



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 16

4th March 2020

## 2019/20 Business Plan – Final Review

### Purpose of Report:

To provide a final review of progress in respect of the development priorities listed in the Fund's 2019/20 Business Plan.

### Recommendations:

The Committee is asked **to NOTE** the contents of this report.

Ward No(s):

Citywide: ✓

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

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## 1 Background

Each year, the Committee is asked to agree a business plan for Strathclyde Pension Fund. The plan sets out objectives, resourcing requirements, key performance indicators, and business and development priorities for the coming year. The 2019/20 plan was agreed in March 2019. Appendix A provides a final update on progress in respect of the business and development priorities listed in the plan.

## 2 Progress

All items are progressing well.

On a RAG analysis:

- 12 are rated **green** (1 of which is now complete);
- 1 is rated **amber** due to a delay caused by HMRC process changes; and
- none is **red**.

## 3 Policy and Resource Implications

### Resource Implications:

*Financial:*

None.

*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 2017-21*

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. The business plan includes 2 reviews of climate-related risks and opportunities.

*Social, including opportunities under Article 20 of the European Public Procurement Directive:* 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.

**4 Recommendations**

The Committee is asked to note the contents of this report.

## 2019/20 BUSINESS AND DEVELOPMENT PRIORITIES

Item	Description	RAG Status	Progress
<b>Investments</b>			
<b>Investment Strategy</b>	Continue development of investment structure towards full implementation of the Alt 2 strategy.	<b>Complete</b>	Alt 2 allocations to managers and portfolios all agreed and implemented. Actual portfolio balances will take further time to reflect this as funds are drawn down to private markets portfolios. 1% allocated to cash to partially reflect that interim position.
<b>Direct Investment Portfolio</b>	Develop proposals for infrastructure co-investment and extension of local property investment as described in 2018 DIP review.	<b>Complete</b>	First proposal for infrastructure co-investment agreed at September committee. KPMG engaged to look at property portfolio options and have completed initial review. Clydebuilt portfolio to be extended to 2023. Further solution required thereafter.
<b>Property Conveyancing</b>	Review arrangements for conveyancing in respect of the UK property portfolio.	<b>Complete</b>	Concluded with appointment of CMS at September committee.
<b>Custody Tender</b>	Commence review of global custody arrangements and associated services including cash management, performance measurement, securities lending and currency management.	<b>Complete</b>	Hymans Robertson engaged to advise. ITT to be issued by 31 <sup>st</sup> March. Process scheduled to conclude at June committee. Existing contract extended to December 2020.
<b>Responsible Investment</b>	Review Climate Related Financial Disclosures.	<b>Complete</b>	Climate Related Financial Disclosures included in 2018/19 annual report.
<b>Responsible Investment</b>	Review Climate Related Risks and Opportunities.	<b>Complete</b>	Report and recommendations to be considered at March 2020 committee.
<b>Pensions Administration</b>			
<b>Administration Strategy</b>	Review administration strategy, data improvement plan, administration structure and resource.	<b>Complete</b>	Report covering strategy and data improvement plan agreed at November committee. Report on SPFO Structure approved by Workforce Planning Board in December. Revised structure and budget included in

## 2019/20 BUSINESS AND DEVELOPMENT PRIORITIES

			2020/21 Business Plan for approval at March 2020 committee together with final report on administration strategy.
<b>GMP Reconciliation</b>	Complete implementation of integrated solution for Guaranteed Minimum Pension (GMP) reconciliation and remediation project.	<b>Delayed</b>	Reconciliation 98.8% complete per latest ITM report and 96.0% of cases resolved. Remediation phase delayed as a result of process changes by HMRC - now due to start after July 2020.
<b>Equal Pay Settlements</b>	Manage pensions implications of employer equal pay settlements.		Final GCC data received in December. All pension record adjustments and revised payments expected to be processed by end March. Employer contribution agreed for payment before financial year end.
<b>Occupational Health</b>	Review arrangements for provision of certification by an Occupational Health Practitioner in respect of ill-health retirees.	<b>Complete</b>	SPFO using GCC contract with PAM from January 2020.
<b>Governance</b>			
<b>No.3 Fund</b>	Complete merger into Aberdeen City Council Transport Fund.	<b>Complete</b>	Administration and communication workstreams completed by August. Asset transfer completed in tranches between August and January. Final cash transfer in March.
<b>Actuarial Valuation</b>	Preparation for actuarial valuation as at 31 <sup>st</sup> March 2020.	<b>Complete</b>	Initial planning meeting with Hymans Robertson in October. Data meeting in January. Covenant review meeting with PWC in January. Further planning meeting in February. High level plan agreed.
<b>Finance</b>			
<b>Central Support</b>	Review level and cost of central support provided by GCC.	<b>Complete</b>	Final report concluded that amounts recharged to SPFO were essentially correct, but a number of improvements in process and provision of back-up information had been identified and will be implemented. This may lead to increased charges in

## 2019/20 BUSINESS AND DEVELOPMENT PRIORITIES

			later years as costs are more clearly identified.
<b>Treasury Management</b>	Review internal treasury management function.	<b>Complete</b>	A number of improvements around the process for accounting and payment of VAT relating to the DTZ property portfolio had been identified and will be implemented. Review did not produce any other material findings.