

Strathclyde Pension Fund Office

Managing the Local Government Pension Scheme in West Central Scotland

Administering Authority **Glasgow City Council**



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Senior Assistant Clerk
Local Government and Regeneration Committee
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Dear Claire

Thank you for your letter dated 15 May 2015.
As requested, I can now provide the following response.

Statement of Investment Principles

A copy of the Strathclyde Pension Fund's current Statement of Investment Principles is attached.

1. The statement will be reviewed on completion of our current review of investment strategy towards the end of 2015.
2. Our Responsible Investment policy is set out at part 10 and schedule 4 of the Statement of Investment Principles. The responsible investment policy is delivered through a combination of the Fund's own activities, those of its investment managers and its engagement overlay provider. A quarterly committee report on responsible investment activity is considered by the Pension Fund Committee and published on the Fund's website at www.spfo.org.uk. A copy of the latest quarterly report is attached.
3. N/a.

Investment in Infrastructure

The Fund gave oral evidence to the Local Government and Regeneration Committee on 29 April and provided written evidence in advance of that meeting. The information below summarises and updates that evidence.

1. As at 1st June 2015 Strathclyde Pension Fund (SPF) had agreed 14 separate infrastructure and related investments with a total commitment value of c £350m (total value including other investors of over £2 billion). These include 2 exclusively Scottish investments, 11 UK-wide investments and one global investment. Some of the principal investments agreed to date are summarised in the table below.
2. Strathclyde Pension Fund is a founder investor in the Pensions Infrastructure Platform.

3. We have extremely good relations with the other Scottish local government pension funds and have worked together on various initiatives including information sharing, joint procurement and group training. To date this has not included any investment partnership.
4. There are no absolute impediments to investment in infrastructure. There are however various challenges and obstacles to overcome which could be considered as barriers. These include risk, return, governance, and some aspects of the Local Government Pension Scheme (Management and Investment of Funds)(Scotland) regulations together with the practicalities of identifying suitable strategies and projects, appointing managers, structuring investment proposals, bringing together investors, agreeing terms, concluding legal documentation and approving funding.

Yours sincerely

Richard McIndoe
Head of Pensions

Strathclyde Pension Fund – Principal Investments in Infrastructure

City Legacy	SPF provided a facility of £35m as part of the funding package for construction of the Athlete's Village for the Glasgow 2014 Commonwealth Games. The project was completed well within timescale and once utilised for its original purpose was retrofitted to provide a mixture of social and private housing, assisting in the regeneration of the East End of Glasgow as part of the Commonwealth Games Legacy.
PIP	SPF approved a loan investment of £100,000 to fund start-up costs for the proposed Pensions Infrastructure Platform (PIP), an initiative to create an infrastructure fund tailored to the specific investment requirements of UK Institutional pension funds. An investment of £100m in PIP was approved in principle subject to satisfactory resolution of all relevant set up issues and further committee approval. In December 2013, the first tranche of actual investment in PIP was approved – a NOP commitment of £50m to a PPP Equity Fund run by infrastructure managers Dalmore Capital. Assets acquired to date by the fund include schools, government accommodation and projects overseen by the UK Ministry of Defence. In March 2015, SPF approved a second tranche of PIP investment - £20m into the PIP Solar PV fund together with £770k of development finance for the PIP project.
Aberdeen UK Infrastructure Fund	SPF agreed £32m into this primary infrastructure fund which has made equity investments into core infrastructure projects across the UK including the maintenance contract for the M8 and the construction of the replacement hospital for the Royal

	Infirmary in Dumfries and Galloway.
Clydebuilt Fund	In 2014, SPF established a £50m local property fund known as the Clydebuilt Fund. Managed by Ediston Real Estate it focuses on property opportunities within the Strathclyde area with lot sizes of below £10m, where there are opportunities to work the underlying assets, perhaps with the benefit of limited capital expenditure or lease re-gearing. Most significant investment to date has been purchase and proposed redevelopment of a retail park in Port Glasgow, completing the regeneration of the old shipyard sites in that town.
SEP Environmental Capital Fund	This has a dual strategy, investing in an existing gas transmission network (together with the establishment of a significant number of new connections) as well as pursuing investments in a variety of renewables strategies. SPF committed £7.5m to a total fund of £79m.
Renewables	During 2014 SPF committed £10m each to Albion Community Power, Iona Environmental Infrastructure LP, and Resonance British Wind Energy Limited. In June 2015 SPF agreed commitments of £50m to the UK Green Investment Bank Offshore Wind Fund LP and £30m to the Temporis Onshore Wind Fund LP.
Supported Living Developments	Catering for adults with a mixture of physical and mental challenges, the objectives of this fund are to provide an improved level of social care allowing the individuals to live in their own flats in the community with appropriate support, rather than in a residential home. SPF committed £15m to a targeted £50m fund.