Response from Scottish Borders Council Pension Fund

A Copy of Scottish Borders Council’s Pension Fund Statement of Investment Principles is attached.¹

1. When your Statement is next due for review

The Scottish Borders Statement of Investment Principles is being updated for the recent legislation changes, this will go the Committee on 18 June 2015 and therefore the attachment is draft until approved. However there is an intention to do a more comprehensive review by 31 March 2016. The current version of the SIP also attached was approved in 2013.

2. Details of your social, environmental or ethical policy, and how it is implemented having regard to fiduciary duties

In accordance with the Statement of Investment Principles the Scottish Borders Pension Fund has delegated authority for social, environmental or ethical policy issues to the appointed investment fund managers as set out in the SIP.

3. If you have no such policy, details of how your fund deals with social, environmental or ethical considerations

These are set out in the statement of investment principles.

1. Details of any investment you have made in Scottish or UK infrastructure projects

No direct investments made to date. The Scottish Borders Pension Fund invests in infrastructure projects through a Diversified Growth Fund via a mandate with UBS and also through the property element of our Alternatives Mandate held by our Investment Manager LGT. All investment decisions are made by the appointed Investment Fund Manager.

2. Whether your Fund has considered investing in the Pensions Infrastructure Platform when it opens to non-founder members

The fund does not hold any direct investments in infrastructure and has not considered investing in the Pensions Infrastructure Platform.

3. Whether your Fund has worked in partnership with other Scottish Local Government Pension Funds to invest in Scottish or UK infrastructure projects

The fund has not to date worked in partnership with other Scottish Local Government Pension Funds to invest in Scottish or UK infrastructure projects. The key issue limiting participation being investment returns vis a vis investment in other asset classes and the early stage of development of the Platform

¹ Hard copies available from the clerks
4. **Details of the current barriers to investing in infrastructure projects.**

The key issue is the comparative investment returns available via public sector infrastructure projects when compared to other forms of investment.

The availability of finance has not been noted as a specific barrier to infrastructure investment; income certainty, risk and project affordability are considered to be more material barriers.

A key consideration for public authorities seeking to access pension fund finance will be the cost of such capital when compared to borrowing from other sources e.g. the PWLB or the commercial bank senior debt.

There are to date few examples of direct infrastructure investment by Scottish Pension Funds although it is understood that some of the larger funds e.g. Strathclyde has an element of their fund currently allocated to such direct investment. Such an approach would only be recommended in Scottish Borders as part of a balanced investment strategy given the relatively illiquid form of this investment class and the risks and timescales involved.

Significant diligence would be required before the Fund could invest directly in infrastructure projects given the risk profile of such investment. This would place an additional burden (with associated costs) on pension funds. A due diligence process to evaluate risk effectively associated with direct investment in infrastructure has not to date been developed. One consideration may be whether pensions would be willing to invest in projects at design, construction or operational phase - the risk profile being different in each case.