



Strathclyde Pension Fund

2023/24 Business Plan



2023/24 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 – 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 2022/23 Business and Development Priorities

Appendix 6 – 2023/24 Business and Development Priorities

Appendix 7 – Committee Agenda Plan



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 more than 150 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

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;
- 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

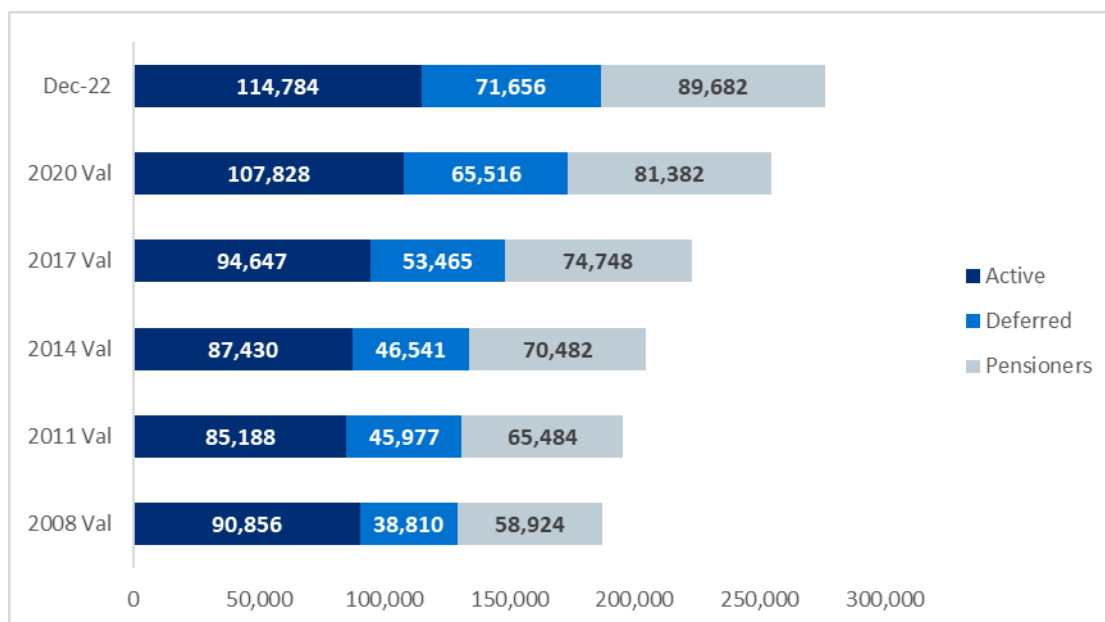
1.3 Business Plan

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 2023/24 business plan is set out in the following sections.

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 8,000 members of the Scottish teachers' superannuation scheme.

2.2 Assets

As at 31 December 2022 the Fund had total investment assets of approximately **£27.0 billion** (2021: £28.7bn). 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 – present value of future pension payments - as at 31 December 2022 was **£16.9 billion** (2021: £23.3bn). Estimated funding position was c.**158%** (c.126%). This will be reviewed in the triennial actuarial valuation as at 31st March 2023.

2.4 Income and Expenditure Flow

The income and expenditure profile is summarised as follows.

	2020/21 Per accounts £m	2021/22 Per accounts £m	2022/23 Probable £m	2023/24 Estimate £m
Pensions Income	651	715	791	772
Pensions Expenditure	(670)	(699)	(779)	(864)
Net Pensions Cash Flow	(19)	16	13	92
Investment Income	333	383	338	348

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.

Key features of this are that:

- The Fund's investments currently distribute significantly more income than is required to pay pensions.
- However, the projected shortfall in benefits cashflow has increased markedly from previous financial years, due to the impact of current high inflation and projected wage growth, so that:
 - In 2023/24, up to 28% of investment income may be required to pay pensions
 - in 2031/32 this is forecast to have increased to 97% and
 - By 2032/33, it is forecast that net pensions expenditure will exceed distributed investment income (though up to 99% of income which is currently re-invested could be made available for distribution to the Fund if required to cover any shortfall in benefits cash flow).
- Projected benefits cash flow will be reviewed as part of the actuarial valuation of the Fund as at 31st March 2023, and could change significantly if employer contribution rates are amended.
- Given current inflation experience all cash flows are more variable than previously.

Section 3 - Resources

3.1 Staffing

Total staff in post at 31st December 2022 was 82 (FTE 76.7).

3.2 Staffing Structure

During 2019/20 a revised SPFO staffing structure was agreed. Significant progress towards the revised structure was achieved before a lengthy pause in recruitment activity as a result of COVID-19 disruption. In light of the experience of COVID and resultant changes in ways of working and service delivery, a further review of staffing requirements was carried out during 2021/22. Some further changes to the structure were agreed and updated in 2022/23 to include the addition of two posts to the investment team, Implementation of all structure changes was completed during 2022/23, though some vacancies remain. The current structure is summarised in **Appendix 2**.

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 2022 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
14	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's recruitment strategy has relied heavily on the modern apprentice programme since its introduction: 16 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. No new recruitment of modern apprentices has been completed since prior to 2020 in spite of several attempts. A further attempt to recruit will be made during 2023/24.

3.4 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 23.1. 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 functionality together with *i-Connect*, a secure portal which allows employers to send data submissions direct to SPFO and to upload documents for processing. Ongoing use, continuous development, and increasing member sign-up in these areas are key aspects of the SPFO administration strategy. SPFO introduced *Altair Insights*, a data analytics tool, during 2022. This will aid with improving our data quality.

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.

3.5 SPFO Cost Budget

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

The annual SPFO budget for 2022/23 and proposed budget for 2023/24 are summarised as follows.

SPFO Budget	2022/23 £000	2023/24 £000	Movement £000
Employee Costs	3,871	4,480	609
Property Costs	551	642	91
Supplies and Services	929	1,308	379
Transport Costs	0	0	0
Contracted Services	332	417	85
Central Support	1,137	1,220	83
Total Expenditure	6,820	8,067	1,247
Income	-177	-177	0
Net Expenditure	6,643	7,890	1,247

The 2023/24 budget shows a net increase of £1,247k over the 2022/23 budget. This is mainly attributable to:

- Full cost of implementation of the approved staffing structure together with an estimated pay increase for the year and incremental salary increases where appropriate.
- Additional resource requirements within the investment team.
- Increased property costs which are higher than CPI, primarily due to increases in utility charges and the 5-yearly periodic property valuation impact on non-domestic rates.
- Increased provision for IT costs in relation to the Pensions Dashboard and licence fees.
- Application of CPI of +10.1% to supplies of goods and services.
- Costs of the actuarial valuation as at 31st March 2023.

3.6 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.

	2019/20 (£000)	2020/21 (£000)	2021/22 (£000)
Investment management	118,597	204,330	167,839
Oversight and governance	1,342	1,762	1,401
Total	119,939	206,092	169,240

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 2022/23 and costs for 2023/24 will depend on market values. 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 SPFOOnline & 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▪ valuation
Compliance	<ul style="list-style-type: none">▪ system & website(s) maintenance▪ data protection, system 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 2.

4.3.1 Digital Communications - KPIs

Results of customer surveys from 1st April to 31st December 2022 and targets for 2023/24 are summarised in the following table.

2022 Performance	Refunds	Retirals
Forms issued	1,902	3,064
Responses	59	271
Response rate (%)	3.1	8.8
"Satisfaction Rating" (%)	80.0	90.52
<i>2021/22 full year (%)</i>	<i>86.3</i>	<i>90.0</i>
<i>2022/23 target (%)</i>	<i>80.0</i>	<i>90.0</i>
2023/24 target (%)	85.0	90.0

The target for retirals will be retained at **90%**. A new target of **85%** has been set for refunds.

Website/SPFOOnline

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 SPFOOnline as reflected in the following targets.

Website	Measure	2022 Actual	2022/23 Target	2023/24 Target
www.spfo.org.uk	▪ total weekly visitors	7,602	7,400	7,700
	▪ unique weekly visitors	4,231	4,400	4,400
SPFOOnline	▪ members registered	122,293	118,000	135,000

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.

	TPR Tests Passed (%)		
Data Type	2021	2022	SPFO target 2023/24
Common data	97.5	97.8	98
Scheme-specific data	96.3	96.7	97

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. 2023/24 targets are as follows.

Local Authority Employers	Target 22/23	Actual 2022	Target 23/24
i-Connect submissions received by SPFO by due date	100%	76%	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. 2023/24 targets are unchanged from 2022/23 and are as follows.

Turnaround Times

Process	Description	Target Days 2023/24	Target % 2023/24	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 2022	Target 2023/24
Pensions payroll run on time	100%	100%
New retirals processed for due date	97%	95%
Retirement lump sums paid on retirement date	93%	95%
Deferred pensions processed for due date	N/a	95%
Deferred lump sums paid on due date	N/a	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 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.



A route-map for strategy development was agreed alongside the strategy framework, with target allocations to each of the 5 asset categories outlined below. 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 and retained following a further review of investment strategy alongside the 2020 valuation.

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

A further review of investment strategy will be carried out alongside the 2023 actuarial valuation. This will include analysis of whether the strategy route map remains appropriate or whether it should be revised or replaced.

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 **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 (SONIA) or inflation (CPI).

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

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 since its 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 will include annual reporting of climate change related activity from 2023 onwards.

Section 6 – Business and Development Priorities

6.1 2022/23 Priorities

A review of the priorities listed in the 2022/23 business plan is included at **Appendix 5**. Progress has been excellent and all but one of the priority projects are rated green.

6.2 2023/24 Priorities

A summary of SPFO's business and development priorities for 2023/24 is included at **Appendix 6**.

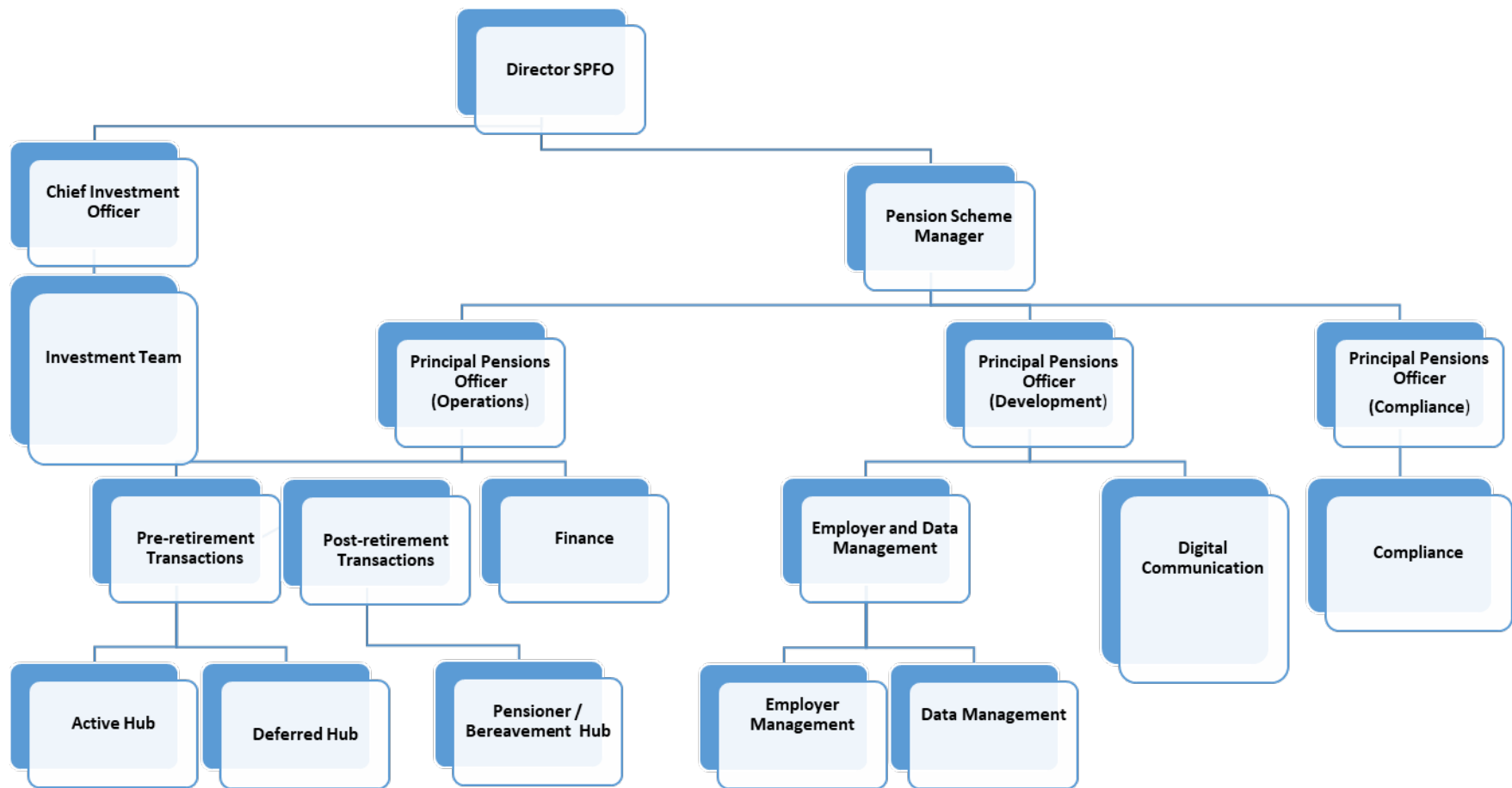
6.3 SPF Committee

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

10 Year Cash Flow Forecast

	2023/24 £000	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
<u>Pensions Transactions Income</u>										
Employee Contributions	187,036	195,164	203,612	212,391	221,514	230,993	240,841	251,072	261,700	272,741
Employers Contributions	555,352	579,487	604,571	630,639	657,726	685,871	715,112	745,491	777,049	809,829
Strain on the Fund	20,735	22,083	22,966	23,770	24,602	25,463	26,354	27,276	28,231	29,219
Added Years	426	431	436	441	447	453	459	465	471	477
Transfer Values in	8,317	8,858	9,212	9,534	9,868	10,213	10,570	10,940	11,323	11,719
Other	177	189	197	204	211	218	226	234	242	250
Total Income	772,043	806,212	840,994	876,979	914,368	953,211	993,562	1,035,478	1,079,016	1,124,235
<u>Expenditure</u>										
Pensions Expenditure	657,965	710,249	763,594	821,573	884,616	953,194	1,027,825	1,109,076	1,197,567	1,293,978
Lump Sums	150,518	160,302	166,714	172,549	178,588	184,839	191,308	198,004	204,934	212,107
Death Grants	22,491	23,953	24,911	25,783	26,685	27,619	28,586	29,587	30,623	31,695
Refunds	1,550	1,570	1,590	1,610	1,630	1,651	1,672	1,693	1,714	1,736
Transfer Values out	23,103	24,027	24,868	25,738	26,639	27,571	28,536	29,535	30,569	31,639
Admin Costs	8,067	8,591	8,935	9,248	9,572	9,907	10,254	10,613	10,984	11,368
Total Expenditure	863,694	928,692	990,612	1,056,501	1,127,730	1,204,781	1,288,181	1,378,508	1,476,391	1,582,523
Net Additions/Deductions	-91,651	-122,480	-149,618	-179,522	-213,362	-251,570	-294,619	-343,030	-397,375	-458,288
<u>Investment Activity</u>										
Investment Income	348,036	358,477	369,231	380,308	391,717	403,469	415,573	428,040	440,881	454,108
Manager Fees	-24,845	-25,715	-26,615	-27,547	-28,511	-29,509	-30,541	-31,610	-32,717	-33,862
Net Investment Income	323,191	332,762	342,616	352,761	363,206	373,960	385,032	396,430	408,164	420,246
Total Net Movement	231,540	210,282	192,998	173,239	149,844	122,390	90,413	53,400	10,789	-38,042

SPFO Staffing Structure



KPI Definitions

Section	KPI	Definition
Digital Communications	<ul style="list-style-type: none"> Satisfaction Rating 	<p>Source: on completion of each refund or retiral transaction, the member is issued with an email with a link to a survey which if completed will return directly 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 asks the customer to rate the overall online process. It also provides an opportunity for feedback/improvements.</p> <p>Respondents are asked to rate the service on the following scale.</p> <ol style="list-style-type: none"> 1. Very Poor 2. Fairly Poor 3. Average 4. Fairly Good 5. Very Good <p>The KPI is the average rating from all correspondents for the overall process expressed as a percentage.</p>
	<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

KPI Definitions

		<ul style="list-style-type: none"> 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. The KPI is the total number of members who have completed the registration process.</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</i> Insights 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 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.</p>
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 $\chi\%$ of transactions completed</p>

KPI Definitions

		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.
Compliance	<ul style="list-style-type: none"> Complaints 	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.
Finance	<ul style="list-style-type: none"> Pensions payroll run on time New retireals processed for due date Retiral lump sums paid on retirement date 	<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 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 retireals and retireals 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</p>

KPI Definitions

	<ul style="list-style-type: none"> Deferred pensions processed for due date Deferred lump sum paid on due date Contributions income received on due date 	<p>(excluding ill health retirements and retirements 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 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>
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>

KPI Definitions

		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.
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

As at 31st December 2022

Asset Category / Mandate Type	Manager	Actual (%)	Target (%)	Benchmark
Equity		56.0	52.5	
Passive	L&G Global	18.1	18	FTSE World equity indices composite
	L&G RAFI	6.3	6	FTSE RAFI equity indices composite
	L&G Emerging Markets ⁽¹⁾	0.2	-	MSCI Emerging Markets Index
U/c Global	Baillie Gifford	7.3	7.5	MSCI All Countries World index
	Lazard	3.1	2.5	MSCI All Countries World index
	Veritas	2.7	2.5	MSCI All Countries World index
	Oldfield	2.9	2.5	MSCI All Countries World index
Specialist	Lombard Odier	1.5	1	Specialist smaller companies index
	JP Morgan	3.0	3	Regional smaller co. indices
	Genesis/ Fidelity ⁽¹⁾	1.3	1.5	S&P/IFC Investable index
Private Equity	Pantheon / PG	9.2	7.5	MSCI All Countries World index +5%
DIP Equity	Various	0.4	0.5	CPI +3%
Hedging/Insurance		0	1.5	
Passive I/L ⁽²⁾	L&G Cash	0	1.5	FTSE Index Linked over 5 Years
Credit		7.1	6	
Passive Credit ⁽²⁾	L&G Corp	7.1	6	UK/US corporate bond indices
STEY		18.5	20	
Absolute Return	PIMCO	3.8	4.0	SONIA +3.25%
	Ruffer	2.1	2.0	SONIA+3%
Multi Asset Credit	Barings	2.4	2.75	SONIA+4%
	Oak Hill	1.7	1.75	SONIA +4%
Private Debt	Barings	1.8	1.25	SONIA +4%
	Alcentra	1.4	1.25	SONIA+4%
	Partners Group	1.0	1.0	SONIA +4%
	ICG Longbow	1.1	1.0	SONIA +4%
EMD	Ashmore	1.6	2.5	Emerging Market Debt indices
DIP STEY	Various	0.5	1.5	CPI +3%
Cash	Northern Trust	1.1	1.0	SONIA
LTEY		18.4	20	
Property	DTZ	8.9	10	IPD Quarterly Universe
	Partners Group	2.0	2.5	8% p.a. absolute return (£ adjusted)
Infrastructure	JP Morgan	3.3	3.5	8% p.a. absolute return
DIP LTEY	Various	4.2	4.0	CPI +3%
Total		100	100	

Investment Objectives, Strategy & Structure

As at 31st December 2022

Notes:

- (1) The Fund's specialist Emerging Markets allocation (1.5%) was initially invested in 2 Genesis Funds - Genesis Emerging Markets Fund (GEMF) and Genesis Emerging Markets Company (GEMIC). Fidelity replaced Genesis as investment manager of GEMF in October 2021 and this portion is now held in Fidelity Emerging Markets Limited. As part of the transition arrangements, the Fund was able to liquidate a portion of the holdings. The proceeds were invested in L&G's passive emerging markets fund. This investment does not form part of the Fund's strategic allocation to L&G passive equities.
- (2) The Fund introduced a relative value framework in 2021 with the aim of generating additional value and reducing the risk of capital loss by varying the implementation of the 7.5% allocation held in protection assets between credit, index-linked gilts, gilts and cash. At 31st December 2022, the entire allocation was held in credit.

Review of 2022/23 Business & Development Priorities

Item	Description	RAG Status	Progress
Governance			
Council Elections	Formation and Training of New Board and Committee subsequent to May 2022 Council Elections.	Complete	Committee induction/refresher training and first meeting held in June. Training plan agreed for year. Board briefing delivered. Board induction/refresher training held on 1 st September. One-to-one briefings delivered to replacement members.
Actuarial Valuation	Preparation and planning for actuarial valuation as at 31 st March 2023.		Hymans Robertson re-appointed as SPF actuary at June committee meeting. Preliminary discussion of funding approach, draft plan, timetable, covenant review, and advance data check all completed.
Investments			
Climate Change Strategy	Produce Net-Zero Action Plan		SPF joined Paris Aligned Investment Initiative (PAII) in June. Outline plan discussed at IAP in August. First draft discussed in November. Plan to be produced for approval by committee Q1 2023. Committee briefing delivered in January 2023.
Climate Change Strategy	Implement Energy Company Standards Framework	Complete	Initial assessment of holdings carried out in Q2 2022; engagement with investment managers commenced Q3; IAP reviewed at August meeting; summary included in Investment Update at September committee meeting.
Investment Strategy and Structure	Planning for 2023 review.		Preliminary IAP discussion of approach and priorities completed during August, November and February meetings. Climate Change strategy likely to be a central strand of the review.
Property Valuer	Review of UK property portfolio valuation arrangements and contract.		Tender being carried out using Crown Commercial Services. To conclude with approval of contract in March 2023.

Review of 2022/23 Business & Development Priorities

Pensions Administration			
Administration Strategy	Review administration strategy in light of (pending) regulation changes, the Pensions Regulator's (TPR) Combined Code, completion of i-connect rollout to employers, and other process changes.		Updated version complete. Committee to review in March 2023 and approve for consultation with employers.
TPR	Review new TPR Combined Code in order to ensure SPFO compliance.		Review on publication (originally expected Q3 but still awaited). Ensure compliance within 6 months. Carry forward to 2023/24.
AVCs	Review of current arrangements for provision of Additional Voluntary Contributions.		Initial review of alternative providers carried out by Hymans Robertson concluded that there were currently very limited options for new/additional provider. This will be kept under review. The default investment option and fund range with Prudential will also be reviewed.
McCloud Remediation	Implement remediation to be agreed in light of McCloud judgement on age discrimination in the LGPS.		Timetable dependent on legislation still to be enacted 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. Initial preparatory steps are underway. Project will be carried forward and ongoing throughout 2023/24.
Finance			
Process Review	Phase II of review of SPFO financial processes.		<i>Altair Insights</i> management information tool now live on SPF system. Functionality is being used to develop reconciliation processes. Will be completed as part of final accounts exercise.
Communications			
Spfo.org.uk	Transfer to new GOSS platform.		Platform available within GCC from mid-August. New templates have been developed for SPFO with a view to transferring content by mid-2023.

2023/24 Business & Development Priorities

Item	Description	Estimated Timetable/ Actions/ Outcomes
Funding		
Actuarial Valuation	Completion of actuarial valuation as at 31 st March 2023.	Agree assumptions June; full data download to actuary August; preliminary results October; individual employer results November/December; statutory deadline for completion March 2024.
Funding Strategy	Review of funding strategy and Funding Strategy Statement (FSS).	Produce draft FSS October for consultation with employers; publish final FSS March 2024.
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 March 2024 to ensure compliance with the statutory deadline for LGPS of September 2024.
TPR	Review new TPR Combined Code in order to ensure SPFO compliance.	Review on publication (date tbc). Ensure compliance within 6 months.
McCloud Remediation	Implement remediation to be agreed in light of McCloud judgement on age discrimination in the LGPS.	Timetable dependent on legislation still to be enacted 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. Initial preparatory steps are underway. Project will be ongoing throughout 2023/24.

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.	ALM complete by December; conclusions of review to be agreed by March 2024.
Climate Action Plan	Implement first phase of Climate Action Plan.	March 2024
TCFDs	Preparation for publication of revised Climate-related Financial Disclosures	To be included in 2023/24 Annual Report.
Legal Services	Review of legal services provision in respect of UK property portfolio.	Tender to conclude with award of contract by September 2023.
Communications		
Review	Review of Communications Policy including branding, key messages, and implementation arrangements.	To conclude by March 2024.

Committee Agenda Plan

<u>21st June 2023</u>	<u>September 2023*</u>	<u>December 2023</u>	<u>March 2024</u>
Training: Actuarial valuation	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	Draft Funding Strategy Statement	Actuarial Valuation - Preliminary Results; legal services contract award	Actuarial Valuation – final report; final FSS; conclusions of review of investment strategy and structure; Communications Policy; 2024/25 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

* a separate meeting will 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

