



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 5

4th March 2020

2020/21 Business Plan

Purpose of Report:

To present a Business Plan for 2020/21 for the Strathclyde Pension Fund including a draft budget to deliver the plan.

Recommendations:

The Committee is asked to **APPROVE** the 2020/21 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 longer term policies, objectives and strategies are agreed by the committee and set out in its policy documents. The main documents are the:

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

Policy documents are available from the Fund's website at:

www.spfo.org.uk

1.3 Business Plan

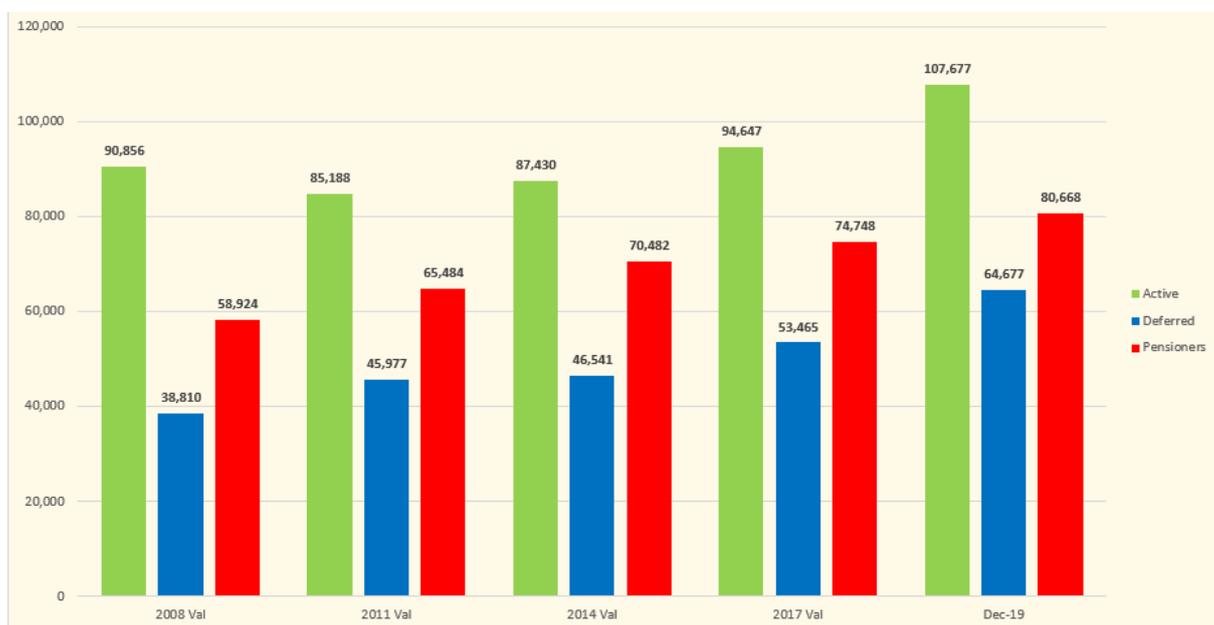
The committee agrees an annual business plan to ensure that ongoing management and development of the Fund is in line with the longer term policy, objectives and strategy. The 2018/19 business plan is structured as follows:

Section 1	Fund Governance
Section 2	Fund Profile
Section 3	Resources
Section 4	Pensions Administration Performance
Section 5	Investment Performance
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 8,870 members of the Scottish teachers' superannuation scheme.

2.2 Assets

As at 31 December 2019 the Fund had total investment assets of approximately £23.7 billion (2018: £20.8bn). 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 2019 was £21.3 billion (2018: £19.7bn). Estimated funding position was 110.2% (105.5%).

2.4 Income and Expenditure Flow

The income and expenditure profile is summarised as follows.

	2017/18 Per accounts £m	2018/19 Per accounts £m	2019/20 Probable £m	2020/21 Estimate £m
Pensions Income	549	578	636	651
Pensions Expenditure	(581)	630	694	733
Net Pensions Cash Flow	(31)	(52)	(58)	(82)
Investment Income	292	288	314	325

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 2019 was 90 (FTE 85.6) including 8 Modern Apprentices. (31st December 2018: 93 (FTE 89.9) including 6 Modern Apprentices). The staffing structure model is show below.

3.2 Review

The SPF 2019/20 business plan included a review of the administration strategy, data improvement plan, administration structure and resource. The review of structure and resource considered a number of factors which had changed since the current structure was introduced. These included:

- multiple changes to the scheme regulations;
- developments in the role and activities of the Pensions Regulator; and
- growth in scheme membership to more than 250,000.

In addition SPFO administration performance has been mixed and a 2018 internal audit report found that there was insufficient segregation of functions within SPFO.

The review concluded that additional resource and a revised structure were required to ensure SPFO’s continuing resilience, compliance and service delivery. These requirements are summarised in Appendix 2 and have been included in the proposed 2020/21 administration budget below. A phased implementation over the course of the year is anticipated.

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 2019 IPP attainment within SPFO was as follows:

SPFO Staff	IPP level attained
17	Diploma in Pensions Management
10	Foundation Degree in Pensions Administration and Management
29	Foundation in pensions administration
13	Certificate in Pensions Administration

SPFO also has a number of graduates in various disciplines, a 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, and the Leading with Impact, First Line Management, Delivering for Glasgow and Our Glasgow programmes.

SPFO currently has 8 modern apprentices and 10 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

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 are currently running on version 10. 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.

3.5 Administration Budget

The annual administration budget for 2019/20 and proposed budget for 2020/21 are summarised as follows.

SPFO Budget	2019/20 (£000)	2020/21 (£000)
Employee costs	3,498	3,557
Property costs	515	529
Supplies and services	743	1,082
3rd Party Payments	320	325
Central Support	1,137	1,137
Total Expenditure	6,213	6,630
Income	(158)	(180)
Net Expenditure	6,055	6,450

The 2020/21 budget shows a net increase of £395k over 2019/20. This is attributable to:

- costs of the revised administration structure described at 3.2 above (note that there will be a further cost in subsequent years once the structure is fully implemented);
- a 3% inflationary pay increase and incremental rises in staff costs.
- costs of the desktop refresh program scheduled for 2020/21; and
- costs of the new i-Connect functionality within the Altair system.

3.6 Investment Management Costs

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

	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)
Investment management	96,353	108,832	120,331
Oversight and governance	1,054	1,470	1,445
Total	97,407	110,302	125,692

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 2019/20 and 2020/21 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▪ mail sorting, scanning & issue
Systems & Compliance	<ul style="list-style-type: none">▪ system & website(s) maintenance▪ member communications▪ data protection, system security and business continuity
Member Records	<ul style="list-style-type: none">▪ maintain member database▪ update 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 2019 and targets for 2020/21 are summarised in the following table.

2019 Performance	Refunds	Retirals
Forms issued	2,193	2,318
Responses	935	625
Response rate (%)	43	27
“Satisfaction Rating” (%)	84.4	90.8
<i>2018/19 full year (%)</i>	<i>84.8</i>	<i>90.1</i>
<i>2019/20 target (%)</i>	<i>80.0</i>	<i>90.0</i>
2020/21 target (%)	80.0	90.0

The targets of **80%** for refunds and **90%** for retirals will be retained for **2020/21**.

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	2019 Actual	2019/20 Target	2020/21 Target
www.spfo.org.uk	▪ total weekly visitors	7,269	6,000	7,700
	▪ unique weekly visitors	4,365	3,700	4,800
SPFOonline	▪ members registered	80,994	70,000	84,000
i-Connect	▪ total extract returns	27	18	100%
	▪ total online returns	65	85	

4.3.4 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 2019 is summarised in the following table.

	31 st Dec 2019			
	Missing Joiner Details	Missing Leaver Details	Active Members	Exception Rate (%)
Grand Total	359	1,114	107,677	1.37
Target 2019/20				<2.0%
Target 2020/21				<1.5%

The target for 2020/21 will be to ensure that the year-end exception rate is no greater than **1.5%**.

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 (%)		Records without a single data failure (%)		TPR Tests Passed (%)		
	2018	2019	2018	2019	2018	2019	SPFO target 2020/21
Common data	99.1	99.3	93.0	94.5	n/a	96.5	97.0
Scheme-specific data	97.2	97.6	88.5	89.7	n/a	94.7	95.5

Employer Data Submissions

SPFO monitors receipt of monthly data from employers. 2019 performance and 2020/21 targets are as follows.

Measure	2019 Actual	2020/21 Target
Submission of monthly returns for New Members within 4 weeks of month end.	96%	95% from major employers
Submission of monthly returns for changes in Name/Hours/Address and for Opt Outs within 4 weeks of month end.	89%	95% from major employers

4.3.5 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 2019/20 and are as follows.

Turnaround Times				
Process	Description	Target Days 2020/21	Target % 2020/21	Statutory Deadline
New Starts	Processing of new scheme members	15	95.0%	1 month
Refunds	Processing and payment of refund in receipt of members election to a refund of contributions	7	90.0%	n/a*
Deferred Members	Calculation of future retirement benefits for early leavers from scheme who don't have immediate access to benefits	20	90.0%	2 months
Retirals	Quotation of expected retiral benefits on member's retirement	20	80.0%	2 months

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

4.3.6 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 2019	Target 2020/21
Pensions payroll run on time	100%	100%
New retirals processed for due date	98%	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 strategy.

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 and the long-term actuarial return assumption of **3.5%** per annum at the 2017 actuarial valuation.
- 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 Planned Activity

SPFO's business and development priorities for 2020/21 are listed in Appendix 5 and summarised as follows.

- Completion of the statutory triennial actuarial valuation of the Fund will be a shared and overarching priority.
- The investment focus will be on:
 - further review of investment strategy in conjunction with the 2020 actuarial valuation;
 - continued development and implementation of the DIP strategy and climate change strategy;
 - review of Stewardship Code compliance; and
 - tenders for global custody and investment consultants.
- The administration focus will be on:
 - production and submission of data for the actuarial valuation;
 - implementation of the revised administration strategy and structure; and
 - completion of the GMP reconciliation and remediation project.

6.2 Unplanned Activity

As ever, some unplanned activity is likely to be necessary in response to developments in the course of the year. Areas where this seems most likely include:

- post-Brexit developments;
- The Scheme Advisory Board (SAB) review of the structure of the LGPS in Scotland; and
- Other SAB or pensions industry developments, potentially including changes as a result of the McCloud age discrimination judgement.

Section 7 – Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	The business plan incorporates the SPFO 2020/21 budget – see para 3.4.
<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>	The revised SPFO staffing structure was developed with advice from GCC corporate HR and has been approved by the GCC Workforce Planning Board. Implementation will be in accordance with GCC HR procedures.
<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 2017-21

Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.

What are the potential equality impacts as a result of this report?

No specific equalities impacts.

Please highlight if the policy/proposal will help address socio economic disadvantage.

Sustainability Impacts:

Environmental:

ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

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

ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Economic:

ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Privacy and Data Protection impacts:

None.

8 Recommendation

The Committee is asked to approve the 2020/21 Business Plan for the Strathclyde Pension Fund including a draft budget to deliver the plan.

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 – Business and Development Priorities

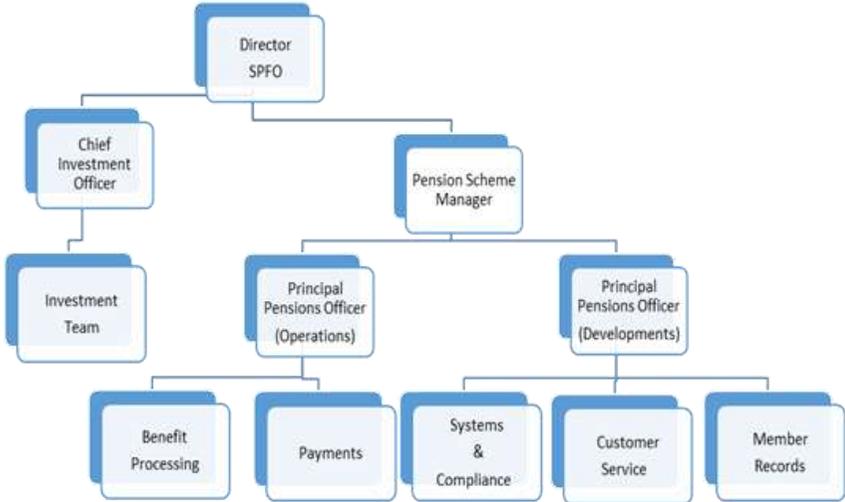
Appendix 6 – Committee Agenda Plan

10 Year Cash Flow Forecast

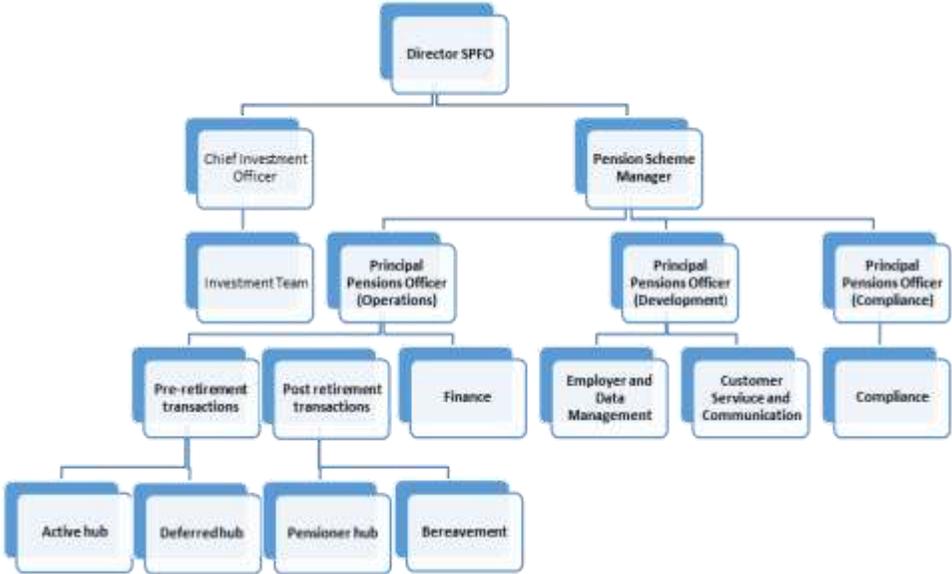
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
<u>Pensions Transactions</u>											
Income											
Employee Contributions	150,460	155,253	159,252	163,315	167,444	171,639	175,902	180,232	184,631	189,101	193,641
Employers Contributions	451,700	460,981	472,855	484,921	497,180	509,637	522,292	535,150	548,213	561,484	574,965
Strain on the Fund	25,000	25,525	26,061	26,608	27,167	27,738	28,320	28,915	29,522	30,142	30,775
Added Years	600	609	618	627	636	646	656	666	676	686	696
Transfer Values in	8,000	8,168	8,340	8,515	8,694	8,877	9,063	9,253	9,447	9,645	9,848
Other	200	204	208	212	216	220	224	228	233	238	243
Total Income	635,960	650,740	667,334	684,198	701,337	718,757	736,457	754,444	772,722	791,296	810,168
Expenditure											
Pensions Expenditure	478,826	513,063	534,715	557,050	580,088	603,847	628,349	653,614	679,662	706,516	734,199
Lump Sums	158,291	161,615	165,009	168,474	172,012	175,624	179,312	183,078	186,923	190,848	194,856
Death Grants	17,425	17,791	18,165	18,546	18,935	19,333	19,739	20,154	20,577	21,009	21,450
Refunds	1,600	1,624	1,648	1,673	1,698	1,723	1,749	1,775	1,802	1,829	1,856
Transfer Values out	32,000	32,672	33,358	34,059	34,774	35,504	36,250	37,011	37,788	38,582	39,392
Admin Costs	6,200	6,630	7,129	7,343	7,563	7,790	8,024	8,265	8,513	8,768	9,031
Total Expenditure	694,342	733,395	760,024	787,145	815,070	843,821	873,423	903,897	935,265	967,552	1,000,784
Net Additions/ Deductions (-)	-58,382	-82,655	-92,690	-102,947	-113,733	-125,064	-136,966	-149,453	-162,543	-176,256	-190,616
<u>Investment Activity</u>											
Investment Income	314,230	325,228	336,611	348,393	360,586	373,207	386,269	399,789	413,781	428,263	443,252
Manager Fees	27,307	27,880	28,466	29,063	29,674	30,297	30,933	31,583	32,246	32,923	33,615
Net +/-	286,923	297,348	308,145	319,330	330,912	342,910	355,336	368,206	381,535	395,340	409,637
Total Net +/-	228,541	214,693	215,455	216,383	217,179	217,846	218,370	218,753	218,992	219,084	219,021

SPFO Staffing Structure

Current Structure



Revised Structure



Grade	Current	Revised	Difference
12	1	1	-
9	1	1	-
8	2	3	+1
7	6	6	-
6	9	12	+3
5	21	36	+15
4	7	6	-1
3	32	28	-4
Sub Total	79	93	+14
MA	6	8	+2
Sub Total	85	101	+16
Investment Team	8	8	-
Work Plan Total	93	109	+16

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>
Investments	<ul style="list-style-type: none"> Total Return v Benchmark Return 	<p>Source: the Fund's global custodian, Northern Trust, is responsible for independent performance measurement and provides detailed quarterly reports on all aspects of investment performance based primarily on data from the assets held in custody by them.</p> <p>Total return is measured as the increase or decrease in the total value of investments as a result of income received together with realised or unrealised gains in the market value of the investment, expressed as a percentage of the value of the investment at the start of the measurement period.</p> <p>The benchmark return is the total return on a defined market index or combination of indices. The KPI measures total return for the Fund or the portfolio compared with the strategic benchmark or portfolio benchmark return.</p>

Investment Objectives, Strategy & Structure

As at 31st December 2019

Asset Class / Mandate Type	Manager	Actual (%)	Target (%)	Benchmark
Equity		59.1	52.5	
Passive	L&G Global	20.2	18	FTSE World equity indices composite
	L&G RAFI	6.7	6	FTSE RAFI equity indices composite
ACWI ex US	Baillie Gifford	8.2	7.5	MSCI All Countries World ex US index
U/c Global	Lazard	3.0	2.5	MSCI All Countries World index
	Veritas	2.9	2.5	MSCI All Countries World index
	Oldfield	3.2	2.5	MSCI All Countries World index
Specialist	Henderson	1.3	1	Specialist smaller companies index
	JP Morgan	3.6	3	Regional smaller co. indices composite
	Genesis	2.0	1.5	S&P/IFC Investable index
Private Equity	Pantheon / PG	7.7	7.5	FTSE All Share index +5%
DIP Equity	Various	0.3	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		5.6	6	
Passive Credit	L&G Corp	5.7	6	UK/US corporate bond indices composite
STEY		17.8	20	
Absolute Return	PIMCO	4.7	5.0	LIBOR +3.25%
	Ruffer	0.9	1.0	LIBOR +3%
Multi Asset Credit	Barings	2.9	2.75	LIBOR +4%
	Oak Hill	1.9	1.75	LIBOR +4%
Private Debt	Barings	0.9	1.25	LIBOR +4%
	Alcentra	1.0	1.25	LIBOR +4%
	Partners Group	0	1.0	LIBOR +4%
	ICG Longbow	0.2	1.0	LIBOR +4%
EMD	Ashmore	2.2	2.5	Emerging Market Debt indices composite
DIP STEY	Various	0.4	1.5	CPI +3%
Cash	L&G	2.8	1.0	LIBOR
	Northern Trust			
LTEY		16.1	20	
Property	DTZ	9.3	10	IPD Quarterly Universe
	Partners Group	1.8	2.5	8% p.a. absolute return (£ adjusted)
Infrastructure	JP Morgan	2.2	2.5	8% p.a. absolute return
DIP LTEY	Various	2.8	5.0	CPI +3%
Total		100	100	

2020/21 Business & Development Priorities

Item	Description	Timetable
Governance		
Actuarial Valuation	Completion of the actuarial valuation as at 31 st March 2020.	Mar 2021
Funding Strategy	Review of the Funding Strategy and Funding strategy Statement (FSS).	Mar 2021
Communications	Review of the Communications policy and implementation, including SPF brand, key messages, and PR arrangements.	Sep 2020
Investments		
Investment Strategy	Further review of strategy in conjunction with the 2020 actuarial valuation.	Mar 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.	Mar 2021
Stewardship	Review of the revised UK Stewardship Code 2020 and SPF compliance. Publication of a revised Statement of Compliance.	Dec 2020
Global Custodian	Complete tender of global custody arrangements and associated services including cash management, performance measurement, securities lending and currency management.	Mar 2021
Investment Consultants	Review of investment consultancy arrangements and tender of investment consultancy contracts.	Mar 2021
Pensions Administration		
Administration Strategy	Implementation of revised administration strategy, data improvement plan, and administration structure.	Mar 2021
GMP Reconciliation	Complete remediation phase of Guaranteed Minimum Pension (GMP) reconciliation and remediation project.	Mar 2021
Member Data Service	Review and procurement of a member data service including address tracing and mortality screening.	Dec 2020
Finance		
No.3 Fund	Complete final set of accounts for No.3 Fund.	Jun 2020
Ledger Structure	Review and update SPFO ledger structure.	Dec 2020

Committee Agenda Plan

<u>3rd June 2020</u>	<u>2nd September 2020</u>	<u>25th November 2020</u>	<u>Tbc March 2021</u>
Training: Oak Hill.	Training: tbc	Training: actuarial valuation.	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
Global Custody Contract	Investment Consultancy Contracts	Member Data Service Contract	Investment Consultancy Contracts Actuarial Contract
Communications Policy	Annual Audit Report Audited Annual Report	Funding Strategy Statement (draft) and actuarial valuation results (draft)	Funding Strategy Statement and actuarial valuation results
Training Policy, Practice & Plan		Stewardship Code 2020	2021/22 Business Plan
Internal audit reports	Internal audit reports	Internal audit reports	Internal audit reports and plan
<u>Items for Noting</u>	<u>Items for Noting</u>	<u>Items for Noting</u>	<u>Items for Noting</u>
	Investment Performance	Administration Performance	Investment Performance
Fund summary	Fund summary	Fund summary	Fund summary
IAP report	IAP report	IAP report	IAP report
Scheme developments	Responsible Investment report	Scheme developments	Responsible Investment report
	Business plan update	Financial statements	Business Plan Update
Internal audit: follow up	Risk Register	Internal audit: follow up	Risk Register Annual Audit Plan 2020/21

There will be an additional meeting in June (date tbc) to consider the Internal Audit Annual Report, Audit Scotland review of internal controls, and 2019/20 Annual Report & Financial Statements (unaudited).