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11 November 2025

Ariane Burgess MSP
Convener
Local Government, Housing and Planning Committee
The Scottish Parliament
Edinburgh
EH99 1SP

By email only - localgov.committee@Parliament.Scot

Dear Ariane

Legislative consent memorandum on the Pension Schemes Bill

Thank you for your letter dated 10 October 2025.

As Convener of the Strathclyde Pension Fund (SPF) Committee, I have no issue with the additional powers which the recent amendments to the Pension Schemes Bill would give the Scottish Government in respect of the Local Government Pension Scheme (LGPS) in Scotland.

SPF would support the objective of maintaining parity of powers.

However, I do not see any immediate need for those powers to be exercised, would urge caution in how they might be exercised, and would request full and detailed engagement and consultation with all interested parties before such powers are exercised in future, if at all.

The reasons for this are set out briefly below.

Whilst the LGPS framework in Scotland is broadly similar to that in England & Wales, there are significant differences.

Pooling was introduced in England Wales over 10 years ago to address a number of issues relating to scale, governance, and fund performance.

These issues were perhaps most apparent in the greater London area where there were 32 individual LGPS funds, all of them sub-scale, many of them severely underfunded, and with extremely variable investment performance and governance standards.

In contrast, the LGPS in Scotland has performed very well, comprises just 11 funds, has always been better funded than the scheme in England and Wales, and is currently in a very strong funding position.

This is illustrated in the following highlights from Strathclyde Pension Fund's (SPF's) 2025 Annual Report:

- **+3.6%** investment return for the year
- **£703 million** increase in value in the year
- **£31.3 billion** closing value as of 31st March 2025 – the highest ever
- **+7.5% p.a.** investment return over the last 10 years - significantly better than the UK LGPS average of **+6.7% p.a.** in the 10 years since pooling was introduced in England & Wales (source: *PIRC Local Authority Fund Statistics 2024/25*)
- **£828 million** total pensions and lump sums paid over the year
- Total membership increased to over **290,000** – the highest ever
- **147%** funding position (assets/liabilities) at the last formal actuarial valuation as at 31st March 2023 – the highest ever
- Funding level has continued to improve significantly since that date.
- **£2.3 billion** total investments made by our UK Direct Impact Portfolio (DIP) which invests in UK projects with a local or ESG (environmental, social, governance) impact.

DIP investments include:

- **£664m** committed to Renewable Energy Infrastructure funds (now producing enough green energy to fuel over **337,000** homes)
- **£610m** committed to Infrastructure funds
- (The above funds include **£302m** invested by DIP in 183 individual investments located in Scotland comprising windfarms and other renewable energy infrastructure, schools, hospitals, affordable housing and build to rent housing)
- Total invested in these Scottish assets (i.e. by DIP and other partnership investors) is **£1,685m**
- **£331m** committed to 19 separate funds raised by private equity managers based in Scotland, providing venture and growth equity capital to start-ups and small companies
- **£200m** committed to local property funds

During the year the SPF Committee agreed to increase DIP's target allocation to 7.5% (from 5%) of SPF total assets, making >£1bn available for new investment.

Given SPF's existing scale, strong funding position, successful performance record and commitment to invest in Scotland, I can see no benefit to SPF or its employers and members from investment pooling.

Pooling would instead be a significant distraction and could be counterproductive in terms of concentration of risk, lack of flexibility, and greater scale actually limiting opportunity to invest in smaller assets or markets.

It is also worth noting that support for pooling in England and Wales is far from universal. Areas of concern expressed in responses to consultation there on the proposed changes introduced by the Bill include; loss of local autonomy on investments, the requirement for Administering Authorities to take their principal investment advice from their pool, a perceived lack of ways for Administering Authorities to hold an underperforming pool to account, and transition costs.

I hope the comments above are helpful.

Yours sincerely

Councillor Richard Bell