



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 7

3rd March 2021

2021/22 Business Plan

Purpose of Report:

To present a Business Plan for 2021/22 for the Strathclyde Pension Fund including a draft budget to deliver the plan.

Recommendations:

The Committee is asked to **APPROVE** the 2021/22 Business Plan and budget.

Ward No(s):

Citywide:

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

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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 170 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 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;
- Risk Policy and Strategy Statement;
- Pension Administration Strategy; and
- Communications Policy.

Policy documents are published on the Fund's website at:

www.spfo.org.uk

1.3 Business Plan

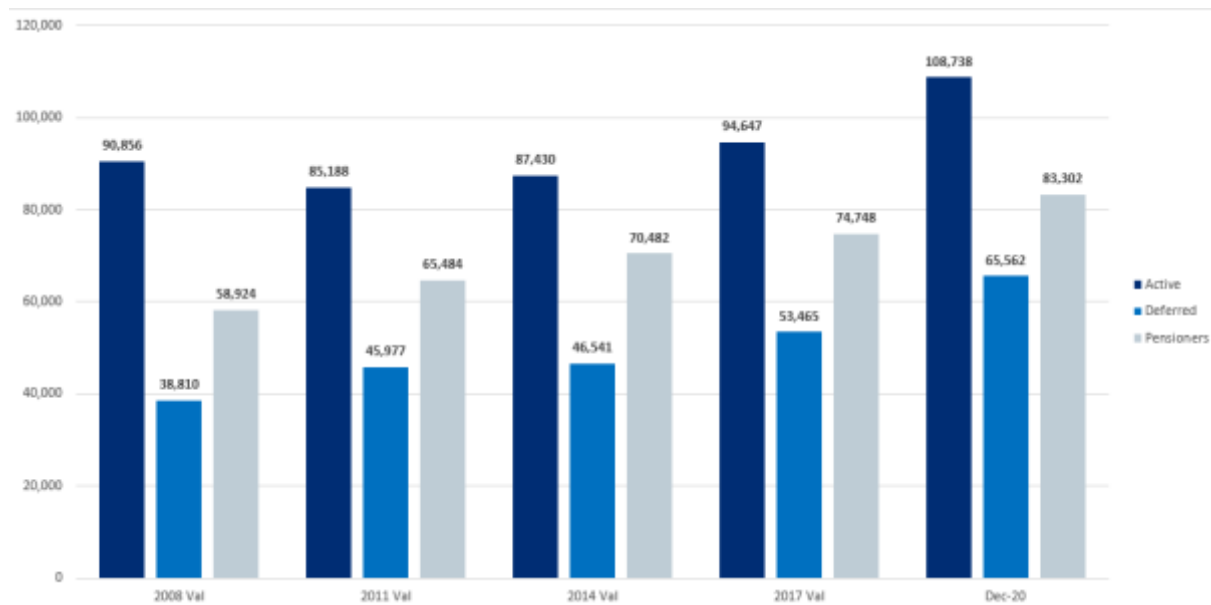
The committee agrees an annual business plan to ensure that ongoing management and development of the Fund is in line with the longer term policies, objectives and strategy. The 2021/22 business plan is structured as follows:

Section 1	Fund Governance
Section 2	Fund Profile
Section 3	Resources
Section 4	Pensions Administration
Section 5	Investment
Section 6	Business and Development Priorities

Section 2 – Fund Profile

2.1 Membership

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



SPFO also acts as a payroll agent for compensatory added years payments to over 8,600 members of the Scottish teachers' superannuation scheme.

2.2 Assets

As at 31 December 2020 the Fund had total investment assets of approximately **£25.5 billion** (2019: £23.7bn). 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 2020 was **£20.7 billion** (2019: £21.3bn). Estimated funding position was c.120% (110.2%).

2.4 Income and Expenditure Flow

The income and expenditure profile is summarised as follows.

	2018/19 Per accounts £m	2019/20 Per accounts £m	2020/21 Probable £m	2021/22 Estimate £m
Pensions Income	578	660	670	687
Pensions Expenditure	(630)	(678)	(647)	(747)
Net Pensions Cash Flow	(52)	(18)	23	(60)
Investment Income	288	338	346	357

Investment Income shown includes distributed income only. The majority of income 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 31st December 2020 was 89 (FTE 84.8) including 5 Modern Apprentices. (31st December 2019: 90 (FTE 85.6) including 8 Modern Apprentices).

3.2 Staffing Structure

During 2019/20 a revised SPFO staffing structure was agreed. Implementation was listed as a development priority in the 2020/21 Business Plan. Both the existing and revised structure are summarised in Appendix 2.

Significant progress towards the revised structure was achieved during 2020/21 with the appointment of 4 Pensions Assistants, 16 Senior Pensions Assistants and 1 Principal Pensions Officer. However, a lengthy pause in recruitment activity means that the restructuring was not completed and an interim structure is currently in place. In light of the experience of COVID-19 and resultant changes in ways of working and service delivery, a further review of staffing requirements will be carried out and this may lead to some further limited service reform.

3.3 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 31st December 2021 IPP attainment within SPFO was as follows.

SPFO Staff	IPP level attained
17	Diploma in Pensions Management
9	Foundation Degree in Pensions Administration and Management
32	Foundation in pensions administration
13	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, and the Leading with Impact, First Line Management, Delivering for Glasgow and Our Glasgow programmes. 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 currently has 5 modern apprentices and 18 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.

3.4 Systems & IT

SPFO is an established user of *Altair* – a bespoke Local Government Pension Scheme administration system. The *Altair* application is upgraded twice a year and SPFO is currently running version 11.1. Within *Altair*, SPFO has

implemented *Task Management, Workflow and Performance Measurement* modules. These 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 administration 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. The Fund accesses an increasing number of investment manager reports via on-line client portals.

A refresh of SPFO IT equipment was completed towards the end of 2020/21. As a result, all staff now have new laptops which provide remote network and systems access.

3.5 Administration Budget

The annual administration budget for 2020/21 and proposed budget for 2021/22 are summarised as follows.

SPFO Budget	2020/21 (£000)	2021/22 (£000)
Employee costs	3,557	3,591
Property costs	529	530
Supplies and services	1,082	961
3rd Party Payments	325	329
Central Support	1,137	1,137
Total Expenditure	6,630	6,548
Income	(180)	(177)
Net Expenditure	6,450	6,371

The 2021/22 budget shows a net reduction of £79k over 2020/21. This is attributable to:

- Employee costs - a pay increase in line with the public sector pay award and incremental rises in staff costs with a temporary cost reduction pending full implementation of the revised structure agreed during 2020/21 (see 3.2); and
- Supplies and services - costs of the IT refresh program (see 3.4) were fully accounted for in the 2020/21 budget. As this was a non-recurring cost, the budget for 2021/22 has been reduced accordingly.

3.6 Investment Management Costs

The Fund incurs substantial external management expenses. Total annual expenditure per the audited financial statements is summarised as follows.

	2017/18 (£000)	2018/19 (£000)	2019/20 (£000)
Investment management	108,832	120,331	118,597
Oversight and governance	1,470	1,445	1,342
Total	110,302	125,692	119,939

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 costs 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 2020/21 and 2021/22 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.

Section	Key Functions
Customer Service	<ul style="list-style-type: none"> ▪ call handling and switchboard ▪ email; SPFO inboxes; Pulse messaging ▪ mail sorting, scanning & issue
Systems & Compliance	<ul style="list-style-type: none"> ▪ system & website(s) maintenance ▪ digital communications ▪ data protection, system security and business continuity ▪ regulatory compliance
Member Records	<ul style="list-style-type: none"> ▪ maintaining member database ▪ updates for new members & status changes
Benefit Processing	<ul style="list-style-type: none"> ▪ calculation and processing of a range of provisional and actual benefits
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 2.

4.3.1 Customer Service - KPIs

Results of customer surveys from 1st April to 31st December 2020 and targets for 2021/22 are summarised in the following table.

2020 Performance	Refunds	Retirals
Forms issued	1,370	1,748
Responses	548	467
Response rate (%)	40	27
“Satisfaction Rating” (%)	84.4	90.7
<i>2019/20 full year (%)</i>	<i>84.4</i>	<i>90.7</i>
<i>2020/21 target (%)</i>	<i>80.0</i>	<i>90.0</i>
2021/22 target (%)	80.0	90.0

The targets of **80%** for refunds and **90%** for retrials will be retained for **2021/22**.

4.3.2 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	2020 Actual	2020/21 Target	2021/22 Target
www.spfo.org.uk	▪ total weekly visitors	7,458	7,700	7,500
	▪ unique weekly visitors	3,923	4,800	4,000
SPFOnline	▪ members registered	91,296	84,000	96,000
i-Connect	▪ total extract returns	23	100%	100%
	▪ total online returns	86		

4.3.3 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 31st December 2020 is summarised in the following table.

	31 st Dec 2020			
	Missing Joiner Details	Missing Leaver Details	Active Members	Exception Rate (%)
Grand Total	152	388	108,737	0.50
Target 2020/21				<1.5%
Target 2021/22				<1%

The target for 2021/22 will be to ensure that the year-end exception rate is no greater than 1%.

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 which includes summary figures for core data tests passed.

SPFO subscribes to the Data Quality Service (DQS) provided by its software supplier (Aquila Heywood) to carry out annual data analysis. Results across multiple fields and all member statuses are summarised below.

Data Type	Overall Tests Passed (%)		Records without a single data failure (%)		TPR Tests Passed (%)		
	2019	2020	2019	2020	2019	2020	SPFO target 2021/22
Common data	99.3	99.4	94.5	98.3	96.5	97.2	97.5
Scheme-specific data	97.6	97.8	89.7	90.3	94.7	95.4	95.7

Employer Data Submissions

SPFO monitors receipt of monthly data from employers. 2020 performance and 2021/22 targets are as follows.

Measure	2020 Actual	2021/22 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.	88%	95% from major employers

4.3.4 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 unchanged from 2020/21 and are as follows.

Turnaround Times				
Process	Description	Target Days 2021/22	Target % 2021/22	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 on member's retirement	20	80%	2 months
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*Disclosure requirements do not stipulate a timescale for refunds but require that payment is made as soon as is considered reasonable.

4.3.5 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 2020	Target 2021/22
Pensions payroll run on time	100%	100%
New retirals processed for due date	94%	95%
Retirement lump sums paid on retirement date	96%	95%
Contributions income received on due date	100%	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 Investment Portfolio, investment cash flows, private markets programmes, and 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 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.

Asset	Alt 1	Alt 2	Alt 3	Alt 4
	%	%	%	%
Equity	62.5	52.5	42.5	32.5
Hedging/Insurance	2.5	2.5	2.5	2.5
Credit	5.0	5.0	5.0	5.0
S/T Enhanced Yield	15.0	20.0	25.0	30.0
L/T Enhanced Yield	15.0	20.0	25.0	30.0
	100	100	100	100
Return (% p.a.)	6.0	5.9	5.8	5.5
Volatility (% p.a.)	12	11	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 has since been developed, agreed and largely implemented.

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;
- the actuarial return assumption of **3.0%** per annum at the 2020 actuarial valuation (3.5% at the 2017 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 (LIBOR) or inflation (CPI).

Further details of the current investment objectives, strategy and structure are shown in Appendix 4.

Section 6 – Business and Development Priorities

6.1 COVID-19

As with all other aspects of life during 2020/21, SPFO was significantly impacted by COVID-19. All SPFO staff and activity were previously office-based. At the start of the year the office closed for a brief period, and service was maintained by staff working from home.

Throughout the remainder of 2020 service has been delivered through a hybrid model involving a combination of office-based staff and staff working from home. The balance has changed regularly to reflect prevailing restrictions and guidance, operational requirements, individual staff circumstances, and availability of equipment. From early 2021, staff presence in the office reduced markedly as a result of further tightening of restrictions and a successful roll-out of new laptops to all staff.

It is hoped that 2021/22 will see significant lifting of COVID-19 restrictions, but the nature, pace and extent of re-opening are far from clear. It is likely that SPFO will need to continue to react to developments as they occur. This clearly poses some difficulties for business planning.

Day-to-day service delivery will be prioritised and this may entail some delays to planned development activity as it has during 2020/21. Development activity in 2021/22 is likely to fall into 3 broad categories:

- review of lessons learned during the COVID-19 disruption, and renewal of business processes and structures to build on the innovations and flexibilities introduced during this period wherever appropriate. This process has already started;
- unrelated developments which had started or would have occurred in any event but may be impacted by ongoing COVID-19 disruption; and
- new developments which emerge in the course of the year and to which SPFO may have to react.

6.2 2020/21 Priorities

A review of the priorities listed in the 2020/21 business plan is included at Appendix 5.

6.3 2021/22 Priorities

A summary of SPFO's business and development priorities for 2021/22 is included at Appendix 6.

6.4 SPF Committee

An agenda plan for SPF committee meetings is included at Appendix 7.

Section 7 – Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	The business plan incorporates the SPFO 2021/22 budget – see para 3.5.
<i>Legal:</i>	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.
<i>Personnel:</i>	None.
<i>Procurement:</i>	Procurement exercises will be carried out with assistance from GCC corporate procurement unit and in accordance with GCC procedures and applicable regulations.

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 2021/22 Business Plan and the budget to deliver it.

Appendices

Appendix 1 – 10-year Cash Flow Forecast

Appendix 2 – SPFO Staffing Structure

Appendix 3 – Key Performance Indicators: Definitions

Appendix 4 – Investment Objectives, Strategy & Structure

Appendix 5 – Review of 2020/21 Business and Development Priorities

Appendix 6 – 2021/22 Business and Development Priorities

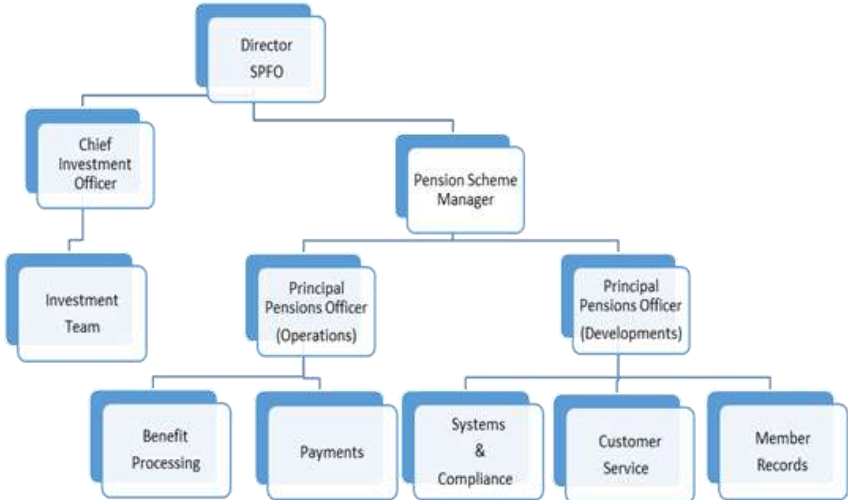
Appendix 7 – Committee Agenda Plan

10 Year Cash Flow Forecast

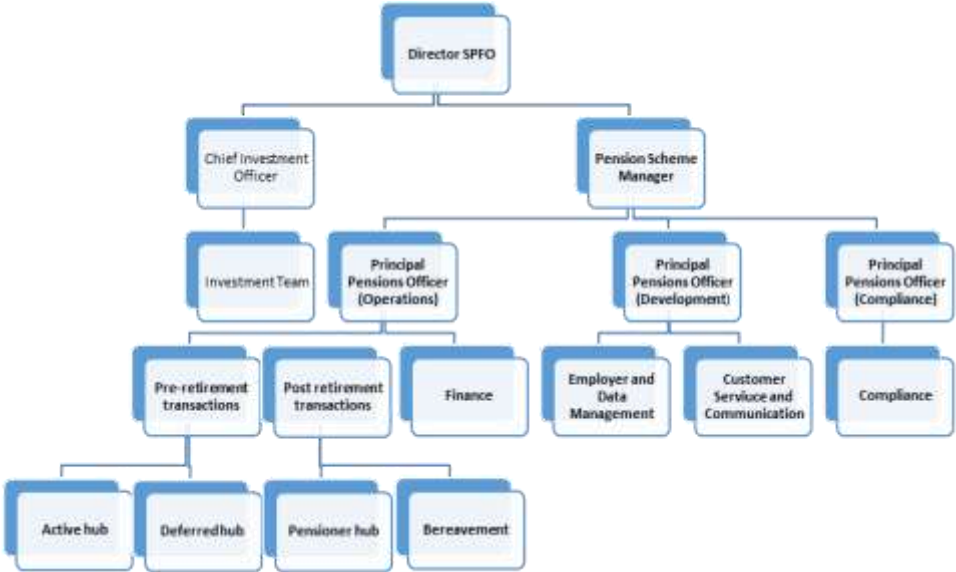
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
<u>Pensions Transactions</u>											
Income											
Employee Contributions	155,326	167,403	171,410	175,479	179,614	183,813	188,078	192,411	196,811	201,279	205,818
Employers Contributions	494,568	497,058	508,955	521,039	533,314	545,783	558,448	571,311	584,376	597,645	611,121
Strain on the Fund	17,147	17,284	17,630	17,983	18,343	18,710	19,084	19,466	19,855	20,252	20,657
Added Years	480	487	494	501	509	517	525	533	541	549	557
Transfer Values in	1,949	5,000	5,100	5,202	5,306	5,412	5,520	5,630	5,743	5,858	5,975
Other	86	88	90	92	94	96	98	100	102	104	106
Total Income	669,556	687,320	703,679	720,296	737,180	754,331	771,753	789,451	807,428	825,687	844,234
Expenditure											
Pensions Expenditure	505,452	536,800	557,734	579,291	601,487	624,339	647,865	672,082	697,008	722,663	749,065
Lump Sums	101,725	160,000	163,200	166,464	169,793	173,189	176,653	180,186	183,790	187,466	191,215
Death Grants	19,105	19,258	19,643	20,036	20,437	20,846	21,263	21,688	22,122	22,564	23,015
Refunds	1,315	1,335	1,355	1,375	1,396	1,417	1,438	1,460	1,482	1,504	1,527
Transfer Values out	12,752	24,000	24,480	24,970	25,469	25,978	26,498	27,028	27,569	28,120	28,682
Admin Costs	6,450	6,371	6,658	6,791	6,927	7,066	7,207	7,351	7,498	7,648	7,801
Total Expenditure	646,799	747,764	773,070	798,927	825,509	852,835	880,924	909,795	939,469	969,965	1,001,305
Net Additions/ Deductions (-)	22,757	-60,444	-69,391	-78,631	-88,329	-98,504	-109,171	-120,344	-132,041	-144,278	-157,071
<u>Investment Activity</u>											
Investment Income	346,448	356,841	367,546	378,573	389,930	401,628	413,677	426,087	438,870	452,036	465,597
Manager Fees	-28,674	-28,903	-29,481	-30,071	-30,672	-31,286	-31,911	-32,550	-33,201	-33,865	-34,542
Net +/-	317,774	327,938	338,065	348,502	359,258	370,342	381,766	393,537	405,669	418,171	431,055
Total Net +/-	340,531	267,494	268,674	269,871	270,929	271,838	272,595	273,193	273,628	273,893	273,984

SPFO Staffing Structure

Current Structure



Revised Structure



Grade	Current Structure	Revised Structure	In Post
12	1	1	1
10	1	1	1
9	3	3	3
8	3	4	4
7	8	8	7
6	10	14	12
5	22	36	35
4	7	6	3
3	32	28	18
Sub Total	87	101	84
MA	6	8	5
Work Plan Total	93	109	89

KPI Definitions

Section	KPI	Definition
Customer Service	<ul style="list-style-type: none"> Satisfaction Rating 	<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"> Very Poor Poor Acceptable Good Excellent <p>In each of the 4 categories, the KPI is the average rating from all correspondents for overall service expressed as a percentage.</p>
Systems & Compliance	<p><i>www.spfo.org.uk</i></p> <ul style="list-style-type: none"> weekly visitors unique weekly visitors 	<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"> check details held amend contact details estimate benefits and request information or calculations <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"> • total extract returns • total online returns 	<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 < than 100).</p>
<p>Member Records</p>	<ul style="list-style-type: none"> • Missing Joiner details exception rate • Missing Leaver details exception rate • Data Quality 	<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>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>Data Quality Service tests all records held on the SPF system.</p>

KPI Definitions

	<ul style="list-style-type: none"> Submission of monthly returns 	<p>Employers should submit monthly electronic returns with details of:</p> <ul style="list-style-type: none"> New members and Changes in name/hours/address/opt outs. <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>
Benefit Processing	<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>
Payments	<ul style="list-style-type: none"> Pensions payroll run on time New retirals processed for due date 	<p>Source: RBS/BACS</p> <p>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</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 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>

KPI Definitions

	<ul style="list-style-type: none"> Retiral lump sums paid on retirement date Contributions income received on due date 	<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 19th 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>
<p>Investments</p>	<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>
<p>Business & Development Priorities</p>	<div style="background-color: red; height: 15px; width: 100%;"></div> <div style="background-color: yellow; height: 15px; width: 100%;"></div> <div style="background-color: green; height: 15px; width: 100%;"></div>	<p>Significant issues or delays mean that item may not be completed as envisaged.</p> <p>Some issues or delays but item will be completed largely as envisaged.</p> <p>No material issues or delays.</p>

Investment Objectives, Strategy & Structure
As at 31st December 2020

Asset Category / Mandate Type	Manager	Actual (%)	Target (%)	Benchmark
Equity		60.7	52.5	
Passive	L&G Global	20.4	18	FTSE World equity indices composite
	L&G RAFI	6.3	6	FTSE RAFI equity indices composite
ACWI ex US	Baillie Gifford	9.3	7.5	MSCI All Countries World ex US index
U/c Global	Lazard	3.3	2.5	MSCI All Countries World index
	Veritas	2.7	2.5	MSCI All Countries World index
	Oldfield	3.0	2.5	MSCI All Countries World index
Specialist	Lombard Odier	1.5	1	Specialist smaller companies index
	JP Morgan	4.2	3	Regional smaller co. indices composite
	Genesis	2.1	1.5	S&P/IFC Investable index
Private Equity	Pantheon / PG	7.7	7.5	FTSE All Share index +5%
DIP Equity	Various	0.2	0.5	CPI +3%
Hedging/Insurance		1.4	1.5	
Passive I/L	L&G I/L	1.4	1.5	FTSE Index Linked over 5 Years
Credit		5.7	6	
Passive Credit	L&G Corp	5.7	6	UK/US corporate bond indices composite
STEY		17.4	20	
Absolute Return	PIMCO	4.7	5.0	LIBOR +3.25%
	Ruffer	0.9	1.0	LIBOR +3%
Multi Asset Credit	Barings	2.7	2.75	LIBOR +4%
	Oak Hill	1.8	1.75	LIBOR +4%
Private Debt	Barings	1.3	1.25	LIBOR +4%
	Alcentra	1.3	1.25	LIBOR +4%
	Partners Group	0.4	1.0	LIBOR +4%
	ICG Longbow	0.5	1.0	LIBOR +4%
EMD	Ashmore	2.0	2.5	Emerging Market Debt indices composite
DIP STEY	Various	0.4	1.5	CPI +3%
Cash	L&G	1.2	1.0	LIBOR
	Northern Trust			
LTEY		14.8	20	
Property	DTZ	8.4	10	IPD Quarterly Universe
	Partners Group	1.4	2.5	8% p.a. absolute return (£ adjusted)
Infrastructure	JP Morgan	2.1	2.5	8% p.a. absolute return
DIP LTEY	Various	2.9	5.0	CPI +3%
Total		100	100	

Review of 2020/21 Business & Development Priorities

Item	Description	RAG Status	Progress
Governance.			
Actuarial Valuation	Completion of the actuarial valuation as at 31 st March 2020.		Draft headline results noted by committee during November. Employer results issued December. Final report to be signed off by actuary during March.
Funding Strategy	Review of the Funding Strategy and Funding Strategy Statement (FSS).		Draft approved by committee and issued to employers December. Consultation closed January. Final version to be published 1 st April 2021.
Communications	Review of the Communications policy and implementation, including SPF brand, key messages, and PR arrangements.		Largely complete after some delay. Re-branding complete. Final report and revised policy to committee in March 2021.
Investments			
Investment Strategy	Further review of strategy in conjunction with the 2020 actuarial valuation.		Review completed by Investment Advisory Panel and investment consultants. Final report and recommendations to committee in March 2021.
Climate Change Strategy	Continued development of the Climate Change Strategy in line with a potential commitment to a net zero objective and/or the Net-Zero Asset Owner Alliance.		Consultancy support and carbon data monitoring arrangements being progressed. Series of workshops arranged with committee and board. Carry forward to 2021/22 for any conclusions.
Stewardship	Review of the revised UK Stewardship Code 2020 and SPF compliance. Publication of a revised Statement of Compliance.		Original timetable unachievable but review largely complete. Annual Stewardship Report for 2021 to be submitted to the Financial Reporting Council by end April 2021 deadline.
Global Custodian	Complete tender of global custody arrangements and associated services including cash management, performance measurement, securities lending and currency management.		Committee agreed appointment of Northern Trust in November.
Investment Consultants	Review of investment consultancy arrangements and tender of investment consultancy contracts.		Some delay to original timetable. Tender(s) to be issued in Q1 2020. Recommendation to committee in June 2021 (or may slip to September).

Review of 2020/21 Business & Development Priorities

Pensions Administration			
Administration Strategy	Implementation of revised administration strategy, data improvement plan (including mandatory employer use of i-connect), and administration structure.		Hiatus in implementing revised structure after good initial progress. Resumed in Q2 2020, but subject to further review. Delay in full implementation of i-connect. Postpone employer deadline to December 2021 but escalate to ensure effective compliance by that date.
GMP Reconciliation	Complete remediation phase of Guaranteed Minimum Pension (GMP) reconciliation and remediation project.		Final data cut received from HMRC. Some delays as a result of differences between HMRC and ITM methodologies which had to be resolved. Reconciliation now complete. Remediation phase will carry over and complete during 2021/22.
Member Data Service	Review and procurement of a member data service including address tracing and mortality screening.		Mini-competition initiated January 2021. Appointment during Q1 2021 for implementation during Q2.
Finance			
No.3 Fund	Complete final set of accounts for No.3 Fund.		Complete, audited and signed off.
Ledger Structure	Review and update SPFO ledger structure.		Review complete. Some implementation outstanding.

2019/20

Equal Pay Settlements	Manage pensions implications of employer equal pay settlements.		Majority of processing for GCC completed during 2020. Now subject to internal dispute procedure. Some member record amendments remain outstanding.
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2021/22 Business & Development Priorities

Item	Description	Estimated Timetable/ Actions/ Outcomes
Governance		
Actuarial Services	Review of actuarial services including tender of actuarial contract.	Award of new contract effective by H1 2022.
Investments		
Investment Strategy and Structure	Implementation of changes agreed in light of review carried out alongside 2020 actuarial valuation.	Revision of some mandates and benchmarks to be completed by Q3 2021.
Climate Change Strategy	Continued development of the Climate Change Strategy.	Ongoing. Actions and outcomes to be agreed.
Stewardship	Publication of a revised Statement of Compliance with the UK Stewardship Code 2020.	Q2 2021.
Investment Consultants	Complete tender of investment consultancy contracts. Implement new arrangements.	Tender to be issued during Q1 2021. Contract award Q2. Implementation Q3/Q4.
Direct Investment Portfolio	Review of DIP, including objectives, strategy, structure and capacity.	Report conclusions to SPF Committee Q4 2021.
Legal Services	Review of Legal Services support including tender of contract.	Award of new contract effective from Q3 2021 (or later if existing contract extended).

2021/22 Business & Development Priorities

Item	Description	Estimated Timetable/ Actions/ Outcomes
Pensions Administration		
Business Renewal	Review processes, structure and ways of working in light of COVID-19 experience. To include further development of digital processes and communications.	Review of structure and any proposed changes to be agreed Q2 2021; review of processes and ways of working likely to be ongoing to March 2022 with incremental changes to increase flexibility, resilience and efficiency.
GMP Reconciliation	Complete remediation phase of Guaranteed Minimum Pension (GMP) reconciliation and remediation project.	Amend c.4,000 member records identified during reconciliation phase and advise members. Complete project by Q4 2021.
McCloud Remediation	Implement remediation to be agreed in light of McCloud judgement on age discrimination in the LGPS.	Timetable dependent on legislation and guidance still to be published. Actions likely to involve review of up to 30,000 member record. Outcomes: multiple record amendments and a few payment revisions. Project will be ongoing throughout 2021/22 and beyond.
Finance		
Process Review	Review of key financial processes including reconciliations, recharges, returns, bank accounts.	Ongoing throughout year. Likely to lead to incremental changes.

Committee Agenda Plan

<u>2nd June 2021</u>	<u>September 2021</u>	<u>December 2021</u>	<u>March 2022</u>
Training: tbc	Training: tbc	Training: tbc	Training: tbc
Board Minutes	Board Minutes	Board Minutes	Board Minutes
<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
Investment Consultancy Contract(s)	Legal Services Contract(s)		Actuarial Contract
	Annual Audit Report Audited Annual Report*	Review of DIP	
Training Policy, Practice & Plan			2022/23 Business Plan
Internal audit plan and reports	Internal audit reports	Internal audit reports	Internal audit plan and reports
<u>Items for Noting</u>	<u>Items for Noting</u>	<u>Items for Noting</u>	<u>Items for Noting</u>
Investment Update	Investment Update	Investment Update	Investment Update
Administration Update	Administration Update	Administration Update	Administration Update
	Financial Update		Financial Update
	Business plan update		Annual Audit Plan 2021/22
Internal audit: follow up	Risk Register Update	Internal audit: follow up	Risk Register Update

There will be an additional meeting in June (date tbc) to consider the Internal Audit Annual Report, Audit Scotland review of internal controls, and 2020/21 Annual Report & Financial Statements (unaudited).

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