by asking SAB to work with Funds to identify initial asset classes where collaboration would be beneficial and produce recommendations for funds to take this forward.

2. That any local investment approach from LGPS funds, should not be at the expense of delivering the required risk and return profile, and noting that a flexible definition of 'local investment' and encouraging bottom-up collaboration via 'coalitions of the willing' has the potential for more success.
3. That Funds should be encouraged to build on existing good practice in governance and make it the standard across the scheme. The SAB should receive an annual update, different from the annual report, on the number of funds that comply with KPI, disclosure requirements from the annual report guidance, and other relevant statutory requirements.
4. That Pension boards and committees adopt minimum training standards for members, with proportionate compliance assurance and follow up where gaps persist, to demonstrate and maintain sufficient knowledge and understanding. Ask Scottish Ministers to adopt a similar regulatory approach as take in licensing in Scotland regarding knowledge and understanding for members of pensions committees.
5. That Pension boards should encourage independent advice where helpful and SAB should promote independent professional advisers (IPO) as good practice

I hope this advice is useful to ministers and welcome your guidance on any further advice that you would like the SAB to prepare.

Yours sincerely,

Andy Thompson

Chair

Scottish LGPS Scheme Advisory Board

Appendix B: Letter from Deputy First Minister and Cabinet Secretary for Finance and Local Government to SAB Chairs

To:

Andy Thompson
S.Watson@unison.co.uk

4 August 2026

Our Reference: 202600524668

Your Reference: Letter to Cabinet Secretary for Finance and Local Government

Dear Andy,

I am writing in my capacity as the Deputy First Minister and Cabinet Secretary for Finance and Local Government, given my portfolio includes responsibility for public service pensions in Scotland. I note that Scottish Ministers now have powers under the Pension Schemes Act 2026 in relation to asset pooling. I would like to reassure you that I welcome seeing a Scottish LGPS-led collaboration that can achieve our shared goals within the current structure of the Scottish LGPS. That being said, it also remains the case that progress is expected within the period to September 2027.

I am encouraged by the aims of the provisional Scottish LGPS vision statement, which includes an aspiration of allocating 5% of assets to investments in Scotland over 5–10 years and consideration of a potential role for SNIB in facilitating greater collaboration. I understand Pension Committees will give consideration to this vision in the coming months.

In the meantime, I am aware that SNIB is developing a proposal for a vehicle that would enable greater capital investment in areas that align well with our shared priorities such as infrastructure, housing, and energy, and will be engaging with you on this.

I hope these will be productive discussions that will provide for primary investment that has a positive impact on Scotland's economy. This need not be specific to a particular region of the country. Indeed, I recognise that portfolio diversification is critical to the Funds' fiduciary duty and investments in Scotland will form only part of their portfolios.

To ensure that progress is made on this important endeavour, it is vital that there is good leadership and governance. With this in mind, I would like to see the SAB consider how it can play a key role in the support or coordination of this work, and report progress to me.

In addition, I would like to see standardised reporting to better understand the impact of investment in Scotland by the Scottish LGPS. I understand this is being explored by the relevant SAB sub-group, and I would encourage you to engage fully with officials to develop a way that allows, as far as possible, a way to monitor and track this.

I hope this information is helpful and look forward to seeing the above work progress. I am looking forward to the continuing productive engagement between the SAB and the Scottish Government, and I would appreciate quarterly update reports from you to my officials starting from October.

I would also welcome an introductory meeting with the Joint Chairs ahead of any updates starting in October. I would be grateful if you can reach out to my Private Office at DFMCSFLG@gov.scot to arrange a suitable time for this meeting.

Yours sincerely

JENNY GILRUTH

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Tha Ministearanna h-Alba, an luchd-comhairleachaidh sònraichte agus Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

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