Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Richard McIndoe, Ext: 77383

Item 3

24th June 2025

Annual Report and Financial Statements for the Year Ended 31 March 2025

Purpose of Report:

To present the Strathclyde Pension Fund Annual Report and Financial Statements to the Committee before these are submitted to EY for audit.

Recommendations:
The Committee is asked to:

i. **Consider** the unaudited Annual Report and Financial Statements for 2024/25

ii. **Note** that the Executive Director of Finance will, by 30 June 2025, submit the unaudited report and accounts to EY for audit and will make arrangements for public inspection of the accounts in line with the requirements of the relevant regulations

iii. **Note** that on completion of the audit, EY will report their findings to the Strathclyde Pension Fund Committee by the end of September 2025.

Ward No(s):	Citywide: ✓
Local member(s) advised: Yes ☐ No ☐	consulted: Yes ☐ No ☐

1 Background

The Strathclyde Pension Fund Annual Report and Financial Statements is prepared in accordance with proper accounting practice and the relevant regulations. These include the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government Pension Scheme (Scotland) Regulations 2018.

2 The Local Authority Accounts (Scotland) Regulations 2014

2.1 These regulations require that, in addition to the financial statements, the Annual Accounts include:

- a management commentary
- a statement of responsibilities
- an annual governance statement and
- a remuneration report or statement.

2.2 The proper officer must ensure that the financial statements give a true and fair view before signing and dating the statements and submitting the Annual Accounts to the auditor no later than 30th June.

2.3 The unaudited Annual Accounts must be published on a website from the date they are submitted to the auditor.

2.4 The administering authority or a committee charged with audit or governance must meet no later than 31st August to consider the unaudited Annual Accounts.

3 The Local Government Pension Scheme (Scotland) Regulations 2018

These regulations require that an administering authority must prepare and publish a pension fund annual report which contains:

- a report about the management and financial performance of each of the funds
- an investment report
- an administration report
- an actuarial statement
- the financial statements;
- the current funding strategy, investment principles, communications, and governance compliance statements; and
- any other material which the authority considers appropriate.

In practice, the requirements of each of these sets of regulations are combined in a single document – the attached Annual Report and Financial Statements.

4 Unaudited Annual Accounts 2024/25

4.1 Within the Annual Accounts the primary financial statements consist of:

▪ Fund Account	Shows the payments to pensioners, contribution receipts from employers and scheme members, and the income, expenditure and change in market value of the Fund's investments.

- Net Assets Statement — Represents the value of assets and liabilities as at 31 March (excluding lliability to pay pensions).

4.2 A number of other statements and detailed explanatory notes, which provide additional information, are also included within the Annual Accounts.

5 Key Financial Outcomes

5.1 The key financial information included within the financial statements is outlined below.

5.2 Fund Account

The Fund Account shows:

- total contributions income of **£439m** *(2023/24: £825.9m);*
- total pensions payments of **£964m** *(2023/24: £850m);*
- a net reduction from dealing with members of **£313m** *(2023/24: £4.4m);* and
- a net increase in the Fund of **£703m** *(2023/24: £2,697m)*.

This includes a non-recurring transfer in of **£193m** as a result of SFRS consolidation of its Scottish LGPS interests into SPF.

5.3 Net Assets Statement

The Net Assets Statement shows net assets of **£31.272 billion** *(2023/24: £30.569 billion).*

6 Next Steps

6.1 The Executive Director of Finance, as proper officer, will submit the unaudited Annual Accounts to EY and will make arrangements for public inspection of the Annual Accounts in line with the requirements of the regulations.

6.2 On completion of the audit, EY will report their findings to the Strathclyde Pension Fund Committee by the end of September 2025.

7 Policy and Resource Implications

Resource Implications:

Financial:	None at this time.
Legal:	See paragraphs 1 to 3.
Personnel:	None at this time.
Procurement:	None at this time.

Council Strategic Plan: SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.***
The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.	Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.
What are the potential equality impacts as a result of this report?	N/a.
Please highlight if the policy/proposal will help address socio-economic disadvantage.	N/a.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:	Not directly. The Annual Report includes a separate section detailing Strathclyde Pension Fund's Climate Change Strategy.
What are the potential climate impacts as a result of this proposal?	No significant impact.
Will the proposal contribute to Glasgow's net zero carbon target?	N/a.

Privacy and Data Protection Impacts:

Are there any potential data protection impacts as a result of this report Y/N	No.
If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out	N/a.

8 Recommendations

The Committee is asked to:

i. Consider the unaudited Annual Report and Financial Statements for 2024/25

ii. Note that the Executive Director of Finance will, by 30 June 2025, submit the unaudited report and accounts to EY for audit and will make arrangements for public inspection of the accounts in line with the requirements of the relevant regulations

iii. Note that on completion of the audit, EY will report their findings to the Strathclyde Pension Fund Committee by the end of September 2025.

Strathclyde Pension Fund

Annual Report & Financial Statements

For the year ended 31 March 2025

Contents

About Strathclyde Pension Fund

Strathclyde Pension Fund (SPF) is part of the Local Government Pension Scheme (LGPS).

It is one of 11 LGPS funds in Scotland and around 100 in the UK.

SPF is the second largest of the UK LGPS funds.

The LGPS is a statutory scheme established under primary legislation –the Superannuation Act 1972 and Public Service Pensions Act 2013.

About Strathclyde Pension Fund

The scheme rules take the form of a series of regulations – the Local Government Pension Scheme (Scotland) Regulations. The regulations are Scottish Statutory Instruments (SSIs).

There are separate sets of regulations to set out the scheme benefits, investment arrangements and governance requirements.

The LGPS is a multi-employer, defined benefit scheme. The benefits are based on final salary for all service to 31st March 2015 and career average earnings for benefits from 1st April 2015.

The Strathclyde Pension Fund was created in 1975. It has been managed by Glasgow City Council since 1996.

The Fund is a pool into which member and employer contributions are paid. The money is invested so that pension benefits can be paid as they fall due.

Participating employers include the 12 local authorities in the west of Scotland; Scottish Police Authority, Scottish Fire and Rescue, and Scottish Water; a number of universities and colleges; local authority subsidiary companies and contractors; and a wide range of other organisations with funding or service links to the local government sector.

As at 31st March 2025 the Strathclyde Pension Fund had over **291,000** members, **141** participating employers and investment assets of **£31.3 billion**.

Strathclyde Pension Fund had over **291,000** members, **141** participating employers and investment assets of **£31.3 billion**.

Foreword

Councillor Richard Bell

City Treasurer and Convener of Strathclyde Pension Fund Committee

50 years and counting…

Strathclyde Pension Fund was created as a result of Scottish Local Government re-organisation on 16th May 1996. So 2024/25 was our 50th year, and we celebrated our 50th anniversary shortly after the year end.

2024/25 wasn't our greatest year. But it certainly wasn't our worst.

In the bigger picture it was a year of political change. More than half the world, including the UK and US, went to the polls in 2024 to elect new governments. In 2025 we started to live with the consequences. Equity markets had hit all-time highs during the year, but became increasingly nervous towards the financial year end over the impending prospect of the US Liberation Day tariffs which were announced shortly thereafter.

SPF's total investment return for the year was **+3.6%.** Perfectly respectable in the circumstances.

Closing Fund value was £**31.3** billion, an increase of **£703 million** over the previous year's close. And that in spite of a significant reduction in income as our new funding strategy cut employer contribution rates from 19.3% (of pensionable pay) to **6.5%** in April. At the same time our expenditure increased as we applied a **6.7%** increase to all pensions in payment and to active and deferred members' pension accounts.

It was also another busy year for SPF. In addition to the business-as-usual activity of managing the Fund's investments and taking care of our **291,000** members, during 2024/25 we:

- implemented almost **£9 billion** of investment changes (purchases plus sales) as a result of the revised strategy agreed at the conclusion of the 2023/24 investment review. Changes which take big steps to align SPF investments with its Climate Action Plan commitments;

- completed an extensive review of our Direct Impact Portfolio strategy. This resulted in an increase in the target allocation from 5% of total assets to **7.5%**, making an additional **£750 million** available for investments with a local and/or ESG (Environmental, Social, Governance impact).
- Consolidated one of our larger employers' LGPS interests from 8 different Scottish funds into SPF bringing in more than **£190 million** in assets and **1,500** new members.

So a very good, if perhaps not great, year. But it did leave us more strongly positioned than ever before. Fund value and membership numbers both grew to all-time highs. And the funding level, already unprecedentedly high at the start of the year, improved further by year end.

The activity and the challenges – not least those tariffs - will continue as we look forward to our next 50 years. But our employers and members can be reassured by our results this year and know that they can continue to count on us to address those challenges as we continue to work, develop, and invest for their future.

Strathclyde Pension Fund

50 YEARS AND COUNTING

Management Commentary

Introduction

Perhaps the most significant changes in the course of 2024/25 were political – changes in government in both the UK and the US. Both of these may be significant for SPF:

- Pensions Policy in various forms is high on the new UK government's agenda, and a Pensions Review was announced at an early stage, followed by a call for evidence during September. Key themes are: scale and consolidation; costs *v* value; and investing in the UK. This significantly impacts the LGPS in England & Wales, but not in Scotland. Or at least not directly, and not yet. Separately, the autumn budget proposed one change which will affect the scheme in Scotland if introduced – bringing death grants into the scope of inheritance tax. It also included LGPS assets and liabilities in the new measure on which its fiscal targets will be based – Public Sector Net Debt. This has no immediate implications but may further increase the new government's interest in the LGPS.
- The US is the world's biggest economy and largest investment market. Consequently, SPF has significant direct investment exposure. The US also remains hugely important in terms of its global influence. Any change of policy direction can have significant repercussions on the global economy, geopolitics, action on climate change and a raft of other issues. The new administration promised change and demonstrated from immediately after its inauguration that it intends to make change happen. The nature of that change has been, and is likely to remain, very unpredictable. All this may indirectly affect SPF and its investments in the future.

So far, so good however. During 2024/25 Strathclyde Pension Fund (SPF) continued to pay pensions, take care of its members' future pensions interests, invest, grow and develop just as it has now for 50 years. This Management Commentary provides an overview. Further detail is included in the individual sections of this Annual Report.

Strategy and objectives

The Strathclyde Pension Fund (SPF) has one overriding objective: to secure the payment of pension benefits now and in the future to its members. That is the common purpose of the Fund's longer-term policies, objectives and strategies. These are agreed by the Strathclyde Pension Fund Committee and set out in SPF's policy documents. These documents cover governance, risk, funding, investment, administration and communications. Each of these is reproduced or summarised within this annual report. All policy documents are available from the Fund's website at: www.spfo.org.uk

Through the Fund's history, these strategies have proven robust. SPF has shown real resilience at both a strategic and operational level through a number of turbulent periods: the dot-com bubble, the great financial crisis, and most recently the COVID-19 pandemic. Pensions have been paid, longer-term investment returns have been strong, funding level has been consistently around or above target. Building on this solid base, the most recent actuarial valuation in 2023 surpassed all previous exercises in affirming the strength of the Fund and the effectiveness of its strategies. SPF has grown and strengthened further since that valuation was completed.

Funding

At **147%** (assets/liabilities) the funding level reported in early 2024 as the outcome of the 2023 valuation was markedly higher than at any previous point in SPF's history. Although markets were volatile, investment performance was strong in the financial year immediately after the valuation, and continued to be so through 2024 before US tariffs on imports caused further significant market volatility and a general weakening of returns. Continued high levels of inflation in the UK also resulted in a higher than expected LGPS benefit increase of 6.7% in April 2024. However, inflation has begun to return towards historical levels and the Bank of England's target (2% pa), with LGPS benefit increases lowering to **1.7%** in April 2025. Overall, the funding level of the Fund is confirmed in the Actuarial Statement as being higher than reported at the previous formal valuation at 31 March 2023. Best estimate is a funding level of around **174%** as at 31st March 2025.

Membership

Scheme membership increased once more and reached another new high of **291,000.** Active (employee) membership reduced for a second consecutive year suggesting that a long-standing trend of continuous growth may have ended. This may impact on future Fund maturity and cash flows, but this will not become clear until completion of the next actuarial valuation as at 31st March 2026.

Cash flows were impacted this year by the sharp reduction in employer contribution rates agreed at the conclusion of the last valuation.

Both membership figures and cash flows were influenced this year by one non-recurring event: the consolidation of all the Scottish LGPS interests of Scottish Fire & Rescue (SFRS) into SPF. This brought in over **£190m** of income (classified as a group transfer) and more than **1,500** additional members. This was also a major administration and communications project requiring co-ordination and close co-operation with 7 other Scottish LGPS funds. It was initiated and completed very successfully in 2 tranches within the financial year.

The financial statements show pension and lump sum payments of **£931m** together with refunds and transfers out of **£33** million. Total contributions and other benefits income receivable was **£651m**, producing a net outflow of **£313m** from dealings with members. The expected future trend is for the net outflow figure to increase next year as employer contributions remain at the current year level but without the mitigating effect of this year's offset from SFRS consolidation. Cash flows should then revert to the longer-term trend of a more gradual increase in outflows over time. A 10-year cash flow projection is included at the end of this introductory section of the annual report. Cash balances are being maintained at a higher level than previously to address this, with a closing figure of **£1,134m**. It is anticipated that higher balances will continue to be held in the near term to ensure ample liquidity for pension payments.

Employer numbers reduced again, from 146 to **141**. This continued a trend of some years' standing and which seems likely to have some further way to run. To date the trend has been driven by smaller employers taking advantage of the improving funding level to exit the scheme at little or no cost in favour of alternative, defined contribution pension arrangements. In fact, exiting employers now receive sizeable exit credits in contrast to the previously prevailing position where employers were required to make an exit payment to the Fund. The trend is now extending to some larger employers and employers who were not previously looking to exit. A list of participating employers is included in the Administration section of this annual report.

Communications

SPFOnline is the secure portal which allows members to view their pension records, benefit statements, and other documents; make changes to their contact details and nominations, and carry out modelling of their future benefits.

Members registered to use the *SPFOnline* service increased from 137,000 to **147,000** over the year and the portal continues to be developed as the primary channel for communications between SPF and its members. Greater member usage of *SPFOnline* is now targeted in addition to increased numbers registered. And usage showed a dramatic increase from 73,000 logins last year to over **111,000** this year.

Further details of Communications delivery are included in the Administration section of this annual report.

Investment

The Fund's total investment return for the year was **+3.6%.** This was well short of the previous year's +9.9% and some way short of the strategic benchmark return of +5.0%. Nonetheless, it was a satisfactory result in a year which saw continued concentration in a small number of dominant US equity stocks, rising geopolitical tensions, significant political change across the globe, and increasing market nervousness which brought a rotation out of tech-related growth companies and into value sectors and stocks.

Amongst SPF equity managers, value-oriented Oldfield posted a return of **+7.8%**. The RAFI portfolio also delivered **+7.8%**. The emerging markets portfolios were the standout with **+11.4%**. But there were too many underperformers, with a number of negative portfolio returns, so that equity did not make the significant contribution this year that it has over the longer term.

SPF's diversification did help. Long Term Enhanced Yield (LTEY) portfolios produced a combined return of **+6.4%**. STEY produced **+6.0%**. But again, not enough to offset disappointment from Credit **+2.0%** and Hedging/Insurance **-5.6%.**

The 10-year return remains ahead of benchmark: **+7.5%** v **+7.3%**. 5-year returns **+8.6%** are behind benchmark **+9.3%** but ahead of the actuarial assumption of **+5.0% p.a.** Aggregate return since the last actuarial valuation is also ahead of that benchmark.

Investment activity over the year focused on implementation of the various changes agreed as the outcome of the 2023/24 review of investment strategy and structure. These included: a shift of more than **£4bn** of passive equities from market cap to climate transition index funds; SPF's first allocation to future world net zero bond funds; funding of one new emerging markets manager and termination of another; termination of one emerging market debt mandate; funding of a new secondary private debt mandate; and an increased allocation to global infrastructure. The vast majority of the agreed changes were completed during the year, though a few will take longer to fully implement. Further details, including analysis of allocation movements is included in the Investments section of this annual report.

Impact

The Investments section also includes more detail on the Fund's Direct Impact Portfolio (DIP) which has a stated objective of adding value through local economic, environmental, social or governance impact. The priority for DIP during the year was a 3-yearly review of its strategy. This was completed and reported to the SPF Committee in November. Main changes agreed by the committee were an increase in DIP's target allocation from 5% to **7.5%** of total Fund assets; and an increase in the minimum targeted return for individual investments from 5% to **6.5%** (Net IRR). DIP reviewed 147 investment opportunities in the year and agreed **7** with a total commitment value of **£250m.** These spanned UK regional growth capital, core infrastructure' renewables infrastructure, cleantech, and affordable housing. DIP's closing Net Asset Value was **£1,598m**, almost exactly in line with its previous target of 5% of total Fund, but providing ample opportunity for further new investment given the revised target. DIP's 3-year annualised return is **+6.7%**, though performance over the year was just **+2.6%** held back by energy re-pricing which softened returns from the renewables allocation. Measurable impacts from DIP funds in 2024 included **187,000** tons of CO2e emissions avoided – enough to power **337,000** homes. Funds in which DIP invests have **£661m** invested in Scottish infrastructure and housing assets.

Climate Change

The investment changes which were implemented during the year represent significant progress in delivering the commitments in the SPF Climate Action Plan. The increased allocation to DIP will also achieve this over time. Against this, there was a notable backlash against investor climate commitments and a distinct watering down of corporate and political ambitions in some quarters. A review of the plan and delivery against it is included as a priority in the SPF 2025/26 Business Plan and will be completed in the next year.

Stewardship

SPF was again confirmed as a signatory to the **UK Stewardship Code** after the Financial Reporting Council (FRC) completed its 2024 assessment – a fourth successful year for SPF since the revised Code was published. Production of the annual Stewardship Report is onerous, but the process is a good discipline and provides a valuable endorsement of the Fund's commitment to responsible investment, and its active engagement in stewardship initiatives.

Risk

A review of SPF's approach to risk was completed in March with the approval and publication of a revised Risk Policy and Strategy statement. The risk register is reviewed every quarter. There were no changes to risk ratings this year, though it was noted that the risk environment is changing rapidly. The summary Risk Register is included in the Governance section of this annual report.

Governance

There were no significant changes to governance arrangements during the year. Governance priorities included review of the risk strategy and review of SPF compliance with the newly published Pension Regulator's General Code of Practice (GCoP). A very high degree of compliance was reported to the committee in September, though work is ongoing to improve this further.

Business Plan

The Fund's decision-making body, the Strathclyde Pension Fund Committee agrees an annual business plan to identify immediate priorities and ensure that ongoing management and development of the Fund is in line with the longer-term policy, objectives and strategy. The plan sets out resource requirements, Key Performance Indicators (KPIs) and business and development priorities for the coming year. Implementation of agreed investment changes, review of DIP, review of the Risk strategy, and review of GCoP – all described above – were business priorities for the year, all successfully completed. Other priorities, including 3 separate IT projects, suffered from some delays, but in general good progress was made.

Outlook

The immediate outlook at the balance sheet date of 31st March 2025 was clouded by the looming spectre of President Trump's Liberation Day tariffs. Shortly after the year end these were duly announced, confirmed, revised, countered, paused, and held to be illegal. Markets reacted dramatically to all this with a very sharp drop and this did impact SPF asset values, but not to any troubling degree. Markets recovered quickly. This time. That will not be the end of the story, but this episode is illustrative of a new uncertainty which faces markets, global policymakers, companies and – perhaps to a lesser extent – pension funds.

Conclusion

Uncertainty has grown, and managing that uncertainty is a challenge, particularly for a defined benefit fund where the certainty that members enjoy in respect of their future benefits places the onus on the fund to ensure risk mitigation, sustainability and stability. That is what we did in the year just finished. That is what SPF has done for 50 years now. That is what we will continue to do as we move into the next chapter of our story. With an opening balance of **£31.3bn**.

Councillor Richard Bell
City Treasurer
Glasgow City Council and Convener Strathclyde Pension Fund Committee

Susanne Millar
Chief Executive
Glasgow City Council

Robert Emmott
Executive Director of Finance
Glasgow City Council

Key Trends

Membership and Member Transactions

Members	2020/21	2021/22	2022/23	2023/24	2024/25
Employers	164	159	152	146	141
Employee Members	109,359	111,804	114,178	113,988	113,519
Deferred Members	65,334	67,744	72,811	78,219	78,685
Pensioners	83,685	87,052	90,102	93,962	98,598
Total Members	258,378	266,600	277,091	286,169	**290,802**
Transactions	**(£000)**	**(£000)**	**(£000)**	**(£000)**	**(£000)**
Employer Contributions	493,978	524,771	551,379	635,958	252,530
Employee Contributions	150,663	159,678	170,373	189,994	186,552
Lump Sums Paid	(135,384)	(158,084)	(168,524)	(209,525)	(243,999)
Pensions Paid	(507,304)	(523,399)	(560,454)	(617,969)	(686,802)
Other Income / (Payments)	(20,705)	13,339	3,062	(2,868)	178,923
Net Transactions	**(18,752)**	**16,305**	**(4,164)**	**(4,410)**	**(312,796)**

Total pensions paid over the 5 years amounted to **£2,896m**.

Total lump sums paid over the 5 years amounted to **£916m**.

Total contributions income was **£3,316m**.

Notable changes to previous trend this year include a reduction in employee members and a sharp reduction in employer contributions.

Investments

	2020/21 (£000)	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)
Opening Value	20,940,681	26,353,643	28,366,012	27,871,526	30,568,878
Investment Income (Net)	327,235	377,583	408,472	491,391	516,913
Management Expenses	(210,383)	(173,757)	(166,195)	(190,990)	(204,365)
Member Transactions	(18,752)	16,305	(4,164)	(4,410)	(312,796)
Change in Value	5,314,862	1,792,238	(732,599)	2,401,361	703,190
Closing Value	**26,353,643**	**28,366,012**	**27,871,526**	**30,568,878**	**31,271,820**

Investment figures above show an increase in total Fund value of **+49.3%** over the 5 years. Investment return was +**8.6% p.a.**

Total change in value was **£10,331,139m**.

It is worth noting that the opening value was after a sharp market drop as a result of the onset of COVID in March 2020.

Only one year out of the 5 saw a fall in value.

Total investment income was **£2,121,594m**.

Cash Flow Forecast

The figures below provide an estimate of annual cash flows over the next 10 years.

2024/25 figures are per the fund account.

Forecasts are based on actual cash flows to 2023/24 together with part-year cash flows for 2024/25.

	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)
Pensions Income	651,034	476,092	869,102	899,905	953,182	1,009,599
Pensions Expenditure	963,830	953,395	1,007,453	1,064,721	1,125,394	1,189,679
Net Pensions Cash Flow	**-312,796**	-477,303	-138,351	-164,816	-172,212	-180,080
Net Investment Income	516,913	376,737	394,867	414,634	433,488	455,883
Net Cash Flow	**204,117**	-100,566	256,516	249,818	261,276	275,803

		2030/31 (£000)	2031/32 (£000)	2033/34 (£000)	2034/35 (£000)	2035/36 (£000)
Pensions Income		1,069,337	1,132,589	1,199,564	1,270,474	1,345,552
Pensions Expenditure		1,257,795	1,329,975	1,406,466	1,487,531	1,573,448
Net Pensions Cash Flow		-188,458	-197,386	-206,902	-217,057	-227,896
Net Investment Income		479,424	504,167	530,174	546,081	562,467
Net Cash Flow		290,966	306,781	323,272	329,024	334,571

There was a sharp reduction in income in 2024/25 as a result of the revised contributions strategy agreed at the 2023 actuarial valuation – though this was offset by a non-recurring transfer in as a result of SFRS consolidation. The income profile will be similar in 2025/26, though without the offset, before increasing in 2026/27.

Cash flows are monitored and managed on an ongoing basis within SPFO, and reviewed regularly by the Investment Advisory Panel to agree actions to fund benefits as necessary.

Key factors in this monitoring are that:

- investment Income shown includes distributed income only. The majority of income is earned and re-invested within pooled investment vehicles, but most of this could be made available for distribution to the Fund if required.
- Around 50% of investment assets are considered liquid. This figure comprises listed global equities and multi-asset passive pooled funds which, on a phased basis, can be realised within 14 days (sufficient to accommodate decision, instruction to managers, trade and settlement).
- Any shortfall in net pensions cash flows can easily be covered from some combination of:
  - investment cash deposits
  - investment income and/or
  - sale of liquid investments.

2

Governance

Who manages Strathclyde Pension Fund?

Given the size and complexity of the Strathclyde Pension Fund there are a large number of decision makers, advisers and practitioners involved in running it. The key roles are illustrated and described in the following pages.

Who manages Strathclyde Pension Fund?

Strathclyde Pension Fund Governance

Glasgow City Council is the administering authority responsible for managing the Fund. Glasgow City Council's **Strathclyde Pension Fund Committee** is the main decision-making body for the Fund.

The **Committee Sounding Board** reviews proposals before they are considered by the Committee for decision.

The **Pension Board** assists the Committee in securing compliance with the regulations, other legislation, and the requirements of the Pensions Regulator.

The **Executive Director of Finance** is the responsible officer.

The **Director of Strathclyde Pension Fund** is the principal adviser to the Committee and to the Board and is the senior officer within the **Strathclyde Pension Fund Office (SPFO)** which administers the scheme, manages the Fund and implements Committee decisions.

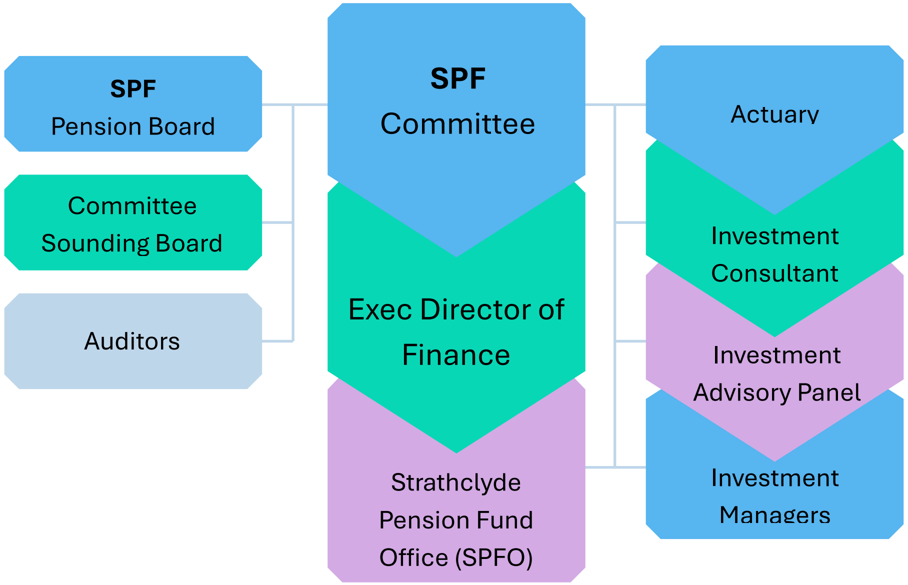
The **actuary** provides advice on funding strategy and risk. The **investment consultants** provide advice on all aspects of investment objectives, strategy and structure.

The **Investment Advisory Panel** develops investment strategy and monitors investment performance.

The **internal auditors** review risk, controls, and governance.

The **external auditors** express an opinion on the financial statements and wider issues including financial management, sustainability, governance, and use of resources.

The **investment managers** manage the Fund's investment portfolios.



Who manages Strathclyde Pension Fund?

Strathclyde Pension Fund Committee

The Committee comprises 8 elected members of Glasgow City Council. Councillor Catherine Vallis replaced Jim Kavanagh in November. There were no other changes during the year. Committee membership as at 31st March 2025 is shown below.

Councillor Richard Bell (Convener)

Councillor Abdul Bostani

Councillor Jill Brown

Councillor Martha Wardrop (Vice-Convener)

Bailie Elaine Gallagher

Councillor Allan Gow

Councillor Catherine Vallis

Councillor Ruairi Kelly

Glasgow City Council's **Strathclyde Pension Fund Committee** is the main decision-making body for the Fund.

Current committee membership is shown in the Governance area of the Fund's website. The Council and the Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee.

Under its Terms of Reference, the Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Strathclyde Pension Fund in terms of the Local Government (Scotland) Act 1994 and the Public Service Pensions Act 2013.

Committee members may also be scheme members either under the provisions for Councillor membership or as a result of previous service as employee members or both.

Committee Attendance 2024/25	
Richard Bell	4/4
Abdul Bostani	4/4
Jill Brown	4/4
Elaine Gallagher	3/4
Allan Gow	3/4
Jim Kavanagh	0/2
Ruairi Kelly	2/4
Catherine Vallis	2/2
Martha Wardrop	4/4

Strathclyde Pension Fund Board

The Local Government Pension Scheme (Governance) (Scotland) regulations require each administering authority to establish a board with responsibility for assisting in relation to securing compliance with:

- the regulations and other legislation relating to the governance and administration of the Scheme; and
- requirements imposed in relation to the Scheme by the Pensions Regulator.

A Pension Board has to comprise an equal number of representatives appointed by scheme employers and relevant trade unions.

Pension Board membership was renewed following council elections in May 2022.

There were no changes to membership during the year.

As at 31st March 2025 the Strathclyde Pension Fund Board membership comprised:

Employer Representatives		Trade Union Representatives	
Cllr Ian Davis	South Ayrshire Council	**Scott Donohoe**	UNISON
Darren Patterson	Scottish Police Authority	**Thomas Glavin**	UNITE
Cllr Martin Rooney	West Dunbartonshire Council	**Stephen Kelly**	UNISON
Cllr Sandy Watson	North Lanarkshire Council (Chair)	**Andrew Thompson**	GMB (Chair)

The Pension Board meets at the same place and time as the Pension Committee

The Joint Secretaries to the Pension Fund Board were:

Employers		Trade Unions	
Morag Johnston	Glasgow City Council	**Scott Donohoe**	UNISON

In accordance with the regulations the Pension Board meets at the same place and time as the Pension Committee to consider the same agenda as the Committee. The Chair of the Pension Fund Committee acts as Chair of that meeting. The Pension Board also meets separately from the Pension Committee with the agreement of the Pension Committee.

Board Attendance 2024/25

Ian Davis	8/8
Darren Patterson	1/8
Martin Rooney	0/8
Sandy Watson	8/8
Scott Donohoe	8/8
Thomas Glavin	4/8
Stephen Kelly	8/8
Andrew Thomson	5/8

Sounding Board

Since 2009 the Strathclyde Pension Fund Committee has maintained a working group or Sounding Board drawn from its membership. The main function of the Sounding Board is to review proposals before they are considered by the Committee for decision – in particular investment proposals for the Direct Impact Portfolio and proposals relating to development of investment strategy. Sounding Board membership was renewed following council elections in May 2022.

As at 31st March 2025 the Sounding Board membership comprised:

Cllr Richard Bell (Convener)

Cllr Martha Wardrop (Vice-Convener)

Cllr Jill Brown

Investment Advisory Panel

The Investment Advisory Panel is responsible for:

- developing investment strategy
- monitoring investment performance
- funding level monitoring
- assisting in the selection and appointment of investment managers

- setting and reviewing detailed investment mandate terms and guidelines
- assisting with strategic development of DIP to ensure that it complements and/or enhances the overall investment strategy
- assisting with development of the responsible investment and climate change strategies to ensure that they are consistent with the overall investment and funding strategies
- implementation of the rebalancing strategy and the relative value framework
- monitoring cash flows
- implementation of the private equity, private debt and global real estate programmes.

The Investment Advisory Panel membership comprises investment officers from the Fund and representatives from Hymans Robertson as the Fund's actuary and investment consultant together with 3 independent expert advisers:

Iain Beattie qualified as an actuary and had a 20 year career in investment management at a number of Scottish investment houses. His roles included Portfolio Manager, Director, Head of International Equities, and Deputy Chief Investment Officer. He subsequently spent 10 years as a Senior Investment Consultant in Edinburgh and London.

Geoffrey Wood is Emeritus Professor of Economics at the Business School, City University, London and Emeritus Professor of Monetary Economics at the University of Buckingham. He has worked at the Federal Bank of St. Louis and the Bank of England. He has advised several central banks, national treasuries, pension funds and other financial institutions.

Alistair Sutherland joined the Panel in March 2022. He spent more than 30 years in the investment industry in roles including investment analyst, researcher, consultant, and director and head of business development.

Strathclyde Pension Fund Office (SPFO)

SPFO is a division of Glasgow City Council's Financial Services Department.

The Executive Director of Finance oversees the department and is the Proper Officer responsible for the Strathclyde Pension Fund.

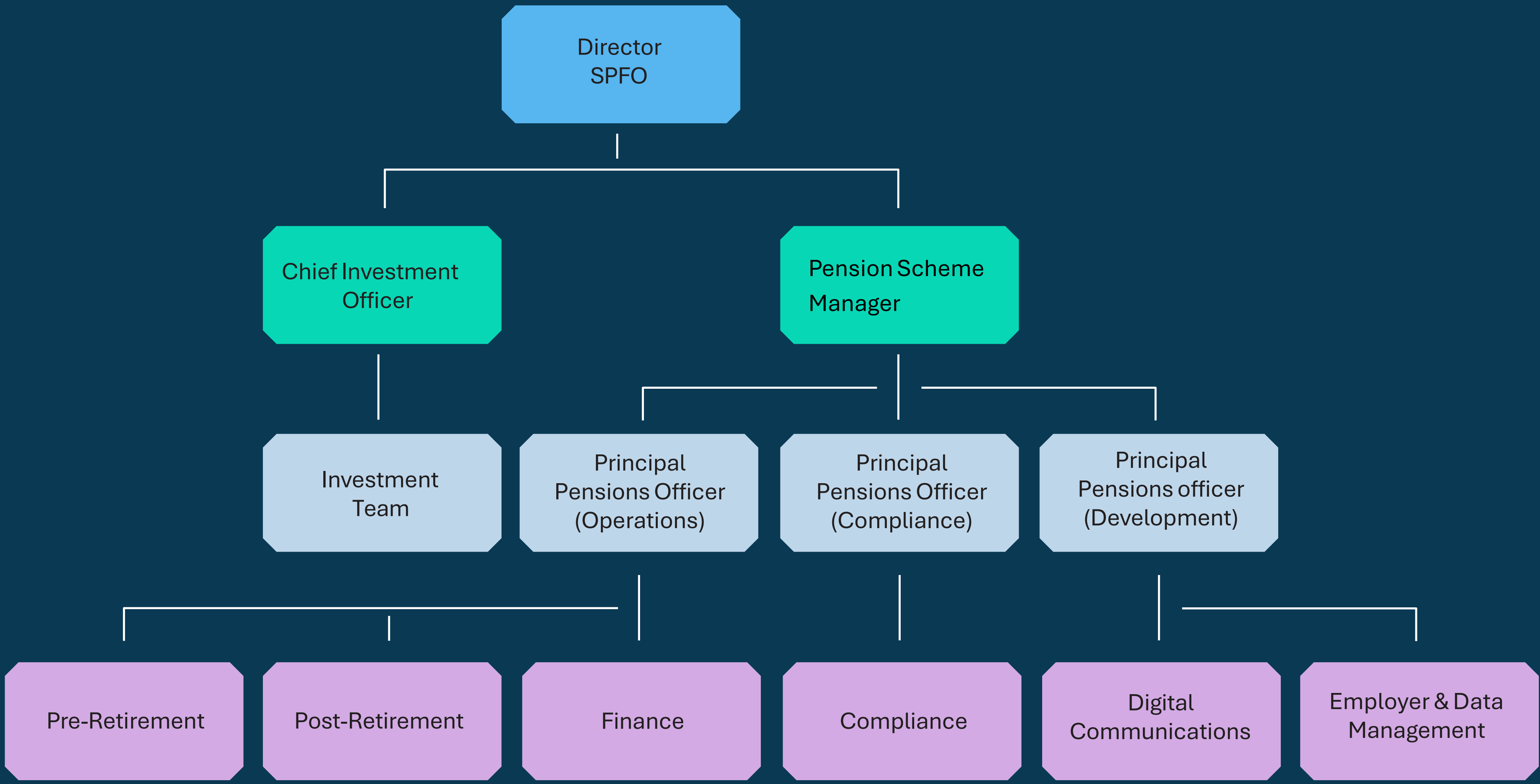
SPFO is overseen by its own Director and Leadership Team, and had **98** staff in post as at 31st March 2025.

The SPFO Leadership Team comprises:

Richard McIndoe	**Director**
Jacqueline Gillies	**Chief Investment Officer**
Linda Welsh	**Pension Scheme Manager**

The SPFO structure is illustrated below.

Who manages Strathclyde Pension Fund?



Who manages Strathclyde Pension Fund?

Investment Managers and Other Services Providers as at 31st March 2025

The Investment Managers are responsible for:

- portfolio management including individual decisions on purchase, retention and sale of investments.
- decisions on corporate actions and corporate governance (proxy voting).
- responsible investment activity including analysis and engagement with portfolio companies.

Investment Managers

Benefit Street Partners Alentra
Ashmore
Barings
Baillie Gifford
DTZ Investors
Fidelity International
Genesis
ICG
J.P.Morgan Asset Management
Lazard Asset Management
L&G
Lombard Odier Investment Managers
OHA
OP Oldfield Partners
Pantheon
Partners Group
PIMCO
RBC BlueBay Asset Management
Ruffer
Veritas Asset Management

Other Services Providers

EY	Audit of accounts
Avison Young	Property portfolio valuation
CMS law·tax·future	Legal services (Property)
Glasgow City Council	Corporate support services
Hymans Robertson	Actuarial services
Hymans Robertson	Investment consultancy
MSCI	Carbon footprinting
Northern Trust	Global custody
Northern Trust	Performance measurement
Pinsent Masons	Legal services
Pru part of M&G plc	AVC provider
RBS	Banking Services
Morningstar Sustainalytics	ESG engagement

Training

Training Policy, Practice and Plan

Policy Statement

Glasgow City Council, as administering authority for the Strathclyde Pension Fund, recognises the importance of ensuring that all staff and members charged with financial administration and decision-making with regard to the Fund and the local government pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Council therefore seeks to utilise individuals who are both capable and experienced and will provide or arrange training for staff and members of the pensions decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Practice Statement

Glasgow City Council, as administering authority for the Strathclyde Pension Fund, adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

The Council recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.

Accordingly the Council will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.

These policies and practices will be guided by reference to the comprehensive framework of knowledge and skills requirements as set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

Annual Report 2025

The Council will report on an annual basis how these policies have been put into practice throughout the financial year.

The Council has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Executive Director of Finance, who will act in accordance with the Council's policy statement, and with CIPFA Standards of Professional Practice (where relevant).

Training Plan

The Committee agrees an annual training plan to ensure that all staff, Committee members and Board members with a role in the management and governance of the Strathclyde Pension Fund are fully equipped with the knowledge, skills and understanding to discharge the duties and responsibilities allocated to them.

The 2024/25 training plan was agreed at the Committee's meeting on 26th June 2024.

Training offered and delivered during the year included the following.

- Induction training for new Committee and Board members. Based on the CIPFA Knowledge and Skills Framework this covers the key elements of: pensions legislation and guidance; pensions governance; funding strategy and actuarial methods; pensions administration and communications; pensions financial strategy, management, accounting, reporting and audit standards; investment strategy, asset allocation, pooling, performance and risk management; financial markets and product knowledge; pensions services procurement, contract management and relationship management.
- Committee/ Board Briefings on:
  - Investment Strategy – Credit Strategies (Hymans Robertson)
  - The Pensions Regulator – General Code of Practice (Hymans Robertson)
  - Economic and Market Update (Legal & General Investment Management)
  - Actuarial Update (Hymans Robertson)

- Committee/ Board Workshops on:
  - Direct Investment Portfolio (including presentation from Scottish Equity Partners)
- Attendance at external events:
  - LGC Investment Seminar Scotland 2024
  - Scottish Seminar on the Gender Pensions Gap
  - SAB Scotland Good Governance Seminar
  - PLSA Investment Conference 2025
  - A sustainable Future for the Scottish LGPS
- Support in completing The Pensions Regulator's Public Service Toolkit

In addition, many agenda items considered at Committee and Board meetings are to note, for information.

Risk Management

Risk policy & Strategy

Risk is the chance that an action or event might happen and that it could have an impact on SPF's ability to achieve its objectives. No organisation can completely eliminate risk. This is particularly so for a pension fund:

- SPF exists to pay future pension benefits;
- the future is inherently uncertain;
- there is therefore a risk that the investment assets of the Fund will be less or more than the pension liabilities.

That risk is managed through the Funding Strategy. Other risks are managed through the investment, administration, governance and communications strategies.

In March 2025, the SPF Committee agreed an updated Risk Policy & Strategy Statement.

The statement sets out a common basis for risk management across the Fund's strategies.

The risk policy will be reviewed again during 2027/28.

Risk management process

The risk management process should be a continuous cycle as illustrated opposite.

The SPF risk management strategy sets out how each element of the process will be addressed so that risks are eliminated, transferred or controlled as far as possible.

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Risk Management

Risk identification and recording

A detailed risk register is maintained and is central to risk management.

The risk register records:

- risk Ref.
- risk description (Risk/ Cause/ Effect)
- related objective
- risk category
- inherent (pre-control) risk scoring
- controls and mitigating actions
- residual (post-control) risk scoring
- previous risk scoring
- ownership

The register provides a simple, systematic and consistent basis for analysis, understanding, communication, management, monitoring and reporting of risks.

Risk analysis and assessment

Having identified potential risks, the next stage of the process is to analyse and profile each of them. This is illustrated in the risk tolerance matrix below, which also shows the distribution of risks recorded in the SPF register as at 31st March 2025.

Risk matrix as at 31st March 2025

Total Risks	Very High Risks	High Risks
36	0	4

Impact

Probability			1 Negligible	2 Minor	3 Moderate	4 Major	5 Critical
5	Almost Certain	80%–100%					
4	Likely	60%–80%		2	3		
3	Possible	35%–60%	1	9	7	1	
2	Unlikely	15%–35%		4	3	5	
1	Rare	0%–15%			1		

← significant risk zone

Changes since 31 March 2024

New	-
Increased	-
Decreased	-
Closed	-
Static	-

There were no changes to risk ratings during the year, but risk reports have highlighted changes in the risk environment. Changes in government in both the UK and the US in the last year look set to bring significant changes for UK domestic pensions policy and for the global economy.

Response to risk

Residual risks may be tolerated, treated, transferred or terminated. In practice, most will be treated. Controls and mitigating actions are shown in the risk register.

Risk monitoring and reporting

Regular review of the risk register is central to risk monitoring. The register is reviewed by:

- the SPFO Leadership Team at least quarterly; and
- the SPF Committee and Board at least annually (a summary is reviewed quarterly).

Note: individual events such as the COVID-19 pandemic and Russia's invasion of Ukraine are not considered as separate risks in the risk register. Instead, the impact of these on all other risks is considered, and risk scores amended as required.

Risk integration

Risk should not just be considered as a stand-alone issue. It should be an integral part of strategic and operational planning and management.

Consideration of risk forms part of established routines for monitoring and development within SPFO's administration, communications, investment and funding functions.

Further information

Additional information on funding risk is included in the Funding Strategy Statement.

Additional information on investment risk is included in the Statement of Investment Principles.

The Pension Administration Strategy describes the approach to administration risk including late payment of contributions (though in practice this is relatively rare) and data improvement.

Cyber risk is overseen by the SPF Cyber Security Group.

Notes to the attached Financial Statements include analysis of the nature and extent of risks arising from financial assets and liabilities and financial instruments.

The Annual Audit Report on audit of SPF accounts, the Annual Internal Audit Report, and Annual Governance statement all provide further assurance. SPF has undertaken to carry out an assurance mapping exercise during 2025/26.

Risk management

The principal risks in terms of their residual ranking as at 31st March 2025 are summarised below.

Title	Description	Mitigation / Control	Residual Impact (/5)	Residual Probability (/5)	Residual Score (/25)	Movement since 31 Mar 2024
System Failure	**RISK:** Issues with pensions administration system and other related systems. **CAUSE**: Outages, hardware and software failure, cyber attack. **EFFECT:** Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.	Access controls, firewalls and other system security measures. Robust system maintenance routines. Internal and external systems support. Back-up procedures. Business Continuity Plan. Business Impact Assessments.	4	3	**12**	▬
Scheme regulation change	**RISK:** Failure to comply with changes to scheme regulations and other pensions legislation. **CAUSE:** Political or legislative **EFFECT:** Increasing administrative complexity, paying inaccurate benefits, or providing inaccurate information, potential issues with the Pensions Regulator, and reputational damage.	The Administering Authority is alert to scheme developments. Officers participate in various scheme and industry groups (SPLG, IGG, SAB, CIPFA, PLSA, etc.) SPFO is a test site for software upgrades to reflect regulation changes.	3	4	**12**	▬

Data Breach	**RISK:** Theft or loss/misuse of personal data. **CAUSE:** Cyber attack, human error, process failure. **EFFECT:** Breach of data protection legislation including GDPR, financial loss and/or penalties, audit criticism, legal challenge, reputational damage, financial penalties.	SPF compliance with GCC GDPR procedures; system security; secure data transfer; data sharing agreements (these are in place with larger employers and many but not all of the smaller ones, leaving some residual risk which is tolerated); staff awareness.	3	4	**12**	
Breach of statutory reporting guidelines	**RISK:** Breach of statutory reporting guidelines. **CAUSE:** Failure to produce compliant accounts by deadline. Failure of audit process. **EFFECT:** Regulatory criticism, business disruption and reputational damage.	Rigorous planning and project management within SPFO; support from Corporate Finance.	3	4	**12**	

Business Plan

Each year, the Strathclyde Pension Fund Committee is asked to agree a business plan. The plan sets out objectives, resourcing requirements, key performance indicators, and business and development priorities for the Fund for the coming year. The 2024/25 plan was agreed in March 2024. The table below provides a final review of progress made during the year in respect of the business and development priorities listed in the plan.

Item	Description	Progress	RAG Status
Governance			
Risk Policy	Review SPF risk policy.	Originally due to complete by December 2024. Delayed, but approved by SPF Committee in March 2025.	**Complete**
TPR GCoP	Review new TPR General Code of Practice in order to ensure SPFO compliance.	Compliance checker purchased from Hymans Robertson, and used for gap analysis. Briefing, and report on outcomes and actions delivered to SPF Committee at September meeting. Internal audit to review and report by June 2025.	**Complete**
Investments			
Investment Strategy and Structure	Implement changes agreed as part of 2023/24 review.	Main strategic changes, including passive equity transition to climate transition indices, equity reduction, and switch to gilts completed early in year. Corporate bond switch to buy and hold complete. RBC appointed for emerging markets equity mandate, and funded to initial allocation target. Corporate bond switch to low carbon transition index scheduled for Q2/2025. Work ongoing on liquidation of Fidelity emerging markets holding.	**Largely complete**
DIP	Review of Direct Impact Portfolio strategy and structure.	Final report approved at November meeting of SPF Committee. Main recommendations: an increase in target size from **5%** to **7.5%** of total assets; and an increased return requirement – minimum **6.5% p.a.**	**Complete**
TCFDs	Preparation for publication of revised Climate-related Financial Disclosures	Regulation/guidance awaited but not issued during 2024/25. Revised Net Zero Investment Framework and UK stewardship Code are being reviewed meantime.	**Ongoing**

Item	Description	Progress	RAG Status
Pensions Administration			
McCloud Remediation	Implementation phase of McCloud remedy to address age discrimination in the LGPS 2015 transitional protections.	Regulations in place from late 2023. Guidance published during 2024. Finalisation of Remedy Period data for all members in scope (c.65,000) completed at 2023/24 year end. Ongoing checking of McCloud impact for deferred and active members now business as usual. c.400 payment revisions for current pensioners to be processed by November 2025. Content of benefit statements to be reviewed in 2025. Payment revisions for other statuses (transfers out, deaths) to be progressed during 2025/26.	**In progress**
Data Services	Review of member data services arrangements and contract.	Tender for new contract issued in July. Abandoned in August due to multiple issues with bids received and award criteria. Re-issued on revised basis in late September and award to Heywood approved at November committee. Implementation in progress.	**Complete**
ICT Arrangements	Review arrangements including hosting arrangements and Heywood contract(s) in light of GCC Future of ICT project.	Aim was to achieve clarity on future arrangements by March 2025. Heywood contract was extended for 5 years to achieve this. SPF also completed positive appraisal of benefits of Heywood cloud-hosting, based on information from other LGPS funds, but clarification of costs and contractual arrangements was still required from SIIT/CGI. Neither party were readily responsive.	**In Progress**
Communications			
SPF 50	Preparations for SPF 50th anniversary in 2025 including key messages, re-branding, and communications deliverables.	Bright Signals appointed in January to provide design support including new branding and deliverables. Delivered shortly after year end.	**Complete**

Item	Description	Progress	RAG Status
Emerging Priorities			
SFRS Consolidation	Scottish Fire and Rescue Service to consolidate its Scottish LGPS membership from 8 funds into one - SPF.	Hymans Robertson appointed to provide project oversight. Transfer planned in 2 tranches. Tranche 1 completed successfully in November/December. Tranche 2 completed successfully in February/March.	**Complete**
Annual Report	New guidance on LGPS annual reports published during year and adopted by Scheme Advisory Board in Scotland.	SPF compliance reviewed with a view to adopting as far as possible starting with 2024/25 annual report. Entailed additional data gathering and reporting, in particular in respect of administration KPIs.	**Complete**
Member Self Service	Migration to new *Heywood Engage* platform.	Current platform will no longer be supported after 2025. Targeting transfer and go-live in Q2/2025, but extensive delays to SPF testing due to CGI failure to provide test environment.	**In Progress**

Overall progress against these priorities was very good with several major projects – DIP review, Risk Register review, investment implementation, and review of TPR GCoP compliance all completed successfully. Others, including review of data services and 2 IT projects made progress but did suffer delays as a result of third parties.

Progress against KPIs set out in the business plan is reported to the SPFD Committee quarterly, and is summarised in the investment, administration, and communications sections of this annual report.

Governance Compliance Statement for the year to 31st March 2025

This is a summary assessment of the Fund's governance arrangements prepared in accordance with regulation 53(1) of the Local Government Pension Scheme (Scotland) regulations 2018.

Delegation

Glasgow City Council delegates all of its functions as administering authority under the scheme regulations to the Strathclyde Pension Fund Committee.

Terms and Structure

The committee comprises 8 elected members of Glasgow City Council. The Committee's Terms of Reference, structure and operational procedures are set out on the Council's website: Strathclyde Pension Fund Committee

Voting

All committee members have full voting rights.

Pension Board

The Strathclyde Pension Fund Pension Board is established under regulation 5 of the governance regulations and includes both employer and trade union representatives. The Board meets alongside the Committee in accordance with the governance regulations. Employer members include both local authority and other employer representatives. The trade union members represent employee, deferred and pensioner members. The Board has its own Constitution which can be found on the Strathclyde Pension Fund Board page of the Fund's website.

Training /Facility Time /Expenses

A training policy, practice statement and plan are agreed each year. These apply equally to the Committee and Board. Training logs are maintained for Committee and Board members.

Meetings (Frequency/Quorum) and Access

The Committee and Board meet at least quarterly. Strathclyde Pension Fund Committee papers are available on the Glasgow City Council website. Board papers are available on the SPF website. An Annual General Meeting is held, usually in June, and is attended by a wide group of stakeholders.

Scope

Regular reports considered by the Committee and Board include coverage of:

- scheme administration;
- scheme developments;
- investment performance;
- investment strategy;
- stewardship, responsible investment and climate change strategy;
- finance;
- funding;
- risk;
- audit;
- the Fund's business plan; and
- *ad hoc* reports on other pensions issues.

Publicity

The Fund's website at www.spfo.org.uk has a section dedicated to governance.

Conclusion

The Fund's governance arrangements are fully compliant with the scheme's governance regulations. The arrangements also comply with guidance given by the Scottish Ministers with one exception. The exception is that there is no provision for a member of the Board to be a member of the Committee. The guidance pre- dates the governance regulations and does not reflect the current mandatory arrangement where the Board and Committee meet at the same time and in the same place.

Annual Governance Statement 2024/25

1. Role and responsibilities

Glasgow City Council ("the Council") has statutory responsibility for the administration of the Local Government Pension Scheme ("LGPS") in the West of Scotland, both on its own behalf and in respect of the other 11 local authorities in the former Strathclyde area, and around 140 other large and small employers.

The main functions are management and investment of the Strathclyde Pension Fund and administration of scheme benefits. These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972 and Public Service Pensions Act 2013.

Glasgow carries out its role as Administering Authority via:

- the Strathclyde Pension Fund Committee and Strathclyde Pension Fund Board;
- the Strathclyde Pension Fund Office (SPFO), a division of the Council's Financial Services Department;
- the Strathclyde Pension Fund (the Fund).

2. Delegation

The function of maintaining the Strathclyde Pension Fund is delegated by the Council to its Strathclyde Pension Fund Committee. Certain parts of the function are further delegated to the Executive Director of Financial Services and the Director of Strathclyde Pension Fund as set out in the Fund's Statement of Investment Principles and Administration Strategy. The Fund's policy documents are available in the Publications area of its website at: www.spfo.org.uk

3. Terms of delegation

The terms, structure and operational procedures of delegation are set out in the Council's Scheme of Delegated Functions and Standing Orders. These are available at: Key Corporate Governance Policy Plans - Glasgow City Council

4. Committee meetings

Meetings of the Strathclyde Pension Fund Committee are held quarterly. Occasional ad hoc meetings are also held as required. Committee meeting dates are listed in the Council Diary which is available at: Committee Calendar

5. Representation

The Strathclyde Pension Fund Committee is comprised solely of elected members of Glasgow City Council.

6. Compliance

The Committee arrangements were compliant with guidance provided by Scottish Ministers. The extent of this is detailed in the Strathclyde Pension Fund – Governance Compliance Statement included in the Fund's annual report.

7. Pension Board

The Strathclyde Pension Fund Board was established on 1st April 2015 in terms of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, replacing the previous Representative Forum. The Strathclyde Pension Fund Board is comprised of representatives from the Fund's principal employers and trade unions.

8. Scope of responsibility

As the administering authority for the Fund, the Council is responsible for ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Strathclyde Pension Fund Committee is responsible for putting in place proper arrangements (known as the governance framework) for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has a Local Code of Corporate Governance (the Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code is currently under detailed review, taking into account the 2025 Addendum to the Delivering Good Governance Framework, and is expected to be concluded by end 31 March 2026. The current version remains relevant and evidences the Council's commitment to achieving good governance and demonstrates how it complies with recommended governance standards.

The work of the Strathclyde Pension Fund is governed by the Code and by regulations specific to administration of pension funds. The Strathclyde Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation and production of a number of key policy documents including a Funding Strategy Statement and Statement of Investment Principles. These documents set out the

Fund's objectives together with the main risks facing the Fund and the key controls in place to mitigate those risks. A Risk Register is maintained to facilitate detailed risk monitoring, and an annual Business Plan is produced to agree development and business priorities. All of these documents are available at the Fund's website at: www.spfo.org.uk

The Council's Executive Director of Financial Services is responsible for arranging the proper administration of the financial affairs of the Strathclyde Pension Fund and is professionally qualified and suitably experienced to lead the finance function. The Strathclyde Pension Fund complies with the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government 2016*".

The Strathclyde Pension Fund complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Organisations 2019". Glasgow City Council's Head of Audit and Inspection has responsibility for the Strathclyde Pension Fund's internal audit function and is professionally qualified and suitably experienced to lead and direct internal audit staff. The Internal Audit service has been subject to external verification of its compliance with the CIPFA "Public Sector Internal Audit Standards 2017" during 2020/21. It was confirmed that the Internal Audit service conforms with the requirements of the Public Sector Internal Audit Standards. The Internal Audit section also continues to hold BSi quality accreditation under ISO9001:2015.

These arrangements also include an internal audit of an internal control environment which should:

- safeguard the contributions made by employees and employers to provide funds to meet the future pension liabilities of the Fund's members,
- ensure control over the investment managers charged with growing the value of the Fund to meet future liabilities, and
- secure payment to the retired members of the Fund.

The Council has assessed its compliance with the CIPFA Financial Management Code (2019), which became mandatory from 2021/22 onwards. The Financial Management Code provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability. Council management undertook a self-assessment against the Financial Management Code during 2024/25, which confirmed overall compliance with the Code's requirements.

The Committee's terms of reference state that the Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Strathclyde Pension Fund in terms of the Local Government (Scotland) Act 1994, the Public Service Pensions Act 2013 and the scheme regulations. The Committee is also responsible for the governance arrangements including regulatory compliance and implementation of audit recommendations.

Due to the structure and nature of the Strathclyde Pension Fund, financial data is held and transactions processed via a number of different sources, systems and reporting mechanisms:

- Funding: long terms cash flows and financial requirements are assessed in the three-yearly actuarial valuations. A quarterly funding projection is also produced by the Fund actuary.
- Investment: day-to-day management of investments is outsourced to a number of external parties. Detailed investment records are maintained by the Fund's external investment managers and global custodian and summarised in regular investment reports.
- Administration: the Fund uses Altair, a bespoke LGPS administration system, for calculating and recording pensions benefits. Payments are made from the Fund's bank account, and the Council's SAP-based financial system is used for reporting.

Given the role of the external investment managers it is essential that the Fund obtains assurances on the adequacy of the internal financial control systems operated by them. The main source of this assurance is the annual audit report produced by each of the managers' independent service auditors. Fund officers obtain and review these reports for each of the investment managers and the global custodian, which is responsible for the safekeeping and servicing of the Fund's assets. Current practice is for the findings of these reports to be reported to the Strathclyde Pension Fund Committee only by exception where there are audit concerns.

As part of the investment monitoring, a reconciliation process is well established which involves the completion of a quarterly performance reconciliation and an accounting reconciliation by the custodian Northern Trust.

9. Review of effectiveness

The Council and the Strathclyde Pension Fund have systems of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of the Fund's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised.

A review of the Fund's governance framework is conducted on an annual basis by means of a self-assessment questionnaire based on the principles contained in the CIPFA/SOLACE Framework. Issued by Internal Audit it is designed to allow the Director of the Strathclyde Pension Fund to determine the extent to which the Fund complies with these principles. The accuracy of the responses to this questionnaire is reviewed and tested on a rolling basis by Internal Audit.

The Committee is responsible for ensuring the continuing effectiveness of the governance framework and system of internal control. The review of effectiveness is informed by the work of the Committee and SPFO, the Head of Audit and Inspection's annual report and by observations made by the external auditors. The conclusions of the review are reflected in the overall conclusion, which is documented at section 13 Certification.

10. Update on Significant Governance Issues Previously Reported

There were no significant governance issues in 2024/25 specific to the Strathclyde Pension Fund. The Council's governance statement in 2022/23, reported two significant governance issues relevant to the Strathclyde Pension Fund. The Strathclyde Pension Fund uses and relies on a number of the Council systems, processes and controls and the Council identified two significant issues in relation to the current IT arrangements and the SAP ERP system.

IT arrangements - The improvements required were outwith the control of the Strathclyde Pension Fund and were being progressed by the Council through an agreed action plan. Since then, considerable work has been undertaken to deliver improvements to the Council's security environment, including technical, governance, reporting and risk management aspects and whilst a number of higher risk areas are now mostly mitigated, there are other areas where remediation is still ongoing. Therefore, the Council Group, including the Strathclyde Pension Fund, remained exposed to risk in this area during 2024/25. Through the Road to Multi-Source Strategy (R2MS), the Council will continue to work with Managed Service Providers to mitigate the risks, in this complex and ever-changing area, as much as possible during 2025/26.

SAP ERP system - In January 2023, a failed update to the Council's SAP ERP system resulted in a significant period of downtime for this key system, impacting Accounts Payable/Receivable, Payroll, Treasury and Banking, and Financial Ledger reporting. This also impacted on the ability to report financial performance between January and March 2023. The system has been fully functional throughout 2023/24 and 2024/25 with no similar issues experienced. All management actions identified following the incident have also now been implemented.

11. Significant Governance Issues 2024/25

Glasgow City Council's Head of Audit and Inspection has confirmed that there are no new significant governance issues that require to be reported as a result of the planned assurance work undertaken by Internal Audit at the Strathclyde Pension Fund in 2024/25.

12. Internal Audit Opinion

During 2024/25 the following assurance reviews were undertaken:

- Compliance with the General Code of Practice, and
- Pension Payroll Process.

Based on the audit work undertaken, the assurances provided by the Executive Director of Financial Services and the Director of Pensions, and excluding the issues noted above, it is the Head of Audit and Inspection's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2024/25.

13. Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance that operated in the Strathclyde Pension Fund during 2024/25. The work undertaken by Internal Audit has shown that the arrangements in place are generally operating as planned. We consider the governance and internal control environment operating during 2024/25 to provide reasonable and objective assurance that any significant risks impacting on the Fund's ability to achieve its objectives will be identified and actions taken to avoid or mitigate the impact.

Where areas for improvement have been identified and action plans agreed, we will ensure that they are treated as priority and progress towards implementation is reviewed by the Strathclyde Pension Fund Leadership Team, Board and Committee.

We will continue to review and enhance, as necessary, our governance arrangements.

Councillor Richard Bell
City Treasurer
Glasgow City Council and Convener Strathclyde Pension Fund Committee

Susanne Millar
Chief Executive
Glasgow City Council

3

Funding

Funding

The Local Government Pension Scheme regulations require each administering authority to obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March in every third year. The regulations require each administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out their funding strategy. The most recent actuarial valuation of the Fund was completed as at 31st March 2023.

Funding

In completing the actuarial valuation the actuary must have regard to the current version of the administering authority's Funding Strategy Statement.

The actuarial valuation is essentially a measurement of the Fund's liabilities. The funding strategy deals with how the liabilities will be managed. In practice, review of the Funding Strategy Statement and completion of the actuarial valuation are carried out in tandem to ensure that the measurement and management processes are cohesive.

Members' benefits are guaranteed by statute. Members' contributions are set at a rate which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The funding strategy focuses on the pace at which these benefits are funded and on practical measures to ensure that employers pay for their own liabilities.

At the 2023 actuarial valuation, the actuary reported a funding position of **147%** (assets/liabilities). The following total employer contribution rates were certified for the Fund's Main Employer Group including the 12 local authorities.

•**6.5%** (of pensionable payroll) from 1st April 2024;

•**6.5%** (of pensionable payroll) from 1st April 2025; and

•**17.5%** (of pensionable payroll) from 1st April 2026.

In completing the valuation, the actuary assesses the particular circumstances of each employer including the strength of its covenant, and its individual membership experience within the Fund. The actuary applies individual adjustments to each employer to reflect these circumstances. Rates for individual employers are set out in the Rates and Adjustment Certificate contained in the actuary's final Valuation Report which is published on the SPFO website.

The Funding Strategy Statement was amended during the year as a result of a change to the scheme regulations around payment of exit credits to exiting employers. After employer consultation and with SPF Committee approval, the revised statement was published effective from 28th March 2025.

The next actuarial valuation and review of the Funding Strategy Statement will be carried out as at 31st March 2026 and must be completed by 31st March 2027.

The Fund has online access to a client portal provided by the actuary. This allows ongoing monitoring of the estimated progression of the funding level. As at 31st March 2025 this showed an indicative funding position of **174%**.

Funding Strategy Statement

As part of the 2023 actuarial valuation exercise, the Funding Strategy Statement was reviewed and the following revised statement was approved for publication in March 2024.

1. Introduction

Glasgow City Council is the administering authority for the Strathclyde Pension Fund. The Council delegates this responsibility to the Strathclyde Pension Fund Committee. The Council and the Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee in the private sector.

This statement sets out the approach to funding which the committee adopts in light of those duties. Further background details are set out in Schedule 1 of this statement.

2. Purpose of the Funding Strategy Statement(FSS)

Preparation and publication of the FSS is a regulatory requirement. The stated purpose is:

- to establish a clear and transparent fund- specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities. These objectives are desirable individually but may be mutually conflicting. This statement sets out how the administering authority balances the potentially conflicting aims of affordability and stability of contributions, transparency of processes, and prudence in the funding basis.

3. Aims and Purpose of the Pension Fund

The Fund is the vehicle for the delivery of scheme benefits.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income;
- invest monies in accordance with policy formulated by the administering authority; and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

The aims of the Fund are to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage employers' liabilities effectively;
- seek investment returns within reasonable risk parameters; and

- enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the employers and taxpayers while achieving and maintaining fund solvency and long term cost efficiency

The objectives of the funding strategy are consistent with these aims. The objectives are set out in Schedule 2 of this statement.

Preparation and publication of the Funding Strategy Statement is a regulatory requirement.The aims of the pension fund can only be achieved if all parties involved in its operation exercise their statutory duties and responsibilities conscientiously and diligently.

4. Responsibilities of Key Parties

The Fund is a multi-employer arrangement with 164 participating employers. The administering authority manages the Fund to deliver the scheme benefits and to ensure that each employer is responsible for its own liabilities within the Fund.

The responsibilities of the key parties involved in management of the Fund are set out in Schedule 3 to this statement.

5. Solvency and Long Term Cost Efficiency

Employer contribution rates are required to be set at an appropriate level to ensure the solvency of the Fund and long term cost efficiency of the scheme. In this context:

- **solvency** means that the rate of employer contributions should be set at such a level as to ensure that the scheme's liabilities can be met as they arise; and
- **long-term cost-efficiency** implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.These requirements are reflected in the funding objective.

Funding Objective

The funding objective is to ensure that sufficient funds are available to pay all members' pensions now and in the future. There are many inherent uncertainties in the funding process and a wide range of possible outcomes. It is acknowledged that the actual funding level will fluctuate as a result.

For measurement purposes the funding objective is formulated as: to achieve the funding target over the target funding period with an appropriate degree of probability. Under the 2023 funding strategy:

- The funding target (amount of assets compared to liabilities expressed as a percentage) is at least 100% using appropriate actuarial assumptions.
- the target funding period is the weighted average future working lifetime of the active membership – currently around 13 years for the whole Fund, but longer or shorter for different employers depending on their own membership profile; and
- the probability of achieving the target is at least 80%, and higher where possible.

For the Fund as a whole and for ongoing employers the funding level will be measured on an ongoing actuarial basis, taking advance credit for anticipated investment returns.

For employers whose participation in the Fund is to cease the funding level will be measured on a more prudent cessation basis and contribution rates will be set accordingly.The approach to funding strategy for individual employers including the policies on admission and cessation is set out in Schedule 4.

6. Contributions Strategy

The Fund uses a risk-based approach to setting employer contributions. This models thousands of possible future economic scenarios which allows the Fund to quantify the risk of an employer not meeting their funding target given a proposed contribution plan. The approach also seeks to ensure stability and affordability of contributions for employers while providing assurance that employer contributions are sufficient to meet the employer's funding target.

For ongoing employers with a good covenant the Fund adopts measures to stabilise the contribution rate and seeks to limit changes in the rate payable by them as far as possible. For employers with a less secure covenant or where participation in the Fund may cease, rates are set to minimise risk to the Fund and its other employers. The contributions strategy is set out in Schedule 5 to this statement.

7. Links to Investment Strategy set out inthe Statement of Investment Principles (SIP)

The investment strategy is set for the long term but is monitored continually and reviewed every 3 years using asset-liability modelling to ensure that it remains appropriate to the Fund's liability profile.

The Fund initially applies a single investment strategy for all employers but may apply notional or actual variations after agreement with individual employers.

Details of the investment strategy are set out in the Fund's Statement of Investment Principles which is available at www.spfo.org.uk

8. The Identification of Risks and Counter Measures

Risk management is integral to the governance and management of the Fund at a strategic and operational level. The Fund actively manages risk and maintains a detailed risk register which is reviewed on a quarterly basis.

Details of risk management are set out in the Fund's Risk Policy and Strategy Statement.

The key funding risks are set out in Schedule 6 to this statement

9. Actuarial Valuation as at 31st March 2023

Key figures from the actuarial valuation as at 31st March 2023 are set out in Appendix 7.

Schedules:

1. Background
2. Objectives of the Funding Strategy

3. Responsibility of Key Parties involved in management of Fund
4. Funding Strategy for individual employers
5. Contributions Strategy
6. Key financial, demographic, regulatory and governance risks
7. Statistical Appendix: key figures from the 2023 actuarial valuation.

   The schedules are not reproduced here. The full Funding Strategy Statement including schedules is available from the publications area of the SPFO website.

Actuarial Statement for 2024/25

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy (FSS). In summary, these are:

- to ensure the solvency of the Fund and the solvency of individual employers' share of the Fund;
- to ensure the long term cost efficiency of the scheme in order to secure as far as possible its affordability to employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to provide a framework for the investment strategy of the Fund;
- to help employers recognise and manage pension liabilities as they accrue;
- to inform employers of the risks and potential costs associated with pension funding;
- to minimise the degree of short-term change in the level of each employer's contributions where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers from an employer defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 was as at 31 March 2023. This valuation revealed that the Fund's assets, which at 31 March 2023 were valued at £27,872 million, were sufficient to meet 147% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2023 valuation was £8,902 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and with a probability measure of success as per the FSS. Individual employers' contributions for the period 1 April 2024 to 31 March 2027 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2023 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2023 valuation were as follows:

Financial assumptions	31 March 2023
Discount rate	5.0%
Salary increase assumption	3.4%
Benefit increase assumption (CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	19.8 years	22.5 years
Future Pensioners*	20.6 years	24.2 years

*Currently aged 45

Copies of the 2023 valuation report and Funding Strategy Statement are available on the Fund's website at www.spfo.org.uk.

Experience over the period since 31 March 2023

Markets reflected wider volatility during 2023, impacting on investment returns achieved by the Fund's assets. However, asset performance improved in 2024 and early 2025. The recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however generally lower than expected asset returns were experienced in the month immediately prior to this. Continued high levels of inflation in the UK also resulted in a higher than expected LGPS benefit increase of 6.7% in April 2024. However, inflation has begun to return towards historical levels and the Bank of England's target (2% pa), with LGPS benefit increases lowering to 1.7% in April 2025. Overall, the funding level of the Fund is higher than reported at the previous formal valuation at 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2026. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA
For and on behalf of Hymans Robertson LLP
28 May 2025

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Climate Change Strategy

SPF believes that:

Climate Change is a systemic risk and thus a material long-term financial risk; and

TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of SPF beneficiaries.

Climate Change Strategy

Climate risk

SPF supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). TCFD provides a global framework to enable stakeholders to understand the financial system's exposure to climate-related risks particularly affecting organisations most likely to experience climate-related financial impacts from transition and physical risks. TCFD has been endorsed by over 4,850 companies and financial institutions, representing a combined market capitalisation of US$27 trillion and over US$300 trillion in assets under management. SPF has committed to reporting on its approach to climate risk using the TCFD framework for asset owners and sets out below its approach to managing climate risk within the TCFD's four thematic areas of Governance, Strategy, Risk Management and Metrics and Targets.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

GOVERNANCE

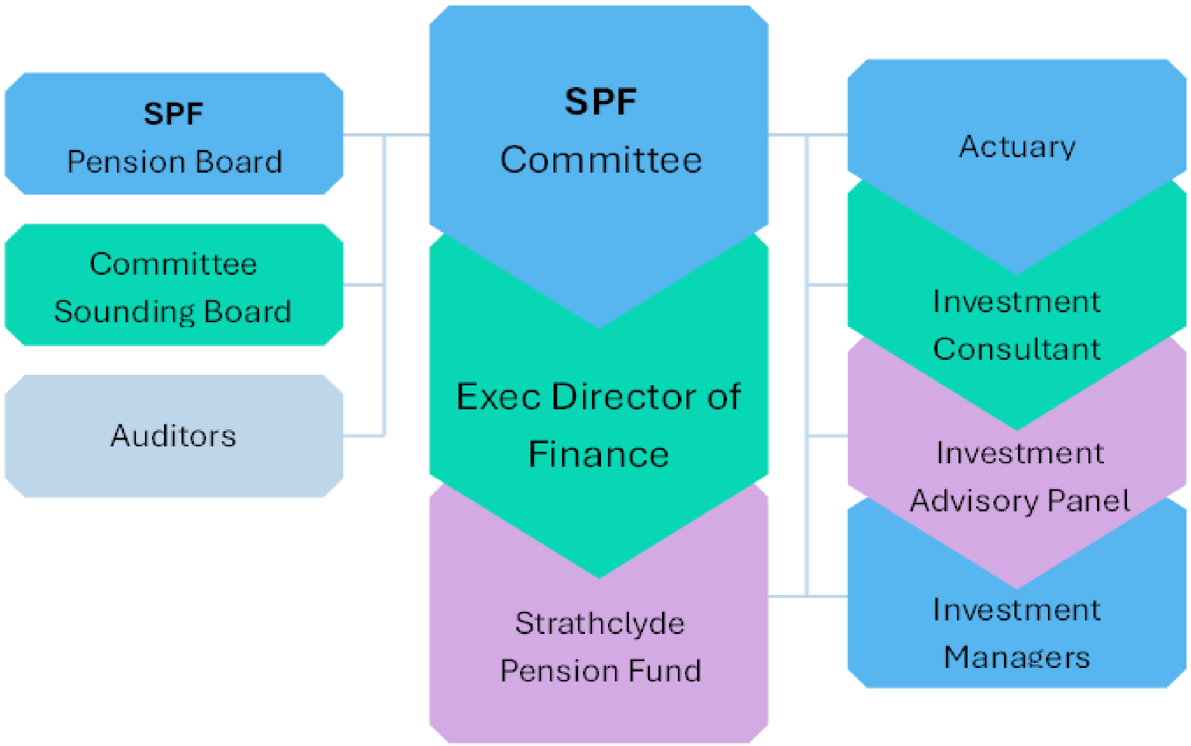
Recommended Disclosure (a)

Describe the board's oversight of climate-related risks and opportunities.

The Fund's governance structure is illustrated below.

The Strathclyde Pension Fund (SPF) Committee is responsible for agreeing to investment objectives, strategy and structure and for developing responsible investment and Climate Change strategies.

The Committee receives regular reports on the Fund's stewardship, responsible investment and Climate Change activity.



Since 2015, the SPF Committee has considered a number of reports specifically addressing Climate Change risks and the development of a Climate Change strategy. These include:

- investigating the feasibility, cost and benefits of introducing partial or complete fossil fuel divestment.
- adopting and implementing an energy company standards framework.
- adopting a target of net zero emissions across SPF portfolios by 2050 or sooner.
- implementing an investment strategy that is consistent with achieving the goal of global net zero emissions by 2050 with an interim target for carbon reduction of at least 45% from the baseline by 2030.
- joining the Paris Aligned Investment Initiative (PAII).
- producing a high-level climate action plan using the IIGCC Net Zero Investment Framework.

In 2023 the SPF Committee agreed on a high-level Climate Action Plan which is available from the Publications area of the website at: www.spfo.org.uk.

The SPF Committee and Pension Board have participated in a series of workshops investigating legal, actuarial, strategic and investment management issues relating to Climate Change. This included a specific session on the SPF Climate Action Plan during 2022/23.

Recommended Disclosure (b)

Describe management's role in assessing and managing climate related risks and opportunities.

The **Executive Director of Finance** is the responsible officer who ensures that committee decisions are implemented by the **Strathclyde Pension Fund Office** which administers the scheme, and the **investment managers** who manage the Fund's investment portfolios.

Climate Change activity is carried out by:

- the Fund's investment managers, who are required to exercise the Fund's voting rights, to incorporate analysis of ESG issues into their investment analysis and are expected to engage on these issues with the companies in which they invest. All of the Fund's investment managers are PRI (Principle for Responsible Investment) signatories. 31 out of 35 managers within the Direct Impact Portfolio are also signatories. The Fund strongly encourages managers to become signatories and to adhere to the principles. Additionally, a majority of the Fund's listed equity managers are signatories to the climate change focused Net Zero Asset Managers Initiative (NZAM).

- Morningstar Sustainalytics, a specialist responsible investment engagement overlay provider whose services have been retained by SPF since 2012 (originally trading as GES).

- SPF itself through direct engagement and collaboration with other investors, including the Local Authority Pension Fund Forum (LAPFF), ShareAction, Institutional Investor Group on Climate Change (IIGCC), Carbon Disclosure Project (CDP), Climate Action 100+ and other ad hoc alliances.

This collective approach ensures that SPF maximises the resources it deploys on Climate Change issues by involving all parties – dedicated internal resources as well as external managers and consultants.

SPF continues to perform in the top tier of global PRI signatories and received the maximum 5 Star score in the most recent PRI survey.

Strategy

Recommended Disclosure a)

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Risks

As an investor with a long-term time horizon, the macro-economic and demographic impacts of Climate Change are a risk. These includes impacts on: GDP growth, inflation, equity market returns, gilt yields, credit spreads, and longevity. Asset-liability and climate-scenario modelling are used to assess these risks. SPF has a globally diversified investment strategy spanning multiple geographies, asset classes, sectors and managers. Given the diversified nature of the Fund's strategy it will be exposed to all of the risks identified in the TCFD analysis, though the degree and timing of the impact cannot be accurately gauged.

SPF is primarily an equity investor, therefore the Fund's primary concern is that its equity portfolio managers and the management of the companies in which they invest have fully assessed climate-related risks and the potential impact on asset valuations, in particular from:

- obsolescence, impairment or stranding of assets;
- changing consumer demand patterns; and
- changing cost structures, including increased emissions pricing insurance and investment in new technologies.

With respect to short and medium term risk, the Fund ensures that responsible investment considerations and Climate Change continue to be embedded throughout the investment and management processes of all the external investment managers and that the managers continue to manage climate related risks and opportunities. As for short-term policy risk, the Fund closely monitors the status of its property and infrastructure investments including results of the Global Real Estate Sustainability Benchmark (GRESB) annual assessment, and assessment of portfolio compliance with Minimum Energy Efficiency Standards (MEES).

As a public sector fund, reputational risk is also a concern, though not for financial reasons.

Opportunities

In 2009, the SPF Committee created the New Opportunities Portfolio to invest in assets with attractive potential that were not accessible through the existing structure. This strategy is reviewed every 3 years and was rebranded as the Direct Impact Portfolio (DIP) in 2021. DIP's primary objective aligns with the overall SPF investment objective and has a secondary objective of adding value through investments with a positive local, economic, or ESG impact. DIP supports technology and solutions crucial for the transition to a low-carbon UK economy.

The DIP portfolio has committed **£664m** to renewable energy infrastructure investments, including onshore and offshore wind funds, UK solar funds, and generalist renewables and community power funds. It also invests in cleantech private equity and more generalist infrastructure funds. During 2024/25, the SPF Committee agreed to increase DIP's target allocation from 5% to **7.5%** of total SPF assets. This represents an additional £750m available for new investments, which will include further renewables and Greentech opportunities.

Meanwhile, the SPF's main portfolio investment in the JP Morgan International Infrastructure Fund (IIF) allocates significantly to global renewable energy assets. The portfolio allocation was increased from 3.5% to **4.5%** of total SPF assets during the year.

Recommended Disclosure b)
Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.

The purpose of the Fund is to pay pensions. The principal strategy document is the Funding Strategy Statement. It describes the funding objective as: to ensure that sufficient funds are available to pay all members' pensions now and in the future.

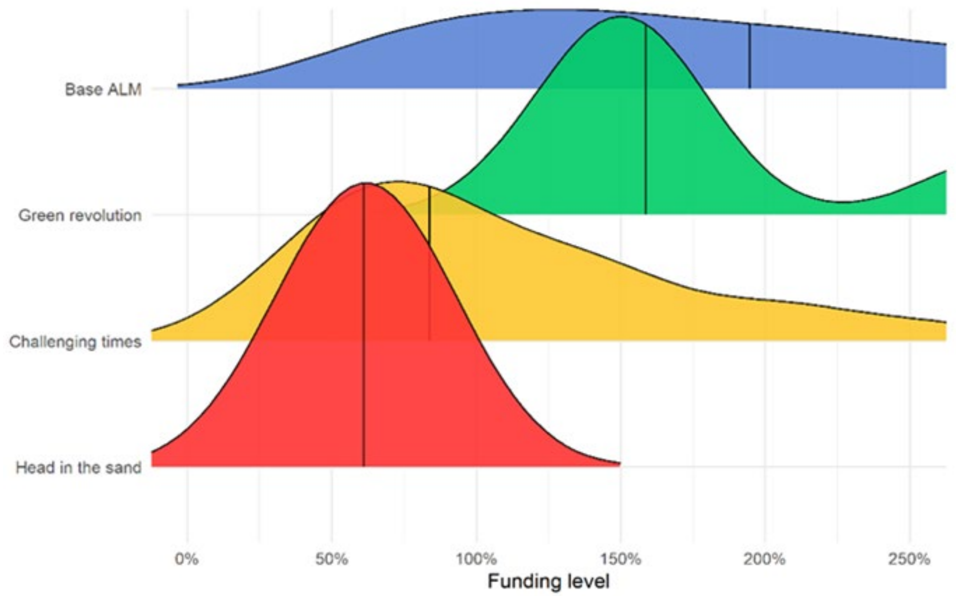
The basis for strategy and financial planning is the 3-yearly actuarial valuation of the Fund. The valuation is accompanied by detailed Asset Liability Modelling (ALM) which informs the development of the investment strategy. As part of the 2020 valuation and modelling process, the Fund's actuary completed an analysis of the impact of climate risk on the Fund's liabilities, assets and operating costs.

The analysis undertaken considers the impacts of climate risk to the liabilities and assets of the Fund in conjunction and therefore the output is represented as an impact to the funding level.

Impacts are modelled across 3 potential economic scenarios:

- **Head in the Sand** - a range of disastrous outcomes resulting from a total lack of response to climate risk.
- **Challenging Times -** where some adaption is achieved, and 'peak oil flow' is reached constraining economies of the future.
- **Green Revolution -** where rapid technological advances lead to positive adaptation to climate change.

The output of this analysis is illustrated in the chart.



The conclusions reported were that:

- the Fund is exposed to climate risk through both its assets and liabilities.
- the modelling illustrates a wide range of potential future funding outcomes as a direct result of government and business action or inaction on climate change.
- some, though, by no means all, of these are very negative and
- SPF already recognises the risk posed by climate change and is responding to it via its Climate Change strategy. The modelling will be useful in informing the future development of that strategy.

No immediate change was proposed as a result of the first iteration of modelling in 2020, but the subsequent 2020/21 review of investment strategy included an agreement to:

- a **£1.0 bn** allocation to the RAFI Fundamental Climate Transition Index, which targets a **30%** reduction in carbon intensity at launch relative to market cap levels and a further **7%** per annum thereafter; and
- a **£250m** increase (to **£1.4bn**) to the Fund's global Infrastructure commitment, which has a one third allocation to renewable energy assets.

The modelling was updated as part of the actuarial valuation and ALM of the Fund as of 31st March 2023. The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics.

- likelihood of success: Probability of achieving full funding within 13 years.
- downside risk: The average of the worst 5% of projected funding levels in 13 years.

The modelling compared how these risk metrics change under each climate change scenario. The stress-test results for the Fund are shown in the table below:

Scenario	Likelihood of success	Downside risk
In comparison to 'core' modelling results		
Head in the sand	Broadly unchanged	5% higher
Delayed transition	1% lower	2% lower
Green revolution	1% lower	4% lower

The climate risk results are not materially different from the 'core' modelling results, and not enough to suggest that the funding strategy is unduly exposed to climate change risk. No immediate change was proposed as a result of the modelling, but the associated review of investment strategy had a strong focus on net zero activity and initiatives and included an agreement to:

- a **£4.2 bn** switch of passive market cap equity to Legal & General (LGIM) Lower Carbon Transition Index Series which aims to reduce carbon intensity by **70%** relative to the starting universe and a path to achieve net zero by 2050.
- review Credit mandates to consider ESG tilted alternatives, including the introduction of a Buy and Maintain Credit allocation.
- an additional **1%** allocation to the Fund's global Infrastructure commitment.

These were both implemented during 2024/25.

The output of the scenario modelling will be used in the future to assess an appropriate allowance for climate risk within funding assumption prudence and future investment strategy considerations, including asset allocation decisions.

Recommended Disclosure c)

Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.

As described above, the Fund has conducted multiple scenario analysis to assess the resilience of its strategy over the short-, medium- and long-term time horizons to a number of different climate scenarios. These climate scenarios estimate the impact to the Fund of temperature rises broadly equivalent to 2°C ("Green revolution"), 3°C ("Challenging times") and 4°C above pre-industrial times ("Head in the sand").

Although some outcomes are harmful, the climate scenario analysis shows that the increased adoption of climate aware policies as part of a **Green Revolution** would most likely help the Fund to achieve a strong,healthy funding position over the long term with greater certainty and reduced downside risk.

This is despite short term difficulty in moving to a more climate aware society with initial disruption to GDP, equity and credit markets. Under the **Head in the Sand** and **Challenging Times** scenarios, the short-term funding level projections are broadly similar to the wider strategic analysis the Fund has carried out, before a deterioration in the funding outlook under these scenarios over the long term. The impact of climate change, and therefore any resulting advantages or disadvantages arising from global developments, is long-term in nature.

Risk Management

Recommended Disclosure a)

Describe the organisation's processes for identifying and assessing climate-related risks.

SPF's external investment managers are responsible for identifying and managing all risks associated with their investments, and this includes Climate Change. This means that external investment managers take into account any climate-related risks when making their investment decisions. The Fund's internal investment team and specialist advisor, Sustainalytics, collaborate with managers to help ensure that climate risks are being assessed and addressed. The Fund's listed equity carbon foot-printing is used to inform this process. The Fund has also made use of the Transition Pathway Initiative (TPI) Toolkit and thematic, sector and company specific research from Sustainalytics to observe climate risk management in listed equity stocks. The Fund's energy company standards framework is an additional portfolio risk analysis tool which recognises the acute climate-related risks surrounding energy sector investments as the world transitions to a low-carbon future.

Recommended Disclosure b)

Describe the organisation's processes for managing climate related risks.

Development of Specific Investment Strategies

In 2021, SPF allocated £1.7bn to a Climate Transition Index, which targets a **30%** reduction in carbon intensity at launch relative to market capitalisation levels and a further **7%** per annum thereafter.

The 2023 review of investment strategy included a **£4.2 bn** switch of passive market cap equity to Legal & General (LGIM) Lower Carbon Transition Index Series which aims to reduce carbon intensity by **70%** relative to the starting universe and on a path to achieve net zero by 2050 and reduce fossil fuel exposure whilst improving green revenues and delivering dynamic de-carbonisation. This was implemented during 2024/25.

The review also agreed to switch **£1.5 bn** of passive corporate bonds to the low carbon LGIM Future World Net Zero Buy and Maintain Fund (implemented in Q4 2024) and LGIM's Low Carbon Transition corporate bond funds (due to be implemented during Q3 2025).

The Direct Impact Portfolio has committed a total of **£664m** to renewable energy infrastructure investments which include specialist onshore and offshore wind funds, UK solar funds and generalist renewables and community power funds.

SPF also invests in JP Morgan's global infrastructure fund which has a one third allocation to renewable energy assets. Investment managers across the Fund's other portfolios are also increasingly identifying positive investment opportunities in areas related to a global energy and carbon transition.

Formal Advice

A key element in the development of SPF's Climate Change strategy has been the measurement of carbon emissions and intensity. This was carried out in order to more fully understand the carbon risk sources and dynamics. SPF engaged with the leading carbon audit service provider, MSCI, to conduct a carbon footprint assessment of the Fund's listed equity portfolios. The Fund is committed to repeating this carbon foot-print exercise bi-annually and s actively exploring extending this assessment to additional asset classes beyond listed equities.

Exercise of Ownership Responsibilities

Activity relating to Climate Change risk is carried out by:

- the Fund's investment managers who are required to exercise the Fund's voting rights, to incorporate analysis of Environmental, Social and Governance (ESG) issues into their investment analysis and are expected to engage on these issues with the companies in which they invest;
- Sustainalytics, a specialist responsible investment engagement overlay provider; and
- the Fund itself through direct engagement, and collaboration with other investors including the Local Authority Pension Fund Forum (LAPFF), ShareAction, Institutional Investor Group on Climate Change (IIGCC), Climate Action 100+ and other ad hoc alliances.

The Fund has expended considerable effort in supporting collaborative engagement initiatives that have a specific Climate Change remit. The Fund is a founding member of Climate Action 100+. This collaborative initiative uses carbon mapping data to target the worst corporate climate offenders directly, curb their emissions, improve climate governance and strengthen disclosure. The Fund is also a supporter of the RE100, EP100 and EV100 energy initiatives and the CDP Non-Disclosure and Science Based Targets Initiatives (SBTi).

During 2022 SPF adopted a minimum standards framework as a basis for the assessment of energy companies within its active equity portfolios. The objective is to support the Climate Change strategy by identifying companies which SPF directly holds within the energy sector that are not adequately considering climate risk, its impact on their business, and how to transition towards a low carbon economy, recognising the potential for ongoing policy and regulatory change. The framework also aims to identify areas where engagement with a company is necessary or where divestment from a company is considered.

Ratings	Actions
Red Overall	Verification of data around transition readiness/ strategy. Acceleration of engagement between the manager and company around demonstrating intention to address the climate transition. Engage with asset manager around intention to sell; consideration of current rationale for hold and price/value. If the above do not result in improved score, sale to be agreed with investment manager and implemented over a period of time.
Red in one sub sector/ Amber overall	Active stewardship actions triggered. This should feed into Sustainalytics and their engagement priority plans. Manager to present business case for holdings on annual basis, addressing low scoring areas If engagement results in no improvement in score after 2 years, consider shareholder resolution OR mandate that investment managers remove that security from portfolios.
Amber in any sub sector	Flagged for active engagement actions
Green overall	Monitor rating annually Any decline in rating overall or at sub sector level triggers actions above
Grey (due to lack of data)	Flagged for further data verification. Engage with asset manager around obtaining sufficient data to complete scoring. Manager to present business case for holdings on annual basis, addressing data gaps.

The framework is based on the 4 pillars of TCFD and uses data sources including Climate Action 100, TPI, Influence Map, MSCI, and Science Based Targets. Based on these an overall score is derived for each company. Companies are then rated as follows: 0-20% = Red; 20% - 50% = Amber; 50% + = Green. A separate fourth score of Grey is applied where data availability is less than 45%.

The assessment is repeated annually and reported to the SPF Committee in the quarterly Investment Update report.

Recommended Disclosure c)

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

SPF's overall approach to risk management is described in its Risk Policy & Strategy Statement, which was reviewed during 2024/25. The statement is summarised in the Governance section of the Fund's annual report. A detailed risk report is reviewed annually by the SPF Committee. Climate Change is addressed at risk FIN 1583 which is summarised below.

Risk Title/Risk Description	Residual Probability (/5)	Residual Impact (/5)	Residual Score (/25)	Residual Rank
RISK: Climate-related financial loss. **CAUSE:** Failure of climate change strategy; failure of global economy to address climate change issues. **EFFECT:** Obsolescence impairment or stranding of assets; changing consumer demand patterns; changing cost structure (including emissions pricing).	2	4	8	Medium

Control and mitigating actions listed against the risk include: Climate Change strategy, Climate Action Plan, responsible investment strategy, diversification of investments, Direct Impact Portfolio and other positive investment opportunities.

Annual Report 2025

The Fund currently reports extensively on environmental, social and governance issues including Climate Change. This includes:

- a report on responsible investment activity which is included in the quarterly Investment Update considered by the SPF Committee
- coverage within the Fund's Annual Report, member newsletters, and at its AGM; and
- annual PRI reporting and assessment survey including climate-related indicators based on the TCFD recommendations.

SPF is also a signatory to the revised UK Stewardship Code (2020) and submits an annual Stewardship Report to the UK Financial Reporting council (FRC). The FRC reviews the report each year before approving the annual list of signatories. A revised Code has been published for implementation from 2026, and SPF is reviewing its compliance with this.

The Fund's UK property investments are subject to the Global Real Estate Sustainability Benchmark (GRESB) annual assessment and assessment of portfolio compliance with the Minimum Energy Efficiency Standards (MEES).

Metrics and Targets

Recommended Disclosure a)

Disclose the metrics used by the organisation to assess climate related risks and opportunities in accordance with its strategy and risk management process.

SPF has used emissions metrics from the leading data service provider, MSCI and reporting from the Fund's custodian, Northern Trust to provide annual carbon and emissions foot-printing of the Fund's listed equity portfolios.

For each listed equity portfolio, the carbon foot-printing enabled the identification of the top 10 assets responsible for contributing to the carbon footprint of that portfolio. This information was communicated to external investment managers to ensure they are aware of where their greatest exposures lie.

The Fund is committed to repeating this foot-printing on a biannual basis and investigating the inclusion of other asset classes in addition to listed equities.

Recommended Disclosure b)

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

SPF has considered Scopes 1 and 2 in its analysis. Scope 3 data was not considered to be of a sufficiently robust standard to incorporate. Summary findings of the analysis are as follows:

In 2022 the Fund's weighted average listed equity footprint was **157.4 tCO_2e/£ revenue**. This was **18.2%** lower than in 2018 and in line with that of the MSCI All Country World Index.

In 2024 the Fund's weighted average listed equity footprint was **81.5 tCO_2e/£ revenue**. This was **48.2%** lower than in 2022. It was also **24.9%** lower than that of the MSCI All Country World Index in 2024.

The analysis further highlights that dominant sectors, in terms of emissions, are Construction Materials, Oil & Gas and Passenger Airlines - 64% of the carbon footprint in 2024.

Recommended Disclosure c)
Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.

Strathclyde Pension Fund's Climate Change strategy has the explicit objective of implementing an investment strategy that is consistent with achieving the goal of global net-zero emissions by 2050.

SPF has a target of **net-zero emissions** across its own portfolios by **2050** and an interim target for carbon reduction of at least **45%** from the baseline by **2030**.

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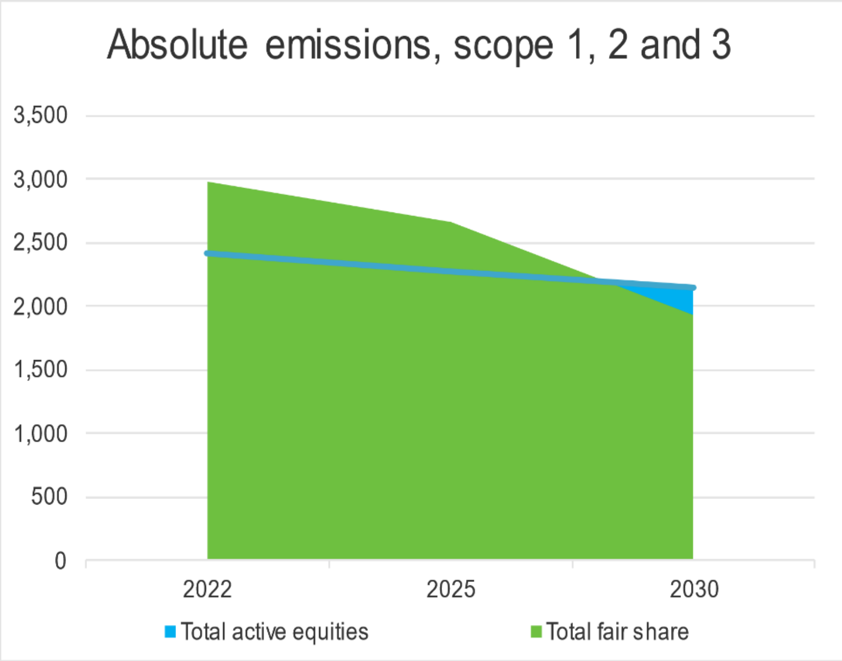
Listed Equity

The Fund's investment consultants have completed an analysis to illustrate the current transition pathway of SPF's active equity portfolios. The analysis considered Scopes 1, 2 and 3 and is summarised in the chart below.



The total active global equity portfolio is estimated to be on track relative to an aggregated "fair share" pathway, with cumulative emissions to 2030 below budget (SPF's share of the remaining carbon budget to limit global warming to 1.5°C).

SPF joined the Paris Aligned Investment Initiative (PAII) in 2022 and became a signatory to the PAII Net Zero Asset Owner Commitment.

In March 2023 the Fund adopted the IIGCC Net Zero Investment Framework (NZIF) as the basis for its climate action plan. NZIF provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net zero emissions by 2050 or sooner.

The NZIF assessment focuses on companies in high carbon emitting sectors and aims to ensure that these companies are increasingly:

- achieving net zero; or
- aligning to net zero; or
- aligned to net zero.

Initial assessment of the current alignment position of SPF active equity portfolios produced the summary results below.

% SPF High Emitting Companies	Transitioning companies (aligned, aligning, or committed)	Not aligned or committed	Insufficient data
By Number	30%	13%	57%
By Value	58%	27%	15%

The goal is to have 100% of companies confirmed as net zero or aligned to net zero by 2040. The Fund's Climate Action Plan sets out interim targets on the path to full alignment.

- **Engagement Goal**
  NZIF aims to ensure that SPF engages more closely with the companies it invests in to support and enforce their journey towards net zero. The Fund's goal is that at least 90% of SPF financed emissions in high emitting companies are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions by 2030 or earlier. The Fund's interim target is to achieve 70% by 2026.
  In support of this goal, SPF actively participates in IIGCC's Net Zero Engagement Initiative.

- **Climate Solutions Goal**
  This aims to ensure that SPF invests increasingly in the climate solutions required to achieve the overall goal of global net zero by 2050. Further work is required to quantify the scale of this investment so that realistic goals and targets can be agreed.

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Real Estate

SPF has been a long-term UK property investor. The current portfolio, managed by **DTZ Investors** represents 10% of total SPF assets. DTZ is committed to achieving Net-Zero for its clients' direct investment portfolios by 2040 with all residual emissions offset.

To further support their commitment to net-zero, DTZ has become a signatory of the 'Better Building Partnerships Climate Commitment'. As a signatory, DTZ Investors commit to publishing progress against the net-zero target, developing comprehensive climate resilience strategies and supporting the development of best practices within the sector.

Additional commercial real estate exposure is achieved through investment in private debt funds managed by **ICG Longbow**. SPF allocates 1% of total Fund to Real Estate debt. SPF's private real estate debt manager, ICG Longbow, is committed to supporting the goal of Net Zero greenhouse gas emissions by achieving Net Zero carbon emissions by 2040 or sooner for 100% of relevant investments.

Other Assets Classes

SPF's focus to date has been primarily on equities given that they have historically constituted a majority of the investment strategy. AS SPF's equity allocation reduces, fixed income is also now being brought into scope. During 2024/25 SPF completed an initial allocation of **£750m** to LGIM's Future World Net Zero Buy and Maintain Bond Fund. A similar allocation to LGIM's low carbon transition bond funds has been agreed and will be funded during 2025/26.

Other portfolios are actively addressing climate change although they are not yet covered by the scope of the NZIF or SPF's Climate Action Plan.

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Investments

Investments

The Fund’s investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return.

Statement of Investment Principles

The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. The Statement of Investment Principles (SIP) is the Fund's main investment policy document. The SIP is reviewed regularly and updated to reflect any changes agreed by the Strathclyde Pension Fund Committee. The statement has 6 schedules which are not reproduced here but can be found in the full version on the Fund's website.

1. Introduction

Glasgow City Council is the administering authority for the Strathclyde Pension Fund. The Council delegates this responsibility to the Strathclyde Pension Fund Committee. The Council and the Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee in the private sector. In carrying out those duties the committee adopts the following approach.

2. Regulations

Management of the Fund's investments is carried out in accordance with relevant governing legislation and regulations, in particular the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) regulations.

3. Key Principles

There have been a number of underlying investment principles which have guided the evolution of the Fund's structure. These principles will be as important in the future as they have been in the past. The key principles are as follows:

Long-term perspective – by the nature of its liabilities and sponsor covenants, the Fund is able to take a long-term view and position its investment strategy accordingly.

Diversification – the Fund seeks to diversify its investments in order to benefit from a variety of return patterns.

Efficiency – the Fund aims to achieve an efficient balance between investment risk and reward.

Competitive advantage – the Fund's size, time- perspective and risk appetite give it some competitive advantages which it seeks to exploit.

Pragmatism – the Fund recognises that there are implementation considerations including cost and manageability which may lead it to favour practical investment solutions over optimised model structures.

Stewardship – the Fund is a responsible investor and adopts policies and practices which acknowledge the importance of environmental, social and governance (ESG) issues.

4. Investment Objective

The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return.

The current objectives of the investment strategy are to achieve:

- a greater than 2/3 probability of being 100% funded over the future working lifetime of the active membership (the target funding period) and
- a less than 10% probability of falling below 80% funded over the next three years.

5. Investment Strategy

The Fund's investment strategy broadly defines the types of investment to be held and the balance between different types of investment. The strategy reflects the Fund's key investment principles and objectives, is agreed by the Committee and reviewed regularly. The investment strategy is consistent with the Funding Strategy.

6. Investment Structure

The Committee agrees an investment structure to deliver the investment strategy. The current investment objectives, strategy and structure are set out in Schedule 2 to this statement.

7. Roles and Responsibilities

The roles and responsibilities of the main parties involved in the management of the Fund are set out in Schedule 3 to this statement.

8. Risk

In order to achieve its investment objective, the Fund takes investment risk including equity risk and active management risk. It is understood and acknowledged that this may lead to significant volatility of returns and an ultimate risk that its objectives will not be met. The Fund pursues a policy of lowering risk through diversification of investments by asset class, manager and geography. Risk is also controlled by setting appropriate benchmarks and investment guidelines and maintaining a robust investment monitoring regime. The Fund employs a global custodian to ensure safekeeping and efficient servicing of its assets.

9. Liquidity and Cash Flow

The majority of the Fund's investments are traded on major stock markets and could be realised quickly if required. There is also significant investment in illiquid assets, including property, infrastructure, private equity and private debt. These provide diversification, a return premium and some inflation protection. The Fund monitors cash flow to ensure there is sufficient investment income to meet immediate and anticipated pensions payments.

10. Responsible Investment

The Fund is a signatory to the Principles for Responsible Investment and has adopted the principles as its responsible investment policy. The principles are set out in full in Schedule 4 together with a note on the Fund's strategy for applying them in practice.

11. Exercise of Rights

The Fund ensures that the votes attaching to its holdings in all quoted companies, both in the UK and Overseas, are exercised whenever practical. The Fund's voting policy is exercised by its investment managers in accordance with their own corporate governance policies and taking account of the current best practice including the UK Corporate Governance and Stewardship Codes.

12. Climate Change Strategy

SPF believes that Climate Change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund's progress in addressing this is summarised in its annual report each year in climate-related financial disclosures which are included as a separate Climate Change Strategy section.

13. Additional Voluntary Contributions(AVCs)

The Fund provides an in-house AVC arrangement. Further details including investment choices available to scheme members, are set out in Schedule 5.

14. CIPFA/Myners Principles

The Fund is compliant with guidance given by Scottish Ministers. This includes each of the six Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2009 published by CIPFA and based on the updated Myners principles. Further details are set out in Schedule 6.

15. Stock Lending

The Fund participates in a securities lending programme managed by its global custodian. All stock on loan is fully collateralised with a margin above daily mark-to-market value. The programme is also indemnified by the custodian and provides a low-risk source of added value.

16. Schedules

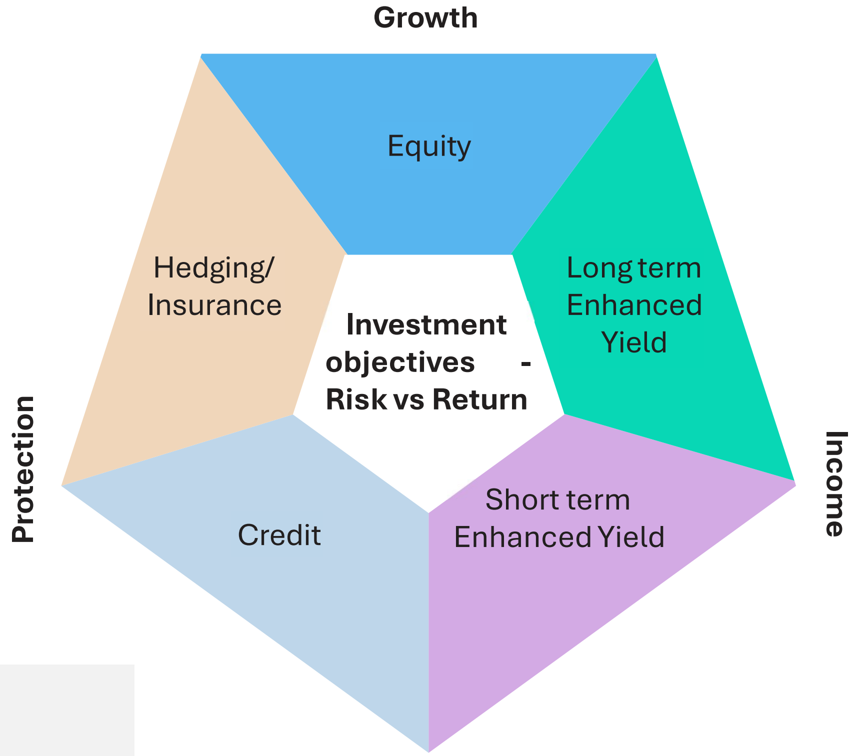
1. LGPS Regulations - Disclosures
2. Investment Objectives, Strategy and Structure
3. Investment Roles & Responsibilities
4. Responsible Investment Policy and Strategy
5. AVC arrangements
6. CIPFA/Myners Principles – Assessment of Compliance

Investment Strategy

Investment Strategy

Investment strategy is derived using asset liability modelling (ALM). The actuarial valuation process produces detailed cash flow data relating to the Fund's expected long term contributions' income and pensions payments. Using this cash flow data together with projected investment returns under multiple economic scenarios, the Fund's actuaries and investment consultants, Hymans Robertson, carry out extensive asset liability modelling. This tests the ability of the current and alternative investment strategies to achieve or maintain the funding target set out in the Funding Strategy, i.e. the balance of risk across asset types, and the potential to vary the size of asset allocations.

Following the 2014 actuarial valuation, the Fund adopted a risk/return asset framework as the basis for modelling and agreeing investment strategy. The risk/return framework is summarised in the chart and table.



Asset Category	Main Objectives	Asset Types
Equity	To generate return	Listed Equity; Private Equity
Hedging / Insurance	To reduce the exposure of the funding level to variations in interest rates and inflation	UK Gilts; UK Index-Linked
Credit	To ensure additional yield, provide income and reduce funding volatility	Corporate Bonds
Short-term Enhanced Yield	To provide an income stream above the expected return on investment grade corporate bonds	Absolute Return; Multi-Asset Credit; Private Debt
Long-term Enhanced Yield	To provide a long-term income stream and a degree of inflation protection	Property; Infrastructure

During 2023/24, the Fund carried out a review of investment strategy alongside the 2023 actuarial valuation. Modelling showed that there was not a huge differentiation between alternative strategies from a quantitative perspective. However, the Fund concluded that a modest reduction in equity risk, in favour of protection assets, would be prudent when the funding level was so strong. The actuarial assumed rate of return was set at **+5.0% p.a.** The Committee agreed the following strategic allocation in March 2024:

Asset Category	***Previous Allocation (%)***	**Revised Allocation (%)**
Equity	*52.5*	**47.0**
Hedging / Insurance	*1.5*	**10.0**
Credit	*6.0*	**5.0**
Short-term Enhanced Yield	*20.0*	**17.0**
Long-term Enhanced Yield	*20.0*	**21.0**

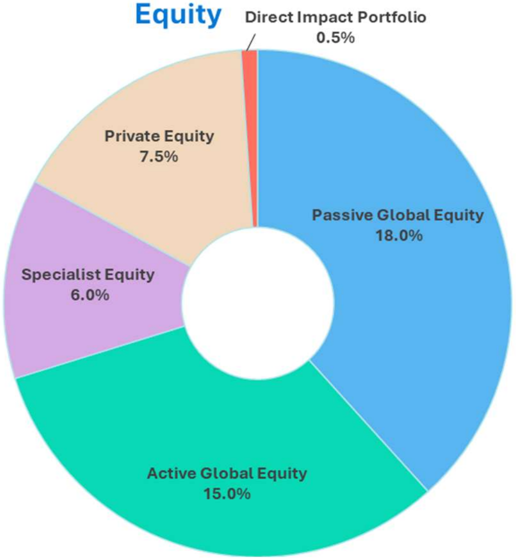
The reduction in equity was implemented in the early part of 2024/25 and is a continuation of the trend of de-risking the Fund's assets since the introduction of the risk/return framework in 2014.

The other strategic changes were also largely implemented during the year. These are described further in the Investment Structure and Investment Manager Allocations sections below.

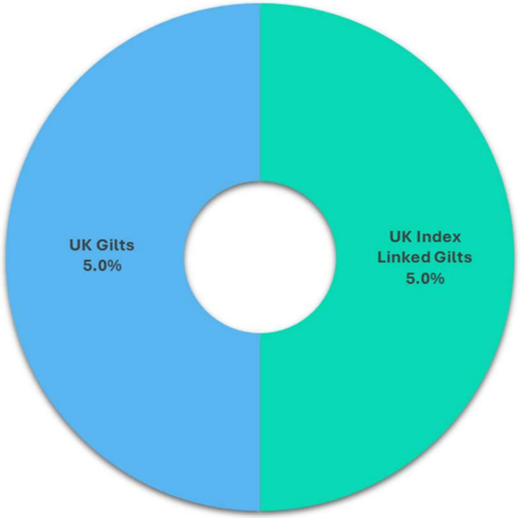
Investment Structure

Strategic asset allocations within Equity, Hedging/ Insurance, Credit, and Short-term Enhanced Yield (STEY) and Long-term Enhanced Yield (LTEY) by asset class and investment mandate type are shown in the structure charts below.

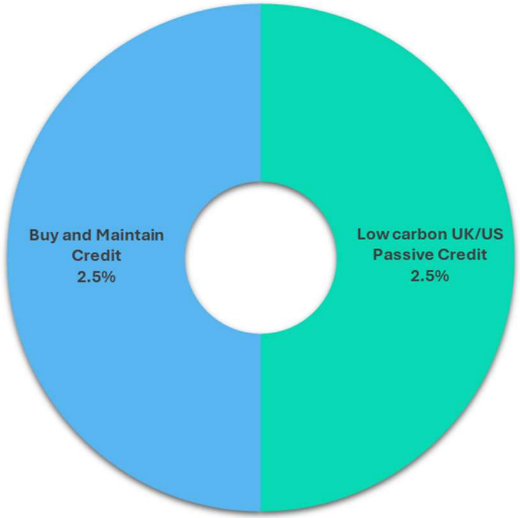
Equity



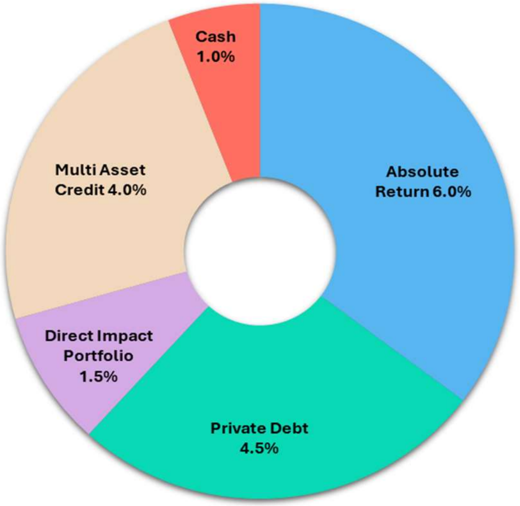
Hedging/Insurance



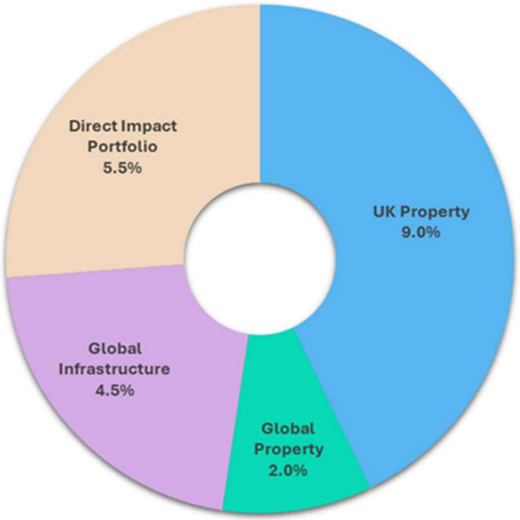
Credit



STEY



LTEY



Assets under Management

All the Fund's investment assets are managed externally by institutional investment managers. A total of 20 managers manage 26 mandates across the 5 asset categories. A target of **7.5%** of the Fund is invested opportunistically within the Fund's Direct Impact Portfolio (DIP), an increase from 5% of the Fund following a review of DIP in 2024/25. A further 38 investment firms manage specialist funds within DIP.

Allocations by Asset Category

Asset allocation at the end of March 2024 and March 2025 was as follows:

Asset Category	*31 Mar 2024 £m*	*31 Mar 2024 %*	*Target Allocation (2024) %*	31 Mar 2025 £m	31 Mar 2025 %	Target Allocation (2025) %
Equity	*17,684*	*58.5%*	*52.5%*	**15,392**	49.6%	47.0%
Hedging / Insurance	*445*	*1.5%*	*1.5%*	**3,216**	10.4%	10.0%
Credit	*1,615*	*5.3%*	*6.0%*	**1,344**	4.3%	5.0%
Short-term Enhanced Yield	*4,942*	*16.3%*	*19.0%*	**4,431**	14.3%	16.0%
Long-term Enhanced Yield	*5,288*	*17.5%*	*20.0%*	**5,916**	19.1%	21.0%
Cash	*271*	*0.9%*	*1.0%*	**711**	2.3%	1.0%
Total	*30,245*	*100.0%*	*100.0%*	**31,010**	100.0%	100.0%

At the asset category level, the primary factors influencing the shift in investment allocations in 2024/25 were the underlying mandate changes required to achieve the Fund's new strategic targets.

The re-structuring of portfolios together with net inflows from private market investments provided an opportunity for the Fund to increase cash balances. These will be used to fund the predicted shortfall in benefits cash-flow during 2025/26.

Investment Manager Allocations

Each external investment manager is appointed to manage a specified target % allocation of total Fund investment assets.

Actual manager allocations vary over time in line with investment performance and cash flows. The Fund's rebalancing strategy ensures that actual allocations at the asset class, mandate and manager levels do not stray too far below or above their strategic targets. A range is set above and below each target allocation and actual positions relative to target ranges are reviewed each quarter. If on review an asset class / mandate type / portfolio is outside its range, action will be considered to bring it back towards its target allocation.

The Fund also applies a relative value framework across the Hedging/ Insurance and Credit allocations based on medium term asset class views, allowing the Fund to agree to limited changes of position in credit, nominal and index-linked gilts and cash relative to their 'neutral' strategic targets.

To achieve the new strategic allocation, the following changes to the underlying investment manager and mandate structure were agreed as part of the 2023/24 review and implemented during 2024/25:

- Within **Equity**
    - the Fund reduced its overall exposure to passive listed equity and switched its remaining passive market cap equity allocation to Legal and General's low carbon transition index series.
    - The Fund agreed a slight increase in its allocation to emerging market equities alongside a new emerging market equity structure. The new structure includes the introduction of one new active mandate with RBC GAM, which was funded during the year and which will replace existing EM portfolios over time.

- The increased **Hedging/ Insurance** allocation is now split equally between passive UK gilt and index linked funds managed by Legal and General.
- The reduced **Credit** allocation will be split equally between a Legal and General ESG tilted fund (still to be funded at year end) and the manager's Buy and Maintain Future World credit fund (initial funding completed during the year).
- Within **STEY**
    - private debt allocations were reviewed and a new allocation to private debt secondaries was agreed with Pantheon;
    - the allocation to emerging market debt has been removed and the mandate with Ashmore therefore terminated; and
    - The allocation to multi-asset credit mandates was also reduced slightly.
- **LTEY** allocation changes include
    - an increase in allocation to the Fund's Direct Impact Portfolio from 5% to **7.5**%, agreed in a separate review of the DIP strategy during 2024/25 and which will be committed to new funds over a period of up to 6 years;
    - an increase to global infrastructure from 3.5% to **4.5%** via the JP Morgan International Infrastructure Fund (implemented during the year); and
    - a decrease in strategic allocations to UK and global property (implemented during the year).

The breakdown of the Fund's assets by investment manager, mandate type and asset class at end of March 2024 and March 2025 was as follows:

Manager	Mandate Type	Performance Benchmark	*31 Mar 2024* Target %	*31 Mar 2024* Allocation %	*31 Mar 2024* Target Range %	31 Mar 2025 Target %	31 Mar 2025 Allocation %	31 Mar 2025 Target Range %
Legal & General	Passive Global Equity	Low carbon equity indices	*27.5*	*24.0*	*19-29*	19.3	**18.0**	15-21
Baillie Gifford	Active Global	MSCI All Countries World Index	*8.0*	*7.5*	*6-9*	7.6	**7.5**	6-9
Lazard	Active Global Equity	MSCI All Countries World Index	*3.2*	*2.5*	*1.5-3.5*	3.1	**2.5**	1.5-3.5
Oldfield	Active Global Equity	MSCI All Countries World Index	*2.8*	*2.5*	*1.5-3.5*	2.9	**2.5**	1.5-3.5
Veritas	Active Global Equity	MSCI All Countries World Index	*3.1*	*2.5*	*1.5-3.5*	3.2	**2.5**	1.5-3.5
Lombard Odier	Specialist Equity	Specialist smaller companies index	*1.4*	*1.0*	*1-2*	1.2	**1.0**	1-2
JP Morgan	Specialist Equity	Regional smaller companies' indices	*3.1*	*3.0*	*2-4*	2.9	**3.0**	2-4
Active EM Equity	Specialist Equity	S&P IFC Emerging Market Index	*1.1*	*1.5*	*1-2*	0.4	**0.0**	-
RBC	Specialist Equity	MSCI Emerging Markets Index	*0.0*	*0.0*	-	1.4	**2.0**	1-3
Pantheon	Private Equity	MSCI All Countries World Index +5%	*4.8*	*5.0*	*5-10*	4.3	**5.0**	5-10
Partners Group	Private Equity	MSCI All Countries World Index +5%	*3.1*	*2.5*		2.9	**2.5**	
DIP	Private Equity	CPI +3%	*0.4*	*0.5*	*0-2*	0.4	**0.5**	0-2
Equity			***58.5***	***52.5***	***42-63***	**49.6**	**47.0**	**40-54**
Legal and General	Passive Gilts	FTSE All Stocks Gilts Index	*1.5*	*0.0*	-	5.9	**5.0**	4-6
Legal and General	Passive Index linked	FTSE Index Linked Gilts > 5 Years Index	*0.0*	*1.5*	*1-2*	4.5	**5.0**	4-6
Hedging / Insurance			***1.5***	***1.5***	***1-2***	**10.4**	**10.0**	**4-16**
Legal and General	UK/US Corporate/ Low Carbon UK&US Passive Credit	UK / US Corporate bond indices/ Low carbon corporate bond indices	5.3	6.0	5-7	1.9	**2.5**	2-3
Legal and General	Buy and Maintain Credit	iBoxx Sterling Non-Gilts 5+ Index	0.0	0.0	-	2.4	**2.5**	2-3
Credit			**5.3**	**6.0**	**5-7**	**4.3**	**5.0**	**2-8**

PIMCO	Absolute Return	SONIA +3.25%	*3.6*	*4.0*	*3-5*	3.8	4.0	3-5
Ruffer	Absolute Return	SONIA +3%	*1.8*	*2.0*	*1.5-2.5*	1.8	2.0	1.5-2.5
Barings	Multi-Asset Credit	SONIA +4%	*2.5*	*2.75*	*2-3.5*	2.3	2.25	1.5-3
Oak Hill Advisors	Multi-Asset Credit	SONIA +4%	*1.8*	*1.75*	*1-2.5*	1.9	1.75	1.5-2.5
Barings	Private Corporate Debt	SONIA +4%	*1.5*	*1.25*	*0-2*	1.3	1.75	1-2.5
Partners Group	Private Corporate Debt	SONIA +4%	*1.0*	*1.00*	*0-2*	1.1	1.0	1-2
Pantheon	Private Corporate Debt	SONIA +4%	*0.0*	*0.0*	*-*	0.1	0.75	0-1.5
Alcentra	Private Corporate Debt	SONIA +4%	*1.0*	*1.25*	*0-2*	0.8	0	-
ICG-Longbow	Private Real Estate Debt	SONIA +4%	*1.1*	*1.0*	*0-2*	0.9	1.0	1-2
DIP	Various	CPI +3%	*0.4*	*1.5*	*0-2*	0.3	1.5	0-2
Ashmore	Emerging Markets Debt	Emerging market debt indices	*1.6*	*2.5*	*2-3*	-	-	-
Cash		-	*-*	*1.0*	*0-5*	-	1.0	0-5
STEY			***16.3***	***20.0***	***17.5-22.5***	**14.3**	**17.0**	**15-19**
DTZ	UK Direct Property	MSCI Annual Property Universe	*7.7*	*10.0*	*8-12*	8.0	9.0	7-11
Partners Group	Global Property	8% p.a. absolute return (£ adjusted)	*1.8*	*2.5*	*2-3*	1.9	2.0	1.5-2.5
JP Morgan	Global Infrastructure	8% p.a. absolute return	*3.9*	*3.5*	*2-4*	4.8	4.5	3-6
DIP	Various	CPI +3%	*4.1*	*4.0*	*1-4*	4.4	5.5	2.5-7.5
LTEY			***17.5***	***20.0***	***17.5-22.5***	**19.1**	**21.0**	**18-24**
Cash			***0.9***	***0.0***	***0-5***	**2.3**	**0.0**	**0-5**
Total			***100.0***	***100.0***	***-***	**100.0**	**100.0**	**-**

A complete list of all the Fund's Investment Holdings at 31st March 2025, together with a separate list of all Holdings in alternative assets, is available in the Investments Section of the Fund's website.

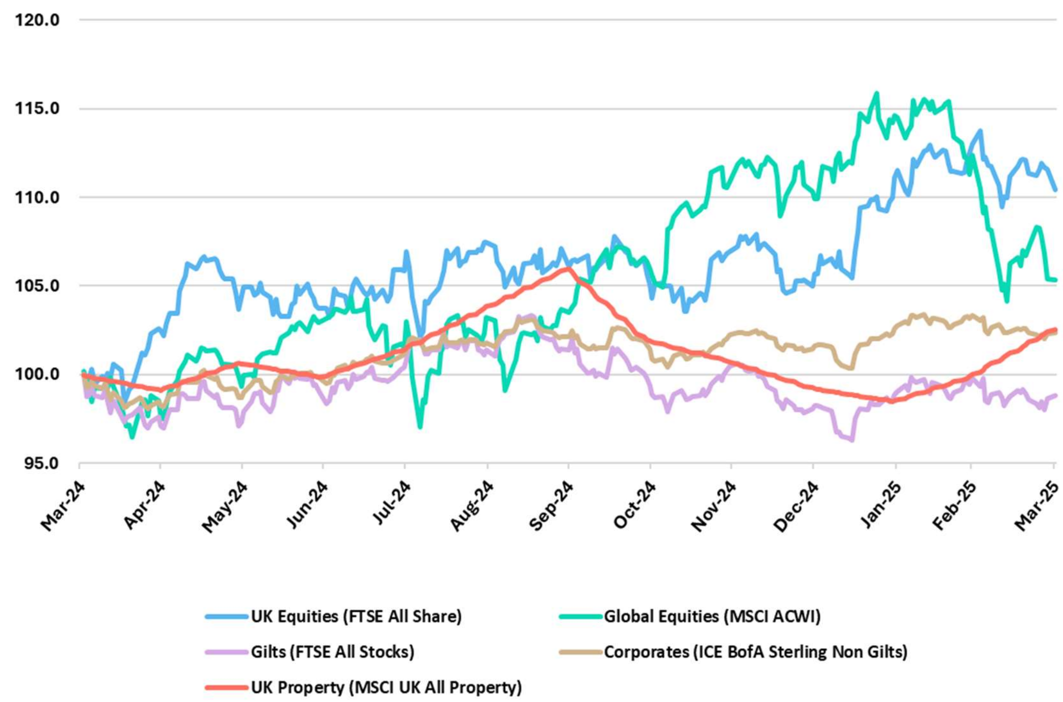
Market Commentary

Equity markets gained in Q2 and Q3 2024, rallying to all-time highs by the end of September as investor sentiment shifted from pessimism to cautious optimism. Key drivers were improving inflation figures, growing hopes over interest rate cuts, positive corporate earnings momentum driven by the technology sector and advancements in artificial intelligence (AI). But after hitting further all-time highs during November and December, markets dipped into the end of 2024, before moving lower over the first quarter of 2025 amid fears about US tariffs and as investors rotated away from US mega-cap stocks.

US equities rose and outperformed global equities in the first half of the financial year. Chipmaker Nvidia continued to surge and the US Federal Reserve contributed to the market rally when its long-awaited interest rate cut was higher than expected at 0.5%. The market was initially buoyed by expectations that Trump's policy programme would lift growth, lower taxes and cut regulations but post his inauguration in January 2025, fears that tariffs could usher in a period of stagflation contributed to US stocks posting their worst quarterly performance since 2022. Economic data also concerned investors, and shares of AI related companies fell following news that China had trained its generative AI to produce similar results but for a fraction of the cost.

European equities gained in Q3 2024, having moved lower in Q2. There were signs that the eurozone economy was recovering from the weakness seen in 2023 and the European Central Bank went ahead with several cuts in interest rates, the first of the major central banks to cut rates. In a turnaround from lagging performance in 2023 and 2024, European equities rose over Q1 2025 and was the best-performing region. Investor sentiment improved, supported by growing expectations of a ceasefire between Russia and Ukraine. Positive economic data indicating growth combined with Germany's significant revision of its

Market Returns 2024/25



historic debt policy, enabling increased investment in infrastructure and defence, further boosted market confidence.

In the UK, the FTSE 100 hit new all-time highs in Q2 2024. The market was supported by inflation declining to 2%, the lowest figure since July 2021 but interest rate cuts were delayed by the announcement of a snap UK general election. The market sold off in Q4 2024 after a rise in inflation, before rising in Q1 2025 when, despite a challenging outlook for the domestic economy, concern over the potential for increasing taxes and weakening business confidence, it outperformed global equities as investors reallocated investments away from US equities.

Global government and corporate bond performance was mixed over the financial year. The yield on 10-year US treasuries finished at the same level as at 31st March 2024, albeit with some significant variations during the year; the US yield curve ended its inversion towards the end of Q3, with 10-year treasuries once again yielding more than two-year bonds. Yields fell back in Q1 2025 as news of potentially aggressive tariff policies led to fears of economic slowdown. Investors rotated into so-called 'safe haven' assets, including US treasuries and gold.

Meanwhile yields on the 10-year German bund, the 10-year UK gilt and the 10-year Japanese government bond all rose. The prospect of increased spending on infrastructure and defence increasing expectation of debt issuance was an additional factor in bund yields rising in the final quarter of the year. Ten-year gilts followed a similar pattern as US and European government bonds, rising at the start of the financial year, falling back in Q3, before rising in Q4 2024 and Q1 2025 and therefore ending the year +0.74% higher at +4.68% as concerns over potential recession and the UK's fiscal health deepened.

Corporate bond spreads widened in Q1 2025 in the US and in the UK, but following a period of tightening in the second half of 2024, ended the financial year at similar levels to 31st March 2025. In contrast, Eurozone credit yields tightened over the final quarter as credit yields rose by less than German bund yield and therefore tightened over the year as a whole.

Sterling appreciated against the dollar, euro and yen over the course of the financial year. The dollar weakened against nearly all major currencies in Q1 2025 with a significant dip seen in early March as the US went through with imposing 25% tariffs on Canada and Mexico. The pound did weaken against the euro and yen in Q1 2025, in response to elevated gilt yields and disappointing UK growth figures for Q4 2024. A cut in UK 2025 growth forecasts to 1% from the 2% forecasted in October 2024 added further pressure to gilts and the pound.

UK commercial property total returns strengthened in 2024. Investment volumes increased and capital returns shifted back into positive territory with the office sector the only sector to record negative total returns in Q2. All sectors delivered positive total returns in Q3, including the office sector, and returns strengthened further in the final quarter of the calendar year. Amid increased geopolitical uncertainty, however, investment volumes fell in Q1 2025 and absolute returns, while still positive, fell due to slowing capital growth.

Fund Performance Measurement

The Fund measures performance using the service provided by its global custodian, Northern Trust. The performance objective for each investment manager with an active investment mandate is to outperform their benchmark, as shown in the manager allocation tables above, which may be a cash plus target, a target absolute return, an appropriate market index or a performance universe.

The performance of the Fund as a whole and at each asset class level is measured against blended benchmarks, which are products of individual manager benchmarks and their strategic target allocations. Details of the Fund's current benchmark are also provided in Schedule 2 of the Fund's Statement of Investment Principles (SIP).

Investment Returns for 2024/25

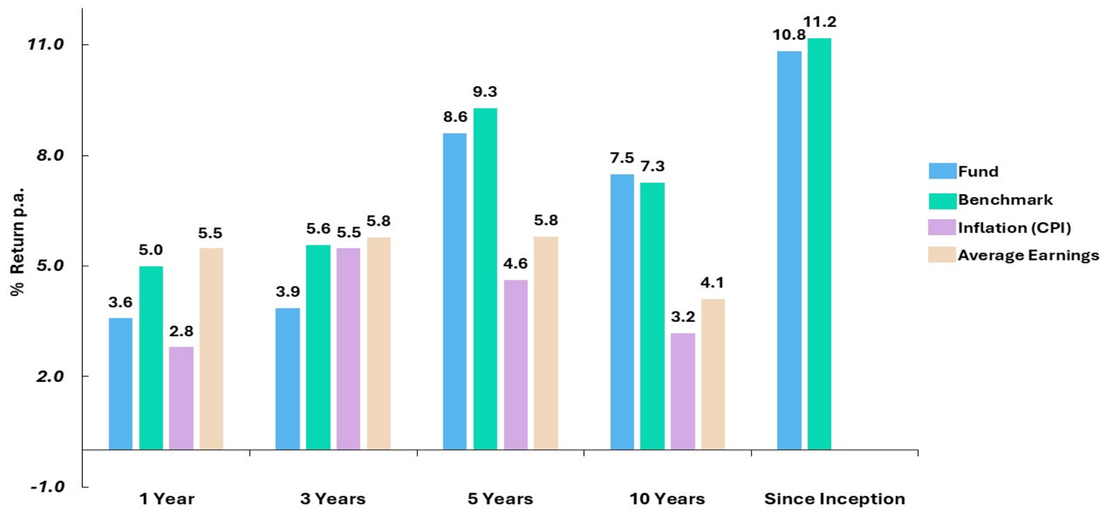
The Fund's performance has been calculated based on Northern Trust's consolidated valuation of the Fund at 31st March 2025.

Strathclyde Pension Fund returned +**3.6%** over 2024/25, **-1.4%** behind its benchmark return of **+5.0%**, ahead of inflation but behind average earnings growth. Total Fund performance is behind all indicators over the 3-year period, ahead of inflation and average earnings but behind its strategic benchmark over 5 years, and ahead of the strategic benchmark, inflation and average earnings over the 10-year period.

Total Fund performance in 2024/25 was behind the actuarial discount rate of **+5.0% p.a**. set out in the Funding Strategy Statement at the 2023 valuation, but ahead over the two-year inter-valuation period (**+6.7% v +5.0% p.a.**).

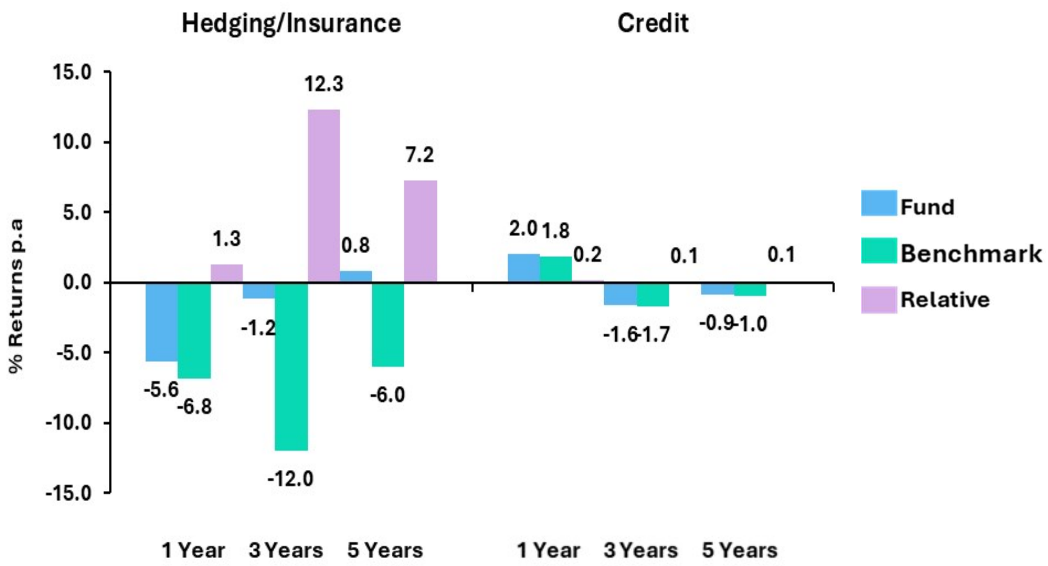
Despite relatively weaker performance more recently, Equity portfolios remain the most significant contributor to the Fund's positive performance over the longer term.

Long-term performance to 31st March 2025



Performance has been calculated net of pooled and private market fund fees, but gross of segregated mandate fees. Estimated total Fund performance over 2024/25 net of all investment manager fees was +**3.5%.** Performance by asset class, including estimated net of fee performance over the 12 months to 31st March 2025, is shown in the charts below.

Asset class performance 2024/25



Equity portfolios are measured against market indices and in 2024/25 achieved a combined return of **+3.3%** (**+3.1%** net of fees), compared with a benchmark return of +**5.5%**:

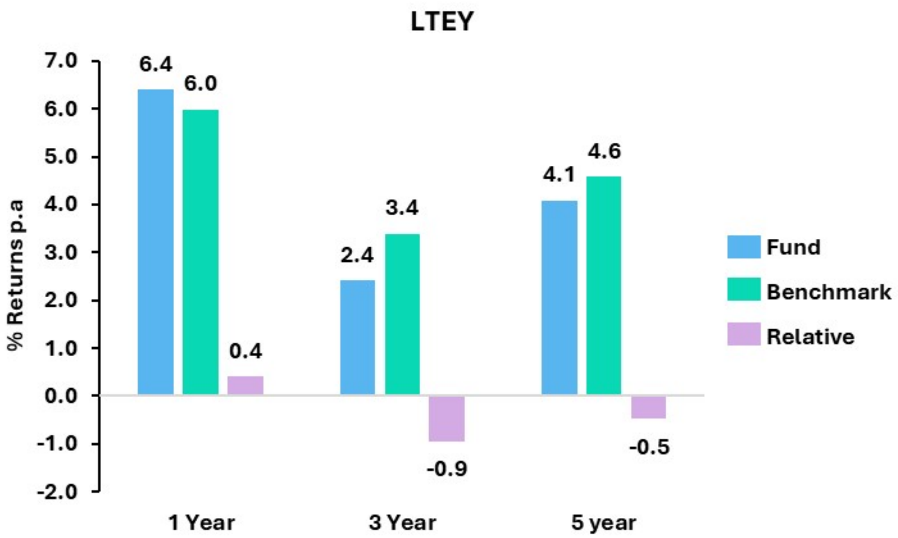
- Active listed equity portfolio performance was mixed. Only 2 of the 4 global equity managers realised a positive absolute return, and only one, Oldfield Partners, outperformed.
- Of the Fund's 3 specialist equity portfolios, the active emerging markets mandates were the standout performers, returning **+11.4%** and outperforming on a relative basis.
- Absolute returns from the Fund's long-standing private equity portfolios were positive, although the Pantheon portfolio return was below its index benchmark. Both the Partners Group and Pantheon portfolios remain the Fund's strongest performers on an absolute and relative basis over the long term.

The Fund increased its allocation to **Hedging/ Insurance** and reduced its exposure to **Credit** in 2024/25, switching half of its **Credit** allocation to a new Buy and Maintain mandate in Q4 2024:

- Hedging/ Insurance portfolio performance was negative **-5.6%** (**-5.6%** net of fees) but ahead of benchmark due to the timing of portfolio allocation changes.
- Combined passive corporate bond and part year Buy and Maintain portfolio performance of **+2.0%** (**+2.0%** net of fees) was marginally ahead of benchmark.

STEY portfolios are all measured against a cash plus benchmark. Over 12 months, combined portfolio performance was positive **+6.0%** (**+6.0%** net of fees**)** but behind benchmark **(+7.6%)**:

- The return on all institutional investment manager portfolios was positive but only the Barings private debt portfolio outperformed its benchmark over the financial year.
- Performance of all manager portfolios is positive and in line with benchmark over the medium term, with a combined return across mandates of **+5.7%**.
- On a since inception basis, only the Barings and Alcentra private debt portfolios have outperformed their benchmarks.



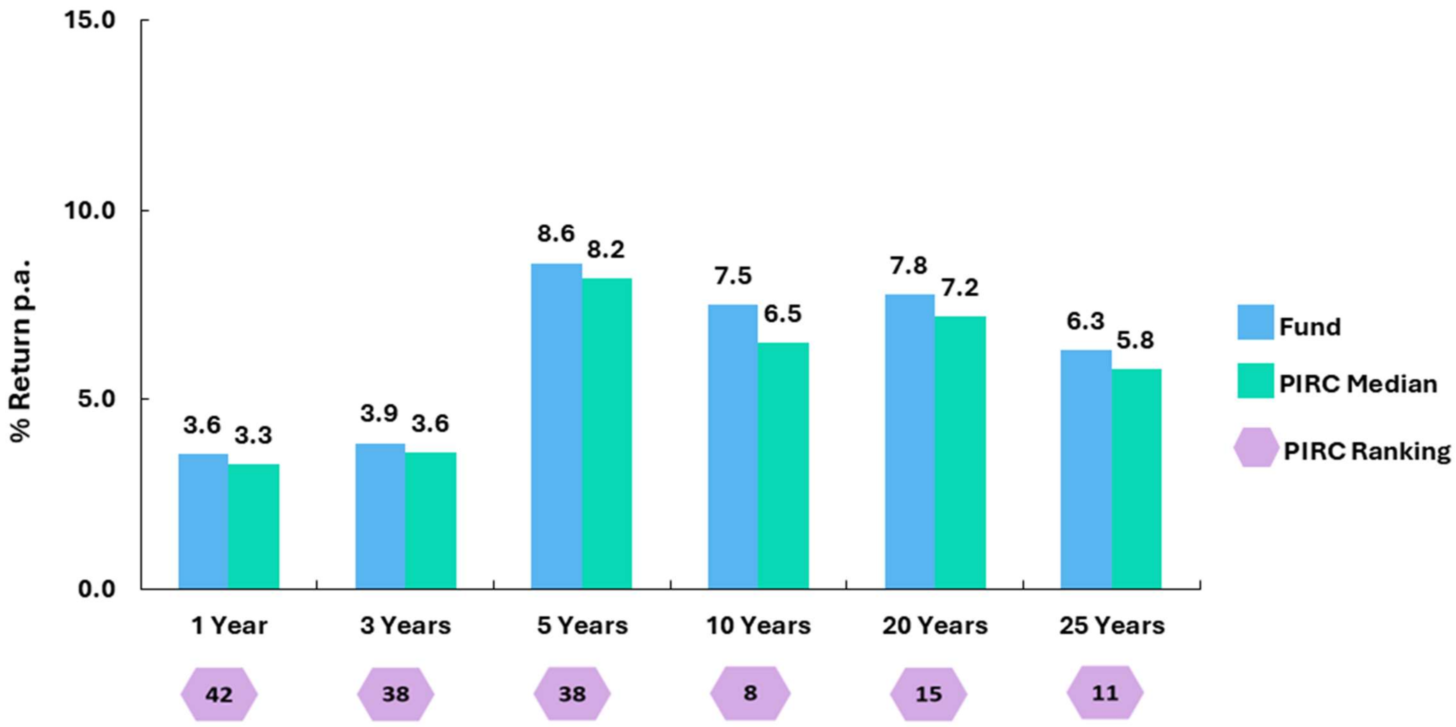
Combined **LTEY** portfolio performance was **+6.4%** (+**6.3%** net of fees) and ahead of benchmark in 2024/25:

- The DTZ UK direct property portfolio return was positive and ahead of benchmark, as the portfolio benefitted from capital growth as well as income returns.
- JP Morgan International Infrastructure fund performance was strongly positive and ahead of benchmark as the fund continues to grow and benefit from established income yields.
- The return on the Partners Group real estate portfolio was negative and significantly behind benchmark, detracting from overall LTEY asset class performance over the year.

Pension Fund Returns

Strathclyde Pension Fund subscribes to PIRC's Local Authority Pension Performance Analytics Services, which gathers and compares the performance of UK Local Authority Pension Funds. Strathclyde Pension Fund has exceeded median performance over all time periods. The Fund has ranked in the top quartile of local authority funds over the 10, 20 and 25 year time periods.

PIRC Local Authority Universe



Investment Management Costs

The level of fees and expenses paid by the Fund to individual investment managers varies relative to the complexity involved in managing a particular investment asset and strategy, the associated risk and expected investment returns. The Fund complies with CIPFA guidance on investment management costs when completing its financial statements. Fees and expenses incurred within a pooled investment vehicle as a result of that vehicle's investment in other pooled funds are not included in the Fund's financial statements as the Fund has no control over these costs. This type of 'fund of fund' investing typically occurs in private market investments. CIPFA suggests that these 'Tier 2' expenses can be included for information elsewhere in the annual report. Investment manager estimates of the Fund's share of 'Tier 2' costs for 2024/25 were £22.8m (2023/24 £23.4m).

The Local Government Pension Scheme (LGPS) Code of Transparency

The LGPS Scheme Advisory Board (SAB) in England and Wales launched a Code of Transparency in May 2017, a voluntary agreement for investment managers to provide LGPS clients with transparent fee information. The Code recognised that there may be additional costs over and above those invoiced or disclosed in traditional reporting and launched a cost template that would allow pension funds to gather cost and fee information for listed investment assets in a consistent manner. In November 2018, the Cost Transparency Initiative, a partnership between the Pension and Lifetime Savings Association (PLSA), the Investment Association (IA) and the SAB was established and further developed industry standard templates to form a framework for investors to receive standard cost and charge information from asset managers across different asset classes, allowing investors to compare charges between providers , support the Fund in decision making and, when monitored and evaluated in the context of asset class, risk and return, assist with value for money assessments.

SPF is a strong supporter of the work carried out to date on cost transparency, and all but one of its institutional investment managers have signed up to the LGPS Code of Transparency. SPF receives cost information in standard templates from all of its managers although not in time to ensure that these templates are the source of fee and expense information in the SPF's annual financial statements.

SPF continues to engage with all managers, including managers of the Direct Impact Portfolio, to support the Code and to encourage them to complete the cost template relevant to their asset class.

Direct Impact Portfolio

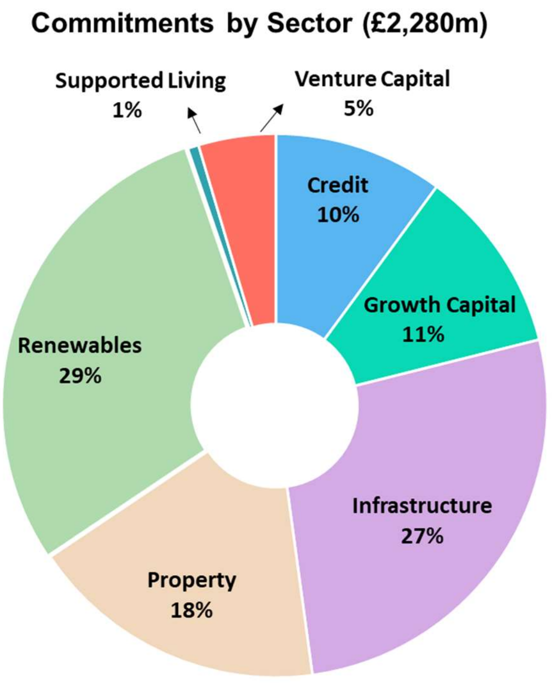
Background and Strategy

In December 2009, the Strathclyde Pension Fund Committee agreed to establish a New Opportunities Portfolio with a broad remit to invest in assets for which there was an attractive investment case but to which the then current structure did not provide access. The portfolio strategy has been subject to 3-yearly reviews with the name changing to the Direct Investment Portfolio in 2015 and again in 2021 to the Direct Impact Portfolio.

The most recent review was concluded in November 2024. This made no change to the objectives, structure, overall size parameters, risk and return parameters, or governance structure, but did result in increases to the DIP's overall allocation and minimum required investment return and a minor amendment to the direction of the maximum investment size. The Co-Investment Programme was also extended, in conjunction with an increase in the maximum co-investment size.

The framework agreed at the 2024 review is summarised below.

Direct Impact Portfolio: Investment Strategy	
Objectives	Primary objective identical to overall SPF investment objective. Secondary objective of adding value through investments with a positive local, economic or ESG (environmental, social, governance) impact.
Strategy & Structure	In line with SPF risk-return framework but focused on the UK and the Equity, Long Term Enhanced Yield and Short-Term Enhanced Yield asset categories.
Risk and Return	Individual risk and return objectives for each investment. Total DIP benchmark: LIBOR to 31st December 2018, CPI +3% thereafter
Capacity	Target allocation of 7.5% of total Fund (based on Net Asset Values). Range of 5% to 10% of total Fund.
Investment Size	Target: £30m to £100m Minimum: £20m Maximum: £250m
Co-investment Programme	Existing Co-Investment Programme (CIP) increased to £300m with maximum investment per asset increased to £25m, subject to the agreed CIP investment parameters.



Assets under Management

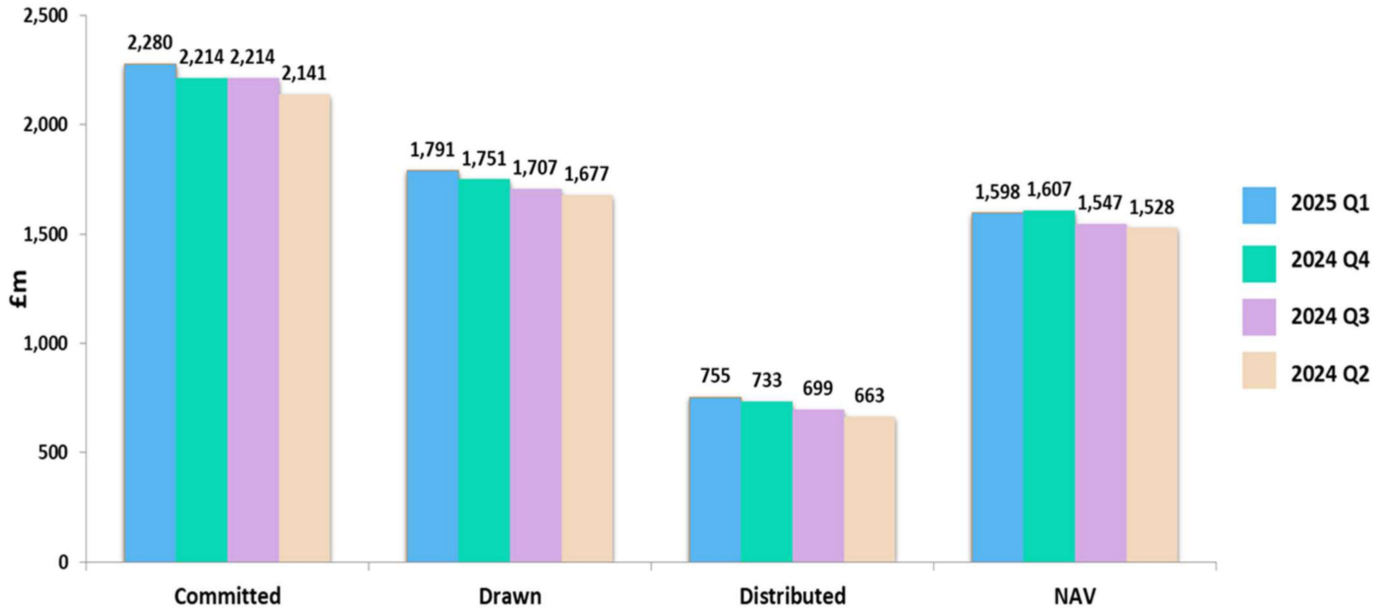
As at 31st March 2025, DIP commitments totaled **£2,280m** or **7%** of total Fund, including **£45m** of commitments in the Co-Investment programme. The Net Asset Value of investments was **£1,598m** or **5%** of total Fund. DIP investments span 7 broad sectors with Infrastructure, Renewable Energy and Property comprising the 3 largest components and representing a combined total of **74%** of the total portfolio.

Change in Investment Profile

The value of approved DIP commitments increased by **£250m** in the financial year and totalled **£2,280m** at 31st March 2025.

2 funds were realised fully reducing commitments by **£15m** and increasing total realisations to **£137m**.

The net asset value of DIP increased by **£108m** in 2024/25. **£130m** of distributions brought the total received since inception to **£892m**.



Review of Investment Opportunities

During the year the SPF investment team reviewed **147** opportunities across a range of asset classes:

- Credit (38)
- Infrastructure (15)
- Property (25)
- Renewable Energy (17)
- Supported Living (0)
- Venture/Growth Capital (52)

5 Investment proposals were approved by the SPF committee in the financial year and 2 investments were made from the previously approved Co-investment programme.

New Investments

5 new fund investments were approved in the year.

£30m to **Palatine Private Equity Fund V** which focuses primarily on growth capital (GC) investments of between £10m and £30m in businesses based in the regions of the UK with an enterprise value of up to £100m.

£50m to **Equitix Fund VII** to fund the acquisition of a portfolio of 30 to 40 equity investments in the small to mid-market segment of the core infrastructure market.

£60m to **Quinbrook Renewables Impact Fund (QRIF2)**

£30m to Clean Growth Fund II (CGF2) a venture capital (VC) fund focused on identifying early stage, sustainable technologies in the clean technology (cleantech) sector.

£50m to Octopus Affordable Housing Fund (OAHF) which seeks to deliver and be a responsible long-term owner of a portfolio of high-quality general needs and extra affordable housing across the UK.

Co-Investment Programme

The Co-Investment Programme was introduced to achieve additional investment in assets expected to deliver the most impact to the DIP portfolio. Individual opportunities often arise at relatively short notice and require a rapid response by potential co-investors.

To manage this, DIP has taken a portfolio approach by establishing a new investment vehicle allowing allocation to funds that can invest in these opportunities within certain pre-determined parameters. This is consistent with the approach taken within SPF's private equity portfolios.

A key principle is that funds are only allocated to managers with whom the SPF Committee has already approved a DIP investment.

The introduction of the Co-Investment Programme has allowed DIP to:

- deploy more funds incrementally into valuable sectors;
- manage portfolio diversification; and
- take advantage of lower fee structures on co-investments, which reduce the overall blended cost of DIP's core and co-investment allocations.

2 investments from the DIP Co-Investment Programme were approved in the year:

TEMPORIS CAPITAL
SUSTAINABLE RETURNS

£15m to **Temporis (TISV Co-invest1 LP)** to acquire a 50% stake in the Blackcraig Scottish windfarm and;

£15m to **Temporis (TISV Co-invest1 LP TISV 2)** to assist with funding the construction of 2 Battery Energy Storage Systems (BESS) projects in the North of Scotland designed to accept surplus power from offshore windfarms.

Portfolio snapshot 2025

Credit Funds

Including growth capital and SME Lending

9 Investments
6 Fund Managers

Property Funds

Including social, affordable and aged care

8 Investments
7 Fund Managers

Growth/Venture Capital Funds

Including early-stage technology and clean energy

19 Investments
10 Fund Managers

Infrastructure Funds

Including transport, social and digital

11 Investments
4 Fund Managers

Property Funds

Including on/offshore wind, solar, biomass and waste to energy

18 Investments
10 Fund Managers

A full list of the DIP Portfolio investments can be found here:
DIP-Investments

Portfolio snapshot 2025

74
Investments since inception

£2.3bn
Committed funds

£230m
Committed to Credit funds

£356m
Committed to Growth/Venture

£420m
Committed to Property funds

£610m
Committed to Infrastructure funds

£664m
Committed to Renewable Energy funds

£1.8bn
Commitments Drawn

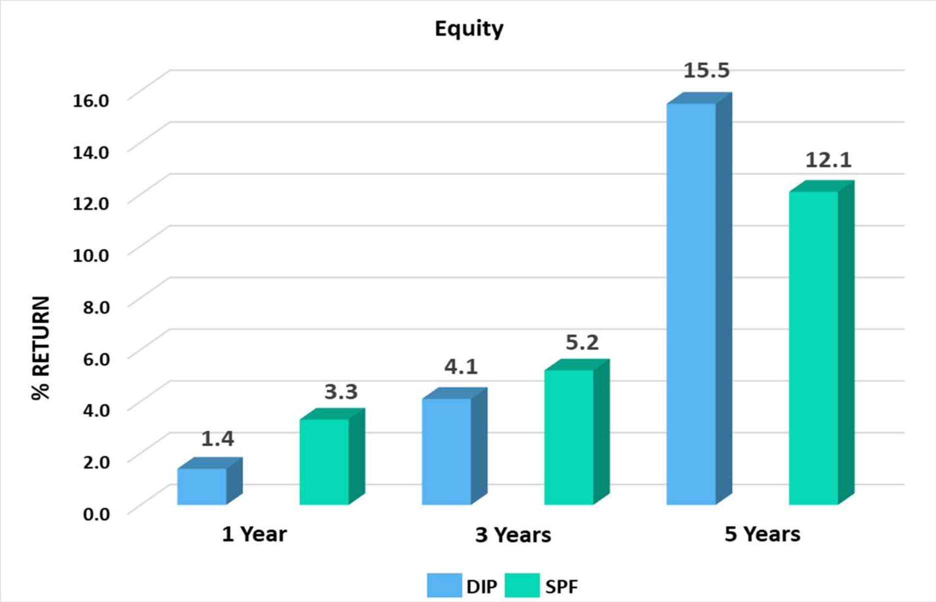
7.5%
Target of total Fund

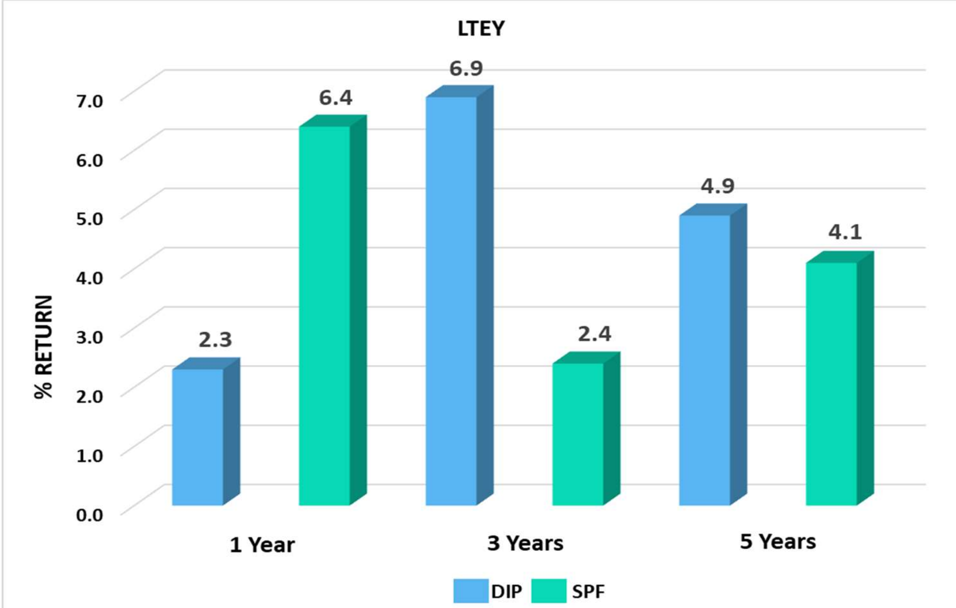
£755m
Distributions received

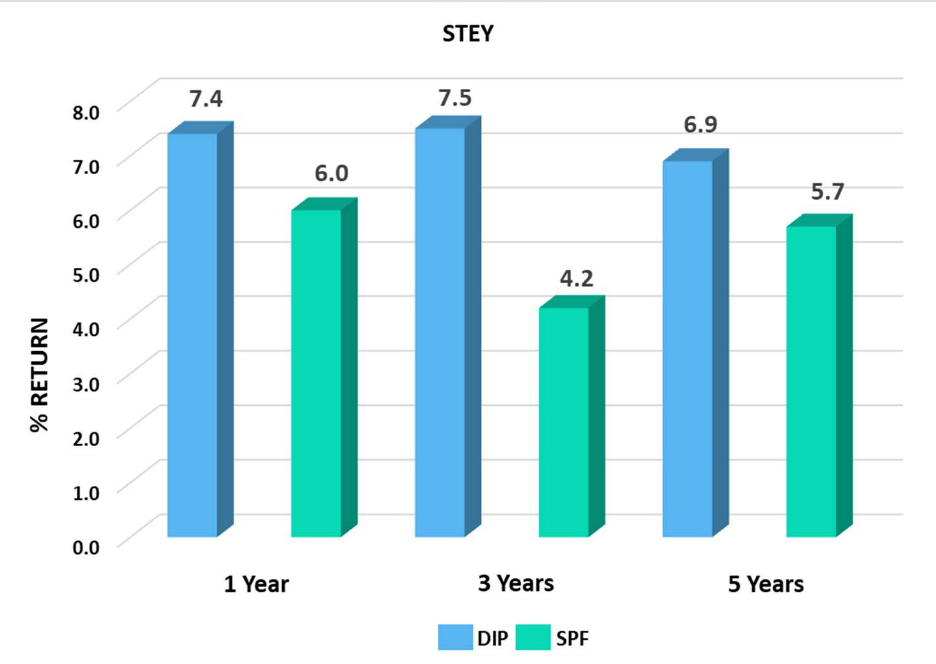
£1.6bn
Net Asset Value

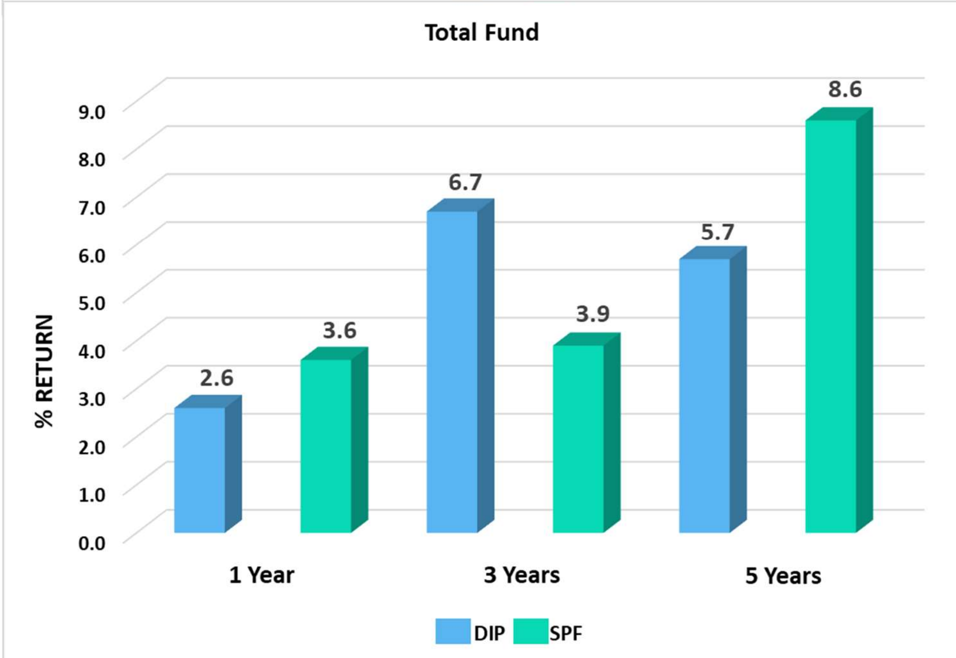
£137m
From 8 funds realised

Investment Performance









Impact

Risk and return are the primary considerations of DIP's investments but since the portfolio's inception in 2009, local and ESG impacts have been important secondary considerations.

DIP has a formal secondary objective to add value through investments with positive local, economic or ESG benefit. In 2021 the portfolio further emphasised the importance of impact with the change of name to the Direct Impact Portfolio.

Through DIP, Strathclyde Pension Fund is investing in the industries and companies that will deliver the climate solutions required to achieve the Paris Agreement's overall goal of global net zero emissions by 2050.

The Direct Impact Portfolio measures impact across all its investments and can demonstrate:

- Greenhouse gas emissions avoided & carbon offsets in its **Infrastructure** and **Renewable Energy** funds;
- a reduction in carbon emissions through development and energy efficiency in its **Property** Investments and;
- Delivery of strong Environmental, Social and Governance practices across its **Credit, Venture,** and **Growth Capital** funds.

Figures for 2024 are set out in the table opposite.

The underlying data in the Impact table is obtained from DIP managers and reflects DIP's weighted stakes in the assets. The conversion factors used by SPF to calculate offset figures are sourced from Ofgem and official UK Government websites.

Measurable Impact in 2024 includes:

Impact	2024
Environmental	
- CO2e (tons) emissions avoided p.a.	**187,439**
- Homes powered p.a.	**336,574**
- Average sized cars removed from the roads p.a.	**177,533**
Social (DIP Funds' stakes / UK assets)	
- Infrastructure (e.g. schools/healthcare/Govt facilities)	**768 assets**
- Renewable Energy (e.g. wind/solar farms)	**594 assets**
Governance	
- PRI Signatories	**29(35)**
Local (Scottish Investments – DIP Funds' stakes)	
- 103 Schools	**£215m**
- 13 hospitals	**£120m**
- 1,191 Affordable Housing Units	**£152m**
- 670 Build to Rent units	**£174m**

Responsible Investment

Signatory of: PRI Principles for Responsible Investment

SPF Policy

SPF is a signatory to the United Nations Principles for Responsible Investment (PRI) and has adopted the principles as its responsible investment policy.

The text of the principles is as follows:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with the broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing Principles.

SPF Approach

Responsible Investment activity is carried out by:

Investment Managers	Sustainalytics	Collaboration
The Fund's investment managers are required to exercise the Fund's voting rights, to incorporate analysis of ESG issues into their investment analysis and expected to engage on these issues with the companies in which they invest.	Sustainalytics, a specialist responsible investment engagement overlay provider;	SPF itself through direct engagement, and collaboration with other investors including the Local Authority Pension Fund Forum (LAPFF), ShareAction, Institutional Investor Group on Climate Change (IIGCC), Climate Action 100+ and other ad-hoc alliances.

Voting

SPF ensures that the votes attaching to its holdings in all quoted companies are exercised whenever practical. The Fund's voting policy is exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practices including the UK Corporate Governance and Stewardship Codes. SPF occasionally votes shares directly, usually in support of shareholder motions.

Most resolutions involve routine matters of business and the expectation would be for managers to vote for the majority of proposals. SPF operates a securities lending program. Where shares are out on loan at the time of the company meeting, proxies are not lodged.

SPF Voting Snapshots

Over 16,000 meetings

Over 150,000 resolutions voted

7% Against Votes in the UK

1,000+ Votes related to Climate Change

24% Against Votes internationally

Case Study – Woodside Energy Group

Legal & General and **Baillie Gifford** voted against the election of the Board Chair and the Climate Transition Plan and Progress Report at the **Woodside Energy Group** AGM. Despite significant opposition to the company's climate report at their 2022 AGM no material changes were incorporated in their most recent climate transition plan. Concerns remain about the emissions targets, lack of quantifiable disclosure on climate related risks and the quantum of capital to be allocated to low-carbon solutions. The resolution to approve the Climate Transition Action Plan and Progress Report was defeated by 58%.

Case Study – Microsoft Inc.

Veritas opposed management at the **Microsoft Inc.** AGM by voting for two shareholder resolutions. The first resolution requested a report on risks of operating in countries with significant human rights concerns. Veritas believe shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries. A second resolution requested a report on AI data sourcing accountability as the company is facing increased risks related to copyright infringement.

Case Study – The Walt Disney Company

Oldfield Partners voted against the re-election of Board members at **The Walt Disney Company**. Oldfield supported the attempts of an activist shareholder to unseat two existing Board members, replacing them with alternatives. Their argument centred around the ability to positively influence Disney's governance and strategic direction. Oldfield believe that the current Board has historically not illustrated the ability to hold CEO and Chairman Bob Iger to account. Oldfield also wrote to Disney to outline their reasoning for voting against the Board.

Full disclosure of voting activity is provided quarterly on the SPF website. This includes both the total number of company meetings and details of individual companies. The voting reports are available at: Voting

Morningstar Sustainalytics

The Fund's external investment managers are assisted by responsible investment specialist, Morningstar Sustainalytics, who co-ordinate engagement efforts and provide detailed research to focus collaborative effort. In 2024, Morningstar Sustainalytics engaged on **124** cases associated with violations of international norms and conventions. They resolved **15** cases and opened **17** new cases. **131** meetings were held with companies relating to these cases, including **14** in person meetings. In total, Morningstar Sustainalytics was in contact with companies **1,635** times through emails, conference calls and meetings.

Morningstar Sustainalytics 2024-2025 Engagement Themes

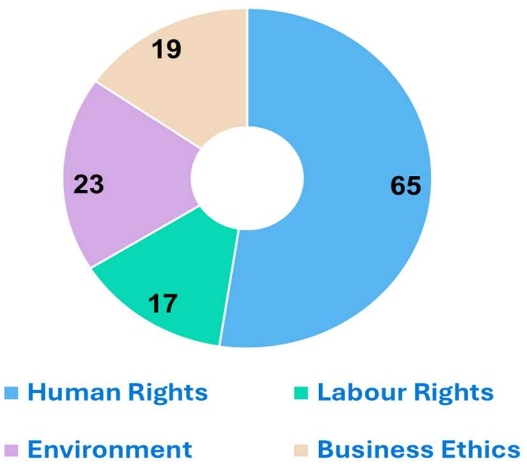
Labour Rights
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

Human Rights
Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.

Environment
Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

Business Ethics
Businesses should work against all forms of corruption, including extortion and bribery.

Engagement by Theme



Morningstar Sustainalytics engagement highlights in 2024

Morningstar Sustainalytics company engagement in 2024 included: US electricity and power generation company, **Vistra Corp**. about climate targets and transition strategy; Malaysian Healthcare company, **Top Glove Corp. Bhd.** after claims of labour abuse at manufacturing operations in Malaysia; **UnitedHealth Group Inc.** about data privacy and security after a ransomware attack; Brazilian food producer **JBS SA.** on deforestation after a fine by regulators for cattle on illegally deforested land in Brazil; Swiss Chemicals company, **Syngenta AG.** about adverse health impacts of herbicide products.

Morningstar Sustainalytics Thematic Engagement services allow investors to align their interests in addressing specific issues with their engagement activities. SPF is a subscriber and active supporter of the following Sustainalytics thematics; Responsible Cleantech, Modern Slavery, The Governance of Sustainable Development Goals (SDGs), Climate Change - Sustainable Forests and Finance, Feeding the Future. The thematic engagements seek to directly contribute to the 17 UN Sustainable Development Goals (SDGs). Details of the engagements are available at: [Engagement]

SPF Collaborative Engagement

Acting collectively with other like-minded investors.

Signatory of: PRI Principles for Responsible Investment	The PRI's 6 Principles contribute to developing a more sustainable global financial system.
Local Authority Pension Fund Forum	Collaborative body of 84 LGPS promoting high standards of corporate governance and corporate responsibility.
ShareAction» the movement for Responsible Investment	UK charity with a vision of an investment system that serves savers and communities and protects the environment.
FAIRR A COLLER INITIATIVE	Collaborative investor network that raises awareness of the material ESG risks and opportunities caused by intensive farming.
IIGCC The Institutional Investors Group on Climate Change	Collaborative platform to address long-term risks and opportunities associated with climate change.
A proud participant of: Climate Action 100+	An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take appropriate action on climate change.
CDP INVESTOR SIGNATORY	An international organisation that helps companies and public authorities disclose their environmental impact.
SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	A climate action organization that enables companies and financial institutions to set ambitious, science-based emissions reduction targets.

Case Study - CDP

In support of **CDP's Mandatory Plastic Data Disclosure Campaign**, the Fund co-signed an open letter to policymakers and the global community on the importance of addressing plastic pollution and the need for comprehensive plastic-related corporate disclosure. This CDP letter to global governments requests mandatory corporate disclosure of plastics data in the Global Plastics Treaty. **48** Financial Institutions and **37** global companies publicly endorsed this letter. By publicly supporting CDP's letter, these institutions and companies will send a powerful signal to policymakers and the global community regarding the vital role of corporate disclosure and action in tackling the plastic crisis.

Case Study - PRI

The Fund supported a collaborative PRI investor engagement letter to **General Mills, Inc.** regarding forced and child labour in sugar supply chains in India.
The letter, supported by investors representing $1.05 trillion in assets and coordinated by the Michigan based UAW Retiree Medical Benefits Trust, expressed concern about the human rights risks in the General Mills sugar supply chains in Maharashtra, India, particularly for women and children.
The letter urges General Mills to enhance its due diligence and auditing processes to better detect and mitigate these risks, ensuring the protection of workers' rights throughout its entire supply chain and to engage directly with shareholders on this issue.

Case Study - ShareAction

In support of **ShareAction's Workforce Disclosure Initiative** (WDI) the Fund signed a public letter to management at **Amazon.com** regarding trade union recognition and Amazon's response to organising at its Coventry fulfilment centre.
As investors we are committed to international standards, including the International Labour Organization (ILO) Core Conventions, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the UN Sustainable Development Goals. Therefore, we expect companies to meet the expectations set out therein, including that workers should be free to exercise their rights to freedom of association and to collective bargaining.

There have been a number of underlying investment principles which have guided the evolution of the Fund's structure. These principles will be as important in the future as they have been in the past. The key principles are:

- **Long-term perspective**
- **Diversification**
- **Efficiency**
- **Competitive advantage**
- **Pragmatism**
- **Stewardship.**

6

Scheme administration

THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The LGPS is a statutory scheme established under primary legislation – the Superannuation Act 1972 and Public Service Pensions Act 2013. The scheme rules take the form of a series of regulations – the Local Government Pension Scheme (Scotland) Regulations. The regulations are Scottish Statutory Instruments (SSIs).

The scheme benefits are set out in the Local Government Pension Scheme (Scotland) Regulations 2018.

How the Service is Delivered

STRATHCLYDE PENSION FUND OFFICE (SPFO)

Glasgow City Council is the administering authority for the Local Government Pension Scheme (LGPS) in the west of Scotland. To fulfil this role the Council has established and maintains the Strathclyde Pension Fund (SPF). Administration of LGPS benefits for members of the Fund is carried out by the Strathclyde Pension Fund Office (SPFO).

SPFO:

- •is a division of Glasgow City Council's Financial Services Department; and
- •administers the scheme on behalf of 141 employers and over 290,000 members.

SCHEME BENEFITS

The Local Government Pension Scheme is a defined benefit scheme.

From 1st April 2015 benefits are accrued at a rate of 1/49th of pensionable pay on a career average basis. Prior to that date benefits were accrued on a final salary basis. These benefits are fully protected on the basis under which they were accrued.

A full description of the scheme benefits can be found in the Members area of the SPFO website or on the LGPS website at www.scotlgpsregs.org

The following table provides a summary.

Scheme Benefits Summary

Membership up to 31 March 2009	Membership from 1 April 2009 to 31 March 2015	Membership from 1 April 2015
Annual Pension = (Service years/days x Final Pay) / 80	Annual Pension = (Service years/days x Final Pay) / 60	Annual Pension = Pensionable pay each year /49 (half that if in 50/50 section)
+	+	+
Automatic tax-free cash lump sum = 3 x Annual Pension	No automatic tax-free cash lump sum but can convert pension.	No automatic tax-free cash lump sum but can convert pension.
+	+	+

- Annual revaluation and pensions increase in line with CPI inflation
- Partners' and dependents' pensions
- Ill health protection
- Death in service protection

All benefits are paid in accordance with the Local Government Pension Scheme regulations.

How the Service is Delivered

ADMINISTRATION STRATEGY

SPFO introduced its first Pension Administration Strategy (PAS) in March 2010. The PAS is reviewed regularly – usually every 3 years. The Strathclyde Pension Fund Committee agreed a revised strategy in June 2023. The revised strategy came into force on 1st July 2023.

The strategy sets out the procedures and performance standards required of both SPFO and its employers to ensure the efficient and effective administration of the pension scheme.

Aims and Objectives

The strategy aims to ensure that:

- a high quality pension service is delivered to all scheme members;
- pension benefits are paid accurately and on time;
- successful partnership working develops between SPFO and its employers;
- performance standards are understood, achieved and reported; and
- performance and service delivery comply with the Local Government Pension Scheme (LGPS) regulations, other related legislation and The Pensions Regulator's Code of Practice.

Achieving the Objectives

There are five key elements necessary to achieving the PAS objectives:

- clear roles and responsibilities;
- performance and service standards;
- good member data;
- engagement and communication; and
- appropriate resource.

The strategic approach to each of these is described in the strategy.

The Pension Administration Strategy is published on the SPFO website.

SPFO RESOURCE

Delivery of the PAS objectives requires both employers and SPFO to resource their operations with adequate numbers of staff with suitable knowledge and skills. SPFO resource is reviewed annually in the Business Plan which is approved by the SPF committee. The table below provides details of administration staff resource. In addition to the administration staff there is a Director and 10 Investment staff. The administration staff are split into six service areas each responsible for their own functions.

Resources	2024/25
Total number of all administration staff (FTE)	**87**
Average service length of all administration staff	**14.15**
Staff vacancy rate as %	**1.5**
Ratio of administration staff to total number of scheme members (all staff including management)	**3,343**
Ratio of administration staff (excluding management) to total number of scheme members	**3,462**

Pre-Retirement

Updates for new members and status changes

Calculation and processing of a range of provisional benefits

Calculation and processing of a range of transactions in and out of the Fund

Post-Retirement

Calculating and processing actual retirement benefits

Calculations of all death benefits

Recalculations

Finance

Payments in: monthly employee and employer contributions, transfers

Payments out: lump sums, transfers, refunds and monthly pension payroll

Compliance

Systems maintenance & security

Business continuity

Information & regulatory compliance

Data protection

Audit

Procurement/contracts

Health and safety

Digital Communications

Call handling and switchboard

Email, SPFO inboxes, pulse

Mail sorting, scanning & issue

Development of SPFonline & website

Design of all publications

Member, employer, and staff communications

Employer and Data Management

Monitoring, reconciliation, and reporting of i-Connect

Employer management

Data quality – maintaining member data base

Admissions and cessations

Actuarial valuations

Systems

SPFO is an established user of Altair – a bespoke Local Government Pension Scheme administration system. The Altair application is upgraded four times a year and SPFO is currently running on version 25.1. Within Altair, SPFO has implemented Task Management, Workflow, Performance Measurement and Insights modules. These form the core of process planning, management, monitoring, data analytics and measuring data quality. Altair is aligned with a Document Image Processing System (DIPS) to achieve straight-through electronic processing. It also provides internet-based Member Self Service functionality together with i-Connect, a secure portal which allows employers to send data submissions direct to SPFO and to upload documents for processing. Ongoing use, continuous development, and increasing member engagement in these areas are key aspects of the SPFO administration strategy and data improvement plan. For other finance functions, SPFO uses the Council's SAP-based systems. All staff have laptops which provide remote network and systems access. This facilitates hybrid working and flexibility and resilience of working arrangements.

Hybrid working

Hybrid working arrangements remain in place and will continue for the foreseeable future. The current arrangement is service deliver through a combination of staff being in the office at least 2 days a week and working from home the remaining days.

DEVELOPMENTS DURING 2024/25

Priorities in the SPF 2024/25 business plan included:

The Pension Regulator's (TPR) General Code – The Code was finally laid in Parliament during January 2024 (after a 2021 consultation) effective from 27th March 2024. A key priority was to review the new Code to ensure SPFO compliance. A compliance checker was purchased from Hymans Robertson and used for gap analysis. A Briefing, and a full report on outcomes and actions was delivered to the SPF Committee at its September meeting. Internal audit will also review SPFO compliance and report by June 2025.

Pensions Dashboard – During 2024/25 SPFO's software provider, Heywood, was signed off as Integrated Service Provider for this project. The Dashboard dashboard is now part of Altair Insights. Testing was carried out and completed during March to ensure data readiness and technical compliance to connect with the Dashboard ecosystem ahead of the statutory deadline for LGPS of September 2025. This project will be ongoing throughout 2025/26 and 2026/27 in preparation and planning for public access go-live in October 2026. Key steps will include agreeing matching criteria, protocols, and response processes.

McCloud Remediation – The Scottish Government laid the Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 on 30 August 2023. They came into force on 1 October 2023. During 2024/25 guidance and amendments to the regulations continued to be issued allowing for implementation of the McCloud remedy to become a business-as-usual activity within SPFO for active and deferred members processes. This project will continue during 2025/26 to process payment revisions for current pensioners and other member statuses. The content of benefit statements will also need to be reviewed by August 2025.

Scottish Fire and Rescue (SFRS) Consolidation – During 2024/24 SFRS consolidated their Scottish LGPS membership from 8 funds into one - SPF. The project was carried out over two tranches with a final implementation date of 31st January 2025. The transfer resulted in an increase in SPF membership of 1,563.

SPFO Performance Information

The pension administration strategy sets out the statutory responsibilities of SPFO.

Service standards and Key Performance Indicators (KPIs) for SPFO are set each year in the business plan which is approved by Strathclyde Pension Fund Committee. The KPI definitions are also set out within the business plan.

Administration performance is reported regularly to the Pension Board and to the Strathclyde Pension Fund Committee. All committee reports are published in the Governance area of the SPFO website.

SPFO has many performance indicators across all aspects of its work. The information shown here follows new guidance issued during the year by LGPS Scheme Advisory Board (SAB) for England & Wales, and subsequently adopted by the Scottish LGPS SAB. SPFO collects most of the necessary information in the required format. However, some information is not available, generally because SPFO has previously chosen to collect other information instead or report it in a different format. Notes have been added where this is the case.

Measuring casework – volumes

Pensions administration is carried out on the Altair pensions system. Turnaround performance is efficiently monitored through a workflow management system called Task Management. The table below shows some of the casework types SPFO measures, and some statistics about how many cases were processed in the year.

Casework Type	Total cases open 31/03/2025	Total new cases created in the year	Total cases completed in the year	Total % cases completed in the year	Total cases completed in previous year	Total % cases completed in previous year
Deaths	287	4,180	3,767	**80.3%**	*3,453*	*80.4%*
New dependents	5	1,346	1,328	**99.0%**	*1,276*	*99.7%*
Deferred retirements	93	2,364	2,101	**91.8%**	*2,119*	*99.2%*
Active retirements	257	4,659	4,074	**86.6%**	*3,778*	*84.5%*
Deferred Benefits	290	6,535	5,536	**79.7%**	*2,119*	*68.4%*
Transfers in	13	210	184	**89.3%**	*254*	*96.6%*
Transfers out	12	443	374	**93.5%**	*271*	*91.6%*
Refunds	3	1,965	1,944	**99.6%**	*1,804*	*99.6%*
Divorce quotations	10	327	225	**80.9%**	*227*	*97.8%*
Actual divorce cases	1	32	15	**83.3%**	*21*	*95.5%*
Estimates	138	2,239	2,007	**92.2%**	*2,182*	*93.5%*
New joiner notifications	0	14,528	14,528	**100.0%**	*16,854*	*100.0%*
Aggregation cases	SPFO is unable to provide this data					
Optants out (> 3 months)	SPFO is unable to provide this data					

Measuring casework – performance

SPFO uses workflow software to measure the time taken to process casework. Each process has a set number of target days for completion.

The first table shows key processes measured against set target days.

Casework Type	Fund target (working days)	% completed in target in the year	*% completed in target in the previous year*
Communication issued with acknowledgement of a death	SPFO is unable to provide this data		
Communication issued confirming amount of dependents pension	SPFO is unable to provide this data		
Communication issued to deferred member with benefit options (quotation)	Member driven online process*		
Communication issued with deferred benefit options	20	**65%**	*70%*
Communication issued with completion of transfer in	7	**42%**	*70%*
Communication issued with completion of transfer out	12	**46%**	*67%*
Payment of refund	10	**99%**	*98%*
Divorce quotation	25	**58%**	*65%*
Communication issued with completion of divorce proceedings (application of Pension Sharing Order)	40	**60%**	*62%*
Communications issued to new starters	15	**100%**	*100%*
Estimates	20	**62%**	*91%*

* Active and deferred members can create their own quotes by accessing their SPFonline account.

Implementing the McCloud remedy has had an impact on performance, and this is apparent in some of the statistics above.

Payment of Pensions

The single most important critical function of SPFO is to ensure that the monthly pensions payroll runs on its due date. This was achieved each month in 2024/25 without incident or delay.

Retirement and Contributions

The following table shows retirement transactions paid including lump sums, and contribution income received on due date.

For retirements the target is to ensure payment on the next available pension payroll date allowing members to maintain continuity of income.

For lump sums the aim is to pay on the retirement date, these targets are measured on this basis.

For contribution income, employers are required to pay contributions to SPF by the 19th of the month after they are deducted.

Process	**Target %**	**2024/25 Actual**	***2023/24 Actual***
Pensions payroll run on due date	100%	**100%**	*100%*
New retirals processed for due payroll date	95%	**93%**	*94%*
Lump sums paid on retirement date	95%	**88%**	*83%*
Deferred retirals processed for due date	95%	**94%**	*90%*
Deferred lump sums paid on retirement date	95%	**100%**	*100%*
Contributions income received on due date	100%	**98%**	*98%*

Employer i-Connect Submissions

All employers are required to submit regular electronic data returns via i-Connect no later than the 19th of the month following the reporting period. SPFO monitors receipt of these submissions.

The table below summarises the submissions received by due date during 2024/25.

Local Authority Employers	Target 2024/25	Actual 2024/25	*Actual 2023/24*
i-Connect submissions received by SPFO by due date	100%	**87%**	*88%*

Data Quality

The Pensions Regulator (TPR) has set targets for common data of:

- 100% accuracy for data created after June 2010; and
- 95% accuracy for data created before that date.

TPR also provides guidance on scheme-specific data but has not set prescriptive targets as this should be agreed at Scheme level. The Pensions Regulator provides the following definitions:

- Common Data are basic items which are used to identify scheme members, including surname, sex, national insurance number, postcode, date of birth, etc.
- Scheme Specific (Conditional) Data are items relating to the member’s pension, including employer name, salary records, service history, contributions history, etc.

All pension funds are required to make an annual scheme return to TPR which includes summary figures for core data tests passed. Results for the data quality tests for those members in scope are summarised below.

TPR Tests Passed				
Data Type	**SPFO target 2024/25**	**SPFO actual 2024/25**	***SPFO target 2023/24***	***SPFO actual 2023/24***
Common data	98.3	**97.3**	*98*	*98.1*
Scheme-specific data	97.6	**97.2**	*97*	*97.3*

The only area of significant weakness is in the address field. This relates to a cohort of historic deferred members for whom SPFO has either never held an address or with whom contact has been lost.

Altair Insights allows SPFO to monitor data quality scores in real time.

Reporting to the Pensions Regulator

All breaches of the regulations which are identified are logged within SPFO. Any breaches which might be of material significance to The Pension Regulator (TPR) require to be reported. One breach of law was reported during 2024/25. The breach is summarised below:

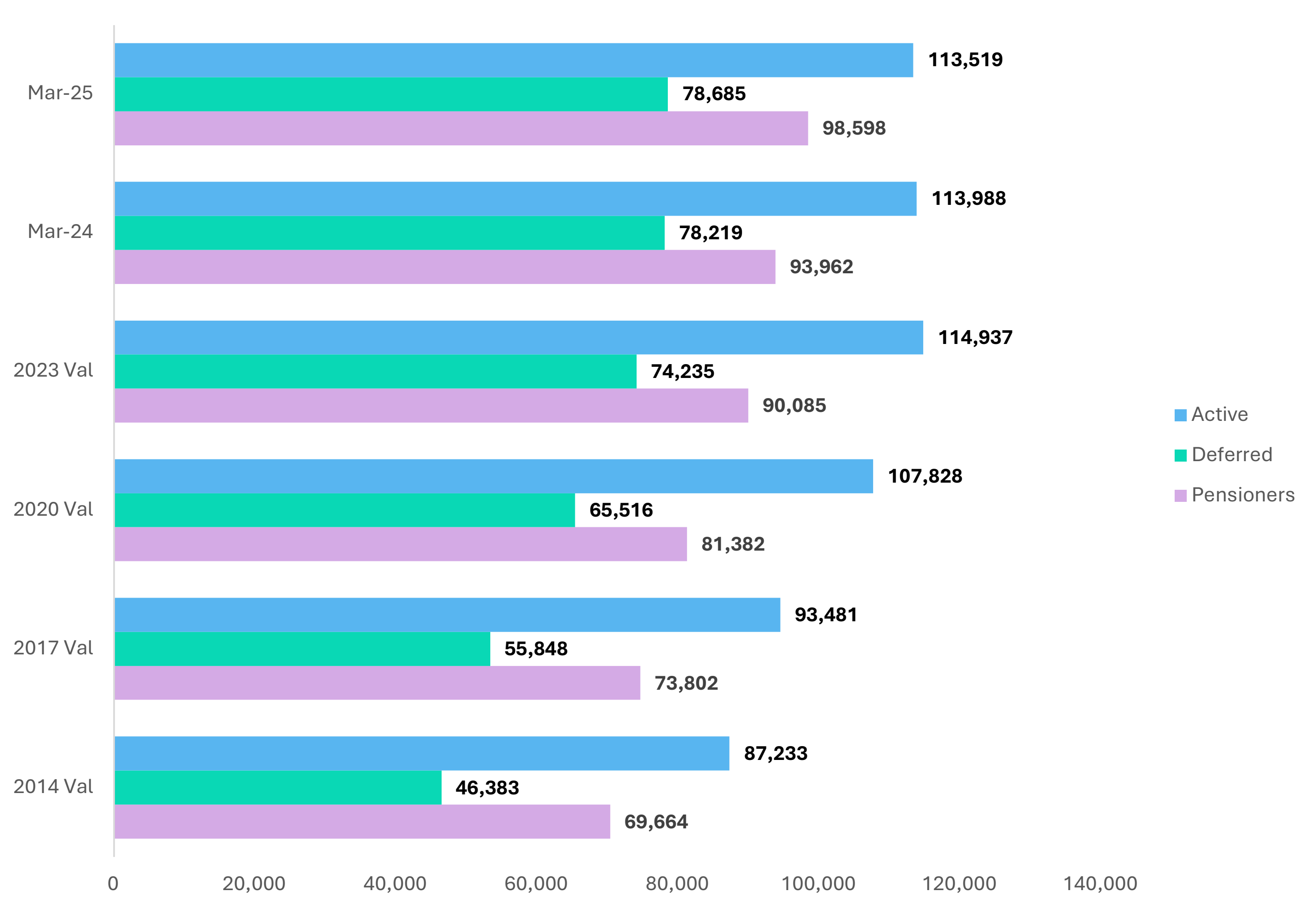
Annual Report 2025

The breach was a failure to include the McCloud Remedy underpin information for qualifying active members in the 2024 Annual Benefit Statements (ABS) due to be issued by 31st August 2024. The legislation as was written at the time required administering authorities to include the McCloud Remedy underpin in the 2024 ABS and onwards. That was not feasible. Scottish Government consulted during the year on draft regulations to modify the requirement to include the underpin information in the 2024 ABS. An amendment to the regulations came into force on 6th February 2025, backdated to 1st October 2023. This resulted in the reported breach being extinguished. The amendment to the regulations also gives administering authorities discretionary power to exclude underpin information in 2025 statements for certain members.

Fund Members and Participating Employers

MEMBERSHIP ANALYSIS

The chart below shows movement in membership numbers over the last year and since the 2014 actuarial valuation of the Fund. Total membership as at 31st March 2025 was **290,802**.



All categories of membership increased steadily between the 2014 and 2023 actuarial valuations. Since then, the trend does appear to have changed: active membership has reduced for 2 consecutive years (in spite of an influx of new members this year from SFRS consolidation); deferred and pensioner membership have continued to grow, as has total membership which increased by 4,633 in the current year. The trend may change again in 2025/26 as some major employers have an automatic enrolment re-enrolment date.

FUND EMPLOYERS

The rules for employer participation in the LGPS are set out in Schedule 2 of the scheme regulations. There are two main types of employer:

- Schedule 2, part 1 employers are known as scheduled bodies. They have an automatic right to participate in the LGPS and must offer the LGPS to all qualifying staff. Scheduled bodies include the local authorises, FE colleges, and Scottish Police, Fire, and Water services; and

- Schedule 2, part 2 employers are known as admission (or admitted) bodies. Admission bodies are able to participate in the scheme through a written agreement known as the Admission Agreement.

A summary of the number of employers with current contributors in SPF analysed by these categories is set out below.

Employers	2020/21	2021/22	2022/23	2023/24	2024/25
Scheduled	29	28	28	28	28
Admitted	135	131	124	118	113
Total	**164**	**159**	**152**	**146**	**141**

The number of employers contributing to SPF has been reducing for many years. The trend has been driven by a number of factors. Some employers have reached the natural end of their participation as a result of the expiry of a service contract or retiral of their last member. More recently, employers have taken advantage of the improving funding level to exit the scheme in favour of alternative pension arrangements at little or no cost, and latterly in receipt of an exit credit. This trend may now extend to some larger employers and employers who were not previously looking to exit.

Notes 1 and 8 to the Financial Statements include a list of scheduled bodies and a breakdown of income and payments across, scheduled bodies, admitted bodies and the administering authority. Contribution rates for all employers are shown in the report on the most recent actuarial valuation.

In addition to contributing employers, SPF has a number of employers who have no current contributors but who have members with benefits on hold and/or pensioner members. These are sometimes referred to as retained liabilities. Output from the 2023 actuarial valuation shows that there were 161 of these employers. Total liabilities for this group amount to only around 1% of SPF total liabilities.

A list of all contributing employers is set out below.

EMPLOYER LIST

A

AMEY BPO Services Ltd (Renfrewshire Schools PPP)

Amey Public Services LLP **(E)**

Argyll & Bute Council

Argyll College

Argyll Community Housing Association Ltd

Auchenback Active Ltd

Ayr Housing Aid Centre

Ayrshire College

Ayrshire Housing

Ayrshire Valuation Joint Board

B

BAM Construct UK Ltd (East Renfrewshire)

BAM Construct UK Ltd (West Dunbartonshire)

Business Loans Scotland

Bridgeton Calton and Dalmarnock Credit Union

C

Cassiltoun Housing Association

CGI UK Ltd

City Building (Contracts) LLP

City Building (Glasgow) LLP

City of Glasgow College

City Property (Glasgow) LLP

Clyde Gateway Urban Regeneration Company

Coalition for Racial Equality And Rights

Coatbridge Citizens Advice Bureau

College Development Network

Community Central Hall

CORA Foundation

Creative Scotland

D

Dunbartonshire & Argyll & Bute Valuation Joint Board

E

East Ayrshire Council

East Ayrshire Leisure Trust

East Dunbartonshire Council

East Dunbartonshire Leisure and Culture Trust

East Renfrewshire Carers **(E)**

East Renfrewshire Council

East Renfrewshire Culture & Leisure Trust

Easterhouse Citizens Advice Bureau

Enable Glasgow

Engage Renfrewshire

Equals Advocacy Partnership Mental Health **(E)**

Equans

F

Flourish House **(E)**

Forth & Oban Ltd

G

General Teaching Council for Scotland

Glasgow Association for Mental Health

Glasgow Caledonian University

Glasgow City Council

Glasgow City Heritage Trust

Glasgow Clyde College

Glasgow Colleges Regional Board

Glasgow Council for Voluntary Service **(E)**

Glasgow Credit Union

Glasgow Film Theatre

Glasgow Kelvin College

Glasgow Life

Glasgow School of Art

Glasgow West Housing Agency

Glasgow Women's Aid

Good Shepherd Centre

Govan Home and Education Link Project

Govan Law Centre

Govanhill Housing Association

H

H.E.L.P. (Argyll & Bute) Ltd

Hemat Gryffe Women's

Hochtief PPP Solutions GmbH **(N)**

I

Inverclyde Council

Inverclyde Leisure

ISS UK

J

Jobs and Business Glasgow

Jordanhill School

K

Kibble School

Kings Theatre Glasgow Ltd

L

Lanarkshire Association for Mental Health

Lanarkshire Housing Association Ltd

Lanarkshire Valuation Joint Board

Live Argyll

Loch Lomond & The Trossachs National Park Authority

M

Maryhill Housing Association

Milnbank Housing Association

Mitie PFI Ltd (Argyll & Bute Education PPP)

Mitie PFI Ltd (East Ayrshire Education PPP)

Mitie PFI Ltd (North Ayrshire Education PPP)

Mitie PFI Ltd (South Ayrshire Education PPP)

N

New College Lanarkshire

New Gorbals Housing Association

North Ayrshire Council

North Ayrshire Leisure Ltd

North Glasgow Housing Association

North Lanarkshire Carers Together

North Lanarkshire Council

North Lanarkshire Properties

O

OCS Integrated Solutions

P

Parkhead Housing Association Ltd

Potential Living

Q

Queens Cross Housing Association

R

RCA Trust

Regen: FX Youth Trust

Reidvale Adventure Playground

Renfrewshire Carers Centre

Renfrewshire Council

Renfrewshire Leisure Ltd

Renfrewshire Valuation Joint Board

River Clyde Homes

Routes to Work Limited

Royal Conservatoire of Scotland

S

SACRO

Sanctuary Scotland Housing Association **(E)**

Scottish Canals

Scottish Fire & Rescue Service

Scottish Library & Information Council

Scottish Maritime Museum Trust **(E)**

Scottish Out Of School Care Network

Scottish Police Authority

Scottish Qualifications Authority

Scottish Water

Scottish Water Business Stream Ltd

SEEMIS Group LLP

Shettleston Housing Association

Skills Development Scotland Ltd

Sodexo Ltd (Argyll & Bute)

Sodexo Ltd (Fire)

South Ayrshire Council

South Ayrshire Energy Agency

South Lanarkshire College

South Lanarkshire Council

South Lanarkshire Leisure & Culture Limited

Southside Housing Association

Sport Scotland

St Mary's Kenmure

St Philip's School

Strathclyde Partnership for Transport

Strathclyde Wing Hong Chinese Elderly Group

T

The Financial Fitness Resource Team

The Milton Kids D.A.S.H. Club

The Scottish Centre for Children with Motor Impairments

Tollcross Housing Association

U

University of Aberdeen (ex Northern College)

University of Dundee (ex Northern College)

University of Edinburgh (ex Moray House)

University of Glasgow (ex St. Andrew's College)

University of Glasgow (ex SCRE employees only)

University of Strathclyde

University of Strathclyde Students Association **(N)**

University of The West of Scotland

UTHEO Limited

W

West College Scotland

West Dunbartonshire Council

West Dunbartonshire Leisure Trust

Wheatley Homes Glasgow Ltd. (formerly GHA)

NEW AND EXITING EMPLOYERS

New employers may participate in the Fund subject to satisfying the requirements of the Local Government Pension Scheme Regulations and the Fund's policy on admissions.

The process for an exiting employer is set out in the regulations which require the Fund actuary to carry out a valuation of that employer's assets and liabilities at the exit date. The calculation is carried out on a discontinuance basis rather than the ongoing basis. This results in either an exit payment being due from the employer or an exit credit payable to the employer (subject to determination by the administering authority following a change in the regulations during the year).

SPF encourage employers to advise of any planned admission or exit at an early stage so that the process can be efficiently manged/

Employer participation during 2024/25 is summarised in the following table.

Total employers as at 1st April 2024	146
New employers **(N)**	2
Exiting employers **(E)**	7
Total employers as at 1st April 2025	**141**

Dispute Resolution

Resolving a problem

If someone wants to question a decision, or query membership or benefits held by SPFO, they should get in touch. SPFO will then investigate their query and do its best to resolve any problems or correct any errors.

If someone disagrees with a decision, that either SPFO or their employer has made, then they have the right to appeal under the 2-stage LGPS Internal Dispute Resolution Procedure (IDRP). All stage two appeals will be heard by Scottish Government. If the member remains dis-satisfied they have the right to refer the complaint to the Pensions Ombudsman.

More information on the IDRP procedure is available on the SPFO website.

Complaints and disputes received during 2024/25

Complaints

All service delivery complaints are actioned in accordance with Glasgow City Council Complaints Handling procedure. All complaints are recorded using Lagan, the Council's system for complaint monitoring and recording.

Stage 1 complaints must be answered within **5** working days. Members can proceed to stage 2 if not satisfied with the response.

Stage 2 complaints must be answered within **20** working days. The Pension Scheme Manager responds to these. An acknowledgement letter must be issued within **3** days.

The table below shows a summary of formal complaints over the last 12 months.

Category	Volume	Days to Respond Target	Actual (Average)	Achieved (%)
Processing Delay	19	5	**8.3**	**84**
Processing Delay (Stage 2)	4	20	**8.5**	**100**
Staff Attitude	1	5	**2**	**100**
Staff Efficiency	1	5	**5**	**100**
Quality of Information	4	5	**4.5**	**100**
Quality of Information (Stage 2)	1	20	**2**	**100**
Procedure	3	5	**2.3**	**100**
Waiting Times (Correspondence)	3	5	**2.2**	**100**
Waiting Times (Telephone)	1	5	**1**	**100**
Waiting Times (Telephone – Stage 2)	1	20	**2**	**100**
Other	4	5	**7**	**75**

IDRP

Stage 1 IDRP cases received against the administering authority.

There were **7** cases in 2024/25 compared to 5 in 2023/24. Of the 7 cases considered by the appointed person in 2024/25, **2** were upheld, **3** dismissed and **2** are still ongoing.

The reasons for the disputes can be categorised as follows:

Stage 1 IDRP against the administering authority

Category	*2023/24*	2024/25
Death grant decision	*2*	**1**
Survivor pension	*1*	**3**
Pension value	*1*	**0**
Transfer	*1*	**1**
Ill health	*0*	**1**
Retirement dispute	*0*	**1**

Stage 1 IDRP cases received against the employing authority.

SPFO can only report on the cases received directly by them.

There were **53** cases in 2024/25 compared to 37 in 2023/24. Of the 53 cases considered by the appointed person in 2024/25, **17** were upheld, **31** dismissed, **3** are still ongoing and **2** were refused (over the 6 month deadline).

The reasons for the disputes can be categorised as follows:

Stage 1 IDRP against the employing authority

Category	2023/24	2024/25
Refused Ill health	*34*	**41**
Flexible retirement	*1*	**11**
Pension value	*1*	**0**
Transfer	*1*	**0**
Membership	*0*	**1**

Pensions Ombudsman

SPFO understands that the Pension Ombudsman has received **2** new cases during 2024/25 relating to a dispute previously considered by SPF. There were more cases received in 2024/25 than the previous year. One case was not upheld, and the other is ongoing.

The reasons for the disputes can be categorised as follows:

Pensions Ombudsman Cases

Category	2023/24	2024/25
Transfer out with 12 months of NPA.	*0*	**1**
SPF failed to perform governance role	*0*	**1**

Communications

COMMUNICATIONS POLICY

The Communications policy was reviewed and a revised policy adopted with effect from 1st April 2024.

1. Introduction

Glasgow City Council is the administering authority for the Strathclyde Pension Fund (SPF). The council delegates this responsibility to the Strathclyde Pension Fund Committee. The council and the committee recognise that they have fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee in the private sector. In carrying out those duties the committee adopts the following approach to communications..

2. Regulations

Management of the Fund is carried out in accordance with relevant governing legislation and regulations. This policy statement is prepared in accordance with regulation 59 of the Local Government Pension Scheme (Scotland) Regulations 2018.

3. Vision

Everyone with any interest in the Fund should have ready access to all the information they need.

4. Objectives

- To improve understanding of the scheme and the Fund.
- To promote the benefits of the scheme.
- To allow members to make informed decisions.

Everyone with any interest in the Fund should have ready access to all the information they need.

5. Principles

5.1 Format

SPF communications will:

- Have a clear purpose.
- Have a clear message.
- Be well written and presented.
- Make an impact.

5.2 Brand

The Strathclyde Pension Fund is a strong brand with which members and others identify. SPF will protect and promote it.

5.3 Content

Content will be relevant and timely.

5.4 Delivery

Strathclyde Pension Fund Office (SPFO):

- Will use the most efficient and effective delivery media.
- Will make communications available in alternative formats or in translation in request.
- Is committed to increasing digital access and delivery.

5.5 Measuring Success

SPFO will:

- Measure, monitor and report on its communications programme.
- Encourage engagement, comment and feedback.

Success will be measured in terms of customer engagement and satisfaction. Targets will be agreed in SPF's annual business plan.

Results will be reported annually.

6. Programme

SPFO's programme of communications is summarised in the following schedules which set out the stakeholder groups, key messages, media used, and deliverables.

Schedule

1. Active Members
2. Deferred Members
3. Pensioner Members
4. Representatives of Members
5. Prospective Members
6. Scheme Employers
7. Other Interested Parties

These schedules are not included here but are available in the full version of the policy document from the Publications area of the website at www.spfo.org.uk

COMMUNICATIONS PERFORMANCE

Digital Communications

Improving and increasing digital delivery of communications is an ongoing priority. Progress is summarised in the table below.

Category	Measure	2024/25 Actual	2024/25 Target	*2023/24 Actual*
www.spfo.org.uk	Total weekly visits	**7,960**	9,000	*8,412*
	Unique weekly visitors	**2,157**	5,000	*4,761*
SPF online	Members registered*	**147,122**	146,000	*136,971*
	Logged in during year	**111,612**	77,000	*73,239*

*Split by status:

- Active – 73,594
- Deferred – 26,051
- Pensioners – 47,477
- Average age of registered user – 53

Developments

Significant progress was made during 2024/25:

- Enhancements to *Google Analytics* allowed greater visibility on how stakeholders use the SPFO website and member portal.
- The use of *Altair Insights* gives greater accuracy in reconciling volumes of communications generated and issued.
- An increase of **10,151** in members registered for the data portal *SPFonline*, took the total to **147,122**.
- An increase of **38,373** in members logging into the data portal *SPFonline*, took the total to **111,612** for the year.

- New functionality was implemented within *SPFonline* to improve the deferred into payment retirement process for deferred members who retire.
- *SPFonline* will reach the end of its life within the coming year. This will require migration to a new Heywood platform *Engage*, which has been built following Web Content Accessibility Guidelines (WCAG) with member experience at the forefront. For SPF members this will mean a portal that will be more intuitive to navigate with information presented in a way that's easier to understand. Being a new application Engage also comes with stringent security measures, including multi-factor authentication (MFA) and Electronic Identification Verification (EIdV). Preparation for this was well underway by 2024/25 year end.
- Preparation was also well underway for a re-branding to coincide with SPF's 50th Anniversary on 16th May 2025. Glasgow-based design consultants, Bright Signals, were commissioned to assist with this. They developed 3 potential visual routes, and SPFO carried out extensive market research on these with staff, employers, scheme members, the SPF Committee, SPF Board and advisers. By year end a single route had been identified for further development and roll-out around the anniversary.

Member Communications

During scheme year 2024/25 SPFO:

- produced and issued annual newsletters for all Employee, Pensioner and Deferred members.
- produced and issued annual benefit statement for all employee members. 100% were issued by 31st August statutory deadline.

Newsletters and annual updates are issued online/ by email wherever possible as summarised in the table below. (Information provided above for deferred members is for those members that are contactable.)

Issued by:	Annual Benefit Statements/ Newsletters 2024/25 Active Members (%)	Deferred Members (%)	Pensioner Members (%)
SPF online / email	66	72	51
SPF online / letter	30	25	37
Hard Copy	4	3	12

Member Engagement

Engagement by SPFO with members during 2024/25 included:

- **42,882** telephone calls received
- **80,148** email and online channel queries received
- **71** member presentation events held
- SPFO issued active and deferred online members with a survey to capture feedback on their pension updates.

Results of customer surveys on member updates during 2024 are summarised in the satisfaction scores in the following table.

Member Status	Target (%)	2024/25 Score Content (%)	Format (%)
Active	**77**	**77.9**	**75.2**
Deferred	**72**	**73.5**	**71.6**

SPFO also uses a rolling customer survey to measure members' satisfaction with the quality of service delivery. Scheme members receive a short online questionnaire when each significant transaction is processed. Survey results are summarised in the following table. In addition, comments received in the survey responses are followed up as a means to continuously improve service.

Survey Results 2024/25

	Refunds	Retirals
Forms Issued	1,944	6,174
Responses	107	1,149
Response rate (%)	5.5	18.6
Satisfaction Rating (%)	**86.9**	**86.5**
Target (%)	80.0	90.0
2024/25 full year (%)	*86.9*	*86.5*

Employer Engagement

SPFO has a dedicated Employer and Data Management team that engages with employers and provides ongoing training and support. During 2024/25, **18** employer engagement events were held. These were a combination of presentations and one-to-one training sessions on data submissions.

There is also an employer section on the website covering everything from employer responsibilities through to technical training guides for current and prospective employers.

Development Priorities

Current priorities are to increase and improve digital delivery of SPFO communications including migration to the new member services platform, *Engage*.

The 50th anniversary of SPF's creation in 1975 will also provide a unique opportunity to refresh communications and engagement with members and employers.

7

Independent Auditor's Report

Independent auditor’s report to the members of Glasgow City Council as administering authority for Strathclyde Pension Fund and the Accounts Commission

To be added to final version on completion of audit

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8

Financial Statements

The financial statements give a true and fair view of the financial position of the Strathclyde Pension Fund as at 31 March 2025 and the transactions of the Fund for the year.

Statement of responsibilities

The Council's Responsibilities

Glasgow City Council, as the administering authority for the Strathclyde Pension Fund, is required to:

- Make arrangements for the proper administration of Strathclyde Pension Fund's financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs. In relation to Strathclyde Pension Fund, that officer is the Executive Director of Finance;
- Manage the affairs of Strathclyde Pension Fund to secure the economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014, and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve Strathclyde Pension Fund's Annual Accounts for signature.

The annual accounts will be presented for consideration by the Strathclyde Pension Fund Committee at its meeting of 24 June 2025 and the post audit accounts will be submitted to the Strathclyde Pension Fund Committee to be approved for signing no later than 30 September 2025.

Councillor Richard Bell
City Treasurer and Convener
Strathclyde Pension Fund Committee

Executive Director of Finance's Responsibilities

The Executive Director of Finance is responsible for the preparation of Strathclyde Pension Fund's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Executive Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation; and
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation). The Executive Director of Finance has also:
- Kept adequate accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Strathclyde Pension Fund as at 31 March 2025 and the transactions of the Fund for the period then ended.

Robert Emmott BSc (Hons) CPFA
Executive Director of Financial Services

Fund Accounts

Fund Account as at 31st March 2025

2023/24 £000		Notes	2024/25 £000
	Contributions and Benefits Income		
635,958	Contributions from Employers	8	252,530
189,995	Contributions from Employees	8	186,552
12,200	Transfers in from Other Pension Funds	8a	204,565
7,876	Other		7,387
846,029			**651,034**
	Expenditure		
(617,969)	Pensions Payments	8	(686,802)
(209,525)	Lump Sum and Death Benefit Payments	8	(243,999)
(22,945)	Payments To and On Account of Leavers	9	(33,029)
(850,439)			**(963,830)**
(4,410)	Net Increase/(Reduction) from Dealings with Members		(312,796)
(190,990)	Management Expenses	10	(204,365)
195,400	**Net Reduction including Fund Management Expenses**		**(517,161)**
495,940	Investment Income	12	520,940
(4,549)	Taxes on Income	13	(4,027)
2,401,361	Change in Market Value of Investments		703,190
2,892,752	**Net Returns on Investments**		**1,220,103**
2,697,352	**Net Increase/(Reduction) in the Fund during the Year**		**702,942**
27,871,526	Add: Opening Net Assets of the Scheme		30,568,878
30,568,878	**Closing Net Assets of the Scheme**		**31,271,820**

The Fund Account shows the payments to pensioners, contribution receipts from employers and scheme members, and the income, expenditure and change in market value of the Fund's investments.

Net Assets Statement as at 31 March 2025

2023/24 £000		Notes	2024/25 £000
	Investment Assets		
6,283,117	Equities	14,15	6,202,198
14,105,656	Pooled Investment Vehicles	14,15	14,138,133
6,970,847	Private Equity / Infrastructure	14,15	7,202,431
6	Index Linked Securities	14,15	2,685
(9)	Derivative Contracts	14,15,20	(16)
2,339,949	Property	14,18	2,339,560
548,969	Cash Deposits	14,15	1,134,011
77,642	Other Investment Assets	14,15	97,065
30,326,177			**31,116,067**
(63,479)	Investment Liabilities	14	(100,097)
1,648	Long-Term Debtors	23	1,550
347,600	Current Assets	24	303,478
(43,068)	Current Liabilities	25	(49,178)
30,568,878	**Net Assets of the Fund as at 31 March**		**31,271,820**

The Net Assets Statement represents the value of assets and liabilities as at 31 March 2025 (excluding actuarial present value of promised retirement benefits). The unaudited financial statements were issued on 24 June 2025.

Robert Emmott BSc (Hons) CPFA
Executive Director of Financial Services

Notes to Accounts

1. General Description of the Fund and its Membership

The Strathclyde Pension Fund was established in 1975 by Strathclyde Regional Council. Glasgow City Council became the Administering Authority for the Fund on 1 April 1996. The Fund is a pool into which employees' and employers' contributions and income from investments are paid. The Fund is also a pool from which pensions and other lump sum benefits are paid out in accordance with the provisions of the Local Government Pension Scheme (Scotland) Regulations.

The Local Government Pension Scheme is a statutory scheme established under the Superannuation Act 1972 and the Public Service Pensions Act 2013.

Glasgow City Council has delegated decision making for the Fund to its Strathclyde Pension Fund Committee. Scheme and Fund administration is carried out by the Strathclyde Pension Fund Office (SPFO), a division of the Council's Financial Services Department. The investment assets of the Fund are externally managed.

Fund Membership

Membership of the Strathclyde Pension Fund includes:

- Employees and pensioners of the 12 local authorities in the former Strathclyde area;
- Civilian employees and pensioners of the Scottish Police Authority and Scottish Fire and Rescue Service;
- Employees and pensioners of other scheduled bodies;
- Employees and pensioners of admitted bodies; and
- Deferred pensioners of scheduled and admitted bodies.

A list of participating employers as at 31 March 2025 can be found on pages 144 to 146 of this Annual Report. The major employers and other scheduled bodies are detailed below.

Major Employers	Other Scheduled Bodies
Argyll and Bute Council	Ayrshire College
East Ayrshire Council	City of Glasgow College
North Ayrshire Council	Glasgow Clyde College
South Ayrshire Council	Glasgow Kelvin College
West Dunbartonshire Council	New College Lanarkshire
East Dunbartonshire Council	South Lanarkshire College
Glasgow City Council	West College Scotland
North Lanarkshire Council	Ayrshire Valuation Joint Board
South Lanarkshire Council	Dunbartonshire Valuation Joint Board
East Renfrewshire Council	Lanarkshire Valuation Joint Board
Renfrewshire Council	Renfrewshire Valuation Joint Board
Inverclyde Council	University of West of Scotland
Scottish Water	
Scottish Police Authority	
Scottish Fire and Rescue Service	
Strathclyde Partnership for Transport	

2. Basis of Preparation

The Annual Accounts have been prepared in accordance with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The Annual Accounts summarise the transactions of the Fund during the year and the net assets at the year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 7 of these accounts.

The Fund's Annual Accounts are generally prepared on an accruals basis. The Net Assets Statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly. Receipts and payments in respect of the transfer of benefits to and from other schemes are treated on a cash basis.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which outlines that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Fund is established under secondary legislation made under the terms of the Public Service Pensions Act 2013 and is therefore expected to be a going concern until notification is given that the body will be dissolved and its functions transferred. At the date of approval of the financial statements there is no indication of any such notification.

The Fund has carried out an assessment of its going concern status. This included consideration of the following:

- Financial performance and position at 31 March 2025;
- Update on asset position post year end;
- Expected impact of forecasted cash flow on costs and expenditure through management costs and
- benefits payable for 18 months from the financial statements date of 31st March 2025;
- Readily available funds at 31 March 2025 and post year-end.

At 31 March 2025, the Fund was holding £197.3m in in-house managed cash in its current account(s) whereas its average monthly outgoings are projected at £80m (£40m net of monthly income, excluding investment returns). The Fund forecasts through the going concern assessment to have shortfall of £477m due to the approved reduction in employer contributions. However, when the Funds needs cash, it holds £895m in externally managed cash deposits and anticipates receipt of net investment income of £395m over the assessment period together with current calendar year net distributions of £263m from its private markets programmes. The Fund also holds £20,340m in what are liquid investments in the form of listed global equities and multi-asset passive pooled funds. These are generally realisable within 14 days. Therefore, the Fund remains in a strong position with a healthy funding level, liquid assets that are readily convertible to cash and healthy cash level in the bank. The Fund has considered its financial position at year end and has concluded that it is well placed to continue to manage its business and financial risks successfully. As a result, the financial statements are appropriately prepared on a going concern basis.

3. Summary of Significant Accounting Policies

Fund Account Contributions Income

Normal contributions from employers are accounted for on an accruals basis at the percentage rate certified by the Fund actuary in the payroll period to which they relate. Contributions from members are accounted for at the rates specified in the scheme regulations. Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amounts in respect of strain on the fund due in a year but unpaid will be classed as a current financial asset.

Transfers To and From Other Schemes

Transfer values represent the amounts received and paid from or to other pension funds during the year for members who have either joined or left the Fund during the financial year. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

Interest income is recognised in the Fund accounts as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Dividend income is recognised on the date the shares are quoted ex-dividend. Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the reporting period in relation to dividend income or distributions from pooled funds are disclosed in the Net Assets Statement as a current financial asset. Property income consists primarily of rental income that is recognised on a straight-line basis over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognized when contractually due.

Change in Market Value

Changes in the net market value of investments comprise all realised and unrealised profits/losses during the year.

Benefits Payable

Pension and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and then netted off against investment income.

Management Expenses Include the Following:

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff and accommodation costs of the pensions administration team are charged direct to the Fund. Management and other overheads are apportioned to the Fund in accordance with Council policy.

Oversight and Governance Costs

All oversight and governance costs are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. External investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In instances where an investment manager's fee note has not been received by the balance sheet date, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In cases where charges relate to an investment fund as a whole an estimate needs to be made of the costs applicable to the Pension Fund's holding. In 2024/25 £10.7m of fees are based on such estimates (2023/24 £13.6m). The cost of obtaining investment advice from external consultants is included in investment management charges. The cost of the Fund's management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Net Asset Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising in the fair value of an asset are recognised by the Fund.

Valuation of Investments

Quoted investments are valued at closing prices. These prices may be the last trade prices or bid prices depending on the convention of the stock exchange or other market on which they are quoted. Overseas investments and cash are stated in sterling using exchange rates as at close of business on 31 March 2025. The direct property portfolio was valued at 31 March 2025 on a fair value basis by Avison Young, the valuer being qualified for that purpose in accordance with the Royal Institute of Chartered Surveyor (RICS) Valuation Standards manual. Private equity investments have been included at the Fund managers' valuations adjusted for cash movements since the last valuation date where that is earlier than the balance sheet date. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published or if single priced at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is invested in the fund net of applicable withholding tax.

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund may use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value. The value of future contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager using generally accepted option-pricing models with independent market data. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Liabilities

The Fund recognises financial liabilities at fair value at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. The Annual Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is summarised below and fully reported elsewhere. These Annual Accounts should be read in conjunction with that information.

Contingent Assets and Liabilities

Contingent assets and liabilities reflect possible assets or financial obligations to the Fund where the potential amount is unable to be estimated and/or it is still not deemed probable that an obligating event has arisen. Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes (see Note 29).

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits in a note to the Net Assets Statement (Note 7).

Additional Voluntary Contributions

Strathclyde Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. Standard Life is the legacy provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (SSI 2010/233) but are disclosed as a note only (Note 31).

Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events may be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where this would have a material effect, the nature and estimated financial impact of such events is disclosed in the notes.

New Standards Adopted/Issued but not yet Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been adopted or issued but not yet adopted. During the year no new standards were adopted. All standards within the 2024/25 Code have been adopted.

4. Directly Held Property

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods remaining between less than one month and greater than 40 years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the Net Asset Statement at Fair Value. Rental income is recognised in the Fund Account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting policy are only made when required by a proper accounting practice or to provide more reliable or relevant information on the Fund's financial position. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always applied. Changes in accounting estimation techniques are applied in the current and future years.

6. Actuarial Position of the Fund

In accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 an actuarial valuation of the Strathclyde Pension Fund was carried out as at 31 March 2023. Results of the valuation were confirmed during 2023/24 and a copy of the valuation report was issued to all participating employers.

The funding level as at 31 March 2023 was 147.0%. (106.1% at 31 March 2020) and there was a funding surplus of £8,902m (£1,197m at 31 March 2020):

2020 Valuation £ million		2023 Valuation £ million
20,941	**Fund Assets**	27,872
(19,744)	**Fund Liabilities**	(18,970)
1,197	**Surplus**	8,902

The Fund liabilities were valued on an “ongoing” basis anticipating that the Fund’s investments will produce returns which exceed those available from government bonds. The funding target of 100% had been achieved and exceeded at the valuation date.

The whole fund Primary and Secondary employer contribution rates were 26.7% and -7.1%. In practice individual employers pay rates based on their own funding position and membership profile. The Main Employer Group contribution rate was set at: 6.5% (of pensionable pay) for the years commencing 1st April 2024 and 1st April 2025; and 17.5% for the year commencing 1st April 2026. (Previously 19.3% since 1st April 2012).

Funding Policy

On completion of the actuarial valuation as at 31 March 2023 the Fund published a revised Funding Strategy Statement in accordance with regulation 56 of the Regulations. The actuary’s report and the Funding Strategy Statement are available on the SPFO website at: Actuarial valuation reports and SPF Funding Strategy Statement.

Next Valuation

The next formal funding valuation will be carried out as at 31 March 2026 with results being available by 31 March 2027.

Funding Projection as at 31 March 2025

Daily updates of the projected funding position and risk metrics are available and are used for inter-valuation monitoring. The actuarial projection provided by the Fund's actuary as at 31 March 2025 recorded a funding position of 174% (31 March 2024 - 159%).

Funding Method

At the 2023 actuarial valuation and for previous valuations a funding method was used that identifies separately the expected cost of members' benefits in respect of:

- Scheme membership completed before the valuation date ("past service"); and
- Scheme membership expected to be completed after the valuation date ("future service").

The funding strategy and the methodology adopted by the actuary incorporate a risk-based approach which allows for 5,000 possible future economic scenarios when assessing the likelihood of contributions being sufficient to meet both the accrued and future liabilities over a given time horizon for the Fund and for each employer.

The funding objective is to achieve the funding target over the target funding period. The funding target (amount of assets compared to liabilities expressed as a percentage) is at least 100% using appropriate actuarial assumptions.

The target funding period and recovery period for any deficit is the weighted average future working lifetime of the active membership – currently around 13 years for the whole Fund. There are many inherent uncertainties in the funding process and a wide range of possible outcomes. It is acknowledged that the actual funding level will fluctuate as a result. The funding strategy targets at least a 80% probability of achieving the target, and a higher probability where possible.

The actuary's report on the valuation is required to include a Rates and Adjustments certificate which specifies for each employer the primary rate and the secondary rate of the employer's contribution for each of the three years beginning with 1 April in the calendar year following that in which the valuation date falls. The primary rate for each employer is the expected cost of future service for that employer's membership. The secondary rate is any percentage or amount by which, in the actuary's opinion, contributions at the primary rate should be increased or reduced by reason of any circumstances peculiar to that employer.

The primary and secondary rates for each employer from 1 April 2024 to 31 March 2027 are shown in the Rates and Adjustments certificate in Appendix 3 to the valuation report which is available from Actuarial valuation reports. For the Fund's Main Employer Group the total rate to be paid is as shown below:

Year to	Rate (as % of pensionable payroll)
31 March 2024	19.3%
31 March 2025	6.5%
31 March 2026	6.5%
31 March 2027	17.5%

7. Actuarial and Other Major Assumptions

The Statement of Accounts contains estimated figures that are based on assumptions made by the Strathclyde Pension Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19.

For valuation purposes the actuary uses assumptions about the factors affecting the Fund's finances in the future. The estimate is subject to significant variances based on changes to these underlying assumptions. The most sensitive assumptions are detailed below:

Assumption	Derivation	Nominal %	Real %
Price inflation (CPI) / Pension Increases / CARE Revaluation	Market expectation of long term future CPI inflation based on actuarial modelling.	2.7	-
Pay increases	Price inflation (CPI) plus 0.7% p.a.	3.4	0.7
Discount rate	Expected future annual return from the Fund's investments with at least a 80% likelihood of being achieved over the next 13 years based on actuarial modelling.	5.0	2.3

In addition to the financial assumptions outlined above, valuation results are also sensitive to demographic assumptions. These include assumptions about the future longevity of members and about whether on retirement they will exchange some of their pension for additional tax-free cash (the commutation assumption).

The commutation assumption adopted at the 2023 valuation is that future pensioners will elect to exchange pension for additional tax-free cash up to 75% of HMRC limits.

Longevity assumptions adopt a member-level baseline using Club Vita analysis, together with an allowance for future improvements based on the CMI 2022 model. Sample rates for this valuation are shown in the following table. (2020 figures included for comparison).

Assumed life expectancy at age 65	Actives & Deferrals		Current Pensioners	
	Male	**Female**	**Male**	**Female**
2020 Valuation	*21.3*	*24.7*	*19.9*	*22.6*
2023 Valuation	20.6	24.2	19.8	22.5

Note that the figures for actives and deferred/pensioners assume that they are aged 45 at the valuation date.

Further details of the assumptions adopted for the 2023 valuation can be found in Appendix 2 to the valuation report.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is estimated at £18,745 million as at 31 March 2025 (£21,240 million as at 31 March 2024).

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2023. It should be noted that the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The items in the Financial Statements at 31 March 2025 for which there is a significant risk of adjustment in the forthcoming financial year are as follows

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The actuary has estimated that a 0.1% decrease in the real discount rate would lead to an increase in the pension liability of £311 million. Similarly, a 0.1% increase in the rates of salary increase and pension increase would increase the liability by £23 million and £288 million respectively. The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. The actuary estimates that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £3,390m, and the impact of the change in demographic assumptions is to decrease the actuarial present value by £45m.

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity/ Infrastructure	Determining the fair value of investments in private markets involves a degree of subjectivity. Valuations are inherently based on forward looking estimates and judgements involving many factors and can result in investment assets being reclassified between financial years. Where reclassification of an investment has taken place the prior year balance has been restated. These have all been categorised as 'Level 3' investments, that is investments where an error in at least one input could have a significant effect on an instrument's valuation.	The value of the Fund's private equity, private debt, private real estate and infrastructure investments was £7,202m at 31st March 2025 (£6,971m at 31st March 2024). The private markets figure of £7,202m includes £2,558m, private equity (£2,571.8m in 2023/24), £1,352m private debt (£1,516.7m in 2023/24), £877m private real estate (£767.7m in 2023/24) and £2,415m infrastructure (£2,114.6m in 2023/24). There is a risk that this investment may be under- or overstated in the accounts by up to 26.6% i.e. an increase or decrease of £1,915m (see Note 22 for details).
Property	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 15.2% i.e. an increase or decrease of £356m, on carrying values of £2,339m (see Note 22 for details).

8. Contributions and Benefits

2024/25	Administering Authority £000	Other Scheduled £000	Admitted Bodies £000	Total £000
Contributions				
Employer	42,215	139,368	39,587	221,170
Augmentation	7,782	17,779	5,799	31,360
Total Employers	**49,997**	**157,147**	**45,386**	**252,530**
Employees	33,724	119,838	32,990	**186,552**
Benefits				
Pension	108,382	470,938	107,482	686,802
Lump Sum and Death Benefits	54,437	147,857	41,705	243,999
Total Benefits	**162,819**	**618,795**	**149,187**	**930,801**

2023/24	*Administering Authority £000*	*Other Scheduled £000*	*Admitted Bodies £000*	*Total £000*
Contributions				
Employer	*129,557*	*375,553*	*104,448*	*609,558*
Augmentation	*3,092*	*14,192*	*9,116*	*26,400*
Total Employers	***132,649***	***389,745***	***113,564***	***635,958***
Employees	*40,082*	*117,053*	*32,860*	*189,995*
Benefits				
Pension	*94,956*	*428,607*	*94,406*	*617,969*
Lump Sum and Death Benefits	*45,404*	*126,558*	*37,563*	*209,525*
Total Benefits	***140,360***	***555,165***	***131,969***	***827,494***

The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 [Section 31] allow employers to pay additional pensions on a voluntary basis.

As is typical within the Local Government Pension Schemes (LGPS), arrangements exist whereby additional teachers' pensions and employee pensions are paid with the payment of funded pensions. In order that such are not regarded as “unauthorised payments” by HMRC, these pension payments are met by the administering authority through a general fund bank account and recharged to the body or service which granted the benefit.

As “unfunded payments” are discretionary benefits, they are not relevant to the sums disclosed in the Fund accounts. Strathclyde Pension Fund provides payment and billing services to certain employers on a no charge agency agreement basis.

8a. Transfers In From Other Pension Funds

2023/24 £000		**2024/25 £000**
0	Group Transfers	193,367
12,200	Individual Transfers	11,198
12,200		**204,565**

9. Payments To and On Account of Leavers

2023/24 £000		2024/25 £000
1,790	Refunds to members leaving service	1,911
0	Group Transfers	0
21,155	Individual Transfers	31,118
22,945		**33,029**

10. Management Expenses

The total management expenses were as follows:

2023/24 £000		2024/25 £000
5,306	Administrative Costs	5,040
183,893	Investment Management Expenses	196,773
1,791	Oversight and governance costs	2,552
190,990		**204,365**

Oversight and governance costs include £0.073m (2023/24 £0.088m) in respect of the external audit fee to EY. There were no other services provided by external audit in the year. Investment management expenses include £4.6m in respect of transaction costs (2023/24 £2.9m).

11. Investment Expenses

The total investment expenses were as follows:

2024/25	Total £000	Management Fees £000	Transaction Costs £000	Performance Monitoring £000	Actuarial Fees- Investment Consultancy £000	Consultancy Fees £000
Equities	27,973	24,312	3,661	0	0	0
Pooled Investment Vehicles	31,553	30,625	929	0	0	0
Private Equity / Infrastructure / Property	136,050	136,050	0	0	0	0
Index Linked Securities	0	0	0	0	0	0
Other Investment Assets	1,039	143	0	270	157	469
Sub-Total	196,615	191,130	4,590	270	157	469
Custody Fees	158					
Total Investment Management Expenses	**196,773**					

2023/24	Total £000	Management. Fees £000	Transaction. Costs £000	Performance. Monitoring £000	Actuarial.Fees.- Investment. Consultancy £000	Consultancy. Fees £000
Equities	*24,595*	*21,673*	*2,922*	*0*	*0*	*0*
Pooled Investment Vehicles	*31,122*	*31,122*	*0*	*0*	*0*	*0*
Private Equity / Infrastructure / Property	*127,020*	*127,020*	*0*	*0*	*0*	*0*
Index Linked Securities	*0*	*0*	*0*	*0*	*0*	*0*
Other Investment Assets	*1,020*	*142*	*0*	*269*	*239*	*370*
Sub-Total	*183,757*	*179,957*	*2,922*	*269*	*239*	*370*
Custody Fees	*136*					
Total Investment Management Expenses	***183,893***					

The investment management fees shown include £17.3m (2023/24 £16.7m) in respect of performance related fees paid to the Fund's investment managers. In accordance with CIPFA guidance investment management costs deducted from an investment value are recognised as a cost in the Fund Account.

Quantification of these costs involves requesting the relevant fund managers for information, not all of which can be independently verified. In cases where charges relate to an investment fund as a whole an estimate needs to be made of the costs applicable to the Pension Fund's holding. There is a risk that the value of investment fees deducted from investments is incorrectly stated. However, this third party evidence is scrutinised and reviewed for completeness, accuracy and reasonableness to minimise this risk and as the costs are offset by a corresponding adjustment to the change in market value of investment any inaccuracy in the cost estimate will not change the reported net movement in the fund for the year.

12. Investment Income

Total investment income was as follows:

2023/24 £000		2024/25 £000
0	Bonds	0
93,749	Dividends	105,006
2,983	Pooled Investments	2,589
241,179	Venture Capital and Partnerships	251,548
33,326	Interest and other	47,084
124,703	Rents	114,713
495,940	**Investment income**	**520,940**

2023/24 £000		2024/25 £000
124,703	Rental Income	114,713
(12,757)	Direct Operating Expenses	(19,791)
111,946	**Net Income**	**94,922**

13. Taxes on Income

2023/24 £000		2024/25 £000
4,549	Withholding tax – equities	4,027
4,549		**4,027**

14. Investments

Statement of Movement in Investments

2024/25	Market Value as at 31 March 2024 **£000**	Purchase and Derivative Payments **£000**	Sales and Derivative Receipts **£000**	Change in Market Value **£000**	Market Value as at 31 March 2025 **£000**
Investment Assets					
Equities	6,283,117	2,227,215	(2,151,681)	(156,453)	6,202,198
Pooled Investment Vehicles	14,105,656	430,325	(966,334)	568,486	14,138,133
Private Equity / Infrastructure	6,970,847	726,611	(578,893)	83,866	7,202,431
Index Linked Securities	6	2,462	0	211	2,679
Property	2,339,949	64,771	(162,712)	97,552	2,339,560
	29,699,575	**3,451,384**	**(3,859,620)**	**593,662**	**29,885,001**
Derivative Contracts:	(9)	**107**	**4**	**(102)**	**(10)**
Other Investment Balances:					
Cash Deposits	**548,969**				**1,134,011**
Receivable for Sales of Investments	**17,917**				**27,257**
Investment Income Due	**59,719**				**69,802**
Spot FX Contracts	**6**				**6**
Payable for Purchases of Investments	**(63,479)**				**(100,097)**
Net Investment Assets	**30,262,698**				**31,015,970**

2023/24	Market.Value.as.at. 31.March 2023 **£000**	Purchase.and. Derivative.Payments **£000**	Sales.and. Derivative.Receipts **£000**	Change.in.Market. Value **£000**	Market.Value.as.at. 31 March 2024 **£000**
Investment Assets					
Equities	*5,559,901*	*1,794,152*	*(1,745,137)*	*674,201*	*6,283,117*
Pooled Investment Vehicles	*12,526,112*	*405*	*(204,406)*	*1,783,545*	*14,105,656*
Private Equity / Infrastructure	*6,803,121*	*575,498*	*(373,661)*	*(34,111)*	*6,970,847*
Index Linked Securities	*6*	*0*	*(2)*	*2*	*6*
Property	*2,257,500*	*332,529*	*(10,842)*	*(239,238)*	*2,339,949*
	27,146,640	***2,702,584***	***(2,334,048)***	***2,184,399***	***29,699,575***
Derivative Contracts:	*3*	*1*	*0*	*(13)*	*(9)*
Other Investment Balances:					
Cash Deposits	*581,973*				*548,969*
Receivable for Sales of Investments	*19,585*				*17,917*
Investment Income Due	*34,200*				*59,719*
Spot FX Contracts	*0*				*6*
Payable for Purchases of Investments	*(78,425)*				*(63,479)*
Net Investment Assets	***27,703,976***				***30,262,698***

Other movements during the year include all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The reason for the difference of £146m in the market value per the above table and the Fund Account on page 165 is mainly due to notional management expenses and transaction costs netted off against assets by fund managers.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds and are charged directly to the Fund. Transaction costs on listed securities include broker commissions, which are payments for the execution of trades and other levies such as exchange fees, settlement fees and clearing fees; transaction taxes, including stamp duty and other financial transaction taxes, and entry or exit charges that may arise when a holding in a pooled vehicle is bought or sold.

In addition to the transaction costs disclosed above, indirect costs may be incurred through the bid-offer spread on some pooled investment vehicles. The amount of such costs are separately provided to the Fund.

Derivatives

Derivatives comprise futures and forward derivative contracts. The market values as at 31 March 2025 and a summary of contracts held are summarised in the tables below:

31 March 2024 £000		**31 March 2025 £000**
0	Futures	0
(9)	Forwards	(16)
(9)	**Market Value**	**(16)**

The Fund may use futures for the purposes of efficient portfolio management and or risk reduction.

Forwards

The Fund's equity managers may use forward foreign exchange contracts for the purposes of efficient portfolio management. As at 31 March 2025 there was £0.016m forward foreign exchange contracts.

Derivative market pricing is provided by the Fund's Global Custodian Northern Trust

15. Analysis of Investments

Investments can be further analysed as follows:

Market Value as at 31 March 2024 £000		Market Value as at 31 March 2025 £000
6	Fixed Interest Securities	2,679
6,283,117	**Equities**	**6,202,198**
	Pooled Funds – Additional Analysis	
2,530,807	Fixed Income Unit Trust	4,556,871
8,624,475	Equity Unit Trust	6,523,825
0	Cash Balances	0
12,607	Commodities	17,664
1,301,526	Multi-Asset	1,305,883
1,636,241	Absolute Return	1,733,890
14,105,656		**14,138,133**
	Private Equity/Infrastructure – Additional Analysis	
2,571,806	Venture Capital	2,558,126
2,114,631	Infrastructure	2,415,423
1,516,686	Private Debt	1,352,379
767,723	Real Estate	876,503
2,339,949	Property	2,339,560
9,310,795		**9,541,991**
548,969	Cash Deposits	1,134,011
(9)	Derivatives	(10)
77,642	Other Investment Assets	97,065
(63,479)	Investment Liabilities	(100,097)
30,262,698	**Net Investment Assets**	**31,015,970**

***Note**: Cash balances are managed by the Fund's Global Custodian, Northern Trust*

16. Fund Management

Investment Managers and Mandates

The market value of assets under the management of Fund managers as at 31 March 2025 was £31.016bn.

Investment management arrangements as at 31 March 2025 are summarised below:

Asset Class	Fund Manager	% Managed	Market Value £000
Multi Asset - Passive	Legal & General	34.0%	10,453,719
Global Equity	Baillie Gifford	7.5%	2,354,209
Global Equity	Lazard	3.1%	953,469
Global Equity	Veritas	3.2%	978,867
Global Equity	Oldfield	2.9%	910,287
Specialist – Equities (UK Small Companies)	Lombard Odier	1.2%	366,714
Specialist – Equities (overseas Small Companies)	JP Morgan	2.9%	894,134
Specialist – Emerging Markets	Fidelity	0.4%	116,907
Specialist – Emerging Markets	RBC	1.4%	420,493
Specialist – Private Equity/Debt	Pantheon	4.3%	1,345,966
Specialist – Private Equity	Partners Group	2.9%	912,150
Specialist – Absolute Return Bonds	PIMCO	3.8%	1,180,024
Specialist – Long-only Absolute Return	Ruffer	1.8%	553,867
Specialist – Multi Asset Credit	Barings	2.3%	727,196
Specialist – Multi Asset Credit	Oak Hill Advisors	1.9%	578,687
Specialist – Private Debt	Barings	1.2%	386,623
Specialist – Private Debt	Alcentra	0.8%	237,626
Specialist – Private Debt	Partners Group	1.1%	329,014
Specialist – Private Real Estate Debt	ICG Longbow	0.9%	292,952

Specialist – Private Debt Secondaries	Pantheon	0.1%	38,627
Emerging Market Debt	Ashmore	0.0%	0
Specialist – Property	DTZ	8.1%	2,503,724
Specialist – Global Real Estate	Partners Group	1.9%	583,447
Specialist – Global Infrastructure	JP Morgan	4.8%	1,494,395
Specialist – Direct Impact Portfolio	Various	5.2%	1,601,427
Cash	Northern Trust	2.3%	711,445
		100%	**31,015,970**

Investment Management arrangements as at 31 March 2024 are summarised below:

Asset Class	***Fund Manager***	***% Managed***	***Market Value £000***
Multi Asset - Passive	*Legal & General*	*34.2%*	*10,347,995*
Global Equity	*Baillie Gifford*	*8.0%*	*2,416,011*
Global Equity	*Lazard*	*3.2%*	*969,355*
Global Equity	*Veritas*	*3.1%*	*939,449*
Global Equity	*Oldfield*	*2.8%*	*844,468*
Specialist – Equities (UK Small Companies)	*Lombard Odier*	*1.4%*	*412,738*
Specialist – Equities (overseas Small Companies)	*JP Morgan*	*3.1%*	*922,309*
Specialist – Emerging Markets	*Genesis Fidelity*	*1.1%*	*345,711*
Specialist – Private Equity	*Pantheon*	*4.8%*	*1,460,104*
Specialist – Private Equity	*Partners Group*	*3.1%*	*942,656*
Specialist – Absolute Return Bonds	*PIMCO*	*3.6%*	*1,099,951*
Specialist – Long-only Absolute Return	*Ruffer*	*1.8%*	*536,291*

Specialist – Multi Asset Credit	*Barings*	*2.5%*	*754,574*
Specialist – Multi Asset Credit	*Oak Hill Advisors*	*1.8%*	*546,953*
Specialist – Private Debt	*Barings*	*1.5%*	*458,915*
Specialist – Private Debt	*Alcentra*	*1.0%*	*313,151*
Specialist – Private Debt	*Partners Group*	*1.0%*	*305,489*
Specialist – Private Real Estate Debt	*ICG Longbow*	*1.1%*	*329,457*
Emerging Market Debt	*Ashmore*	*1.6%*	*473,557*
Specialist – Property	*DTZ*	*7.8%*	*2,37,436*
Specialist – Global Real Estate	*Partners Group*	*1.8%*	*2,347,088*
Specialist – Global Infrastructure	*JP Morgan*	*3.9%*	*1,174,365*
Specialist – Direct Impact Portfolio	*Various*	*4.9%*	*1,494,553*
Cash	*Northern Trust*	*0.9%*	*270,555*
		100%	***30,262,697***

Private Equity

Unquoted holdings in private equity funds have been included at the Fund managers' valuation adjusted for cash movements since the last valuation date where appropriate and incorporating fair value adjustment where these have been provided by managers. Unquoted Fund investments are valued at fair value as determined by the Directors or General Partner. The valuations provided by the general partners or managers typically reflect the fair value of the Company's capital account balance of each Fund investment, including unrealised gains and losses, as reported in the Annual Accounts of the respective Fund. Private equity investments are typically illiquid and resale is restricted.

17. Notifiable Holdings

Notifiable holdings are holdings which exceed 5% of the total value of Fund net assets. As at 31 March 2025 the Fund had holdings of £3,757 million (12.1%) in Legal and General All Stocks Gilt Fund and JP Morgan Institutional Infrastructure Fund.

18. Property Holdings

As at 31 March 2025 the Fund held direct property assets with a value of £2,340m (2023/24 £2,340m). This valuation was calculated by Avison Young on the Fund's behalf in accordance with RICS Valuation Standards manual.

2023/24 £000		**2024/25 £000**
2,257,500	Opening balance	2,339,949
332,529	Additions	64,771
(10,842)	Disposals	(162,712)
(239,238)	Change in Market Value	97,552
2,339,949	**Closing Balance**	**2,339,560**

The future minimum lease payments receivable by the fund as at 31 March 2025 are shown in the table below.

2023/24 £000		**2024/25 £000**
102,915	Within one year	96,599
323,432	Between one and five years	312,112
549,456	Later than five years	562,188
975,803	**Total future lease payments due**	**970,899**

As at 31 March 2025 the Fund held indirect UK property assets of £97.6m (2023/24 £84.6m).

19. Stock Lending

The Fund participates in a stock lending programme managed by its Global Custodian, Northern Trust. All loans are fully collateralised. As at 31 March 2025 stock with a value of £579.8m was on loan (£500.3m as at 31 March 2024).

20. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair values of financial assets and liabilities by category and net asset statement heading for the year ended 31 March 2025.

31 March 2024				31 March 2025		
Fair value through profit & loss £000	***Loans & receivables £000***	***Financial liabilities at amortised Cost £000***		**Fair value through profit & loss £000**	**Loans & receivables £000**	**Financial liabilities at amortised Cost £000**
			Financial Assets			
6,283,117	*0*	*0*	Equities	6,202,198	0	0
14,105,656	*0*	*0*	Pooled Investment Vehicles	14,138,133	0	0
6,970,847	*0*	*0*	Private Equity/ Infrastructure	7,202,431	0	0
6	*0*	*0*	Index Linked Securities	2,679	0	0
0	*0*	*0*	Derivative Contracts	6	0	0
20,719	*528,250*	*0*	Cash	238,516	895,495	0
5	*77,636*	*0*	Other Investment Balances	6	97,059	0
27,380,350	***605,886***	***0***		**27,783,969**	**992,554**	**0**
(9)	*0*	*0*	Derivatives	(16)	0	0
0	*0*	*(63,479)*	Other Investment Liabilities	0	0	(100,097)
(9)	***0***	***(63,479)***		**(16)**	**0**	**(100,097)**
27,380,341	***605,886***	***(63,479)***	**Net Financial Assets**	**27,783,953**	**992,554**	**(100,097)**

The table below shows net gains and losses on financial instruments for the year ended 31 March 2025. .

31 March 2024 £000		31 March 2025 £000
	Financial Assets	
1,911,836	Fair value through profit and loss	496,110
36	Loans and receivables	92
	Financial Liabilities	
(13)	Fair value through profit and loss	(103)
(2,843)	Loans and receivables	(5,200)
1,909,016	**Total**	**490,899**

The following table summarises the market values of the Fund's financial assets and liabilities by class of instrument for the year ended 31 March 2025.

Market Value 31 March 2024 £000		Market Value 31 March 2025 £000
	Financial Assets	
27,380,350	Fair value through profit and loss	27,783,967
605,886	Loans and receivables	992,554
	Financial Liabilities	
(9)	Fair Value through profit and loss	(16)
(63,479)	Financial liabilities measured at amortised cost	(100,097)
27,922,748	**Total**	**28,676,408**

The £28,676m net financial assets shown above plus property (£2,340m) and long-term debtors and current assets (£305m) less current liabilities (£49m) equals £31,272m Net Assets as at 31 March 2025 on page 167.

21. Fair Value Hierarchy

The valuation of financial assets and liabilities has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of private equity investments are based on valuations provided by the general partners of the private equity funds in which the Fund has invested. Such valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken quarterly

The following tables provide an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

31 March 2024				**31 March 2025**		
Level 1 £000	***Level 2 £000***	***Level 3 £000***		**Level 1 £000**	**Level 2 £000**	**Level 3 £000**
			Financial Assets			
18,314,339	*2,567,056*	*6,979,808*	Fair value through profit and loss	7,346,286	14,120,469	7,212,695
69,991	*55,044*	*0*	Loans and receivables	69,802	27,270	0
18,384,330	*2,622,100*	*6,979,808*		7,416,088	14,147,739	7,212,695
			Financial Liabilities			
0	*(9)*	*0*	Fair Value through profit and loss	0	(16)	0
(48,968)	*(14,511)*	*0*	Financial liabilities measured	(69,242)	(30,855)	0
(48,968)	*(14,520)*	*0*		(69,242)	(30,871)	0
18,335,362	***2,607,580***	***6,979,808***	**Net Financial Assets**	**7,346,846**	**14,116,868**	**7,212,695**

The total value of Net Financial Assets for Levels 1, 2 and 3 as at 31 March 2025 in the above table is £28,676m (£27,923m 2023/24) which matches the financial instruments market value shown at Note 20. The Fund's property assets of £2,340m (see Note 18 for details) are also classed as level 3, taking the total value of Net Financial Assets to £31,016m.

Reconciliation of Fair Value Measurements Within Level 3

2024/25	**Market value as at 31 March 2024 £000**	**Transfers in/out of Level 3 £000**	**Purchases £000**	**Sales £000**	**Unrealised gains (losses) £000**	**Realised gains (losses) £000**	**Market value as at 31 March 2025 £000**
Equities	8,956	**0**	0	(320)	1,835	(2,885)	7,586
Equity Funds	0	0	0	0	0	0	0
Private Equity	6,970,852	0	729,073	(578,893)	(88,002)	172,079	7,205,109
	6,979,808	**0**	**729,074**	**(579,213)**	**(86,167)**	**169,194**	**7,212,695**

Equities transferred into Level 3 were stocks delisted from the stock exchange during the year

2023/24	***Market value as at 31 March 2023 £000***	***Transfers in/out of Level 3 £000***	***Purchases £000***	***Sales £000***	***Unrealised gains (losses) £000***	***Realised gains (losses) £000***	***Market value as at 31 March 2024 £000***
Equities	*8,589*	*4,763*	*1,255*	*(425)*	*(5,209)*	*(17)*	*8,956*
Equity Funds	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Private Equity	*6,803,126*	*0*	*669,271*	*(467,437)*	*(147,624)*	*113,515*	*6,970,852*
Fixed Income Funds							
	6,811,715	***4,763***	***670,526***	***(467,862)***	***(152,832)***	***113,498***	***6,979,808***

22. Nature and Extent of Risks Arising From Financial Assets and Liabilities

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund while maximising the opportunity for gains. This is achieved through asset diversification (by asset class, geographical region, sector and fund manager) to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cashflows. These risks are managed as part of the overall pension fund investment management programme. Responsibility for risk management rests with the Strathclyde Pension Fund Committee. Actuarial and investment consultants are retained to advise on risk. A risk register is maintained and reviewed by the Committee on a regular basis. The Fund's assets are externally managed, and the investment managers adhere to their own risk management strategies.

Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest rates, foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The Fund's investment managers are expected to identify, manage and control market risk exposure within acceptable parameters whilst optimising the return on investments. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share price risk, arising from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through the diversification of securities and are monitored to ensure they remain within the limits specified in the investment management guidelines

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the following movements in market price risk were reasonably possible for the 2024/25 reporting period:

2023/24 Potential Market Movement (+/-)	Asset Type	2024/25 Potential Market Movement (+/-)
16.0%	UK Equities	16.3%
16.7%	Overseas Equities	18.6%
3.2%	Corporate Bonds (short term)	3.2%
7.0%	Corporate Bonds (medium term)	6.5%
n/a	Index Linked Gilts	n/a
31.2%	Private Equity and Infrastructure Funds	26.6%
19.3%	Commodities	19.2%
0.3%	Cash	0.3%
8.8%	Senior Loans	7.6%
2.7%	Absolute Return Bonds	2.7%
15.6%	UK Property	15.2%
11.1%	**Total Fund Volatility**	**10.1%**

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory. The tables below show the change in the net assets available to pay benefits had the market price of the investments increased or decreased in line with the table above

Potential Market Movements

Asset Type	Value as at 31 March 2025 £000	Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents				
Investment portfolio assets:				
UK bonds	2,678	6.5	2,852	2,504
Corporate bonds (Medium term)	1	6.5	1	1
UK equities	750,932	16.3	873,334	628,530
Overseas equities	5,451,266	18.6	6,465,201	4,437,330
UK fixed income unit trusts	4,264,668	6.5	4,541,870	3,987,464
Overseas fixed income unit trusts	292,205	6.5	311,199	273,212
UK equity unit trusts	6,103,316	16.3	7,098,157	5,108,476
Overseas equity unit trusts	420,509	18.6	498,724	342,295
Pooled Investment Vehicles	3,057,435	2.7	3,139,986	2,974,885
Cash Funds	1,134,011	0.3	1,137,413	1,130,609
Private Equity and Infrastructure	7,202,431	26.6	9,118,278	5,286,584
Property	2,339,560	15.2	2,695,173	1,983,847
Net derivative assets	(9)	0.0	(9)	(9)
Investment income due	69,802	0.0	69,802	69,802
Pending Spot FX	6	0.0	6	6
Amounts receivable for sales	27,257	0.0	27,257	27,257
Amounts payable for purchases	(100,098)	0.0	(100,098)	(100,098)
Total	**31,015,970**	**10.1**	**34,148,582**	**27,883,357**

The prior year comparators for 2023/24 are as follows:

Asset Type	*Value as at 31 March 2024 £000*	*Change %*	*Value on Increase £000*	*Value on Decrease £000*
Cash and cash equivalents				
Investment portfolio assets:				
UK bonds	*5*	*7.0*	*5*	*4*
Corporate bonds (Medium term)	*1*	*7.0*	*1*	*1*
UK equities	*810,847*	*16.0*	*940,583*	*681,112*
Overseas equities	*5,472,269*	*16.7*	*6,386,138*	*4,558,400*
UK fixed income unit trusts	*1,251,407*	*7.0*	*1,339,006*	*1,163,809*
Overseas fixed income unit trusts	*1,279,400*	*7.0*	*1,368,958*	*1,189,842*
UK equity unit trusts	*3,546,970*	*16.0*	*4,114,486*	*2,979,455*
Overseas equity unit trusts	*5,077,504*	*16.7*	*5,925,448*	*4,229,561*
Pooled Investment Vehicles	*2,950,374*	*2.70*	*3,030,035*	*2,870,714*
Cash Funds	*548,969*	*0.3*	*550,616*	*547,322*
Private Equity and Infrastructure	*6,970,847*	*31.2*	*9,145,751*	*4,795,942*
Property	*2,339,949*	*15.6*	*2,704,981*	*1,974,917*
Net derivative assets	*(9)*	*0.0*	*(9)*	*(9)*
Investment income due	*22,656*	*0.0*	*22,656*	*22,656*
Pending Spot FX	*6*	*0.0*	*6*	*6*
Amounts receivable for sales	*25,351*	*0.0*	*25,351*	*25,351*
Amounts payable for purchases	*(62,198)*	*0.0*	*(62,198)*	*(62,198)*
Total	***30,234,348***	***11.1***	***33,590,361***	***26,878,336***

Interest Rate Risk

The Fund invests in financial assets with the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's direct exposure to interest rate movements as at 31 March 2025 and 31 March 2024 is set out below.

As at 31 March 2024 £000	Asset Type	As at 31 March 2025 £000
548,969	Cash Balances – Investments	1,134,011

Interest Rate Sensitivity Analysis

Interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. The analysis in the table below assumes that all other variables, in particular exchange rates, remain constant and shows the effect of a +/-100 Basis Points (BPS) change in interest rates on the net assets available to pay benefits.

As at 31 March 2024 £000	*+100 BPs £000*	*-100 BPs £000*	Asset Type	As at 31 March 2025 £000	+100 BPs £000	-100 BPs £000
548,969	*554,459*	*543,479*	Cash Balances - Investments	1,134,011	1,145,351	1,122,671

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the Fund's base currency (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. Investment managers are expected to manage currency risk.

Currency Risk – Sensitivity Analysis

Based on historical analysis of movement in the currencies to which the Fund is exposed, it is considered that a 9.1% fluctuation in currency is reasonable. The table below shows the impact a 9.1% strengthening / weakening of the pound against the various currencies to which the Fund is exposed would have on the net assets available to pay benefits, assuming all other variables, in particular interest rates, remain constant.

Asset Type	As at 31 March 2025 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas quoted equities	5,451,266	9.1	5,947,331	4,955,200
Overseas fixed income funds	292,205	9.1	318,796	265,614
Overseas Infrastructure and venture capital	1,558,809	9.1	1,700,661	1,416,957
Overseas equity funds	420,509	9.1	458,776	382,243
Total	**7,722,789**		**8,425,564**	**7,020,014**

Asset Type	*As at 31 March 2024 £000*	*Change %*	*Value on Increase £000*	*Value on Decrease £000*
Overseas quoted equities	*5,472,269*	*9.3*	*5,981,190*	*4,963,348*
Overseas fixed income funds	*1,279,400*	*9.3*	*1,398,384*	*1,160,416*
Overseas equity funds	*5,077,504*	*9.3*	*5,549,712*	*4,605,296*
Total	***11,829,173***		***12,929,286***	***10,729,060***

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund's cash balances are managed by Northern Trust and are invested in AAA rated money market funds.

23. Long Term Debtor

Long-term debtors of the Fund represent the amount of additional tax charges incurred by members who are in breach of their Lifetime Tax Allowance (LTA) limit. These additional charges have been paid upfront by the Fund and will be reimbursed by these members over a period of time through additional pension deductions.

As at 31 March 2024 £000	**Long-Term Debtors**	**As at 31 March 2025 £000**
1,648	Lifetime Tax Allowance	1,550

24. Current Assets

As at 31 March 2024 £000		**As at 31 March 2025 £000**
	Debtors	
55,256	Contributions due – employers	28,523
50,621	Sundry Debtors	77,622
241,723	Cash Balances	197,333
347,600		303,478

25. Current Liabilities

As at 31 March 2024 £000		**As at 31 March 2025 £000**
38,450	Sundry creditors	32,362
4,618	Benefits payable	16,816
43,068		49,178

26. Events After the Balance Sheet Date

Investment markets fell sharply after the balance sheet date in response to the announcement of US "Liberation Day" import tariffs. The falls were within reasonable risk expectations, and markets recovered very quickly, but they remain volatile. There were no other material events between 31 March 2025 and the date of presenting the Annual Accounts.

27. Transactions with Related Parties

Pension receipts and payments including VAT are transacted using Glasgow City Council's financial systems and the Pension Fund's banking arrangements. Throughout the year the Fund maintains a cash balance for this purpose which is listed as 'cash deposits' in the Net Assets Statement. During 2024/25 the amount recharged by Glasgow City Council to the Strathclyde Pension Fund for administration costs was £3.973m (2023/24 £4.689m) and £1.067m for bespoke ICT solutions, consumables, printing and support. There is an outstanding creditor of £1.910m between the Council and Strathclyde Pension Fund as at 31 March 2025.

The key management personnel of the Fund are the Director of SPFO, the Chief Investment Officer and the Pension Scheme Manager. Total remuneration including short-term employee benefits and post- employment benefits payable to key management personnel was £367,926 (£384,157 2023/24). Key management personnel had accrued pensions totalling £124,983 (£115,646 2023/24) and lump sums totalling £101,476 (£97,950 2023/24) at the end of the period.

A remuneration report providing disclosures in respect of elected members and chief officers of the Council, including those with authority and responsibility for the Strathclyde Pension Fund is included in Glasgow City Council's Annual Report and Annual Accounts which are available from the Council's website at [Annual-reports]

Committee members may also be scheme members under the provisions for Councillor membership or as a result of previous service as employee members. There were no other material transactions with related parties during the year.

28. Contractual Commitments

As at 31 March 2025 the Fund had contractual commitments of £10,873m (£10,331m 2023/24) within its private equity, private debt, infrastructure and global real estate portfolios, of which £2,823m (£2,546m 2023/24) remains undrawn.

29. Contingent Assets and Liabilities

Contingent Liabilities reflect possible liabilities facing the Fund where the potential amount is unable to be estimated, and/or it is still not deemed probable that an obligatory event has arisen. There are a number of judgements from recent pensions litigation which may have some impact on the valuation of scheme liabilities. These include the following.

McCloud. Benefits accrued by certain members between 2015 and 2022 may increase following the McCloud case, which ruled that transitional protections introduced in 2015 for older members were discriminatory. Hymans Robertson made an allowance in the 2023 actuarial valuation for the cost of these potential improvements, based on the guidance issued by the Scottish Public Pensions Agency on 28 April 2023. Regulations have now been introduced which will allow pension funds including SPF to implement the McLoud remedy. Costs will largely be in line with the actuarial allowance.

GMP Equalisation. Remediation adjustments were completed by SPF during 2021. It is assumed that all increases on GMPs for members reaching State Pension age after 6 April 2016 will be paid for by LGPS employers in the Fund.

Goodwin refers to a tribunal outcome that changed the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005. The impact of this is likely to be very small for the Fund and therefore no allowance was made for this in the 2023 valuation. Regulation are being brought forward in England & Wales to address this and ensure that all survivors are treated equally with regard to entitlement to survivor benefits. Similar regulations are expected to follow in Scotland.

Virgin Media / section 37 legal ruling. In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment was subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024. On 25 July 2024, the Court dismissed the appeal

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work has being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment has not been published. On 5th June 2025, the UK government confirmed that it would introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. As a result, SPF does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

30. Statement of Investment Principles

In accordance with Regulations 12 and 14 of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 the Fund maintains and publishes a written statement of the principles governing decisions about investments. The statement is available at Statement of Investment Principles.

31. Additional Voluntary Contributions (AVCs)

AVC investments are managed by Prudential and Standard Life. As these are invested separately from the investments of the Fund itself and secure extra benefits only for the AVC contributors on an individual basis, the relevant figures have not been included in the Annual Accounts. Members participating in this arrangement receive an annual statement confirming the amount held in their account and the movements in the year

	2023/24				**2024/25**	
Prudential £000	***Standard Life £000***	***Total AVC's £000***		***Prudential £000***	**Standard Life £000**	***Total AVC's £000***
62,455	***1,303***	***63,758***	**Opening Market Value**	**66,843**	**1,096**	**67,939**
22,916	*0*	*22,916*	Contributions Received	22,916	15	22,931
(21,408)	*(182)*	*(21,590)*	Sales of Investments	(21,408)	(242)	(21,650)
2,880	*(25)*	*2,855*	Change in Market Value	2,880	73	2,953
66,843	***1,096***	***67,939***	**Closing Market Value**	**71,231**	**942**	**72,173**

**Note: Prudential 2024/25 figures are estimated as actuals are unavailable at time of publishing. 2023/24 figures have been used for the basis of these estimations.*

Strathclyde Pension Fund Office – key persons

Director:	Richard McIndoe
Chief Investment Officer:	Jacqueline Gillies
Investment Manager:	Richard Keery
Investment Manager:	Ian Jamison
Assistant Investment Manager:	Lorraine Martin
Pension Scheme Manager:	Linda Welsh
Principal Pensions Officer: (Development)	Nicola Smith
Principal Pensions Officer: (Operations)	Brian Rodden
Principal Pensions Officer (Compliance)	Juan Fernandez
Finance Manager:	Shona MacLean

Contact

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