



Strathclyde
Pension Fund

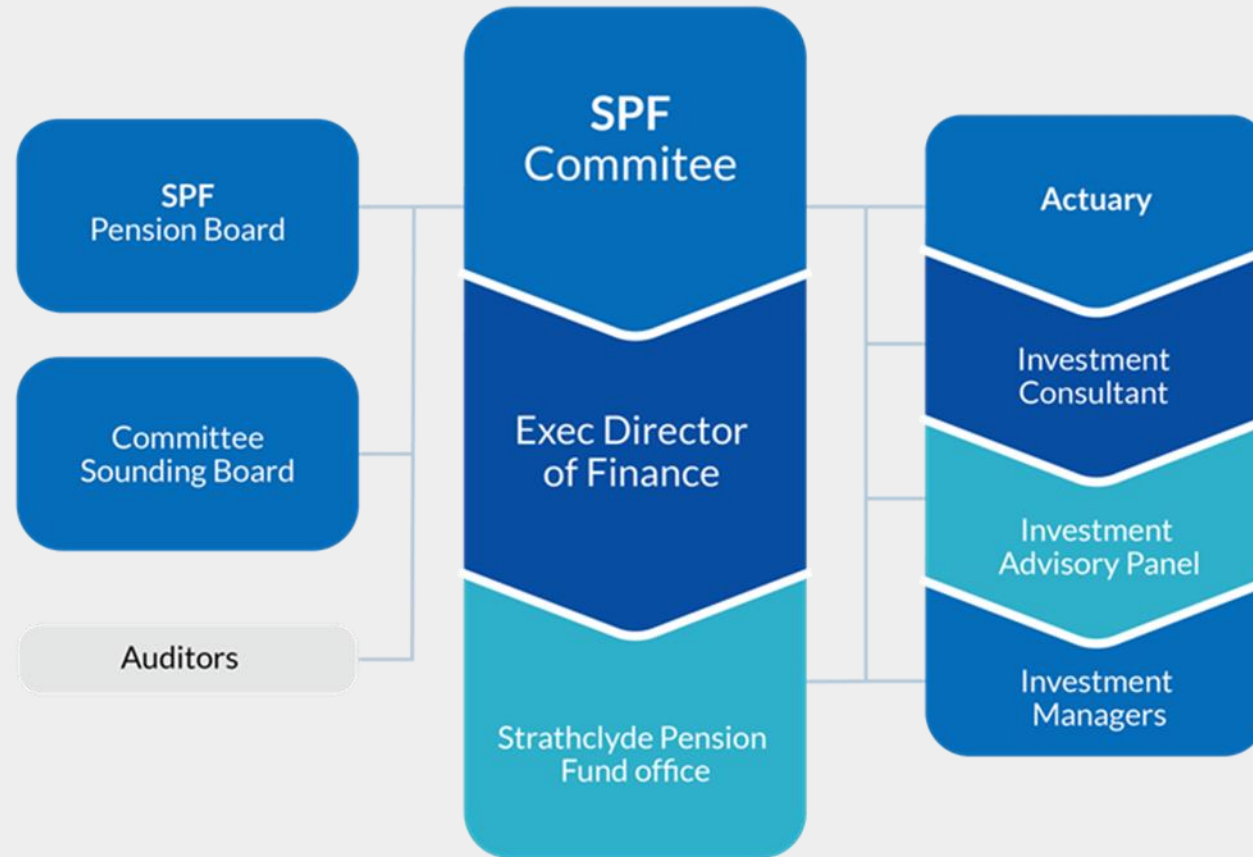
AGM 2024
Governance
Richard McIndoe

Agenda

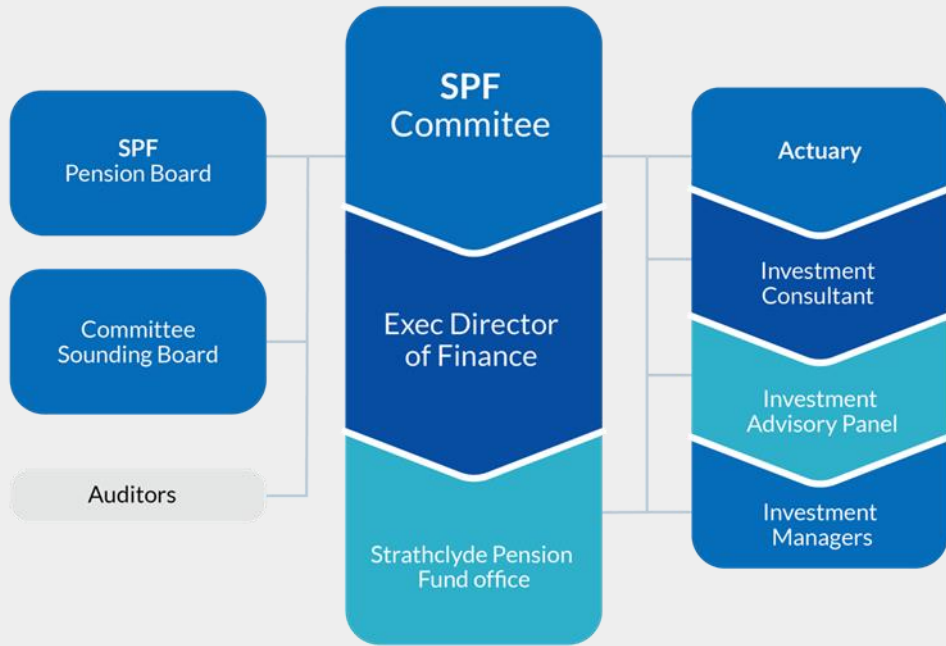
- SPF Governance**
- LGPS Governance**
- Business Plan**
- Risk Register**
- Funding**



Strathclyde Pension Fund - Governance Model



Strathclyde Pension Fund - Governance



SPF Committee



Richard Bell (C)



Abdul Bostani



Philip Braat



Alan Gow



Ruairi Kelly



Lana Reid-McConnell

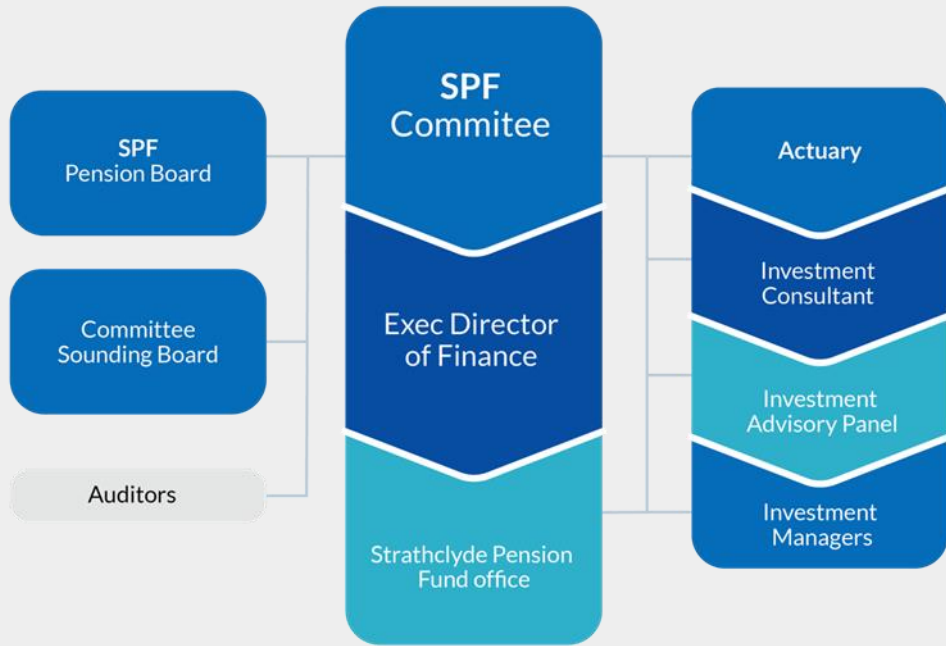


Eva Murray



Martha Wardrop (V/C)

Strathclyde Pension Fund - Governance



SPF Committee



Richard Bell (C)

Abdul Bostani

Jim Kavanagh

Alan Gow



Ruairi Kelly



Elaine Gallagher

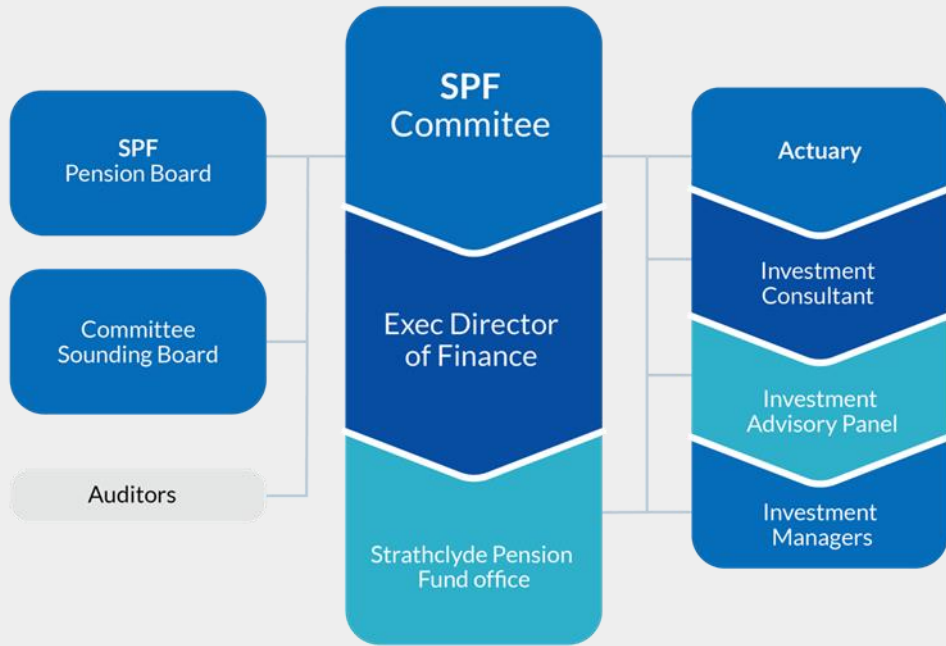


Jill Brown



**Martha Wardrop
(V/C)**

Strathclyde Pension Fund - Governance



Pension Board

Four employer representatives:

- **Darren Paterson - Scottish Police Authority**
- **Cllr Ian Davis- South Ayrshire Council**
- **Cllr Martin Rooney – West Dunbartonshire Council**
- **Cllr Sandy Watson - North Lanarkshire Council (Chair)**

Four member representatives:

- **Scott Donohoe - UNISON**
- **Thomas Glavin - UNITE**
- **Stephen Kelly - UNISON**
- **Andy Thompson - GMB (Chair)**

SPF Committee Agendas

June 2023

1. **Training:** presentation by Hymans Robertson on actuarial valuation as at 31st March 2023
2. **Internal Audit –**
 - Review of Customer Engagement
 - Follow-up Report
 - Annual Audit Report and Annual Governance Statement
3. **SPF Annual Report & Financial Statements for the year ended 31 March 2023**
4. **SPFO Hospitality Register –** year to 31st March 2023
5. **Direct Impact Portfolio – Investment Proposals -** Par Equity Northern Scale up Fund
6. **Training Policy, Practice and Plan**
7. **Pension Administration Strategy** approval for publication.



September 2023

1. **Training:** presentation by Quinbrook on Powering the Net Zero transition
2. **Annual Audit Report 2022/23** - Report by EY.
3. **Annual Audited Accounts 2022/23-** approval for signing.
4. **Actuarial Valuation and Funding Strategy –** preliminary results.
5. **Strathclyde Pension Fund Sounding Board** - approve membership
6. **Administration Update**
7. **Finance Update**
8. **Investment Update**
9. **Business Plan Update**
10. **Risk Register Update**

November 2023

1. **Training:** Baillie Gifford on Investment Implications of AI.
2. **Internal Audit –**
 - review of Compliance with Cyber Security Principles
 - follow-up report
4. **Administration Update**
5. **Finance Update**
6. **Investment Update**
7. **Risk Register**

March 2024

1. **Actuarial Valuation and Funding Strategy –** final results.
2. **Review of Investment Strategy and Structure –** final report
3. **Review of Communications –** approval of revised policy
4. **2024/25 Business Plan**
5. **Strathclyde Pension Fund Office -** Lease Renewal
6. **Internal Audit -** 2024/25 Audit Plan
7. **External Audit:** 2023/24 Annual Audit Plan
8. **Administration Update**
9. **Finance Update**
10. **Investment Update**
11. **Risk Register Update**

SPF Committee Agendas

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2. **Internal Audit –**
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November 2023

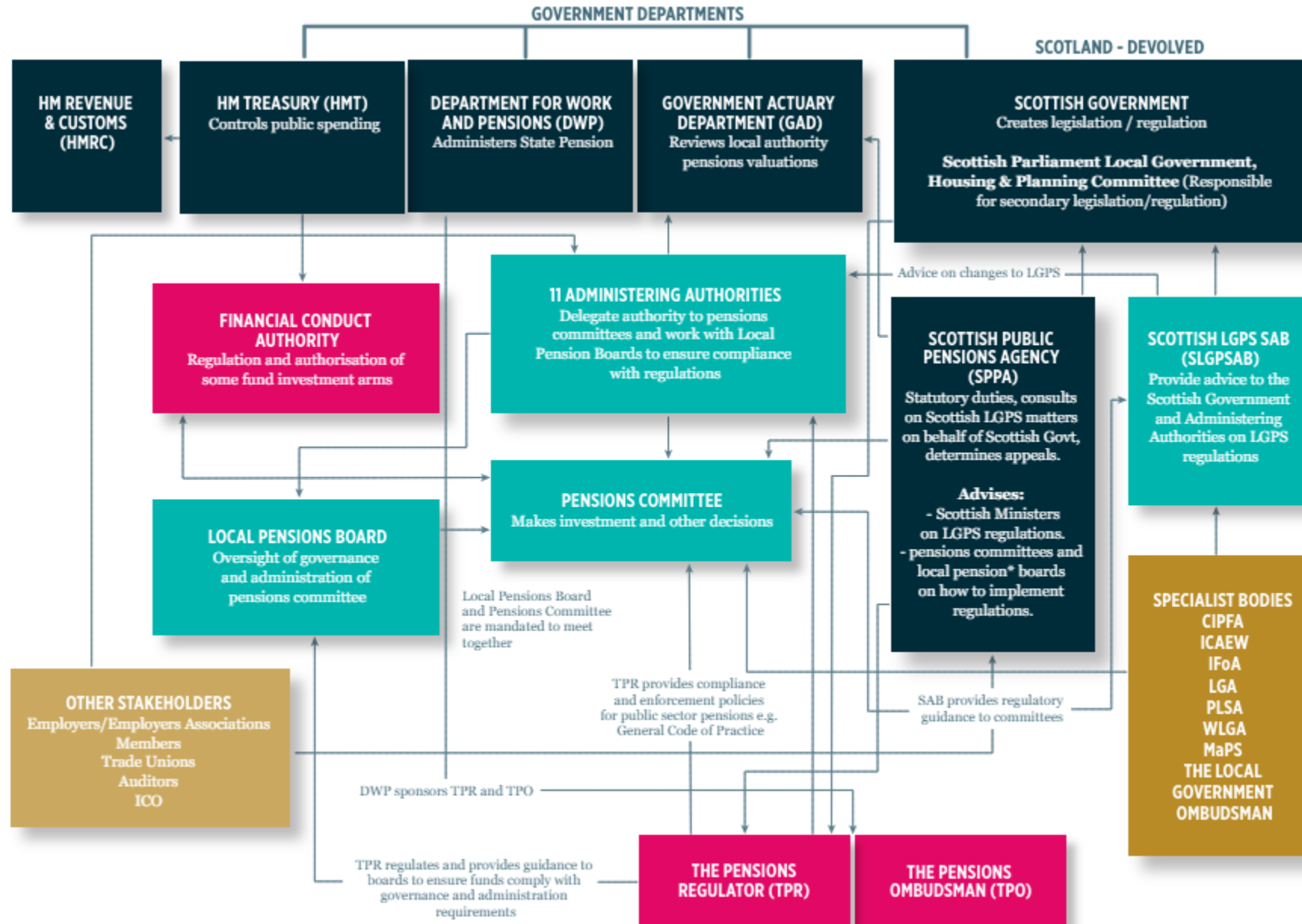
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March 2024

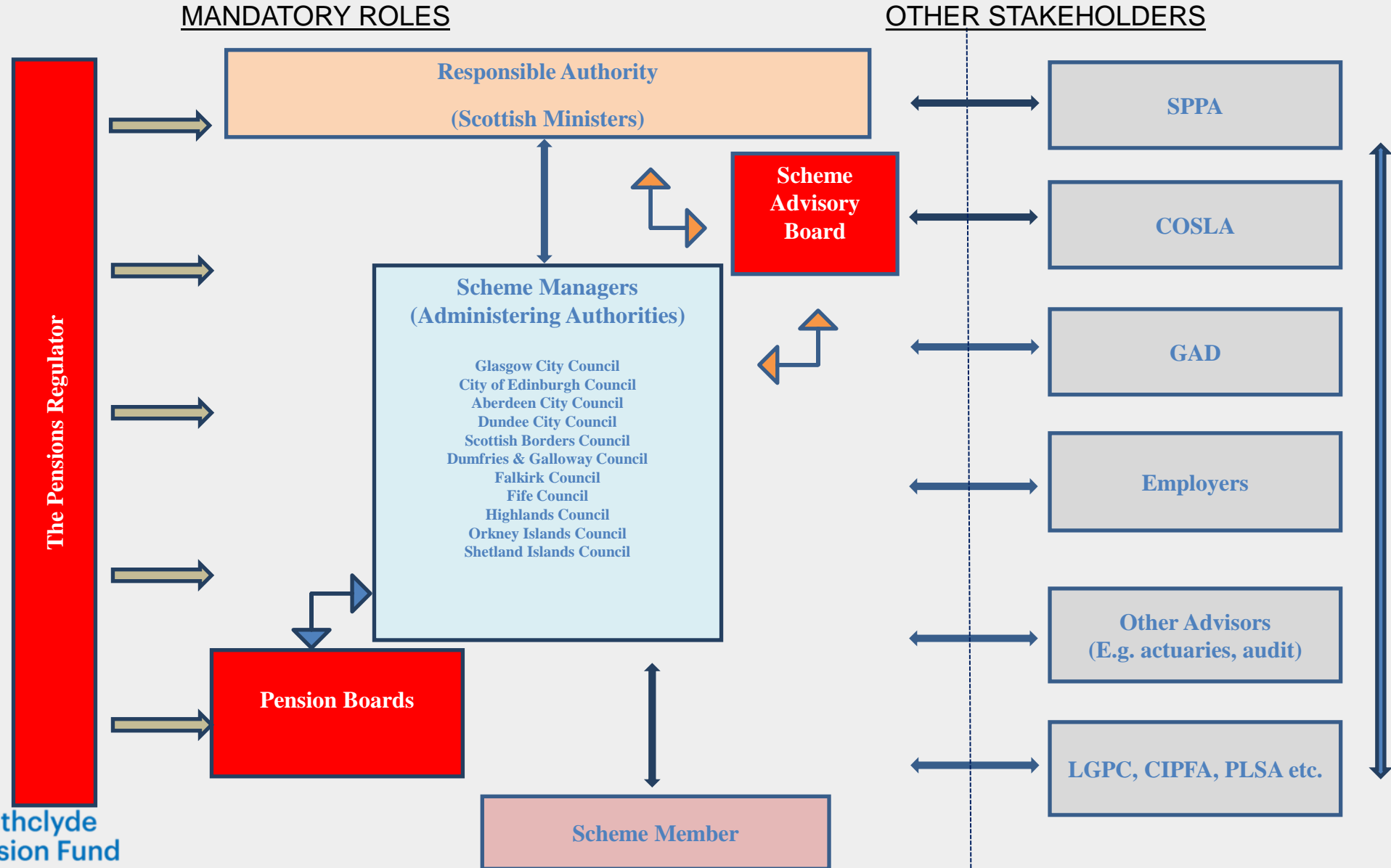
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6. **Internal Audit -** 2024/25 Audit Plan
7. **External Audit:** 2023/24 Annual Audit Plan
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LGPS - Governance

SCOTLAND



LGPS (SCOTLAND) – GOVERNANCE



Scheme Advisory Board



There will be a meeting of the Local Government Pension Scheme Advisory Board at the Diamond Jubilee Room, City of Edinburgh Council, 253 High Street on Wednesday 15th May 2024, 10.30am – 12.30pm.

(Pre-meeting calls will be arranged for Board Members and advisers prior to the meeting)

AGENDA

1. Welcome and Apologies
2. Conflict of Interest Declarations
3. Minute of Last Meeting and Matters Arising – **paper attached**
4. SPPA Update – **paper attached**
5. 2023 Fund Valuations – **presentation from Hymans**
6. Gender Pensions Gap – **verbal update**
7. Boycott Divestment and Sanctions Bill – **verbal update**
8. Update on Working Groups – **paper attached**
9. Training Workshop Follow Up – **paper attached**
10. SAB Work Plan – Review of Activities – **paper attached**
11. Specialist Support to the SAB – **paper attached**
12. AOB

Scottish Local Government
Pension Scheme
www.lgpsab.scot

Scheme
Advisory
Board

Trade Union Side Secretary
Simon Wilson
UNISON
Openplan Resource Centre
7, James Place
Aberdeen AB10 1YD
Tel: 01224 620254
s.wilson@unison.co.uk

Employers Side Secretary
Jonathan Strama
CCSLA
Verny House,
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Edinburgh EH12 5BH
Tel: 0131 474 9269
jonstham@ccsla.gov.uk

May 2024

BULLETIN

The **Gender Pensions Gap** is emerging as a major issue. Work by the English and Welsh LGPS SAB show it is much bigger than the Gender Pay Gap on this, and the Scottish SAB agreed to run a seminar explaining the issue for stakeholder in Scotland. Watch this space!

On **fund valuations**, the SAB had a presentation by actuarial advisors. At April 2023, funding was at a welcome 141%, up from 104% in 2020. In general, Funds have taken a relatively cautious approach to reducing employer contributions, which should help safeguard against risks including asset shocks and interest rate drops, although persistent high inflation and lower investment returns would cause concerns.

Employers leaving LGPS funds in surplus usually receive an **exit credit** rather than having to pay a deficit. The SPPA issued draft **exit credit regulations** on this, which give discretion to administering authorities on the exit credit amount. They will apply retrospectively from 1 June 2018, and **funds should note** that the (draft) says the new provisions do not apply to exit credits PAID before the commencement date (currently 29 June 2024). Therefore, if a payment slips to after this date, it will use the new (rather than existing) regulations.

As part of this, a SAB working group is considering if any guidance is needed to funds on factors to consider when exercising their discretion, to ensure a degree of consistency. A second group is finalising recommendations on whether a **Cost Control mechanism** is appropriate for Scotland, to limit the impact of LGPS scheme quadrennial valuations resulting in benefits being increased or reduced.

The SAB also agreed a range of measures to **develop its work**. These include:

1. A seminar for local board members on best practice in governance, including the new TPR single code.
2. Inviting local board chairs to SAB meetings.
3. Supporting time off work for local board representatives
4. Seeking to engage with Scottish Funds at their quarterly meetings
5. Deepening joint working with the English and Welsh SAB
6. An Induction and skills development programme for SAB members
7. Reviewing the resourcing of the SAB, including identifying significant projects to prioritise for specialist external support.
8. Being proactive in approaching SPPA on issues of concern

SPPA **III-health retirement guidance** has also been updated, **emphasising** that employers must independently assess relevant medical evidence rather than simply endorsing Occupational Health recommendations. Finally, GAD have updated the reduction / enhancement factors for member taking **early and late retirement**.

Regulations

States: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

SCOTTISH STATUTORY INSTRUMENTS

2024 No. 37

PUBLIC SERVICE PENSIONS

The Local Government Pension Scheme (Scotland) (Amendment) Regulations 2024

Made - - - - 6th February 2024
Laid before the Scottish Parliament - - - - 8th February 2024
Coming into force - - - 28th March 2024

The Scottish Ministers make the following Regulations in exercise of the powers conferred by sections 1(1) and (2)(c), 2, 3(1) to (3) and schedule 2, paragraph 3(b), of the Public Service Pensions Act 2013(1) and all other powers enabling them to do so.

In accordance with section 21(1) of that Act, the Scottish Ministers consulted the representatives of such persons as appeared to the Scottish Ministers likely to be affected by these Regulations.

Citation and commencement

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2024 and come into force on 28 March 2024.

- (2) These Regulations have effect from 31 March 2023 other than for the purposes of—
- (a) regulation 8(1) which has effect from 1 June 2022,
 - (b) regulation 8(2) which has effect from 28 March 2024.

Amendment of the Local Government Pension Scheme (Scotland) Regulations 2018

2. The Local Government Pension Scheme (Scotland) Regulations 2018(2) are amended in accordance with regulations 3 to 9.

Revaluation date: revaluation adjustments, members

- 3.—(1) In regulation 23—
- (a) in paragraph (2)(d)—

(1) 2013 c. 25. Sections 3(1) and (2) were amended by section 94(2) and (3) of the Public Service Pensions and Judicial Offices Act 2022 (2022 c. 7). Section 2 of, and schedule 2 of, the Public Service Pensions Act 2013 set out how the powers are exercisable by the Scottish Ministers, and section 9 (revaluation) of that Act sets out how the process of revaluation is to be conducted.

(2) S.S.I. 2018/141. Relevant amendments were made by S.S.I. 2019/161 and S.S.I. 2022/153.

SCOTTISH STATUTORY INSTRUMENTS

2024 No.

PUBLIC SERVICE PENSIONS

The Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024

Made - - - - 2024
Laid before the Scottish Parliament 2024
Coming into force - - 29th June 2024

The Scottish Ministers make the following Regulations in exercise of the powers conferred by sections 1(1) and (2)(c), 2, 3(1) to (3) and schedule 2, paragraph 3(b), of the Public Service Pensions Act 2013(a) and all other powers enabling them to do so.

In accordance with section 21(1) of that Act, the Scottish Ministers consulted the representatives of such persons as appeared to the Scottish Ministers likely to be affected by these Regulations.

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024 and come into force on 29 June 2024.

(2) These Regulations have effect from 1 June 2018 other than for the purposes of regulation 3(3) which has effect from 28 March 2024.

Interpretation

2. In these Regulations—

“the 2018 Regulations” means the Local Government Pension Scheme (Scotland) Regulations 2018(b), and

“exit credit” has the same meaning as in regulation 61(10) of the 2018 Regulations.

Amendment of the 2018 Regulations

3.—(1) Regulation 61 of the 2018 Regulations (special circumstances where revised actuarial valuations and certificates must be obtained) is amended in accordance with paragraphs (2) to (5).

(2) In paragraph (2)(b), for “exit credit payable to the exiting employer, in respect of those benefits”, substitute “the excess of assets in the fund relating to that employer over the liabilities specified in paragraph (2)(a)”.

(a) 2013 c. 25. Sections 3(1) and (2) were amended by section 94(2) and (3) of the Public Service Pensions and Judicial Offices Act 2022 (2022 c. 7).

(b) S.S.I. 2018/141, relevantly amended by S.S.I. 2024/37.

SPF – 2023/24 Business Plan

Item	Description	Progress	RAG Status
Funding			
Actuarial Valuation	Completion of actuarial valuation as at 31 st March 2023.	Draft assumptions agreed in June; high level training completed in June; full data upload to actuary completed late July; further committee training completed in September; preliminary report on results noted at September SPF committee; individual employer results issued 21 st November after online employer forum; Board briefing November; final report considered at March committee meeting; signed and published ahead of statutory deadline of end March 2024.	Complete
Funding Strategy	Review of funding strategy and Funding Strategy Statement (FSS).	Draft FSS approved at September SPF committee; subsequently issued for consultation with employers to 31 st December; March committee approved publication of final version.	Complete
Pensions Administration			
Pensions Dashboard	Preparation for launch of the Dashboard including ensuring compliance with the data specification and connection, security and technical standards.	Statutory deadline for connection re-set from September 2024 to September 2025. Preparation and testing has continued. Carry over to 2024/25.	
McCloud Remediation	Implement remediation to be agreed in light of McCloud judgement on age discrimination in the LGPS.	Draft regulations published for consultation in July 2023. SPFO provided a technical response. Regulations came into force in October. Remedy data populated on SPFO Altair system at 2023/24 year end. Detailed guidance still to be published. Carry over to 2024/25.	

SPF – 2023/24 Business Plan

Item	Description	Progress	RAG Status
Investments			
Investment Strategy and Structure	Review of investment strategy and structure including asset-liability modelling (ALM) based on outcomes of actuarial valuation.	First conclusions agreed by IAP in August; ALM reviewed by IAP in November and further conclusions agreed; final recommendations of review agreed by SPF Committee March 2024.	Complete
Climate Action Plan	Implement first phase of Climate Action Plan.	Review of climate transition index options completed by IAP in August. Further actions to be addressed in investment review (see above).	Complete
TCFDs	Preparation for publication of revised Climate-related Financial Disclosures	Anticipated regulatory changes delayed from 2023/24 to 2024/25 (or later). SPF revisions will continue on original schedule as far as possible. Carry over to 2024/25.	
Legal Services	Review of legal services provision in respect of UK property portfolio.	Tender delayed. Current contract extended to 01 May 2024.	
Governance			
TPR	Review new TPR General Code in order to ensure SPFO compliance within 6 months of publication.	Code laid in Parliament during January 2024 (after 2021 consultation). Expected to be effective from 27 th March 2024. Carry over to 2024/25.	
Communications			
Review	Review of Communications Policy including branding, key messages, and implementation arrangements.	Findings reported to committee in March 2024 and revised policy approved and published.	Complete

SPF – 2024/25 Business Plan

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

SPF – 2024/25 Business Plan

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

Risk Register



Total Risks 36	Very High Risks 0	High Risks 4
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		Impact					
		1 Negligible	2 Minor	3 Moderate	4 Major	5 Critical	
Probability	5 Almost Certain						
	4 Likely		2	3			
	3 Possible	1	9	7	1		
	2 Unlikely		4	3	6		
	1 Rare						
		100%	80%	60%	35%	15%	0%

← significant risk zone

Changes since 31 March 2023

New -	Main changes during the year were a reduction in several of the actuarial risks (inflation, investment impact, employer default). There were increases in other risks (regulatory compliance, cash-flow, statutory reporting), but overall movement was positive.
Increased 4	
Decreased 4	
Closed -	
Static 28	

Risk Register

Title	Description	Mitigation / Control	Residual Impact (/5)	Residual Probability (/5)	Residual Score (/25)	Movement since 31 Mar 2023
System Failure	<p>RISK: Issues with pensions administration system and other related systems.</p> <p>CAUSE: Outages, hardware and software failure, cyber attack.</p> <p>EFFECT: Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.</p>	Access controls, firewalls and other system security measures. Robust system maintenance routines. Internal and external systems support. Back-up procedures. Disaster Recovery Plan. Business Continuity Plan.	4	3	12	▬
Scheme regulation change	<p>RISK: Failure to comply with changes to scheme regulations and other pensions legislation.</p> <p>CAUSE: Political or legislative</p> <p>EFFECT: Increasing administrative complexity, communications challenges, potential issues with the Pensions Regulator, potential incorrect information or payments to members, impact on liabilities.</p>	The Administering Authority is alert to scheme developments. Officers participate in various scheme and industry groups (SPLG, IGG, SAB, CIPFA, PLSA, etc.) SPFO is a test site for software upgrades to reflect regulation changes.	3	4	12	↑
Data Breach	<p>RISK: Theft or loss/misuse of personal data.</p> <p>CAUSE: Cyber attack, human error, process failure.</p> <p>EFFECT: Breach of data protection legislation including GDPR, financial loss and/or penalties, audit criticism, legal challenge, reputational damage.</p>	SPF compliance with GCC GDPR procedures; system security; secure data transfer; data sharing agreements (these are in place with larger employers and many but not all of the smaller ones, leaving some residual risk which is tolerated); staff awareness.	3	4	12	▬
Breach of statutory reporting guidelines	<p>RISK: Breach of statutory reporting guidelines.</p> <p>CAUSE: Failure to produce compliant accounts by deadline. Failure of audit process.</p> <p>EFFECT: Regulatory criticism, business disruption and reputational damage.</p>	Rigorous planning and project management within SPFO; support from Corporate Finance.	3	4	12	↑



Strathclyde
Pension Fund

AGM 2024
Funding
Richard McIndoe



Funding Level

Valuation Date	31 March 2020	31 March 2023
Past Service Liabilities	(£m)	(£m)
Employees	8,948	8,156
Deferred Pensioners	2,451	2,145
Pensioners	8,344	8,669
Total Liabilities	19,744	18,970
Assets	20,941	27,872
Surplus	1,197	8,902
Funding Level	106%	147%

Implications?

The improved funding position allows flexibility in 4 broad areas of the funding strategy:



retain the surplus (as insurance against future adverse economic conditions)



increase prudence levels (to take less funding risk)




reduce employer contribution rates



change the investment strategy (to take less investment risk).

Actuarial Valuation 2023





Strathclyde Pension Fund

Funding Strategy Statement

Prepared in conjunction with the actuarial valuation as at 31st March 2023

Effective 1st April 2024



Strathclyde Pension Fund

Report on the actuarial valuation as at 31 March 2023

29 March 2024

Craig Alexander FFA Catherine McFadyen FFA

For and on behalf of Hymans Robertson LLP



Hymans Robertson LLP

One London Wall London EC2Y 5EA t 020 7082 6000 f 020 7082 6082 hymans.co.uk	20 Waterloo Street Glasgow G2 6DB t 0141 566 7777 f 0141 566 7788	45 Church Street Birmingham B3 2RT t 0121 210 4333 f 0121 210 4343	1 Semple Street Edinburgh EH3 8BL t 0131 656 5000 f 0131 656 5050
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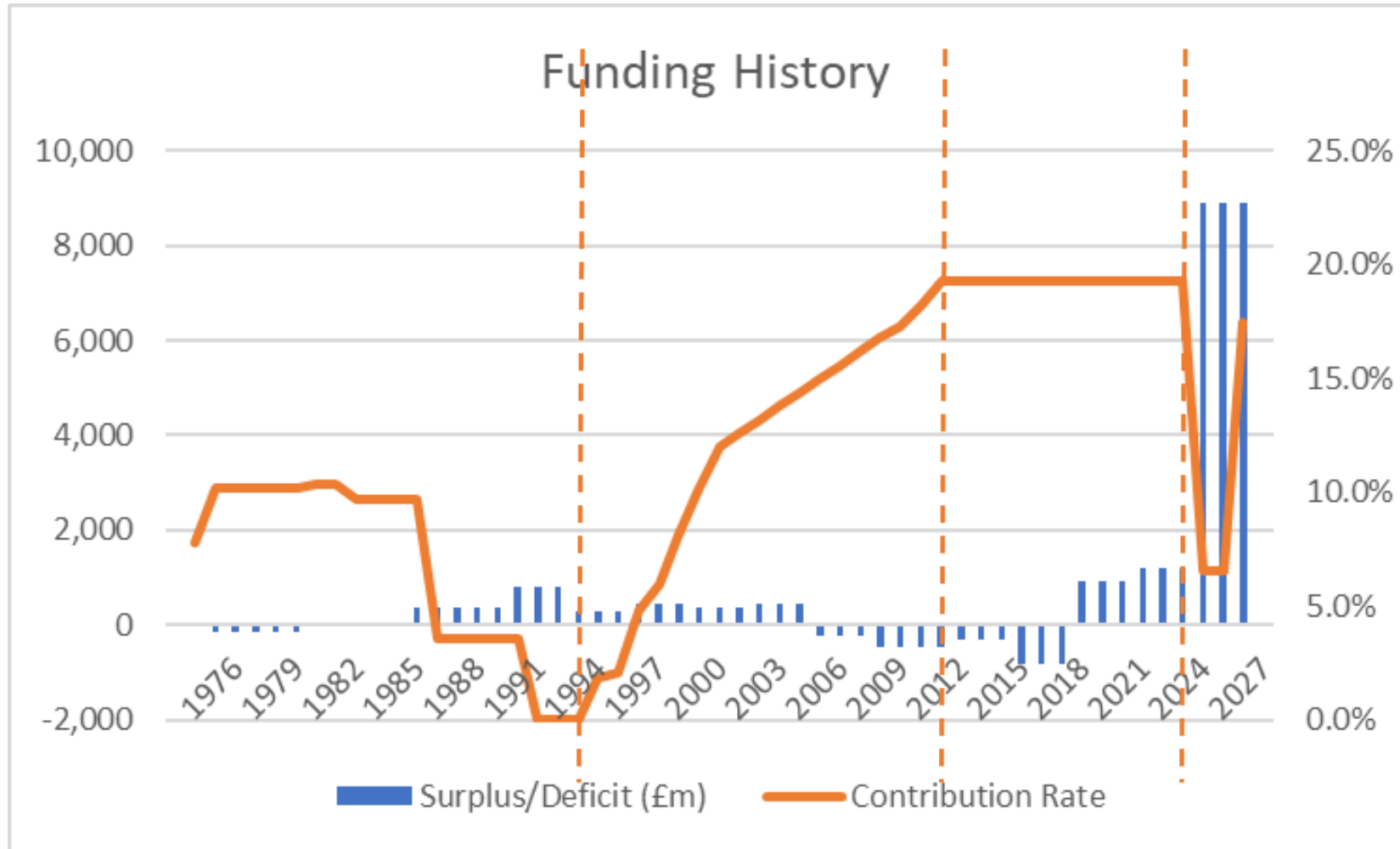
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Classification: Public

Outcomes

- Employer Contribution Rates
- Cash Flows
- Employer Exits
- Investment Strategy De-risking

Funding Level since 1975



Scottish LGPS – GAD Valuation

Chart 5.1 Comparison of funding level on local and standardised basis

2020 LOCAL BASES			STANDARD BASIS	
118%	Orkney Islands Council Pension Fund		Aberdeen City Council Transport Fund	205%
118%	Scottish Homes Pension Fund		Scottish Homes Pension Fund	189%
114%	Aberdeen City Council Transport Fund		Orkney Islands Council Pension Fund	146%
110%	Scottish Borders Pension Fund		Strathclyde Pension Fund	134%
109%	Tayside Pension Fund		Lothian Pension Fund	132%
106%	Strathclyde Pension Fund		Tayside Pension Fund	127%
106%	Lothian Pension Fund		North East Scotland Pension Fund	125%
103%	North East Scotland Pension Fund		Scottish Borders Pension Fund	119%
100%	The Highland Council Pension Fund		The Highland Council Pension Fund	117%
97%	Fife Pension Fund		Fife Pension Fund	115%
94%	Falkirk Council Pension Fund		Falkirk Council Pension Fund	110%
92%	Shetland Islands Council Pension Fund		Shetland Islands Council Pension Fund	104%
92%	Dumfries and Galloway Council Pension Fund		Dumfries and Galloway Council Pension Fund	103%

Comparing funding positions



Difficult to compare just on funding level, hides too much information

Average employer rate at fund level



Source: Hymans Robertson, analysis of 2023 LGPS final valuation reports. Averages are unweighted.

Funding Level since 31 March 2023



Richard McIndoe

Director

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