

Scottish Parliament
Local Government and Regeneration Committee
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Fao Claire Menzies-Smith, Senior Assistant Clerk

Date 3 June 2015

Dear Ms Menzies-Smith,

**Budget Strategy Phase 2016-17 – Local Government Pension Funds
Fife Council Response**

Further to your letter, received via email, of 15 May 2015, please find enclosed the current Statement of Investment Principles (SIP) for the Fife Council Pension Fund.

Below are the responses to your additional questions:-

Re SIP

1. Our Statement is reviewed annually and will be amended over the next few weeks to reflect changes in fund management arrangements. It is expected to be on the agenda of the August 2015 Pensions Committee.
2. The details of the Fund's social, environmental and ethical policy are included in the SIP. All the Fund's investment managers are provided with the reviewed/revised SIP annually and they are required to acknowledge receipt of the SIP. As part of their investment management agreements they are required to give due consideration to the SIP when making investment decisions for the Fund. However, the managers are reminded that first and foremost their responsibility is to support the continued financial viability of the Fund.

We are now also into the 3rd year of a contract with Hermes EOS who implement best practice stewardship on behalf of the Fife Council Pension Fund through:-

- Co-ordination of voting at company meetings according to the Fund's policy
- Engagement with companies in which the Fund is invested on a global basis
- Engagement with public, industry and regulatory bodies in the various markets in which the Fund invests to promote better practices
- Collaborating with other Funds during engagements in order to exert greater influence and achieve better outcomes

- Providing support to dealing with queries from external organisations and members about the Fund's responsible investment policies and specific issues arising on the equities the Fund holds
- General advice on ESG issues

3. Not appropriate

Investment in Infrastructure

1. In 2011, Fife Council Pension Fund appointed Partners Group to an infrastructure mandate for 5% of the total value of the Fund. This was a global mandate. Currently we are invested in 3 Partners Funds which include investments in the UK. All decisions are delegated to the investment managers.
2. There has been informal information provided to members of the Pensions Committee about the Pensions Infrastructure Platform and an undertaking has been given to provide a formal report when there are investments to report on. However, there appears to be still some way to go before returns can be reported.
3. No. However, the Falkirk/Hearthstone investment fund is under watch and will be given further consideration once bricks and mortar can be confirmed.
4. Risk/Diversification; return required to meet the objectives of the Fund; fiduciary duty to get the best returns and therefore the best for the members of the Fund; liquidity issues; and access previously through Private Equity which was expensive.

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Please confirm receipt of this response.

Yours sincerely,

Katrina Evans
Banking and Investments Team Leader