



**Glasgow City Council**

**Strathclyde Pension Fund Committee**

**Report by Director of Strathclyde Pension Fund**

**Contact: Richard McIndoe, Ext: 77383**

**Item 8**

**6<sup>th</sup> March 2019**

## 2019/20 Business Plan

### **Purpose of Report:**

To present a Business Plan for 2019/20 for the Strathclyde Pension Fund including a draft budget to deliver the plan.

### **Recommendations:**

The Committee is asked to **APPROVE** the 2019/20 Business Plan and budget.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

### **PLEASE NOTE THE FOLLOWING:**

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## **Section 1 – Fund Governance**

### **1.1 Role and Responsibilities**

Glasgow City 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 around 180 other employers including the 11 other local authorities in the former Strathclyde area.

The main functions are:

- management and investment of scheme funds; 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 Public Service Pensions Act 2013 and the Superannuation Act 1972.

Glasgow carries out its role as Administering Authority via:

- the Strathclyde Pension Fund Committee, to which the council has delegated power to discharge all functions relating to its role as administering authority;
- the Strathclyde Pension Fund Pension Board which assists the committee with compliance;
- the Strathclyde Pension Fund Office (SPFO), a division of the Council's Financial Services Department; and
- the Strathclyde Pension Fund (SPF or the Fund).

### **1.2 Policy, Objectives and Strategy**

The Fund's longer term policies, objectives and strategies are agreed by the committee and set out in its policy documents. The main documents are the:

- Governance Statement;
- Funding Strategy Statement;
- Statement of Investment Principles;
- Risk Policy and Strategy Statement;
- Pension Administration Strategy; and
- Communications Strategy.

Policy documents are available from the Fund's website at:

[www.spfo.org.uk](http://www.spfo.org.uk)

### **1.3 Business Plan**

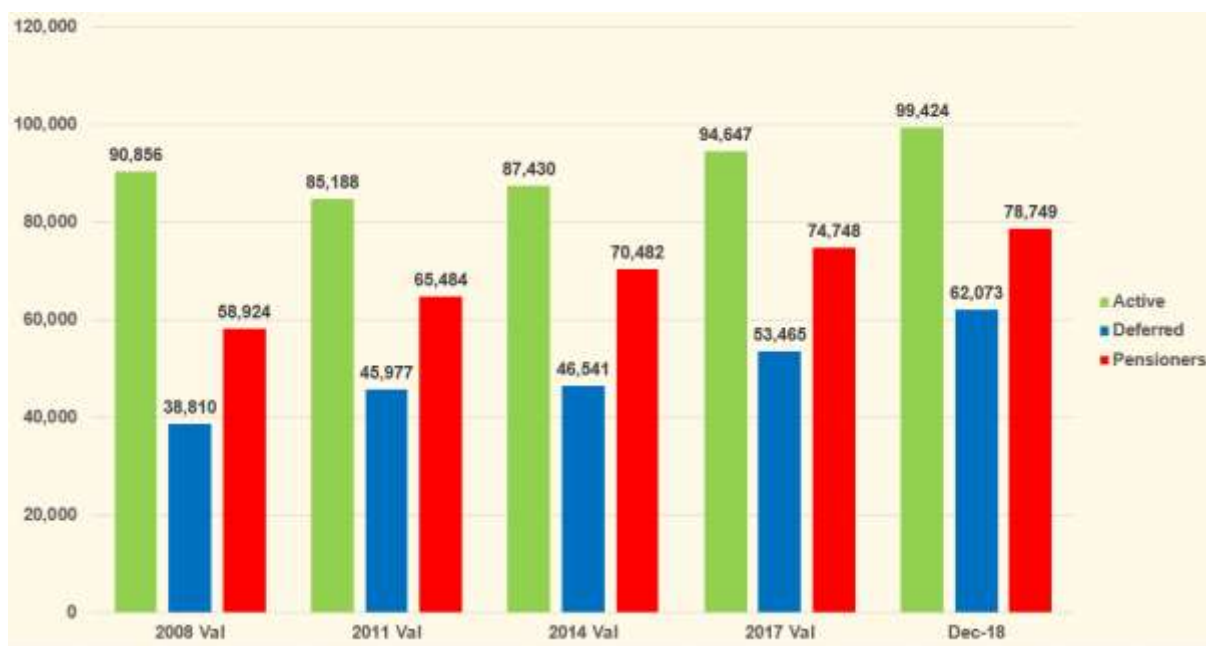
The committee agrees an annual business plan to ensure that ongoing management and development of the Fund is in line with the longer term policy, objectives and strategy. The 2018/19 business plan is structured as follows:

<b>Section 1</b>	<b>Fund Governance</b>
<b>Section 2</b>	<b>Fund Profile</b>
<b>Section 3</b>	<b>Resources</b>
<b>Section 4</b>	<b>Pensions Administration Performance</b>
<b>Section 5</b>	<b>Investment Performance</b>
<b>Section 6</b>	<b>Business and Development Priorities</b>

## Section 2 – Fund Profile

### 2.1 Membership

The membership profile of the Strathclyde Pension Fund is as follows.



SPFO also acts as a payroll agent for compensatory added years payments to over 9,036 members of the Scottish teachers' superannuation scheme.

### 2.2 Assets

As at 31 December 2018 the Fund had total investment assets of approximately £20.8 billion (2017: £21.2bn). Day-to-day management of the assets is carried out by external fund managers appointed by the Council in its role as Administering Authority.

### 2.3 Liabilities

Estimated value of liabilities as at 31 December 2018 was £19.7 billion (2017: £19.2bn) giving an estimated funding position of 103.3% (110.2%).

### 2.4 Income and Expenditure Flow

The income and expenditure profile is summarised as follows.

	2016/17 Per accounts £m	2017/18 Per accounts £m	2018/19 Probable £m	2019/20 Estimate £m
<b>Pensions Income</b>	<b>526</b>	<b>549</b>	<b>562</b>	<b>594</b>
<b>Pensions Expenditure</b>	<b>(557)</b>	<b>(581)</b>	<b>(615)</b>	<b>(635)</b>
<b>Net Cash Flow</b>	<b>(31)</b>	<b>(31)</b>	<b>(53)</b>	<b>(41)</b>
<b>Investment Income</b>	<b>252</b>	<b>285</b>	<b>295</b>	<b>306</b>

Investment Income shown includes distributed income only. A similar amount is earned and re-invested within pooled investment vehicles. Much of this could be converted to a distributing basis if required.

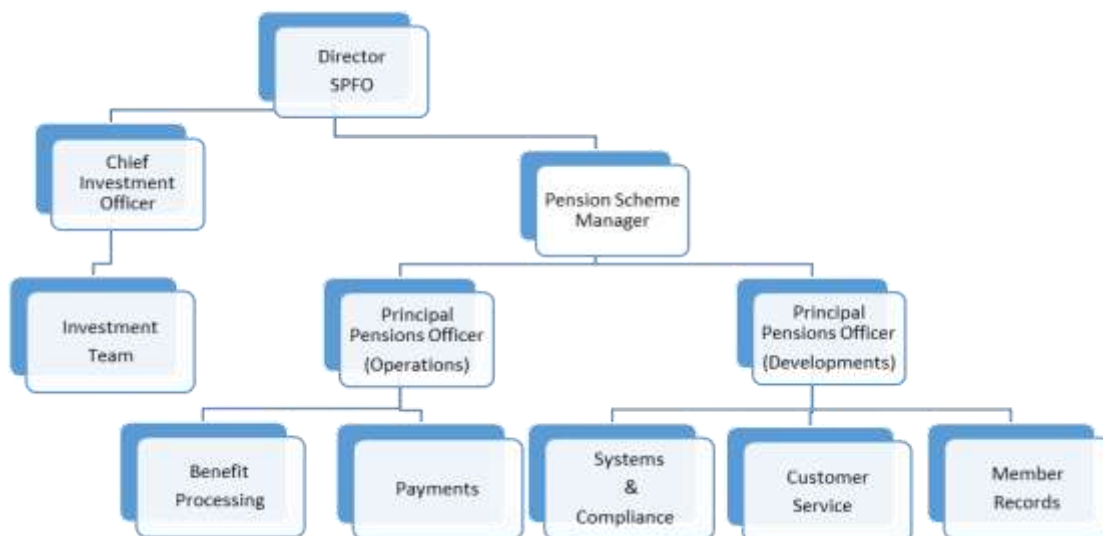
Appendix 1 sets out a more detailed 10-year cash flow forecast.

## **Section 3 - Resources**

### **3.1 Staffing**

Total staff in post at 31<sup>st</sup> December 2018 was 93 (FTE 89.9) including 6 Modern Apprentices. (31<sup>st</sup> December 2017 figure was 90 (FTE 88.3) including 7 Modern Apprentices). The staffing structure model is show below.

#### **SPFO Structure**



This structure and the resource requirement will be the subject of an internal review which will be a business priority in 2019/20.

### **3.2 Training and Development**

SPFO has made a demonstrable commitment to training and development. Much of this is delivered internally. In addition, staff are encouraged and supported by SPFO in gaining professional qualifications through the Institute of Payroll Professionals (IPP). As at 31<sup>st</sup> December 2018 IPP attainment within SPFO was as follows:

<b>SPFO Staff</b>	<b>IPP level attained</b>
<b>17</b>	Diploma in Pensions Management
<b>10</b>	Foundation Degree in Pensions Administration and Management
<b>29</b>	Foundation in pensions administration
<b>10</b>	Certificate in Pensions Administration

SPFO also has a number of graduates in various disciplines, a qualified accountant, and staff with a variety of other relevant qualifications.

SPFO staff participate fully in the various elements of Glasgow City Council's organisational development strategy. These include Performance Coaching and Review, and the Leading with Impact, First Line Management, Delivering for Glasgow and Our Glasgow programmes.

SPFO currently has 6 modern apprentices and 10 permanent staff who started their careers in that position. Modern apprentices are required to complete an SVQ in Business Administration (either level 2 or level 3), they are supported in this by both their manager and their qualified Team Assessors who meet regularly with the apprentices to discuss and review their progress.

### 3.3 Systems

SPFO is an established user of *Altair* – a bespoke Local Government Pension Scheme administration system. Within *Altair*, SPFO has implemented *Task Management Workflow* and *Performance Measurement* modules. These now form the core of process planning, management and monitoring. *Altair* is aligned with a Document Image Processing System (DIPS) to achieve straight-through electronic processing. It also provides internet based Member Self Service and Employer Self Service functionality together with *i-Connect*, a secure portal which allows employers to send data submissions direct to SPFO. Ongoing use, continuous development, and increasing member and employer sign-up in these areas are key aspects of the SPFO digital strategy.

For other finance functions, SPFO uses the Council's SAP-based systems.

The Investments Team has secure, on-line access to detailed investment portfolio data via the *Passport* system of the Fund's global custodian, Northern Trust, which forms the primary accounting record for the Fund's investments.

### 3.4 Administration Budget

The annual administration budget for 2018/19 and proposed budget for 2019/20 are summarised as follows.

<b>SPFO Budget</b>	<b>2018/19 (£000)</b>	<b>2019/20 (£000)</b>
Employee costs	3,166	3,498
Property costs	519	515
Supplies and services	887	740
Transport costs	3	3
3rd Party Payments	200	320
Central Support	1,137	1,137
<b>Total Expenditure</b>	<b>5,912</b>	<b>6,213</b>
Income	(156)	(158)
<b>Net Expenditure</b>	<b>5,756</b>	<b>6,055</b>

The 2019/20 budget shows a net increase of £299k over 2018/19. This is attributable to:

- a 3% inflationary pay increase and incremental rises in staff costs;
- budget realignment of external audit fee and COSLA Levy to 3<sup>rd</sup> Party Payments as well as some reduction in budgets for training, travel and publications; and
- an increased allocation for occupational health charges in respect of medical examinations.

### 3.5 Investment Management Costs

The Fund incurs substantial external management expenses. Per the financial statements these totaled:

	<b>2016/17 (£000)</b>	<b>2017/18 (£000)</b>
Investment management	96,353	108,832
Oversight and governance	1,054	1,470
<b>Total</b>	<b>97,407</b>	<b>110,302</b>

Investment management costs include fees charged by investment managers together with fees deducted within pooled investment vehicles. SPF discloses all costs in accordance with the CIPFA guidance on *Accounting for Local Government Pension Scheme Management Expenses*, albeit this is not a mandatory requirement. SPF also supports the Cost Transparency Initiative which should in time facilitate identification and disclosure of these cost and lead to more consistency of reporting between pension funds.

Investment costs are mostly paid on an *ad valorem* (market value) basis, sometimes with an additional performance element. They therefore vary with investment market fluctuations and manager performance. Costs for 2018/19 and 2019/20 will depend on market values. All costs are closely monitored and controlled to ensure value for money. In accordance with the LGPS Regulations, all administrative and investment expenses are charged to the Fund.

## **Section 4 – Pensions Administration Performance**

### **4.1 Key Functions**

Key functions within the Pensions Administration sections of SPFO are summarised in the following table.

<b>Section</b>	<b>Key Functions</b>	<b>Volume</b>
<b>Customer Service</b>	<ul style="list-style-type: none"> <li>▪ call handling and switchboard</li> <li>▪ email: SPFO inboxes, pulse</li> <li>▪ mail sorting, scanning &amp; issue</li> </ul>	<ul style="list-style-type: none"> <li>▪ 46,000 calls per annum</li> <li>▪ 44,500 messages per annum.</li> <li>▪ 800 items per day</li> </ul>
<b>Systems &amp; Compliance</b>	<ul style="list-style-type: none"> <li>▪ system &amp; website maintenance</li> <li>▪ member communications</li> <li>▪ data protection, system security and business continuity</li> </ul>	<ul style="list-style-type: none"> <li>▪ 306,000 visits per annum</li> <li>▪ 198,000 benefit statements, newsletters to all members</li> </ul>
<b>Member Records</b>	<ul style="list-style-type: none"> <li>▪ maintain member database</li> <li>▪ update for new members &amp; status changes</li> </ul>	<ul style="list-style-type: none"> <li>▪ 240,000 records</li> <li>▪ 26,000 per annum</li> </ul>
<b>Benefit Processing</b>	<ul style="list-style-type: none"> <li>▪ calculation and processing of a range of provisional and actual benefits</li> </ul>	<ul style="list-style-type: none"> <li>▪ 22,000 per annum</li> </ul>
<b>Payments</b>	<ul style="list-style-type: none"> <li>▪ payments in: monthly contributions for c.180 employers and 96,000 employees</li> <li>▪ payments out: lump sums and monthly pension payroll for 85,000 pensioners</li> </ul>	<ul style="list-style-type: none"> <li>▪ &gt;£560m per annum</li> <li>▪ &gt;£620m per annum</li> </ul>

### **4.2 Objectives and Strategy**

The objectives of the Administration Strategy are 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 Codes of Practice.

### 4.3 Performance Measurement and Monitoring

The emphasis for performance monitoring in 2019/20 will be on member experience and statutory compliance. Key Performance Indicators for each of these areas will be monitored and reported regularly to the Committee.

### 4.4 Key Performance Indicators (KPIs)

Key Performance Indicators (KPIs) for each of the administration functions are set out below. Definitions of the KPIs are included at Appendix 2.

#### 4.4.1 Customer Service - KPIs

Since 2007, SPFO has used a rolling customer survey which provides regular data on members' satisfaction with the quality of service provided. On completion of each significant transaction the member is issued with a one-page questionnaire for return to SPFO. Returns are collated and reported to the Committee as well as being used internally to monitor and improve customer service quality.

Results of the surveys from 1<sup>st</sup> April to 31<sup>st</sup> December 2018 and targets for 2019/20 are summarised in the following table.

2018 Performance	Refunds	Retirals
Forms issued	2,242	2,131
Responses	875	702
Response rate (%)	39.0	32.9
<b>"Satisfaction Rating" (%)</b>	<b>85.0</b>	<b>90.1</b>
2017/18 full year (%)	84.6	89.6
2018/19 target (%)	80.0	90.0
<b>2019/20 target (%)</b>	<b>80.0</b>	<b>90.0</b>

The targets of **80%** for refunds and **90%** for retirals will be retained for **2019/20**.

#### 4.4.2 Systems & Compliance - KPIs

Improving and increasing SPFO's digital delivery of communications is a key priority. The focus of activity will be on increasing website usage and employer onboarding of i-Connect as reflected in the following targets.

Website	Measure	2018 Actual	2018/19 Target	2019/20 Target
www.spfo.org.uk	▪ total weekly visitors	5,868	5,000	6,000
	▪ unique weekly visitors	3,567	3,000	3,700
SPFOonline	▪ members registered	68,784	67,000	70,000
i-Connect	▪ total extract returns	13	n/a	18
	▪ total online returns	35	n/a	85

#### 4.4.4 Member Data - KPIs

Having complete and accurate member data is essential for the efficient and effective management of pensions administration. An ongoing business priority for SPFO is improvement in the member database.

## Data Completeness

Incidence of missing member records as at 31<sup>st</sup> December 2018 is summarised in the following table.

	31 <sup>st</sup> Dec 2018			
	Missing Joiner Details	Missing Leaver Details	Active Members	Exception Rate (%)
<b>Grand Total</b>	<b>939</b>	<b>807</b>	<b>99,424</b>	<b>1.76%</b>
<b>Target 2018/19</b>				<b>&lt;2.0%</b>
<b>Target 2019/20</b>				<b>&lt;2.0%</b>

The target for 2019/20 will be to ensure that the year-end exception rate is no greater than 2%.

## 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.

During 2018 SPFO subscribed to the Data Quality Service (DQS) provided by its software supplier (Aquila Heywood) to carry out data analysis. Initial results based on 383,980 member records tested across multiple fields and all statuses are summarised below.

Data Type	2018 % of tests passed	% of records without a single data failure	
		2018	SPFO target 2019/20
Common data	99.1%	93%	94%
Scheme-specific data	97.2%	88.5%	89%

DQS analysis will be provided annually to allow SPFO to measure progress towards TPR targets.

## Employer Data Submissions

SPFO monitors receipt of monthly data from employers. 2018 performance and 2019/20 targets are as follows.

Measure	2018 Actual	2019/20 Target
Submission of monthly returns for New Members within 4 weeks of month end.	92%	95% from major employers
Submission of monthly returns for changes in Name/Hours/Address and for Opt Outs within 4 weeks of month end.	87%	95% from major employers

#### 4.4.5 Benefit processing - KPIs

Key criteria here are accuracy and efficiency. Accuracy is ensured through rigorous system and manual checks. Efficiency figures are produced by the performance measurement module of the *Altair* system and measure average times taken to turn around tasks on the system. Targets are as follows.

Turnaround Times				
Process	Description	Target Days 2019/20	Target % 2019/20	Statutory Deadline
<b>New Starts</b>	Processing of new scheme members	15	95.0%	1 month
<b>Refunds</b>	Processing and payment of refund in receipt of members election to a refund of contributions	7	90.0%	n/a*
<b>Deferred Members</b>	Calculation of future retirement benefits for early leavers from scheme who don't have immediate access to benefits	20	90.0%	2 months
<b>Retirals</b>	Quotation of expected retiral benefits on member's retirement	20	80.0%	2 months

\*Disclosure requirements do not stipulate a timescale for refunds but require that payment is made as soon as is considered reasonable.

Target days for deferred have been increased to cater for the deferred calculations requiring to be processed following the year-end exercise.

#### 4.4.6 Payments - KPIs

The single most important critical function of SPFO is to ensure that the monthly pensions payroll runs on its due date. A key objective is to ensure that all necessary additions, deletions and amendments have been made before it runs. Performance targets are as follows.

Task	Actual 2018	Target 2019/20
Pensions payroll run on time	100%	100%
New retirals processed for due date	98.0%	95%
Retirement lump sums paid on retirement date	91.7%	95%
Contributions income received on due date	99%	100%

**Section 5 – Investment Performance**

**5.1 Key Functions**

Key functions of the investment section within SPFO are summarised in the following table.

Key Functions
<ul style="list-style-type: none"><li>▪ development and implementation of investment strategy and structure</li><li>▪ monitoring of strategy, portfolio and investment manager performance, and other service providers</li><li>▪ management of the Direct Investment Portfolio, investment cash flows, private markets programmes, and responsible investment strategy.</li></ul>

**5.2 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 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, is agreed by the committee and reviewed regularly. A full review of strategy is carried out every three years alongside the triennial actuarial valuation to ensure that investment is aligned to the changing profile of the Fund’s liabilities and that the investment strategy is consistent with the Funding Strategy.
- The current objectives of the investment strategy are to achieve:
  - a greater than 2/3 probability of being 100% funded within the average future working lifetime of the membership ; and
  - a less than 10% probability of falling below 70% funded over the next three years.

**5.3 Investment Strategy**

The following framework was adopted in March 2015 for development of the investment strategy.



After the 2014 actuarial valuation of the Fund, a roadmap of potential alternative investment strategies was agreed with a view to progressively reducing the Fund's equity exposure and diversifying its asset base. Target allocations to each of the 5 asset categories under this roadmap are outlined below.

<b>Asset</b>	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>Alt 4</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Equity</b>	62.5	<b>52.5</b>	42.5	32.5
<b>Hedging/Insurance</b>	2.5	<b>2.5</b>	2.5	2.5
<b>Credit</b>	5.0	<b>5.0</b>	5.0	5.0
<b>S/T Enhanced Yield</b>	15.0	<b>20.0</b>	25.0	30.0
<b>L/T Enhanced Yield</b>	15.0	<b>20.0</b>	25.0	30.0
	100	<b>100</b>	100	100
<b>Return (% p.a.)</b>	6.0	<b>5.9</b>	5.8	5.5
<b>Volatility (% p.a.)</b>	12	<b>11</b>	10	9

The Fund implemented strategy Alt 1 between the 2014 and 2017 actuarial valuations. After the 2017 valuation Alt 2 was adopted as the strategic target model. A detailed investment structure consistent with Alt 2 is being developed and implemented over the period to the 2020 valuation.

#### **5.4 Investment Performance**

- The Fund's global custodian, Northern Trust, is responsible for independent performance measurement and provides detailed quarterly reports on all aspects of investment performance.
- Performance is measured on a total return basis including investment income and capital gains.
- Overall investment performance is measured against the strategic benchmark and the long-term actuarial return assumption of **3.5%** per annum at the 2017 actuarial valuation.
- Individual manager performance is measured relative to benchmarks and targets based on published investment indices or added value against cash (LIBOR) or inflation (CPI).

Further details of the current investment objectives, strategy and structure are shown in Appendix 3.

## **Section 6 – Business and Development Priorities**

### **6.1 Planned Activity**

SPFO's business and development priorities for 2019/20 are listed in Appendix 4 and summarised as follows.

- The investment focus will be on:
  - continuing or completing structural changes agreed in the recent reviews of SPF and DIP strategy;
  - tenders for global custody and property conveyancing; and
  - further work on climate change reporting.
- There will be an extensive review of the administration function together with a number of unrelated individual projects including GMP reconciliation and equal pay settlements.
- Closure of the No.3 Fund as previously agreed should be largely completed in the first half of the year. The governance focus will then shift to preparation for the 2020 actuarial valuation towards the year end.
- There will be a review of existing arrangements for support services provided to SPF by Glasgow City Council.

### **6.2 Unplanned Activity**

As ever, some unplanned activity is likely to be necessary in response to developments in the course of the year. Areas where this seems most likely include:

- Brexit;
- The Scheme Advisory Board (SAB) review of the structure of the LGPS in Scotland; and
- Other SAB or pensions industry developments.

## **Section 7 – Policy and Resource Implications**

### **Resource Implications:**

*Financial:* The business plan incorporates the SPFO 2019/20 budget – see para 3.4.

*Legal:* The Business Plan is published in compliance with Regulation 12(3) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010.

*Personnel:* None

*Procurement:* None

**Council Strategic Plan:** Strathclyde Pension Fund aligns with the theme of a well governed city.

### **Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2017-22* 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?*

No specific equalities impacts.

*Please highlight if the policy/proposal will help address socio economic disadvantage.*

**Sustainability Impacts:**

*Environmental:*

ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

*Social: including Article 19 opportunities:*

ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

*Economic:*

ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

**Privacy and Data Protection impacts:**

None.

**8 Recommendation**

The Committee is asked to approve the 2019/20 Business Plan for the Strathclyde Pension Fund including a draft budget to deliver the plan.

**Appendices**

**Appendix 1** – 10-year Cash Flow Forecast

**Appendix 2** - Key Performance Indicators: Definitions

**Appendix 3** – Investment Objectives, Strategy & Structure

**Appendix 4** – Business and Development Priorities

## APPENDIX 1

## 10 - YEAR CASH FLOW FORECAST

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Employee Contributions	127,372	141,076	146,305	148,775	151,279	153,819	156,395	159,007	161,655	164,340	167,063
Employers Contributions	403,095	418,886	434,413	441,747	449,184	456,725	464,373	472,127	479,991	487,964	496,049
Strain on the Fund	23,000	25,000	25,625	26,266	26,923	27,596	28,286	28,993	29,718	30,461	31,223
Added Years	600	600	600	600	600	600	600	600	600	600	600
Transfer Values in	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Other	200	200	200	200	200	200	200	200	200	200	200
<b>Total Income</b>	<b>562,267</b>	<b>593,762</b>	<b>615,143</b>	<b>625,588</b>	<b>636,186</b>	<b>646,940</b>	<b>657,854</b>	<b>668,927</b>	<b>680,164</b>	<b>691,565</b>	<b>703,135</b>
Pensions Expenditure	456,067	460,336	478,426	497,134	516,478	536,478	557,156	578,532	600,628	623,468	647,075
Lump Sums	105,000	117,875	120,822	123,843	126,939	130,112	133,365	136,699	140,116	143,619	147,209
Death Grants	16,000	17,425	17,861	18,308	18,766	19,235	19,716	20,209	20,714	21,232	21,763
Refunds	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Transfer Values out	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Admin Costs	4,700	6,200	6,262	6,325	6,502	6,684	6,871	7,063	7,261	7,464	7,673
<b>Total Expenditure</b>	<b>615,367</b>	<b>635,436</b>	<b>656,971</b>	<b>679,210</b>	<b>702,285</b>	<b>726,109</b>	<b>750,708</b>	<b>776,103</b>	<b>802,319</b>	<b>829,383</b>	<b>857,320</b>
<b>Net Additions/ Deductions (-)</b>	<b>-53,100</b>	<b>-41,674</b>	<b>-41,828</b>	<b>-53,622</b>	<b>-66,099</b>	<b>-79,169</b>	<b>-92,854</b>	<b>-107,176</b>	<b>-122,155</b>	<b>-137,818</b>	<b>-154,185</b>
Investment Income	295,177	305,508	316,201	327,268	338,722	350,577	362,847	375,547	388,691	402,295	416,375
Manager Fees	34,000	40,628	41,644	42,685	43,752	44,846	45,967	47,116	48,294	49,501	50,739

## KPI Definitions

Section	KPI	Definition
<b>Customer Service</b>	<ul style="list-style-type: none"> <li>Satisfaction Rating</li> </ul>	<p>Source: on completion of each refund or retiral transaction, the member is issued with a one-page questionnaire for return to SPFO. Returns are collated and reported to the Committee as well as being used internally to monitor and improve customer service quality.</p> <p>The survey covers various aspects of the customer experience: delivery timescales, clarity of information and explanations, enquiry handling, etc. together with an overall rating for the services provided by SPFO.</p> <p>Respondents are asked to rate the service on the following scale.</p> <ol style="list-style-type: none"> <li>Very Poor</li> <li>Poor</li> <li>Acceptable</li> <li>Good</li> <li>Excellent</li> </ol> <p>In each of the 4 categories, the KPI is the average rating from all correspondents for overall service expressed as a percentage.</p>
<b>Systems &amp; Compliance</b>	<p><i>www.spfo.org.uk</i></p> <ul style="list-style-type: none"> <li>weekly visitors</li> <li>unique weekly visitors</li> </ul>	<p>Source: Google Analytics</p> <p>Total number of individual occasions on which the website is accessed over the time period.</p> <p>The number of unduplicated (counted only once) visitors to the website over the course of a specified time period”.</p>
	<i>SPFOnline</i>	<p>Source: <i>Altair</i> pensions system</p> <p><i>SPFOnline</i> is the member self service area of the SPFO website. It provides members with direct, secure access to their own SPFO pensions record and allows them to:</p> <ul style="list-style-type: none"> <li>check details held</li> <li>amend contact details</li> <li>estimate benefits and</li> <li>request information or calculations</li> </ul> <p>To use <i>SPFOnline</i> members need to obtain an activation key and complete a short online registration process. The KPI is the total number of members who have completed the registration process.</p>

## KPI Definitions

	<p><i>i-Connect</i></p> <ul style="list-style-type: none"> <li>• total extract returns</li> <li>• total online returns</li> </ul>	<p>Source: a control log is maintained for i-Connect which lists all employers signed up for each of the two methods of data submissions: extract or online returns.</p> <p>Number of employers submitting i-Connect returns via payroll extract file – mostly large employers.</p> <p>Number of employers submitting i-Connect returns online - mostly small employers (membership &lt; than 100).</p>
<p><b>Member Records</b></p>	<ul style="list-style-type: none"> <li>• Missing Joiner details exception rate</li> <li>• Missing Leaver details exception rate</li> <li>• Data Quality</li> </ul>	<p>Source: <i>Altair</i> pensions system</p> <p>The KPI measures instances where an employer has not advised SPFO of a member joining or leaving the pension scheme.</p> <p>The figures are derived from employers' contributions data returns to SPFO at each year-end.</p> <p>Missing joiners are instances where the employer has provided contributions data for a member who is not listed on the SPFO database.</p> <p>Missing leavers are instances where no contributions data has been received by SPFO for a member who is on the database with an active status.</p> <p>The KPI is calculated as (total missing joiners + total missing leavers)/total active membership at end of year.</p> <p>The Pensions Regulator provides the following definitions.</p> <p><b>Common Data</b> are basic items which are used to identify scheme members, including surname, sex, national insurance number, postcode, date of birth, etc.</p> <p><b>Scheme Specific (Conditional) Data</b> are items relating to the member's pension, including employer name, salary records, service history, contributions history, etc.</p> <p>Data Quality Service tests all records held on the SPF system, including dead and exited members.</p>

## KPI Definitions

	<ul style="list-style-type: none"> <li>Submission of monthly returns</li> </ul>	<p>Employers should submit monthly electronic returns with details of:</p> <ul style="list-style-type: none"> <li>New members and</li> <li>Changes in name/hours/address/opt outs.</li> </ul> <p>Returns should be complete, accurate and in the format specified by SPFO and should be received within 4 weeks of each month end. Nil returns also required.</p> <p>The KPI will be based on the Fund's largest employers – councils, other statutory bodies and ALEOs and will be expressed as: no. of valid returns received/no. of employers.</p>
<b>Benefit Processing</b>	<ul style="list-style-type: none"> <li>Turnaround Times</li> </ul>	<p>Source: the Task Management and Performance measurement module of the <i>Altair</i> pensions system measures the period that elapses between a task first being logged to the system and finally closed as complete, minus any time when the task or queries on it have been referred to the employer or other external parties. The statutory deadline measures the period that elapses between a task first being logged to the system and finally closed as complete.</p> <p>For each process the internal KPI measures the total days taken by SPFO to complete each transaction in the period. The target is expressed as <math>x\%</math> of transactions completed within a target time of <math>y</math> days. When measuring against the statutory deadline however, the target is expressed as <math>x\%</math> of transactions completed before the statutory deadline has expired.</p>
<b>Payments</b>	<ul style="list-style-type: none"> <li>Pensions payroll run on time</li> <li>New retireals processed for due date</li> </ul>	<p>Source: RBS/BACS</p> <p>SPFO makes all monthly pensions payments via a single BACS pay run on 15<sup>th</sup> of each month (or previous business day where 15<sup>th</sup> is not a business day). The KPI measures whether or not the BACS payroll ran on the due date each month.</p> <p>Source: <i>Altair</i> pensions system</p> <p>When a member retires, SPFO aims to ensure that, where the required notice period has been observed, they receive their first pensions payment on 15<sup>th</sup> of the month after the month of their retiral. The KPI measures the total incidence of this being achieved each month and is expressed as a percentage of total members retiring (excluding ill health retireals and retireals with AVCs involved).</p>

## KPI Definitions

	<ul style="list-style-type: none"> <li>Retiral lump sums paid on retirement date</li> <li>Contributions income received on due date</li> </ul>	<p>Source: <i>Altair</i> pensions system When a member retires SPFO aims to ensure that, where the required notice period has been observed, they receive any retirement lump sum on the first day of their retirement – i.e. the day after their last day of employment. The KPI measures the total incidence of this being achieved each month and is expressed as a percentage of total members retiring (excluding ill health retirals and retirals with AVCs involved).</p> <p>Source: SPFO Bank account/ SAP ledger system All member and employer contributions should be credited to SPFO's bank account by 19<sup>th</sup> of month following that in which the member contributions were deducted. The KPI measures the total contributions by value received on time and is expressed as a percentage.</p>
<b>Investments</b>	<ul style="list-style-type: none"> <li>Total Return v Benchmark Return</li> </ul>	<p>Source: the Fund's global custodian, Northern Trust, is responsible for independent performance measurement and provides detailed quarterly reports on all aspects of investment performance based primarily on data from the assets held in custody by them.</p> <p>Total return is measured as the increase or decrease in the total value of investments as a result of income received together with realised or unrealised gains in the market value of the investment, expressed as a percentage of the value of the investment at the start of the measurement period.</p> <p>The benchmark return is the total return on a defined market index or combination of indices. The KPI measures total return for the Fund or the portfolio compared with the strategic benchmark or portfolio benchmark return.</p>

## Investment Objectives, Strategy &amp; Structure

As at 31<sup>st</sup> December 2018

Asset Class / Mandate Type	Manager	Actual (%)	Target (%)	Benchmark
<b>Equity</b>		<b>56.9</b>	<b>52.5</b>	
<b>Passive</b>	<b>L&amp;G Global</b>	<b>18.5</b>	<b>18</b>	FTSE World equity indices composite
	<b>L&amp;G RAFI</b>	<b>6.5</b>	<b>6</b>	FTSE RAFI equity indices composite
<b>ACWI ex US</b>	<b>Baillie Gifford</b>	<b>7.2</b>	<b>7.5</b>	MSCI All Countries World ex US index
<b>U/c Global</b>	<b>Lazard</b>	<b>3.2</b>	<b>2.5</b>	MSCI All Countries World index
	<b>Veritas</b>	<b>3.1</b>	<b>2.5</b>	MSCI All Countries World index
	<b>Oldfield</b>	<b>3.2</b>	<b>2.5</b>	MSCI All Countries World index
<b>Specialist</b>	<b>Henderson</b>	<b>1.1</b>	<b>1</b>	Specialist smaller companies index
	<b>JP Morgan</b>	<b>3.3</b>	<b>3</b>	Regional smaller co. indices composite
	<b>Genesis</b>	<b>1.8</b>	<b>1.5</b>	S&P/IFC Investable index
<b>Private Equity</b>	<b>Pantheon / PG</b>	<b>8.7</b>	<b>7.5</b>	FTSE All Share index +5%
<b>DIP Equity</b>	<b>Various</b>	<b>0.2</b>	<b>0.5</b>	CPI +3%
<b>Hedging/Insurance</b>		<b>1.4</b>	<b>1.5</b>	
<b>Passive I/L</b>	<b>L&amp;G I/L</b>	<b>1.4</b>	<b>1.5</b>	FTSE Index Linked over 5 Years
<b>Credit</b>		<b>5.7</b>	<b>6</b>	
<b>Passive Credit</b>	<b>L&amp;G Corp</b>	<b>5.7</b>	<b>6</b>	UK/US corporate bond indices composite
<b>STEY</b>		<b>19.3</b>	<b>20</b>	
<b>Absolute Return</b>	<b>PIMCO</b>	<b>5.0</b>	<b>5.0</b>	LIBOR +3.25%
	<b>Ruffer</b>	<b>0</b>	<b>1.0</b>	LIBOR +3%
<b>Multi Asset Credit</b>	<b>Barings</b>	<b>3.1</b>	<b>2.75</b>	LIBOR +4%
	<b>Oak Hill</b>	<b>2.0</b>	<b>1.75</b>	LIBOR +4%
<b>Private Debt</b>	<b>Barings</b>	<b>0.7</b>	<b>0.75</b>	LIBOR +4%
	<b>Alcentra</b>	<b>0.8</b>	<b>0.75</b>	LIBOR +4%
	<b>tbc</b>	<b>0</b>	<b>3.0</b>	
<b>EMD</b>	<b>Ashmore</b>	<b>2.3</b>	<b>2.5</b>	Emerging Market Debt indices composite
<b>DIP STEY</b>	<b>Various</b>	<b>0.3</b>	<b>1.5</b>	CPI +3%
<b>Cash/Unallocated</b>	<b>tbc</b>	<b>5.1</b>	<b>1.0</b>	
<b>LTEY</b>		<b>16.7</b>	<b>20</b>	
<b>Property</b>	<b>DTZ</b>	<b>10.1</b>	<b>10</b>	IPD Quarterly Universe
	<b>Partners Group</b>	<b>2.2</b>	<b>2.5</b>	8% p.a. absolute return (£ adjusted)
<b>Infrastructure</b>	<b>JP Morgan</b>	<b>1.4</b>	<b>2.5</b>	8% p.a. absolute return
<b>DIP LTEY</b>	<b>Various</b>	<b>3.0</b>	<b>2.5</b>	CPI +3%
<b>Unallocated</b>	<b>tbc</b>		<b>2.5</b>	
<b>Total</b>		<b>100</b>	<b>100</b>	

## 2019/20 Business &amp; Development Priorities

Item	Description	Timetable
<b>Investments</b>		
<b>Investment Strategy</b>	Continue development of investment structure towards full implementation of the Alt 2 strategy.	Mar 2020
<b>Direct Investment Portfolio</b>	Develop proposals for infrastructure co-investment and extension of local property investment as described in 2018 DIP review.	Mar 2020
<b>Property Conveyancing</b>	Review arrangements for conveyancing in respect of the UK property portfolio.	Mar 2020
<b>Custody Tender</b>	Commence review of global custody arrangements and associated services including cash management, performance measurement, securities lending and currency management.	Mar 2020
<b>Responsible Investment</b>	Review Climate Related Financial Disclosures.	Mar 2020
<b>Pensions Administration</b>		
<b>Administration Strategy</b>	Review administration strategy, data improvement plan, administration structure and resource.	Mar 2020
<b>GMP Reconciliation</b>	Complete implementation of integrated solution for Guaranteed Minimum Pension (GMP) reconciliation and remediation project.	Mar 2020
<b>Equal Pay Settlements</b>	Manage pensions implications of employer equal pay settlements.	Mar 2020
<b>Occupational Health</b>	Review arrangements for provision of certification by an Occupational Health Practitioner in respect of ill-health retirees.	Sep 2020
<b>Governance</b>		
<b>No.3 Fund</b>	Complete merger into Aberdeen City Council Transport Fund.	Mar 2020
<b>Actuarial Valuation</b>	Preparation for actuarial valuation as at 31 <sup>st</sup> March 2020.	Mar 2020
<b>Finance</b>		
<b>Central Support</b>	Review level and cost of central support provided by GCC.	Mar 2020
<b>Treasury Management</b>	Review internal treasury management function.	Mar 2020