



Strathclyde Pension Fund

2024/25 Business Plan



Signatory of:

**STEWARDSHIP
CODE | 2021**



PRI | Principles for
Responsible
Investment

2024/25 Business Plan

CONTENTS

Section 1 Fund Governance

Section 2 Fund Profile

Section 3 Resources

Section 4 Pensions Administration

Section 5 Investment

Section 6 Business and Development Priorities

Appendices

Appendix 1 – Policy Documents

Appendix 2 – 10-year Cash Flow Forecast

Appendix 3 – SPFO Staffing Structure

Appendix 4 – Key Performance Indicators: Definitions

Appendix 5 – Investment Objectives, Strategy & Structure

Appendix 6 – Review of 2023/24 Business and Development Priorities

Appendix 7 – 2024/25 Business and Development Priorities

Appendix 8 – Committee Agenda Plan



Section 1 – Fund Governance

1.1 Role and Responsibilities

Glasgow City Council (GCC) 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 150 other employers including the 11 other local authorities in the former Strathclyde area.

The main functions are:

- administration of scheme benefits; and
- management and investment of scheme funds.

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.

GCC 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

SPF's overriding objective is to ensure that all members' pensions are paid now and in the future. To achieve this, detailed policies, objectives and strategies are agreed by the committee. These are set out in various policy documents. The main documents are the:

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

A summary of each of the main policy documents is included at **Appendix 1**.

Policy documents are published on the Fund's website at: www.spfo.org.uk

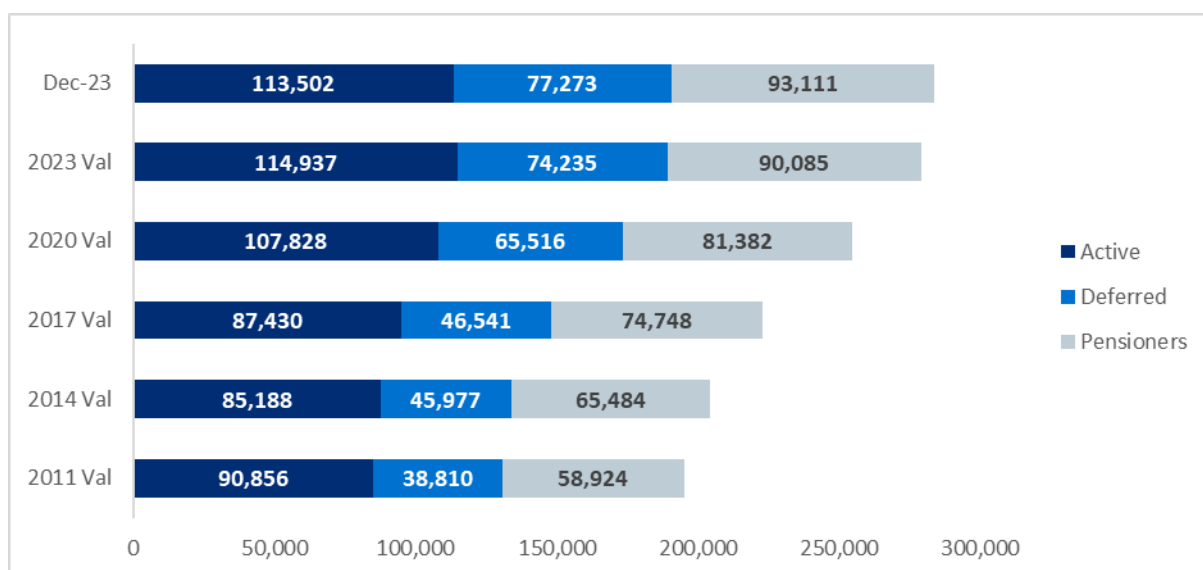
1.3 Business Plan

The committee agrees an annual business plan to ensure that ongoing management and development of the Fund is in line with the longer-term policies, objectives and strategy. The 2024/25 business plan is set out in the following sections.

Section 2 – Fund Profile

2.1 Membership

The membership profile of the Strathclyde Pension Fund as at 31st December 2023 and at each actuarial valuation is summarised as follows.



SPFO also acts as a payroll agent for compensatory added years payments to over **7,900** members of the Scottish teachers' superannuation scheme.

2.2 Assets

As at 31 December 2023 the Fund had total investment assets of approximately **£29.1 billion** (2022: £27.0bn). 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 – present value of future pension payments - as at 31 December 2023 was **£19.3 billion** (2022: £16.9bn). Estimated funding position was c.**150%** (2022 c.158%). This will next be reviewed in the triennial actuarial valuation as at 31st March 2026.

2.4 Income and Expenditure Flow

The income and expenditure profile is summarised as follows.

	2021/22 Per accounts £m	2022/23 Per accounts £m	2023/24 Probable £m	2024/25 Estimate £m
Pensions Income	715	752	834	444
Pensions Expenditure	(699)	(756)	(938)	(1,105)
Net Pensions Cash Flow	16	4	(104)	(662)
Investment Income	383	412	368	387

Investment Income shown includes distributed income only. The majority of income is earned and re-invested within pooled investment vehicles. Up to 99% of income which is currently re-invested could be made available for distribution to the Fund if required.

Appendix 2 sets out a more detailed 10-year cash flow forecast.

Key features of this are that:

- reductions in employer contributions rates over the next 3 years mean that the projected shortfall in benefits cash flow will significantly exceed distributed investment income in 2024/25 and 2025/26; and
- from 2026/27 some, but not all, investment income will be required to fund benefits cash flow.

A large portion of the Fund's investments are liquid and can be sold at short notice if additional cash is required. Cash flow will be monitored closely, and the Investment Advisory Panel will agree actions to fund benefits as necessary.

Section 3 - Resources

3.1 Staffing

Total staff in post at 31st December 2023 was 90 (FTE 84.2) this includes 4 modern apprentices. An additional 6 staff had been appointed with start dates throughout January and February. Workplan baseline is 105. Further recruitment is planned in due course. The current structure is summarised in **Appendix 3**.

3.2 Training and Development

SPFO has made a demonstrable commitment to training and development. Much of this is delivered internally. In addition, staff were encouraged and supported by SPFO in gaining professional qualifications through the Institute of Payroll Professionals (IPP). IPP attainment within SPFO is as follows.

SPFO Staff	IPP level attained
11	Diploma in Pensions Management
9	Foundation Degree in Pensions Administration and Management
32	Foundation in Pensions administration
11	Certificate in Pensions Administration

SPFO also has a number of graduates in various disciplines, one 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 for all staff. Staff also make extensive use of a diverse range of training modules and resources which are available through the GOLD (Glasgow Online Learning Development) portal.

SPFO's recruitment strategy has relied heavily on the modern apprentice programme since its introduction: 14 permanent staff at a variety of grades started their SPFO careers as modern apprentices. 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. Recruitment of modern apprentices paused for 2 years but resumed successfully during 2023/24.

3.3 Systems & IT

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 version 24.1. Within *Altair*, SPFO has implemented *Task Management*, *Workflow* and *Performance Measurement* modules. These, along with *Altair Insights* form the core of process planning, management and monitoring, data analytics and measuring our data quality. *Altair* is aligned with a Document Image Processing System (DIPS) to achieve straight-through electronic processing.

It also provides:

- internet based Self Service functionality through the member portal, *SPFOnline* and
- *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 sign-up in these areas are key aspects of the SPFO administration strategy and communications policy.

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. The Fund accesses an increasing number of investment manager reports via on-line client portals.

All staff have laptops which provide remote network and systems access. This facilitates hybrid working and flexibility and resilience of working arrangements.

3.4 SPFO Cost Budget

SPFO costs include costs of scheme administration together with oversight and governance costs (which includes consultancy fees, legal and procurement costs, audit fees, and part of the central support charge).

The annual SPFO budget for 2023/24 and proposed budget for 2024/25 are summarised as follows.

SPFO Budget	2023/24 £000	2024/25 £000	Movement £000
Employee Costs	4,480	4,342	-138
Property Costs	642	648	6
Supplies and Services	1,308	1,247	-61
Transport Costs	0	0	0
Contracted Services	417	412	-5
Central Support	1,220	1,275	55
Total Expenditure	8,067	7,924	-143
Income	-177	-177	0
Bank Interest	0	-3,860	-3,860
Net Expenditure	7,890	3,887	-4,003

The 2024/25 budget shows:

- a decrease in total expenditure of £143k over the 2023/24 budget. Most costs have increased in line with inflation, but the reduction is attributable to the impact on staffing costs of reduced employer pension contributions in the year and the inclusion of additional actuarial costs in 2023/24 for the actuarial valuation; and
- a reduction in net expenditure of £4,003k due to the inclusion of bank interest in the 2024/25 budget.

The SPFO budget is met from the Fund in accordance with the regulations.

3.5 Investment Management Costs

The Fund incurs substantial external management expenses as a result of its outsourced model. Total annual expenditure per the audited financial statements is summarised as follows.

	2020/21 £000	2021/22 £000	2022/23 £000
Investment management	204,330	167,839	159,752
Oversight and governance	1,762	1,401	1,651
Total	206,092	169,240	161,403

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 has facilitated better identification and disclosure of these costs and in time should 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. Outturn costs for 2023/24 and costs for 2024/25 will depend on market values and manager performance. For this reason, no estimate is provided. 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.

Section	Key Functions
Digital Communications	<ul style="list-style-type: none">▪ call handling and switchboard▪ data exchange; SPFO inboxes; document upload; pulse messaging▪ mail sorting, scanning & issue▪ development of SPFO Online & website▪ design of all publications▪ member, employer and staff communications
Employer & Data Management	<ul style="list-style-type: none">▪ monitoring, reconciliation and reporting of i-Connect▪ employer management▪ data quality – maintaining member data base▪ admissions and cessations▪ actuarial valuation
Compliance	<ul style="list-style-type: none">▪ system & website(s) maintenance▪ data protection, system security, cyber security and business continuity▪ regulatory compliance▪ audit▪ procurement/contracts▪ information compliance:<ul style="list-style-type: none">• data breaches• freedom of information requests• subject access requests▪ health and safety▪ office management
Pre-retirement Transactions	<ul style="list-style-type: none">▪ 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 Transactions	<ul style="list-style-type: none">▪ calculation and processing actual retirement benefits▪ calculations of all death benefits▪ recalculations
Payments	<ul style="list-style-type: none">▪ payments in: monthly member, employer and additional contributions▪ payments out: lump sums, transfers, refunds, and monthly pension payroll

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 LGPS regulations, other related legislation and the Pensions Regulator's Code of Practice.

4.3 Performance Measurement and Monitoring - KPIs

The emphasis for performance monitoring is on member experience and statutory compliance. Key Performance Indicators (KPIs) for each service area are monitored and reported regularly to the Committee. These are set out below. Definitions of the KPIs are included at **Appendix 4**.

4.3.1 Digital Communications - KPIs

Results of customer surveys from 1st April to 31st December 2023 and targets for 2024/25 are summarised in the following table.

2023 Performance	Refunds	Retirals
Forms issued	1,329	4,423
Responses	87	737
Response rate (%)	6.5	16.7
"Satisfaction Rating" (%)	78.3	85.9
<i>2022/23 full year (%)</i>	<i>86.3</i>	<i>90.0</i>
<i>2023/24 target (%)</i>	<i>85.0</i>	<i>90.0</i>
2024/25 target (%)	80.0	90.0

The target for retirals will be retained at **90%**. A revised target of **80%** has been set for refunds.

Pension Updates

Results of customer surveys during 2023 and targets for 2024 are summarised in the following table.

Member Status	2023 Score		2024 Target	
	Content (%)	Format (%)	Content	Format (%)
Active	77.0	74.0	77.0	77.0
Deferred	69.5	68.7	70.0	70.0

Website/SPFOnline

Improving and increasing SPFO's digital delivery of communications is a key priority. The focus of activity is continuous development, increasing website usage and member sign up to SPFOnline as reflected in the following targets.

Website	Measure	2023/24 Target	2023 Actual	2024/25 Target
www.spfo.org.uk	▪ total weekly visitors	7,700	8,825	9,000
	▪ unique weekly visitors	4,400	4,989	5,000
SPFOnline	▪ members registered	135,000	135,568	146,000
	▪ logged in during year	n/a	69,945	77,000

4.3.2 Employer & Data Management- 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 and timeous and accurate i-Connect submissions.

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 individual scheme level. All pension funds are required to make an annual scheme return to TPR.

Altair Insights allows SPFO to monitor Data Quality Scores in real time. Results for the data quality tests for those members in scope are summarised below.

Data Type	TPR Tests Passed (%)		
	2022	2023	SPFO target 2024/25
Common data	97.8	98.1	98.3
Scheme-specific data	96.7	97.3	97.6

Employer i-Connect Submissions

Employers are required to submit regular electronic returns via i-Connect no later than the 19th of the month following the reporting period. SPFO monitors receipt of these submissions. 2024/25 targets are as follows.

Local Authority Employers	Actual 2022	Target 23/24	Actual 2023	Target 24/25
i-Connect submissions received by SPFO by due date	76%	100%	87%	100%

4.3.3 Pre-retirement Transactions - 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. 2024/25 targets are unchanged from 2023/24 and are as follows.

Turnaround Times				
Process	Description	Target Days 2024/25	Target % 2024/25	Statutory Deadline
New Starts	Processing of new scheme members	15	95%	1 month
Refunds	Processing and payment of refund in receipt of members election to a refund of contributions	7	90%	n/a*
Deferred Members	Calculation of future retirement benefits for early leavers from scheme who don't have immediate access to benefits	20	90%	2 months
Retirals	Quotation of expected retiral benefits.	20	80%	2 months

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

4.3.4 Compliance – KPI's

SPFO complaints are actioned in accordance with Glasgow City Council complaints handling procedure. All complaints are recorded using Lagan, the Council's system for complaints monitoring and recording.

Complaint	Response Target
Stage 1	5 working days
Stage 2	20 working days

4.3.5 Finance - 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 2023	Target 2024/25
Pensions payroll run on time	100%	100%
New retirals processed for due date	94%	95%
Retirement lump sums paid on retirement date	83%	95%

Deferred pensions processed for due date	87%	95%
Deferred lump sums paid on due date	100%	95%
Contributions income received on due date	97%	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">▪ development and implementation of investment strategy and structure▪ monitoring of strategy, portfolio and investment manager performance, and other service providers▪ management of the Direct Impact Portfolio (DIP), investment cash flows, private markets programmes, and▪ stewardship including development and management of the responsible investment and climate change strategies.

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 **80%** funded over the next three years.

5.3 Investment Strategy

The following framework is used for development of the investment strategy.



The strategy is reviewed every 3 years using asset liability modelling based on results of the triennial actuarial valuation of the Fund. Strategic allocations have changed as summarised below.

Asset Category	2011 (%)	2014 (%)	2017 (%)	2024 (%)
Equity	72.5	62.5	52.5	47.0
Hedging / Insurance	4.5	1.5	1.5	10.0
Credit	3.0	6.0	6.0	5.0
Short-term Enhanced Yield (STEY)	7.5	15.0	20.0	17.0
Long-term Enhanced Yield (LTEY)	12.5	15.0	20.0	21.0
Total	100	100	100	100

5.4 Investment Performance

5.4.1 Investment Returns

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;
- the actuarial return assumption of **5.0%** per annum at the 2023 actuarial valuation (3.0% at the 2020 valuation); and
- the PIRC Local Authority universe.

Individual manager performance is measured relative to benchmarks and targets based on published investment indices or added value against cash (SONIA) or inflation (CPI).

Further details of the current investment objectives, strategy and structure are shown in **Appendix 5**.

5.4.2 Stewardship

The Fund is a signatory to the Principles for Responsible Investment (PRI) and has adopted the principles as its responsible investment policy. In addition, the Fund has developed a climate change strategy.

The Fund regularly reports on its stewardship activity and measures the progress of its stewardship policies in the following ways:

- Completion of PRI Assessments
- Submission of annual Stewardship Reports to the UK's Financial Reporting Council (FRC). These are assessed by the FRC and SPF has been named as a signatory to the UK Stewardship Code each year since its re-launch in 2021.
- Annual reporting of SPF's approach to climate risk using the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) Framework.
- Membership of the Paris Aligned Investment Initiative, which includes annual reporting of climate change related activity from 2023 onwards.

Section 6 – Business and Development Priorities

6.1 2023/24 Priorities

A review of the priorities listed in the 2023/24 business plan is included at **Appendix 6**. Progress has been excellent and all but one of the priority projects are rated green.

6.2 2024/25 Priorities

A summary of SPFO's business and development priorities for 2024/25 is included at **Appendix 7**.

6.3 SPF Committee

An agenda plan for SPF committee meetings is included at **Appendix 8**.

Policy Documents

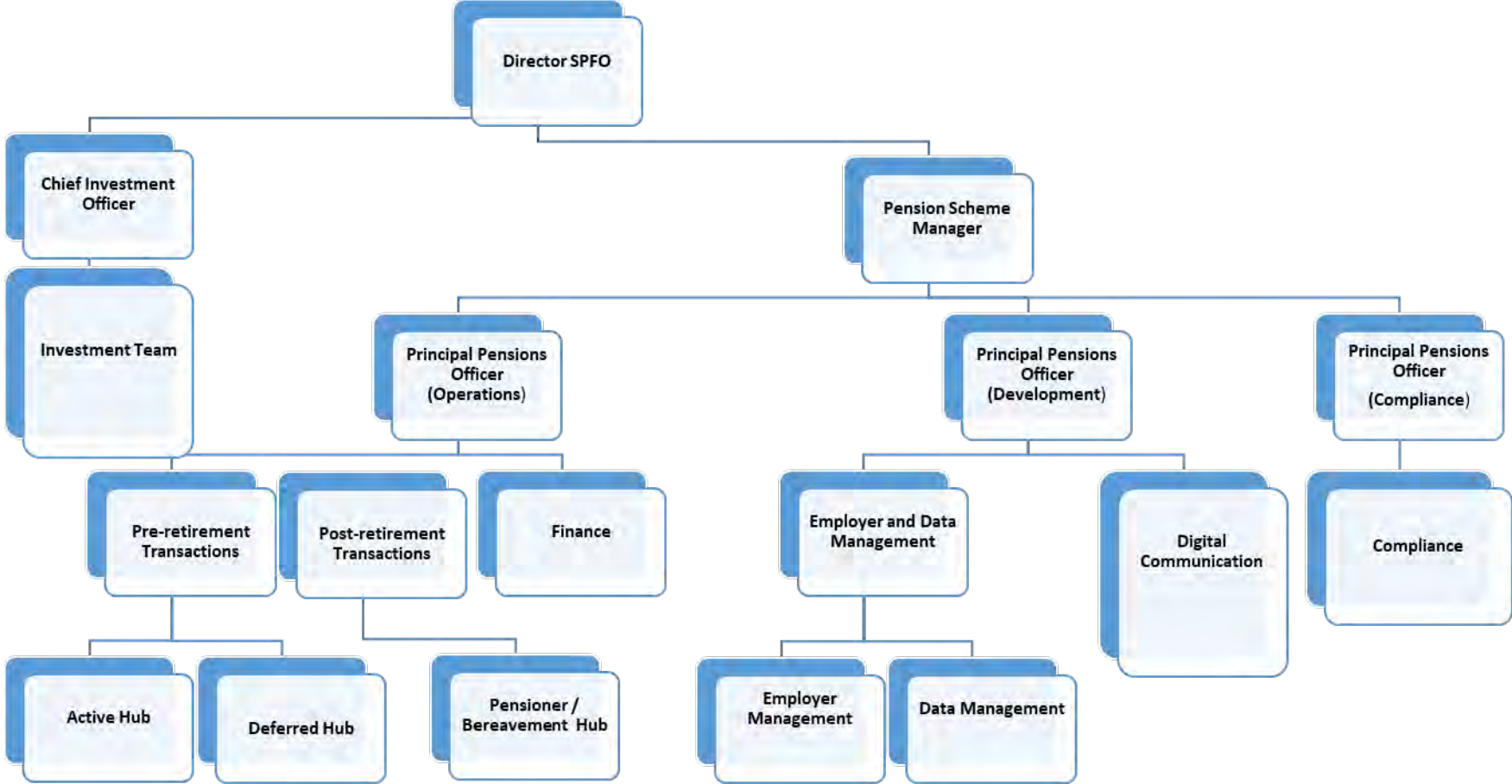
Policy Document	Description
Funding Strategy Statement	<p>Preparation and publication of the FSS is a regulatory requirement. The stated purpose is:</p> <ul style="list-style-type: none"> ▪ to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward; ▪ to support the desirability of maintaining as nearly constant employer contribution rates as possible; and ▪ to take a prudent longer-term view of funding those liabilities. <p>Last published: March 2024. Review: 2026/27 alongside actuarial valuation as at 31st March 2026.</p>
Statement of Investment Principles	<p>Preparation and publication of the SIP is a regulatory requirement. The stated must cover policy on:</p> <ul style="list-style-type: none"> ▪ the types of investments to be held; ▪ the balance between different types of investments; ▪ risk, including the ways in which risks are to be measured and managed; ▪ the expected return on investments; ▪ the realisation of investments; ▪ the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments; ▪ the exercise of the rights (including voting rights) attaching to investments, if it has any such policy; and ▪ stock lending. <p>Last published: March 2024. Review: 2026/27 as part of investment strategy review to be carried out alongside actuarial valuation as at 31st March 2026.</p>
Pension Administration Strategy	<p>Preparation and publication of the PAS is a regulatory requirement. The PAS aims to ensure that:</p> <ul style="list-style-type: none"> ▪ a high quality pension service is delivered to all scheme members ▪ pension benefits are paid accurately and on time ▪ successful working partnership develops between SPF and its employers ▪ performance standards are understood and achieved and ▪ performance and service delivery comply with the LGPS regulations, other related legislation and The Pensions Regulator's Code of Practice. <p>Last published: July 2023. Review: 2025/26.</p>
Communications Policy	<p>Preparation and publication of the Communications Policy is a regulatory requirement. the statement must set out its policy on:</p>

	<ul style="list-style-type: none"> ▪ the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers; ▪ the format, frequency and method of distributing such information or publicity; and ▪ the promotion of the Scheme to prospective members and their employers. <p>Last published: April 2024. Review: 2027/28.</p>
<p>Risk Policy & Strategy Statement</p>	<p>The Statement of Risk Policy & Strategy sets out a common basis for risk management across the funding, investment communications, and administration strategies.</p> <p>Last published: March 2019. Review: 2024/25.</p>
<p>Governance Compliance Statement</p>	<p>Preparation and publication of the Governance Compliance Statement is a regulatory requirement. The statement must set out :</p> <ul style="list-style-type: none"> ▪ whether the authority delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority; ▪ if the authority does so- <ul style="list-style-type: none"> • the terms, structure and operational procedures of the delegation; • the frequency of any committee or sub-committee meetings; • whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights; ▪ the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Scottish Ministers and, to the extent that it does not so comply, the reasons for not complying; and ▪ details of the terms, structure and operational procedures relating to the local pension board established under regulation 5 (pension boards) of the Governance Regulations. <p>Last published: June 2023 as part of 2022/23 Annual Report. Review: April/June 2024 as part of 2023/24 Annual Report.</p>

10-Year Cash Flow Forecast

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000
<u>Pensions Transactions</u>										
<u>Income</u>										
Employee Contributions	205,793	216,763	227,183	238,068	253,532	269,962	287,415	305,952	325,641	346,550
Employers Contributions	205,793	216,763	611,647	640,951	682,587	726,821	773,808	823,718	876,725	933,018
Strain on the Fund	22,124	23,009	23,814	24,647	25,510	26,403	27,327	28,283	29,273	30,298
Added Years	431	436	441	447	453	459	465	471	477	483
Transfer Values in	8,858	9,212	9,534	9,868	10,213	10,570	10,940	11,323	11,719	12,129
Other	188	196	203	210	217	225	233	241	249	258
Total Income	443,187	466,379	872,822	914,191	972,512	1,034,440	1,100,188	1,169,988	1,244,084	1,322,736
<u>Expenditure</u>										
Pensions Expenditure	713,789	770,459	828,274	891,108	959,428	1,033,744	1,114,616	1,202,659	1,298,544	1,403,008
Lump Sums	160,603	167,027	172,873	178,924	185,186	191,668	198,376	205,319	212,505	219,943
Death Gratuities	23,998	24,958	25,832	26,736	27,672	28,641	29,643	30,681	31,755	32,866
Refunds	1,574	1,594	1,614	1,634	1,655	1,676	1,697	1,718	1,740	1,762
Transfer Values out	28,096	29,079	30,097	31,150	32,240	33,368	34,536	35,745	36,996	38,291
Admin Costs	8,607	8,951	9,264	9,588	9,924	10,271	10,630	11,002	11,387	11,786
Total Expenditure	936,667	1,002,068	1,067,954	1,139,140	1,216,105	1,299,368	1,389,498	1,487,124	1,592,927	1,707,656
<u>Total Movement</u>	-493,480	-535,689	-195,132	-224,949	-243,593	-264,928	-289,310	-317,136	-348,843	-384,920
<u>Investment Activity</u>										
Bank Interest	3,860	3,520	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080
Investment Income	386,800	406,140	426,447	447,769	470,157	493,665	518,349	544,266	571,479	588,624
Manager Fees	-30,659	-32,192	-33,801	-35,491	-37,266	-39,129	-41,086	-43,140	-45,297	-47,562
Net Investment Income	360,001	377,468	395,726	415,358	435,971	457,616	480,343	504,206	529,262	544,142
Total Net Movement	-133,479	-158,221	200,594	190,409	192,378	192,688	191,033	187,070	180,419	159,222

SPFO Staffing Structure



KPI Definitions

	<ul style="list-style-type: none"> ▪ the total number of members who have completed the registration process and ▪ the total number of members who have logged in in the year per <i>Altair Insights</i>. 	<ul style="list-style-type: none"> • check details held • amend contact details • estimate benefits and • request information or calculations • upload documents <p>To use <i>SPFOnline</i> members need to obtain an activation key and complete a short online registration process.</p> <p>Source: figures provided by <i>Altair Insights</i>.</p>
Employer & Data Management	<ul style="list-style-type: none"> • Data Quality • Submission of i-Connect returns 	<p>The Pensions Regulator provides the following definitions.</p> <p>Common Data are basic items which are used to identify scheme members, including surname, sex, national insurance number, postcode, date of birth, etc.</p> <p>Scheme Specific (Conditional) Data are items relating to the member's pension, including employer name, salary records, service history, contributions history, etc.</p> <p><i>Altair Insights</i> allows us to monitor our Data Quality Scores in real time and tests for those members in scope.</p> <p>Employers should submit regular electronic returns via i-Connect no later than the 19th of the month following the reporting period. A submission is considered complete when all</p>

KPI Definitions

		expected payrolls have been fully processed for the reporting period. Submissions should identify all starters, leavers, salary, contribution and member data changes. The KPI will be based on all employers and will be expressed as: no. of valid submissions/no. of expected submissions.
Pre-retirement Transactions	<ul style="list-style-type: none"> • Turnaround Times 	<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 $x\%$ of transactions completed within a target time of y days. When measuring against the statutory deadline however, the target is expressed as $x\%$ of transactions completed before the statutory deadline has expired.</p>
Compliance	<ul style="list-style-type: none"> • Complaints 	<p>Source: <i>Lagan</i> the Councils monitoring and recording system. Stage 1 complaints must be answered in 5 working days, Stage 2 complaints 20 working days. The target measures the volume of complaints received against the actual average days it took to complete giving an overall percentage achieved. Number of upheld complaints expressed as a percentage of overall complaints received.</p>
Finance	<ul style="list-style-type: none"> • Pensions payroll run on time • New retirals processed for due 	<p>Source: RBS/BACS SPFO makes all monthly pensions payments via a single BACS pay run on 15th of each month (or previous business day where 15th 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 When a member retires, SPFO aims to ensure that, where the required notice period has</p>

KPI Definitions

	<p>date</p> <ul style="list-style-type: none"> • Retiral lump sums paid on retirement date • Deferred pensions processed for due date • Deferred lump sum paid on due date • Contributions income received on due date 	<p>been observed, they receive their first pensions payment on 15th 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 retirals and retirals with AVCs involved).</p> <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: <i>Altair</i> pensions system When a deferred member elects to take their pensions and submits all relevant documentation, SPFO aims to ensure that they receive their first pensions payment on the 15th of the month after the member's election/retirement date. 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 deferred medicals and members with AVC's)</p> <p>Source: <i>Altair</i> pensions system When a deferred member retires SPFO aims to pay any retirement lump sum within 5 days of the calculation being completed or for future deferred retirements within 5 days of the member's retirement date. 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 deferred medicals and members with AVC's).</p> <p>Source: SPFO Bank account/ SAP ledger system</p>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

KPI Definitions

		All member and employer contributions should be credited to SPFO's bank account by 19 th 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.
Investments	<ul style="list-style-type: none"> Total Return v Benchmark Return 	<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>
Business & Development Priorities		Significant issues or delays mean that item may not be completed as envisaged.
		Some issues or delays but item will be completed largely as envisaged.
		No material issues or delays.

Investment Objectives, Strategy & Structure

2024 allocation by manager and mandate type

Asset Category / Mandate Type	Manager	Target (%)	Benchmark
Equity		47.0	
Passive	L&G Global	13.9	Low carbon index composite
	L&G RAFI	4.1	RAFI Low Carbon Index
U/c Global	Baillie Gifford	7.5	MSCI All Countries World index
	Lazard	2.5	MSCI All Countries World index
	Veritas	2.5	MSCI All Countries World index
	Oldfield	2.5	MSCI All Countries World index
Specialist	Lombard Odier	1.0	Specialist smaller companies index
	JP Morgan	3.0	Regional smaller co. indices
	Active Emerging Market Equity	2.0	MSCI Emerging Markets Index
Private Equity	Pantheon / PG	7.5	MSCI All Countries World index +5%
DIP Equity	Various	0.5	CPI +3%
Hedging/Insurance		10	
Passive I/L	UK Index Linked	5.0	FTSE Index Linked over 5 Years
	UK Gilts	5.0	FTSE All Stocks
Credit		5	
Passive Credit	tbc	2.5	UK/US corporate bond indices
	tbc	2.5	tbc (Buy and Maintain mandate)
STEY		17	
Absolute Return	PIMCO	4.0	SONIA +3.25%
	Ruffer	2.0	SONIA+3%
Multi Asset Credit	Barings	2.25	SONIA+4%
	Oak Hill	1.75	SONIA +4%
Private Debt	Barings	1.75	SONIA +4%
	Partners Group	1.0	SONIA +4%
	Pantheon	0.75	SONIA +4%
	ICG Longbow	1.0	SONIA +4%
DIP STEY	Various	1.5	CPI +3%
Cash	Northern Trust	1.0	SONIA
LTEY		21	
Property	DTZ	9.0	IPD Quarterly Universe
	Partners Group	2.0	8% p.a. absolute return (£ adjusted)
Infrastructure	JP Morgan	4.5	8% p.a. absolute return
DIP LTEY	Various	5.5	CPI +3%
Total		100	

Review of 2023/24 Business & Development Priorities

Item	Description	Progress	RAG Status
Funding			
Actuarial Valuation	Completion of actuarial valuation as at 31 st March 2023.	Draft assumptions agreed in June; high level training completed in June; full data upload to actuary completed late July; further committee training completed in September; preliminary report on results noted at September SPF committee; individual employer results issued 21 st November after online employer forum; Board briefing November; final report to March committee meeting; statutory deadline for completion March 2024.	
Funding Strategy	Review of funding strategy and Funding Strategy Statement (FSS).	Draft FSS approved at September SPF committee; subsequently issued for consultation with employers to 31 st December; March committee to approve publication of final version.	
Governance			
TPR	Review new TPR General Code in order to ensure SPFO compliance within 6 months of publication.	Code laid in Parliament during January 2024 (after 2021 consultation). Expected to be effective from 27 th March 2024. Carry over to 2024/25.	
Pensions Administration			
Pensions Dashboard	Preparation for launch of the Dashboard including ensuring compliance with the data specification and connection, security and technical standards.	Statutory deadline for connection re-set from September 2024 to September 2025. Preparation and testing has continued. Carry over to 2024/25.	
McCloud Remediation	Implement remediation to be agreed in light of McCloud judgement on age discrimination in the LGPS.	Draft regulations published for consultation in July 2023. SPFO provided a technical response. Regulations came into force in October. Detailed guidance still to be published. Carry over to 2024/25.	

Review of 2023/24 Business & Development Priorities

Investments			
Investment Strategy and Structure	Review of investment strategy and structure including asset-liability modelling (ALM) based on outcomes of actuarial valuation.	First conclusions agreed by IAP in August; ALM reviewed by IAP in November and further conclusions agreed; final recommendations of review to be considered by SPF Committee March 2024.	
Climate Action Plan	Implement first phase of Climate Action Plan.	Review of climate transition index options completed by IAP in August. Further actions to be addressed in investment review (see above).	
TCFDs	Preparation for publication of revised Climate-related Financial Disclosures	Anticipated regulatory changes delayed from 2023/24 to 2024/25 (or later). SPF revisions will continue on original schedule as far as possible.	
Legal Services	Review of legal services provision in respect of UK property portfolio.	Tender delayed. Current contract extended to 01 May 2024.	
Communications			
Review	Review of Communications Policy including branding, key messages, and implementation arrangements.	To conclude with report to committee March 2024.	

2024/25 Business & Development Priorities

Item	Description	Estimated Timetable/ Actions/ Outcomes
Governance		
Risk Policy	Review SPF risk policy.	Complete by December 2024.
TPR	Review new TPR Combined Code in order to ensure SPFO compliance.	Expected to be effective from 27 th March 2024. Review compliance within 6 months.
Pensions Administration		
Pensions Dashboard	Preparation for launch of the Dashboard including ensuring compliance with the data specification and connection, security and technical standards.	Preparation and testing targeted for completion by December 2024 to ensure data readiness and technical compliance with the statutory deadline for LGPS of September 2025.
McCloud Remediation	Implementation phase of McCloud remedy to address age discrimination in the LGPS 2015 transitional protections.	Regulations in place from late 2023, but guidance to be published during 2024. Actions will include: finalising remedy period data for all members in scope (up to 65,000); multiple record amendments; a small number of payment revisions for current pensioners; ongoing checking as part of business as usual for deferred and active members; and potential issue of revised benefit statements in 2025. Project will be ongoing throughout 2024/25.
Data Services	Review of member data services arrangements and contract.	Tender new contract with effective date of 1st October 2024.
ICT Arrangements	Review arrangements including hosting arrangements and Heywood contract(s) in light of GCC Future of ICT project.	Aim to achieve clarity on future arrangements by March 2025.

2024/25 Business & Development Priorities

Investments		
Investment Strategy and Structure	Implement changes agreed as part of 2023 review.	Amendments to current structure complete by September 2024. Emerging market equities transition ongoing.
DIP	Review of Direct Impact Portfolio strategy and structure.	Conclude by December 2024.
TCFDs	Preparation for publication of revised Climate-related Financial Disclosures	To be included in 2024/25 Annual Report.
Communications		
SPF 50	Preparations for SPF 50th anniversary in 2025 including key messages, re-branding, and communications deliverables.	To conclude by March 2025.

Committee Agenda Plan

<u>26th June 2024</u>	<u>September 2024*</u>	<u>December 2024</u>	<u>March 2025</u>
Training: tbc	Training: tbc	Training: tbc	Training: tbc
<u>Items for Approval</u>	<u>Items for Approval</u>	<u>Items for Approval</u>	<u>Items for Approval</u>
DIP: tbc	DIP: tbc	DIP: tbc	DIP: tbc
Unaudited Annual Report	Annual Audit Report* Audited Annual Report*		
Training Policy, Practice & Plan	Review of TPR Compliance	Review of Risk Policy	2025/26 Business Plan
Internal audit annual report	Internal audit reports	Internal audit reports	Internal audit plan and reports
<u>Items for Noting</u> Gifts and Hospitality Register	<u>Items for Noting</u> Investment Update	<u>Items for Noting</u> Investment Update	<u>Items for Noting</u> Investment Update
	Administration Update	Administration Update	Administration Update
	Finance Update	Finance Update	Finance Update
	Business plan update		Annual Audit Plan 2024/25
	Risk Register	Risk Register	Risk Register
	Funding Update		Funding Update

* a separate meeting may be required to receive the Annual Audit Report and approve the audited Annual Report and Financial Statements depending on audit timetable.

Email: spfo@glasgow.gov.uk

Tel: 0345 890 8999

Website: www.spfo.org.uk



lgps | Local Government
Pension Scheme