



# Strathclyde Pension Fund

2022/23 Business Plan



*Signatory of:*

**STEWARDSHIP  
CODE | 2021**



**PRI** | Principles for  
Responsible  
Investment

# 2022/23 Business Plan

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

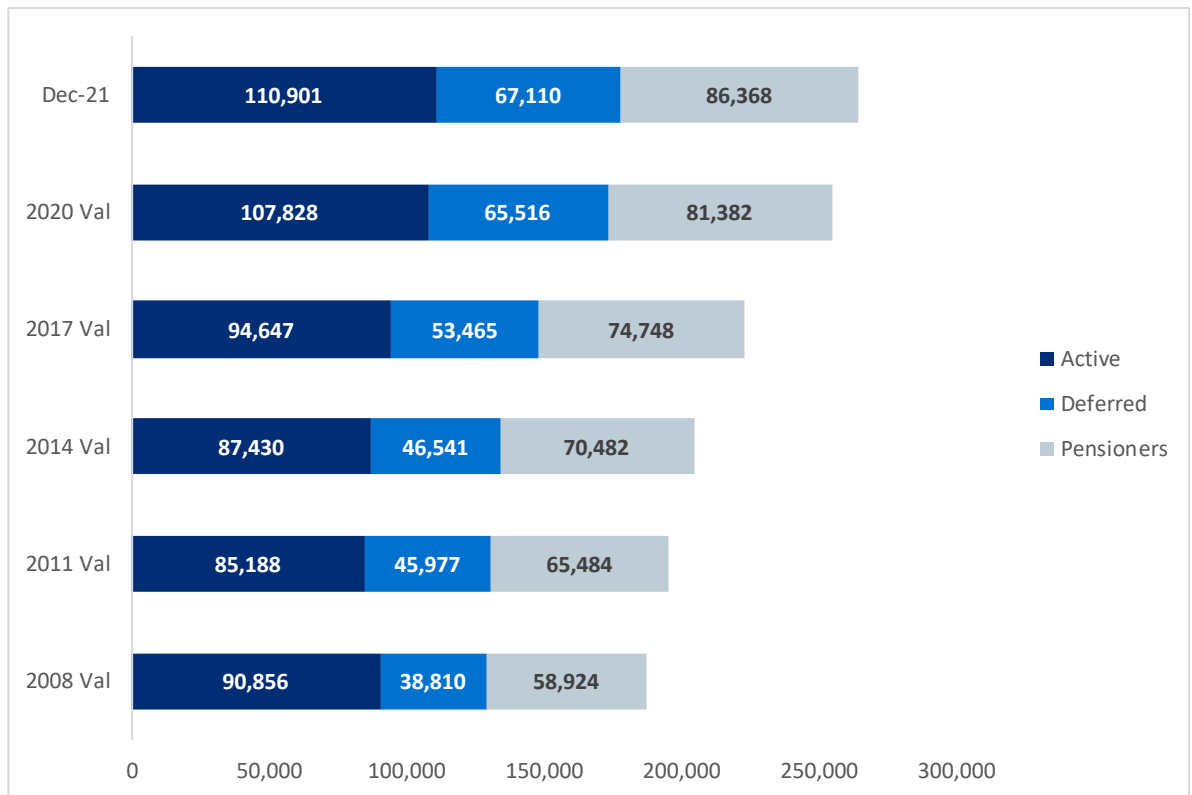
### **1.3 Business Plan**

The committee agrees an annual business plan to ensure that ongoing management and development of the Fund is in line with the longer term policies, objectives and strategy. The 2022/23 business plan is set out in the sections below.

## 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 8,430 members of the Scottish teachers' superannuation scheme.

### 2.2 Assets

As at 31 December 2021 the Fund had total investment assets of approximately **£28.7 billion** (2020: £25.5bn). 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 2021 was **£23.3 billion** (2019: £21.3bn). Estimated funding position was c.126% (c.127%).

### 2.4 Income and Expenditure Flow

The income and expenditure profile is summarised as follows.

	<b>2019/20</b> <i>Per accounts</i> <b>£m</b>	<b>2020/21</b> <i>Per accounts</i> <b>£m</b>	<b>2021/22</b> Probable <b>£m</b>	<b>2022/23</b> Estimate <b>£m</b>
Pensions Income	660	651	667	699
Pensions Expenditure	(678)	(670)	(694)	(746)
<b>Net Pensions Cash Flow</b>	<b>(18)</b>	<b>(19)</b>	<b>(27)</b>	<b>(47)</b>
<b>Investment Income</b>	<b>338</b>	<b>333</b>	<b>341</b>	<b>351</b>

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 31<sup>st</sup> December 2021 was 86 (FTE 80.7).

### **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. 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. Implementation of these commenced in early 2022. Both the original and revised structure are 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 31<sup>st</sup> December 2021 IPP attainment within SPFO was as follows.

<b>SPFO Staff</b>	<b>IPP level attained</b>
<b>17</b>	Diploma in Pensions Management
<b>9</b>	Foundation Degree in Pensions Administration and Management
<b>32</b>	Foundation in pensions administration
<b>13</b>	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. New recruitment paused during 2020 for COVID, but resumed towards the end of 2021. 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 21.4. 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. SPFO will introduce *Altair Insights*, a data analytics tool, during 2022.

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 largely completed towards the end of 2021. As a result, all staff now have new laptops which provide remote network and systems access. This facilitates flexibility and resilience of working arrangements.

### 3.5 Administration Budget

The annual administration budget for 2021/22 and proposed budget for 2022/23 are summarised as follows.

<b>SPFO Budget</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>(£000)</b>	<b>(£000)</b>
Employee costs	3,591	3,701
Property costs	530	551
Supplies and services	961	929
3rd Party Payments	329	332
Central Support	1,137	1,137
<b>Total Expenditure</b>	<b>6,548</b>	<b>6,650</b>
Income	(177)	(177)
<b>Net Expenditure</b>	<b>6,371</b>	<b>6,473</b>

The 2022/23 budget shows a net increase of £102k over 2021/22. This is attributable to:

- increased employee costs - a pay increase in line with the public sector pay award; incremental rises in staff costs; full implementation of the revised structure agreed during 2022/23 (see 3.2); National Insurance increases;
- increased property costs – utility charges and Non Domestic Rates

- reduced supplies and services costs – depreciation cost for previous upgrade of Altair system now fully amortised.

### 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.

	2018/19 (£000)	2019/20 (£000)	2020/21 (£000)
Investment management	120,331	118,597	204,330
Oversight and governance	1,445	1,342	1,762
<b>Total</b>	<b>125,692</b>	<b>119,939</b>	<b>206,092</b>

Investment management costs include fees charged by investment managers together with fees deducted within pooled investment vehicles. SPF discloses all costs in accordance with the CIPFA guidance on *Accounting for Local Government Pension Scheme Management Expenses*, albeit this is not a mandatory requirement. SPF also supports the Cost Transparency Initiative which 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 2021/22 and costs for 2022/23 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.

<b>Section</b>	<b>Key Functions</b>
<b>Customer Service</b>	<ul style="list-style-type: none"><li>▪ call handling and switchboard</li><li>▪ email; SPFO inboxes; Pulse messaging</li><li>▪ mail sorting, scanning &amp; issue</li></ul>
<b>Systems &amp; Compliance</b>	<ul style="list-style-type: none"><li>▪ system &amp; website(s) maintenance</li><li>▪ digital communications</li><li>▪ data protection, system security and business continuity</li><li>▪ regulatory compliance</li></ul>
<b>Member Records</b>	<ul style="list-style-type: none"><li>▪ maintaining member database</li><li>▪ updates for new members &amp; status changes</li></ul>
<b>Benefit Processing</b>	<ul style="list-style-type: none"><li>▪ calculation and processing of a range of provisional and actual benefits</li></ul>
<b>Payments</b>	<ul style="list-style-type: none"><li>▪ payments in: monthly member, employer and additional contributions</li><li>▪ payments out: lump sums, transfers, refunds, and monthly pension payroll</li></ul>

### **4.2 Objectives and Strategy**

The objectives of the Administration Strategy are to ensure that:

- a high quality pension service is delivered to all scheme members;
- pension benefits are paid accurately and on time;
- successful partnership working develops between SPFO and its employers;
- performance standards are understood, achieved and reported; and
- performance and service delivery comply with the 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 1<sup>st</sup> April to 31<sup>st</sup> December 2021 and targets for 2022/23 are summarised in the following table.

2020 Performance	Refunds	Retirals
<b>Forms issued</b>	<b>1,471</b>	<b>2,274</b>
Responses	474	212
Response rate (%)	32	9
<b>“Satisfaction Rating” (%)</b>	<b>86.8</b>	<b>89.8</b>
2020/21 full year (%)	85.3	90.8
2021/22 target (%)	80.0	90.0
<b>2022/23 target (%)</b>	<b>80.0</b>	<b>90.0</b>

The targets of **80%** for refunds and **90%** for retirals will be retained for **2022/23**.

#### 4.3.2 Systems & Compliance - KPIs

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

Website	Measure	2021 Actual	2021/22 Target	2022/23 Target
<b>www.spfo.org.uk</b>	▪ total weekly visitors	<b>7,333</b>	<b>7,500</b>	<b>7,400</b>
	▪ unique weekly visitors	<b>4,231</b>	<b>4,000</b>	<b>4,400</b>
<b>SPFOonline</b>	▪ members registered	<b>108,955</b>	<b>96,000</b>	<b>118,000</b>
<b>i-Connect</b>	▪ total employers on board	<b>91%</b>	<b>100%</b>	<b>100%</b>

#### 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 31<sup>st</sup> December 2021 is summarised in the following table.

	31 <sup>st</sup> Dec 2021			
	Missing Joiner Details	Missing Leaver Details	Active Members	Exception Rate (%)
<b>Grand Total</b>	<b>89</b>	<b>394</b>	<b>108,737</b>	<b>0.4</b>
<b>Target 2021/22</b>				<b>&lt;1%</b>
<b>Target 2022/23</b>				<b>&lt;0.5%</b>

The target for 2022/23 will be to ensure that the year-end exception rate is no greater than **0.5%**.

##### 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 (%)		TPR Tests Passed (%)		
	2020	2021	2020	2021	SPFO target 2022/23
Common data	99.4	99.4	97.2	97.5	97.8
Scheme-specific data	97.8	97.6	95.4	96.3	96.5

#### Employer i-Connect Submissions

Employers are required to submit regular electronic returns via i-Connect no later than the 19<sup>th</sup> of the month following the reporting period. SPFO monitors receipt of these submissions. 2022/23 targets are as follows.

Local Authority Employers	Target (%)
i-Connect submissions received by SPFO by due date	100

#### 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. 2022/23 targets are unchanged from 2021/22 and are as follows.

Turnaround Times				
Process	Description	Target Days 2022/23	Target % 2022/23	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*

<b>Deferred Members</b>	Calculation of future retirement benefits for early leavers from scheme who don't have immediate access to benefits	<b>20</b>	<b>90%</b>	<b>2 months</b>
<b>Retirals</b>	Quotation of expected retiral benefits.	<b>20</b>	<b>80%</b>	<b>2 months</b>

\*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.

<b>Task</b>	<b>Actual 2021</b>	<b>Target 2022/23</b>
Pensions payroll run on time	<b>100%</b>	<b>100%</b>
New retirals processed for due date	<b>98%</b>	<b>95%</b>
Retirement lump sums paid on retirement date	<b>96%</b>	<b>95%</b>
Contributions income received on due date	<b>100%</b>	<b>100%</b>

**Section 5 – Investment Performance**

**5.1 Key Functions**

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

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

**5.2 Investment Objective**

- The Fund’s investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return.
- The Fund’s investment strategy broadly defines the types of investment to be held and the balance between different types of investment. The strategy reflects the Fund’s key investment principles, is agreed by the committee and reviewed regularly. A full review of strategy is carried out every three years alongside the triennial actuarial valuation to ensure that investment is aligned to the changing profile of the Fund’s liabilities and that the investment strategy is consistent with the Funding Strategy.
- The current objectives of the investment strategy are to achieve:
  - a greater than 2/3 probability of being 100% funded within the average future working lifetime of the membership ; and
  - a less than 10% probability of falling below 70% funded over the next three years.

**5.3 Investment Strategy**

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



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

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

The Fund implemented strategy Alt 1 after the 2014 actuarial valuation. Alt 2 was implemented after the 2017 valuation and retained as the strategic target following the 2020 valuation. A further review will be carried out alongside the 2023 valuation.

#### **5.4 Investment Performance**

The Fund's global custodian, Northern Trust, is responsible for independent performance measurement and provides detailed quarterly reports on all aspects of investment performance. Performance is measured on a total return basis including investment income and capital gains.

Overall investment performance is measured against:

- the strategic benchmark;
- 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/SONIA) 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**

Throughout the period of COVID-19 disruption, SPFO's service has been delivered through a rotating combination of:

- a small number of office-based staff; and
- a majority of staff working from home.

In October 2021, this was formalised into a hybrid working pilot with all staff attending the office at least one day a week and working from home the remainder. The pilot was paused in December in response to emergence of the Omicron variant, then resumed in February 2022. Some further return to the office is anticipated, during 2022/23 but it is expected that the hybrid working pilot will persist throughout the year, subject to periodic reassessment.

### **6.2 2022/23 Priorities**

A review of the priorities listed in the 2020/21 business plan is included at **Appendix 5**. Progress has been excellent and are rated green.

### **6.3 2021/22 Priorities**

A summary of SPFO's business and development priorities for 2022/23 is included at **Appendix 6**.

### **6.4 SPF Committee**

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

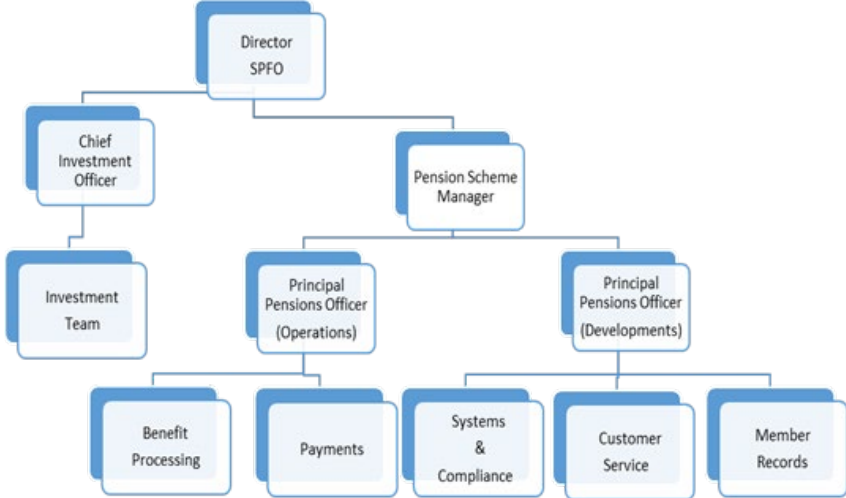
## 10 Year Cash Flow Forecast

	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	2031/32 £000
<b><u>Pensions Transactions</u></b>											
<b>Income</b>											
Employee Contributions	150,771	169,145	176,368	183,873	191,669	199,768	208,180	216,916	225,990	235,413	245,198
Employers Contributions	485,811	502,231	523,679	545,962	569,110	593,157	618,133	644,075	671,017	698,995	728,049
Strain on the Fund	21,139	19,861	21,052	21,789	22,552	23,341	24,158	25,004	25,879	26,785	27,722
Added Years	416	421	426	431	436	441	447	453	459	465	471
Transfer Values in	9,126	7,391	7,835	8,109	8,393	8,687	8,991	9,306	9,632	9,969	10,318
Other	88	90	92	94	96	98	100	102	104	106	108
<b>Total Income</b>	<b>667,351</b>	<b>699,139</b>	<b>729,452</b>	<b>760,258</b>	<b>792,256</b>	<b>825,492</b>	<b>860,009</b>	<b>895,856</b>	<b>933,081</b>	<b>971,733</b>	<b>1,011,866</b>
<b>Expenditure</b>											
Pensions Expenditure	510,515	553,618	597,902	630,283	664,198	699,715	736,905	775,841	816,600	859,262	903,909
Lump Sums	139,194	143,509	152,120	157,444	162,955	168,658	174,561	180,671	186,994	193,539	200,313
Death Grants	20,194	20,820	22,069	22,841	23,640	24,467	25,323	26,209	27,126	28,075	29,058
Refunds	1,543	1,563	1,583	1,603	1,623	1,643	1,664	1,685	1,706	1,727	1,749
Transfer Values out	16,418	20,128	21,335	22,082	22,855	23,655	24,483	25,340	26,227	27,145	28,095
Admin Costs	6,371	6,473	6,861	7,101	7,350	7,607	7,873	8,149	8,434	8,729	9,035
<b>Total Expenditure</b>	<b>694,235</b>	<b>746,111</b>	<b>801,870</b>	<b>841,354</b>	<b>882,621</b>	<b>925,745</b>	<b>970,809</b>	<b>1,017,895</b>	<b>1,067,087</b>	<b>1,118,477</b>	<b>1,172,159</b>
<b>Net Additions/ Deductions (-)</b>	<b>-26,884</b>	<b>-46,972</b>	<b>-72,418</b>	<b>-81,096</b>	<b>-90,365</b>	<b>-100,253</b>	<b>-110,800</b>	<b>-122,039</b>	<b>-134,006</b>	<b>-146,744</b>	<b>-160,293</b>
<b><u>Investment Activity</u></b>											
Investment Income	341,002	351,232	361,769	372,622	383,801	395,315	407,175	419,390	431,972	444,931	458,279
Manager Fees	-31,399	-31,501	-32,131	-32,773	-33,429	-34,097	-34,779	-35,475	-36,184	-36,908	-37,646
<b>Net +/-</b>	<b>309,603</b>	<b>319,731</b>	<b>329,638</b>	<b>339,849</b>	<b>350,372</b>	<b>361,218</b>	<b>372,396</b>	<b>383,915</b>	<b>395,788</b>	<b>408,023</b>	<b>420,633</b>
<b>Total Net +/-</b>	<b>282,719</b>	<b>272,759</b>	<b>257,220</b>	<b>258,753</b>	<b>260,007</b>	<b>260,965</b>	<b>261,596</b>	<b>261,876</b>	<b>261,782</b>	<b>261,279</b>	<b>260,340</b>



SPFO Staffing Structure

Current Structure



Revised Structure



Grade	Current Baseline	Revised Baseline	Difference	Current In Post
12	1	1	-	1
9	1	1	-	1
8	3	3	-	3
7	6	6	-	5
6	12	13	+1	10
5	36	35	-1	35
4	6	3	-3	3
3	28	25	-3	20
<b>MAs</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>-</b>
<b>Investment Team</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>8</b>
<b>Work Plan Total</b>	<b>109</b>	<b>103</b>	<b>-6</b>	<b>86</b>

## KPI Definitions

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

## KPI Definitions

		<ul style="list-style-type: none"> <li>request information or calculations</li> </ul> <p>To use <i>SPFOnline</i> members need to obtain an activation key and complete a short online registration process. The KPI is the total number of members who have completed the registration process.</p>
	<p><i>i-Connect</i></p> <ul style="list-style-type: none"> <li>total extract returns</li> <li>total online returns</li> </ul>	<p>Source: a control log is maintained for i-Connect which lists all employers signed up for each of the two methods of data submissions: extract or online returns.</p> <p>Number of employers submitting i-Connect returns via payroll extract file – mostly large employers.</p> <p>Number of employers submitting i-Connect returns online - mostly small employers (membership &lt; than 100).</p>
<b>Member Records</b>	<ul style="list-style-type: none"> <li>Missing Joiner details exception rate</li> <li>Missing Leaver details exception rate</li> </ul>	<p>Source: <i>Altair</i> pensions system</p> <p>The KPI measures instances where an employer has not advised SPFO of a member joining or leaving the pension scheme.</p> <p>The figures are derived from employers' contributions data returns to SPFO at each year-end.</p> <p>Missing joiners are instances where the employer has provided contributions data for a member who is not listed on the SPFO database.</p> <p>Missing leavers are instances where no contributions data has been received by SPFO for a member who is on the database with an active status.</p> <p>The KPI is calculated as (total missing joiners + total missing leavers)/total active membership at end of year.</p>

## KPI Definitions

	<ul style="list-style-type: none"> <li>• Data Quality</li> <li>• Submission of i-Connect returns</li> </ul>	<p>The Pensions Regulator provides the following definitions.</p> <p><b>Common Data</b> are basic items which are used to identify scheme members, including surname, sex, national insurance number, postcode, date of birth, etc.</p> <p><b>Scheme Specific (Conditional) Data</b> are items relating to the member's pension, including employer name, salary records, service history, contributions history, etc.</p> <p>Data Quality Service tests all records held on the SPF system.</p> <p>Employers should submit regular electronic returns via i-Connect no later than the 19<sup>th</sup> of the month following the reporting period. The submissions should identify all starters, leavers, salary, contribution and member data changes. 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"> <li>• Turnaround Times</li> </ul>	<p>Source: the Task Management and Performance measurement module of the <i>Altair</i> pensions system measures the period that elapses between a task first being logged to the system and finally closed as complete, minus any time when the task or queries on it have been referred to the employer or other external parties. The statutory deadline measures the period that elapses between a task first being logged to the system and finally closed as complete.</p> <p>For each process the internal KPI measures the total days taken by SPFO to complete each transaction in the period. The target is expressed as <math>x\%</math> of transactions completed within a target time of <math>y</math> days. When measuring against the statutory deadline however, the target is expressed as <math>x\%</math> of transactions completed before the statutory deadline has expired.</p>

## KPI Definitions

<b>Payments</b>	<ul style="list-style-type: none"> <li>• Pensions payroll run on time</li>   <li>• New retirals processed for due date</li>   <li>• Retiral lump sums paid on retirement date</li>   <li>• Contributions income received on due date</li> </ul>	<p>Source: RBS/BACS SPFO makes all monthly pensions payments via a single BACS pay run on 15<sup>th</sup> of each month (or previous business day where 15<sup>th</sup> is not a business day). The KPI measures whether or not the BACS payroll ran on the due date each month.</p> <p>Source: <i>Altair</i> pensions system When a member retires, SPFO aims to ensure that, where the required notice period has been observed, they receive their first pensions payment on 15<sup>th</sup> of the month after the month of their retiral. The KPI measures the total incidence of this being achieved each month and is expressed as a percentage of total members retiring (excluding ill health 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: SPFO Bank account/ SAP ledger system All member and employer contributions should be credited to SPFO’s bank account by 19<sup>th</sup> of month following that in which the member contributions were deducted. The KPI measures the total contributions by value received on time and is expressed as a percentage.</p>
<b>Investments</b>	<ul style="list-style-type: none"> <li>• Total Return v Benchmark Return</li> </ul>	<p>Source: the Fund’s global custodian, Northern Trust, is responsible for independent performance measurement and provides detailed quarterly reports on all aspects of</p>

KPI Definitions

		<p>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><b>Business &amp; Development Priorities</b></p>		<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 31<sup>st</sup> December 2021

Asset Category / Mandate Type	Manager	Actual (%)	Target (%)	Benchmark
<b>Equity</b>		<b>60.6</b>	<b>52.5</b>	
<b>Passive</b>	<b>L&amp;G Global</b>	<b>20.9</b>	<b>18</b>	FTSE World equity indices composite
	<b>L&amp;G RAFI</b>	<b>6.8</b>	<b>6</b>	FTSE RAFI equity indices composite
	<b>L&amp;G Emerging Markets <sup>(1)</sup></b>	<b>0.2</b>	<b>-</b>	MSCI Emerging Markets Index
<b>U/c Global</b>	<b>Baillie Gifford</b>	<b>8.5</b>	<b>7.5</b>	MSCI All Countries World index
	<b>Lazard</b>	<b>3.3</b>	<b>2.5</b>	MSCI All Countries World index
	<b>Veritas</b>	<b>3.1</b>	<b>2.5</b>	MSCI All Countries World index
	<b>Oldfield</b>	<b>2.7</b>	<b>2.5</b>	MSCI All Countries World index
<b>Specialist</b>	<b>Lombard Odier</b>	<b>1.7</b>	<b>1</b>	Specialist smaller companies index
	<b>JP Morgan</b>	<b>3.6</b>	<b>3</b>	Regional smaller co. indices
	<b>Genesis/ Fidelity <sup>(1)</sup></b>	<b>1.5</b>	<b>1.5</b>	S&P/IFC Investable index
<b>Private Equity</b>	<b>Pantheon / PG</b>	<b>8.0</b>	<b>7.5</b>	MSCI All Countries World index +5%
<b>DIP Equity</b>	<b>Various</b>	<b>0.3</b>	<b>0.5</b>	CPI +3%
<b>Hedging/Insurance</b>		<b>1.2</b>	<b>1.5</b>	
<b>Passive I/L <sup>(2)</sup></b>	<b>L&amp;G Cash</b>	<b>1.2</b>	<b>1.5</b>	FTSE Index Linked over 5 Years
<b>Credit</b>		<b>4.9</b>	<b>6</b>	
<b>Passive Credit <sup>(2)</sup></b>	<b>L&amp;G Corp</b>	<b>4.9</b>	<b>6</b>	UK/US corporate bond indices
<b>STEY <sup>(3)</sup></b>		<b>17.8</b>	<b>20</b>	
<b>Absolute Return</b>	<b>PIMCO</b>	<b>3.4</b>	<b>4.0</b>	LIBOR +3.25%
	<b>Ruffer</b>	<b>1.9</b>	<b>2.0</b>	LIBOR +3%
<b>Multi Asset Credit</b>	<b>Barings</b>	<b>2.6</b>	<b>2.75</b>	LIBOR +4%
	<b>Oak Hill</b>	<b>1.7</b>	<b>1.75</b>	LIBOR +4%
<b>Private Debt</b>	<b>Barings</b>	<b>1.8</b>	<b>1.25</b>	LIBOR +4%
	<b>Alcentra</b>	<b>1.4</b>	<b>1.25</b>	LIBOR +4%
	<b>Partners Group</b>	<b>0.6</b>	<b>1.0</b>	LIBOR +4%
	<b>ICG Longbow</b>	<b>0.6</b>	<b>1.0</b>	LIBOR +4%
<b>EMD</b>	<b>Ashmore</b>	<b>2.0</b>	<b>2.5</b>	Emerging Market Debt indices
<b>DIP STEY</b>	<b>Various</b>	<b>0.4</b>	<b>1.5</b>	CPI +3%
<b>Cash</b>	<b>Northern Trust</b>	<b>1.4</b>	<b>1.0</b>	LIBOR
<b>LTEY</b>		<b>15.5</b>	<b>20</b>	
<b>Property</b>	<b>DTZ</b>	<b>8.5</b>	<b>10</b>	IPD Quarterly Universe
	<b>Partners Group</b>	<b>1.5</b>	<b>2.5</b>	8% p.a. absolute return (£ adjusted)
<b>Infrastructure</b>	<b>JP Morgan</b>	<b>2.1</b>	<b>3.5</b>	8% p.a. absolute return
<b>DIP LTEY</b>	<b>Various</b>	<b>3.4</b>	<b>4.0</b>	CPI +3%
<b>Total</b>		<b>100</b>	<b>100</b>	

## Investment Objectives, Strategy & Structure

### As at 31<sup>st</sup> December 2021

#### 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. The Fund sold down its index-linked holdings for Cash in Q2 2021, but continues to hold credit.
- (3) Following discontinuation of LIBOR, cash benchmarks will be based on SONIA, a LIBOR alternative, from Q1 2022.



## Review of 2021/22 Business &amp; Development Priorities

Item	Description	RAG Status	Progress
<b>Governance</b>			
<b>Actuarial Services</b>	Review of actuarial services including tender of actuarial contract.		Existing contract extended for 1 year to June 2022. Tender process planned to start early 2022 using LGPS National Framework.
<b>Investments</b>			
<b>Investment Strategy and Structure</b>	Implementation of changes agreed in light of review carried out alongside 2020 actuarial valuation.	<b>Complete</b>	Changes implemented during quarter to end June.
<b>Climate Change Strategy</b>	Continued development of the Climate Change Strategy.		Initial assessment of energy companies the subject of a report to SPF committee in September. Further report planned for March 2022 in relation to implementation and net zero road map.
<b>Stewardship</b>	Publication of a revised Statement of Compliance with the UK Stewardship Code 2020.	<b>Complete</b>	Annual Stewardship Report submitted to the Financial Reporting Council during Q2. After assessment, FRC confirmed SPF as a successful signatory during Q3.
<b>Investment Consultants</b>	Complete tender of investment consultancy contracts. Implement new arrangements.	<b>Complete</b>	Award of contracts to Hymans Robertson approved by SPF committee in June. Contracts effective from 1 <sup>st</sup> July.
<b>Direct Investment Portfolio</b>	Review of DIP, including objectives, strategy, structure and capacity.	<b>Complete</b>	Interim report on local investment considered by Sounding Board. Final report approved by SPF committee in November.
<b>Legal Services</b>	Review of Legal Services support including tender of contract.	<b>Complete</b>	Award of contract to Pinsent Masons approved by SPF committee in June. Contract effective from 1 <sup>st</sup> July.

## Review of 2021/22 Business &amp; Development Priorities

<b>Pensions Administration</b>			
<b>Business Renewal</b>	Review processes, structure and ways of working in light of COVID-19 experience. To include further development of digital processes and communications.	<b>Complete</b>	Ongoing throughout year. Revised structure approved in December. Hybrid working pilot formalised after staff consultation in September and commenced October. Will be extended into 2022/23, but paused from mid-December in response to emergence of Omicron variant. Processes aligned with hybrid working, greater digital delivery, and completion of i-connect rollout.
<b>GMP Reconciliation</b>	Complete remediation phase of Guaranteed Minimum Pension (GMP) reconciliation and remediation project.	<b>Complete</b>	Remediation adjustments to pensions calculated and paid in November payroll (after system testing).
<b>McCloud Remediation</b>	Implement remediation to be agreed in light of McCloud judgement on age discrimination in the LGPS.		Initial preparatory steps are well underway, but final timetable dependent on legislation still to be enacted and guidance still to be published. Project will be ongoing throughout 2022/23 and 2023/24.
<b>Finance</b>			
<b>Process Review</b>	Review of key financial processes including reconciliations, recharges, returns, bank accounts.		Project plan in place. Work commenced after completion of audit of 2020/21 accounts, and due to be completed in March 2022.

## 2022/23 Business &amp; Development Priorities

Item	Description	Estimated Timetable/ Actions/ Outcomes
<b>Governance</b>		
<b>Council Elections</b>	Formation and Training of New Board and Committee subsequent to May 2022 Council Elections.	Induction training and first meeting(s) by June. Training ongoing throughout year.
<b>Actuarial Valuation</b>	Preparation and planning for actuarial valuation as at 31 <sup>st</sup> March 2023.	Preliminary discussion of funding approach, agreement of draft plan and timetable, advance data check all complete by March 2023.
<b>Pensions Administration</b>		
<b>Administration Strategy</b>	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.	For approval by committee Q1 2023.
<b>TPR</b>	Review new TPR Combined Code in order to ensure SPFO compliance.	Review on publication (expected Q3). Ensure compliance within 6 months.
<b>AVCs</b>	Review of current arrangements for provision of Additional Voluntary Contributions.	Complete review of alternative providers, default investment option and fund range by March 2023.
<b>McCloud Remediation</b>	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 2022/23 and 2023/24.

## 2022/23 Business &amp; Development Priorities

<b>Investments</b>		
<b>Climate Change Strategy</b>	Produce Net-Zero Action Plan	For approval by committee Q1 2023.
<b>Climate Change Strategy</b>	Implement Energy Company Standards Framework	Assess current holdings Q2 2022; engage with investment managers Q3; report back to committee Q3/Q4.
<b>Investment Strategy and Structure</b>	Planning for 2023 review.	Preliminary IAP discussion of approach and priorities by Q1 2023.
<b>Property Valuer</b>	Review of UK property portfolio valuation arrangements and contract.	Tender to conclude with award of contract by March 2023.
<b>Finance</b>		
<b>Process Review</b>	Phase II of review of SPFO financial processes.	Develop reconciliation processes to reflect Altair Insights functionality.
<b>Communications</b>		
<b>Spfo.org.uk</b>	Transfer to new GOSS platform.	Review and revise content and format in light of new platform capabilities. Timetable dependent on GCC.

## Committee Agenda Plan

<u>June 2022</u>	<u>September 2022</u>	<u>December 2022</u>	<u>March 2023</u>
<b>Training:</b> Induction training	<b>Training:</b> tbc	<b>Training:</b> tbc	<b>Training:</b> tbc
Board Minutes	Board Minutes	Board Minutes	Board Minutes
<b><u>Items for Approval</u></b>	<b><u>Items for Approval</u></b>	<b><u>Items for Approval</u></b>	<b><u>Items for Approval</u></b>
Pension Board and Sounding Board composition	DIP: tbc	DIP: tbc	DIP: tbc
Actuarial Services Contract			Property Valuer Contract
Unaudited Annual Report	Annual Audit Report Audited Annual Report*		Climate Action Plan AVC Review
Training Policy, Practice & Plan			Administration Strategy 2023/24 Business Plan
Internal audit annual report	Internal audit reports	Internal audit reports	Internal audit plan and reports
<b><u>Items for Noting</u></b> Gifts and Hospitality Register	<b><u>Items for Noting</u></b> Investment Update	<b><u>Items for Noting</u></b> Investment Update	<b><u>Items for Noting</u></b> Investment Update
	Administration Update	Administration Update	Administration Update
	Finance Update	Finance Update	Finance Update
	Business plan update		Annual Audit Plan 2023/24
	Risk Register	Risk Register	Risk Register

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