

Environment Link Seminar – 8 December 2015

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Scottish pension funds investing in low carbon infrastructure

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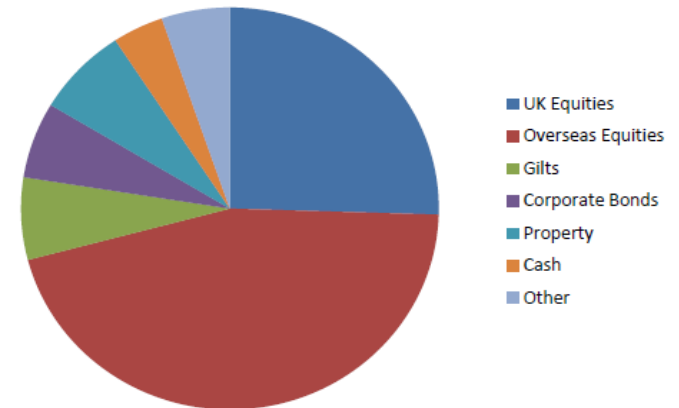
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Scottish Local Government Pension Scheme

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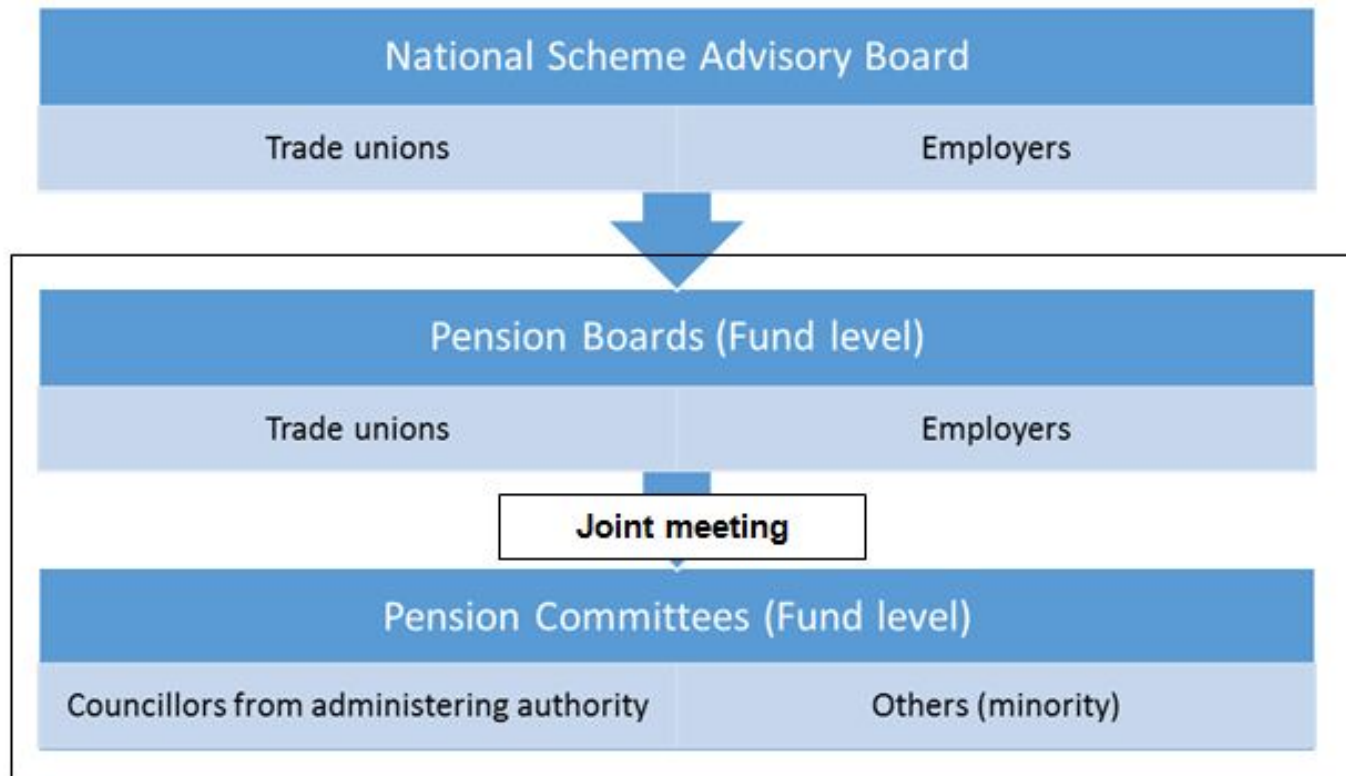
- ❖ Scotland's largest pension scheme
 - £27bn assets
- ❖ Only 'funded' public sector scheme
- ❖ Administered by 11 individual funds
 - 217,000 active members
 - 125,317 deferred members
 - 162,808 pensioners
- ❖ Financially strong: 94% to 100% funded
- ❖ Exists to pay pension benefits



Asset Class	Proportion
UK Equities	26%
Overseas Equities	45%
Gilts	7%
Corporate Bonds	6%
Property	7%
Cash	4%
Other	5%

Governance

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Case for infrastructure investment

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- ❖ Long term cash flows
 - Ontario in Scottish gas networks
 - Alternative to low bond yields
- ❖ Active investment transaction costs
- ❖ Risky fossil fuel investments
- ❖ Public duties – Climate Change Act
- ❖ Public money, ethically invested
- ❖ What members want



Barriers

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- ❖ Scale of pension funds
 - Pooling funds in E&W
- ❖ Expertise
 - External Fund managers v In-House
 - Infrastructure knowledge
- ❖ Investment regulations
- ❖ Fiduciary duty
- ❖ Rate of return – 5%
- ❖ Culture



The Scottish Parliament
Pàrlamaid na h-Alba

Published 30th November 2015
SP Paper 840
5th Report, 2015 (Session 4)
Web

Local Government and Regeneration Committee

**Report on Pension Fund
Investment in Infrastructure and
City Deal Spend**

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Conclusion

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- ❖ Major Scottish financial resource
- ❖ Meet pension fund requirements in part
- ❖ Political and member demand
- ❖ Overcome barriers
- ❖ Pensions exist to pay pension benefits