Strathclyde Pension Fund

ANNUAL REPORT
& FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

CONTENTS

- Strathclyde Pension Fund (SPF) is part of the Local Government Pension Scheme (LGPS)
- It is one of 11 LGPS funds in Scotland and around 100 in the UK
- SPF is the second largest of the UK LGPS funds
- The LGPS is a statutory scheme established under primary legislation – the Superannuation Act 1972 and Public Service Pensions Act 2013

- The scheme rules take the form of a series of regulations – the Local Government Pension Scheme (Scotland) Regulations. The regulations are Scottish Statutory Instruments (SSIs). There are separate sets of regulations to set out the scheme benefits, investment arrangements and governance requirements.
- The LGPS is a multi-employer, defined benefit scheme. The benefits are based on final salary for all service to 31st March 2015 and career average earnings for benefits from 1st April 2015.
- The Strathclyde Pension Fund was created in 1974. It has been managed by Glasgow City Council since 1996.
- The Fund is a pool into which member and employer contributions are paid. The money is invested so that pension benefits can be paid as they fall due.
- Participating employers include the 12 local authorities in the west of Scotland; Scottish Police Authority, Scottish Fire and Rescue, and Scottish Water; a number of universities and colleges; local authority subsidiary companies and contractors; and a wide range of other organisations with funding or service links to the local government sector.
- As at 31st March 2022 the Strathclyde Pension Fund had over **266,000** members, **159** participating employers and investment assets of **£28.4 billion.**

As at 31st March 2022 the Strathclyde Pension Fund had over 266,000 members, **159** participating employers and investment assets of **£28.4 billion**.

No two years are the same. But in 2021/22, there were distinct echoes of events two years' previously: all going so well for the first 3 quarters, before the unexpected outbreak of a crisis with global ramifications towards the year end. Two years ago it was COVID. This year it was Russia's invasion of Ukraine. Both are first and foremost humanitarian tragedies. Both also had an immediate, adverse impact on investment markets.

Global equity markets dropped sharply in January and February before bouncing back during March. The final quarter was still negative, but unlike 2 years ago, market strength in the first part of the year proved sufficient to ensure a positive return overall. SPF total return for the year was +7.7%. Closing Fund value was £28.4 billion, another new high. 2019/20 remains the only full year in the last 13 when Fund value hasn't grown.

Below these headline figures, market dynamics were changing rapidly, and there was significant dispersion of underlying returns: value outperformed growth; the Energy sector left all others in the dust, returning over +50% for the year; emerging markets tumbled; Russia itself was reclassified from emerging market to standalone – effectively uninvestable.

Outside of equity markets there was similar dispersion. After a couple of fairly directionless quarters, bond markets seemed to settle on a downward path: yield curves shifted upwards; corporate spreads widened. Real assets fared much better. The UK property market, in particular, had a remarkable year, though performance here was also polarised: dominated by the Industrials sector, which includes distribution warehouses, where individual asset returns of +20% or +30% were not unusual; in contrast to Offices which returned more or less zero; and retail which did only slightly better.

Diversification has always been one of SPF's key investment principles, and its primary risk mitigant. This means that the Fund had some exposure to the headwinds that emerged during the year. Several of our portfolios posted negative, or very negative returns. But the breadth of exposure ensured that we also benefited in areas that showed more resilience, so that overall performance was very satisfactory.

Like the effects of COVID, the economic impact of the Russia-Ukraine conflict is likely to be widespread and lasting: consensus forecasts for global growth have been revised downwards; global CPI forecasts have reached new highs. At a macro level, this does make the outlook for Fund growth a little bleaker and riskier than it has been for some time. But the year-end funding position is much stronger than it has been. And again, diversification should act as a risk mitigant.

At a scheme member level, the outlook is also difficult. The conflict has exacerbated existing inflationary pressures and presaged a real "cost of living crisis" as the cost of essentials rises and disposable incomes drop. In this context, it is difficult to overstate the importance and value of SPF and what it does. Providing retirement income for more than 260,000 members is a vital service at the best of times. But as times get more difficult, the inflation protection which is a key feature of the scheme benefits package is an invaluable source of security for members and their families.

Councillor Richard Bell

City Treasurer, and Convener of Strathclyde Pension Fund Committee

Introduction

The year began as the previous one had ended: in lockdown. Movement and activity was still heavily restricted, though there were clear grounds for optimism: the rollout of various versions of vaccine was making rapid progress; restrictions were lighter than in the first wave of COVID; and there was a clear prospect of re-opening and a return to some form of normality. So it proved as the year progressed: restrictions were gradually lifted; office working resumed; social and leisure activity re-commenced. Progress was sometimes slow and uneven, but always welcome. There was, though, one further setback in store before the year ended. Russia's invasion of Ukraine represented a very different sort of crisis from COVID, but it compounded problems that were already emerging as COVID receded. In particular, inflation loomed large at the year end – 7.0% and set to rise further - and represented a pervasive threat to both national and household economies. It also presents a challenge for the Fund's strategies and objectives.

Strategy and Objectives

The Strathclyde Pension Fund (SPF) has one overriding objective: to secure the payment of pensions benefits now and in the future to its members. That is the common purpose of the Fund's longer-term policies, objectives and strategies. These are agreed by the Strathclyde Pension Fund Committee and set out in its policy documents. These documents cover governance, risk, funding, investment, administration and communications. Each of these is reproduced or summarised within this annual report. All policy documents are available from the Fund's website at: www.spfo.org.uk

In the context of the COVID pandemic, these strategies have proven robust, and SPF has shown real resilience at both a strategic and operational level: pensions have been paid, investment returns have remained strong, funding level has improved. This was the case through 2020/21 and possibly even more so during 2021/22 as flexibility and adaptability established during the early stages of lockdown became embedded and formalised.

Business Plan

The Fund's decision-making body, the Strathclyde Pension Fund 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 plan sets out resource requirements, Key Performance Indicators (KPIs) and business and development priorities for the coming year.

The priorities for 2021/22 included a Business Renewal project – a review of processes, structure and ways of working in light of the COVID experience. This in turn led to the formalisation of a hybrid working pilot which will see all SPFO staff splitting their time between home and office working until at least the middle of 2022 when results will be further reviewed.

Other significant Business Plan priorities included: implementation of changes to the investment strategy which were agreed after the 2020 actuarial valuation; continued development of the Fund's Climate Change Strategy, and publication of a Stewardship Report in line with the UK Stewardship Code which had been revised significantly during 2020. All Business Plan priorities were either successfully completed during the year or were making progress as anticipated.

Further details of the business plan are included in the Governance section of this annual report. Achievement against KPI targets for day to day activity is reported to the committee throughout the year. Details are included in the Administration and Investment sections of this annual report.

Administration

The Business Renewal project will impact mostly in the Administration area of SPFO. A significant majority of SPFO staff work in the scheme administration teams. Investment functions are largely externalised. The key to operational success in scheme administration is now, more than ever, reliable systems, good data, and efficient digital processes. In this context, highlights of the last year include completion of 2 long-running projects:

GMP reconciliation - first appeared in the 2016/17 Business Plan, and was a complex, technical project with the objective of remediating a substantial legacy of incorrect GMP (Guaranteed Minimum Pension) data which had built up across all pension schemes over many years as a result of flawed processes for transmission of information between HMRC and scheme administrators. SPF finally completed the GMP project in November 2021 when adjustments were processed through the monthly pensioner payroll.

i-connect - made its first appearance in the Business Plan even earlier, in 2013/14. At that time it was a new product – a secure portal which allowed employers to transfer data direct from their payroll systems to the SPFO pensions system. Testing, implementation and roll-out to employers has been a lengthy, and at times arduous process, but it was completed in March 2022 when the last of SPF's 159 employers went "live". The benefits are already apparent. The SPF members database is more complete and accurate than it has ever been. i-connect now also provides a strong foundation for future development as SPF processes can be built around this single interface with employers.

Membership

Employer numbers reduced again, from 164 to 159, continuing a trend of some years' standing. Main drivers of this trend are employer consolidation, council insourcing of ALEOs and smaller employers preferring alternative, defined contribution pension arrangements. This trend which was acknowledged shortly after year end, with the publication of amendment regulations which include additional flexibilities designed to help manage employer exits. A list of participating employers is included in the Administration section of this annual report.

In contrast, scheme membership increased once more across all member categories – employee, pensioner and deferred – and hit a new high of 266,600.

The financial statements show pension and lump sum payments of **£681** million together with refunds and transfers of **£17** million. Total contributions and other benefits income receivable was **£715** million, producing a net inflow of **£16** million from dealings with members. This was a significant reversal from last year's net outflow of **£19 million**. This change was largely a result of a single bulk transfer in from an employer consolidating its membership in one LGPS Fund. This will be a non-recurring item.

Communications

Just as i-connect has radically changed the way SPF interacts with employers, SPFOnline has had a similar effect on dealing with scheme members. SPFOnline is the secure portal which allows members to view their pension records, benefit statements, and other documents; make changes to their contact details and nominations, and carry out modelling of their future benefits.

Members registered to actively use the SPFOnline service increased from 96,000 to over 110,000 over the course of the year – another long-term digital project which is really now coming to fruition.

Investment

The Fund's total investment return for the year was **+7.7%.** This was much reduced from the previous year's **+25.1%,** but was still remarkable both as a follow-on from that, and given the market vicissitudes surrounding COVID and the Russia-Ukraine conflict.

The largest contributor was again the equity portfolios, which still dominate asset allocation, and continue to fulfil their role of providing the most growth over the medium to long-term. Over the year, however, the total SPF equity return of **+8.6%** was surpassed by the Long-term enhanced yield total return of **+15.9%.** Within this category, the UK property **portfolio was strongest (+23.0%),** with global real estate **(+12.9%)** and infrastructure **(+7.5%)** also very respectable**.**

Credit **(-4.9%)** was the only asset category which lost value, but there were some negative or very negative returns from individual equity portfolios and from both Emerging Market Equity **(-17.2%)** and Debt **(-13.9%**).

The year's total return of **+7.7%** was **0.2%** behind benchmark.

3, 5, and 10 year annualised return figures are all both strongly positive and ahead of benchmark: **+9.2%** *v* **+8.3%**, **+7.8%** *v* **+7.0%**, and **+9.8%** v **+8.9%** respectively.

Impact

A review of the Fund's Direct Investment Portfolio (DIP) was completed during the year. This made no change to the objectives, structure, overall size parameters, risk and return parameters, or governance structure, but did result in an increase in the individual investment size parameters and a name change from the Direct Investment Portfolio to the Direct Impact Portfolio. This reflects the portfolio objective of adding value through local economic, environmental, social or governance impact. DIP made 7 new investments during the year – total value £210m. These spanned renewable energy, clean technology, Scottish SME financing, and affordable homes. DIP now comprises 56 separate investments with a closing Net Asset Value of £1,196m.

Stewardship

In September 2021, the Financial Reporting Council (FRC) published a list of successful signatories to the UK Stewardship Code. The Code sets high standards of stewardship for those investing money on behalf of UK savers and pensioners. The successful applicants better demonstrated their commitment to stewardship, which is very important as we emerge from the pandemic and address significant environmental and social challenges by investing for a sustainable future.

Strathclyde was one of only 23 asset owner signatories.
One third of applicants were unsuccessful.

Signatory of: UK STEWARDSHIP CODE | 2021

Climate Change

A significant element of Stewardship is the Fund's Climate Change Strategy.
During 2021/22 the SPF Committee agreed that Strathclyde Pension Fund should:

- incorporate the explicit objective of implementing an investment strategy that was consistent with achieving the goal of global net zero emissions by 2050;
- have a target of net-zero emissions across its own portfolios by 2050;
- produce a high level climate action plan;
- adopt an interim target for carbon reduction of at least 45% from the baseline by 2030;
- use the IIGCC Net Zero Investment Framework as the basis for producing its climate action plan;
- join the Paris Aligned Investment Initiative (PAII); and
- adopt and implement an energy company standards framework with immediate effect.

The Climate Change Strategy forms a separate section of this Annual Report.

Funding

On 1st April 2021 employer contribution rates certified as the outcome of the March 2020 actuarial valuation became effective. For most employers there was no change in the rate payable. The Main Employer Group continue to pay a rate of 19.3% (of pensionable pay) which was first set in April 2012. Interim monitoring indicated that the funding level remained significantly above the 2020 level for most of the year. Estimated funding level as at 31st March 2022 was in excess of 120%. The next formal valuation will be as at 31st March 2023.

Risk

The risk register is reviewed every quarter. The most significant change this year was in the risk from inflation which was increased from 12 (Probability 3/5 x Impact 4/5) to 16 (4/5 x 4/5) mid-year in response to leading economic indicators. This reflects the fact that whilst full inflation protection is a valuable benefit to members, it comes at a significant funding cost. The summary Risk Register is included in the Governance section of this annual report.

Governance

Committee and Board meetings continued to be held by video conference throughout the year. The March 2022 meeting was the last of the current Committee and Board. Both will be re-constituted after the Council elections in May 2022.

Outlook

The Fund's strategies are based on long-term modelling of multiple economic scenarios and outcomes. There is always risk and uncertainty, but the strategies are designed to accommodate that. Inflation is currently the most clear and present danger, but not the only one. COVID has diminished but not gone away, especially in parts of Asia. The longer term ramifications of the Russia-Ukraine conflict are wholly unknown. Lower economic growth and recession are clear possibilities. Stagflation – probably the worst scenario for funding - is not now merely a tail risk.

Many outcomes are still possible, but the balance has clearly tipped towards difficult times ahead. That said, the resilience shown by SPF in the last 2 years, and the very strong funding position at the balance sheet date do give much reassurance and some reason for optimism.

Conclusion

2021/22 was another successful year in unusual and often difficult circumstances.

Councillor Richard Bell
City Treasurer and Convener
Strathclyde Pension Fund Committee

Annemarie O'Donnell
Chief Executive
Glasgow City Council

Martin Booth
Executive Director of Finance
Glasgow City Council

Membership and Member Transactions

Members	2017/18	2018/19	2019/20	2020/21	2021/22
Employers	178	172	166	164	159
Employee Members	98,870	100,441	108,492	109,359	111,804
Deferred Members	57,759	62,599	63,796	65,334	67,744
Pensioners	76,683	79,234	81,470	83,685	87,052
Total Members	**233,312**	**242,274**	**253,758**	**258,378**	**266,600**
Transactions	**(£000)**	**(£000)**	**(£000)**	**(£000)**	**(£000)**
Employer Contributions	416,761	437,552	483,844	493,978	524,771
Employee Contributions	125,492	131,119	148,610	150,663	159,678
Lump Sums Paid	(125,487)	(137,713)	(166,893)	(135,384)	(158,084)
Pensions Paid	(422,583)	(452,656)	(478,793)	(507,304)	(523,399)
Other Income/(Payments)	(25,663)	(30,414)	(4,760)	(20,705)	13,339
Net Transactions	**(31,480)**	**(52,112)**	**(17,992)**	**(18,752)**	**16,305**

Contributions income and pension payment have increased year on year in line with membership.

Investments

	2017/18 (£000)	2018/19 (£000)	2019/20 (£000)	2020/21 (£000)	2021/22 (£000)
Opening Value	19,699,384	20,806,209	21,936,058	20,940,681	26,353,643
Investment Income (Net)	285,195	282,241	331,691	327,235	377,583
Management Expenses	(113,742)	(125,692)	(124,109)	(210,383)	(173,757)
Member Transactions	(31,480)	(52,112)	(17,992)	(18,752)	16,305
Change in Value	966,852	1,025,412	(1,184,967)	5,314,862	1,792,238
Closing Value	**20,806,209**	**21,936,058**	**20,940,681**	**26,353,643**	**28,366,012**

Net cash inflow of £16m for member transactions was a reversal of last year's outflow of £19m. The change was largely due to a one-off transfer in which is included in other income. Fund value has increased year on year except for a decrease in 2019/20 as a result of the initial market reaction to the Covid outbreak.

Cash Flow Forecast

- The figures below provide an estimate of annual cash flows over the next 10 years.
- Forecasts are based on actual cash flows to 2020/21 together with part-year cash flows for 2021/22.
- Investment income provides multiple cover for net pensions cash flow throughout the forecast period.

	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)
Pensions Income	667,351	699,139	729,452	760,258	792,256	825,492
Pensions Expenditure	694,235	746,111	801,870	841,354	882,621	925,745
Net Pensions Cash Flow	**-26,884**	**-46,972**	**-72,418**	**-81,096**	**-90,365**	**-100,253**
Net Investment Income	309,603	319,731	329,638	339,849	350,372	361,218

	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	2031/32 (£000)
Pensions Income	860,009	895,856	933,081	971,733	1,011,866
Pensions Expenditure	970,809	1,017,895	1,067,087	1,118,477	1,172,159
Net Pensions Cash Flow	**-110,800**	**-122,039**	**-134,006**	**-146,744**	**-160,293**
Net Investment Income	372,396	383,915	395,788	408,023	420,633

Although pensions cash flow is expected to become increasingly negative, there is ample cover from investment income. 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.

Strathclyde
Pension Fund

SECTION 2

GOVERNANCE

Given the size and complexity of the Strathclyde Pension Fund there are a large number of decision makers, advisers and practitioners involved in running it. The key roles are illustrated and summarised below and described further in the following pages.

STRATHCLYDE PENSION FUND GOVERNANCE

Glasgow City Council is the administering authority responsible for managing the fund.

Glasgow City Council's **Strathclyde Pension Fund Committee** is the main decision-making body for the Fund.

The **Committee Sounding Board** reviews proposals before they are considered by the Committee for decision.

The **Pension Board** assists the Committee in securing compliance with the regulations, other legislation, and the requirements of the Pensions Regulator.

The **Executive Director of Finance** is the responsible officer.

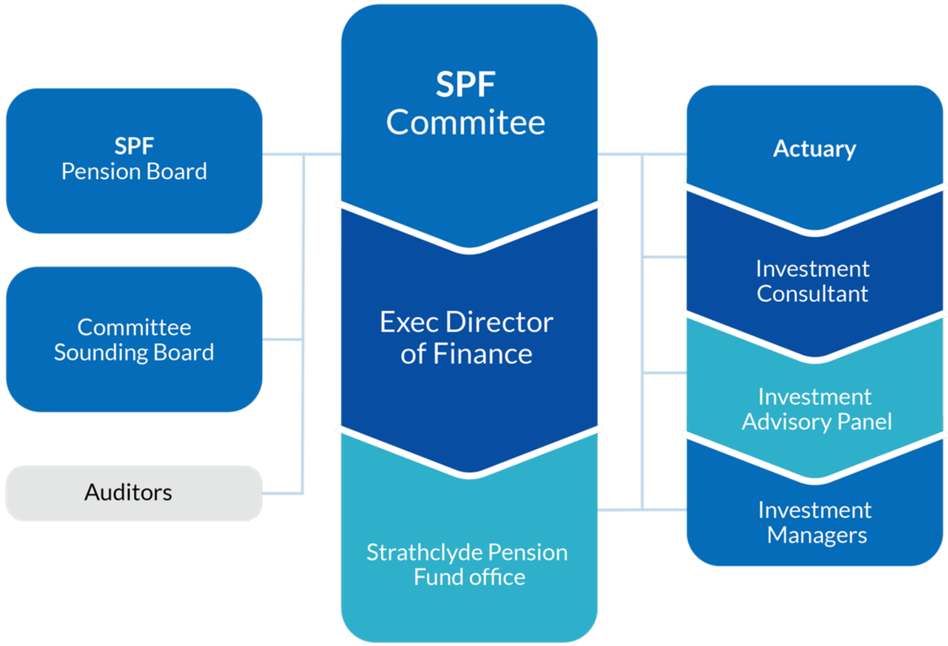
The **Director of Strathclyde Pension Fund** is the principal adviser to the Committee and to the Board and is the senior officer within the **Strathclyde Pension Fund Office** which administers the scheme, manages the Fund and implements Committee decisions.

The **actuary** provides advice on funding. The **investment consultants** provide advice on all aspects of investment objectives, strategy and structure.

The **Investment Advisory Panel** develops investment strategy and monitors investment performance.

The **internal auditors** review risk, controls, and governance. The **external auditors** express an opinion on the financial statements.

The **investment managers** manage the Fund's investment portfolios.



STRATHCLYDE PENSION FUND COMMITTEE

The Committee is comprised of elected members of Glasgow City Council. Councillor Mandy Morgan left the committee in May 2021 and was replaced by Councillor Graham Campbell. There were no other changes during the year. Committee membership as at 31st March 2022 is shown opposite.

Current committee membership is displayed on the Fund's website at: https://www.spfo.org.uk/index.aspx?articleid=16036

The Council and the Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee.

Under its Terms of Reference, the Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Strathclyde Pension Fund in terms of the Local Government (Scotland) Act 1994 and the Public Service Pensions Act 2013.

Committee members may also be scheme members either under the provisions for Councillor membership or as a result of previous service as employee members or both.

Committee Attendance 2021/22	
Ken Andrew	5/5
Richard Bell	5/5
Graham Campbell	5/5
Alan Gow	5/5
John Kane	5/5
Ruairi Kelly	4/5
David Meikle	1/5
Martha Wardrop	5/5

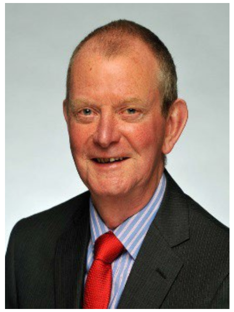
Councillor Richard Bell (Convener)

Councillor Allan Gow

Councillor Ruairi Kelly (Vice Convener)

Councillor Graham Campbell

Councillor Ken Andrew



Bailie John Kane

Councillor Martha Wardrop

Councillor David Meikle

STRATHCLYDE PENSION FUND BOARD

The Local Government Pension Scheme (Governance) (Scotland) regulations require each administering authority to establish a board with responsibility for assisting in relation to securing compliance with:

- the regulations and other legislation relating to the governance and administration of the Scheme; and
- requirements imposed in relation to the Scheme by the Pensions Regulator.

A Pension Board has to comprise an equal number of representatives appointed by scheme employers and relevant trade unions.

As at 31st March 2022 the Strathclyde Pension Fund Board membership comprised:

Employer Representatives

Cllr Tom Fisher	**North Lanarkshire Council**
Cllr Graeme Horne	**South Lanarkshire Council**
Cllr John Shaw	**Renfrewshire Council**
Mark Dickson	**Scottish Water**

Trade Union Representatives

Andrew Thompson	**GMB**
Thomas Glavin	**UNITE**
Stephen Kelly (Chair)	**UNISON**
Vacant	**UNISON**

The Joint Secretaries to the Pension Fund Board were:

James Corry (Trade Unions) left January 2022

Morag Johnston (Employers)

In accordance with the regulations the Pension Board meets at the same place and time as the Pension Committee to consider the same agenda as the Committee. The Chair of the Pension Fund Committee acts as Chair of that meeting. The Pension Board also meets separately from the Pension Committee with the agreement of the Pension Committee.

The March 2022 meeting was the last of the current Committee and Board ahead of Council elections in May 2022.

SOUNDING BOARD

Since 2009 the Strathclyde Pension Fund Committee has maintained a working group or Sounding Board drawn from its membership. The main function of the Sounding Board is to review proposals before they are considered by the Committee for decision – in particular investment proposals for the Direct Impact Portfolio and proposals relating to development of investment strategy.

As at 31st March 2022 the Sounding Board membership comprised:

Cllr Richard Bell (Convener)
Cllr Ruairi Kelly (Vice-Convener)
Bailie John Kane

INVESTMENT ADVISORY PANEL

The Investment Advisory Panel is responsible for:

- developing investment strategy
- monitoring investment performance
- assisting in the selection and appointment of investment managers
- setting and reviewing detailed investment mandate terms and guidelines
- implementation of the passive rebalancing strategy
- monitoring cash flows
- implementation of the private equity, private debt and global real estate programmes.

Throughout the year to 31st March 2022 the Investment Advisory Panel membership comprised investment officers from the Fund and representatives from Hymans Robertson as the Fund's actuary and investment consultant together with 3 independent expert advisers:

Iain Beattie qualified as an actuary and had a 20 year career in investment management at a number of Scottish investment houses. His roles included Portfolio Manager, Director, Head of International Equities, and Deputy Chief Investment Officer. He subsequently spent 10 years as a Senior Investment Consultant in Edinburgh and London.

Eric Lambert is an investment actuary. He had a 45 year career in a number of senior investment roles, first at Scottish Widows and subsequently Edinburgh based World Markets (WM) Company, the then leading provider of performance measurement, benchmarking and analytic services to the UK and international pensions industry. Eric retired from the Panel in November 2021.

Geoffrey Wood is Emeritus Professor of Economics at the Business School, City University, London and Emeritus Professor of Monetary Economics at the University of Buckingham. He has worked at the Federal Bank of St. Louis and the Bank of England. He has advised several central banks, national treasuries, pension funds and other financial institutions.

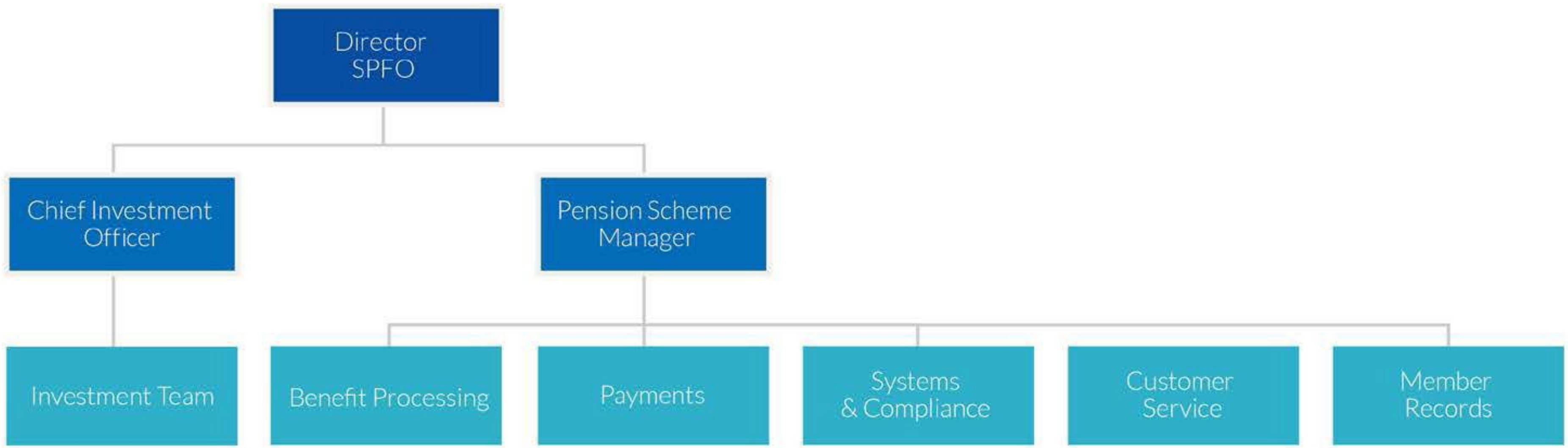
Alistair Sutherland joined the Panel in March 2022. He spent more than 30 years in the investment industry in roles including investment analyst, researcher, consultant, and director and head of business development.

STRATHCLYDE PENSION FUND OFFICE (SPFO)

SPFO is a division of Glasgow City Council's Financial Services Department.

The Executive Director of Finance oversees the department and is the Proper Officer responsible for the Strathclyde Pension Fund.

The SPFO structure is illustrated below.


Director
SPFO
Chief Investment
Officer
Pension Scheme
Manager
Investment Team
Benefit Processing
Payments
Systems
& Compliance
Customer
Service
Member
Records

INVESTMENT MANAGERS AND OTHER SERVICES PROVIDERS AS AT 31ST MARCH 2022

The Investment Managers are responsible for:

- portfolio management including individual decisions on purchase retention and sale of investments
- decisions on corporate actions and corporate governance (proxy voting)
- responsible investment activity including analysis and engagement with portfolio companies.

INVESTMENT MANAGERS

Alcentra (BNY Mellon Investment Management)	Ashmore	Barings	Baillie Gifford	DTZ Investors	Genesis
ICG	J.P.Morgan Asset Management	Lazard Asset Management	Legal & General Investment Management	OHA Oak Hill Advisors	OP Oldfield Partners
Pantheon	Partners Group (Realizing potential in private markets)	PIMCO	Ruffer	Veritas Asset Management	**FIDELITY INTERNATIONAL** **LOMBARD ODIER**

OTHER SERVICE PROVIDERS

Audit Scotland	Avison Young	Sustainalytics	Hymans Robertson	Northern Trust	Northern Trust
Audit of accounts	**Property portfolio valuation**	**ESG engagement**	**Actuarial services**	**Performance measurement**	**Global custody**
Pinsent Masons	Glasgow City Council	MSCI	Hymans Robertson	CMS Law . Tax	Prudential
Legal services	**Corporate support services**	**Carbon footprinting**	**Investment consultancy**	**Legal services (Property)**	AVC provider

TRAINING POLICY, PRACTICE AND PLAN

POLICY STATEMENT

Glasgow City Council, as administering authority for the Strathclyde Pension Fund, recognises the importance of ensuring that all staff and members charged with financial administration and decision-making with regard to the Fund and the local government pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Council therefore seeks to utilise individuals who are both capable and experienced and will provide or arrange training for staff and members of the pensions decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

PRACTICE STATEMENT

Glasgow City Council, as administering authority for the Strathclyde Pension Fund, adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

The Council recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.

Accordingly the Council will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.

These policies and practices will be guided by reference to the comprehensive framework of knowledge and skills requirements as set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Council will report on an annual basis how these policies have been put into practice throughout the financial year.

The Council has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Executive Director of Finance, who will act in accordance with the Council's policy statement, and with CIPFA Standards of Professional Practice (where relevant).

TRAINING PLAN

The Committee agrees an annual training plan to ensure that all staff, Committee members and Board members with a role in the management and governance of the Strathclyde Pension Fund are fully equipped with the knowledge, skills and understanding to discharge the duties and responsibilities allocated to them.

The 2021/22 training plan was agreed at the Committee's meeting on 2nd June 2021.

Training offered and delivered during the year included the following.

- Induction training for new committee and board members

- Committee/ Board Briefings or workshops on:
  - Current Investment Environment (Oldfield Partners)
  - Investing in the UK Build to Rent Market (Legal & General)
  - Investing in Core Infrastructure (Equitix)
  - Climate Change (SPF Officers & Hymans Robertson)
  - UK Property Portfolio (DTZ))

- Attendance at external events (mostly virtual):
  - LGC Investment Seminar Scotland 2021
  - PLSA Local Authority Conference 2021
  - PLSA Annual Conference 2021
  - LGPS Scotland Training Event 2021

- Support in completing The Pensions Regulator's Public Service Toolkit

In addition, many agenda items considered at Committee and Board meetings are to note, for information.

RISK POLICY & STRATEGY

No organisation can completely eliminate risk. This is particularly so for a pension fund. The Fund exists to pay future pension benefits. The future is inherently uncertain. There is therefore a risk that the investment assets of the Fund will be less or more than the pension liabilities. That risk is managed through the Funding Strategy. Other risks are managed through the investment, administration, governance and communications strategies.

In March 2019, the Committee agreed an updated Risk Policy & Strategy Statement which is available from the Publications area of the website at: www.spfo.org.uk

The statement sets out a common basis for risk management across the Fund's strategies.

RISK MANAGEMENT PROCESS

The risk management process should be a continuous cycle as illustrated opposite.

The SPF risk management strategy sets out how each element of the process will be addressed.

Risks are eliminated, transferred or controlled as far as possible.

RISK IDENTIFICATION AND RECORDING

A detailed risk register is maintained and is central to risk management.

The risk register records:

- risk ID
- risk description
- related objective
- risk category
- inherent (pre-control) risk scoring
- controls and mitigating actions
- residual (post-control) risk scoring
- previous risk scoring
- ownership

The register provides a simple, systematic and consistent basis for analysis, understanding, communication, management, monitoring and reporting of risks.

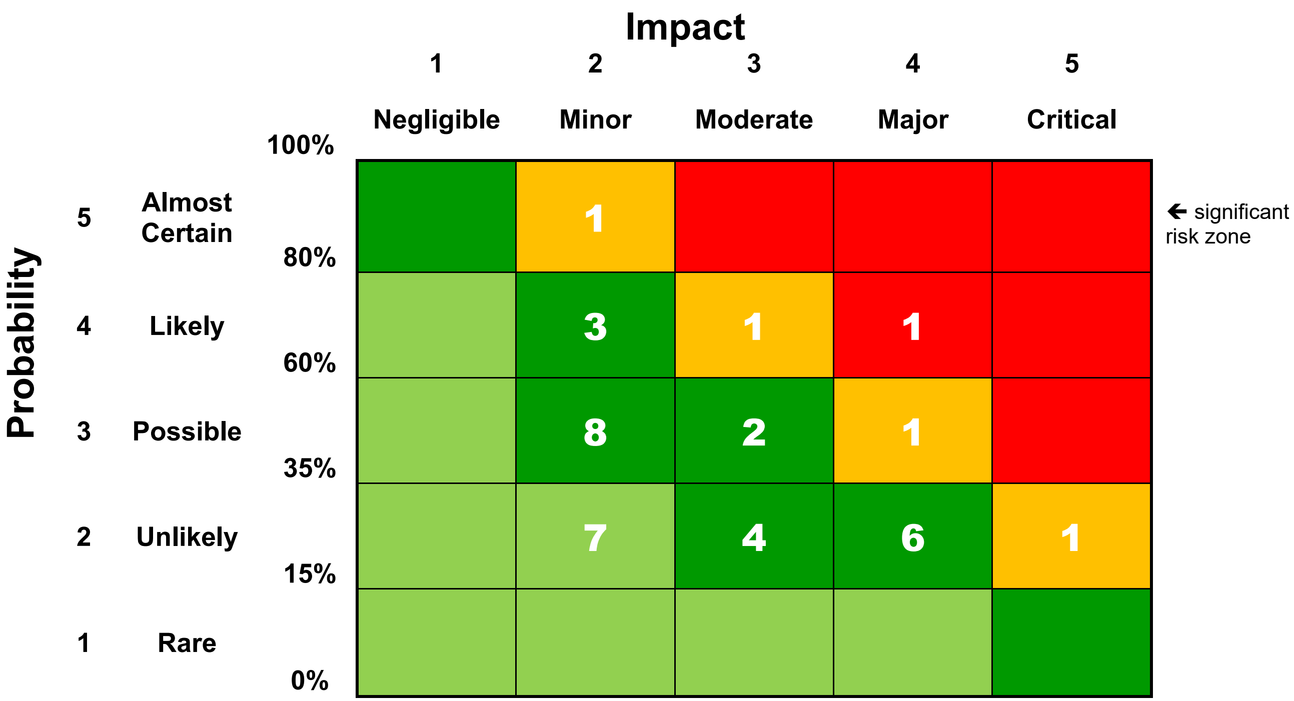
RISK ANALYSIS AND ASSESSMENT

Having identified potential risks, the next stage of the process is to analyse and profile each of them. This is illustrated in the risk tolerance matrix below, which also shows the distribution of risks recorded in the SPF register as at 31st March 2022.

RISK INTEGRATION

Consideration of risk forms part of established routines for monitoring and development within SPFO's administration, communications, investment and funding functions

RISK MATRIX AS AT 31ST MARCH 2022



RESPONSE TO RISK

Residual risks may be tolerated, treated, transferred or terminated. In practice, most will be treated. Controls and mitigating actions are shown in the risk register.

RISK MONITORING AND REPORTING

Regular review of the risk register is central to risk monitoring (see note). The register is reviewed by:

- the SPFO Leadership Team at least quarterly; and
- the SPF Committee and Board at least annually (a summary is reviewed more regularly).

Note: individual events such as the COVID-19 pandemic and Russia’s invasion of Ukraine are not considered as separate risks in the risk register. Instead, the impact of these on all other risks is considered, and risk scores amended as required.

The principal risks in terms of their residual ranking as at 31st March 2022 are summarised below.

Title	Description	Residual Impact (/5)	Residual Probability (/5)	Residual Score (/5)
Inflation Impact	**RISK:** Pay and price inflation significantly more or less than anticipated for a protracted period. **CAUSE:** Macroeconomic. **EFFECT:** Increase in liabilities; increase in asset price volatility; potential underfunding; potential increase in employer contribution rates	4	4	**16**
Data Breach	**RISK:** Theft or loss/misuse of personal data. **CAUSE:** Cyber attack, human error, process failure. **EFFECT:** Breach of data protection legislation including GDPR, financial loss, audit criticism, legal challenge, reputational damage, financial penalties.	3	4	**12**
System Failure	**RISK:** Issues with pensions administration system and other related systems. **CAUSE:** Outages, hardware and software failure, cyber attack. **EFFECT:** Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.	4	3	**12**
Fund Investment Impact	**RISK:** Fund's investments fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. **CAUSE**: Macro Economic. **EFFECT:** Long-term underfunding; significant increase in employer contribution rates.	5	2	**10**
Scheme Regulation Change	**RISK:** Changes to scheme regulations and other pensions legislation. **CAUSE:** Political or legislative **EFFECT:** Increasing administrative complexity, communications challenges. Potential issues with the Pensions Regulator. Increase in liabilities	2	5	**10**

Each year, the Strathclyde Pension Fund Committee is asked to agree a business plan. The plan sets out objectives, resourcing requirements, key performance indicators, and business and development priorities for the Fund for the coming year. The 2021/22 plan was agreed in March 2021. The table below provides a final review of progress made during the year in respect of the business and development priorities listed in the plan.

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

Item	Description	RAG Status	Progress
Pensions Administration			
Business Renewal	Review processes, structure and ways of working in light of COVID-19 experience. To include further development of digital processes and communications.	**Complete**	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.
GMP Reconciliation	Complete remediation phase of Guaranteed Minimum Pension (GMP) reconciliation and remediation project.	**Complete**	Remediation adjustments to pensions calculated and paid in November payroll (after system testing).
McCloud Remediation	Implement remediation to be agreed in light of McCloud judgement on age discrimination in the LGPS.	**Ongoing**	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.
Finance			
Process Review	Review of key financial processes including reconciliations, recharges, returns, bank accounts.	**Ongoing**	Project plan in place. Work commenced after completion of audit of 2020/21 accounts, and due to be completed alongside year-end processes.

This is a summary assessment of the extent to which delegation, or the absence of a delegation, complies with guidance given by Scottish Ministers and, to the extent that it does not so comply, the reasons for not complying. The guidance takes the form of a set of principles. A brief commentary on each of these is set out below.

STRUCTURE

The Strathclyde Pension Fund Committee discharges all functions and responsibilities relating to Glasgow City Council's role as administering authority for the Strathclyde Pension Fund. The Strathclyde Pension Fund Board includes employer and trade union representatives. The Board meets alongside the Committee and a formal report of each separate meeting of the Board is included on the agenda of the subsequent Committee meeting.

The Strathclyde Pension Fund Committee discharges all functions and responsibilities relating to Glasgow City Council's role as administering authority for the Strathclyde Pension Fund.

COMMITTEE MEMBERSHIP AND REPRESENTATION

The Board meets alongside the Committee and includes both local authority and other employer representatives. The trade unions represent employee, deferred and pensioner members.

SELECTION AND ROLE OF LAY MEMBERS

The Committee has clear Terms of Reference.
The Board has its own Constitution. Both can be found in the About Us/Governance area of the Fund's website at: www.spfo.org.uk

VOTING

All committee members have full voting rights.

TRAINING/FACILITY TIME/EXPENSES

A training policy, practice statement and plan are agreed each year. These apply equally to the Committee and Board. Training logs are maintained for Committee and Board members.

MEETINGS (FREQUENCY/QUORUM) AND ACCESS

The Committee and Board meet at least quarterly. Strathclyde Pension Fund Committee papers and Board minutes are available on the Glasgow City Council website. An Annual General Meeting is held, usually in June, and is attended by a wide group of stakeholders. During 2021/22 all meetings were held by video conference.

SCOPE

Regular reports considered by the Committee and Board include:

- scheme administration;
- scheme developments;
- investment performance;
- investment strategy;
- responsible investment and climate change strategy ;
- finance;
- funding;
- risk;
- audit;
- the Fund's business plan; and
- *ad hoc* reports on other pensions issues.

PUBLICITY

The Fund's website at www.spfo.org.uk has a section of its About Us area dedicated to governance.

CONCLUSION

The Fund's governance arrangements are fully compliant with the scheme's governance regulations. The arrangements also comply with guidance given by the Scottish Ministers with one exception. The exception is that there is no provision for a member of the Board to be a member of the Committee. The guidance pre-dates the governance regulations and does not reflect the current mandatory arrangement where the Board and Committee meet at the same time and in the same place.

Councillor Richard Bell
City Treasurer and Convener
Strathclyde Pension Fund Committee

Annemarie O'Donnell
Chief Executive
Glasgow City Council

1. ROLE AND RESPONSIBILITIES

Glasgow City Council ("the 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 the other 11 local authorities in the former Strathclyde area, and around 150 other large and small employers.

The main functions are management and investment of the Strathclyde Pension Fund 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 Superannuation Act 1972 and Public Service Pensions Act 2013.

Glasgow carries out its role as Administering Authority via:

- the Strathclyde Pension Fund Committee and Strathclyde Pension Fund Board
- the Strathclyde Pension Fund Office (SPFO), a division of the Council's Financial Services Department
- the Strathclyde Pension Fund (the Fund).

2. DELEGATION

The function of maintaining the Strathclyde Pension Fund is delegated by the Council to its Strathclyde Pension Fund Committee. Certain parts of the function are further delegated to the Executive Director of Finance and the Director of Strathclyde Pension Fund as set out in the Fund's Statement of Investment Principles and Administration Strategy. The Fund's policy documents are available in the Publications area of its website at: www.spfo.org.uk

The function of maintaining the Strathclyde Pension Fund is delegated by the Council to its Strathclyde Pension Fund Committee.

3. TERMS OF DELEGATION

The terms, structure and operational procedures of delegation are set out in the Council's Scheme of Delegated Functions and Standing Orders. These are available at: Key Corporate Governance Policy Plans - Glasgow City Council

4. COMMITTEE MEETINGS

Meetings of the Strathclyde Pension Fund Committee are held quarterly. Occasional ad hoc meetings are also held as required. Committee meeting dates are listed in the Council Diary which is available at: www.glasgow.gov.uk/councillorsandcommittees/calendar.asp

5. REPRESENTATION

The Strathclyde Pension Fund Committee is comprised solely of elected members of Glasgow City Council.

6. COMPLIANCE

The Committee arrangements were compliant with guidance provided by Scottish Ministers. The extent of this is detailed in the Strathclyde Pension Fund – Governance Compliance Statement included in the Fund's annual report.

7. PENSION BOARD

The Strathclyde Pension Fund Board was established on 1st April 2015 in terms of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, replacing the previous Representative Forum. The Strathclyde Pension Fund Board is comprised of representatives from the Fund's principal employers and trade unions.

8. SCOPE OF RESPONSIBILITY

As the administering authority for the Fund, the Council is responsible for ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Strathclyde Pension Fund Committee is responsible for putting in place proper arrangements (known as the governance framework) for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance (the Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. A copy of The Code is available on the council's website at: www.glasgow.gov.uk/index.aspx?articleid=17539

The work of the Strathclyde Pension Fund is governed by the Code and by regulations specific to administration of pension funds. The Strathclyde Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation and production of a number of key policy documents including a Funding Strategy Statement and Statement of Investment Principles. These documents set out the Fund's objectives together with the main risks facing the Fund and the key controls in place to mitigate those risks.

The Strathclyde Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations.

A Risk Register is maintained to facilitate detailed risk monitoring, and an annual Business Plan is produced to agree development and business priorities. All of these documents are available at the Fund's website at: www.spfo.org.uk

The Council's Executive Director of Finance is responsible for arranging the proper administration of the financial affairs of the Strathclyde Pension Fund and is professionally qualified and suitably experienced to lead the finance function. The Strathclyde Pension Fund complies with the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government 2016*".

The Strathclyde Pension Fund complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Organisations 2019". Glasgow City Council's Head of Audit and Inspection has responsibility for the Strathclyde Pension Fund's internal audit function and is professionally qualified and suitably experienced to lead and direct internal audit staff. The Internal Audit service has been subject to external verification of its compliance with the CIPFA "Public Sector Internal Audit Standards 2017" during 2020/21. It was confirmed that the Internal Audit service conforms with the requirements of the Public Sector Internal Audit Standards. The Internal Audit section continues to hold BSi quality accreditation under ISO9001:2015 and Audit Scotland continue to use the work of the section in the execution of their annual audit plan.

These arrangements also include an internal audit of an internal control environment which should:

- safeguard the contributions made by employees and employers to provide funds to meet the future pension liabilities of the Fund's members,
- ensure control over the investment managers charged with growing the value of the Fund to meet future liabilities, and
- secure payment to the retired members of the Fund.

The Council has assessed its compliance with the CIPFA Financial Management Code (2019), which became mandatory from 2021/22 onwards. The assessment in August 2022 indicated the Council was compliant with each of the requisite financial management standards.

The Committee's terms of reference state that the Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Strathclyde Pension Fund in terms of the Local Government (Scotland) Act 1994, the Public Service Pensions Act 2013 and the scheme regulations. The Committee is also responsible for the governance arrangements including regulatory compliance and implementation of audit recommendations.

Due to the structure and nature of the Strathclyde Pension Fund, financial data is held and transactions processed via a number of different sources, systems and reporting mechanisms:

- **Funding:** long terms cash flows and financial requirements are assessed in the three-yearly actuarial valuations. A quarterly funding projection is also produced by the Fund actuary.
- **Investment:** day-to-day management of investments is outsourced to a number of external parties. Detailed investment records are maintained by the Fund's external investment managers and global custodian and summarised in regular investment reports.
- **Administration:** the Fund uses Altair, a bespoke LGPS administration system, for calculating and recording pensions benefits. Payments are made from the Fund's bank account, and the Council's SAP-based financial system is used for reporting.

Given the role of the external investment managers it is essential that the Fund obtains assurances on the adequacy of the internal financial control systems operated by them. The main source of this assurance is the annual audit report produced by each of the managers' independent service auditors. Fund officers obtain and review these reports for each of the investment managers and the global custodian, which is responsible for the safekeeping and servicing of the Fund's assets. Current practice is for the findings of these reports to be reported to the Strathclyde Pension Fund Committee only by exception where there are audit concerns.

As part of the investment monitoring, a reconciliation process is well established which involves the completion of a quarterly performance reconciliation and an accounting reconciliation by the custodian Northern Trust.

9. REVIEW OF EFFECTIVENESS

The Council and the Strathclyde Pension Fund have systems of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of the Fund's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. A review of the Fund's governance framework is conducted on an annual basis by means of a self-assessment questionnaire based on the principles contained in the CIPFA/SOLACE Framework. Issued by Internal Audit it is designed to allow the Director of the Strathclyde Pension Fund to determine the extent to which the Fund complies with these principles. The accuracy of the responses to this questionnaire is reviewed and tested on a rolling basis by Internal Audit.

The Committee is responsible for ensuring the continuing effectiveness of the governance framework and system of internal control. The review of effectiveness is informed by the work of the Committee and SPFO, the Head of Audit and Inspection's annual report and by observations made by the external auditors. The conclusions of the review are reflected in the overall conclusion, which is documented at section 13 Certification.

10. UPDATE ON SIGNIFICANT GOVERNANCE ISSUES PREVIOUSLY REPORTED

There were no significant governance issues in 2020/21 specific to the Strathclyde Pension Fund. Nor were there any significant governance issues within the Council`s governance statement of relevance to the Strathclyde Pension Fund.

11. SIGNIFICANT GOVERNANCE ISSUES 2021/22

Glasgow City Council's Head of Audit and Inspection has confirmed that there are no significant governance issues that require to be reported as a result of the planned assurance work undertaken by Internal Audit at the Strathclyde Pension Fund in 2021/22.

The Strathclyde Pension Fund uses and relies on a number of the Council systems, processes and controls. As such, any significant governance issues within the Council are considered for relevance to the Strathclyde Pension Fund. There was one significant issue within the Council during 2021/22 relevant to the Strathclyde Pension Fund, this resulted in an overall limited assurance opinion for the Council group. The significant issue was in relation to the current IT arrangements, concerning ICT security and ICT contract management. The Council is responsible for progressing these recommendations and progress on these will be reported to the Council's Finance and Audit Scrutiny Committee.

During 2021/22, Internal Audit and Strathclyde Pension Fund officers utilised the flexible capacity in the annual Internal Audit plan to work together to fully investigate the circumstances of the fraud uncovered in February 2021, where a pension had continued to be paid to a deceased pensioner's son. This work was undertaken to ensure there were no other similar cases and to determine what further controls, if any, could be put in place. The outcome of this work was reported to the Strathclyde Pension Fund Committee in March 2022.

12. INTERNAL AUDIT OPINION

During 2021/22 the following assurance reviews were undertaken:

- Administration of ad hoc payments; and
- Pension Fund Board governance.

Based on the audit work undertaken, the assurances provided by the Executive Director of Finance and the

Director of Pensions, and excluding the issues noted above, it is the Head of Audit and Inspection's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2021/22.

13. CERTIFICATION

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance that operated in the Strathclyde Pension Fund during 2021/22. The work undertaken by Internal Audit has shown that the arrangements in place are generally operating as planned. We consider the governance and internal control environment operating during 2021/22 to provide reasonable and objective assurance that any significant risks impacting on the Fund's ability to achieve its objectives will be identified and actions taken to avoid or mitigate the impact.

Where areas for improvement have been identified and action plans agreed, we will ensure that they are treated as priority and progress towards implementation is reviewed by the Strathclyde Pension Fund Leadership Team, Board and Committee.

We will continue to review and enhance, as necessary, our governance arrangements.

Councillor Richard Bell
City Treasurer and
Convener Strathclyde
Pension Fund Committee

Annemarie O'Donnell
Chief Executive
Glasgow City Council

Strathclyde Pension Fund

SECTION 3

FINANCIAL STATEMENTS

The Council's Responsibilities

Glasgow City Council, as the administering authority for the Strathclyde Pension Fund, is required to:

- Make arrangements for the proper administration of Strathclyde Pension Fund's financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs. In relation to Strathclyde Pension Fund, that officer is the Executive Director of Finance;

- Manage the affairs of Strathclyde Pension Fund to secure the economic, efficient and effective use of resources and safeguard its assets;

- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014 and the Coronavirus (Scotland) Act 2020), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and

- Approve Strathclyde Pension Fund's Annual Accounts for signature.

These annual accounts were considered by the Strathclyde Pension Fund Committee at its meeting of 21 June 2022 and will be submitted to the Strathclyde Pension Fund Committee to be approved for signing no later than 30 September 2022.

I certify that the Annual Accounts have been approved for signature by Strathclyde Pension Fund Committee at its meeting on 11 October 2022.

Councillor Richard Bell
City Treasurer and Convener
Strathclyde Pension Fund Committee

Executive Director of Finance’s Responsibilities

The Executive Director of Finance is responsible for the preparation of Strathclyde Pension Fund’s Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Executive Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation; and
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Executive Director of Finance has also:

- Kept adequate accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Strathclyde Pension Fund as at 31 March 2022 and the transactions of the Fund for the period then ended.

Martin Booth BA, FCPFA, MBA
Executive Director of Finance

The financial statements give a true and fair view of the financial position of the Strathclyde Pension Fund as at 31 March 2022 and the transactions of the Fund for the year.

Fund Account

2020/21 £000		Note	2021/22 £000
	Contributions and Benefits Income		
493,978	Contributions from Employers	8	524,771
150,663	Contributions from Employees	8	159,678
6,020	Transfers in from Other Pension Funds	8a	30,083
494	Other		293
651,155			**714,825**
	Expenditure		
507,304	Pensions Payments	8	523,399
135,384	Lump Sum and Death Benefit Payments	8	158,084
27,219	Payments To and On Account of Leavers	9	17,037
669,907			**698,520**
18,752	**Net (Increase)/Reduction from Dealings with Members**		**(16,305)**
210,383	Management Expenses	10	173,757
229,135	**Net Reduction including Fund Management Expenses**		**157,452**
332,837	Investment Income	12	383,123
(5,602)	Taxes on Income	13	(5,540)
5,314,862	Change in Market Value of Investments		1,792,238
5,642,097	**Net Returns on Investments**		**2,169,821**
5,412,962	**Net Increase/(Reduction) in the Fund during the Year**		**2,012,369**
20,940,681	Add: Opening Net Assets of the Scheme		26,353,643
26,353,643	**Closing Net Assets of the Scheme**		**28,366,012**

The Fund Account shows the payments to pensioners, contribution receipts from employers and scheme members, and the income, expenditure and change in market value of the Fund's investments.

Net Assets Statement as at 31 March 2022

2020/21 £000		Note	2021/22 £000
	Investment Assets		
5,951,194	Equities	14,15	5,818,197
12,683,614	Pooled Investment Vehicles	14,15	13,120,492
4,819,843	Private Equity / Infrastructure	14,15	6,125,922
7	Index Linked Securities	14,15	6
5	Derivative Contracts	14,15,20	0
2,129,236	Property	14,15	2,588,085
591,747	Cash Deposits	14,15	549,165
41,428	Other Investment Assets	14,15	70,761
26,217,074			**28,272,628**
(33,436)	Investment Liabilities		(68,226)
783	Long-Term Debtors	23	962
227,351	Current Assets	24	211,983
(58,129)	Current Liabilities	25	(51,335)
26,353,643	**Net Assets of the Fund as at 31 March**		**28,366,012**

Net assets of the fund as at 31st March 2022 were £28.36 billion

The Net Assets Statement represents the value of assets and liabilities as at 31 March (excluding liability to pay pensions).

The unaudited financial statements were issued on 17 June 2022 and the audited financial statements were authorised for issue by Martin Booth on 21 November 2022.

Martin Booth BA, FCPFA, MBA
Executive Director of Finance

1. General Description of the Fund and its Membership

The Strathclyde Pension Fund was established in 1974 by Strathclyde Regional Council. Glasgow City Council became the Administering Authority for the Fund on 1 April 1996. The Fund is a pool into which employees' and employers' contributions and income from investments are paid. The Fund is also a pool from which pensions and other lump sum benefits are paid out in accordance with the provisions of the Local Government Pension Scheme (Scotland) Regulations.

The Local Government Pension Scheme is a statutory scheme established under the Superannuation Act 1972 and the Public Service Pensions Act 2013.

Glasgow City Council has delegated decision making for the Fund to its Strathclyde Pension Fund Committee. Scheme and Fund administration is carried out by the Strathclyde Pension Fund Office (SPFO), a division of the Council's Financial Services Department. The investment assets of the Fund are externally managed.

Fund Membership

Membership of the Strathclyde Pension Fund includes:

- Employees and pensioners of the 12 local authorities in the former Strathclyde area;
- Civilian employees and pensioners of the Scottish Police Authority and Scottish Fire and Rescue Service;
- Employees and pensioners of other scheduled bodies;
- Employees and pensioners of admitted bodies; and
- Deferred pensioners of scheduled and admitted bodies. The full list of participating employers as at 31 March 2022 can be found on pages 138-140. The major employers and other scheduled bodies are detailed below:

Major Employers	Other Scheduled Bodies
Argyll and Bute Council	Ayrshire College
East Ayrshire Council	City of Glasgow College
North Ayrshire Council	Glasgow Clyde College
South Ayrshire Council	Glasgow Kelvin College
West Dunbartonshire Council	New College Lanarkshire
East Dunbartonshire Council	South Lanarkshire College
Glasgow City Council	West College Scotland
North Lanarkshire Council	Ayrshire Valuation Joint Board
South Lanarkshire Council	Dunbartonshire Valuation Joint Board
East Renfrewshire Council	Lanarkshire Valuation Joint Board
Renfrewshire Council	Renfrewshire Valuation Joint Board
Inverclyde Council	University of West of Scotland
Scottish Water	
Scottish Police Authority	
Scottish Fire and Rescue Service	
Strathclyde Partnership for Transport	

2. Basis of Preparation

The Annual Accounts have been prepared in accordance with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The Annual Accounts summarise the transactions of the Fund during the year and the net assets at the year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 7 of these accounts.

The Fund's Annual Accounts are generally prepared on an accruals basis. The Net Assets Statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly. Receipts and payments in respect of the transfer of benefits to and from other schemes are treated on a cash basis.

The accounts have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

Fund Account

Contributions Income

Normal contributions from employers are accounted for on an accruals basis at the percentage rate certified by the Fund actuary in the payroll period to which they relate. Contributions from members are accounted for at the rates specified in the scheme regulations. Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amounts in respect of strain on the fund due in a year but unpaid will be classed as a current financial asset.

Transfers To and From Other Schemes

Transfer values represent the amounts received and paid from or to other pension funds during the year for members who have either joined or left the Fund during the financial year. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

Interest income is recognised in the Fund accounts as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Dividend income is recognised on the date the shares are quoted ex-dividend. Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the reporting period in relation to dividend income or distributions from pooled funds are disclosed in the Net Assets Statement as a current financial asset. Property income consists primarily of rental income that is recognised on a straight-line basis over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognized when contractually due.

Change in Market Value

Changes in the net market value of investments comprise all realised and unrealised profits/losses during the year.

Benefits Payable

Pension and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and then netted off against investment income.

Management Expenses Include the Following:

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff and accommodation costs of the pensions administration team are charged direct to the Fund. Management and other overheads are apportioned to the Fund in accordance with Council policy.

Oversight and Governance Costs

All oversight and governance costs are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. External investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments changes. In instances where an investment manager's fee note has not been received by the balance sheet date, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In cases where charges relate to an investment fund as a whole an estimate needs to be made of the costs applicable to the Pension Fund's holding. In 2021/22 £5.679m of fees are based on such estimates (2020/21 £14.109m). The cost of obtaining investment advice from external consultants is included in investment management charges. The cost of the Fund's management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Net Asset Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising in the fair value of an asset are recognised by the Fund.

Valuation of Investments

Quoted investments are valued at closing prices. These prices may be the last trade prices or bid prices depending on the convention of the stock exchange or other market on which they are quoted. Overseas investments and cash are stated in sterling using exchange rates as at close of business on 31 March 2022. The direct property portfolio was valued at 31 March 2022 on a fair value basis by Avison Young, the valuer being qualified for that purpose in accordance with the Royal Institute of Chartered Surveyor (RICS) Valuation Standards manual. Private equity investments have been included at the Fund managers' valuation adjusted for cash movements since the last valuation date where that is earlier than the balance sheet date. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published or if single priced at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is invested in the fund, net of applicable withholding tax.

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund may use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value. The value of future contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager using generally accepted option-pricing models with independent market data. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Liabilities

The Fund recognises financial liabilities at fair value at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. The Annual Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is summarised below and fully reported elsewhere. These Annual Accounts should be read in conjunction with that information.

Contingent Assets and Liabilities

Contingent assets and liabilities reflect possible assets or financial obligations to the Fund where the potential amount is unable to be estimated and/or it is still not deemed probable that an obligating event has arisen. Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes (see Note 29).

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits in a note to the Net Assets Statement (Note 7).

Additional Voluntary Contributions

Strathclyde Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. Standard Life is the legacy provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (SSI 2010/233) but are disclosed as a note only (Note 31).

Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events may be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where this would have a material effect, the nature and estimated financial impact of such events is disclosed in the notes.

New Standards Issued but not yet Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

- IFRS 16 (early 2022/23 adoption);
- Annual Improvements to IFRS Standards 2018 – 2020 Cycle;
- Amendments to IAS16 Property, Plant and Equipment. Proceeds before Intended Use.

The code requires implementation from 1 April 2022 and there is therefore no impact on the 2021/22 Annual Accounts. Overall, these new or amended standards are not expected to have a significant impact on the Annual Accounts.

4. Critical Judgements in Applying Accounting Policies

Directly Held Property

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between 6 months and 5 years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the Net Asset Statement at Fair Value. Rental income is recognised in the Fund Account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting policy are only made when required by a proper accounting practice or to provide more reliable or relevant information on the Fund's financial position. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always applied. Changes in accounting estimation techniques are applied in the current and future years.

6. Actuarial Position of the Fund

In accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 an actuarial valuation of the Strathclyde Pension Fund was carried out as at 31 March 2020. Results of the valuation were confirmed during March 2021 and a copy of the valuation report was issued to all participating employers.

The funding level as at 31 March 2020 was 106.1% (105.0% at 31 March 2017) and there was a funding surplus of £1,197 million (£939 million at 31 March 2017):

2017 Valuation £ million		2020 Valuation £ million
19,699	**Fund Assets**	20,941
(18,760)	**Fund Liabilities**	(19,744)
939	**Surplus**	**1,197**

The Fund liabilities were valued on an "ongoing" basis anticipating that the Fund's investments will produce returns which exceed those available from government bonds.

The funding target of 100% had been achieved and exceeded at the valuation date.

The whole fund Primary and Secondary employer contribution rates were 26.7% and -7.1%. In practice individual employers pay rates based on their own funding position and membership profile. The Main Employer Group contribution rate was held at 19.3% for the 3 years to 31 March 2024.

Funding Policy

On completion of the actuarial valuation as at 31 March 2020 the Fund published a revised Funding Strategy Statement in accordance with regulation 56 of the Regulations. The actuary's report and the Funding Strategy Statement are available from www.spfo.org.uk or from the Strathclyde Pension Fund Office, Capella Building, 6th Floor, 60 York Street, Glasgow G2 8JX.

Funding Projection as at 31 March 2022

The actuarial projection provided by the Fund's actuary as at 31 March 2022 recorded a projected funding position of 123.3%. The next formal funding valuation will be carried out as at 31 March 2023 with results being available by 31 March 2024.

Funding Method

At the 2020 actuarial valuation and for previous valuations a funding method was used that identifies separately the expected cost of members' benefits in respect of:

- Scheme membership completed before the valuation date ("past service"); and
- Scheme membership expected to be completed after the valuation date ("future service").

The funding strategy and the methodology adopted by the actuary incorporate a risk-based approach which allows for thousands of possible future economic scenarios when assessing the likelihood of contributions being sufficient to meet both the accrued and future liabilities over a given time horizon for the Fund and for each employer.

The funding objective is to achieve the funding target over the target funding period. The funding target (amount of assets compared to liabilities expressed as a percentage) is at least 100% using appropriate actuarial assumptions.

The target funding period and recovery period for any deficit is the weighted average future working lifetime of the active membership – currently around 13 years for the whole Fund. There are many inherent uncertainties in the funding process and a wide range of possible outcomes. It is acknowledged that the actual funding level will fluctuate as a result.

The funding strategy targets at least a 2/3rds probability of achieving the target, and a higher probability where possible.

The actuary's report on the valuation is required to include a Rates and Adjustments certificate which specifies for each employer the primary rate and the secondary rate of the employer's contribution for each of the three years beginning with 1 April in the year following that in which the valuation date falls. The primary rate for each employer is the expected cost of future service for that employer's membership. The secondary rate is any percentage or amount by which, in the actuary's opinion, contributions at the primary rate should be increased or reduced by reason of any circumstances peculiar to that employer.

The primary and secondary rates for each employer from 1 April 2021 to 31 March 2024 are shown in the Rates and Adjustments certificate in Appendix 3 to the valuation report which is available from www.spfo.co.uk. For the Fund's Main Employer Group the total rate to be paid is as shown below:

3 years to	Rate (as % of pensionable payroll)
31 March 2024	19.3

7. Actuarial and Other Major Assumptions

The Statement of Accounts contains estimated figures that are based on assumptions made by the Strathclyde Pension Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. For valuation purposes the actuary uses assumptions about the factors affecting the Fund's finances in the future. The estimate is subject to significant variances based on changes to these underlying assumptions. The most sensitive assumptions are detailed below:

Assumption	Derivation	Nominal %	Real %
Price inflation (CPI) / Pension Increases / Deferred Revaluation	Market expectation of long term future RPI inflation as measured by the geometric difference between yields on fixed and index-linked Government bonds as at the valuation date less 0.7% p.a.	1.9	-
Pay increases	Price inflation (CPI) plus 0.7% p.a.	2.6	0.7
Discount rate	Expected future annual return from the Fund's investments with at least a 75% likelihood of being achieved over the next 13 years based on actuarial modelling.	3.0	1.1

In addition to the financial assumptions outlined above, valuation results are also sensitive to demographic assumptions. These include assumptions about the future longevity of members and about whether on retirement they will exchange some of their pension for additional tax-free cash (the commutation assumption).

For this valuation, the actuary adopted assumptions which give the following sample average future life expectancies for members (2017 figures included for comparison):

Assumed life expectancy at age 65	Actives & Deferreds		Current Pensioners	
	Male	Female	Male	Female
2017 Valuation	*23.4*	*25.8*	*21.4*	*23.7*
2020 Valuation	21.3	24.7	19.9	22.6

Further details of the mortality assumptions adopted for the 2020 valuation can be found in Appendix 2 to the valuation report. Note that the figures for actives and deferred/pensioners assume that they are aged 45 at the valuation date.

The commutation assumption adopted by the actuary is that future pensioners will elect to exchange pension for additional tax-free cash up to 50% of HMRC limits for service to 31 March 2009 and 75% of HMRC limits for service from 1 April 2009.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is estimated at £28,536 million as at 31 March 2022 (£29,425 million as at 31 March 2021). This differs from the basis of the Net Asset Statement value of £28,365 million at 31 March 2022 (£26,354m as at 31 March 2021) which does not consider liabilities in respect of future liabilities to pay pensionable benefits after 31 March 2022.

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2020. It should be noted that the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The items in the Financial Statements at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The actuary has estimated that a 0.1% decrease in the real discount rate would lead to an increase in the pension liability of £569 million. Similarly, a 0.1% increase in the rates of salary increase and pension increase would increase the liability by £70 million and £495 million respectively. The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. The actuary estimates that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £2,130 million and that the impact from any change in demographic and longevity assumptions is to decrease the actuarial present value by £189 million.
Private Equity / Infrastructure	Determining the fair value of investments in private markets involves a degree of subjectivity. Valuations are inherently based on forward looking estimates and judgements involving many factors and can result in investment assets being reclassified between financial years. Where reclassification of an investment has taken place the prior year balance has been restated. These have all been categorised as 'Level 3' investments, that is investments where an error in at least one input could have a significant effect on an instrument's valuation.	The value of the Fund's private equity, private debt, private real estate and infrastructure investments was £6,125.9m at 31st March 2022 (£4,819.8m at 31st March 2021). The private markets figure of £6,125.9m includes £2,558.3m private equity (£2,062.1m in 2020/21), £1,407.2m private debt (£1,099.7m in 2020/21), £552.9m private real estate (£451.2m in 2020/21) and £1,607.5m (£1,206.8m in 2020/21) infrastructure. There is a risk that this investment may be under- or overstated in the accounts by up to 31.2% i.e. an increase or decrease of £1,911.3m (see Note 22 for details).

Item	Uncertainties	Effect if actual results differ from assumptions
Property	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 15% i.e. an increase or decrease of £388.2m, on carrying values of £2,588.1m (see Note 22 for details).

8. Contributions and Benefits

2021/22	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Contributions				
Employer	89,817	320,435	92,986	503,238
Augmentation	1,368	8,025	12,140	21,533
Total Employers	**91,185**	**328,460**	**105,126**	**524,771**
Employees	28,699	101,171	29,808	159,678
Benefits				
Pension	75,978	373,045	74,376	523,399
Lump Sum and Death Benefits	31,877	97,918	28,289	158,084
Total Benefits	**107,855**	**470,963**	**102,665**	**681,483**

2020/21	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Contributions				
Employer	85,258	294,989	98,118	**478,365**
Augmentation	764	7,085	7,764	**15,613**
Total Employers	**86,022**	**302,074**	**105,882**	**493,978**
Employees	27,358	93,331	29,974	**150,663**
Benefits				
Pension	73,079	365,663	68,562	**507,304**
Lump Sum and Death Benefits	22,463	88,144	24,777	**135,384**
Total Benefits	**95,542**	**453,807**	**93,339**	**642,688**

Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 [Section 31] allows employers to pay additional pensions on a voluntary basis.

As is typical within the Local Government Pension Schemes (LGPS), arrangements exist whereby additional teachers' pensions and employee pensions are paid with the payment of funded pensions. In order that such are not regarded as “unauthorised payments” by HMRC, these pension payments are met by the administering authority through a general fund bank account and recharged to the body or service which granted the benefit.

As “unfunded payments” are discretionary benefits, they're not relevant to the sums disclosed in the Fund accounts. As such, Strathclyde Pension Fund provides payment and billing services to certain employers on a no charge agency agreement basis.

8a. Transfers In From Other Pension Funds

2020/21 £000		**2021/22 £000**
0	Group Transfers	20,100
6,020	Individual Transfers	9,983
6,020		**30,083**

9. Payments To and On Account of Leavers

2020/21 £000		**2021/22 £000**
1,418	Refunds to members leaving service	1,598
12,414	Group Transfers	0
13,387	Individual Transfers	15,439
27,219		**17,037**

10. Management Expenses

The total management expenses were as follows:

2020/21 £000		2021/22 £000
4,291	Administrative Costs	4,518
204,330	Investment Management Expenses	167,839
1,762	Oversight and governance costs	1,401
210,383		**173,758**

Oversight and governance costs include £0.060m (2020/21 £0.058m) in respect of the external audit fee to Audit Scotland. There were no other services provided by external audit in the year. Investment management expenses include £4.624m in respect of transaction costs (2020/21 £3.489m).

11. Investment Expenses

The total investment expenses were as follows:

2021/22	**Total £000**	**Management Fees £000**	**Transaction Costs £000**	**Performance Monitoring Fees £000**	**Actuarial Fees – Investment Consultancy £000**	**Consultancy Fees £000**
Equities	26,370	21,719	4,624	0	0	27
Pooled Investment Vehicles	30,688	30,688	0	0	0	0
Private Equity / Infrastructure / Property	109,758	109,758	0	0	0	0
Index Linked Securities	0	0	0	0	0	0
Other Investment Assets	856	374	0	90	125	267
Sub-Total	**167,672**	**162,539**	**4,624**	**90**	**125**	**294**
Custody Fees	167					
Total Investment Management Expenses	**167,839**					

2020/21	Total	Management Fees	Transaction Costs	Performance Monitoring Fees	Actuarial Fees – Investment Consultancy	Consultancy Fees
	£000	£000	£000	£000	£000	£000
Equities	22,228	18,739	3,489	0	0	0
Pooled Investment Vehicles	56,956	56,956	0	0	0	0
Private Equity / Infrastructure / Property	123,815	123,724	0	0	0	91
Index Linked Securities	18	18	0	0	0	0
Other Investment Assets	1,141	571	0	70	130	370
Sub-Total	**204,158**	**200,008**	**3,489**	**70**	**130**	**461**
Custody Fees	172					
Total Investment Management	**204,330**					

The investment management fees shown include £24.841 million (2020/21 £72.804 million) in respect of performance related fees paid to the Fund’s investment managers. In accordance with CIPFA guidance investment management costs deducted from an investment value are recognised as a cost in the Fund Account.

Quantification of these costs involves requesting the relevant fund managers for information not all of which can be independently verified. In cases where charges relate to an investment fund as a whole an estimate needs to be made of the costs applicable to the Pension Fund’s holding. There is a risk that the value of investment fees deducted from investments is incorrectly stated. However, this third party evidence is scrutinised and reviewed for completeness, accuracy and reasonableness to minimise this risk and as the costs are offset by a corresponding adjustment to the change in market value of investment any inaccuracy in the cost estimate will not change the reported net movement in the fund for the year.

12. Investment Income

Total investment income was as follows:

2020/21 £000		2021/22 £000
0	Bonds	2
98,169	Dividends	86,663
3,495	Pooled Investments	2,796
162,723	Venture Capital and Partnerships	202,700
2,795	Interest and other	1,701
65,655	Rents	89,261
332,837	**Investment income**	**383,123**

2020/21 *£000*	**Net Property Rental Income**	2021/22 £000
65,655	Rental Income	89,261
(18,085)	Direct Operating Expenses	(17,085)
47,570	**Net Income**	**72,176**

13. Taxes on Income

2020/21 *£000*		2021/22 £000
5,602	Withholding tax – equities	5,540
5,602		**5,540**

14. Investments

Statement of Movement in Investments

2021/22	*Market Value as at 31 March 2021 £000*	Purchases and Derivative Payments £000	Sales and Derivative Receipts £000	Change in Market Value £000	Market Value as at 31 March 2022 £000
Investment Assets					
Equities	5,951,194	3,415,464	(3,467,689)	(80,772)	5,818,197
Pooled Investment Vehicles	12,683,614	448,218	(551,893)	540,553	13,120,492
Private Equity / Infrastructure	4,819,843	1,408,465	(894,648)	792,262	6,125,922
Index Linked Securities	7	0	(1)	0	6
Property	2,129,236	57,404	0	401,445	2,588,085
	25,583,894	**5,329,551**	**(4,914,231)**	**1,653,488**	**27,652,702**
Derivative Contracts:	(1,839)	201	(909)	2,514	(33)
Other Investment Balances:					
Cash Deposits	591,747				549,165
Receivable for Sales of Investments	3,779				36,019
Investment Income Due	37,649				34,742
Spot FX Contracts	0				(49)
Payable for Purchases of Investments	(31,592)				(68,144)
Net Investment Assets	**26,183,638**	**5,329,752**	**(4,915,140)**	**1,656,002**	**28,204,402**

2020/21	Market Value as at 31 March 2020 £000	Purchases and Derivative Payments £000	Sales and Derivative Receipts £000	Change in Market Value £000	Market Value as at 31 March 2021 £000
Investment Assets					
Equities	4,767,958	1,804,121	(1,997,645)	1,376,760	5,951,194
Pooled Investment Vehicles	9,207,504	756	(100,091)	3,575,445	12,683,614
Private Equity / Infrastructure	4,024,183	949,697	(406,159)	252,122	4,819,843
Index Linked Securities	8	0	0	(1)	7
Property	2,126,139	47,712	(26,316)	(18,299)	2,129,236
	20,125,792	**2,802,286**	**(2,530,211)**	**5,186,027**	**25,583,894**
Derivative Contracts:	6,570	95	(73,454)	64,950	(1,839)
Other Investment Balances:					
Cash Deposits	609,114				591,747
Receivable for Sales of Investments	5,320				3,779
Investment Income Due	33,544				37,649
Spot FX Contracts	(5)				0
Payable for Purchases of Investments	(46,439)				(31,592)
Net Investment Assets	**20,733,896**	**2,802,381**	**(2,603,665)**	**5,250,977**	**26,183,638**

Other movements during the year include all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The reason for the difference of £136.236m in the change in market value per the above table and the Fund Account on page 37 is due to notional management expenses and transaction costs netted off against assets by fund managers.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds and are charged directly to the Fund. Transaction costs on listed securities include broker commissions, which are payments for the execution of trades and other levies such as exchange fees, settlement fees and clearing fees; transaction taxes, including stamp duty and other financial transaction taxes, and entry or exit charges that may arise when a holding in a pooled vehicle is bought or sold.

In addition to the transaction costs disclosed above, indirect costs may be incurred through the bid-offer spread on some pooled investment vehicles. The amount of such costs are separately provided to the Fund.

Derivatives

Derivatives comprise futures and forward derivative contracts. The market values as at 31 March 2022 and a summary of contracts held are summarised in the tables below:

31 March 2021 £000		31 March 2022 £000
(1,838)	Futures	0
(1)	Forwards	(33)
(1,839)	**Market Value**	**(33)**

The Fund may use futures for the purposes of efficient portfolio management and or risk reduction.

During the year, the Fund's equity managers used futures to manage risk. All futures and contracts are exchange traded.

Forwards

The Fund's equity managers may use forward foreign exchange contracts for the purposes of efficient portfolio management. As at 31 March 2022 there was £0.033m forward foreign exchange contracts.

Derivative market pricing is provided by the Fund's Global Custodian Northern Trust.

15. Analysis of Investments

Investments can be further analysed as follows:

Market Value as at 31 March 2021 £000		Market Value as at 31 March 2022 £000
7	Fixed Interest Securities	6
5,951,194	Equities	5,818,197
	Pooled Funds – Additional Analysis	
2,179,914	Fixed Income Unit Trust	2,044,442
7,765,461	Equity Unit Trust	7,926,444
76,729	Cash Balances	345,875
9,548	Commodities	10,719
1,193,574	Multi-Asset	1,203,920
1,458,388	Absolute Return	1,589,092
12,683,614		**13,120,492**
	Private Equity/Infrastructure – Additional Analysis	
2,062,169	Venture Capital	2,558,312
1,206,798	Infrastructure	1,607,492
1,099,692	Private Debt	1,407,234
451,184	Real Estate	552,884
2,129,236	Property	2,588,085
6,949,079		**8,714,007**
591,747	Cash Deposits	549,165
(1,839)	Derivatives	(33)
41,428	Other Investment Assets	70,761
(31,592)	Investment Liabilities	(68,193)
26,183,638	**Net Investment Assets**	**28,204,402**

Note: Cash balances are managed by the Fund's Global Custodian, Northern Trust

16. Fund Management

Investment Managers and Mandates

The market value of assets under the management of Fund managers as at 31 March 2022 was £28,204 million.

Investment management arrangements as at 31 March 2022 are summarised below:

Asset Class	Fund Manager	% Managed	Market Value £000
Multi-Asset Passive	Legal & General	33.52	9,453,822
Global Equity	Baillie Gifford	7.55	2,129,215
Global Equity	Lazard	3.18	897,409
Global Equity	Veritas	3.06	863,762
Global Equity	Oldfield	2.88	813,360
Specialist - Equities (UK Small Companies)	Lombard Odier	1.56	438,617
Specialist - Equities (Overseas Small Companies)	JP Morgan	3.14	885,936
Specialist - Emerging Markets	Genesis/Fidelity	1.32	372,051
Specialist - Private Equity	Pantheon	5.18	1,461,160
Specialist - Private Equity	Partners Group	3.19	898,389
Specialist - Absolute Return Bonds	PIMCO	3.64	1,026,906
Specialist - Long-only Absolute Return	Ruffer	1.99	562,186
Specialist - Multi-asset Credit	Barings	2.52	712,138
Specialist - Multi-asset Credit	Oak Hill Advisors	1.74	491,782
Specialist - Private Debt	Barings	1.75	494,658
Specialist - Private Debt	Alcentra	1.35	379,908
Specialist - Private Debt	Partners Group	0.78	221,158
Specialist - Private Real Estate Debt	ICG Longbow	0.75	211,590
Emerging Market Debt	Ashmore	1.74	490,890
Specialist - Property	DTZ	9.41	2,650,281
Specialist - Global Real Estate	Partners Group	1.53	432,523
Specialist - Global Infrastructure	JP Morgan	3.02	851,228
Specialist - Direct Investment Portfolio	Various	4.28	1,206,557
Cash	Northern Trust	0.92	258,876
		100.00	**28,204,402**

Investment management arrangements as at 31 March 2021 are summarised below:

Asset Class	Fund Manager	% Managed	Market Value £000
Multi Asset - Passive	Legal & General	34.47	9,027,462
Global Equity	Baillie Gifford	8.76	2,294,878
Global Equity	Lazard	3.31	865,500
Global Equity	Veritas	2.95	771,791
Global Equity	Oldfield	2.83	740,175
Specialist – Global Real Estate	Partners Group	1.37	358,948
Specialist – Absolute Return Bonds	PIMCO	4.61	1,207,020
Specialist – Equities (Overseas Small Companies)	JP Morgan	3.87	1,013,158
Specialist – Equities (UK Small Companies)	Lombard Odier	1.71	447,614
Specialist – Private Equity	Pantheon Ventures	4.53	1,187,425
Specialist – Private Equity	Partners Group	3.23	846,897
Specialist – Emerging Markets	Genesis	1.99	521,902
Specialist – Emerging Market Future	Legal & General	0.32	83,239
Specialist – Direct Investment Portfolio	Various	3.53	924,553
Specialist – Multi Asset Credit	Barings Multi-Asset Credit	2.74	716,655
Specialist – Multi Asset Credit	Oakhill Advisors	1.83	477,973
Specialist – Private Debt	Alcentra	1.30	340,549
Specialist – Private Debt	Barings Global Loan Funds	1.55	405,116
Specialist – Private Debt	Partners Group Private Debt	0.44	114,327
Specialist – Global Infrastructure	JP Morgan	2.12	555,982
Specialist – Private Real Estate Debt	ICG Longbow	0.50	130,771
Specialist – Long Only Absolute Return	Ruffer	0.96	251,368
Emerging Market Debt	Ashmore	1.85	484,631
Cash	Northern Trust	0.91	239,084
Specialist - Property	DTZ	8.32	2,176,620
		100.00	**26,183,638**

Private Equity

Unquoted holdings in private equity funds have been included at the Fund managers' valuation adjusted for cash movements since the last valuation date where appropriate, and incorporating fair value adjustment where these have been provided by managers. Unquoted Fund investments are valued at fair value as determined by the Directors or General Partner. The valuations provided by the general partners or managers typically reflect the fair value of the Company's capital account balance of each Fund investment, including unrealised gains and losses, as reported in the Annual Accounts of the respective Fund. Private equity investments are typically illiquid and resale is restricted.

17. Notifiable Holdings

Notifiable holdings are holdings which exceed 5% of the total value of Fund net assets. As at 31 March 2022 the Fund had holdings of £2,375m (8.4%) in Legal and General North America Index Fund (GBP Hedged).

18. Property Holdings

As at 31 March 2022 the Fund held direct property assets with a value of £2,524m (2020/21 £2,076m). This valuation was calculated by Avison Young on the Fund's behalf in accordance with RICS Valuation Standards manual.

As at 31 March 2022 the Fund held indirect UK property assets of £64m (2020/21 £53m).

2020/21 £000		**2021/22 £000**
2,126,139	Opening balance	2,129,236
47,712	Additions	57,403
(26,316)	Disposals	0
(18,299)	Change in Market Value	401,446
2,129,236	**Closing balance**	**2,588,085**

The future minimum lease payments receivable by the fund as at 31 March 2022 are shown in the next table.

2020/21 £000		2021/22 £000
86,100	Within one year	86,600
269,900	Between one and five years	235,200
518,400	Later than five years	430,300
874,400	**Total future lease payments due**	**752,100**

19. Stock Lending

The Fund participates in a stock lending programme managed by its Global Custodian, Northern Trust. All loans are fully collateralised. As at 31 March 2022 stock with a value of £428.5m was on loan (£540.3m as at 31 March 2021).

20. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair values of financial assets and liabilities by category and net asset statement heading for the year ended 31 March 2022.

31 March 2021				*31 March 2022*		
Fair value through profit & loss	*Loans & receivables*	*Financial liabilities at amortised cost*		**Fair value through profit & loss**	**Loans & receivables**	**Financial liabilities at amortised cost**
£000	£000	£000		£000	£000	£000
			Financial Assets			
5,951,194	0	0	Equities	5,818,197	0	0
12,683,614	0	0	Pooled Investment Vehicles	13,120,492	0	0
4,819,843	0	0	Private Equity/ Infrastructure	6,125,922	0	0
7	0	0	Index Linked Securities	6	0	0
5		0	Derivative Contracts	0		0
47,858	543,889	0	Cash	28,053	521,111	0
2	41,428	0	Other Investment Balances	0	70,761	0
23,502,523	**585,317**	**0**		**25,092,670**	**591,872**	**0**
			Financial Liabilities			
(1,844)	0	0	Derivatives	(33)	0	0
0	0	(31,592)	Other Investment Liabilities	0	0	(68,193)
(1,844)	**0**	**(31,592)**		**(33)**	**0**	**(68,193)**
23,500,679	**585,317**	**(31,592)**	**Net Financial Assets**	**25,092,637**	**591,872**	**(68,193)**

The table below shows net gains and losses on financial instruments for the year ended 31 March 2022:

31 March 2021 £000		**31 March 2022 £000**
	Financial Assets	
4,996,291	Fair value through profit and loss	1,252,042
25	Loans and receivables	2,604
	Financial Liabilities	
64,950	Fair value through profit and loss	2,514
(17,108)	Loans and receivables	(3,252)
5,044,158	**Total**	**1,253,908**

The following table summarises the market values of the Fund's financial assets and liabilities by class of instrument for the year ended 31 March 2022:

Market Value 31 March 2021 £000		**Market Value 31 March 2022 £000**
	Financial Assets	
23,502,523	Fair value through profit and loss	25,092,670
585,317	Loans and receivables	591,872
	Financial Liabilities	
(1,844)	Fair Value through profit and loss	(33)
(31,592)	Financial liabilities measured at amortised cost	(68,193)
24,054,404	**Total**	**25,616,316**

The £25,616m net financial assets shown above plus property (£2,588m) and long-term debtors and current assets (£212m) less current liabilities (£52m) equals £28,364m Net Assets as at 31 March 2022 on page 38.

21. Fair Value Hierarchy

The valuation of financial assets and liabilities has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid quotation of the relevant stock exchange.

Over 67% of the Fund's financial instruments are in Level 1 of the Fair Value hierarchy.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of private equity investments are based on valuations provided by the general partners of the private equity funds in which the Fund has invested. Such valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken quarterly.

The following tables provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

31 March 2021				*31 March 2022*		
Level 1 £000	*Level 2 £000*	*Level 3 £000*		**Level 1 £000**	**Level 2 £000**	**Level 3 £000**
			Financial Assets			
16,448,108	2,234,572	4,819,843	Fair Value through profit and loss	16,581,331	2,355,458	6,155,881
581,538	3,779	0	Loans and receivables	542,353	49,519	0
17,029,646	**2,238,351**	**4,819,843**		**17,123,684**	**2,404,977**	**6,155,881**
			Financial Liabilities			
(1,838)	(6)	0	Fair Value through profit and loss	0	(33)	0
(20,245)	(11,347)	0	Financial liabilities measured at amortised cost	(25,051)	(43,142)	0
(22,083)	**(11,353)**	**0**		**(25,051)**	**(43,175)**	**0**
17,007,563	**2,226,998**	**4,819,843**	**Net Financial Assets**	**17,098,633**	**2,361,802**	**6,155,881**

The total value of Net Financial Assets for Levels 1, 2 and 3 as at 31 March 2022 in the above table is £25,616m (£24,054m 2020/21) which matches the financial instruments market value shown at Note 20. The Fund's property assets of £2,588m (see Note 18 for details) are also classed as level 3, taking the total value of Net Financial Assets to £28,204m which matches the Net Investments Assets total per the Net Assets Statement.

Reconciliation of Fair Value Measurements Within Level 3

2021/22	*Market value as at 31 March 2021*	Transfers in/out of Level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market value as at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Equities	*332*	39,126	3,871	(14,894)	3,263	(1,740)	29,958
Equity Funds	*0*	0	0	0	0	0	0
Private Equity	*4,819,843*	0	1,407,410	(893,592)	367,101	425,161	6,125,923
Fixed Income Funds	*0*	0	0	0	0	0	0
	4,820,175	**39,126**	**1,411,281**	**(908,486)**	**370,364**	**423,421**	**6,155,881**

2020/21	*Market value as at 31 March 2020*	Transfers in/out of Level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market value as at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Equities	*493*	0	20	(116)	(65)	0	332
Equity Funds	*0*	0	0	0	0	0	0
Private Equity	*4,024,184*	0	969,802	(426,264)	(130,970)	383,091	4,819,843
Fixed Income Funds	*0*	0	0	0	0	0	0
	4,024,677	**0**	**969,822**	**(426,380)**	**(131,035)**	**383,091**	**4,820,175**

Determining the fair value of investments in private markets involves a degree of subjectivity. Valuations are inherently based on forward looking estimates and judgements involving many factors, but adhering to relevant industry and accounting guidelines and principles.

22. Nature and Extent of Risks Arising From Financial Assets and Liabilities

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund while maximising the opportunity for gains. This is achieved through asset diversification (by asset class, geographical region, sector and Fund manager) to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cashflows. These risks are managed as part of the overall pension fund investment management programme. Responsibility for risk management rests with the Strathclyde Pension Fund Committee. Actuarial and investment consultants are retained to advise on risk. A risk register is maintained and reviewed by the Committee on a regular basis. The Fund's assets are externally managed, and the investment managers adhere to their own risk management strategies.

Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest rates, foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The Fund's investment managers are expected to identify, manage and control market risk exposure within acceptable parameters whilst optimising the return on investments. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share price risk, arising from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through the diversification of securities and are monitored to ensure they remain within the limits specified in the investment management guidelines.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the following movements in market price risk were reasonably possible for the 2021/22 reporting period:

2020/21 Potential Market Movement (+/-)	Asset Type	2021/22 Potential Market Movement (+/-)
16.7%	UK Equities	19.9%
17.4%	Overseas Equities	20.1%
3.2%	Corporate Bonds (short term)	3.5%
8.0%	Corporate Bonds (medium term)	8.1%
7.5%	Index Linked Gilts	7.3%
28.5%	Private Equity and Infrastructure Funds	31.2%
16.1%	Commodities	32.1%
0.3%	Cash	0.3%
4.6%	Senior Loans	9.0%
2.1%	Absolute Return Bonds	2.8%
14.2%	UK Property	15.0%
10.9%	**Total Fund Volatility**	**12.9%**

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory. The tables below show the change in the net assets available to pay benefits had the market price of the investments increased or decreased in line with the table above.

Potential Market Movements

Asset Type	Value as at 31 March 2022 £000	Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	549,165	0.3	550,812	547,517
Investment portfolio assets:				
UK bonds	5	8.1	5	4
Corporate bonds (Medium term)	1	8.1	2	1
UK equities	878,202	19.9	1,052,964	703,439
Overseas equities	4,939,995	20.1	5,932,934	3,947,057
UK fixed income unit trusts	778,211	8.1	841,246	715,176
Overseas fixed income unit trusts	775,343	8.1	838,146	712,540
UK equity unit trusts	3,332,501	19.9	3,995,669	2,669,333
Overseas equity unit trusts	4,593,942	20.1	5,517,324	3,670,561
Pooled Investment Vehicles	3,294,620	9.0	3,591,136	2,998,104
Cash Funds	345,875	0.3	346,913	344,837
Private Equity and Infrastructure	6,125,922	31.2	8,037,209	4,214,635
Property	2,588,085	15.0	2,976,298	2,199,872
Net derivative assets	(33)	0.0	(33)	(33)
Investment income due	34,748	0.0	34,748	34,748
Pending Spot FX	(49)	0.0	(49)	(49)
Amounts receivable for sales	36,013	0.0	36,013	36,013
Amounts payable for purchases	(68,144)	0.0	(68,144)	(68,144)
Total	**28,204,402**		**33,683,193**	**22,725,611**

The prior year comparators for 2020/21 are as follows:

Asset Type	Value as at 31 March 2021 £000	Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	591,747	0.3	593,522	589,972
Investment portfolio assets:				
UK bonds	5	3.2	5	5
Corporate bonds (Medium term)	2	8.0	2	2
UK equities	922,083	16.7	1,076,071	768,095
Overseas equities	5,029,111	17.4	5,904,176	4,154,046
UK fixed income unit trusts	1,001,084	7.5	1,076,165	926,003
Overseas fixed income unit trusts	705,993	8.0	762,472	649,514
UK equity unit trusts	4,316,884	16.7	5,037,804	3,595,964
Overseas equity unit trusts	3,448,576	17.4	4,048,628	2,848,524
Pooled Investment Vehicles	3,134,348	16.1	3,638,978	2,629,718
Cash Funds	76,729	0.3	76,959	76,499
Private Equity and Infrastructure	4,819,843	28.5	6,193,498	3,446,188
Property	2,129,236	14.2	2,431,588	1,826,884
Net derivative assets	(1,839)	0.0	(1,839)	(1,839)
Investment income due	37,649	0.0	37,649	37,649
Pending Spot FX	2	0.0	2	2
Amounts receivable for sales	15,465	0.0	15,465	15,465
Amounts payable for purchases	(43,280)	0.0	(43,280)	(43,280)
Total	**26,183,638**		**30,847,865**	**21,519,411**

Interest Rate Risk

The Fund invests in financial assets with the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below.

As at 31 March 2021 £000	Asset Type	As at 31 March 2022 £000
591,747	Cash Balances – Investments	549,165

Interest Rate Sensitivity Analysis

Interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. The analysis in the table below assumes that all other variables, in particular exchange rates, remain constant and shows the effect of a +/-100 Basis Points (BPS) change in interest rates on the net assets available to pay benefits.

As at 31 March 2021 £000	*+100 BPS £000*	*-100 BPS £000*	Asset Type	As at 31 March 2022 £000	+100 BPS £000	-100 BPS £000
591,747	597,664	585,830	Cash Balances – Investments	549,165	554,657	543,673

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the Fund's base currency (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. Investment managers are expected to manage currency risk.

Currency Risk – Sensitivity Analysis

Based on historical analysis of movement in the currencies to which the Fund is exposed, it is considered that a 10% fluctuation in currency is reasonable. The table below shows the impact a 10% strengthening / weakening of the pound against the various currencies to which the Fund is exposed would have on the net assets available to pay benefits, assuming all other variables, in particular interest rates, remain constant.

Asset Type	Value as at 31 March 2022 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas quoted equities	4,939,995	10.0	5,433,995	4,445,996
Overseas fixed income	775,343	10.0	852,877	697,809
Overseas equity funds	4,593,942	10.0	5,053,336	4,134,548
Total	**10,309,280**		**11,340,208**	**9,278,353**

Asset Type	*Value as at 31 March 2021 £000*	*Change %*	*Value on Increase £000*	*Value on Decrease £000*
Overseas quoted equities	5,029,111	10.0	5,532,022	4,526,200
Overseas fixed income	705,993	10.0	776,592	635,394
Overseas equity funds	3,448,576	10.0	3,793,434	3,103,718
Total	**9,183,680**		**10,102,048**	**8,265,312**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities. The Fund’s cash balances are managed by Northern Trust and are invested in AAA rated money market funds.

23. Long Term Debtor

Long-term debtors of the Fund represent the amount of additional tax charges incurred by members who are in breach of their Lifetime Tax Allowance (LTA) limit. These additional charges have been paid upfront by the Fund and will be reimbursed by these members over a period of time through additional pension deductions.

As at 31 March 2021 £000	**Long-Term Debtors**	**As at 31 March 2022 £000**
783	Lifetime Tax Allowance	962

24. Current Assets

2020/21 £000		**2021/22 £000**
	Debtors	
42,541	• Contributions due – employers	53,251
21,328	• Sundry Debtors	50,022
163,482	Cash Balances	108,710
227,351		**211,983**

25. Current Liabilities

2020/21 £000		**2021/22 £000**
38,968	Sundry creditors	30,161
19,161	Benefits payable	21,174
58,129		**51,335**

26. Events After the Balance Sheet Date

Capital markets remain volatile due to the war in Ukraine along with sustained inflationary increases after the balance sheet date, but there were no material events between 31 March 2022 and the date of signing that require to be reflected in the Annual Accounts.

27. Transactions with Related Parties

Pension receipts and payments including VAT are transacted using Glasgow City Council's financial systems and the Pension Fund's banking arrangements. Throughout the year the Fund maintains a cash balance for this purpose which is listed as 'cash deposits' in the Net Assets Statement. During 2021/22 the amount recharged by Glasgow City Council to the Strathclyde Pension Fund for administration costs was £4.449m (2020/21 £4.170m). There is an outstanding creditor of £5.670m between the Council and Strathclyde Pension Fund as at 31 March 2022.

The key management personnel of the Fund are the Director of Pensions, the Chief Investment Officer and the Pension Scheme Manager. Total remuneration including short-term employee benefits and post- employment benefits payable to key management personnel was £336,880 (£332,983 2020/21). Key management personnel had accrued pensions totalling £89,689 (£83,397 2020/21) and lump sums totalling £87,574 (£87,238 2020/21) at the end of the period.

A remuneration report providing disclosures in respect of elected members and chief officers of the Council, including those with authority and responsibility for the Strathclyde Pension Fund is included in Glasgow City Council's Annual Report and Annual Accounts which are available from the Council's website at www.glasgow.gov.uk

Committee members may also be scheme members under the provisions for Councillor membership or as a result of previous service as employee members.

There were no other material transactions with related parties during the year.

28. Contractual Commitments

As at 31 March 2022 the Fund had contractual commitments of £8,749m (£8,195m 2020/21) within its private equity, private debt, infrastructure and global real estate portfolios, of which £2,162m (£2,525m 2020/21) remains undrawn.

29. Contingent Assets and Liabilities

Contingent Liabilities reflect possible liabilities facing the Fund where the potential amount is unable to be estimated, and/or it is still not deemed probable that an obligatory event has arisen.

On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. The Fund recognises the potential for liabilities arising from GMP equalisation however due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on the Fund at this time.

The Goodwin tribunal relates to a recent employment tribunal that changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005. The approximate impact of this is likely to be very small for the Fund at 0.1%-0.2% of liabilities and therefore no allowance was made for this in the 2020 valuation.

30. Statement of Investment Principles

In accordance with Regulations 12 and 14 of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 the Fund maintains and publishes a written statement of the principles governing decisions about investments. The statement is available at www.spfo.org.uk or on request from the SPFO.

31. Additional Voluntary Contributions (AVCs)

AVC investments are managed by Prudential and Standard Life. As these are invested separately from the investments of the Fund itself and secure extra benefits only for the AVC contributors on an individual basis, the relevant figures have not been included in the Annual Accounts. Members participating in this arrangement receive an annual statement confirming the amount held in their account and the movements in the year.

2020/21				2021/22		
Prudential £000	*Standard Life £000*	*Total AVC's £000*		**Prudential £000**	**Standard Life £000**	**Total AVC's £000**
54,286	**1,504**	***55,790***	**Opening Market Value**	59,828	1,475	61,303
9,153	0	*9,153*	Contributions Received	9,266	0	9,266
(7,148)	(189)	*(7,337)*	Sales of Investments	(8,625)	(179)	(8,804)
3,537	160	*3,697*	Change in Market Value	2,060	86	2,146
59,828	**1,475**	***61,303***	**Closing Market Value**	62,529	1,382	63,911

***Note**: Prudential 2021/22 figures are estimated as actuals unavailable at time of publishing , 2020/21 figures have been updated to reflect actuals.

Strathclyde Pension Fund

SECTION 4

FUNDING

The Local Government Pension Scheme regulations require each administering authority to obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March in every third year. The regulations require each administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out their funding strategy. The most recent actuarial valuation of the Fund was completed as at 31st March 2020.

In completing the valuation the actuary must have regard to the current version of the administering authority's funding strategy statement.

The actuarial valuation is essentially a measurement of the Fund's liabilities. The funding strategy deals with how the liabilities will be managed. In practice, review of the Funding Strategy Statement and completion of the actuarial valuation are carried out in tandem to ensure that the measurement and management processes are cohesive.

Members' benefits are guaranteed by statute. Members' contributions are set at a rate which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The Funding Strategy focuses on the pace at which these benefits are funded and on practical measures to ensure that employers pay for their own liabilities.

At the 2020 actuarial valuation, the actuary reported a funding position of 106%. The following total employer contribution rates were certified for the Fund's Main Employer Group including the 12 local authorities.

- 19.3% (of pensionable payroll) from 1st April 2021;
- 19.3% (of pensionable payroll) from 1st April 2022; and
- 19.3% (of pensionable payroll) from 1st April 2023.

In completing the valuation, the actuary assesses the particular circumstances of each employer including the strength of its covenant, and its individual membership experience within the Fund. The actuary applies individual adjustments to each employer to reflect these circumstances. This results in a higher contribution rate than the baseline 19.3% and/or an annual cash contribution at a fixed amount being certified for many employers.

The next actuarial valuation and review of the Funding Strategy Statement will be carried out as at 31st March 2023 and must be completed by 31st March 2024.

The Fund has online access to a client portal provided by the actuary. This allows ongoing monitoring of the estimated progression of the funding level. As at 31st March 2022 this showed an indicative funding position in excess of 120%.

As part of the 2020 actuarial valuation exercise, the Funding Strategy Statement was reviewed and the following revised statement was approved in March 2021.

1. Introduction

Glasgow City Council is the administering authority for the Strathclyde Pension Fund. The Council delegates this responsibility to the Strathclyde Pension Fund Committee. The Council and the Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee in the private sector.

This statement sets out the approach to funding which the committee adopts in light of those duties. Further background details are set out in Schedule 1 of this statement.

2. Purpose of the Funding Strategy Statement(FSS)

Preparation and publication of the FSS is a regulatory requirement. The stated purpose is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting. This statement sets out how the administering authority balances the potentially conflicting aims of affordability and stability of contributions, transparency of processes, and prudence in the funding basis.

3. Aims and Purpose of the Pension Fund

The Fund is the vehicle for the delivery of scheme benefits.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income;
- invest monies in accordance with policy formulated by the administering authority; and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

The aims of the Fund are to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage employers' liabilities effectively;
- seek investment returns within reasonable risk parameters; and
- enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the employers and taxpayers while achieving and maintaining fund solvency and long term cost efficiency

The objectives of the funding strategy are consistent with these aims. The objectives are set out in Schedule 2 of this statement.

Preparation and publication of the Funding Strategy Statement is a regulatory requirement.

The aims of the pension fund can only be achieved if all parties involved in its operation exercise their statutory duties and responsibilities conscientiously and diligently.

4. Responsibilities of Key Parties

The Fund is a multi-employer arrangement with 164 participating employers. The administering authority manages the Fund to deliver the scheme benefits and to ensure that each employer is responsible for its own liabilities within the Fund.

The responsibilities of the key parties involved in management of the Fund are set out in Schedule 3 to this statement.

5. Solvency and Long Term Cost Efficiency

Employer contribution rates are required to be set at an appropriate level to ensure the solvency of the Fund and long term cost efficiency of the scheme.

In this context:

- **solvency** means that the rate of employer contributions should be set at such a level as to ensure that the scheme's liabilities can be met as they arise; and
- **long-term cost-efficiency** implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

  These requirements are reflected in the funding objective.

6. Funding Objective

The funding objective is to ensure that sufficient funds are available to pay all members' pensions now and in the future. There are many inherent uncertainties in the funding process and a wide range of possible outcomes. It is acknowledged that the actual funding level will fluctuate as a result.

For measurement purposes the funding objective is formulated as: to achieve the funding target over the target funding period with an appropriate degree of probability. Under the current funding strategy:

- The funding target (amount of assets compared to liabilities expressed as a percentage) is at least 100% using appropriate actuarial assumptions.
- the target funding period is the weighted average future working lifetime of the active membership – currently around 13 years for the whole Fund, but longer or shorter for different employers depending on their own membership profile; and
- the probability of achieving the target is at least 66%, and higher where possible.

For the Fund as a whole and for ongoing employers the funding level will be measured on an ongoing actuarial basis, taking advance credit for anticipated investment returns.

For employers whose participation in the Fund is to cease the funding level will be measured on a more prudent cessation basis and contribution rates will be set accordingly.

The approach to funding strategy for individual employers including the policies on admission and cessation is set out in Schedule 4.

7. Contributions Strategy

The contributions strategy aims to ensure that the target funding level is achieved at both Fund and employer level in a manner which is fair and affordable for employers.

For ongoing employers with a good covenant the Fund will adopt measures to stabilise the contribution rate and will seek to limit changes in the rate payable by them.

For employers with a less secure covenant or where participation in the Fund may cease, rates and adjustments will be set to minimise risk to the Fund and its other employers.

The contributions strategy is set out in Schedule 5 to this statement.

8. Links to Investment Strategy set out in the Statement of Investment Principles (SIP)

The investment strategy is set for the long term but is monitored continually and reviewed every 3 years using asset-liability modelling to ensure that it remains appropriate to the Fund's liability profile.

The Fund initially applies a single investment strategy for all employers but may apply notional or actual variations after agreement with individual employers.

Details of the investment strategy are set out in the Fund's Statement of Investment Principles which is available at:

https://www.spfo.org.uk/index.aspx?articleid=14498

9. The Identification of Risks and Counter Measures

Risk management is integral to the governance and management of the Fund at a strategic and operational level. The Fund actively manages risk and maintains a detailed risk register which is reviewed on a quarterly basis.

Details of risk management are set out in the Fund's Risk Policy and Strategy Statement which is available at:

https://www.spfo.org.uk/index.aspx?articleid=20464

The key funding risks are set out in Schedule 6 to this statement

10. Actuarial Valuation as at 31st March 2020

Key figures from the actuarial valuation as at 31st March 2020 are set out in Appendix 7.

Schedules:

1. Background
2. Objectives of the Funding Strategy
3. Responsibility of Key Parties involved in management of Fund
4. Funding Strategy for individual employers
5. Contributions Strategy
6. Key financial, demographic, regulatory and governance risks
7. Statistical Appendix: key figures from the 2020 actuarial valuation

The full Funding Strategy Statement including schedules is available from the publications area of the SPFO website at:

www.spfo.org.uk

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the solvency of the Fund and the solvency of individual employers' share of the Fund;
- to ensure the long term cost efficiency of the scheme in order to secure as far as possible its affordability to employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to provide a framework for the investment strategy of the Fund;
- to help employers recognise and manage pension liabilities as they accrue;
- to inform employers of the risks and potential costs associated with pension funding;
- to minimise the degree of short-term change in the level of each employer's contributions where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 was as at 31 March 2020. This valuation revealed that the Fund's assets, which at 31 March 2020 were valued at £20,941 million, were sufficient to meet 106% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2020 valuation was £1,197 million.

Each employer had contribution requirements set at the valuation for the period 1 April 2021 to 31 March 2024, with the aim of achieving their funding target within a time horizon and probability measure as per the FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2020 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.
The key financial assumptions adopted for the 2020 valuation were as follows:

Financial assumptions	31 March 2020
Discount rate	3.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	1.9%

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2019 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	19.9 years	22.6 years
Future Pensioners*	21.3 years	24.7 years

*Currently aged 45

Copies of the 2020 valuation report and Funding Strategy Statement are available on www.spfo.org.uk

Experience over the period since 31 March 2020

Markets were severely disrupted by COVID-19 at the 31 March 2020 funding valuation date, resulting in depressed asset values but recovered very strongly in 2020 and 2021. Due to the war in Ukraine, early 2022 resulted in volatile markets, which affects values at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 will have improved (by the order of 20%) compared to that reported at the previous formal valuation as at 31 March 2020.

The next actuarial valuation will be carried out as at 31 March 2023. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA
For and on behalf of Hymans Robertson LLP
30 May 2022

Strathclyde
Pension Fund

SECTION 5

CLIMATE CHANGE STRATEGY

CLIMATE RISK

SPF believes that Climate Change is a systemic risk and thus a material long-term financial risk.

SPF supports the recommendations of the **Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)**. TCFD provides a global framework to enable stakeholders to understand the financial system's exposure to climate-related risks particularly affecting organisations most likely to experience climate-related financial impacts from transition and physical risks. TCFD has been endorsed by over 2,600 companies and financial institutions representing a combined market capitalisation of US$25 trillion and US$194 trillion assets under management. SPF has committed to reporting on its approach to climate risk using the TCFD framework for asset owners, and sets out below its approach to managing climate risk within the TCFD's four thematic areas of Governance, Strategy, Risk Management and Metrics and Targets.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

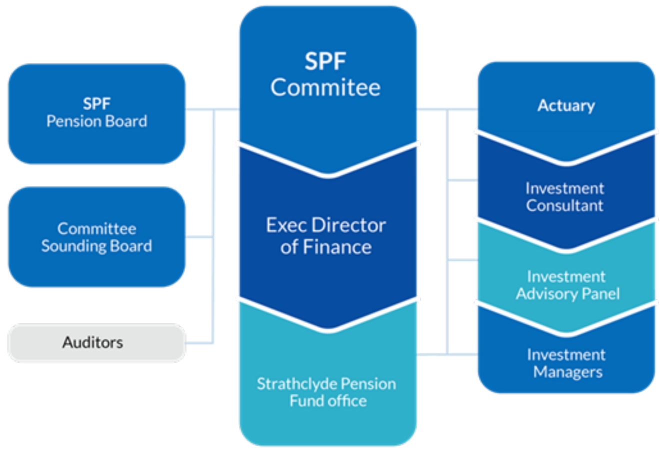
GOVERNANCE

Recommended Disclosure (a)

Describe the board's oversight of climate-related risks and opportunities.

The Fund's governance structure is illustrated opposite.

The Strathclyde Pension Fund (SPF) Committee is responsible for agreeing investment objectives, strategy and structure and for developing the responsible investment and Climate Change strategies. The Committee receives regular reports on the Fund's responsible investment and Climate Change activity.



Since 2015 the SPF Committee has considered a number of reports specifically addressing Climate Change risks and the development of a Climate Change strategy. These are summarised as follows:

- **August 2015** the Committee considered a report investigating the feasibility, cost and benefits of introducing partial or complete fossil fuel divestment for the Strathclyde Pension Fund. Divestment was not recommended. Instead the Committee agreed to re-state the Fund's commitment to active ownership and responsible investment.
- **March 2016** the Committee considered a report concluding a review of the Fund's Responsible Investment strategy. A number of changes were agreed with a specific focus on Climate Change.
- **September 2016** the Committee considered a report reviewing the Fund's progress in developing a Climate Change strategy.
- **December 2016** the Committee considered a report which presented summary findings of:
  - a first carbon footprint analysis of the Fund's listed equities;
  - a review of non-exclusion, passive, low carbon investment solutions; and
  - an investigation of membership of additional industry forums or initiatives to support engagement work around key issues such as Climate Change.
- **March 2020** the Committee considered a report reviewing the management of climate related risks and opportunities. The Committee agreed that Climate Change should be treated as a separate risk and opportunity in developing SPF's investment strategy and structure.
- **During 2020/21** the SPF Committee and Pension Board participated in a series of workshops investigating legal, actuarial, strategic and investment management issues relating to Climate Change.

During **2021/22** the SPF Committee agreed that Strathclyde Pension Fund should:

- incorporate in its Climate Change Strategy the explicit objective of implementing an investment strategy that was consistent with achieving the goal of global net zero emissions by 2050;
- have a target of net-zero emissions across its own portfolios by 2050;
- produce a high level climate action plan;
- adopt an interim target for carbon reduction of at least 45% from the baseline by 2030;
- use the IIGCC Net Zero Investment Framework as the basis for producing its climate action plan;
- join the Paris Aligned Investment Initiative (PAII); and
- adopt and implement an energy company standards framework with immediate effect.

Recommended Disclosure (b)

Describe management's role in assessing and managing climate related risks and opportunities.

The **Executive Director of Finance** is the responsible officer who ensures that committee decisions are implemented by the **Strathclyde Pension Fund Office** which administers the scheme, and the **investment managers** who manage the Fund's investment portfolios.

Climate Change activity is carried out by:

- the Fund's investment managers who are required to exercise the Fund's voting rights, to incorporate analysis of ESG issues into their investment analysis and are expected to engage on these issues with the companies in which they invest. All of the Fund's investment managers are PRI (Principle for Responsible Investment) signatories. The vast majority of managers within the Direct Impact Portfolio are also signatories. The Fund strongly encourages managers to become signatories and to adhere to the principles.
- Sustainalytics, a specialist responsible investment engagement overlay provider whose services have been retained by SPF since 2012 (originally trading as GES).
- SPF itself through direct engagement, and collaboration with other investors including the Local Authority Pension Fund Forum (LAPFF), ShareAction, Institutional Investor Group on Climate Change (IIGCC), Climate Action 100+ and other ad hoc alliances.

This collective approach ensures that SPF maximises the resource it employs on Climate Change issues by involving all parties – dedicated internal resource as well as external managers and consultants.

SPF continues to perform in the top tier of global PRI signatories and received the maximum A+ score in the most recent PRI survey.

STRATEGY

Recommended Disclosure a)

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Risks

As an investor with a long-term time horizon, the macro-economic and demographic impacts of Climate Change are a risk. This includes impacts on: GDP growth, inflation, equity market returns, gilt yields, credit spreads, and longevity. Asset-liability and climate-scenario modelling are used to assess these risks.

SPF has a global investment strategy widely diversified by geography, asset class, sector and manager. Given the diversified nature of the Fund's strategy it will be exposed to all of the risks identified in the TCFD analysis, though the degree and timing of the impact cannot be accurately gauged.

SPF is primarily an equity investor, therefore the Fund's primary concern is that its equity portfolio managers and the management of the companies in which they invest have fully assessed climate-related risks and the potential impact on asset valuations, in particular from:

- obsolescence, impairment or stranding of assets;
- changing consumer demand patterns; and
- changing cost structures including increased emissions pricing, insurance and investment in new technologies.

With respect to short and medium term risk, the Fund ensures that responsible investment considerations and Climate Change continue to be embedded throughout the investment and management processes of all the external investment managers and that the managers continue to manage climate related risks and opportunities.

As a public sector fund, reputational risk is also a concern, though not for financial reasons.

With respect to the short-term policy risk, the Fund has closely monitored the status of its property and infrastructure investments including results of the Global Real Estate Sustainability Benchmark (GRESB) annual assessment and assessment of portfolio compliance with Minimum Energy Efficiency Standards (MEES).

Opportunities

In 2009, the Strathclyde Pension Fund Committee agreed to establish a New Opportunities Portfolio with a broad remit to invest in assets for which there was an attractive investment case but to which the current structure did not provide access. The strategy is reviewed every 3 years. It was re-branded as the Direct Impact Portfolio (DIP) in 2021. DIP's primary objective is identical to the overall SPF investment objective. DIP has a secondary objective of adding value through investments with a positive local, economic or ESG (environmental, social, governance) impact. DIP is supporting technology and solutions crucial for the transition to a low carbon UK economy. To date the DIP portfolio has committed over £500m to renewable energy infrastructure investments which include specialist onshore and offshore wind funds, UK solar funds and generalist renewables and community power funds. Many of these investments have a 25-year fund life. DIP also invests in cleantech private equity.

Investment managers across the Fund's other portfolios are also increasingly identifying positive investment opportunities in areas related to a global energy and carbon transition.

Recommended Disclosure b)

Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.

The purpose of the Fund is to pay pensions. The principal strategy document is the Funding Strategy Statement. It describes the funding objective as: to ensure that sufficient funds are available to pay all members' pensions now and in the future.

The basis for strategy and financial planning is the 3-yearly actuarial valuation of the Fund. The valuation is accompanied by detailed Asset Liability Modelling (ALM) which informs development of the investment strategy. As part of the 2020 valuation and modelling process, the Fund's actuary completed an analysis of the impact of climate risk on the Fund's liabilities, assets and operating costs.

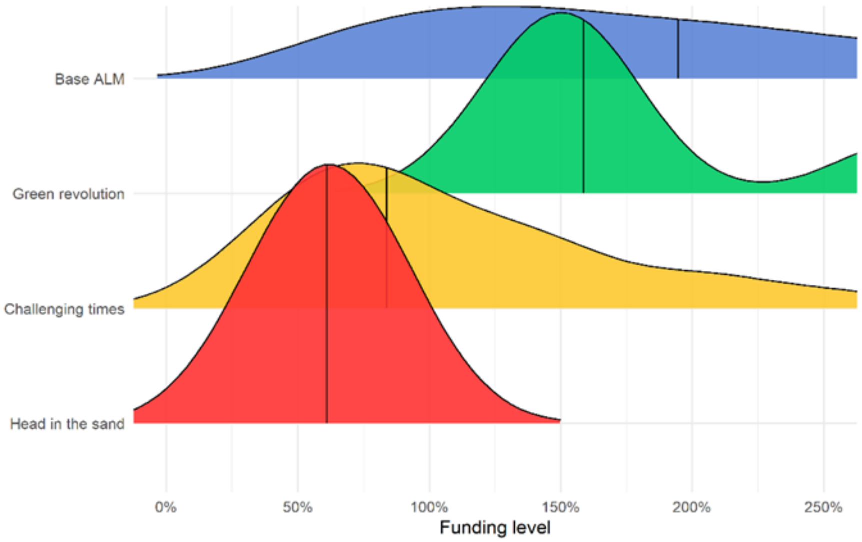
Liabilities and assets

The analysis undertaken considers the impacts of climate risk to the liabilities and assets of the Fund in conjunction and therefore the output is represented as an impact to the funding level.

Impacts are modelled across 3 potential economic scenarios:

- **Head in the Sand** - a range of disastrous outcomes resulting from a total lack of response to climate risk.
- **Challenging Times -** where some adaption is achieved, and 'peak oil flow' is reached constraining economies of the future.
- **Green Revolution -** where rapid technological advances lead to positive adaptation to climate change.

The output of this analysis is illustrated in the chart below.



Conclusions reported in March 2021 were that:

- the Fund is exposed to climate risk through both its assets and liabilities
- the modelling illustrates a wide range of potential future funding outcomes as a direct result of government and business action or inaction on climate change
- some, though, by no means all, of these are very negative and
- SPF already recognises the risk posed by climate change and is responding to it via its Climate Change strategy. The modelling will be useful in informing future development of that strategy.

No immediate change was proposed as a result of the first iteration of modelling, but the review of investment strategy included agreement to:

- a £1.7 bn allocation to the RAFI Fundamental Climate Transition Index, which targets a 30% reduction in carbon intensity at launch relative to market cap levels and a further 7% per annum thereafter; and
- a £250m increase (to £750m) to the Fund's global Infrastructure commitment, which has a one third allocation to renewable energy assets.

The output of the scenario modelling will be used in future to assess an appropriate allowance for climate risk within funding assumption prudence as well as future investment strategy considerations, including asset allocation decisions.

Recommended Disclosure c)
Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.

As described above, the Fund has undertaken scenario analysis to assess the resilience of its strategy over the short-, medium- and long-term time horizons to a number of different climate scenarios. These climate scenarios estimate the impact to the Fund of temperature rises broadly equivalent to 2°C ("Green revolution"), 3°C ("Challenging times") and 4°C above pre-industrial times ("Head in the sand").

Although some outcomes are very negative, the climate scenario analysis shows that the increased adoption of climate aware policies as part of a **Green Revolution** would most likely help the Fund to achieve a strong, healthy funding position over the long term with greater certainty and reduced downside risk. This is despite short term difficulty in moving to a more climate aware society with initial disruption to GDP, equities and credit markets. Under the **Head in the Sand** and **Challenging Times** scenarios**,** the short term funding level projections are broadly similar to the wider strategic analysis the Fund has carried out, before a deterioration in the funding outlook under these scenarios over the long term. The impact of climate change, and therefore any resulting advantages or disadvantages arising from global developments, is long term in nature.

Risk Management

Recommended

Disclosure a)
Describe the organisation's processes for identifying and assessing climate-related risks.

SPF's external investment managers are responsible for identifying and managing all risks associated with their investments, and this includes Climate Change. This means that external investment managers take into account any climate-related risks when making their investment decisions. The Fund's internal investment team and specialist advisor, Sustainalytics, work with managers to help ensure that climate risks are being assessed and addressed. The Fund's listed equity carbon footprinting is used to inform this process. The Fund has also made use of the Transition Pathway Initiative (TPI) Toolkit and thematic, sector and company specific research from Sustainalytics to observe climate risk management in listed equity stocks.

Recommended Disclosure b)

Describe the organisation's processes for managing climate related risks.

- **Development of Specific Investment Strategies**

During 2021, SPF made a £1.7bn allocation to a Climate Transition Index which targets a 30% reduction in carbon intensity at launch relative to market cap levels and a further 7% per annum thereafter.

The Direct Impact Portfolio has committed over £500m to renewable energy infrastructure investments which include specialist onshore and offshore wind funds, UK solar funds and generalist renewables and community power funds.

SPF also invests in a global infrastructure fund with a one third allocation to renewable energy assets. Investment managers across the Fund's other portfolios are also increasingly identifying positive investment opportunities in areas related to a global energy and carbon transition.

- **Formal Advice**

A key element in the development of SPF's Climate Change strategy has been the measurement of carbon emissions and intensity. This was carried out in order to more fully understand the carbon risk sources and dynamics. To achieve this SPF engaged the leading carbon audit service provider, MSCI, to provide a carbon footprint of the Fund's listed equity portfolios. The Fund is committed to repeating this foot-printing on a bi-annual basis and investigating the inclusion of other asset classes in addition to listed equities.

- **Exercise of Ownership Responsibilities**

Activity relating to Climate Change risk is carried out by:

- the Fund's investment managers who are required to exercise the Fund's voting rights, to incorporate analysis of Environmental, Social and Governance (ESG) issues into their investment analysis and expected to engage on these issues with the companies in which they invest;
- Sustainalytics, a specialist responsible investment engagement overlay provider; and
- the Fund itself through direct engagement, and collaboration with other investors including the Local Authority Pension Fund Forum (LAPFF), ShareAction, Institutional Investor Group on Climate Change (IIGCC), Climate Action 100+ and other ad hoc alliances.

The Fund has expended considerable effort in supporting collaborative engagement initiatives that have a specific Climate Change remit. The Fund is a founding member of Climate Action 100+. This is a five-year initiative that uses carbon mapping data to target the worst corporate climate offenders directly, to curb their emissions, improve climate governance and strengthen disclosure. The Fund is also a supporter of the RE100, EP100 and EV100 energy initiatives and the CDP Non-Disclosure and Science Based Targets Initiatives (SBTi).

During 2021/22 SPF adopted a minimum standards framework as a basis for assessment of energy companies within its active equity portfolios. The objective is to support the Climate Change strategy by identifying companies which SPF directly holds within the energy sector which are not adequately considering climate risk, the impact on their business, and how to transition towards a low carbon economy, recognizing the potential for ongoing policy and regulatory change. The framework also aims to identify where there is a need to engage with a company on specific areas or consider divesting from a company.

Ratings	Actions
Red overall	Verification of data around transition readiness/ strategy. Acceleration of engagement between the manager and company around demonstrating intention to address the climate transition. Engage with asset manager around intention to sell; consideration of current rationale for hold and price/value. If the above do not result in improved score, sale to be agreed with investment manager and implemented over period of time
Red in one sub sector /Amber overall	Active stewardship actions triggered. This should feed into GES/Sustainalytics and their engagement priority plans. Manager to present business case for holdings on annual basis, addressing low scoring areas If engagement resulted in no improvement in score after 2 years, consider shareholder resolution OR mandate that investment managers remove that security from portfolios.
Amber in any sub sector	Flagged for active engagement actions
Green overall	Monitor rating annually Any decline in rating overall or at sub sector level triggers actions above
Grey (due to lack of data)	Flagged for further data verification. Engage with asset manager around obtaining sufficient data to complete scoring. Manager to present business case for holdings on annual basis, addressing data gaps.

The framework is based on the 4 pillars of TCFD and uses data sources including Climate Action 100, TPI, Influence Map, MSCI, and Science Based Targets. Based on these an overall score is derived for each company. Companies are then rated 0-20% = Red; 20% - 50% = Amber; 50% + = Green. A separate fourth score of Grey is applied where data availability is less than 45%

The minimum standards framework will be implemented during 2022/23.

Recommended Disclosure c)
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

SPF's overall approach to risk management is described in its Risk Policy & Strategy Statement which is available from the Publications area of the website at: www.spfo.org.uk. The statement is summarised in the Governance section of the Fund's annual report. Climate Change is addressed at risk SPFO61 which is summarised below.

Risk Title / Risk Description	Residual Probability (/5)	Residual Impact (/5)	Residual Risk (/25)	Residual Rank
RISK: Climate-related financial loss. **CAUSE:** failure of climate change strategy; failure of global economy to address climate change issues. **EFFECT:** obsolescence impairment or stranding of assets; changing consumer demand patterns; changing cost structure (including emissions pricing).	2	4	8	Medium

Control and mitigating actions listed against the risk include: Climate Change strategy, responsible investment strategy, diversification of investments, Direct Impact Portfolio and other positive investment opportunities.

The Fund currently reports extensively on environmental, social and governance issues including Climate Change. This includes:

- a quarterly report on Responsible Investment Activity which is considered by the SPF Committee and published on the Fund's website at www.spfo.org.uk
- coverage within the Fund's Annual Report, member newsletters, and at its AGM; and
- annual PRI reporting and assessment survey including climate-related indicators based on the TCFD recommendations.

The Fund's UK property investments are subject to the Global Real Estate Sustainability Benchmark (GRESB) annual assessment and assessment of portfolio compliance with Minimum Energy Efficiency Standards (MEES).

Control and mitigating actions listed against the risk from Climate Change include: SPF climate change strategy, responsible investment strategy, diversification of investments, Direct Impact Portfolio and other positive investment opportunities.

METRICS AND TARGETS

Recommended Disclosure a)
Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.

SPF has engaged the leading carbon audit service provider, MSCI, to provide carbon and emissions footprinting of the Fund's listed equity portfolios in 2016, 2018 and 2020.

For each listed equity portfolio, the carbon footprinting enabled the identification of the top 10 assets responsible for contributing to the carbon footprint of that portfolio. This information was communicated to external investment managers to ensure that they are aware of where their greatest exposures lie.

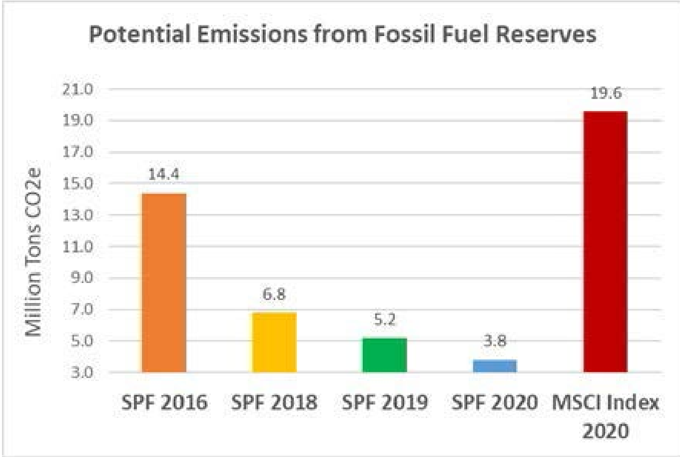
The Fund is committed to repeating this foot-printing on a bi-annual basis and investigating the inclusion of other asset classes in addition to listed equities.

Recommended Disclosure b)
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

SPF has considered Scopes 1 and 2 in its analysis. Scope 3 data was not considered to be of a sufficiently robust standard to incorporate. Summary findings of the analysis are as follows:

- In 2018 the Fund's weighted average listed equity footprint was **192.5 tCO2e/£ revenue**. This was **4.8%** lower than in 2016 and **6.2**% lower than that of the MSCI All Country World Index.
- In 2020 the Fund's weighted average listed equity footprint was **146.2 tCO2e/£ revenue**. This was **23.6%** lower than in 2018 and **5.0**% lower than that of the MSCI All Country World Index.
- The analysis further highlights that dominant sectors, in terms of emissions, tend to be Energy, Utilities, and Materials - contributing 82.4% of the carbon footprint.
- The carbon footprinting analysis has considered the risk of 'Stranded Assets' in the Fund's listed equity by calculating the total potential emissions from fossil fuel reserves as tons of CO2. In 2018 the total potential emissions from fossil fuel reserves was 23.7 million **tCO2e**. This was **23.8%** lower than in 2016 and **23.7%** lower than that of the MSCI All Country World Index.
- In 2020 the total potential emissions from fossil fuel reserves held across **all** SPF portfolios was 26.3 million **tCO2e**. This was **23.5%** lower than that of the MSCI All Country World Index.

The chart opposite provides a year on year view of the Fund’s ownership of potential emissions from all proven reserves of Thermal Coal, Oil and Gas owned by all the fossil fuel companies held in the Fund’s **active** equity portfolios. Expressed as millions of tons of CO2 and compared to an equal value of the most widely used global equity benchmark, the MSCI All Country World Index.



Recommended Disclosure c)

Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.

Strathclyde Pension Fund’s Climate Change strategy has the explicit objective of implementing an investment strategy that is consistent with achieving the goal of global net-zero emissions by 2050.

SPF has a target of net-zero emissions across its own portfolios by 2050.

SPF has used historic portfolio and MSCI data to establish the 2010 position as a baseline. This is consistent with IPCC (Intergovernmental Panel on Climate Change) modelling which underpins the Paris Agreement and the Glasgow Climate Pact. Results for SPF’s listed equity portfolios are summarised in a simplified format in the chart opposite.

SECTION 6

INVESTMENT

The Statement of Investment Principles (SIP) is the Fund's main investment policy document. The SIP is reviewed regularly and updated to reflect any changes agreed by the Strathclyde Pension Fund Committee. The statement has 6 schedules which are not reproduced here but can be found in the full version on the Fund's website at https://www.spfo.org.uk/

1. Introduction

Glasgow City Council is the administering authority for the Strathclyde Pension Fund. The Council delegates this responsibility to the Strathclyde Pension Fund Committee. The Council and the Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee in the private sector. In carrying out those duties the committee adopts the following approach.

2. Regulations

Management of the Fund's investments is carried out in accordance with relevant governing legislation and regulations, in particular the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) regulations. Schedule 1 to this statement contains certain disclosures required by the regulations.

3. Key Principles

There have been a number of underlying investment principles which have guided the evolution of the Fund's structure. These principles will be as important in the future as they have been in the past. The key principles are as follows:

Long-term perspective – by the nature of its liabilities and sponsor covenants, the Fund is able to take a long-term view and position its investment strategy accordingly.

Diversification – the Fund seeks to diversify its investments in order to benefit from a variety of return patterns.

Efficiency – the Fund aims to achieve an efficient balance between investment risk and reward.

Competitive advantage – the Fund's size, time-perspective and risk appetite give it some competitive advantages which it seeks to exploit.

Pragmatism – the Fund recognises that there are implementation considerations including cost and manageability which may lead it to favour practical investment solutions over optimised model structures.

Stewardship – the Fund is a responsible investor and adopts policies and practices which acknowledge the importance of environmental, social and governance (ESG) issues.

4. 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 current objectives of the investment strategy should be to achieve:

- a greater than 2/3 probability of being 100% funded over the future working lifetime of the active membership (the target funding period) and
- a less than 10% probability of falling below 70% funded over the next three years.

5. Investment Strategy

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. The investment strategy is consistent with the Funding Strategy.

6. Investment Structure

The Committee agrees an investment structure to deliver the investment strategy. The current investment objective, strategy and structure are set out in Schedule 2 to this statement.

7. Roles and Responsibilities

The roles and responsibilities of the main parties involved in management of the Fund are set out in Schedule 3 to this statement.

8. Risk

In order to achieve its investment objective the Fund takes investment risk including equity risk and active management risk. It is understood and acknowledged that this leads to significant volatility of returns and an ultimate risk that its objectives will not be met. The Fund pursues a policy of lowering risk through diversification of investments by asset class, manager and geography. Risk is also controlled by setting appropriate benchmarks and investment guidelines and maintaining a robust investment monitoring regime. The Fund employs a global custodian to ensure safekeeping and efficient servicing of its assets.

9. Liquidity and Cash Flow

The majority of the Fund's investments are traded on major stock markets or are in pooled funds which could be realised quickly if required. There is also significant investment in illiquid assets, including property, infrastructure, private equity and private debt. These provide diversification, a return premium and some inflation protection. The Fund monitors cash flow to ensure there is sufficient investment income to meet immediate and anticipated pensions payments.

10. Responsible Investment

The Fund is a signatory to the United Nations Principles for Responsible Investment and has adopted the principles as its responsible investment policy. The principles are set out in full in Schedule 4 together with a note on the Fund's strategy for applying them in practice.

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.

11. Exercise of Rights

The Fund ensures that the votes attaching to its holdings in all quoted companies, both in the UK and Overseas, are exercised whenever practical. The Fund's voting policy is exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance and Stewardship Codes.

12. Climate Change strategy

SPF believes that Climate Change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund's strategy to address this is summarised in Climate-related Financial Disclosures which are included in its annual report each year.

13. Additional Voluntary Contributions (AVCs)

The Fund provides an in-house AVC arrangement. Further details including investment choices available to scheme members, are set out in Schedule 5.

14. CIPFA/Myners Principles

The Fund is compliant with guidance given by Scottish Ministers. This includes each of the six *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2009* published by CIPFA and based on the updated Myners principles. Further details are set out in Schedule 6.

15. Stock Lending

The Fund participates in a securities lending programme managed by its global custodian. All stock on loan is fully collateralised with a margin above daily mark-to-market value. The programme is also indemnified by the custodian and provides a low-risk source of added value.

16. Schedules:

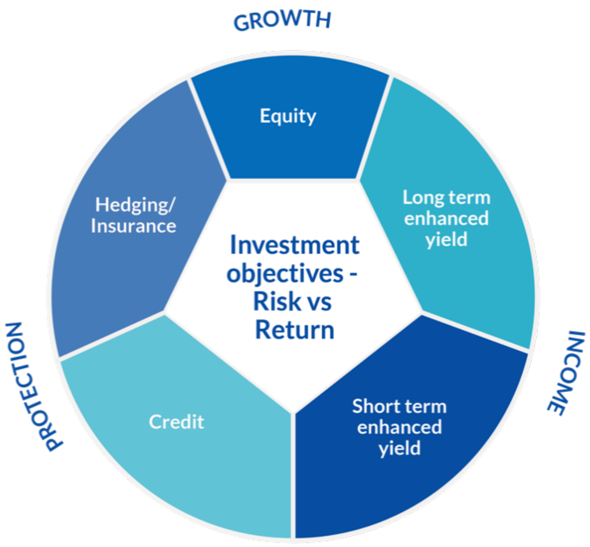
1. LGPS Regulations - Disclosures
2. Investment Objectives, Strategy and Structure
3. Investment Roles & Responsibilities
4. Responsible Investment Policy and Strategy
5. AVC arrangements
6. CIPFA/Myners Principles – Assessment of Compliance

The full SIP including schedules is available from the Publications area of the SPFO website at https://www.spfo.org.uk

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.

Following the 2014 actuarial valuation, the Fund adopted a risk/return asset framework as the basis for modelling and agreeing investment strategy. The risk/return framework is summarised in the table and chart below.

Asset Category	Main Objectives
Equity	To generate return
Hedging / Insurance	To reduce the exposure of the funding level to variations in interest rates and inflation
Credit	To ensure additional yield, provide income and reduce funding volatility
Short-term Enhanced Yield	To provide an income stream above the expected return on investment grade corporate bonds
Long-term Enhanced Yield	To provide a long-term income stream and a degree of inflation protection



In common with many Local Government Pension Scheme funds, valuations of the Strathclyde Pension Fund since 2014 have confirmed that:

- pensioner and deferred liabilities outweigh active member liabilities; and
- cash-flow from members to the Fund has shifted from a net income figure to a net outflow.

Using the risk/return framework as a basis for modelling, a route-map for strategy development that reflects these changing dynamics was agreed in 2015 and is shown in the table below.

A phased implementation process has been adopted which will reduce risk, increase diversification and ensure that the strategy of the Fund changes with the liability profile over time. Implementation of Step 1 was completed during 2016/17. Step 2 was adopted in 2018 as the strategic target model and implementation was completed during 2019/20. In March 2021, Committee agreed to retain the Step 2 strategic model with the next review scheduled to take place in 2023/24.

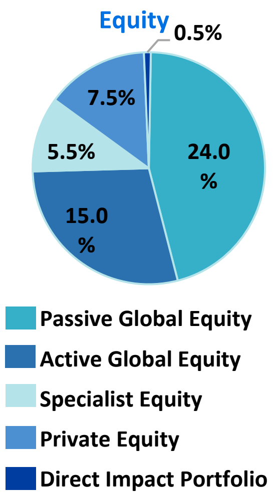
Strathclyde Pension Fund Risk/ Return Framework

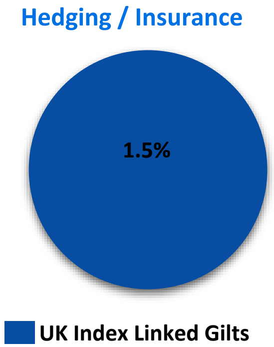
Asset Category	Start	Step 1	Step 2	Step 3	Step 4
	%	%	%	%	%
Equity	72.5	62.5	52.5	42.5	32.5
Hedging/Insurance	4.5	1.5	1.5	1.5	1.5
Credit	3.0	6.0	6.0	6.0	6.0
Short-term Enhanced Yield (STEY)	7.5	15.0	20.0	25.0	30.0
Long-term Enhanced Yield (LTEY)	12.5	15.0	20.0	25.0	30.0
	100	100	100	100	100
Return (% p.a.)	6.1	6.0	5.9	5.8	5.5
Volatility (% p.a.)	13	12	11	10	9

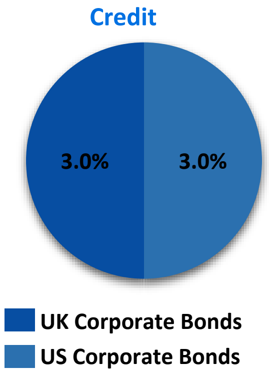
The Fund completed implementation of an investment structure consistent with Step 2 during 2019/2020. During 2020/21, the Committee agreed to retain this strategy. The next review will be in 2023.

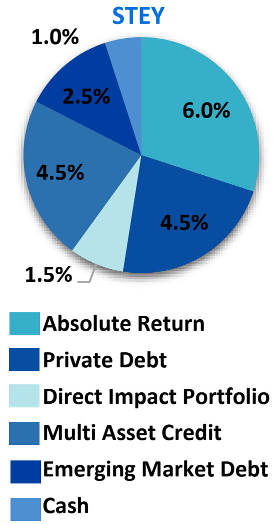
Investment Structure

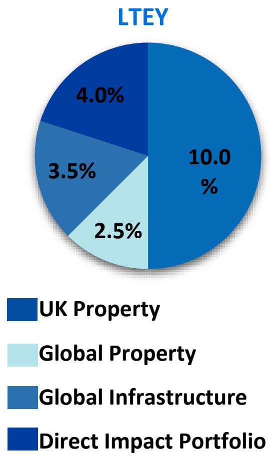
The current Step 2 investment structure is broken down by asset class in the charts below.











Investment mandates are managed by 19 external institutional investment managers. In addition, a target of 5% of Fund is invested opportunistically within the Fund's Direct Impact Portfolio (DIP). A further 32 investment firms manage specialist funds within DIP.

Review of Investment Strategy and Structure – Implementation of Changes

A review of investment strategy in conjunction with the actuarial valuation of the Fund as at 31st March 2020 was one of the priorities in the SPF 2020/21 business plan. This review concluded that the current Step 2 strategy should be maintained subject to some minor amendments within individual asset categories. Amendments were implemented during 2021/22 as follows:

- A switch of Baillie Gifford's portfolio to that manager's Global Alpha strategy (May-June 2021).
- A revised benchmark for the Legal and General passive portfolio, as a consequence of agreed changes to the Fund's overall regional equity allocation and to the Baillie Gifford portfolio (June 2021).
- Within Long Term Enhanced Yield, the re-allocation of 1% from DIP to the JP Morgan Infrastructure Investments Fund (Q1 2022).
- Within Short Term Enhanced Yield, the re-allocation of 1% from PIMCO to Ruffer (June 2021).
- The sale of the small (1.5% of Total Fund) index-linked gilts allocation in Hedging and Insurance, with proceeds held as cash (May-June 2021).

In addition, during the year the Fund completed:

- A review of lower carbon alternatives to the Fund's RAFI investment. In June 2021, the Committee agreed to switch the Fund's RAFI Global Allocation to the RAFI Fundamental Climate Transition Index fund. The switch was completed during December 2021.
- A review of the Fund's rebalancing strategy including the implementation of a relative value framework in Q3 2021 which facilitates switching allocation in Hedging/ Insurance and Credit assets between UK index-linked gilts, UK gilts, credit and cash.
- A review of the Direct Investment Portfolio. In addition to an increase in individual investment size parameters and the extension of DIP's co-investment programme, the portfolio was re-named the Direct Impact Portfolio.

ASSETS UNDER MANAGEMENT

Allocations by Asset Category

Asset allocation at the end of March 2021 and March 2022 was as follows:

Asset Category	*31 Mar 2021 (£m)*	*31 Mar 2021 (%)*	31 Mar 2022 (£m)	31 Mar 2022 (%)	Target (%)
Equity	*16,005*	*61.1*	16,424	58.3	52.5
Hedging & insurance	*336*	*1.3*	346	1.2	1.5
Credit	*1,376*	*5.3*	1,558	5.5	6.0
STEY	*4,244*	*16.2*	4,712	16.7	20.0
LTEY	*3,817*	*14.6*	4,886	17.4	20.0
Cash	*399*	*1.5*	259	0.9	-
Total	***26,177***	***100.0***	**28,185**	**100.0**	**100.0**

- Equity portfolios increased in value as a result of positive investment performance. Overall allocation to equity decreased however, as mature private equity portfolios distributed money back to the Fund and an additional £200m was divested from listed equity mandates, whose allocations had exceeded the upper limit of their target range, to fund increased allocations to STEY and LTEY investments
- Continuing build-up of a private real estate debt mandate with ICG Longbow, and of 3 segregated private corporate debt mandates with Barings, Alcentra and Partners Group, increased the amount invested in the STEY asset class.
- The allocation to LTEY increased as a result of strong property portfolio performance, a £250m increase in allocation to global infrastructure and the build-up of the DIP portfolio. The Fund's central cash balance reduced as a result of net drawdowns to private market investments and the increased allocation to global infrastructure.

Investment Manager Allocations

Each external investment manager is appointed to manage a specified target % allocation of total Fund investment assets. The breakdown of the Fund's assets by investment manager, mandate type and asset class at end of March 2021 and March 2022 was as follows:

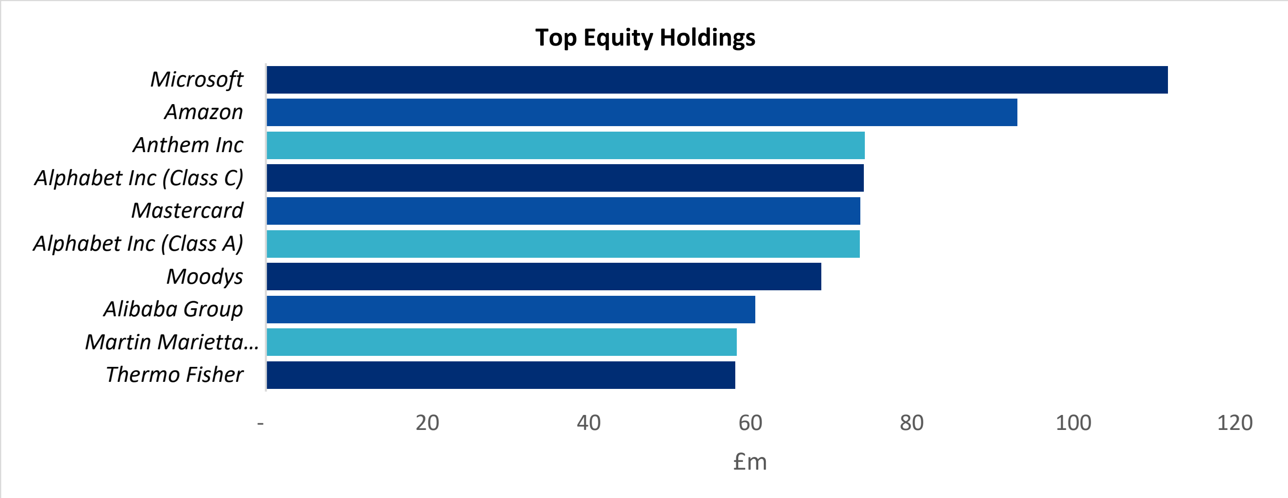
Manager	Mandate Type (%)	*31 Mar 2021 (%)*	31 Mar 2022 (%)	Target Allocation (%)
Legal & General	Passive Global Equity	27.7	26.8	24.0
Baillie Gifford	Active Global Equity	8.8	7.6	7.5
Lazard	Active Global Equity	3.3	3.2	2.5
Oldfield	Active Global Equity	2.8	2.9	2.5
Veritas	Active Global Equity	3.0	3.1	2.5
Lombard Odier	Specialist Equity	1.7	1.6	1.0
JP Morgan	Specialist Equity	3.9	3.1	3.0
Active EM Equity	Specialist Equity	2.0	1.3	1.5
Pantheon	Private Equity	4.5	5.2	5.0
Partners Group	Private Equity	3.2	3.2	2.5
DIP	Private Equity	0.2	0.3	0.5
Equity		**61.1**	**58.3**	**52.5**
Legal and General	Passive Index Linked/ Cash	1.3	1.2	1.5
Hedging / Insurance		**1.3**	**1.2**	**1.5**
Legal and General	Passive Corporate Bonds	5.3	5.5	6.0
Credit		**5.3**	**5.5**	**6.0**

Manager	Mandate Type (%)	*31st Mar 2021 (%)*	31st Mar 2022 (%)	Target Allocation (%)
PIMCO	Absolute Return	4.6	3.6	5.0
Ruffer	Absolute Return	1.0	2.0	1.0
Barings	Multi-Asset Credit	2.7	2.5	2.75
Oak Hill Advisors	Multi-Asset Credit	1.8	1.7	1.75
Alcentra	Private Corporate Debt	1.3	1.3	1.25
Barings	Private Corporate Debt	1.6	1.8	1.25
Partners Group	Private Corporate Debt	0.4	0.8	1.0
ICG-Longbow	Private Real Estate Debt	0.5	0.8	1.0
Ashmore	Emerging Market Debt	1.9	1.7	2.5
DIP	Various	0.4	0.4	1.5
Cash		-	-	1.0
STEY		**16.2**	**16.6**	**20.0**
DTZ	UK Direct Property	8.2	9.3	10.0
Partners Group	Global Property	1.4	1.5	2.5
JP Morgan	Global Infrastructure	2.1	3.0	3.5
DIP	Various	2.9	3.6	4.0
LTEY		**14.6**	**17.4**	**20.0**
Cash		**1.5**	**0.9**	**0.0**
Total		**100.0**	**100.0**	**100.0**

The Baillie Gifford mandate changed to global equity from global equity ex US in course of the year. Strong investment performance resulted in increased allocations to the Pantheon private equity and DTZ UK property portfolio. Changes in allocation to absolute return and global infrastructure managers are the result of the changes in target allocation for these mandates, as well as investment performance.

Holdings Snapshot

As at 31st March 2022



£5,845m

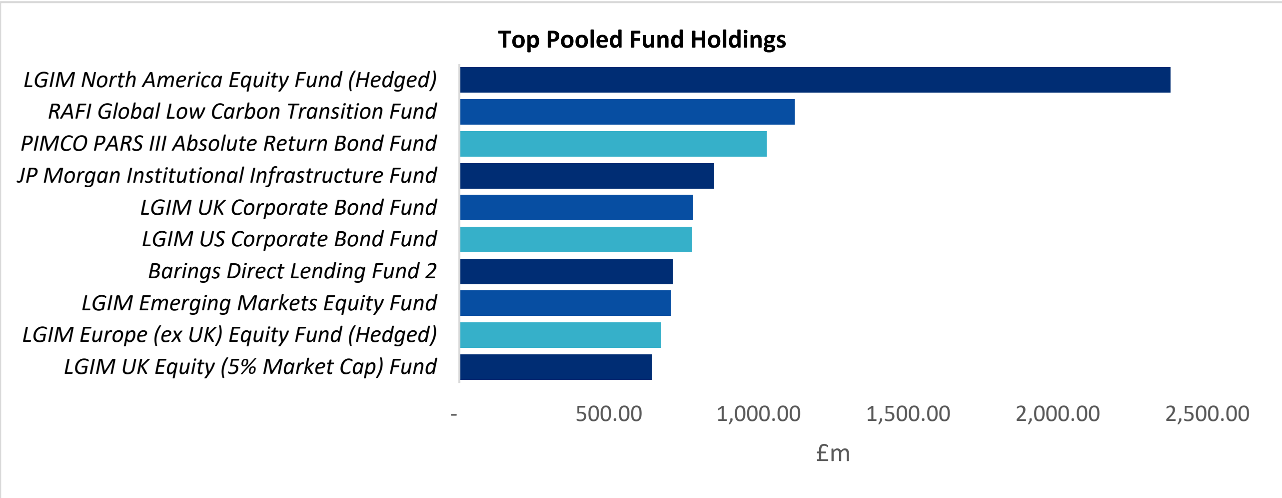
Equity

775 listed holdings
20.7% total Fund

£13,055m

Pooled Funds

24 pooled holdings
46.3% total Fund



£6,126m

Private Markets

149 Investments
21.7% total Fund

£2,588m

UK Property

57 Investments
9.3% total Fund

Market Commentary

Developed equity markets performed strongly during the first three quarters of the financial year as the relaxation of COVID-19 restrictions led to a surge in consumer demand that bolstered corporate profits and the risk appetite of investors.

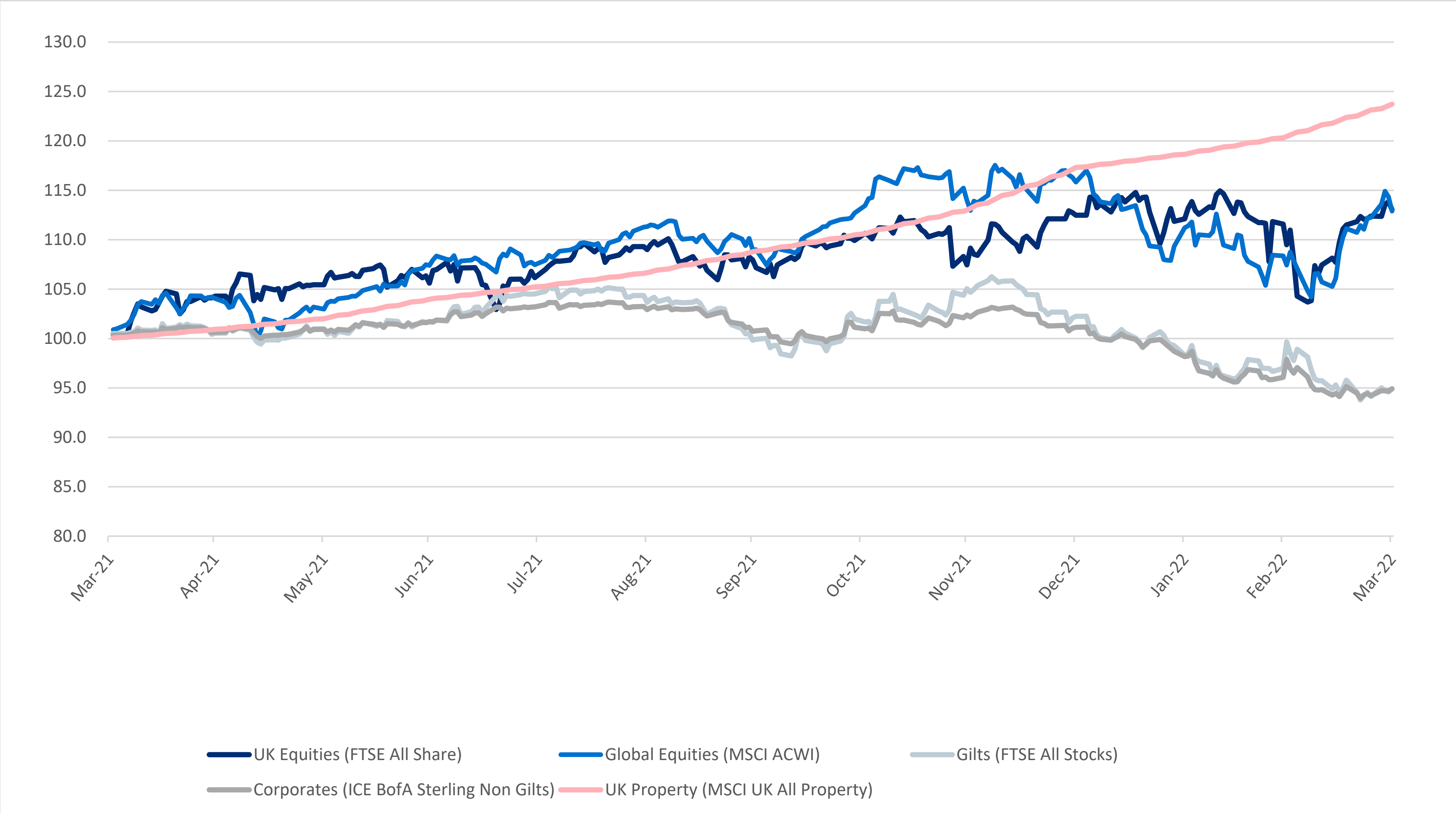
Coronavirus risk did return in Q2 and Q4 2021 following the emergence of new variants, but in each instance most markets recovered from initial falls as it became apparent that, while more contagious, each variant was causing less severe illness and existing vaccines continued to offer reasonable levels of protection. Uncertainty around rising inflation, monetary policy and disrupted supply chains post pandemic did impact on investor sentiment but increasing evidence of economic recovery led to stock prices ending 2021 higher **(+15.8%).** Emerging market equities were the exception, hit hard by a market sell off in November amid news of the Omicron variant, generally weak economic data and a string of negative developments in China.

In Q1 2022, the combination of war in Ukraine and China's worst COVID-19 outbreak since the start of the pandemic exacerbated existing inflationary and supply chain pressures. Global stock prices fell as investors grappled with escalating geopolitical tensions as well as the economic ramifications of the Russian invasion including harsh retaliatory sanctions for commodity prices, and in particular for energy and food price inflation. News that China had ordered lockdowns in Shanghai, the country's most populous city and financial capital, and in Shenzen, a global manufacturing hub, unnerved investors and weighted further on global stocks. Action by key central banks in March to combat inflation did ignite a relief rally, but global equity markets still recorded their worst quarterly loss **(-2.5%)** since the pandemic bear market in Q1 2020.

Investors had rushed to the safety of government bonds in Q2 2021 and at the start of Q3, driven by fears around the Delta variant and that economic recovery might not be as strong as expected. The rally ended however, and while yields finished the calendar year little changed from six months previously, relatively flat performance masked increased volatility and a shift in sentiment as a result of rising inflation. In Q1 2022, a rise in yields was accelerated by the Russian invasion of Ukraine and significant rises in commodity prices and futures as traders foresaw issues with a global supply chain already reeling from coronavirus related lockdowns. Global corporate credit yields also ended the year higher against the backdrop of increasing inflation, rates rises and a reduction in central bank asset purchases.

The UK commercial property market outperformed all expectations in 2021/22, with the MSCI All Properties Monthly index returning a remarkable **+20.5%** in the 12 months to 31st March. Performance was driven by strong returns in the industrial sector. Retail recovered sufficiently to become the second best performer over the calendar year while the office, leisure and hotel sectors also achieved positive, if more modest, returns. Returns across the market were marginally weaker in Q1 2022, but capital growth did pick up during the quarter with strong returns in March despite events in Ukraine.

Market Returns 2021/22

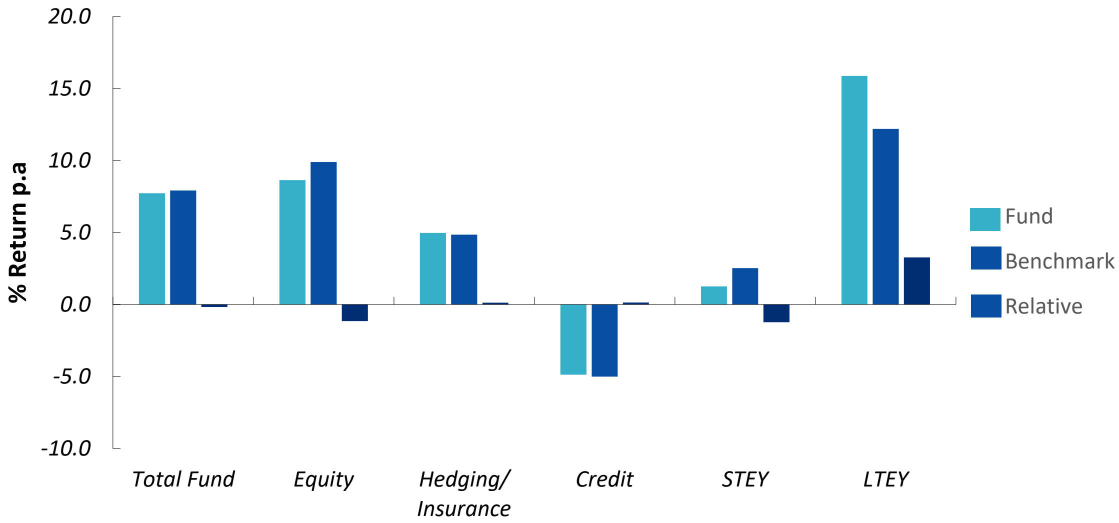


Performance Measurement

The Fund measures performance using the service provided by its global custodian, Northern Trust.
The performance objective for each investment manager with an active investment mandate is to outperform a benchmark, which may be a cash plus target or an appropriate market index or performance universe. The performance of the Fund as a whole is measured against a blended benchmark, based on individual manager benchmarks and allocations. Details of the Fund's current benchmark are provided in Schedule 2 of the Fund's Statement of Investment Principles.

The Fund's performance has been calculated based on Northern Trust's consolidated valuation of the Fund as at 31st March 2022.

Investment Returns for 2021/22
Fund and Asset Class Performance



Strathclyde Pension Fund returned +7.7% in 2021/22, compared to a benchmark return of +7.9%.

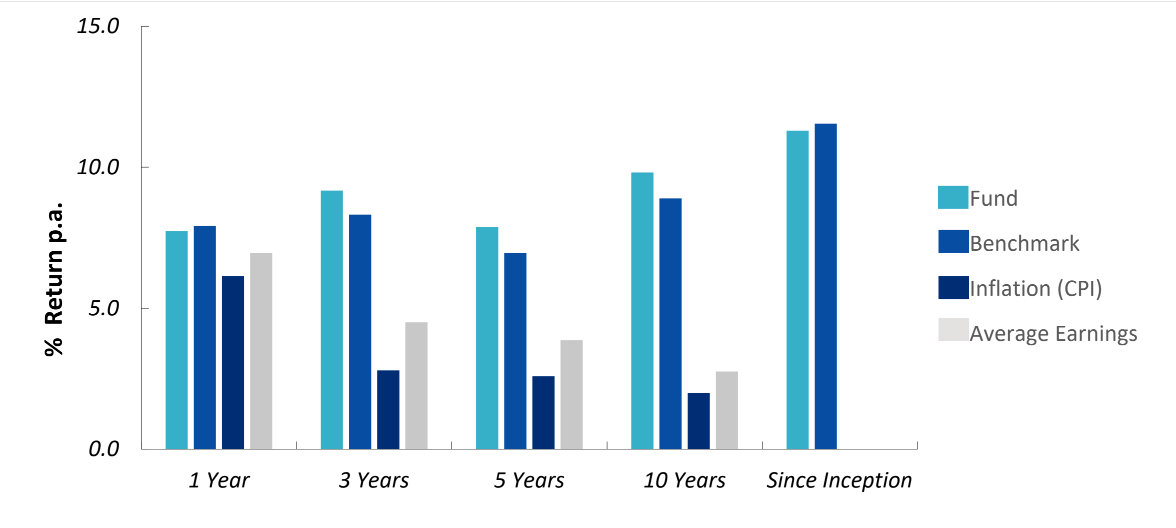
Strathclyde Pension Fund returned **+7.7%** over 2021/22, **-0.2%** behind its benchmark return of **+7.9%**.

- Equity portfolios achieved a combined return of **+8.6%.** Individual manager performance was mixed. The Pantheon private equity and Partners Group private equity portfolios returned **+40.2%** and **+34.4%** respectively, but underperformance of all active listed equity mandates resulted in overall equity performance falling behind benchmark **(-1.3%)**.
- STEY performance was positive **(+1.3%)** but behind benchmark**.** All but 4 of the STEY mandates achieved returns ahead of benchmark. Underperformance of emerging debt manager Ashmore was the largest detractor from return.

- LTEY was the best performing asset class (+**15.9%)**. The UK direct property portfolio, managed by DTZ, performed very strongly in both absolute and relative terms, while the Partners Group global real estate and JP Morgan global infrastructure portfolios also achieved positive returns.
- The Hedging/ Insurance and Credit asset classes are invested in cash and UK/US corporate bond passive funds respectively. Both asset classes performed positively and marginally ahead of benchmark.

Longer Term Performance

Long Term Performance to 31st March 2022

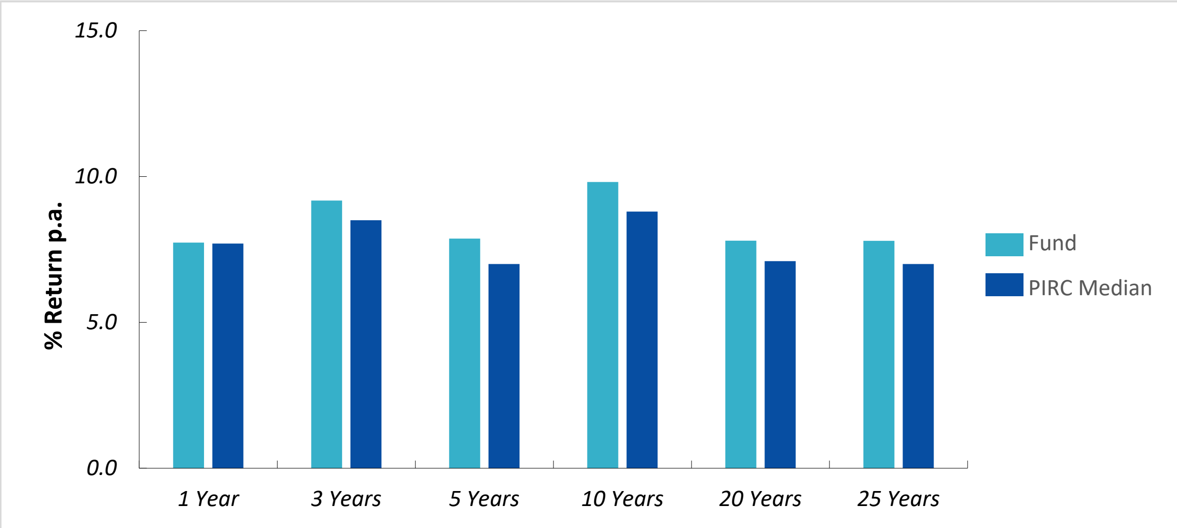


Total Fund performance was behind benchmark but ahead of inflation and average earnings over the financial year. The Fund has outperformed inflation, average earnings and the strategic benchmark over 3, 5 and 10 years. Equity investments remain the largest contributor to the Fund's positive absolute performance over the past 10 Years, with positive property portfolio performance the second largest factor.

Strong performance of individual portfolios, most notably Baillie Gifford global equity, JP Morgan global smaller companies, Pantheon and Partners Group private equity, and the DTZ UK property portfolio, has added further value on a relative basis.

Pension Fund Returns

Strathclyde Pension Fund subscribes to PIRC's Local Authority Pension Performance Analytics Services, which gathers and compares the performance of UK Local Authority Pension Funds. Strathclyde Pension Fund has exceeded median performance over all time periods. The Fund has ranked in the top quartile of local authority funds over the 3, 5, 10, 20 and 25 year time periods.



Investment Management Costs

The level of fees and expenses paid by the Fund to individual investment managers varies relative to the complexity involved in managing a particular investment asset and strategy, the associated risk and expected investment returns. The Fund complies with CIPFA guidance on investment management costs when completing its financial statements. Fees and expenses incurred within a pooled investment vehicle as a result of that vehicle's investment in other pooled funds are not included in the Fund's financial statements, as the Fund has no control over these costs. This type of 'fund of fund' investing typically occurs in private market investments. CIPFA suggests that these 'Tier 2' expenses can be included for information elsewhere in the annual report. Investment manager estimates of the Fund's share of 'Tier 2' costs for 2021/22 were £65.8m (2020/21 £44.5m).

The Local Government Pension Scheme (LGPS) Code of Transparency

The LGPS Scheme Advisory Board in England and Wales launched a Code of Transparency in May 2017, publishing a cost template that would allow pension funds to gather cost information for listed investment assets in a consistent manner. Since then the Financial Conduct Authority has set up a new organisation, the Cost Transparency Initiative, to take forward the work of standardising cost disclosure across the investment industry.

The Fund is a strong supporter of the work carried out to date on cost transparency, and all but two of its institutional investment managers have signed up to the Code. The Fund continues to engage with all managers, including managers of the Direct Impact Portfolio, to support the Code and to encourage them to complete the cost template relevant to their asset class.

Background and Strategy

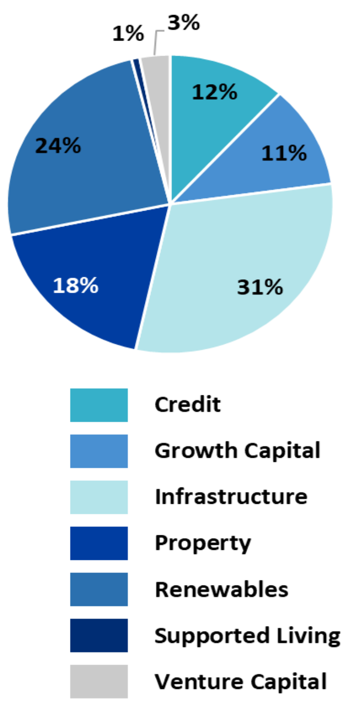
In December 2009, the Strathclyde Pension Fund Committee agreed to establish a New Opportunities Portfolio with a broad remit to invest in assets for which there was an attractive investment case but to which the then current structure did not provide access. The NOP strategy has been subject to 3-yearly reviews and in 2015 was renamed the Direct Investment Portfolio (DIP).

The most recent review was concluded in November 2021. This made no change to the objectives, structure, overall size parameters, risk and return parameters, or governance structure, but did result in an increase in the individual investment size parameters and a name change from the Direct Investment Portfolio to the Direct Impact Portfolio.

The framework agreed at the 2021 review is summarised below.

Direct Investment Portfolio: Investment Strategy	
Objectives	Primary objective identical to overall Fund investment objective. Secondary objective of adding value through investments with a positive local, economic or ESG (environmental, social, governance) impact.
Strategy & Structure	In line with the Fund's risk-return framework but focused on the UK and on Equity, Long Term Enhanced Yield and Short Term Enhanced Yield asset categories.
Risk and Return	Individual risk and return objectives for each investment Total DIP benchmark: LIBOR to 31st December 2018, CPI +3% thereafter.
Capacity	Target allocation of 5% of total Fund (based on Net Asset Values). Range of **2.5%** to **7.5%** of total Fund.
Investment Size	Target: **£30m** to **£100m** Minimum: **£20m** Maximum: greater of **£250m** or **1%** of Total Fund Value.

COMMITMENTS BY SECTOR £1,833m



Assets under Management

At 31st March 2022, DIP commitments totaled £1,703m, or 6.0% of total Fund, with a further £130m of commitments in the final stages of legal diligence. The Net Asset Value of investments was £1,196m or 4.2% of total Fund. DIP investments span 7 broad sectors with Infrastructure, Renewable Energy and Property comprising the 3 largest components and representing a combined total of 73% of the total portfolio.

Infrastructure / Renewables

- 24 Investments
- £1,010m committed
- 224 schools (105 in Scotland)
- 51 hospitals/healthcare facilities (15 in Scotland)
- 62 projects/15,033 social housing units
- 1,428 Off/Onshore wind turbines (329 in Scotland)
- £72m of exits in year

Credit

- 9 Investments
- £215m committed
- 57 loans to SMEs
- 10 loans to property
- £49m of exits in year

Property/Supported Living

- 7 Investments
- £350m committed
- £275m in Strathclyde area
- 324 Built to Rent units in Glasgow's Clyde Place
- 8 UK Supported Living projects
- 1,035 Affordable Housing units in Scotland (450 of these in Glasgow)

Venture / Growth Capital

- 16 Investments
- £258m committed
- 12 funds with 5 Scottish based fund managers (total commitments of £158m)

New Investments

The following new DIP investments were agreed during 2021/22.

Infrastructure/Renewables

- **£50m** to **Temporis Impact Strategy V LP**, to invest in a diversified portfolio of development, construction and operational renewable energy projects and technologies, mainly in the UK.

Venture/Growth Capital

- **£20m** to **Clean Growth Fund,** to provide scale-up capital to accelerate the commercial development of innovative, climate related clean technologies.

- **£30m** to **SEP VI LP,** targeting growth equity and venture capital investment opportunities predominantly in the information technology, energy and healthcare sectors in companies operating in the UK and Ireland.

- **£25m** to **Panoramic Fund 3,** investing in growth opportunities for Small & Medium-sized Enterprise (SME) companies.

- **£25m** to **Palatine Impact Fund II,** to invest in high growth areas of healthcare, sustainability and training in the UK.

- **£30m** to **Foresight Regional Investment Fund Scotland**, to create a diversified portfolio of unlisted growth-orientated SME investments in Scotland; to generate attractive returns for investors; and to deliver sustainable economic and social benefits as a result.

Property

- **£30m** to **Funding Affordable Homes**, to increase the number of affordable & specialist homes in the UK, delivering positive social value & providing attractive and stable returns to investors.

Review of Investment Opportunities

During the year SPF direct investment team has reviewed 140 opportunities across a range of asset classes.

- Credit (30)
- Infrastructure (12)
- Property (27)
- Renewable Energy (25)
- Supported Living (0)
- Venture/Growth Capital (46)

7 Investment opportunities were approved by Committee in the financial year.

Change in Investment Profile

The value of approved DIP commitments increased by **£210m** in the financial year and totaled **£1,833m** at 31st March 2022.

The net asset value of DIP increased by **£277m** in 2021/22. **£121m** of distributions brought the total received since inception to **£366m**.

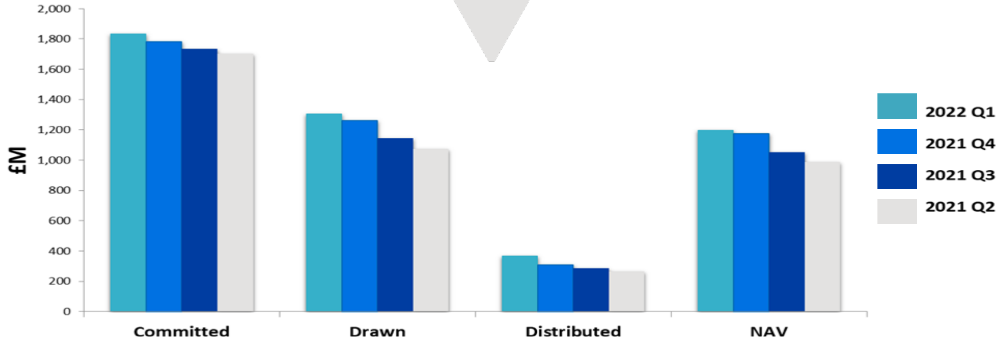
Investment Performance

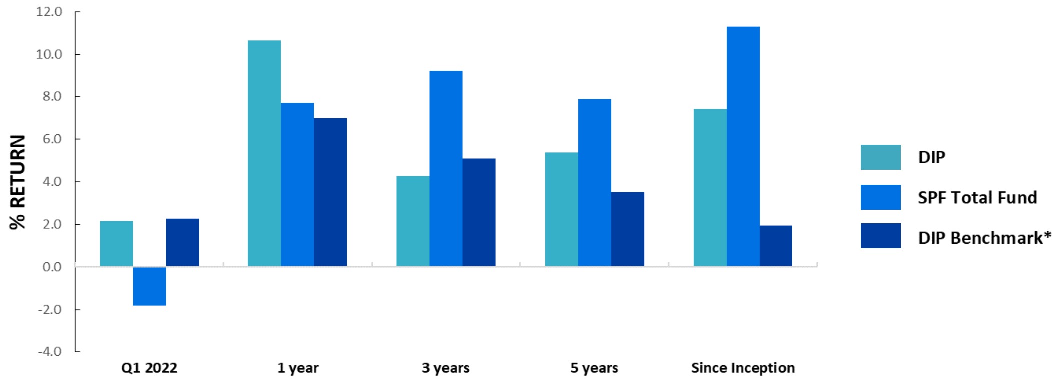
DIP has performed well against both its benchmark and total Fund, achieving a net return of **+7.4%** per annum since inception and showing less volatility than the Fund overall.

Impact

Measurable impacts to date include:

- Clean Energy Generation of **636 GWh p.a.**
- Carbon Reduction of **147,000 tonnes p.a.**
- **3,900** Jobs Created and
- Local/Scottish investment of **>£500m**





* DIP Benchmark: CPI +3% from 2019 , previously LIBOR

RESPONSIBLE INVESTMENT

POLICY

The Fund is a signatory to the United Nations Principles for Responsible Investment (PRI) and has adopted the principles as its responsible investment policy.

The text of the principles is as follows:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

STRATEGY

Responsible Investment activity is carried out by:

- the Fund's investment managers who are required to exercise the Fund's voting rights, to incorporate analysis of ESG issues into their investment analysis and expected to engage on these issues with the companies in which they invest;
- Sustainalytics, a specialist responsible investment engagement overlay provider; and
- the Fund itself through direct engagement, and collaboration with other investors including the Local Authority Pension Fund Forum (LAPFF), ShareAction, Institutional Investor Group on Climate Change (IIGCC), Climate Action 100+ and other *ad hoc* alliances.

We believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios.

PRI ASSESSMENT

Strathclyde Pension Fund achieved a maximum overall A+ score in the most recent annual PRI survey.

Reporting

The Strathclyde Pension Fund Committee receives regular reports summarising the Fund's responsible investment activity. The Fund is a signatory to the UK Stewardship Code and publishes an annual stewardship report. Reports can be viewed on the Fund's website at www.spfo.org.uk.

Engagement

The following is a selection of the engagement topics reported over the year. The engagements address a majority of the 17 UN Sustainable Development Goals (SDGs):

- Climate Change
- Child Labour in the Cocoa Industry
- Executive Remuneration
- Plastic Waste
- Modern Slavery
- Occupational Health & Safety
- Water Rights
- Farm Animal Welfare
- Corporate Corruption
- Cybersecurity & Data Privacy
- The Living Wage
- Deforestation and Biodiversity
- Responsible Cleantech
- Labour Rights
- Carbon Risk Management
- Human Rights
- Taxation
- Agriculture Emissions
- Indigenous Land Rights
- Food Security
- Equality & Diversity
- Life Below Water
- Audit Reform

Signatory of: PRI Principles for Responsible Investment

Signatory of: UK STEWARDSHIP CODE | 2021

There is clear evidence that engagement by investors with companies on ESG issues can create shareholder value.

PRI

Responsible Investment Partnerships

Signatory of: PRI Principles for Responsible Investment

The United Nations backed Principles for Responsible Investment works to understand the investment implications of environmental, social and governance (ESG) factors and to support its investor signatories in incorporating these factors into their investment and ownership decisions. The PRI's 6 Principles contribute to developing a more sustainable global financial system with over 3,800 signatories, from over 50 countries, representing over US$120 trillion.

The Local Authority Pension Fund Forum (LAPFF) brings together 86 public sector pension funds and investment pools in the UK with combined assets of over £350 billion to promote the long-term investment interests of member funds and beneficiaries, and to maximise their influence as shareholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies.

ShareAction is a UK charity that promotes responsible investment. ShareAction aims to improve corporate behaviour on environmental, social and governance issues. The charity has launched numerous campaigns, with support from savers, charities, unions, faith groups and other civil society organisations to engage with investors to bring about change. The Fund is an active supporter of their Good Work campaign and Investor Decarbonisation Initiative.

Farm Animal Investment Risk and Return (FAIRR) is a collaborative initiative which aims to encourage analysis and engagement around the long-term risks that factory farming poses to portfolios. The Fund is one of 304 institutional investors representing over US$55 trillion in assets supporting FAIRR's collaborative investor engagement on antibiotics. The engagement asks global food companies to limit antibiotic use in their supply chains to protect public health and long-term value creation.

The Institutional Investors Group on Climate Change (IIGCC) is the leading European investor body for collaboration on climate change. With over 350 members, from 23 countries, representing over €50 trillion in assets IIGCC provides investors with a collaborative platform to encourage public policies, investment practices and corporate behaviour that address long-term risks and opportunities associated with Climate Change.

The Carbon Disclosure Project (CDP) is a collaborative initiative to accelerate company action on carbon reduction and energy efficiency activities. The Fund is an active supporter of three CDP initiatives.

- CDP Climate Change – Requests information on climate risks and low carbon opportunities from the world's largest companies and encourages them to take action to reduce their Green House Gas emissions.
- CDP Water – Asks companies to provide data about their efforts to manage and govern freshwater resources.
- CDP– Forests – Asks companies to provide data on their efforts to stop deforestation

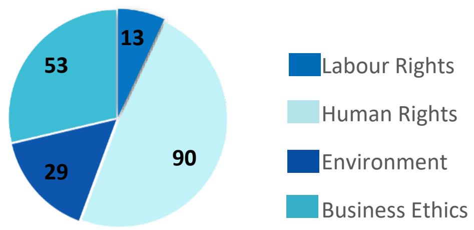
Climate Action 100+ was launched in December 2017 and has the support of 700 investors representing $68 trillion in assets. Entities backing the project include many of the UK's local authority schemes, and some of the most influential Australian, Canadian and US public pension funds. Co-ordinators include the Institutional Investors Group on Climate Change (IIGCC), and Principles for Responsible Investment (PRI). The initiative uses carbon mapping data to target the worst climate offenders directly, to curb their emissions, improve climate governance and strengthen disclosure. Engagement is focused on 167 companies who have a major role to play in the transition to a net-zero emissions economy with the goal of cutting their global emissions by 80 per cent by 2050.

Sustainalytics

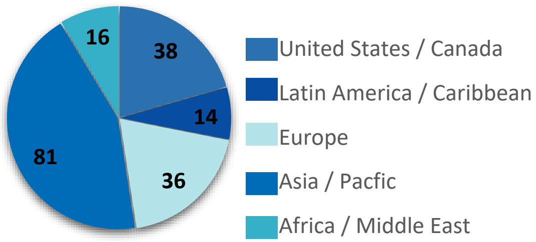
The Fund's external investment managers are assisted by responsible investment specialist, Sustainalytics, who co-ordinate engagement efforts and provide detailed research to focus the collaborative effort of the investment managers.

In 2021, Sustainalytics engaged on or evaluated **185** cases associated with violations of international norms and conventions. In addition, they resolved **16** cases and archived **37**. Meetings were held with **159** companies relating to these cases, including **167** conference calls and **1** meeting in person. In total, Sustainalytics was in contact with companies **2,924** times through emails, conference calls and meetings.

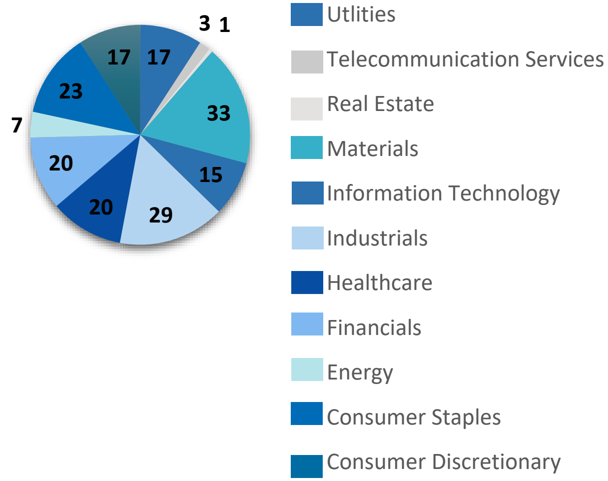
Types of Engagement



Geographic Breakdown



Industry Sector Breakdown



Sustainalytics engagement highlights in 2021

Sustainalytics engaged with a range of companies in 2021 including: Amazon Inc. regarding allegations of interfering in union elections and adopting anti-union strategies; Meta Platforms Inc. regarding human rights impacts on users; Activision Blizzard, Inc. regarding sexual harassment and gender-based discrimination; Tencent Holdings regarding allegations of surveillance and user content censorship in China; Volkswagen AG regarding business ethics incidents; Edison International to develop practices to mitigate wildfire and other physical risks and Ford Motor, SunPower, Tesla, and Vestas Wind Systems to strengthen the strategic management of environmental and social considerations related to the processes around cleantech products.

In 2021, Sustainalytics launched a new engagement initiative, Modern Slavery. Given the magnitude of the problem there is an urgent need to ensure companies are not causing, contributing to, or otherwise directly linked to human rights violations. The three-year engagement's objective is to ensure high-risk portfolio companies adopt rigorous strategies on modern slavery. Details of the initiative are available at: https://connect.sustainalytics.com/thematic-engagement-modern-slavery

Voting Results

2021/22 United Kingdom

The Fund ensures that the votes attaching to its holdings in all quoted companies are exercised whenever practical. The Fund's voting policy is exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance and Stewardship Codes. The Fund occasionally votes shares directly, usually in support of shareholder motions.

	No of Meetings	No of AGMs	No of EGM's	Combined AGM/EGM	No of Resolutions	Votes For	Votes Against	Abstentions	Not Voted	Proxies Lodged	Proxies Not Lodged
Baillie Gifford	5	2	3	-	99	94	5	-	-	5	-
Genesis	4	4	-	-	84	84	-	-	-	4	-
JP Morgan	7	6	1	-	325	321	4	-	-	7	-
Lazard	27	23	4	-	205	199	5	-	1	27	-
Legal & General	764	599	165	-	10,861	10,119	742	-	-	764	-
Lombard Odier	83	65	18	-	1,700	1,659	13	14	14	83	-
Oldfield Partners	3	3	-	-	95	88	7	-	-	3	-
Veritas	2	3	-	-	49	47	2	-	-	2	-
Total	**895**	**705**	**191**	**-**	**13,418**	**12,611**	**778**	**14**	**15**	**895**	**-**
						94%	**6%**	**0%**	**0%**	**100%**	**0%**

2021/22 Overseas

	No of Meetings	No of AGMs	No of EGM's	Combined AGM/EGM	No of Resolutions	Votes For	Votes Against	Abstentions	Not Voted	Proxies Lodged	Proxies Not Lodged
Baillie Gifford	65	54	4	7	966	811	26	16	113	65	-
Genesis	254	156	78	20	2,590	2,204	246	96	4	254	-
JP Morgan	450	368	66	16	3,993	3,310	349	14	320	450	-
Lazard	94	76	9	9	1,663	1,446	77	2	138	94	-
Legal & General	5,159	3,406	1,753	-	56,402	43,732	11,843	827	-	5,159	-
Lombard Odier	21	12	9	-	167	160	-	1	6	21	-
Oldfield Partners	22	16	4	2	322	281	41	-	-	22	-
Veritas	25	20	2	3	441	395	44	-	2	25	-
Total	**6,090**	**4,108**	**1,925**	**57**	**66,544**	**52,339**	**12,626**	**956**	**583**	**6,090**	**-**
						79%	**19%**	**1%**	**1%**	**100%**	**-**

Items shown as Not Voted when the proxy has been lodged are agenda items classed as non-voting.

Most resolutions involve routine matters of business and the expectation would be for managers to vote for the majority of proposals.

The tables above show how votes were actually cast.

Strathclyde Pension Fund

SECTION 7

SCHEME ADMINISTRATION

STRATHCLYDE PENSION FUND OFFICE (SPFO)

Glasgow City Council is the administering authority for the Local Government Pension Scheme (LGPS) in the west of Scotland. To fulfil this role the Council has established and maintains the Strathclyde Pension Fund (SPF). Administration of LGPS benefits for members of the Fund is carried out by the Strathclyde Pension Fund Office (SPFO).

SPFO:

- is a division of Glasgow City Council's Financial Services Department; and
- administers the Scheme on behalf of 159 employers and over 266,000 members.

THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The LGPS is a statutory scheme established under primary legislation – the Superannuation Act 1972 and Public Service Pensions Act 2013. The scheme rules take the form of a series of regulations – the Local Government Pension Scheme (Scotland) Regulations. The regulations are Scottish Statutory Instruments (SSIs).

The scheme benefits are set out in the Local Government Pension Scheme (Scotland) Regulations 2018 which are available here:
http://www.scotlgpsregs.org/schemeregs/lgpsregs2018/timeline.php

SCHEME BENEFITS

The Local Government Pension Scheme is a defined benefit scheme.

From 1st April 2015 benefits are accrued at a rate of 1/49th of pensionable pay on a career average basis. Prior to that date benefits were accrued on a final salary basis. These benefits are fully protected on the basis under which they were accrued.

A full description of the scheme benefits can be found in the Members area of the SPFO website at www.spfo.org.uk or at www.scotlgpsregs.org

The following table provides a summary.

Summary of Scheme Benefits

Membership up to 31 March 2009	Membership from 1 April 2009 to 31 March 2015	Membership From 1 April 2015
Annual Pension = (Service years/days x Final Pay) / 80	Annual Pension = (Service years/days x Final Pay) / 60 +	Annual Pension = Pensionable pay each year / 49 (half that if in 50/50 section)
+	+	+
Automatic tax-free cash lump sum = 3 x Annual Pension	No automatic tax-free cash lump sum but can convert pension.	No automatic tax-free cash lump sum but can convert pension.
+	+	+

- Annual revaluation and pensions increase in line with CPI inflation
- Partners' and dependents' pensions
- Ill health protection
- Death in service protection

All benefits are paid in accordance with the Local Government Pension Scheme regulations.

ADMINISTRATION STRATEGY

SPFO introduced its first pension administration strategy in March 2010. The Strathclyde Pension Fund Committee agreed a revised strategy in March 2020.

The strategy sets out the procedures and performance standards required of both SPFO and its employers to ensure the efficient and effective administration of the pension scheme.

Aims and Objectives

The strategy aims 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 Local Government Pension Scheme (LGPS) regulations, other related legislation and The Pensions Regulator's Codes of Practice.

Achieving the Objectives

There are five key elements necessary to achieving the PAS objectives:

- clear roles and responsibilities;
- performance and service standards;
- good member data;
- engagement and communication; and
- appropriate resource.

The strategic approach to each of these is described in the strategy.

The strategy is published on the Fund's website at:
https://www.spfo.org.uk/index.aspx?articleid=16030

A further review of the Pension Administration strategy is included in the 2022/23 business plan.

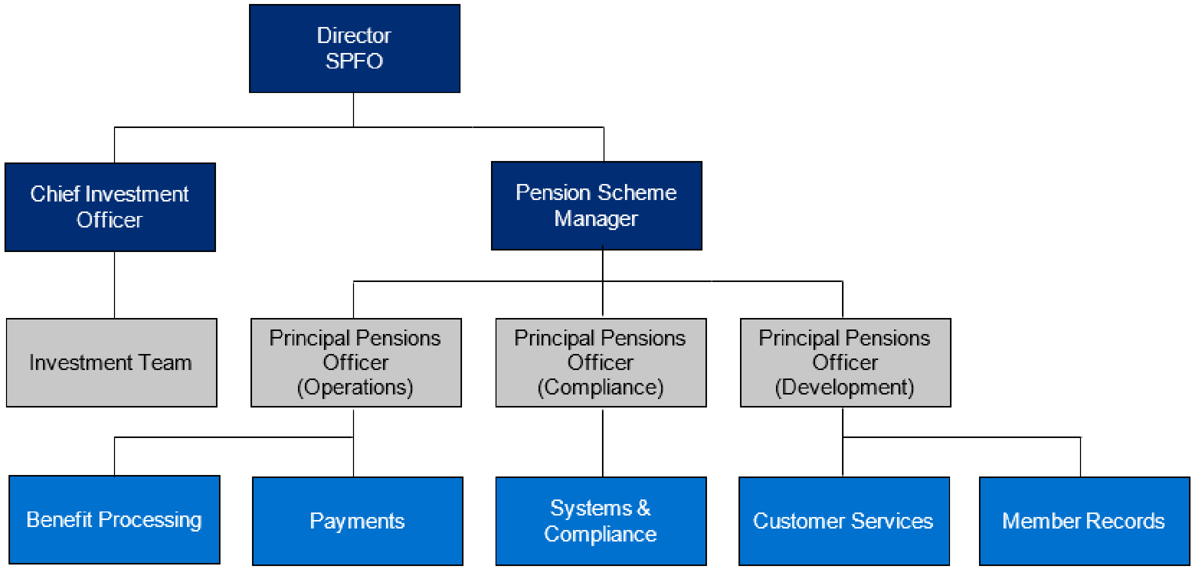
SPFO RESOURCE

Delivery of the PAS objectives requires both employers and SPFO to resource their operations with adequate numbers of staff with suitable knowledge and skills. SPFO resource is reviewed annually in the Business Plan which is approved by the SPF committee. SPFO's staffing structure is summarised below.

SPFO Structure

Total staff in post at 31st March 2022 was 83 (FTE 76.9).

The SPFO staffing structure model is shown below.



Key functions

Benefit Processing

- calculation and processing of a range of provisional and actual benefits

Payments

- payments in: monthly employee and employer contributions
- payments out: lump sums and monthly pension payroll

Systems & Compliance

- system & website maintenance
- member communications
- data protection, system security and business continuity

Customer Service

- call handling and switchboard
- email: SPFO inboxes, pulse
- mail sorting, scanning & issue

Member Records

- maintaining member database
- updating for new members & status changes

Systems

SPFO is an established user of *Altair* – a bespoke Local Government Pension Scheme administration system. The *Altair* application is upgraded four times a year and SPFO is currently running on version 22.1. Within *Altair*, SPFO has implemented *Task Management, Workflow* and *Performance Measurement* modules. These form the core of process planning, management and monitoring. *Altair* is aligned with a Document Image Processing System (DIPS) to achieve straight-through electronic processing. It also provides internet based Member Self Service and Employer Self Service functionality together with *i-Connect,* a secure portal which allows employers to send data submissions direct to SPFO. Ongoing use, continuous development, and increasing member and employer sign-up in these areas are key aspects of the SPFO administration strategy.

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. It was re-assessed in March, and office attendance of at least 2 days per week was agreed with effect from April 2022.

A hybrid working pilot scheme was formalised in October 2021 and will run till at least September 2022

Developments During 2021/22

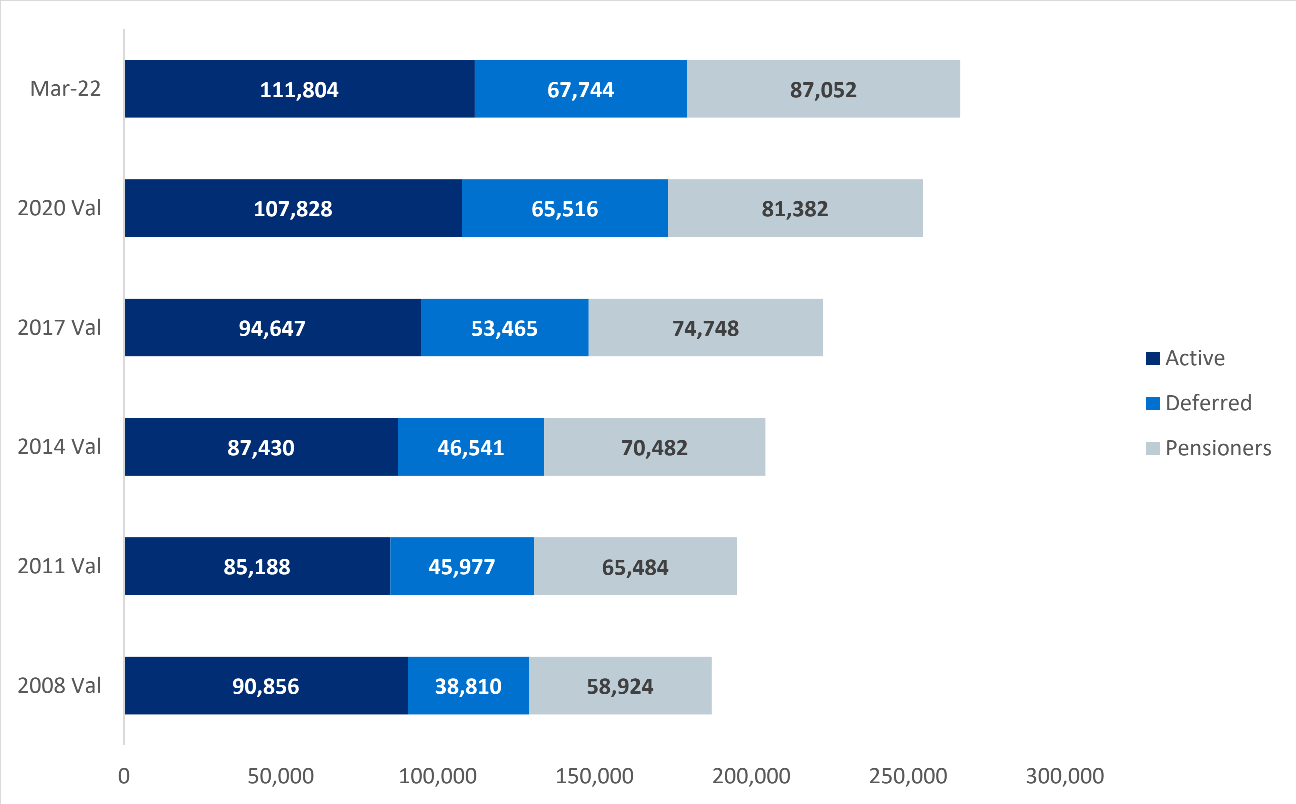
Priorities in the SPF 2021/22 business plan included:

Business Renewal – enforced working from home as a result of COVID-19 was taken as an opportunity to improve and extend digital processes and to introduce a hybrid working pilot scheme.

GMP Reconciliation - remediation adjustments to pensions were calculated and paid in November payroll after system testing. This marked a successful conclusion of the final stage of a project which had been initiated in 2016.

McCloud Remediation - initial preparatory steps including system and process discussions progressed well. Final timetable is dependent on legislation still to be enacted and guidance still to be published. This project will be ongoing throughout 2022/23 and 2023/24.

The charts below show movement in membership numbers over the last year and since the 2008 actuarial valuation of the Fund.



Administration Cost

	2020/21	2021/22
SPFO – Total Admin	*£16.55 per member*	£16.61 per member
SPFO – LGPS Admin	*£15.14 per member*	£13.98 per member
LGPS Average	*£15.54 per member*	tbc

LGPS average figures are taken from the CIPFA LGPS benchmarking club when published.

SPFO Service Standards

The pension administration strategy sets out the statutory responsibilities of SPFO.

Service standards and Key Performance Indicators (KPIs) for SPFO are set each year in the business plan which is approved by Strathclyde Pension Fund Committee. The KPI definitions are also set out within the business plan.

Administration performance is reported regularly to the Pension Board and to the Strathclyde Pension Fund Committee. All committee reports are published in the Governance area of the SPFO website at: www.spfo.org.uk

Performance for the year to 31st March 2022 is set out below.

Payment of Pensions

The single most important critical function of SPFO is to ensure that the monthly pensions payroll runs on its due date. This was achieved remotely each month in 2021/22 without incident or delay.

Customer Service

SPFO uses a rolling customer survey to measure members' satisfaction with the quality of service delivery. Scheme members receive a short questionnaire when each significant transaction is processed. Survey results are summarised in the following table. In addition, comments received in the survey responses are followed up as a means to continuously improve service.

Survey Results 2021/22

	Refunds	Retirals
Forms issued	1,902	3,064
Responses	564	220
Response rate (%)	29.65	7.18
Satisfaction Rating (%)	**86.3**	**90.0**
Target (%)	80.0	90.0
2021/22 full year (%)	*85.3*	*90.8*

Response rate was good and target was achieved for both survey categories.

Transaction Turnaround

Pensions administration is carried out on the Altair pensions system. Turnaround performance is efficiently monitored through a workflow management system called Task Management. The table below shows the targeted and actual performance for 2021/22 together with statutory deadlines.

Turnaround performance 2021 /22

		SPFO Targets			Statutory	
Process	**Volumes**	**Target Days**	**Target %**	**Actual %**	**Deadline**	**SPF Actual %**
Membership Transactions						
New Starts	**17,207**	15	95%	**92%**	1 month	**100%**
Refunds	**1,902**	7	90%	**92%**	As soon as reasonably practicable	**n/a**
Deferred Members	**6,652**	10	90%	**84%**	2 months	**88.3%**
Retiral Estimates	**2,498**	20	80%	**94%**	2 months	**99.7%**
Payments						
Pensions payroll run on due date	**12**	n/a	100%	**100%**	100%	**100%**
New retirals processed for due payroll date	**766**	n/a	95%	**98%**	n/a	**n/a**
Lump sums paid on retirement date	**766**	n/a	95%	**96%**	n/a	**n/a**
Contributions income received on due date	**12**	n/a	100%	**100%**	100%	**100%**

Turnaround performance was generally good, particularly for the key transactions - retiral estimates and actual retirals.

The SPF target is expressed as *x*% of transactions completed within a target time of *y* days. Performance against the statutory timescales is also shown.

Complaints

SPFO complaints are actioned in accordance with Glasgow City Council Complaints Handling procedure. All complaints are recorded using *Lagan*, the Council's system for complaint monitoring and recording.

Stage 1 complaints must be answered within 5 working days. Members can proceed to stage 2 if not satisfied with the response.

Stage 2 complaints must be answered within 20 working days. The Pension Scheme Manager responds to these. An acknowledgement letter must be issued within 3 days.

If the member remains dissatisfied they have the right to refer the complaint to the Scottish Public Services Ombudsman.

		Days to Respond		
Category	Volume	Target	Actual (Average)	Achieved (%)
IT System Fault	1	5	1	100
Other	4	5	6	50
Other – 2nd Stage	1	20	13	100
Procedure	4	5	4	75
Processing Delay	10	5	5	60
Quality of Information	6	5	5	50
Quality of Information – 2nd Stage	2	10	10	100
Waiting Time - Correspondence	2	5	3	50

Member Data

Employers are required to notify SPFO promptly of members joining or leaving the scheme. There is some incidence of failure to do this and regular reports are issued to employers identifying missing data, both historic and current. The table below summarises the position at 31st March 2022.

	2021/22		*2020/21*	
	Members	%	*Members*	*%*
Record status matched	111,367	99.6	*108,956*	*99.6*
Missing new start data	75	0.1	*118*	*0.1*
Missing leaver data	362	0.3	*284*	*0.3*
Total employee members	**111,804**	**100**	***109,358***	***100***

The missing data total of 0.4% for 2021/22 achieved the year-end target of <1.0% and mirrors the previous year figure of 0.4%.

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 Scheme level.

The Pensions Regulator provides the following definitions:

- Common Data are basic items which are used to identify scheme members, including surname, sex, national insurance number, postcode, date of birth, etc.
- Scheme Specific (Conditional) Data are items relating to the member's pension, including employer name, salary records, service history, contributions history, etc.

SPFO subscribes to the Data Quality Service (DQS) provided by its software supplier (Aquila Heywood) to carry out 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 (%)	
	2020	**2021**	*2020*	**2021**	*2020*	**2021**
Common data	*99.4*	**99.4**	*98.3*	**95.7**	*97.2*	**97.5**
Scheme-specific data	*97.8*	**97.6**	*90.3*	**88.1**	*95.4*	**96.3**

The only area of significant weakness is in the address field. This relates to a cohort of historic deferred members for whom SPFO has either never held an address or with whom contact has been lost. A strategy is in place to trace these members before their benefits become due.

DQS tests all records held on the SPF system, including dead and exited members. The analysis is provided annually to allow SPFO to measure progress towards TPR targets.

All pension funds are required to make an annual scheme return to TPR which includes summary figures for core data tests passed.

Reporting to the Pensions Regulator

All breaches of the regulations which are identified are logged within SPFO. Any breaches which might be of material significance to The Pension Regulator (TPR) require to be reported.

No breaches which required to be reported occurred during 2021/22.

A

AMEY BPO Services Ltd (Renfrewshire Schools PPP)
Amey Public Services LLP
Argyll & Bute Council
Argyll College
Argyll Community Housing Association Ltd
Auchenback Active Ltd
Ayr Action for Mental Health Limited
Ayr Housing Aid Centre
Ayrshire College
Ayrshire Housing
Ayrshire North Community Housing
Ayrshire Valuation Joint Board

B

BAM Construct UK Ltd (East Renfrewshire)
BAM Construct UK Ltd (West Dunbartonshire)
Business Loans Scotland
Bridgeton Calton and Dalmarnock Credit Union

C

Cassiltoun Housing Association
CGI UK Ltd
Childcare First Ltd
Churchhill Contract Services
City Building (Contracts) LLP
City Building (Glasgow) LLP
City of Glasgow College
City Parking (Glasgow) LLP **(E)**
City Property (Glasgow) LLP
Clyde Gateway Urban Regeneration Company
Coalition For Racial Equality And Rights
Coatbridge Citizens Advice Bureau
Cofely Workplace Ltd
College Development Network
Community Central Hall
CORA Foundation
Craigholme School **(E)**
Creative Scotland
Culture NL Limited **(E)**

D

Dunbartonshire & Argyll & Bute Valuation Joint Board

E

East Ayrshire Council
East Ayrshire Leisure Trust
East Dunbartonshire Citizens Advice Bureau **(E)**
East Dunbartonshire Council
East Dunbartonshire Leisure and Culture Trust
East Renfrewshire Carers
East Renfrewshire Council
East Renfrewshire Culture & Leisure Trust
Easterhouse Citizens Advice Bureau
Enable Glasgow
Engage Renfrewshire
Equals Advocacy Partnership Mental Health

F

Flourish House
Forth & Oban Ltd
Fyne Homes Ltd.

G

Geilsland School Beith for Church of Scotland (Crossreach)
General Teaching Council for Scotland
Glasgow Association for Mental Health
Glasgow Caledonian University
Glasgow City Council
Glasgow City Heritage Trust
Glasgow Clyde College
Glasgow Colleges Regional Board
Glasgow Council for Voluntary Service
Glasgow Credit Union
Glasgow East Women's Aid
Glasgow Film Theatre
Glasgow Housing Association
Glasgow Kelvin College
Glasgow Life
Glasgow School of Art
Glasgow West Housing Agency
Glasgow Women's Aid
Good Shepherd Centre
Govan Home and Education Link Project
Govan Law Centre
Govanhill Housing Association
Greenspace Scotland

H

H.E.L.P. (Argyll & Bute) Ltd
Hemat Gryffe Women's Aid
Highland & Islands Enterprise Company Ltd.

I

Inverclyde Council
Inverclyde Leisure
ISS UK

J

Jobs and Business Glasgow
Jordanhill School

K

Kibble School
Kings Theatre Glasgow Ltd

L

Lanarkshire Association for Mental Health
Lanarkshire Housing Association Ltd
Lanarkshire Valuation Joint Board
Linstone Housing Association Ltd
Live Argyll
Loch Lomond & The Trossachs National Park Authority

M

Maryhill Housing Association
Milnbank Housing Association
Mitie PFI Ltd (Argyll & Bute Education PPP)
Mitie PFI Ltd (East Ayrshire Education PPP)
Mitie PFI Ltd (North Ayrshire Education PPP)
Mitie PFI Ltd (South Ayrshire Education PPP)

N

New College Lanarkshire
New Gorbals Housing Association
North Ayrshire Council
North Ayrshire Leisure Ltd
North Glasgow Housing Association
North Lanarkshire Carers Together
North Lanarkshire Council
North Lanarkshire Properties

O

Optima (Working on Wellbeing)

P

Parkhead Housing Association Ltd
Potential Living

Q

Queens Cross Housing Association

R

Rape Crisis Centre
RCA Trust
Regen: FX Youth Trust
Reidvale Adventure Playground
Renfrewshire Carers Centre
Renfrewshire Council
Renfrewshire Leisure Ltd
Renfrewshire Valuation Joint Board
River Clyde Homes
Routes to Work Limited
Royal Conservatoire of Scotland

S

SACRO
Sanctuary Scotland Housing Association
Scottish Canals
Scottish Environmental & Outdoor Centres
Scottish Fire and Rescue Service
Scottish Library & Information Council
Scottish Maritime Museum Trust
Scottish Out Of School Care Network
Scottish Police Authority
Scottish Qualifications Authority
Scottish Water
Scottish Water Business Stream Ltd
SEEMIS Group LLP
Shettleston Housing Association
Skills Development Scotland Ltd
Sodexo Ltd (Argyll & Bute)
Sodexo Ltd (Fire)
South Ayrshire Council
South Ayrshire Energy Agency
South Lanarkshire College
South Lanarkshire Council
South Lanarkshire Leisure & Culture Limited
Southside Housing Association
Sport Scotland
St Mary's Kenmure
St Philip's School
Strathclyde Partnership for Transport
Strathclyde Wing Hong Chinese Elderly Group

T

The Financial Fitness Resource Team
The Milton Kids D.A.S.H. Club
The Scottish Centre for Children with Motor Impairments
Tollcross Housing Association

U

University of Aberdeen (ex Northern College)
University of Dundee (ex Northern College)
University of Edinburgh (ex Moray House)
University of Glasgow (ex St. Andrew's College)
University of Glasgow (ex SCRE employees only)
University of Strathclyde
University of The West of Scotland
UTHEO Limited

V

W

West College Scotland
West Dunbartonshire Council West
Dunbartonshire Leisure Trust
West of Scotland Regional Equality Council

Y

Youth Counselling Services Agency **(E)**

NEW AND EXITING EMPLOYERS

New employers may participate in the Fund subject to satisfying the requirements of the Local Government Pension Scheme Regulations and the Fund's policy on admissions.

The process for an exiting employer is set out in the regulations which require the Fund actuary to calculate an exit payment. The calculation is usually carried out on a discontinuance basis which means that the payment due from the employer can be substantial. SPFO has developed procedures to manage employer exits through phased payments both before and after the event.

Employer participation during 2021/22 is summarised in the following table.

Total employers as at 1st April 2021	164
New employers **(N)**	-
Exiting employers **(E)**	5
Total employers as at 31st March 2022	159

Communications Policy

SPFO adopted the following revised Communications policy with effect from 1st April 2021.

1. VISION

Everyone with any interest in the Fund should have ready access to all the information they need.

2. OBJECTIVES

- To improve understanding of the scheme and the Fund.
- To promote the benefits of the scheme.
- To allow members to make informed decisions.

3. PRINCIPLES

3.1 Format

Our communications will:

- Have a clear purpose.
- Have a clear message.
- Be well written and presented.
- Make an impact.

3.2 Brand

The Strathclyde Pension Fund is a strong brand with which members and others identify. We will protect and promote it.

3.3 Content

Content will be relevant and timely.

3.4 Delivery

- We will use the most efficient and effective delivery media.
- We are committed to increasing digital access and delivery.

3.5 Measuring Success

- We will measure, monitor and report on our communications programme.
- We will encourage engagement, comment and feedback.

Strathclyde Pension Fund

Everyone with any interest in the Fund should have ready access to all the information they need.

4. DEVELOPMENT PRIORITIES

Our current priority is to increase and improve digital delivery of our communications.

5. MEASUREMENT OF SUCCESS

We will measure our success in terms of customer engagement and satisfaction. Targets will be agreed in our annual business plan. Results will be reported annually.

6. PROGRAMME

Our current programme of communications is summarised in the following schedules which set out the audience, key messages, media used, and deliverables.

Schedule

1. Active Members
2. Deferred Members
3. Pensioner Members
4. Representatives of Member
5. Prospective Members
6. Scheme Employers
7. Other Interested Parties

These schedules are not included here but are available in the full version of the policy document from the Publications area of the website at www.spfo.org.uk

Communications Performance

During scheme year 2021/22 SPFO:

- produced and issued annual newsletters for all Employee, Pensioner and Deferred members. These are available on the website at www.spfo.org.uk
- produced and issued annual benefit statements for all employee members. 99% were issued by the 31st August statutory deadline. The remaining 1% related to new members whose employers had not provided data on time.

Of the annual benefit statements issued by the deadline:

- **52.1%** *(2020/21: 46.5%)* were issued via SPFOnline with notification by email.
- **44.3%** *(2020/21: 49.9%)* were issued via SPFOnline with notification by letter.
- **3.6%** *(2020/21: 3.6%)* were issued by Post at the member's request.

Digital Communications

Improving and increasing digital delivery of communications is an ongoing priority. Progress is summarised in the table below.

Website	Measure	2021/22 Actual	2021/22 Target	*2020/21 Actual*
www.spfo.org.uk	total weekly visits	**7,355**	7,500	*6,933*
	unique weekly visitors	**4,168**	4,000	*3,877*
SPFOnline	members registered	**110,580**	96,000	*96,147*
i-Connect	total extract returns	55	100%	*24*
	total online returns	104	100%	91

Significant progress was made during 2021/22:

- An increase of 14,433 in members registered for the data portal SPFOnline, taking the total to 110,580.
- The target of having all employers adopt the SPF data management solution, i-Connect, was finally achieved.

Strathclyde Pension Fund

SECTION 8

INDEPENDENT AUDITOR’S REPORT

Independent auditor's report to the members of Glasgow City Council as administering authority for Strathclyde Pension Fund and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Strathclyde Pension Fund (the fund) for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the financial transactions of the fund during the year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities;

- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 26 September 2022. This is my first year of appointment. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the fund's current or future financial sustainability. However, I report on the fund's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Executive Director of Finance and Strathclyde Pension Fund Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the fund's operations.

The Strathclyde Pension Fund Committee is responsible for overseeing the financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the fund is complying with that framework;
- identifying which laws and regulations are significant in the context of the fund;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the fund’s controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor’s responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor’s report.

Reporting on other requirements

Other information

The Executive Director of Finance is responsible for other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and my auditor’s report thereon.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary, Annual Governance Statement and Governance Compliance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary, Annual Governance Statement and Governance Compliance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016): and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd (CPFA)
Audit Director

Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow G2 1BT

STRATHCLYDE PENSION FUND OFFICE – KEY PERSONS

Director:	Richard McIndoe.
Chief Investment Officer:	Jacqueline Gillies
Investment Manager:	Richard Keery
Investment Manager:	Ian Jamison
Assistant Investment Manager:	Lorraine Martin
Pension Scheme Manager:	Linda Welsh
Principal Pensions Officer:	(Development) Nicola Smith
Principal Pensions Officer:	(Operations) Brian Rodden
Principal Pensions Officer	(Compliance) Juan Fernandez
Chief Finance Officer:	Stuart Tough/Stuart Forrest

CONTACT

Email: spfo@glasgow.gov.uk
Tel: 0345 890 8999
Web: www.spfo.org.uk

Strathclyde Pension Fund Office
P.O.Box 27001
Glasgow
G2 9EW

IMAGES

Images in this document are of the Burrell Collection, Glasgow, which re-opened in March 2022 after a major refurbishment.


Strathclyde
Pension Fund
KIER