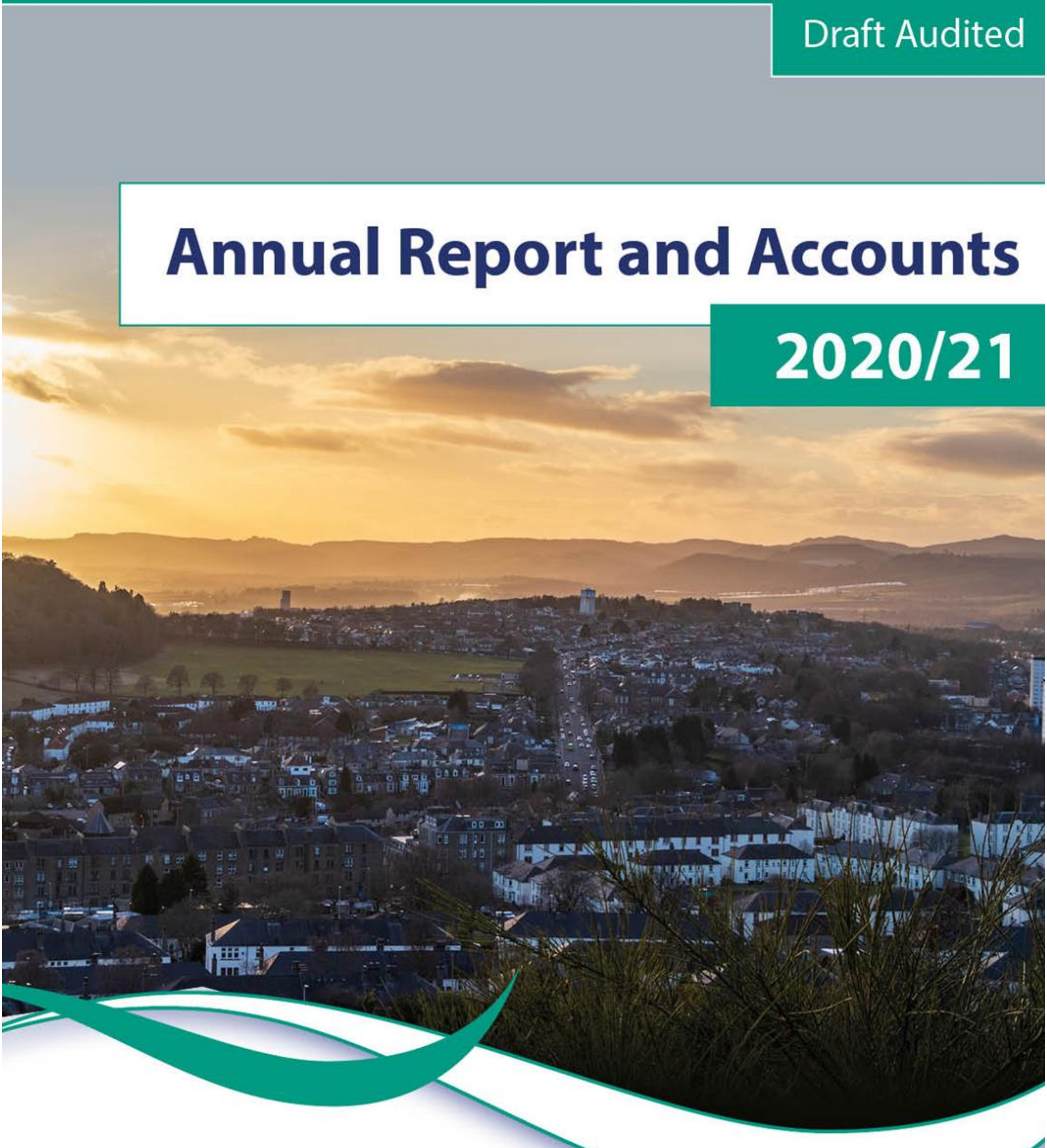
Draft Audited

Annual Report and Accounts

2020/21



Tayside
Pension Fund

Administered by Dundee City Council

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ABOUT THE FUND

Tayside Pension Fund has been administered by Dundee City Council since 1st April 1996. It is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established under the primary legislations of the Superannuation act 1972 and Public Service Pensions Act 2013.

As at 31st March 2021, Tayside Pension Fund had investment assets of £4.85 billion, and a membership of over 51,000 across 45 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

There are approximately 100 LGPS funds in the UK, with 11 of these in Scotland. Tayside is the 4th largest of the 11 Scottish LGPS funds in asset size. The LGPS is a multi-employer defined benefit scheme, whose benefits up until 31st March 2015 was based upon final salary. Since this date, benefits are based upon career average.

The rules by which the LGPS scheme operates by are set out in the Local Government Pension Scheme (Scotland) Regulations which are Scottish Statutory Instruments (SSIs). Separate regulations set out scheme benefits, investment and governance requirements.

Foreword by the Executive Director of Corporate Services

On behalf of Tayside Pension Fund, I am pleased to present the 2020/21 Annual Report and Financial Statements of Tayside Pension Fund. This report provides members, employers and other interested stakeholders with key information on the activities of the Fund during the financial year, as well as its investment performance and financial statements.

Having taken on my role at the end of February following the departure of Gregory Colgan to his new role of Chief Executive, I am delighted to introduce an annual report which shows the Fund continuing in strength after what has been the most challenging year in the Fund's history.

Starting from the market low of March 2020 at the onset of the pandemic, the Fund has weathered both market volatility and global uncertainty, ending the financial year ahead of benchmark returns at a value in excess of £4.8bn. Whilst this level of return was welcomed, the Fund are mindful that the long-term effects of the pandemic have yet to play out and market volatility will remain for some time in the future. I am reassured by the prudent and careful long-term investment and funding strategies that the Fund remain well defended.

The outcome of the actuarial triennial valuation at 31 March 2020, provided further reassurance of the Funds strong position, demonstrating an improvement of its funding level of 109% (107% at previous valuation). This result considered the both the uncertain future economic outlook and reductions in future asset returns, as well as the requirement to maintain a 10% asset shock reserve. Any earlier risks of having to raise employer contribution rates for the coming 3 years have been mitigated by the investment decisions and approach of the Pension Sub-Committee, and this common contribution rate remains as one of the lowest in the LGPS at 17%.

The impact of the pandemic has been felt by both members and employers, and I am reassured that the Fund has taken every opportunity not only to provide support, but also to make service improvements in the most challenging of environments, and whilst I have not yet had the chance to meet the staff in person, I would like to express my admiration and thanks to them for their flexibility and adaptiveness and for putting the needs of members and employers at the forefront of their service delivery, showing care and compassion.

With Climate Change a global priority, I am delighted to see the steps that the Fund are taking to ensure responsible investment and active stewardship. 2021 has seen a revised Stewardship Code being brought into operation, and this coupled with the incoming reporting requirements of the Task Force on Climate-related Financial Disclosures will provide improved clarity on the profiles of Fund investments.

Whilst I am in no doubt that the Fund will encounter future challenges, I look forward to working with the Sub-Committee, Board, Officers and Staff of the Fund in addressing and overcoming obstacles, to continue sustainable and high-quality service delivery for the members and employers of the Fund.

Robert Emmott
Executive Director of Corporate Services

Report by the Chair of the Pension Sub-Committee

As administering authority of Tayside Pension Fund, Dundee City Council has delegated the responsibility for all matters relating to asset investment and governance of Tayside Pension Fund to its Pension Sub-Committee. This Sub-Committee consists of 6 elected members from Dundee City Council, and it is their role, and mine, as its Chair to ensure the Fund meets its primary objective of providing members' pension benefits on retirement; and to ensure that the Fund complies with Local Government Pension Scheme Regulations and all other relevant legislation.

This year has been one of unprecedented global challenges with the global disruption caused by the Covid-19 pandemic. The importance of effective stewardship of the Fund in these uncertain times has been paramount, and the Pensions Sub-Committee and Board have strived to ensure that the services provided by the Tayside Pension Fund have remained effective and efficient, and that our members and employers have received support when needed.

Governing in a virtual environment has been a challenge, with the first part of the year operating under emergency measures. Fund business however continued throughout from strategy approval to benefit payment.

The operational contingency measures put into effect at the onset of the lockdown provided the fund with a sound base to provide service, and I am pleased to report that the Fund has operated throughout the year remotely with no service disruption to members or employers. This is testament to the staff of the Fund who demonstrated their dedication and commitment, and on behalf of my colleagues on the Sub-Committee and Board, I would like to thank them for their abilities in adapting services to suit the testing circumstances, and the support provided to both members and employers throughout this time.

The Fund have been extremely mindful of the business disruption suffered by employers through this year, and the Sub-Committee appreciate that the proactive engagement with employers has continued through the year, and furthermore that the positive outcome of the triennial valuation in terms of improved funding level has enabled the common contribution to remain at 17% for the coming 3 years.

Whilst the Fund have now gained membership of the Institutional Investors Group on Climate Change and are in process of becoming members of Climate Action 100, the Sub-Committee has sought to further strengthen its commitment to responsible investment and have worked with officers and advisors on demonstrating good governance via a revised investment strategy within fiduciary boundaries. It is our prime objective to ensure that these changes will be in the best interests of both the members and the planet.

We are still encountering the challenges of Covid-19 and are likely to do so for a number of years, and I remain confident of the robust position of Tayside Pension Fund in overcoming any challenges it encounters, and I look forward to working with my colleagues on the Sub-Committee and Pension Board, as well as the officers and staff in the year ahead and acknowledge their continued commitment to Tayside Pension Fund.

Bailie Willie Sawers
Chair of Pension Sub-Committee

Report by the Chair of the Pension Board

The role of the Pensions Board is to ensure compliance with the various legislative requirements of Local Government Pension Schemes, and also the requirements of the Pensions Regulator. Representing both employers and members, the Board undertakes a vital role in helping to ensure the correct governance and functioning of Tayside Pension Fund.

The role of Chair of the Pension Board during a pandemic has presented challenges which would have been inconceivable until now, however, the knowledge and experience gained as having been a member of the Board since its creation has been of benefit in ensuring the required oversight and challenge needed in the current environment.

Ensuring adequate governance in a virtual environment has been a challenge, and for the first part of the year, the Sub-Committee and Board were operating under emergency measures. These proved effective, enabling all essential policies and strategies to be reviewed and approved, albeit remotely. Thankfully this was a short-term measure, and regular meetings resumed in September held online, enabling the Sub-Committee to ratify these policies and resume active discussion, with the Pension Board providing challenge and oversight.

The Board were reassured at the audit opinion provided by Pricewaterhouse Coopers, the Fund's internal audit providers, that they were satisfied with the governance arrangements and investment strategy, and we are pleased that the Fund officers implemented the suggested improvements immediately.

The Board have been ever mindful of the effects that Covid-19 has had on the members of the Fund, and throughout the year we have questioned the Fund's officers on the processes in place to ensure swift payment of benefits and sought reassurance of the support provided to the members and employers.

In addition to dealing with the numerous challenges that the pandemic has presented, the Fund has now the task of implementing a solution to address the changes to pension legislation to remove discrimination following the outcome of the McCloud case. This will be a huge exercise for the Fund, and the Board will work with the Sub-Committee and officers to ensure that Tayside Pension Fund are fully prepared in relation to resources, systems and processes to support this.

Whilst in normal circumstances, the constitution of the Board requires that the Chair of the Pension Board rotate between employer and member representatives, we remain in an uncertain environment, and as a result, I have agreed to extend my tenure for the coming year in order to provide continuity and stability in respect of governance. I look forward to continuing my position and working with the Board to ensure that the interests of the members and employers are met effectively in coming year.

Lastly, I would like to express my gratitude to my Pension Board colleagues for their ongoing commitment to supporting the fund over the last year, and thank the staff of the Fund for their hard work and support to members in times of distress.

George Ramsay (Unite the Union)
Member Representative & Chair of Tayside Pension Board

MANAGEMENT COMMENTARY

Introduction

The Annual Report has been prepared in accordance with the Code of Practice on Local Authority Accounting for the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003. It is intended to keep members, employers and other interested stakeholders informed about the administration and performance of the Local Government Pension Scheme (LGPS) Fund that Dundee City Council is responsible for administering. Since the repatriation of Tayside Transport Fund back to the main fund on 30th June 2017, the funds have been managed as one entity.

Purpose and Aims

The purpose of the Fund is to receive monies in respect of contributions, and invest appropriately in order to pay out the required monies in respect of Local Government Pension Scheme (the Scheme) benefits.

In order to achieve this, the fund aims to ensure that:

- sufficient resources are available to meet all liabilities as they fall due;
- employer contribution rates to be kept as nearly constant as possible and at reasonable cost;
- employer's liabilities are managed effectively;
- income from investments is maximised within reasonable risk parameters

Policies, Strategies & Objectives

The primary objective of Tayside Pension Fund is to provide for scheme members' pension and lump sum benefits on their retirement or for their dependants on death before or after retirement, on a defined benefits basis. In order to achieve their objectives, the Fund have policies and strategies which are agreed by the Pension Sub-Committee and set out in their policy and strategy documents.

The following investment policies and strategies underwent review over the year:

- Annual Governance & Governance Compliance Statement
- Environmental, Social and Corporate Governance Policy
- Training & Attendance Policy
- Treasury Management Policy & Strategy
- Statement of Investment Principles
- Funding Strategy Statement
- Risk Management Policy & Strategy
- Administration Strategy
- Communications Policy
- Scheme Discretions Policy

Further information can be found at our website
http://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

2020/2021 Events and Activities

Triennial Actuarial Valuation & Funding

In accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014, an actuarial valuation is required every three years for the purpose of ensuring that the Pension Fund has sufficient resources to provide for their members' pensions and lump sum benefits. The contribution from employees is fixed by statute and the only adjustable variable at each valuation is the level of employer's contributions. The most recent valuation was undertaken as at 31st March 2020 and found surplus of assets over liabilities of £289m. This is translated into a funding level of 109% (including a 10% volatility reserve to allow for adverse short-term financial experience in the period to the next valuation).

Based on the above results the actuary recommended that the Fund's employer's common contribution rate for active employers remain at the 17%p.a. of pensionable pay for the 3 year period from 1st April 2021 to 31st March 2024, utilising the surplus to maintain a stable contribution rate via a negative secondary rate adjustment from the primary rate of 22.9%, and in accordance with the Funding Strategy Statement. Further information on this can be found at our website:
http://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

Procurement Exercises

- Appointment of CMS Cameron McKenna Nabarro Olswang LLP

The Fund made a direct award to CMS Cameron McKenna Nabarro Olswang LLP under the Crown Commercial Service Framework to provide the Fund with specialist legal services.

- Appointment of Aquila Heywood

The fund undertook a procurement exercise for supply of a fully integrated pension system. Award of contract for service provision was made to the incumbent provider Aquila Heywood.

Changes to Regulation / Legislation

The following provides a summary of the legislation published in 2020/21:

SI 2020-290	The Pensions Increase (Review) Order 2020
SI 2020-299	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2020
SI 2020-372	The Automatic Enrolment (Earnings Trigger of Qualifying Earnings Band) Order 2020
SI 2020-235	The Guaranteed Minimum Pension Increase Order 2020
SI 2020-193	The Social Security Revaluation of Earnings Factor Order 2020
SI 2020-230	The Public Service Pensions Revaluation Order 2020
S1 2020-354	The Parental Bereavement Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2020

Further detail and links to the above is provided within the Administration Section.

Consultations

- The Local Government Pension Scheme (Scotland): Addressing discrimination – Amendments to the Statutory Underpin

The purpose of this consultation was to seek views on changes to the Local Government Pension Scheme (LGPS) in Scotland. It outlined proposed changes to the LGPS statutory underpin protection to remove unlawful discrimination found by the Courts in relation to public service pension scheme 'transitional protection' arrangements.

The consultation was due to close on 23rd October 2020, but was extended to enable stakeholders suitable timescale for response and time to fully consult and consider the implications of the proposals. Tayside Pension Fund united with the Scottish LGPS to provide a fully robust response to the consultation, covering all aspects of fund management on behalf of all 11 Scottish Funds.

- The Local Government Pension Scheme (Scotland): The purpose of this consultation sought the views of LGPS stakeholders regarding a draft Direction Order to enable scheme employers, to substitute a different administering authority as the appropriate administering authority for a person or class of persons.

The consultation period ended on 13th August 2020 and Tayside Pension Fund provided input to a joint response from the Scottish Pensions Liaison Group (the specialist pension administration group).

- The Local Government Pension Scheme (Amendment) (No 2) Regulations 2020

Following the consultation in early 2020 on the efficacy of regulations which provided a ‘suspension notice’ to assist employers and fund authorities to come to a mutually beneficial arrangement when employers leave the scheme. The suspension notice provisions in Regulation 61(3) and (4) of the Scottish LGPS regulations were designed to allow some flexibility in the settling of the employer’s exit payment, whilst protecting other employers in the scheme.

The SPPA noted that responses to the 2020 consultation had highlighted that whilst the new regulations allowed greater flexibility which was helpful when managing employer exits, they wished more clarity of how the provisions should work in practice. In response to this, the SPPA sought consideration of the wording of future regulations and stakeholder opinion as to inclusion of provisions in the proposed Scottish LGPS Transitional amendments planned for 2021.

I.T. Developments

- System Security, Process Improvements & Controls

Since March 23rd 2020, Tayside Pension Fund has had 100% of staff working from home with no detrimental effects on service delivery. Systems and processes were adapted to suit the contingent circumstances through better system utilisation, and opportunity was taken wherever possible to improve efficiency, effectiveness of processes and robustness of controls throughout the redesign process.

- Tell Us Once

This government service was integrated into our bereavement processes, allowing us to source information from initial source of registration. The removal of waiting times for receipt of information from other agencies has resulted in swifter processing of death and survivor benefits.

- I-Connect

With the objective of full system and service integration, the additional functionality available within the core systems is now in operation allowing the fund employers direct upload to the pension system for all financial and member communications. This has been achieved in partnership with employers to enable faster benefit processing and records update. A data confirmation and cleanse exercise has been undertaken in preparation of this change, and this will provide future benefits to both the Fund and our partner employers in meeting statutory requirements, improved service delivery and reducing risk of error.

- Member Self Service

Following from the employer communications facility, work on an integrated functionality for Fund members is at its final stages, awaiting employers end of year submissions to enable full roll out. This is currently in initial roll out, with active members who have requested estimates now being able to undertake their own calculations, and updating records. This facility will both benefit the members in being able to better plan for the future, and the Fund in releasing resources to undertake other statutory duties.

Training, Development and Communication

- Pension Sub-Committee and Board Training

Due to pandemic restrictions and limitations of on-line facilities, the ability to fully accommodate training needs was impaired, and as such, the training plan for 2020/21 has been rolled forward to 2021/22.

Members of the Sub-Committee & Board, and officers of the Fund did however manage to partially address training objectives from the following external events which covered the following topics:

Organiser	Training Provided
Local Government Pension Scheme (Scot) Officers Group	Governance, Stewardship, Investments and work of Scheme Advisory Board
Local Government Pension Scheme (Scot) Officers Group	Actuarial valuations, Longevity and Pension Administration
Local Government Chronical	Investment issues, Social investing, ESG, Collaboration
Local Government Chronical (Scotland)	Investment implications of Covid, ESG & fiduciary duty, Sustainability, Infrastructure investment, Collaboration

- Staff Training

The following training was provided online to staff:

Concurrency of Employment	Sessions were held with staff on the process and methodology of actioning cases where members have held two or more posts concurrently
I-Connect	Familiarisation Training provided by Aquila Heywood on the new system being rolled out to employers
Member Self Service	Familiarisation Training provided by Aquila Heywood on the new system being rolled out to active, deferred and pensioner members
GDPR	Staff completed on line refreshers training
Ad hoc sessions	Various ad hoc sessions were held with groups and individuals over the year based on identified training requirements

- Training and Attendance Policy

This policy was approved in March 2021, setting out the requirements and practicalities for the training of members of both the Pensions Sub-Committee and the Pension Board, and details attendance requirements. Further information can be found at on our website:

http://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

- Employer / Members Sessions

The following sessions were held online over the year:

Employer	Topic
Smaller Employers (March 2021)	I-Connect Demonstration. Joint session provided by Tayside Pension Fund and Aquila Heywood to employers (typically 75 scheme members of less) who will utilise the online return facility of I-Connect. Following this initial session some employers made contact to ask for additional support or information and individual sessions were held when required to accommodate.
Large Employers (March 2021)	I-Connect Demonstration. Joint session provided by Tayside Pension Fund and Aquila Heywood to employers (with more than 75 scheme members) who will utilise the CSV return facility of I-Connect. Following this initial session some employers made contact to ask for additional support or information and individual sessions were provided to accommodate their needs.
Smaller employer (March 2021)	End of Year Template & Guidance Notes. Session held with smaller employees (with less than 75 scheme members) on the completion and return of the 2020/2021 end of year schedule. Following this initial session several employers made contact to ask for additional support or information and individual sessions were provided to accommodate their needs.
Large employers (March 2021)	End of Year Template & Guidance Notes. Session held with smaller employees (typically 75 scheme members or more) on the completion and return of the 2020/2021 end of year schedule.

	Following this initial session some employers made contact to ask for additional support or information and individual sessions were held to accommodate.
Tayside Contracts (February/March 2021)	Meeting with new management team to discuss outstanding complex cases and working arrangements to enable prioritisation.
Angus Council	Various sessions held over the year to discuss outstanding issues and proposed resolutions.

COVID-19 Contingency Measures

Throughout this financial year, the Fund have been working under pandemic restrictions. Staff have been working from home throughout this period, and as a result of IT functionality and adaptations made, there has been no detrimental impact to services and support provided. The service improvements made during this time will continue to provide benefits to our members and employers.

We continue to prioritise the processing of pension and death benefits and payments to ensure that difficult circumstances are not exacerbated by unnecessary delays. We are aware that our members have encountered difficulties as a result of the current environment, and our staff have supported a number of members and their families.

A number of our employers have experienced service disruption and financial challenges, and we continue to support them in offering assistance in meeting their contribution responsibilities through flexible arrangements in-keeping with their circumstances and legislation.

Fund Update

Membership

The Local Government Pension Scheme is voluntary and is open to all employees of the Scheduled and Admitted Bodies. A list of Scheduled and Admitted Bodies within Tayside Pension Fund can be found on page 101. The change to membership of the Tayside Fund between 31 March 2020 and 31 March 2021 can be noted below:

	31st March 2020	31 March 2021
Contributing Members	19,117	19,181
Pensioners	16,635	16,937
Deferred Pensioners	10,410	10,485
Undecided or Frozen	4,842	5,238
	51,004	51,841

Membership Funding

The Funds are financed by the contributions made by members and their employers as well as income earned from the investment of the Funds' monies.

The employees' contribution levels are tiered based on a percentage of pensionable pay. Contributions are made by active members of the fund in accordance with the LGPS (Scotland) Regulations 2014 and range from 5.5% to 12.0% of pensionable pay. Employer contributions are set based on triennial valuations undertaken by actuaries in accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014. The employers' contribution levels are reviewed every three years by the Funds' actuaries as part of their actuarial valuation of the Funds.

Paying due regard to the Fund’s Funding Strategy whilst maintaining consistency of rate, solvency of the fund, and long-term cost efficiency; as at 31st March 2020, the Fund’s actuary, Barnett Waddingham recommended that the common employer contribution for active employers remain at 17%

Performance

- Fund Investment

The current investment strategy ensures that investment performance is effectively managed and monitored by the governance arrangements, where decisions are delegated to the Pension Sub-Committee of the Policy and Resources Committee. Investment decisions are made based on advice from Council Officers and professional external advisers. These decisions are scrutinised by the Pension Board who meet with the Pension Sub-Committee on a quarterly basis.

The strategic asset allocation of both funds is as follows (following the Investment Strategy in Review approved on 3rd December 2018):

Equities:	65%
Bonds:	13%
Property:	12%
Alternatives:	10%

In the year to 31 March 2021, the Fund ended 8.13% ahead of benchmark, with key portfolios exceeding the returns required throughout the period. The fund value increased from £3.67bn to £4.85bn by 31 March 2021 as reported by the Fund's custodians. The fund value has recovered significantly since the start of the year, enduring endured periods of extreme volatility which are expected to continue. The Fund has outperformed benchmarks in all time periods (3 years, 5 years, and from inception), all with positive returns. Individual portfolio performance is detailed further within the Investment Section of the report.

- Peer Comparison

Appointed by Scottish Ministers to report under section 13 of the Public Service Pensions Act 2013, in December 2019, The Government Actuary publishes reports on compliance, consistency, solvency and long-term cost efficiency in respect of actuarial valuations of the funds in the Local Government Pension Scheme (Scotland).

Their report in respect of the 2020 valuation has not yet been published, however the following provides a key summary of how the fund compares to peers based on the 2017 valuation, and based on the Fund's improved funding level and audits, there is no indication that there would be any material change to the previous findings below:

Compliance – Tayside Pension Fund reports met all regulatory compliance requirements
Consistency – On a standardised basis, Tayside Pension Fund had the 3rd highest funding level
Solvency – Tayside Pension Fund remained in surplus following asset shock test
Long Term Cost Efficiency - On a standardised basis, Tayside Pension Fund had the lowest employer contribution level.

Further information of the 2017 assessment can be found in the following report:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852463/191113Section13ReportMain.pdf

- Administration

In spite of the challenges presented by operational restrictions, administration performance improved over the year due to significant improvements to systems and processes. The team have also worked closely with employers to address operational needs.

A revised Administration Strategy and Communications Policy was approved to support improved service delivery, performance reporting and transparency.

Further details are included in the Administration section of this annual report.

In compliance with The Pensions Regulator's Code of Practice, procedures and documentation are in place for logging and reporting breaches. Breaches are logged internally and if assessed to be material, as was the case of processing delays in respect of deferred benefits information, are required to be reported to the Regulator. During the financial year, there were no material breaches encountered.

Further information can be found at our website:
http://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

Risk Management

- Risk Management Policy & Strategy

Tayside Pension Fund's Risk Policy and Strategy largely reflects existing practices, and also draws on guidance from the Cipfa publication Managing Risk in the Local Government Pension Scheme and from the Pensions Regulator's code of practice for public service pension schemes.

Further information can be found at our website
http://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

The following summarises the key risks which are monitored and presented quarterly:

- Failure to process pension payments and lump sums on time
- Failure to collect and account for contributions from employers and employees on time
- Insufficient funds to meet liabilities as they fall due
- Inability to keep service going due to loss of main office, computer system or staff
- Loss of funds through fraud or misappropriation
- Unable to participate in scheme in event of faster than anticipated maturity of the fund
- Significant rises in employer contributions due to poor/negative investment returns
- Failure of global custodian resulting in potential financial loss or loss of information
- Failure of Investment Manager resulting in potential financial loss
- Equity Risk resulting in potential financial loss
- Active Manager Risk resulting in potential financial loss
- Failure to comply with LGPS and other regulations
- Failure to hold personal data securely (incorporating Cyber Crime)
- Failure to keep pension records up-to-date and accurate
- Lack of expertise on Pension Committee, Pension Board or amongst officers
- Over reliance on key officers
- Failure to communicate properly with stakeholders
- Employer Covenant Risk

Quarterly risk review and reporting has been in place for a number of years, and in light of the current environment, these assessments are critical in identifying areas requiring actions to be taken.

Future Outlook

The Fund has experience extremes in global market volatility due to COVID-19 and the geopolitical uncertainties that have presented themselves over the last year. Whilst global markets have rallied, there is now an increasing threat of inflation, as well as uncertainty of the longer-term effects of the pandemic on the global economy. The longer-term effects of Brexit are still unknown, and UK markets have underperformed their global counterparts this year, however it is not possible at this point to separate the extent of Brexit with the fallout from the effects of the current pandemic.

These potential financial consequences will pose the Fund additional investment challenges in addition to the challenges that changes to legislation and new technologies pose to the Fund's operations, employers and members. The Fund will continue to work with its portfolio managers and professional advisors to try to sustain its strong financial position as a long-term investor in order to overcome these challenges, and to ensure effective and efficient management is maintained to protect members interests, and to support employers.

2020/21 Accounts

A summary of the main statements is provided below:

Statement of Responsibilities for the Statement of Accounts – outlining the responsibilities of the administering authority and the Executive Director of Corporate Services.

Fund Account – showing income and expenditure from the fund in relation to scheme members and the investment and administration of the fund. The account also compares the fund's net assets at the start and end of the financial year.

The fund account shows contributions received of £103.302m. This has increased by £3.676m during the year to 31 March 2021. Benefits payable were £119.087m, which increased by £3.079m since the previous year. Contributions have increased slightly as there were more active members participating in the scheme during 2020/21 and there were also salary increases which raised the contribution levels. Benefits payable also increased due to increased pensioner membership and pension increase being applied.

Net Asset Statement – showing the type and value of all net assets at the end of the financial year. The Tayside Pension Fund's net assets increased to £4,843.6m from £3,666.5m in 2020.

Notes to the Fund Accounts – providing supporting evidence and analysis of the information contained within the Fund Account and Net Asset Statement.

Robert Emmott Executive Director of Corporate Services Dundee City Council 20 September 2021	**Gregory Colgan** Chief Executive Dundee City Council 20 September 2021	**Bailie Willie Sawers** Chair of Pension Sub-Committee Tayside Pension Funds 20 September 2021

TAYSIDE PENSION FUND STATISTICS

The tables below show a five year analysis of membership, member transactions and net asset movements.

Membership	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Number of Employers	45	46	46	46	45
Active Members	18,184	18,815	19,091	19,117	19,181
Deferred Members	8,487	8,533	8,838	10,410	10,485
Undecided / Frozen	4,115	5,130	4,904	4,842	5,238
Pensioners	14,714	15,524	16,102	16,635	16,937
Total Membership	**45,500**	**48,002**	**48,935**	**51,004**	**51,841**

Member Transactions	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£000	£000	£000	£000	£000
Employer Contributions	69,594	72,684	72,110	73,736	76,211
Employee Contributions	23,518	23,931	24,631	25,890	27,091
Transfers In	2,310	2,414	1,919	4,551	3,635
Lump Sums Paid	(22,564)	(23,244)	(24,538)	(24,369)	(23,026)
Pension Paid	(75,312)	(80,427)	(86,714)	(91,639)	(96,061)
Transfer Out	(8,355)	(3,816)	(6,314)	(5,825)	(12,503)
Administration costs	(1,378)	(1,500)	(1,932)	(1,884)	(1,655)
Net withdrawals	**(12,187)**	**(9,958)**	**(20,838)**	**(19,540)**	**(26,308)**

Net Asset Movements	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£000	£000	£000	£000	£000
Opening Net Assets	2,839,602	3,445,123	3,690,623	3,893,121	3,672,321
Investment Income	62,227	83,182	94,450	86,738	71,033
Management Costs	(8,516)	(9,248)	(9,028)	(9,605)	(10,411)
Member Transactions	(12,187)	(9,958)	(20,838)	(19,540)	(26,308)
Repatriation of Transport Fund	-	70,774	-	-	-
Change in Market Value	563,997	110,750	137,914	(278,393)	1,142,937
Closing Net Assets	**3,445,123**	**3,690,623**	**3,893,121**	**3,672,321**	**4,849,572**

THE MANAGEMENT OF TAYSIDE PENSION FUND

Pension Sub-Committee

Tayside Pension Fund is administered by Dundee City Council as the administering authority with responsibility for the management of the fund delegated to the Tayside Pension Sub-Committee. This Sub-Committee meets quarterly and oversees the supervision and administration of the fund's investments, sets the investment strategy and also oversees pension administration. The day to day operational matters are further delegated in the main to the Executive Director of Corporate Services.

The table below show the membership of the Pension Sub-Committee to 31st March 2021:

Bailie Willie Sawers (Chairperson)
Bailie Kevin Keenan
Councillor Philip Scott
Councillor Anne Rendall
Councillor George McIrvine
Councillor Steven Rome

All committee members are members of Tayside Pension Fund.

Local Pension Board

As a result of legislative changes to the governance arrangements in relation to pension schemes in the public sector, Dundee City Council as an administering authority for the Local Government Pension Scheme (LGPS), is required to have in place a local Pension Board.

The Pension Board was established on 1st April 2015, and reappointed in March 2021. The Pension Board are separate from the Pension Sub-Committee, with the role of assisting in securing compliance with the regulation and other legislation relating to the governance and administration of the Scheme and also the requirements of the Pensions Regulator, and making sure that the scheme is being managed and governed in an effective and efficient manner.

The Pension Board members work in conjunction with Dundee City Council in its role as the administering authority and with officers of the Tayside Pension Fund to ensure that your pension scheme is being run properly and that you, as a scheme member, get the best service. The local Pension Board must have an equal number of scheme member and scheme employer representatives and board members are appointed for a term of 5 years (in line with local government election cycle).

The table below show the membership of the Pension Board as at 31st March 2021:

Name	Representing	Organisation
Mr George Ramsay* (Chairperson)	Member	UNITE
Mr Arthur Nicoll	Member	UNISON
Mr Gordon Murray*	Employer	Carnoustie Golf Links
Cllr Bob Brawn	Employer	Perth & Kinross Council
Cllr Braden Davy	Employer	Angus Council
Ms Claire Shepherd	Employer	UNITE
Mr Kenny Dick	Member	Social Care & Social Work Improvement Scotland
Awaiting appointment (previously Stephen Massey)	Member	GMB Scotland
Ms Margaret McGuire	Member (substitute)	UNISON
Ms Helen Meldrum*	Member (substitute)	GMB Scotland

* denotes board members who are not members of Tayside Pension Funds.

The Pension Sub-Committee and Pension Board must undergo continuous regular training which can be delivered locally or nationally (as a minimum attending full induction sessions and completing The Pensions Regulator's Essential Public Service Modules within their Trustee Toolkit). The Pension Sub-Committee and Pension Board hold joint meetings on a quarterly basis, and each member of the Pension Sub-Committee and Pension Board is required to declare any financial and non-financial interests they have in the items of business for consideration at each meeting, identifying the relevant agenda item and the nature of their interest. Due to pandemic restrictions, two of the quarterly meetings were unable to be held in the year, however during that time, all essential reports were presented to the Pensions Sub-Committee and Pensions Board in accordance with emergency measures, and later ratified at the first opportunity when formal meetings resumed in September. The meetings have continued to be held virtually throughout the remainder of the financial year. Full details of the scheme's governance structure are contained in the scheme's Governance Compliance Statement.

Tayside Pension Fund Officers

The day-to-day running of Tayside Pension Fund is carried out by the Financial Services Team within the Corporate Finance Section of the Corporate Services Directorate of Dundee City Council. The division functions include investment and pension administration. The investment responsibilities include the monitoring and selection of external investment managers and advisors. Over the year, senior officers were:

Gregory Colgan	Executive Director of Corporate Services (1 April 2020 to 28 February 2021)
Robert Emmott	Executive Director of Corporate Services (from 1 March 2021)
Sandy Flight	Head of Corporate Finance
Tracey Russell	Senior Manager Financial Services
Roger Mennie	Head of Democratic and Legal Services

Scheme Advisory Board

The Scheme Advisory Board for the Local Government Pension Scheme in Scotland was set up following the Public Service Pensions Act 2013. The Board's main function is to advise Scottish Ministers, when requested, on the desirability of changes to the Scheme. They can also provide advice to scheme managers and pension boards in relation to effective and efficient administration and management of the Scheme in Scotland.

The membership of the Scheme Advisory Board comprises of seven member representatives and seven employer representatives and a Joint Secretary is appointed in support of each of the Member and Employer groups. There is more information on the Scheme Advisory Board at www.lgpsab.scot.

Fund Managers	Baillie Gifford & Co
	Fidelity Pension Management
	Goldman Sachs Asset Management
	Legal & General Investment Management
	Schroder Property Investment Management
Investment Advisor	ISIO Services Ltd
Actuary	Barnett Waddingham
Custodian	Northern Trust
System Provider	Aquila Heywood Ltd
Banker	Royal Bank of Scotland
Auditors	Audit Scotland (external), PwC (internal)
Corporate Governance Advisor	Pension & Investment Research Consultants Ltd (PIRC)
Performance Measurement	Northern Trust
Legal	CMS Cameron McKenna Nabarro Olswang LLP

ANNUAL GOVERNANCE STATEMENT

Dundee City Council is the administering authority and scheme manager of Tayside Pension Fund, a local government pension fund covering the three local authorities in the former Tayside area, and 42 other large and small employers. The main functions of the Administering Authority are the administration of scheme benefits and the investment of the assets of the Fund. These functions are conducted in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972.

Role of the Administering Authority

The role of Dundee City Council as the Administering Authority of Tayside Pension Fund is carried out via:

- The Pension Sub-Committee
- The Pension Board
- The Corporate Finance Section within the Corporate Services function of the Council

The Council has set up the Pension Sub-Committee with delegated responsibility to control and resolve all matters relating to the investment of assets and the overall governance of Tayside Pension Fund. It is the role of the Pensions Committee to:

- Ensure that the Fund is:
    - Compliant with the Local Government Pension Scheme Regulations and all other legislation that governs the administration of the fund.
    - Valued as required and that reports received on each valuation are considered.
- Be responsible for:
    - Setting the investment objectives and policy and the strategic asset allocation in the light of the Fund's liabilities.
    - Appointing, reviewing, and assessing the performance of investment managers, investment consultants, custodians and actuaries.
    - Ensuring appropriate arrangements are in place for the administration of benefits.
    - Ensuring appropriate additional voluntary contributions arrangements are in place.
    - Providing scrutiny for the Fund, reviewing the Annual governance Statement, Annual Accounts and all audit reports and arrangements.
- Prepare, maintain and publish the following:
    - Governance Compliance Statement.
    - Funding Strategy Statement.
    - Statement of Investment Principles.
    - Environmental, Social and Corporate Governance Policy.
    - Administration Strategy.
    - Communications Policy.
    - Treasury Policy and Strategy.

The Pension Sub-Committee consists of 6 elected members from the administering authority, supported by officers of the administering authority (including the Executive Director of Corporate Services, who carries out the Section 95 duties on behalf of Dundee City Council). The Sub Committee meets quarterly at joint meetings with the Pensions Board. Additional meetings are arranged as required should the need arise.

The Pension Board is separate from the Pension Sub-Committee, and responsible for assisting Dundee City Council (as Scheme Manager) in relation to securing compliance with the 2014 Regulations and other legislation relating to the governance and administration of the Scheme, as well as the requirements of the Pensions Regulator. The Pension Board may consider any matter concerning pensions it deems relevant to the activities of the Pensions Sub-Committee in relation to its remit and role defined in the 2014 regulations.

The Pensions Board consists of an equal number of trade union representatives and employer representatives, drawn from councils and scheduled or admitted bodies within the Fund.

Under the same 2014 regulations, the governance arrangements also included the introduction of the national Scheme Advisory Board, whose role is to provide advice to the Scottish Ministers as requested, and furthermore to provide advice to the Scheme Managers or the Scheme's Pension Boards in relation to the effective and efficient administration and management of the Scheme and any Funds within the Scheme The Scottish Public Pensions Agency (SPPA) is responsible for maintaining the rules of the Local Government Pension Scheme in Scotland on behalf of the Scottish Ministers and is deemed a "Responsible Authority" under the terms of the 2013 Act.

In addition, the powers of the Pensions Regulator were also extended to cover standards of governance and administration in the Local Government Pension Scheme.

Internal Audit and other governance measures

Internal audit services for the Tayside Pension Fund are provided by PricewaterhouseCoopers (PwC) under the Crown Commercial Service Framework for the provision of a full internal audit service to fulfil the service requirements of annual audits. PwC's services are delivered in accordance with the Internal Audit Charter, with methodology aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, and in conformance with Public Sector Internal Audit Standards (PSIAS).

In order to provide independent assurance on the overall risk management, internal control and corporate governance processes relating to the Fund, PwC undertake an annual risk assessment which informs their audit approach. Focussing on the key issues and risks, they then develop the annual plan driven by the Fund's strategic goals and associated risks. They consider the most significant risks and the control environment, as well as the areas where review would be most beneficial to the fund. Tayside Pension Fund's Annual Risk Assessment & Internal Audit Plans are approved by the Pension Sub-Committee.

Taking cognisance that Internal Audit is one of a number of sources of assurance, and in developing the risk assessment and internal audit plan, PwC also consider the following sources of assurance and reliance:

- Audit Scotland, as external auditors
- Dundee City Council Internal Audit (annual progress review)
- National Fraud Initiative

In order to conform with PSIAS which apply to all internal audit service providers within the public sector, and the Local Authority Accounts (Scotland) Regulations 2014, The Head of Internal Audit is required to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework based upon, and limited to the audit work undertaken with the aim of providing reasonable assurance.

To enable this opinion to be provided, the following internal audit reviews were undertaken:

- Governance and Oversight
- Investment Strategy & Investment Managers

Being satisfied that sufficient internal audit work has been undertaken within the financial year to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and controls. Tayside Pension Fund received an annual opinion of general satisfaction, with no reports or findings in work undertaken being high risk or critical. PwC, did note in their Annual Report that there were some areas of weakness that could potentially put the achievement of objectives at risk, and which would benefit from improvement in order to enhance operational adequacy and effectiveness. The areas of risk highlighted were largely in respect of the alternative arrangements as a result of the pandemic, and these have subsequently been addressed. The Internal Audit Annual Report was presented to the Pensions Sub-Committee and all recommendations have been actioned.

The Fund takes part in the National Fraud Initiative in order to identify if fraud has been committed and pensions have been wrongly paid, and take subsequent recovery action. Occasionally incorrect payments may be made because of genuine error and this could result in payments to pensioners being increased. This exercise therefore helps promote the best use of public funds. No significant fraud or errors were identified during this process.

Due to the continuing restrictions, the annual forum for employers has not been possible. The agenda for these meetings includes presentations by the Fund's Investment and Administration specialists and from the Fund's

Actuary, when appropriate. The topics covered include the actuarial and funding position, the benefits structure and investment performance, changes to legislation or regulations, and review of effectiveness. The Fund have tried to compensate by ensuring that key reports have been made available to stakeholders at the earliest opportunity, and hope to host an event either face to face or virtually later in the year.

Scope of Responsibility

Dundee City Council has the responsibility for ensuring that the business of Tayside Pension Fund is conducted in accordance with the law and appropriate standards, and for ensuring there is a sound system of governance (incorporating the system of internal control) and that monies are safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these overall responsibilities, Councillors and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Dundee City Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. In 2016, CIPFA extensively revised the Code in its publication "Delivering Good Governance in Local Government: Framework and the accompanying Guidance notes for Scottish Authorities, 2016 edition. This statement explains how Dundee City Council delivers good governance through the seven key principles within the framework and reviews the effectiveness of those arrangements and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The Governance Framework

Tayside Pension Fund operates within the wider governance framework of Dundee City Council. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its planned objectives and outcomes and to consider whether those objectives and outcomes have led to the delivery of appropriate, cost-effective services, and also provides direction for stakeholder engagement and communication.

The Local Code of Corporate Governance is supported by detailed evidence of compliance which is regularly reviewed by a working group of senior officers.

Within the overall control arrangements, the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall control arrangements include:

- Identifying the Council's objectives in the Council Plan, Community Plan and Local Outcomes Improvement Plan (City Plan).
- Monitoring of achievement of those objectives and outcomes by the Council and senior officers.
- A systematic approach to monitoring service performance at elected member, senior officer and project level.
- Reporting performance regularly to Council committees.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers, including temporary arrangements during the Covid 19 emergency.
- A Monitoring Officer to ensure compliance with laws and regulations.
- Council Management Team, and each Service's Senior Management Teams.
- A Scrutiny Committee, as well as Service Committees.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- Ethical Values Framework.
- An Integrity Group.
- A Serious Organised Crime Group.

- Senior officer Resilience Group.
- Participating in National Fraud Initiative strategy for sharing and cross-matching data.
- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and service performance.
- Long-term Financial Outlook and Financial Strategy 2020 – 2030.
- Formal revenue and capital budgetary control systems and procedures.
- Clearly defined capital expenditure guidelines.
- A Capital Governance Group consisting senior officers from across Council services and chaired by the Executive Director of Corporate Services.
- An Our People and Workforce Strategy is in place to support delivery of the Council Plan and its strategic priorities.
- A Risk Management Policy and Strategy, Corporate and Service Risk Registers, Risk Management Improvement Plan, and Covid 19 Recovery Risk Register.
- Corporate Risk Management Working Group, chaired by the Executive Director of Corporate Services as Senior Responsible Officer.
- Corporate Governance Assurance Statement Group.
- Strategic GDPR (General Data Protection Regulation) Group.
- Data Protection Policy and Data Breach Management Procedure.
- The assurances provided by internal audit through their independent review work of the Council's governance, risk management and control framework.
- Recovery Plan from Covid 19 emergency for the Council and its Services.

Review of Effectiveness

Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services and consider comments made by external and internal auditors and other review agencies and inspectorates and prepare actions plans as appropriate.

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. The 2020/2021 review of governance arrangements against the Local Code of Corporate Governance has identified the Council as being 97% (2019/2020: 96%) compliant with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

In addition, Executive Directors from each service have made a self-assessment, in conjunction with their senior management teams, of their own governance, risk management and internal control arrangements. This involved the completion of a 55-point checklist covering seven key governance areas of Service Planning and Performance Management; Internal Control Environment; Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management; and Partnerships. As a service component of Corporate Services, Tayside Pension Fund is incorporated into that service assessment. This again indicated a high level of compliance, with an overall score above 90% for 2020/2021 (2019/2020: 89%).

Over and above the Internal Audit Service delivered by PwC, the Council's Internal Audit Service also operates in accordance with the Public Sector Internal Audit Standards and reports functionally to the Scrutiny Committee. Conformance with the PSIAS has been confirmed independently, through the completion of a formal External Quality Assurance process. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. The overall audit opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2021.

The Executive Director of Corporate Services complied fully with the five principles of the role of the Chief Financial Officer, as set out in CIPFA guidance.

Impact of Coronavirus Pandemic on Corporate Governance

The response to the Covid-19 pandemic is a significant event which has been effectively managed in line with business continuity plans, and there has been minimal disruption to the service provided by Tayside Pension Fund. The crisis did however result in the temporary implementation of alternative governance arrangements following the step down of formal meetings in March 2020.

Tayside Pension Fund have also followed guidance issued by the Pensions Regulator in order to provide the most appropriate response to employers and members who have been impacted. These actions seek to maintain resilience and to ensure that the Fund's members and employers are well supported in order to emerge from this crisis.

- Conducting the Annual Governance Review during the Coronavirus Pandemic

With significant organisational disruption, conducting the annual review has been challenging, and the following have been used to ensure a meaningful but focused review:

  - Self-assessment review has been conducted by each Council Service, and progress will be updated before final review of the Annual Governance Statement in the Audited Accounts.
  - Existing reports, reviews and assessments have been used where possible to provide assurance.

- Reflecting the challenges from Coronavirus in the Annual Governance Statement

The Annual Governance Statement (AGS) assesses the governance arrangements in place for 2020/2021 and provides conclusion on whether or not governance is fit for purpose in relation to normal operations. As the entire financial year has been affected by coronavirus, the AGS is required to reflect the circumstances at the time of publication and therefore, it should be recognised that coronavirus has impacted on governance arrangements since March 2020 and continues to do so up to the time of publication and is expected to continue for some time.

- Leadership

A corporate level Incident Management Team (IMT) was established at the outset to consider the challenges and the Council's responses, including instigating the corporate level business continuity plan, supported by individual project and service level plans. At the start of the emergency the IMT communicated daily briefing updates to employees but as the situation has progressed the frequency of communications to staff has reduced accordingly. In addition, service area management team meetings were held regularly with further detailed communications to service employees, including updates on the situation, details of the actions being taken and guidance for safe working practices. Regular briefing meetings were also held with political group leaders to ensure they were kept up to date with the impact and response to the crisis.

In a very short space of time the Council had to move rapidly to support an environment whereby the majority of its staff required to work from home or from alternative premises. In the space of a few days the Council moved from a position where 25% of IT consuming staff worked remotely to having 75% of those working remotely. This access has been achieved with no degradation in performance and, crucially, no weakening of security whilst maintaining the same method of operation for staff they would experience in the office. This was again highlighted by the Councils response to the Covid crisis. Having a reliable IT platform which immediately enabled remote working allowed the council to respond to the new requirements of the Covid response in quickly deploying resources. Tayside Pension Fund have been delivering services remotely with all staff homeworking from the outset of the pandemic.

- Decision Making Processes

The impact of the coronavirus affected the governance arrangements of the Council and its services, and there will be some aspects experienced by all service areas, for example changes to the Council's decision-making arrangements and the conduct of meetings were introduced in March 2020 following a meeting with senior Elected Members on 19 March 2020. The following procedures were implemented for Council Committee business immediately following that meeting:

  - All non-essential Committee business was deferred to ensure that all Elected Members and Council Officers could concentrate the maximum possible time and effort on supporting the City through the crisis;
  - Observing the Council's existing Scheme of Delegation of Powers to Officers (Standing Orders pages 153-199) in order to ensure that Services acted in accordance with the powers which the Council had already delegated;

- All essential Committee business which was not covered by the Scheme of Delegation of Powers to Officers was dealt with as Urgent Matters Arising Between Meetings (i.e. by the Chief Executive / relevant Executive Director, in consultation with the nominated Member of the Administration Group, nominated Members of the Labour Group, Conservative Group and Liberal Democrat Group, the Independent Member and the Lord Provost); and

- To facilitate the conduct of the Council's business over the Summer 2020 period as the City of Dundee continued to respond to COVID-19 and gradually exit Lockdown, a short-life Recovery Sub-Committee of the Council was established in June 2020 to deal with matters of an urgent nature, which the Chief Executive or Head of Democratic and Legal Services believed could not wait until the next ordinary meeting of the Committee concerned.

Alternative governance arrangements for full committee meetings were implemented as soon as practical thereafter, with the introduction of virtual Council committee meetings commencing in June 2020, the first meeting of the Tayside Pension Fund Sub-Committee and Pension Board was in September 2020.

A return to the full scheduled timetable of committee meetings followed during August 2020. Essential Council business items that had been dealt with as Urgent Matters Arising Between Meetings were reported to the relevant committees for noting.

Enhanced transparency has also been achieved by the recording and publishing of Committee meetings on the Council website from 24 August 2020.

- Local Response and Risk Management Arrangements

Other aspects affected by the coronavirus crisis reflect changes to the organisation's priorities and programmes. These fall into the following broad categories:

- Impact on business as usual in the delivery of services;
- Increased demand for certain Council services;
- New areas of activity as part of the national response to coronavirus and any related operational and governance issues;
- The funding and logistical consequences of delivering the local government response;
- Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic, e.g. some existing projects and programmes may have been put on hold, new priorities and objectives introduced, new risks identified or existing risks escalated. The Council has formulated a Recovery Risk Register (Report 193-2020) and a Recovery Plan (Report 185-2020) and will continue to review and update these regularly in response to changing circumstances;
- A report detailing the Council's response to the Covid 19 emergency was also reported to committee in August 2020 (Report 189-2020). This report provided an overview of the Council's response to date, demonstrating both the scale and breadth of the work undertaken by staff in collaboration with partners and local communities; and
- The Scrutiny Committee in September 2020 considered three Audit Scotland reports on Covid 19 issues, Covid 19 Guide for Audit and Risk Committees (Report 213-2020), Covid 19 Emerging Fraud Risks (Report 214-2020), and Covid 19 Implications for Public Finances in Scotland (Report 221-2020).

The responses to the pandemic are being continually considered at a Council and regional level. By the time the crisis is over the Council may have conducted or be in the process of reviewing lessons learnt from its response. This review has been added as a suitable area for inclusion as one of the organisation's significant governance issues and has been included as an improvement area.

Dundee City Council is working closely with partners across the city to deal with the impact of Coronavirus. Officers are monitoring the local situation daily and following the advice given by Scottish Government, UK Government (where appropriate) and NHS public health experts. The Council continues to consider appropriate actions based on the national guidance.

Continuous Improvement Agenda

The following are service improvements specific to Tayside Pension Fund achieved during 2020/21:

Business Area	Item	Description	Status / Information
Finance & Governance	Employer Support	Process and documentation put in place to support employers requiring flexibility of contribution payments in response to business disruption.	In operation
Investment	Actuarial Valuation	Finalisation of 2020 valuation exercise and implementation of any changes to employer contribution rates which may be required following outcome	Results reported in December 2020. Valuation Report approved at March 2021 Meeting.
	Investment Strategy	Review of strategy as the result of outcome of valuation	Following Valuation approval in March 21, strategy review was undertaken. Report was presented and approved in June 2021
	Active Stewardship	Membership of Climate Action 100	TPF have gained membership of both the Institutional Investors Group on Climate Change (IIGCC)and Climate Action 100
Administration	Pension System	Procurement exercise	Exercise undertaken
	Management Reporting	Review of system reporting provision following implementation of task management for all administration key tasks	Review was undertaken and in new style reporting is in operation.
	Policy & processes	Annual review of strategy and implementation of formalised version control for processes	Review of policy undertaken and approved in March 2021. Formalised process version control implemented.

Review of a number of policies has been undertaken as follows:

- Treasury Management Policy & Strategy
- Statement of Investment Principles & Investment Beliefs
- Environmental, Social and Corporate Governance Policy
- Funding Strategy Statement
- Risk Management Policy & Strategy
- Administration Strategy
- Communications Policy
- Scheme Discretions Policy
- Training & Attendance Policy

The following are service improvements specific to Tayside Pension Fund planned for 2021/22:

Business Area	Item	Description	Status / Information
Finance & Governance	Employer Support	Review of Funding Strategy to support employers requiring to exit the fund	Proposal to be presented in June 2021
	Employer Cessation Valuation	Issue employers with cessation value of liabilities as at date of triennial valuation as advised by actuaries	To be issued in 1st quarter of financial year 2021/22
	Employer Covenant	Employer engagement following outcome of review undertaken 2019/20 with aim of implementing recommendations	Covenant exercise findings will be reviewed following impact of Covid, and engagement will then be undertaken by PwC
	Admission Agreements	Standardisation of admission agreements	Exercise has been delayed due to Covid, but will coincide with covenant exercise
Investment	Investment Strategy	Implementation of recommendations to amend investment strategy	Transitions will be in line with professional advice and as appropriate in relation to market conditions
	Active Stewardship	Membership of Climate Action 100	Achieve membership at earliest opportunity
	Actuarial Service	Procurement exercise	In planning phase
Administration	Pension System	Rollout of new functionalities for employers & members	Phased roll out in 2021
	Changes to legislation	Analysis of records and plan to be developed & implemented to enable changes to legislation in relation to discrimination are implemented	Full exercise to be complete on effective date of legislation

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Pension Board meetings – http://www.dundeecity.gov.uk/minutes/meetings?in_cc=35&in_dat=1

Fund Website - http://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications

- The Statement of Investment Principles, concerning the approach to the investment of the fund.
- The Business Plan, communicating the aims and objectives of the Fund for the forthcoming year.
- The Treasury Management Policy and Strategy for the forthcoming year.
- The Actuary's report on the 2020 valuation.
- The Funding Strategy Statement, concerning the management of the identification and management of the Fund's liabilities.
- The Risk Policy & Register.

- The Governance Policy Statement which sets out the Funds approach.
- Environmental, Social and Corporate Governance Policy for investment.
- Pension Administration Strategy.
- Communications Policy.
- The Governance Compliance Statement, setting out the governance arrangements and compliance with regulations.

Conclusion

The annual review demonstrates sufficient evidence that the Code's principles of delivering good governance in local government operated effectively and compliance with the Local Code of Corporate Governance in all significant respects for 2020/2021. It is proposed over 2021/2022 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance governance arrangements.

Gregory Colgan	**Bailie Willie Sawers**
Chief Executive	Chair of Pension Sub-Committee
Dundee City Council	Tayside Pension Fund
20 September 2021	20 September 2021

GOVERNANCE COMPLIANCE STATEMENT

1. Role and Responsibilities
Dundee City Council has statutory responsibility for the administration of the Local Government Pension Scheme ("LGPS") in respect of the three local authorities in the former Tayside area, and over 42 other large and small employers.

The main functions are:
- management and investment of scheme funds; and
- administration of scheme benefits

These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972.

Dundee City Council carries out its role as Administering Authority via:

- The Tayside Pension Fund Sub-Committee of the Policy & Resources Committee;
- Tayside Pension Fund within the Corporate Finance Section of the Councils Corporate Services Directorate.

Tayside Pension Fund also acts as a payroll agent for compensatory added years payments within the Teachers Superannuation Scheme.

2. Delegation
The function of maintaining the Tayside Pension Fund is delegated by Dundee City Council to its Tayside Pension Fund Sub-Committee. The Fund's policy documents are available at:
https://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

3. Terms of Delegation
The terms, structure and operational procedures of delegation are set out in the report to Dundee City Council's Policy & Resources Committee on 9th February 2015. The report is available at:
http://www.dundeecity.gov.uk/reports/reports/447-2014.pdf

4. Committee Meetings
Regular meetings of Tayside Pension Fund Sub-Committee are held quarterly. Committee meeting dates are listed in the Council Diary which is available at:
https://www.dundeecity.gov.uk/minutes/meetings?in_cc=35&in_dat=2

5. Representation
The Tayside Pension Fund Sub-Committee is comprised solely of elected members of Dundee City Council. Employing authorities and scheme members are represented by Tayside Pension Fund Pension Board.

6. Compliance
The following demonstrates the assessment to the extent that the Fund is in compliance with guidance given by Scottish Ministers and, to the extent that it does not so comply, the reasons for not complying are contained within the full Governance Compliance Statement which is available at:
https://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

Gregory Colgan	**Bailie Willie Sawers**
Chief Executive	Chair of Pension sub-committee
Dundee City Council	Tayside Pension Funds
20 September 2021	20 September 2021

RISK POLICY & STRATEGY

1. Introduction

Dundee City Council is the administering authority for the Tayside Pension Fund (TPF). The Council delegates this responsibility to the Pension Sub-Committee of the Policy & Resources Committee. In recognition of their fiduciary duties and responsibilities towards pension scheme members, participating employers and local taxpayers, this document sets out Tayside Pension Fund's Risk Management Policy, Strategy and Risk Appetite, describing the approach to risk which the Sub-Committee adopts in light of their fiduciary duties.

The purpose of the Policy and Strategy is to effectively mitigate risks which may otherwise impact on achievement of the Fund's objectives, by implementing comprehensive risk management arrangements. These arrangements include, among others: development and maintenance of comprehensive risk registers; setting out of responsibilities for the management and escalation of risks; and responsibility for regular review and updating of Policy and Strategy.

The Policy and Strategy of Tayside Pension Fund have been framed in line with that of the administering authority, in that the recognition of the requirements for effective corporate governance and the benefits of risk management as an organisational management tool. It will assist the Fund in ensuring that risks which may impact on the achievement of objectives are effectively managed.

2. Background

Risk can be defined as the combination of the likelihood of an event occurring and the level of impact on the Pension Fund's ability to achieve its objectives if it does occur. Pension funds exist in order to pay future pension benefits. No organisation can completely eliminate risk due to the inherent uncertainties of the global economic environment, and there is therefore a risk that the investment assets of pension funds will be less or more than the pension liabilities. This Risk Policy & Strategy sets out a common basis for risk management.

3. Risk Types

The principal types of risk facing Tayside Pension Fund can be summarised as:

- liability risk
- investment risk
- administrative risk
- employer risk
- resource and skill risk
- regulatory and compliance risk and
- reputational risk

A more detailed description of each of the above risks is included on page 30.

4. Risk Policy

Risk should be eliminated, transferred or controlled as far as possible. To achieve this Tayside Pension Fund will ensure that risk management is integral to the governance and management of the Fund at both strategic and operational levels. The aim is to integrate risk awareness and management into both the processes and the culture of Tayside Pension Fund to help ensure that the Fund's objectives are met. This policy will be subject to annual review.

5. Risk Management Objectives

Tayside Pension Fund's principal risk management objectives are to:

- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk;
- ensure consistent application of the risk management methodology across all activities; and
- minimise the cost of risk.

How this is achieved will vary depending on the type of risk and the activity involved. In relation to pension fund administration, the objective is to eliminate risk as far as possible; whereas the objective is to balance risk and return in relation to pension fund investment.

6. Risk Management Strategy

The risk management process should be a continuous cycle. This is illustrated below:

6.1. Identifying Risks

This is the process of recognising risks and opportunities that may impact upon the Fund’s objectives. The process is both proactive and reactive. Principal sources for identification of risks are:

- the existing Tayside Pension Fund risk register
- internal and external audit reports
- advice from actuarial, investment and legal consultants
- performance monitoring and review
- publications from:
  - The Pensions Regulator
  - Scheme Advisory Board
  - Local Government Pensions Committee
  - CIPFA Pensions Panel
- participation in industry networks:
  - Scottish Pensions Liaison Group (Pension Administration)
  - SLGPS Investment & Governance Group

Identifying risks is an integral part of the development of any new strategy or investment proposal. Once identified, risks will be recorded on the risk register which is the primary control document for the subsequent analysis, control and monitoring of risks.

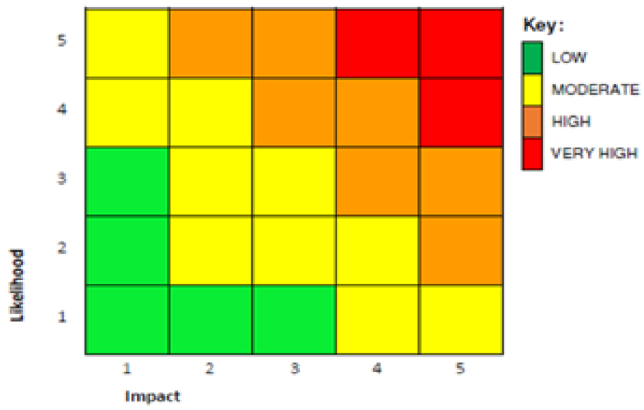
6.2. Risk Assessment

For this Tayside Pension Fund uses a standard methodology and template:

- each risk is scored from 1 to 5 for probability
- each risk is scored from 1 to 5 for impact

The product of these scores provides a risk ranking which is recorded in the Risk Register which provides a simple, systematic and consistent basis for analysis, understanding, communication, control, and monitoring of risks.

Risk Assessment Matrix



The table above shows the Fund's standard risk assessment matrix, which provides a graphic representation of where risk sits. The underlying suite of risk assessments are required to be completed in Pentana, which is the Dundee City Council risk management system that the Fund utilises. The assessment process is straightforward and intuitive with the assessments and 'scoring' matrix utilised by the Council used as the core assessment tool, as well as advice from the Council's Risk Management service.

6.3. Controlling Risk (Treat or Avoid)

Risk control describes actions taken to reduce the likelihood and adverse consequences of a risk event occurring. Control mechanisms will vary depending on the type of risk and the activity involved. Key mechanisms include:

- governance and decision making structures as outlined in the Annual Governance Statement and Governance Compliance Statement (these are contained in the annual accounts).
- systemic procedures and controls
- resource allocation and management (internal and external)
- segregation of duties

6.4. Monitoring & Reviewing Risk

Regular review of the risk register is central to risk monitoring. The register is reviewed quarterly by:

- the officers of the Fund
- the Pensions Sub-Committee and Board

As part of the review consideration will be given to whether:

- the nature of the risk has changed
- the control environment has changed
- the probability of the risk occurring has changed
- the impact of the risk occurring has changed
- any new or emerging risks need to be considered

The objective is to ensure that risk control remains effective and that risk management evolves and improves over time as far as possible. Consideration of risk also forms part of the established investment, administration and funding monitoring arrangements.

7. Risk Appetite

Whilst the need to minimise risks and to effectively control excessive exposure to the types of risks noted is of prime importance, the Fund is prepared to accept risk where this enables opportunities to be taken, where these risks can be adequately managed by the deployment of effective control measures.

The Fund would not strategically have an appetite for risks falling into the higher risk sector of the risk matrix, and where risks at this level are unavoidable, steps must be taken to ensure that effective control and monitoring arrangements are established. Opportunities should be taken wherever possible to mitigate the risk through the implementation of control measures designed to reduce impact and / or likelihood. In the future Tayside Pension Fund plans to use the same format as Dundee City Council in assessment of risk appetite.

SUMMARY OF RISK TYPES

Funding/Liability Risk
Tayside Pension Fund's overall objective is to pay pensions. The obligation to scheme members represents the Fund's principal liability. The amount of this liability is uncertain. Current estimates and eventual payments are dependent on factors including:

- interest rates
- salary inflation
- wage inflation and
- life expectancy

Each of these represents a risk that liabilities will be greater or less than anticipated.

Investment Risk
Future investment returns are uncertain and may be more or less than anticipated. Specific risk areas include:

- appropriateness of strategy
- manager and asset performance
- individual and systemic market risk
- security of assets
- counterparty failure
- concentration, credit, contract, currency, duration, macroeconomic

Administrative Risk
As administering authority, the council has a statutory responsibility to other participating councils, employers and scheme members. This entails particular exposure to risks in areas including

- IT system and facility dependency
- business continuity
- service provision
- communications
- process management
- financial management

Employer Risk
The administering authority is dependent on its employers fulfilling their statutory duties, in particular:

- deduction and submission of contributions
- data management
- process management
- member engagement

There is also a risk of orphaned liabilities through employer default.

Resource and Skill Risk
The pension fund is a relatively specialist function operating on a very large scale in terms of process and asset values and volumes. This requires significant resources and specialist skills and expertise.

Regulatory and Compliance Risk
Occupational pension is heavily regulated and governed by general and LGPS-specific legislation.

Reputational Risk
Public service pensions attract intense scrutiny and commentary. There is also an opportunity to enhance organisational reputation through demonstrable good practice.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Administering Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Funds in its charge and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Executive Director of Corporate Services.

- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), 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).

- Approve the Annual Accounts for signature.

Bailie Willie Sawers
Chair of Pension sub-committee
Tayside Pension Funds
20 September 2021

The Executive Director of Corporate Service's Responsibilities

The Executive Director of Corporate Services is responsible for the preparation of the Pension Funds statement of accounts which, in terms of CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), is required to present a true and fair view of the financial position of the Pension Funds at the accounting date and their income and expenditure for the year (ended 31 March 2021).

In preparing these statements of accounts, the Executive Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the Code of Practice, except where stated in the Statement of Accounting Policies and Notes to the Accounts

The Executive Director of Corporate Services has also:

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

Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Pension Funds as at 31 March 2021, and their income and expenditure for the year ending 31 March 2021.

Robert Emmott BSc CPFA
Executive Director of Corporate Services
Dundee City Council
20 September 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and accounts of Tayside Pension Fund for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the financial transactions of the Tayside Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 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 10 April 2017. The period of total uninterrupted appointment is five years. 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 council. 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.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Executive Director of Corporate Services and the Pension Sub-Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director of Corporate Services 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 they determine 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 Corporate Services 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 deemed inappropriate.

The Pension Sub-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 economic 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

Statutory other information

The Executive Director of Corporate Services is responsible for the statutory other information in the annual report. The statutory other information comprises the information other than the financial statements and my auditor’s report thereon.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in 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 statutory 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 statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission

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 report, 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.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

TAYSIDE PENSION FUND - FUND ACCOUNT

2019/2020 £000		Note	2020/2021 £000
	Dealings with Members, Employers and other directly involved in the fund		
73,736	Employers' contributions	5	76,211
25,890	Employees' contributions	5	27,091
4,551	Transfers in from other pension funds	7	3,635
104,177			106,937
(116,008)	Benefits	6	(119,087)
(5,825)	Payments to and on account of leavers	8	(12,503)
(121,833)			(131,590)
(17,656)	Net Withdrawals from dealings with members		(24,653)
(1,884)	Administration Expenses	21	(1,655)
(19,540)	**Net Withdrawals from dealings with Members including Administration Expenses**		**(26,308)**
	Returns on Investments		
86,738	Investment Income	9	71,033
(278,393)	Change in Market Value of Investments	10a	1,142,937
(9,605)	Investment Management Expenses	22	(10,411)
(201,260)	**Net Returns on Investments**		**1,203,559**
(220,800)	**Net increase/(decrease) in Fund during the year**		**1,177,251**
3,893,121	**Opening Net Assets of the scheme**		**3,672,321**
3,672,321	**Closing Net Assets of the scheme**		**4,849,572**

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

TAYSIDE PENSION FUND NET ASSETS STATEMENT

2019/20 £000		Note	2020/21 £000
	Investment Assets	10	
596,663	Bonds		701,000
1,580,652	Equities		2,270,993
102,309	Fixed Income Unit Trust		122,744
844,299	Equity Unit Trust		1,197,270
449,773	Pooled Property Investments		442,704
2,700	Derivatives		6,909
35,804	Other Investment Assets		53,014
90,523	Cash Deposits		88,616
3,702,723			4,883,250
(36,249)	Investment Liabilities	10	(39,604)
3,666,474	**Total Net Investments**	**10**	**4,843,646**
9,997	Current Assets	18	11,878
3,676,471			4,855,524
(4,150)	Current Liabilities	19	(5,952)
3,672,321	**Net assets of the fund available to fund benefits at the end of the reporting period**		**4,849,572**

Robert Emmott BSc CPFA
Executive Director of Corporate Services
Dundee City Council
20 September 2021

The Net Asset Statement represents the value and liabilities as at 31 March 2021 (excluding liability to pay pensions).

The Unaudited Accounts were issued on 21 June 2021 and the Audited Accounts were authorised for issue on 20 September 2021.

NOTES TO TAYSIDE PENSION FUND FINANCIAL STATEMENTS

1 - The Local Government Pension Scheme

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employer participating in the scheme. The LGPS in Scotland is administered locally through 11 local pension funds.

The LGPS is a statutory scheme established under primary legislation of the Superannuation Act 1972 and the Public Services Pensions Act 2013. Changes to scheme rules are discussed at national level by employee and employer representatives but can only be amended with the approval of the Scottish Parliament and are issued as Scottish Statutory Instruments (SSIs).

Dundee City Council is the administering authority for Tayside Pension Fund.

Tayside Pension Fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises the majority of Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 42 other bodies (page 101). Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement.

2 - Basis of Preparation of the Financial Statements

The financial statements summarise the Fund's transactions for the 2020/21 financial year and its position as at the 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. In addition, consideration has been given to the Local Government Pension Scheme Fund Accounts 2020/21 - example accounts and disclosure checklist published by the Chartered Institute of Public Finance Accountants (CIPFA).

The financial statements also present the net assets available to pay pension benefits. These do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. Local authorities responsible for administering a pension fund that forms part of the LGPS are required by The Local Government Pension Scheme (Scotland) Regulations 2014 to publish a pension fund annual report, which is required to include a Fund Account and Net Assets Statement prepared in accordance with proper accounting practices.

3 - Statement of Accounting Policies

A summary of the more important accounting policies, which have been consistently applied, is set out below:-

Investments

Investments are included at market values, which are assessed as follows:-

A - UK quoted securities are valued at "bid" market prices at close of business on the last working day of the financial year.

B - Overseas securities are valued at "bid" market prices from the relevant overseas stock exchanges converted at closing rates of exchange on the last day of the financial year.

C - Unlisted investments, which comprise the Fund Manager's Unit Trusts and Open Ended Investment Companies, are valued at "bid" market prices on the last working day of the financial year as supplied by the Fund Manager.

Income and Expenditure

The accounts have been prepared on an accruals basis; that is income and expenditure is included as it is earned or incurred, not as it is received or paid, except for Transfer Values which are included when they are paid or received.

Investment Income

Income from fixed interest, index linked securities and other interest receivable is taken into account on an accruals basis. Income from all other Marketable Securities is taken into account on the date when stocks are quoted ex-dividend.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents comprise short term lending that is repayable on demand or within 3 months of the Balance Sheet date and that is readily convertible to known amounts of cash with insignificant risk of change in value.

Contributions

Contributions represent the amounts received from organisations participating in the Fund, these may be from the administering authority, and other scheduled bodies or admitted bodies. Such amounts relate both to their own employer contributions and to those of their pensionable employees. Employee and employer's contributions due as at 31 March 2021 have been accrued. In accordance with Funding Strategy Statement, employers have the option to prepay their pension contributions which will generate a saving based on an actuarial calculation. Dundee City Council elected to make an upfront payment of their 2020/21 employers contributions in April 2020 with a balancing payment in April 2021.

Foreign Currency

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate that rate is used.

Investment Management Expenses

Investment Management expenses consist of direct charges in line with Management Agreements, Management Charges levied on pooled funds, overseas charges and non-recoverable withholding tax, less Brokers' commission rebate.

Administrative Overheads and Expenses

The Pension Administration and Pension Investment sections of Dundee City Council are responsible for administering the Pension Fund. The above sections receive an allocation of the overheads of the Council, this is based on the amount of central services consumed. Costs which can be directly charged to the fund during the financial year will be.

Acquisition Cost

Any acquisition costs of investments are included in the Book Cost of the investment.

Additional Voluntary Contributions

Additional voluntary contributions are separately invested from those of the funds. Additional voluntary contributions are not included in the financial statements in accordance with section 5(2)(c) of The Pensions Scheme (Management and Administration of Funds) Regulations 1998.

Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with 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. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Derivatives are valued at fair value on the following bases: assets at bid price, and liabilities at offer price. Changes in the fair value are included in the change in market value in the Fund Account. The value of open futures 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 forward foreign exchange contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the contract were matched at the year-end with an equal and opposite contract.

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 on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund.

Financial Liabilities

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised 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.

Fair Value Measurement

The Fund measures its financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 16).

4 - Related Party Transactions

Dundee City Council

Tayside Pension Fund is administered by Dundee City Council, consequently there is a strong relationship between the council and pension fund. Note 5 outlines the pension contributions paid by the Council, as administering authority, to the Fund in relation to 2020/21.

Details of the transactions and balances with Dundee City Council disclosed in the fund account and net asset statement are provided below -

	2020 £000	2021 £000
Transactions		
Administration Costs	1,280	1,262
Balances		
Due from Dundee City Council as at 31 March	3,051	2,681

A remuneration report providing disclosures in respect of elected members and chief officers of the council, including those with authority and responsibility for the Tayside Pension Fund is included within Dundee City Council's Annual Report and Accounts which are available from the council's website (www.dundeecity.gov.uk).

5 – Contributions Receivable

The total contributions receivable, analysed between administering authority, other scheduled bodies and admitted bodies, were as follows -

2020/21	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Member contributions	7,784	14,560	4,747	27,091
Employer contributions	21,169	40,527	12,734	74,430
Strain on Fund	161	527	1,093	1,781
Total	29,114	55,614	18,574	103,302

2019/20	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Member contributions	7,638	13,631	4,621	25,890
Employer contributions	21,329	38,136	12,568	72,033
Strain on Fund	212	918	573	1,703
Total	29,179	52,685	17,762	99,626

6 – Benefits Payable

The total benefits payable, analysed between administering, other scheduled bodies and admitted bodies, were as follows -

	Total Benefits Payable (incl. Lump Sums)		Lump sums (Retirement and Death Benefits)	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Administering Authority	41,930	42,266	9,240	8,150
Other Scheduled Bodies	57,348	58,504	10,940	10,123
Admitted Bodies	16,730	18,317	4,189	4,753
	116,008	**119,087**	**24,369**	**23,026**

7 – Transfers In From Other Pension Funds

The total transfer values received, analysed between administering, other scheduled bodies and admitted bodies, were as follows -

	Transfer Values Received	
	2019/20	2020/21
	£000	£000
Administering Authority	1,286	1,287
Other Scheduled Bodies	1,369	1,145
Admitted Bodies	1,896	1,203
	4,551	**3,635**

8 – Payments To And on Account Of Leavers

The total transfer values paid and refunds, analysed between administering, other scheduled bodies and admitted bodies, were as follows -

	Transfer Values Paid		Refunds	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Administering Authority	1,540	1,325	26	42
Other Scheduled Bodies	2,994	10,172*	59	52
Admitted Bodies	1,188	886	18	26
	5,722	**12,383**	**103**	**120**

* includes bulk transfer of Visit Scotland members to Lothian Pension Fund.

9 - Investment Income

	2019/20 £000	2020/21 £000
Bonds	23,869	23,220
Dividends from Equities	43,764	32,758
Income from Pooled Investment Vehicles	19,212	14,912
Interest on Cash Deposits	421	440
Securities Lending	381	300
Other Income	42	10
	87,689	71,640
Withholding Tax	(951)	(607)
	86,738	**71,033**

10 – Investments

Market Value as at	31 March 2020	31 March 2021
Investment Assets	£000	£000
Bonds	596,663	701,000
Equities	1,580,652	2,270,993
Pooled Investments	946,608	1,320,014
Pooled Property Investments	449,773	442,704
Private Equity / Infrastructure	-	-
Derivative contracts	2,700	6,909
Cash deposits	90,523	88,616
Investment Income due	14,187	15,476
Amounts receivable for sales	5,218	34,679
Amounts receivable for pending spot FX	3	16
Other Investment assets	16,396	2,843
Total Investment Assets	**3,702,723**	**4,883,250**
Investment Liabilities		
Derivative contacts`	(20,847)	(2,767)
Amounts payable for purchases	(15,322)	(32,815)
Amounts payable for pending spot FX	(3)	(3)
Other Investment liabilities	(77)	(4,019)
Total Investment Liabilities	**(36,249)**	**(39,604)**
Net Investment Assets	**3,666,474**	**4,843,646**

10a Reconciliation of Movements in Investments and Derivatives

	Market value at 31/03/20	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value at 31/03/21
	£000	£000	£000	£000	£000
Bonds	596,663	296,978	(214,134)	21,493	701,000
Equities	1,580,652	544,741	(602,071)	747,671	2,270,993
Pooled Investments	946,609	35,394	(2,002)	340,013	1,320,014
Pooled property Investments	449,773	23,948	(32,294)	1,277	442,704
Private equity / Infrastructure	-	-	-	-	-
	3,573,697	901,061	(850,501)	1,110,454	4,734,711
Derivative contracts	(18,147)	96,196	(109,235)	35,328	4,142
	3,555,550	997,257	(959,736)	1,145,782	4,738,853
Other investment balances	16,319			(984)	(1,176)
Cash deposits	90,523			111	88,616
Amounts receivable for sales	5,217			(27)	34,679
Investment income due	14,187			-	15,476
Spot FX contracts	-			(1,803)	13
Amounts payable for purchases	(15,322)			(142)	(32,815)
Net Financial Assets	**3,666,474**			**1,142,937**	**4,843,646**

10b Analysis of Investments

Market Value as at	31 March 2020	31 March 2021
	£000	£000
Bonds		
Public sector quoted	50,880	68,782
Corporate quoted	545,783	632,218
	596,663	701,000
Equities	1,580,652	2,270,993
Pooled Investments		
Fixed income unit trust	102,309	122,744
Equity unit trust	844,299	1,197,270
	946,608	1,320,014
UK Pooled Property Investments	449,773	442,704

Investment assets		
Derivative contracts	2,700	6,909
Cash deposits	90,523	88,616
Investment Income due	14,187	15,476
Amounts receivable for sales	5,218	34,679
Amounts receivable for pending spot FX	3	16
Other Investment assets	16,396	2,843
	129,027	148,539
Total Investment Assets	**3,702,723**	**4,883,250**
Investment Liabilities		
Derivative contacts	(20,847)	(2,767)
Amounts payable for purchases	(15,322)	(32,815)
Amounts payable for pending spot FX	(3)	(3)
Other Investment liabilities	(77)	(4,019)
Total Investment Liabilities	**(36,249)**	**(39,604)**
Net Investment Assets	**3,666,474**	**4,843,646**

10c Investments Analysed by Fund Manager

The Fund's investment assets are under the management of seven external fund managers. At 31 March 2021 the market value of these investment assets was £4,483.6m (2020 £3,666.5m), managed as follows:

		2020		2021	
		£000	%	£000	%
Schroders Property	Property	465,873	12.7	463,976	9.6
Fidelity	Equity	776,682	21.2	1,114,794	23.0
Baillie Gifford	Equity	473,394	12.9	680,443	14.0
Goldman Sachs	Bond	356,917	9.8	434,138	9.0
Fidelity	Bond	371,609	10.1	438,137	9.0
Baillie Gifford	Equity (UK)	389,397	10.6	537,942	11.1
Legal & General	Equity	829,212	22.6	1,169,833	24.2
GSAM Broad Street	Infrastructure	3,377	0.1	4,365	0.1
Northern Trust	Securities Lending	13	-	18	-
Net Investment Assets		**3,666,474**	**100.0**	**4,843,646**	**100.0**

The following investments represent more than 5% of the net assets of the scheme as at 31 March 2021:

	Market value as at 31/03/2020 £000	% of total fund	Market value as at 31/03/2021 £000	% of total fund
Legal & General All World Equity Index (OFC)	829,212	22.6	1,169,833	24.2
	829,212		1,169,833	

11 - Analysis of Derivatives

The Funds approach to derivatives is to allow individual managers to participate in derivative contracts subjects to limits set out in their investment management agreements. The Fund holds cash assets to allow for cashflow purposes. Fund managers will also on occasion hold forward currency contracts.

Futures

Type	Expires	Economic exposure £000	Market Value as at 31/03/2020 £000	Economic exposure £000	Market Value as at 31/03/2021 £000
Assets					
UK Fixed Income Futures	Less than one year	36,365	331	(34,832)	415
UK Cash Futures	Less than one year	-	-		
Overseas Fixed Income Futures	Less than one year	13,577	481	(72,779)	1,230
Overseas Cash Futures	Less than one year	-	-	-	
Total assets			**812**		**1,645**
Liabilities					
UK Fixed Income Futures	Less than one year	(37,180)	(519)	52,184	(409)
Overseas Fixed Income Futures	Less than one year	(71,637)	(1,992)	29,528	(493)
Total liabilities			**(2,511)**		**(902)**
Net futures			**(1,699)**		**743**

Open Forward Currency Contracts

Settlements	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset value 000	Liability value 000
Up to one month	GBP	87,539	EUR	(98,445)	3,669	-
One to six months	USD	20,703	GBP	(14,882)	134	(12)
One to six months	GBP	272,941	USD	(378,428)	469	(1,772)
One to six months	GBP	27,789	EUR	(31,465)	968	-
One to six months	EUR	5,382	GBP	(4,647)	-	(59)
One to six months	AUD	3,726	GBP	(2,079)	-	(22)
One to six months	GBP	2,075	AUD	(3,715)	24	-

Open forward currency contracts at 31 March 2021	**5,264**	**(1,865)**
Net forward currency contracts at 31 March 2021		**3,399**

Prior year comparative:	Asset value	Liability value
Open forward currency contracts at 31 March 2020	1,888	(18,336)
Net forward currency contracts at 31 March 2020		(16,448)

The economic exposure represents the nominal value of securities purchased under future contracts and therefore the value subject to market movements. All future contracts are exchange traded. The Fund uses futures for the purposes of efficient portfolio management and/or risk reduction.

Futures and Forwards are used for the purposes of risk management. The Portfolio uses futures and forward currency contracts to attempt to protect the value of securities and related receivables and payables against changes in future foreign exchange rates.

12 - Fair Value

Fair Value Hierarchy

Market Value as at 31/03/2021	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant observable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	2,275,481	2,443,041	60,636	4,779,158
Non-financial assets at fair value through profit and loss	89,440	14,652	-	104,092
Financial liabilities at a fair value through profit and loss	(4,921)	(34,683)	-	(39,604)
Net financial assets	**2,360,000**	**2,423,010**	**60,636**	**4,843,646**

Market Value as at 31/03/2020	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant observable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	1,596,619	1,976,619	54,923	3,628,161
Non-financial assets at fair value through profit and loss	61,177	13,385	-	74,562
Financial liabilities at a fair value through profit and loss	(2,588)	(33,661)	-	(36,249)
Net financial assets	**1,655,208**	**1,956,343**	**54,923**	**3,666,474**

12a Reconciliation of Fair Value Measurements within Level 3

	Market Value as at 31/03/2020 £000	Purchases £000	Sales £000	Unrealised gains (losses) £000	Realised gains (losses) £000	Market Value as at 31/03/2021 £000
Overseas Equities	1,241	-	(1,187)	1,309	(1,363)	-
UK property Funds	53,682	10,104	(1,564)	(1,866)	280	60,636
Total	**54,923**	**10,104**	**(2,751)**	**(557)**	**(1,083)**	**60,636**

12b Sensitivity of Assets Valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors (ISIO), Tayside Pension Fund has determined that the valuation methods are likely to be accurate to within the following ranges, and has set out the below consequent potential impact on the closing value of the investments held at 31 March 2021.

	Assessed valuation range (+/-)	Value as at 31/03/2021 £000	Value on Increase £000	Value on Decrease £000
UK property Funds	5%	60,636	63,668	57,604
Total		**60,636**	**63,668**	**57,604**

13 - Financial Instruments

13a Classification of Financial Instruments

Market Value as at 31/03/2020				Market Value as at 31/03/2021		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial assets			
596,663	-	-	Bonds	701,000	-	-
1,580,652	-	-	Equities	2,270,993	-	-
946,608	-	-	Pooled investments	1,320,014	-	-
449,773	-	-	Pooled property investments	442,704	-	-
-	-	-	Private equity / infrastructure	-	-	-
2,700	-	-	Derivative contracts	6,909	-	-
35,366	55,157	-	Cash	34,522	54,094	-
16,399	14,187	-	Other investment balances	2,859	15,476	-
-	5,218	-	Debtors		34,679	-
3,628,161	**74,562**	**-**		**4,779,001**	**104,249**	**-**

			Financial liabilities			
(20,847)	-	-	Derivative contracts	(2,767)	-	-
-	-	(80)	Other Investment balances	-	-	(4,022)
-	-	(15,322)	Creditors	-	-	(32,815)
(20,847)	**-**	**(15,402)**		**(2,767)**	**-**	**(36,837)**
3,607,314	**74,562**	**(15,402)**	**Total**	**4,776,234**	**104,249**	**(36,837)**
	3,666,474		**Grand Total**		**4,843,646**	

13b Net Gains and Losses on Financial Instruments

Market Value as at 31/03/2020		Market Value as at 31/03/2021
£000	**Financial Assets**	£000
(255,843)	Fair value through profit and loss	1,110,454
6,649	Loans and receivables	111
	Financial Liabilities	
(29,172)	Fair value through profit and loss	35,327
(27)	Loans and receivables	(2,955)
(278,393)		1,142,937

14 - Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £0.917m (2020 £0.831m).

15 - Stock Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2021 was £175.6m (2020 £155.8m). These assets continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets. Stock lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

16 - Additional Voluntary Contributions (AVCs)

As AVCs are invested separately from the investments of the scheme itself and secure extra benefits on a money purchase basis for members that have elected to contribute, it has been decided in accordance with The Pensions Scheme (Management and Investment of Funds) Regulations 1998 not to include the relevant figures in the financial statements.

Net Asset Value	31 March 2020	31 March 2021
	£000	£000
Prudential	6,209	*
Standard Life	3,853	4,032

Contributions Received	2019/20	2020/21
	£000	£000
Prudential	1,986	*
Standard Life	191	174

* Information currently unavailable from Prudential, information will be published via Tayside Pension Fund website in due course.

17 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2021, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £5,172.6m (2020 £4,309.0m) of which £5,037.4m (2020 £4,205.8m) is a vested obligation and £135.2m (2020 £103.2m) is a non-vested obligation. This figure is used for statutory accounting purposes by Tayside Pension Fund and complies with the requirements of IAS26. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting of contributions payable to the Fund.

An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

As noted above, the liabilities above are calculated on an IAS19 basis and therefore will differ from the results of the 2020 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions Used	2019/20	2020/21
	%	%
Inflation / pension increase rate	1.90	2.80
Salary increase rate	2.90	3.80
Discount rate	2.35	2.00

18 – Current Assets

	2019/20	2020/21
	£000	£000
Contributions Due from Employers	7,684	7,984
Cash and Bank	1,260	3,051
Pending sales ledger income	463	140
Employer cessation valuation	589	589
Miscellaneous debtors	1	114
	9,997	11,878

19 – Current Liabilities

	2019/20	2020/21
	£000	£000
Unpaid benefits	2,203	3,500
Custodian fees	25	28
Investment Manager Fees	1,736	2,080
Consultancy fees	-	
Pending purchase ledger payments	35	45
Outsourcing contract	-	
HMRC	34	246
Audit Services	53	18
Miscellaneous creditors	64	35
	4,150	5,952

20 - Audit Fee & Other Services

The Fund have been subject to separate external and internal audits to that of the Council. The Fund incurred an external audit fee of £26,250 for the financial year (2020 £25,670). During 2020/21 financial year the Fund received no other services from Audit Scotland. The Fund also incurred an internal audit fee of £41,280 from PwC (2020 £36,320)

21 – Management Expenses

	2019/20 £000	2020/21 £000
Administrative costs	1,779	1,550
Investment management expenses	9,605	10,411
Oversight and governance costs	105	105
	11,489	12,066

22 – Investment Expenses

	2019/20 £000	2020/21 £000
Management fees	8,634	9,363
Custody fees	89	86
Performance monitoring service	26	23
Investment consultancy	27	23
Commission recapture	(2)	(1)
Transaction costs	831	917
	9,605	10,411
Investment Management fees as a %age of Net Financial Assets	0.26%	0.21%

	Management fees £000	Transaction costs £000	Total £000
Bonds	1,251	-	1,251
Equities	5,769	917	6,686
Pooled investments	78	-	78
Property	2,150	-	2,150
Alternatives	24	-	24
Securities Lending	90	-	90
	9,362	917	10,279
Custody fees			109
Consultancy fees			23
Total			10,411

23 – Nature and Extent of Risks arising from Financial Instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure market risk (other 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 the Fund's forecast cash flows.

The new Career Average Revalued Earnings (CARE) scheme came into effect on 1 April 2015. There is an increased risk of error/communication failure due to lack of awareness of new scheme regulations. The Fund manages this risk through employer updates, a newsletter, and specialist sessions at an annual forum.

Responsibility for managing the Fund's risk rests with the Pension Sub-Committee. A risk register for the Fund has been established to identify and analyse the risks that the Fund faces.

Market Risk

Market risk is the risk of loss from fluctuations in currency, interest rate risk and other price risk. The level of risk exposure depends on, but is not limited to, market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geography, industry sectors and individual securities. To mitigate market risk, the Fund and its investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

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 securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expended investment return movements, in consultation with the Council's investment adviser, it has been determined that the following movements in market price risk are reasonably possible for this reporting period.

	Potential Market Movement
	+/- per annum
Equities	
UK	20.5%
Emerging Markets	28.0%
Global	20.5%
Bonds	
UK Index-Linked Gilts	11.5%
UK Gilts	8.0%
UK Corporate	9.0%
Other	7.0%
Property	13.0%
Alternatives	22.0%
Cash	1.0%

Source: ISIO

Potential price changes are determined based on the historical volatility of asset class returns and expected future returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets and are based on the investment adviser's 10 year capital market assumptions for asset class volatilities as at 31 March 2021. If the market price of the Fund's investments increases/decreases in line with the above, the change in the net assets available to pay benefits in the market price could be as follows:

			Potential change in year in the net assets available to pay benefits	
	Value £	% Change	Favourable Market Movement £	Unfavourable Market Movement £
Equities				
UK	638,380,529	20.5%	769,248,538	507,512,521
Emerging Markets	-	28.0%	-	-
Global	2,829,881,828	20.5%	3,410,007,602	2,249,756,053
Bonds				
UK Index-Linked Gilts	122,744,227	11.5%	136,859,813	108,628,641
UK Gilts	46,246,020	8.0%	49,945,701	42,546,338
UK Corporate	203,593,633	9.0%	221,917,060	185,270,206
Other	451,903,843	7.0%	483,537,112	420,270,574
Property	442,703,916	13.0%	500,255,425	385,152,407
Alternatives	-	22.0%	-	-
Cash	108,192,156	1.0%	109,274,078	107,110,235

Source: ISIO/Northern Trust

Interest rate sensitivity analysis

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. Some of these investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions.

The Fund's interest rate risk is routinely monitored by the Fund and its investment adviser, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund recognises that interest rates can vary, and can affect both income to the Fund and the value of the net assets available to pay benefits.

The Fund's direct exposure to interest rate movement as at 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The analysis assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 Basis Points (BPS) change in interest rates (assuming a parallel shift in the interest rate curve):

Asset Type	Carrying amount as at 31 March 2021 (£)	Potential change in year in the net assets available to pay benefits £	
		100bps	-100bps
Fixed Interest Securities	701,000,007	(44,497,715)	44,497,715
Cash	88,615,905	-	-
Total change in assets available	789,615,912	(44,497,715)	44,497,715

Source: Northern Trust

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. A 1% increase in interest rates may potentially increase the interest rate income received on cash and cash equivalents by £886,159 and vice versa.

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 functional currency of the Fund (£UK). The Fund does not have a currency hedging programme but individual investment managers may hedge some currencies from time to time on a tactical basis. As any hedging could be temporary, the analysis below does not allow for any currencies that are hedged at 31 March 2021. The Fund is invested in equities and bonds that are denominated in currencies other than £UK. The following table summarises the Fund's currency exposure at 31 March 2021:

Currency exposure – asset type	Asset value (£)
	31 March 2021
Overseas quoted securities	1,660,049,083
Overseas unit trusts	1,169,832,745
Overseas public sector bonds (quoted)	22,535,914
Overseas corporate bonds (quoted)	428,630,112
Total Overseas assets	**3,281,047,854**

Source: Northern Trust

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 financial assets and liabilities. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund has an Annual Treasury Strategy which sets out the approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The cash holding under its treasury management arrangements at 31 March 2021, including current account cash, was £3.076m (2020: £1.299m). This was held with the following institutions -

	Credit Rating	Balance as at 31 March 2020 £'000	Balance as at 31 March 2021 £'000
Money Market Funds -			
Aberdeen Standard	AAAmf	1,260	2,900
Invesco	AAAmf	-	-
Current account -			
Royal Bank of Scotland	F1	39	176

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash.

24 – Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from assumptions and estimates.

The items in the net assets statement as at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Actuarial present value of promised retirement benefits (note 16)

Uncertainties

Estimation of the net liability depends on a number of complex judgements relating to discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the fund with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions	£000	£000
Present value of total obligation	5,172,607	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	5,077,501	5,269,590
Long term salary increases	5,186,681	5,158,636
Pension increases and deferred revaluation	5,254,660	5,092,114
Sensitivity to	**+1 year**	**-1 year**
Life expectancy assumptions	5,427,440	4,930,136

Financial Assets and Liabilities measured at fair value

Uncertainties

When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using recognised valuation techniques but as these investments are not publicly listed there is a degree of estimation involved in the valuation.

25 – Contingent Liabilities

Following a case involving the Teachers' Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government have confirmed that a remedy is required in all affected public sector pension schemes, which includes the LGPS.

As this has just recently been announced, we do not yet have an accurate indication of the potential impact this may have on the value of employers' liabilities or the cost of the scheme. Any indication of cost at this stage will only be a rough estimate as in most cases, funds will not have this information or data to hand. It is our understanding that the Government Actuary's Department (GAD) is undertaking a review to assess the potential impact on public sector pension schemes, which we expect will be minimal for LGPS funds.

We do not yet have the results of GAD's review. However, it is our expectation that the impact on the value of LGPS liabilities as a whole, and for the majority of employers participating in the LGPS, will not be material. It is possible that the impact on individual employers will vary depending on their specific membership profile; although any cases resulting in a significant impact are likely to be few and far between.

26 – Post Balance Sheet Event

The unaudited Statement of Accounts was issued by the Executive Director of Corporate Services on 21 June 2021. Events taking place after this date are not reflected in the financial statements or disclosure notes. There have been no material events since the date of the Net Asset Statement which have required any adjustments to these accounts.

FUNDING

An actuarial valuation is required every three years in accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014. The main purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund.

The purpose of the three yearly actuarial valuation is to ensure that the Pension Fund has sufficient resources to provide for their members' pensions and lump sum benefits. The contribution from employees is fixed by statute and the only adjustable variable at each valuation is the level of employer's contributions.

The actuarial valuation is essentially a measurement of the Fund's liabilities, having specific regard to:

- the desirability of maintaining as nearly constant a primary rate as possible;
- the current version of the administering authority's funding strategy statement;
- the requirement to secure the solvency of the pension fund; and
- the long-term cost efficiency of the Scheme (i.e. the LGPS for Scotland as a whole), so far as relating to the pension fund.

The 2020 actuarial valuation was undertaken as at 31st March 2020 and the outcome of this valuation sets the employer's rate of contributions for the 3 years from 1st April 2021. The outcome of the 2020 actuarial valuation states that the common contribution rate for active employers for financial years 2021/22, 2022/23 and 2023/24 will remain at 17.0%, with exception of Travel Dundee where a fixed 40% employer contribution is applicable, or employers who have closed the scheme to new members. Their contribution rate will be set individually by the Fund's actuaries based upon their specific profile.

It is the responsibility of Dundee City Council, acting in its capacity as Administering Authority to the Tayside Pension Fund, to prepare, publish and maintain an annual Funding Strategy Statement having regard to guidance produced in February 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) in a document entitled "Preparing and Maintaining a Funding Strategy Statement".

FUNDING STRATEGY STATEMENT

OVERVIEW

This Funding Strategy Statement has been prepared in accordance with Regulation 56 of the Local Government Pension Scheme (Scotland) Regulations 2018 (the Regulations). The Statement describes the strategy of Dundee City Council acting in its capacity as Administering Authority (the Administering Authority) for the funding of Tayside Pension Fund (the Fund).

As required by Regulation 56(4), the Statement has been prepared having regard to guidance first published by CIPFA in March 2004, with revisions in September 2016 to reflect the introduction of the Public Service Pensions Act 2013, the new 2015 scheme and changes to investment regulations.

PURPOSES OF THE STATEMENT

The four main purposes of this Statement are:

- To establish a clear and transparent strategy, specific to the Fund, which will identify how employer's pension liabilities are best met going forward.
- To support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
- To ensure solvency and long-term cost efficiencies are met.
- To take a prudent longer-term view of funding the Fund's liabilities.

CONSULTATION

In accordance with Regulation 56(3), all employers participating within the Fund have been consulted on the contents of this Statement and their views have been considered in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

In addition, the Administering Authority has had regard to the Fund's Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2010 (the Investment Regulations), as required by Regulation 56(4)(b).

The Fund Actuary, Barnett Waddingham, has also been consulted on the contents of this Statement.

PURPOSE AND AIMS OF THE FUND

The purpose of the Fund is:

- To pay out monies in respect of Local Government Pension Scheme (the Scheme) benefits, transfer values, costs, charges and expenses.
- To receive monies in respect of contributions, transfer values and investment income and other charges, costs and expenses.

The aims of the Fund in relation to the Funding Strategy are set out below:

The first aim is to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the Scheme Employers and to the taxpayers.

The Administering Authority recognises that the requirement to keep employer contribution rates as nearly constant as possible can run counter to the following requirements:

- the regulatory requirement to secure solvency, and that contribution rates be set at such a level to ensure that liabilities can be met as they arise
- that contribution rates not be set at a level that gives rise to additional costs (e.g. deferring costs to the future) in order to ensure long term cost efficiency
- the requirement that the costs should be reasonable, and
- maximising income from investments within reasonable cost parameters (see the fourth aim).

Producing low volatility in employer contribution rates requires material investment in assets that 'match' the employer's liabilities. In this context 'match' means assets that behave in a similar manner to the liabilities as economic conditions alter. For the liabilities represented by benefits payable by the Scheme, such assets would tend to comprise index linked gilt edged investments.

Other classes of assets, such as shares and property, are perceived to offer higher long-term rates of return, on average, and consistent with the requirement to maximise the returns from investments, the Administering Authority invests a substantial proportion of the Fund in such assets. However, these assets are riskier in nature and that risk can manifest itself in volatile returns over short-term periods and a failure to deliver the expected return in the long-term.

This short-term volatility in investment returns can produce a consequent volatility in the measured financial and funding position of the Fund at successive valuations, with knock on effects on employer contribution rates. The impact on employer rates can be mitigated by use of longer-term actuarial funding models, smoothing adjustments and using volatility reserves at each valuation.

The Administering Authority recognises that there is a balance to be struck between the investment policies adopted, the actuarial funding models used at valuations and the resultant smoothness of employer contribution rates from one valuation period to the next.

The second aim is to ensure that sufficient resources are available to meet all liabilities as they fall due.

The Administering Authority recognises the need to ensure that the Fund has, at all times, sufficient liquid assets to be able to pay pensions, transfer values, costs, charges and other expenses. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position on a daily basis to ensure that all cash requirements can be met.

The third aim is to manage employers' liabilities effectively.

The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by seeking regular actuarial and investment advice, ensuring that employers and Pension Sub-Committee members are properly informed and through regular monitoring of the financial and funding position.

The fourth aim is to maximise the income from investments within reasonable risk parameters.

The Administering Authority recognises the desirability of maximising investment income within reasonable risk parameters. Investment returns higher than those available on government stocks are sought through investment in other asset classes such as shares and property. The Administering Authority ensures that risk parameters are reasonable by:

- restricting investment to the levels permitted by the Investment Regulations,
- restricting investment to asset classes generally recognised as appropriate for UK pension funds,
- analysing the potential risk represented by those asset classes in collaboration with the Fund's Actuary, Investment Advisors and Fund Investment Managers.

RESPONSIBILITIES OF THE KEY PARTIES

The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the Employers and the Fund Actuary.

Administering Authority

The key responsibilities of the Administering Authority are set out below:

The first key responsibility is to collect employer and employee contributions and, as far as the Administering Authority is able to, ensuring these contributions are paid by the due date.

Individual employers must pay contributions in accordance with Regulations 62, 63 and 64 of the Regulations.

The Administering Authority has advised all employers of its policy on the remittance of pension contributions and the procedures which will be taken in the event of late or non-payment.

It is a legal requirement that pension contributions be paid to the Fund by the 19th of the month following the month that they were deducted from employees' pay.

The Administering Authority will ensure that action is taken to recover assets from Admission Bodies whose Admission Agreement has ceased by:

- requesting that the Fund Actuary calculates the deficit at the date of the closure of the Admission Agreement,
- notifying the Admission Body that it must meet any deficit at the cessation of the Agreement.

The second key responsibility is to invest surplus monies in accordance with the Regulations.

The Administering Authority will comply with the Investment Regulations.

The third key responsibility is to ensure that cash is available to meet liabilities as and when they fall due.

The Administering Authority recognises this duty and discharges it in the manner set out in the Aims of the Fund in relation to the Funding Strategy.

The fourth key responsibility is to manage the valuation process in consultation with the Fund Actuary.

The Administering Authority ensures it communicates effectively with the Fund Actuary to:

- agree timescales for the provision of information and provision of valuation results,
- ensure provision of data of suitable accuracy,
- ensure that the Fund Actuary is clear about the Funding Strategy,
- ensure that participating employers receive appropriate communication throughout the process,
- ensure that reports are made available as required by Guidance and Regulation.

The fifth key responsibility is to prepare and maintain a Statement of Investment Principles and a Funding Strategy Statement after due consultation with interested parties.

The Administering Authority will ensure that both documents are prepared and maintained in the required manner.

The sixth key responsibility is to monitor all aspects of the Fund's performance and funding and amend these two documents if required.

The Administering Authority monitors the investment performance and the financial and funding position of the Fund on a quarterly basis.

The Statement of Investment Principles and Funding Strategy Statement will be formally reviewed annually, unless circumstances dictate earlier amendment.

Individual Employers

Individual employers are responsible for:

- deducting contributions from employees' pay,
- paying all contributions, including their employer contribution as determined by the Actuary, promptly by the due date,
- paying any interest due under Regulation 66 of the Local Government Pension Scheme (Scotland) Regulations 2018,
- exercising discretions within the regulatory framework and ensuring the Administering Authority has copies of current policies covering those discretions,
- paying for added years in accordance with agreed arrangements,
- paying the Strain on the Fund costs resulting from early retirements or exercises of discretion allowing the early payment of deferred benefits. Payment is due immediately unless it has been agreed that payment can be spread over a short period of years,
- notifying the Administering Authority promptly of all changes to membership, or other changes which affect future funding,
- providing timeous returns annually or monthly, as agreed, and for valuation purposes,
- ensuring that there is suitable covenant protection in place in the event of cessation,
- providing such financial and covenant information as is necessary for the Administering Authority to properly assess the funding risk relating to each employer.

The Fund Actuary

The key responsibilities of the Fund Actuary are set out below:

The first key responsibility is to prepare valuations.

The Fund Actuary will prepare valuations, including the setting of employers' contribution rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement and relevant admission agreements.

Valuations will also be prepared in accordance with generally accepted actuarial methods and reported on in accordance with Technical Actuarial Standards (TAS's) issued by the Financial Reporting Council, to the extent that the TAS's are relevant to the Scheme.

The second key responsibility is to prepare advice and calculations in connection with bulk transfers and individual benefit-related matters together with any ad-hoc requirements agreed with the administering authority.

Such advice will take account of the financial and funding position and Funding Strategy Statement, along with other relevant matters.

SOLVENCY

The Administering Authority will prudently seek to secure the solvency of the Fund. For this purpose, the Administering Authority defines solvency as being achieved when the value of the Fund's assets is greater than or equal to the value of the Fund's liabilities in respect of service prior to the measurement date when measured using 'ongoing' actuarial methods and assumptions.

Ongoing actuarial methods and assumptions are taken to be measured by use of the Projected Unit method of valuation, using assumptions generally recognised as suitable for an open, ongoing UK pension fund with a sponsoring employer of sound covenant. Where an employer is closed to new members alternative methods may be adopted on the advice of the Fund Actuary.

The financial assumptions used to assess the financial position will have regard to the yields and long-term returns that are expected from the underlying investment strategy net of costs and less a margin for prudence. The Administering Authority understands the risks of such an approach if those additional returns fail to materialise.

Consistent with the aim of enabling employer contribution rates to be kept as nearly constant as possible, and having regard to the risks inherent in such an approach, the Administering Authority has also agreed with the Fund Actuary the use of explicit smoothing adjustments and using volatility reserves in making the solvency measurement.

The Fund will regularly carry out employer covenant reviews to obtain key financial and non-financial information about employers. This can include details of funding sources and financial statements. The results of the covenant reviews are passed to the Fund’s Actuary at each actuarial valuation and may be factored into setting any individual employer contributions.

FUNDING STRATEGY

Valuation Methods

Consistent with the aim of enabling employer contribution rates to be kept as nearly constant as possible, contribution rates are set by use of the Projected Unit valuation method for most employers.

The Projected Unit method produces contribution rates which target solvency over fixed periods in the future. It will tend to produce more stable contribution rates for those employers who expect a future flow of new entrants to the Fund, which would tend to keep the age distribution of members stable.

Valuation assumptions and funding model

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (RPI). The RPI assumption adopted as at 31 March 2020 was 3.2% p.a.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 0.8% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2020 was 2.4% p.a.

Future pay inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2020 was CPI plus 1% p.a.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to the projected liabilities reflects a prudent estimate of the rate of investment return that is assumed to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate. The discount rate adopted for the 31 March 2020 valuation was 3.9% p.a.

For some employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 62.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for employers may be set to a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

Asset valuation

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date and may also include a volatility reserve as a margin against future adverse experience.

Statistical assumptions

The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

Pooling of employers

Consistent with the requirement to keep employer contribution rates as nearly constant as possible, the Administering Authority permits all employers to be treated as a group for the purposes of setting contribution rates.

An exception to this general rule will be where an employer closes access to the fund for new employees or once employers have had no new membership for a five-year period, the employers will be perceived to have closed fund status. This will have consequences for the liability profile and the actuary may set a separate rate for individual employers in this instance.

The Administering Authority recognises that common rates can give rise to cross subsidies from one employer to another over time. This can arise from different membership profiles of the different employers and from different experience, for example an excess of ill health retirements from one employer could lead to it being subsidised by other grouped employers. However, over longer time periods it would be expected that the experience will even out between employers and each employer will, on average, pay a fair level of contributions. The benefit of common rate is that it should produce a less volatile contribution rate on average for each individual employer.

Recovery Period

Where a valuation reveals that the Fund is in surplus or deficiency against the solvency measure, employer contribution rates will be adjusted to target restoration of the solvent position over a period of years (the recovery period). The recovery period applicable is set by the Administering Authority in consultation with the Fund Actuary, with a view to balancing the various funding requirements against the risks involved.

The Administering Authority recognises that a larger proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. However, the Administering Authority also recognises the risk in relying on long recovery periods and has agreed with the Fund Actuary to adopt prudent recovery periods consistent with the objective of keeping employer contribution rates as stable as possible.

Valuation, and Recovery of Exit Payments where an organisation (including an Admission body) ceases to be an employer in the Fund, or in circumstances where it is likely that an organisation will cease to be an employer in the Fund.

When an organisation (including an admission body) ceases to be an employer participating in the Fund (or, in the opinion of the Administering Authority, is likely to cease to participate in the Fund), the Fund Actuary will carry out a cessation valuation. The Administering Authority will then pursue the recovery of any deficiency from that organisation based on that valuation. The Administering Authority has determined (in line, in particular, with aims one and two set out above) that cessation valuations will be undertaken on a gilts-cessation basis. This is a different, and more prudent, basis to the on-going funding basis on which contributions are determined for on-going employers and will usually produce a larger deficit figure than the on-going basis. The Administering Authority may, but is not required to, consider making an exception to its policy on the basis used to perform cessation valuations in certain circumstances having regard always to relevant factors including (i) the requirements of the Regulations, (ii) the impact that any such exception may have on other employers and stakeholders in the Fund, (iii) the actuarial advice it receives and (iv) the particular circumstances relating to the exiting employer (for example where there is a merger of employers).

If an employer (other than a transferee admission body) fails and cannot pay the contributions due, Regulations require that all employers in the Fund must pay revised contributions to meet the shortfall.

In recent years the Administering Authority has adopted a policy of requiring admission bodies (other than transferee admission bodies) to obtain a guarantor. A guarantor is required to agree that it will meet the shortfall if the admission body closes and cannot pay the contributions due.

Some longer standing admission bodies do not have a guarantor. If one of these were to cease to be an employer in the Fund in circumstances where they could not pay the contributions due, then all employers in the Fund would be required to pay revised contributions to meet the shortfall.

The position is different for transferee admission bodies. If a transferee admission body fails and cannot pay the contributions due, then the Scheme employer in relation to that transferee admission body must pay revised contributions to meet the shortfall.

All employers must provide the Administering Authority with such information as it may reasonably request to enable it to review the financial and funding risk relating to participating employers. If it appears to the administering authority that the insolvency risk of an employer is deemed to be material, then the Administering Authority will seek to agree measures (including bonds, security over assets or additional funding or security) with the employer to minimise the risk of any deficit on cessation being met from remaining employers.

Stepping

Consistent with the requirement to keep employer contribution rates as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or should be reached by a series of steps over future years. The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach and will examine the financial impact and risks associated for each employer. The Administering Authority's policy is to limit the number of permitted steps to three annual steps.

Monitoring of the Financial and Funding Position between Valuations

The Administering Authority will monitor the financial and funding position of the Fund between triennial valuations. If it is considered appropriate, an indicative interim valuation is carried out. The purpose of this monitoring process is to give employers advance warning of likely changes that may be required following the next triennial valuation. This allows improved budgeting decisions to be made and allows an employer to take an informed decision on paying additional contributions.

Prepayment option

Employers have the opportunity to advance pay contributions on an annual basis and can receive a reduction in amount on prepayment. This option is predicated upon the principle of receiving contributions sooner than would have otherwise been the case, and all other things being equal, the Fund investing and earning additional investment returns on contributions paid, resulting in a lower contribution requirement over the three years.

In the case that prepayment is chosen, the advance payment is due by 30 April each year with reductions applied in line with the financial assumptions set by the Fund Actuary.

The contributions can attract reductions but the notional amounts payable to cover contributions due to the Fund are then subject to annual reviews and a balancing payment will be required from employers in any case of underpayment compared to the amount due in accordance with the Actuary's Rates and Adjustments Certificate, based on actual pensionable payroll during the year. Prepayments are notional amounts, based on the estimated pensionable payroll for future years, as confirmed by the employer to the Fund.

IDENTIFICATION OF RISKS AND COUNTER MEASURES

The Administering Authority's overall policy on risk is to identify all risks to the Fund and to consider the position both in aggregate and at an individual risk level. The Administering Authority will monitor the risks to the Fund and will take appropriate action to limit the impact of these both before, and after, they emerge wherever possible. The main risks to the Fund are set out below.

Demographic (including mortality risk)

The main demographic risks include changing retirement patterns and longevity. The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation or, if appropriate, more frequently and reports on developments. The Administering Authority will agree with the Fund Actuary any changes that are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

If significant demographic changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and will review the bonds that are in place for transferee admitted bodies.

Regulatory & Legislative

These risks relate to changes in regulations, national pension requirements or HMRC rules. The Administering Authority will keep abreast of all proposed changes and, where possible and after careful consideration, express its opinion during consultation periods. The Administering Authority's policy will be to ask the Fund Actuary to assess the impact on costs of any changes and, where these are likely to be significant, the Administering Authority will notify employers of this likely impact and the timing of any change.

Governance

The Administering Authority's policy is to require regular communication between itself and employers and to ensure regular reviews of such items as financial and funding positions and legislative changes.

Statistical/Financial (investment & inflation risk)

This covers items such as the performance of markets and the Fund's investment managers, asset reallocation in volatile markets, pay and price inflation varying from anticipated levels, or the effect of possible increases in employer contribution rates on service delivery and on employers.

The Administering Authority reviews each investment manager's performance quarterly and regularly considers the asset allocation of the Fund. It will also receive quarterly update on the effect of market movements on the Fund's overall financial and funding position.

Solvency Measure

The Administering Authority recognises that allowing for future investment returns in excess of those available on government bonds introduces an element of risk, in that those additional returns may not materialise. The Administering Authority's policy will be to monitor the underlying position assuming no such excess returns are achieved to ensure that the funding target remains realistic relative to the risk position.

Smoothing

The Administering Authority recognises that utilisation of a smoothing adjustments and volatility reserves introduces an element of risk, in that they may not produce the only measure of the underlying financial and funding position. The Administering Authority's policy is to review the impact of such adjustments at each valuation to ensure that they remain within acceptable limits.

Recovery Period

The Administering Authority recognises that permitting deficiencies to be eliminated over a recovery period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements. The Administering Authority's policy is to discuss the risks inherent in each situation with the Fund Actuary and to limit the permitted length.

Stepping

The Administering Authority recognises that permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process. The Administering Authority's policy is to discuss risks inherent in each situation with the Fund Actuary and limit the number of permitted steps to three annual steps.

Prepayment option

Prepayment may or may not result in higher investment returns being credited to the employer assets in the Fund. Beyond, the initial discount available on the cash contribution requirement, the principle of the prepayment option provides certainty of employer contribution, and the associated short-term cash advantages assume a positive investment return being obtained of at least the level assumed in the actuarial valuation. The extent to which there are lower returns for the period, reducing the financial benefits of the arrangement, future contribution requirements may be higher.

LINKS TO INVESTMENT POLICY AS SET OUT IN THE STATEMENT OF INVESTMENT PRINCIPLES

The Administering Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk in the investment policy set out in the Statement of Investment Principles and the funding policy set out in this statement.

In order to assist in setting the Fund's investment policy, an investment strategy review is carried out. This study examines the Fund's current investment strategy's appropriateness in light of the nature of the Fund's liabilities. The study is carried out at the total Fund level, not at the level of each employer. The strategic asset allocation benchmark adopted is set in reference to the nature of the Fund's liabilities.

The strategic asset allocation implemented is based upon an investment strategy review conducted by the Fund's Investment Advisor, Isio, and in reference to the nature of the liabilities as outlined in the Fund's 31 March 2017 actuarial valuation. The strategy review concluded that a diversified portfolio, investing across active equities (55%), passive equities (10%), property (12%), bonds (13%) and alternative and opportunistic investments (10%) remains a suitable long-term strategic asset ambition for the Fund. The degree and nature of risks attaching to such a portfolio, when taken in conjunction with the expected returns, were considered by the Committee to be appropriate for the Fund at that time.

The Administering Authority will continue to monitor the suitability of the investment policy in the light of the Fund's developing liabilities and finances.

The Administering Authority will continue to review the Funding Strategy Statement and the Statement of Investment Principles to ensure that the overall risk profile remains appropriate. Such reviews may use asset liability modelling or other analysis techniques.

FUTURE MONITORING

The Administering Authority plans to review formally this Statement as part of the triennial valuation process unless circumstances arise which require earlier action.

The Administering Authority will monitor the financial and funding position of the Fund on an appropriate basis at regular intervals between valuations and will discuss with the Actuary whether any significant changes have arisen that require action.

BARNETT WADDINGHAM
beyond the expected

Tayside Pension Fund

Actuary's Statement as at 31 March 2021

Barnett Waddingham LLP

2 June 2021

Introduction

The last full triennial valuation of the Tayside Pension Fund ("the Fund") was carried out as at 31 March 2020 as required by Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 11 March 2021.

Asset value and funding level

At 31 March 2020, the smoothed value of assets used for valuation purposes and which included a 10% volatility reserve deduction was £3,658m which represented 109% of the liabilities of the Fund valued on an ongoing basis.

Contribution rates

The contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due, or "primary rate";
- plus, an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The 2020 valuation certified a total primary rate of 22.9% p.a. of pensionable pay. Each employer body participating in the Fund has to pay a contribution rate consisting of the employer's individual primary rate and a secondary rate reflecting the employer's particular circumstances and funding position within the Fund.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2020 are summarised below:

Assumptions as at 31 March 2020	
Discount rate	3.9% p.a.
Salary increases	3.4% p.a.
Pension increases	2.4% p.a.
Post-retirement mortality (member) – base table	110% of the S3PA_H tables
Allowance for improvement in life expectancy	CMI 2019 Model with a long-term rate of improvement of 1.25% p.a., a smoothing parameter of 7.5, and an initial addition to improvements of 0.0% p.a.
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.
Allowance for cash commutation	Members will commute pension at retirement to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension

Updated position

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2020 valuation due to lower future expected returns on assets in excess of CPI inflation.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths to date will not have a material impact on the Fund's current funding level, however, the impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Overall position

On balance, we estimate that at 31 March 2021 there is sufficient volatility reserve to maintain the funding level at the previous valuation level of 109% using assumptions consistent with those adopted at the 2020 valuation.

The change in the real discount rate since 31 March 2020 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. This would be partially offset by the increased surplus and resulting reduction of the primary rate. However, the total contribution rate is estimated to increase.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

Graeme Muir FFA
Partner, Barnett Waddingham LLP

STATEMENT OF INVESTMENT BELIEFS

Tayside Pension Fund has developed a Statement of Investment Beliefs to ensure that investment strategies employed by the Fund remains consistent with its investment beliefs.

This Statement of Investment Beliefs has been designed to support the Fund in underpinning the investment decision-making process for the future, and also as a reference point for supporting why investment decisions are made.

The Statement of Investment Beliefs should be viewed in conjunction with the Fund's Statement of Investment Principles, Funding Strategy Statement and Environmental, Social and Governance ("ESG") Policy.

The statement will be reviewed periodically to ensure that it remains both in-line with the documents noted above and with the Fund's overall objectives. These are set out in the Fund's Funding Strategy Statement and, are as noted below:

- To maximise investment income within reasonable risk parameters so as to ensure that sufficient resources are available to manage liabilities effectively, and that all liabilities are met as they fall due; and
- Build up the required assets in such a way that employer contributions remain stable in the short term and at reasonable cost to the Fund's Employers and to the taxpayers over the longer term.

There is a fundamental link between funding level and investment strategy:

Tayside Pension Fund exists in order to pay members pension benefits as they fall due, and in order to ensure this needs to determine an appropriate investment strategy to meet the level of return required. The Fund believes that this fundamental link between funding and investment is crucial, and actuarial input is essential when setting investment strategy.

Clearly defined investment objectives are important for success:

Tayside Pension Fund appreciates the need to generate a sufficient level of investment return to meet objectives. However, the Fund also recognises that there are a number of potential investment risks that need to be understood and managed in order to provide an appropriate level of certainty and to ensure there is sufficient capital and liquidity to pay the Fund members' benefits as they fall due. The Fund believes that clearly defined investment objectives are key in providing focus in implementing its investment strategy, and in doing so, assisting the Fund meet its long-term goals.

Investment strategy has a relatively long-term horizon in line with the Fund's liability profile:

The Fund has a very long investment time horizon as a result of the Fund's liability profile. The Fund believe in applying long term thinking in order to seek and deliver ongoing sustainable returns, and in light of this, the Fund may justifiably hold some investments over many years in the belief that longer term investments have historically proven to generate more wealth than short term investments. Investors are rewarded for holding certain illiquid assets and are therefore willing to have an allocation to such assets to take advantage of this illiquidity premium, and as a result, the Sub-Committee is comfortable holding an allocation to these less liquid assets as part of a suitably diverse investment portfolio.

Whilst the Fund monitors and manages short and medium term investment performance, the prime focus is on longer term investment horizons of up to 10 years and the investment performance over this longer period, in line with the Fund's long-term investment beliefs.

Strategic Asset allocation is the primary investment decision:

Tayside Pension Fund believes that strategic asset allocation is the greatest driver of returns for the Fund and therefore understand that asset allocation is the most important investment decision. Manager and stock selection and portfolio monitoring are highly important but of second order to the strategic asset allocation decision in delivering value for money for all of the stakeholders in the Fund.

Diversification is important for managing risk and also results in more stable investment returns:

Tayside Pension Fund believes that diversification across differing classes of assets reduces the volatility of returns and results in a better long-term risk adjusted return, which is to the benefit of all of the stakeholders in the Fund. As a result, the Fund invests across a broad range of asset classes (including, but not limited to equities, bonds, property, as well as less liquid opportunistic investments, as appropriate) and appoints a number of asset managers to reduce manager specific risks.

Risks should be appropriate, and be managed:

Tayside Pension Fund acknowledges that in order to achieve the level of returns required to support the affordability and sustainability of the fund that a certain level of investment risk is unavoidable, however this risk must but be appropriate and in-line with long term investment objectives.

Equities are expected to generate strong investment returns over the long term:

Tayside Pension Fund believes that over the long-term equities will deliver strong investment returns, and as a result the Fund retains a meaningful allocation to equities. The Fund believes that equities will drive total Fund performance and is therefore comfortable holding a material allocation to equities to help drive asset and income growth to meet benefit payments.

Active investment management can add value after fees and other costs:

Tayside Pension Fund believes that, in certain asset classes, such as equities, carefully selected investment managers can add value, after fees and other costs, through active management. As a result of this belief, the majority of the Fund's assets are actively managed. The Fund acknowledges that consistent outperformance is difficult to achieve and therefore dedicates time and effort in selecting and monitoring the performance of its asset managers. The Fund also appoints an investment advisor to provide assistance and guidance.

Fees and costs should be minimised wherever possible:

Tayside Pension Fund believes that fees and costs should be minimised wherever possible as they reduce overall investment returns. Fees and other costs are regularly reviewed and renegotiated (as appropriate) to ensure optimal value for money and avoidance of unnecessary costs. The Fund evaluates investment performance net of fees and will only appoint an active manager who they believe can outperform net of fees. The Fund regularly engages with investment managers and undertakes procurement exercises to achieve the most competitive fees on behalf of the Fund.

It is important to invest responsibly:

Tayside Pension Fund believes that managers should invest responsibly, incorporating all environmental, social and governance (ESG) factors which could not only have material financial effect on the Fund but also damage its reputation. To ensure incorporation of ESG into investment decision making, the Fund requires all investment managers to be signatories to the United Nations Principals of Responsible Investment. The Fund has an ESG policy which is regularly reviewed, and which outlines a specific provision for the Fund's long-term ambition to completely divest from tobacco stocks, and the Sub-Committee expects the Fund's investment managers to adhere to this approach.

Responsible Stewardship and active engagement with companies is more effective in seeking to initiate change rather than divesting:

Tayside Pension Fund is supportive of encouraging positive ESG practices within the companies that it invests in. The Fund tasks its investment managers to engage with companies to encourage positive ESG practices, and to report to the Fund on their engagement in relation to the following key areas of concern:

- Employee Care;
- Human Rights; and
- Sustainability and the Environment.

The Fund uses an independent voting advisory service, and as part of ongoing monitoring, the Fund requires the investment managers to report on their voting activity, as this reflects the Fund's commitment to encouraging best practice.

Governance and decision making are critical to success and should focus should be on the areas of greatest importance:

Tayside Pension Fund seeks to avoid unnecessary complexity, where possible, to reduce costs, free up time and resources, and promotes focus on strategic decision making, such as asset allocation, where the greatest value is expected to be added. Complexity is only introduced to the investment structure where it is clear that it is expected to add value net of cost.

STATEMENT OF INVESTMENT PRINCIPLES

The Statement of Investment Principles (SIP) is the Fund's main investment policy document. The SIP is reviewed annually (or more often if required) and updated to reflect any changes approved by the Pension Sub-Committee.

INTRODUCTION

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 require administering authorities to prepare, maintain and publish a written Statement of Investment Principles. A Statement of Investment Principles should cover the policy on:

- The types of investments to be held;
- The balance between different types of investments;
- Risk, including the ways in which risks are to be measured and managed;
- The expected return on investments;
- The realisation of investments;
- The extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
- The exercise of the rights (including voting rights) attaching to investments;
- Stock lending; and
- The extent of compliance with the six principles of investment practice set out in CIPFA publication "Investment Decision Making and Disclosure in Local Government Pension Scheme: A Guide to the Application of the Myners Principles" (December 2009).

ADMINISTRATION AND GOVERNANCE

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 24 of its Financial Regulations. Investment policy and decisions are delegated to the Pension Sub-Committee of the Policy and Resources Committee which comprises 6 elected members from Dundee City Council. The Pension Board, comprising of 4 employer representatives (external to the administering authority) and 4 trade union representatives (representing all types of members) assist the Sub-Committee with securing compliance to the regulations.

Investment decisions are made based on advice from Council Officers and professional external advisers. The Sub-Committee and Pension Board meet quarterly.

INVESTMENT OBJECTIVE OF THE FUND

The primary objective of the Tayside Pension Fund is to provide for scheme members' pension and lump sum benefits on their retirement or for their dependants on death before or after retirement, on a defined benefits basis. There is limited discretion to vary these benefits.

The investment principles of the Fund have been set to ensure that the Fund meets its objective. This document outlines the investment principles governing the investment policy of the Fund.

INVESTMENT STRUCTURE, STRATEGY & OBJECTIVES

The Fund's investment policy will be directed to achieving and maintaining a fully funded scheme and where practical, a stable employers contribution rate. There is also a requirement to maintain sufficient cash to meet liabilities as they fall due for payment. The Fund uses a Statement of Investment Beliefs which has been designed to support the Fund in underpinning the investment decision making processes and also as a reference point for understanding why investment decisions have been, and are, made.

The investment objective is to maximise the overall return whilst maintaining a prudent and balanced investment exposure. To achieve its investment objectives, the Fund will utilise the following different types of investments:

Equities, Managed Funds, Unit Trusts, Partnerships, Investment Trusts, Open Ended Investment Companies, Bonds, Underwriting, Property, Stock Lending, Direct Lending, Cash, Commission Recapture and Currency. Derivatives may be used, but only for efficient portfolio management or the reduction of risk.

All investments and investment limits must comply with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

INVESTMENT MANAGERS

The Fund will employ Investment Managers who are judged most suitable to manage the assets of the Fund. The Fund currently employs a range of managers that have been chosen in light of the overall investment strategy and have benchmarks and targets set to provide a prudent and balanced investment exposure to an acceptable level of investment risk.

Investment objectives and targets have been set to ensure a prudent and balanced investment exposure, which helps control the level of investment risk. The performance of these managers is monitored on a quarterly basis.

BALANCE BETWEEN DIFFERENT TYPES OF INVESTMENTS

A target has been agreed with each Manager which gives the Manager the balance between different types of investments. These provide an efficient balance between risk and return.

The Investment Managers are given full discretion over the choice of individual stocks within agreed parameters and are expected to maintain a diversified portfolio.

RISK

In order to achieve its investment objective, the Fund takes investment risk including equity risk, active management and illiquidity risk. It is understood and acknowledged that this leads to significant volatility of returns and an ultimate risk that objectives will not be met.

The Fund will seek to control risk through proper diversification of investments and Investment Managers. The tracking error of each manager's portfolio is reported to the Sub-Committee quarterly.

The Fund’s current Risk Policy & Strategy reflecting existing practices, with guidance from the CIPFA publication Managing Risk in the Local Government Pension Scheme and from the Pensions Regulator’s code of practice for public service pension schemes. This is subject to annual review, and the risk register is reviewed and updated on a quarterly basis.

EXPECTED RETURN

Investment Managers will be held accountable for their performance through a regime of performance measurement against targets.

The Benchmark and performance targets set for each Manager are intended to ensure that the total fund investment returns achieved are in excess of that assumed in the Actuarial Valuation.

REALISATION OF ASSETS

The Fund will hold sufficient cash to meet the likely benefit payments. Additionally, the Fund will hold sufficient assets in liquid or readily realisable form to meet any unexpected cashflow requirements so that the realisation of assets will not disrupt the Fund's overall policy. The investment managers may determine whether or not to sell particular investments and which investments to sell to raise cash as and when required for meeting cash requirements notified to them.

ADVISORS

Investment Consultant	ISIO Services Ltd
Corporate Governance	Pensions Investment Research Consultants Ltd (PIRC)
Actuarial	Barnett Waddingham

PERFORMANCE MEASUREMENT

Quarterly and Annual performance figures are provided by Northern Trust and considered by the Sub-Committee.

CUSTODIAN

Northern Trust is the sole custodian for the Fund's assets.

AUDITORS

External - Audit Scotland
Internal - PricewaterhouseCoopers (PWC)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Whilst recognising its over-riding fiduciary duties the Fund will continue to encourage its managers to engage on issues with companies in which it holds investment. The managers will be instructed to summarise this engagement activity in their quarterly Investment Reports. The key areas will continue to be Employee Care, Human Rights, Sustainability and the Environment.

In addition, the Fund believes that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios through time. So, where it is consistent with its fiduciary duty, the Fund would follow the principles below:

- Incorporate ESG issues into investment analysis and decision-making processes - this would require to be done by the investment managers and monitored by the Fund.
- Be an active owner and incorporate ESG issues into ownership policies and practices - this will be mainly achieved by exercising voting rights and the engagement activity of managers.
- Seek appropriate disclosure of ESG issues by entities in which the Fund is invested - this will be achieved through investment manager engagement.
- Report on activities and progress. A six-monthly report will continue to be prepared for the Sub-Committee.

CORPORATE GOVERNANCE

The Fund will vote through its Fund Managers on all global security holdings in accordance with the recommendations of its voting consultants. Managers will be advised to use its best endeavours to vote in accordance with its voting guidelines.

CLASS ACTIONS

Both the Fund and its custodian monitor class actions in relation to any investments it has held. It will participate in these where any additional benefit can be achieved.

COMPLIANCE

The Pension Sub-Committee will take advice on general investment matters from the Executive Director of Corporate Services and external advisers as appropriate. The Pension Board will assist in securing compliance to regulations.

The Pension Investment Sub-Committee will review this Statement annually or sooner if there is a change in policy in any of the areas covered.

SCOTTISH MINISTERS' GUIDANCE

The Fund adheres to the six principles within CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles" (December 2009).

INVESTMENT ROLES AND RESPONSIBILITIES

Introduction
The Fund pursues a policy of seeking enhanced returns whilst lowering risk through diversification of both investments and investment managers. In order to achieve this, it has delegated day to day investment decisions to a number of external investment managers. A management agreement is in place for each Investment Manager, which sets out the relevant benchmark, performance target, asset allocation ranges, and any restrictions, as determined by the Fund.

Tayside Pension Fund Sub-Committee is responsible for:

- Setting the investment objectives and policy and the strategic asset allocation in the light of the Fund’s liabilities.
- Appointing, reviewing, and assessing the performance of investment managers, investment consultants, custodians and actuaries.
- Ensuring appropriate arrangements are in place for the administration of benefits.
- Ensuring appropriate additional voluntary contributions arrangements are in place.
- Ensuring adequate audit arrangements are in place.
- Preparing maintaining and publishing the following:
    - Governance Compliance Statement.
    - Funding Strategy Statement.
    - Statement of Investment Principles.
    - Environmental, Social and Corporate Governance Policy.
    - Administration Strategy.
    - Communications Policy.
    - Treasury Policy and Strategy.

The Committee is supported by council officers and external advisers.
The Committee may appoint a working group to develop specific initiatives.

Tayside Pension Fund Pension Board is responsible for:

- securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator in such other matters as the LGPS regulations may specify
- securing the effective and efficient governance and administration of Tayside Pension Fund

The Executive Director of Corporate Services is responsible for:

- governance of the Fund
- implementation of Committee decisions
- Sub-committee and Board training

The Investment Consultant is responsible for:

- advice on setting investment objectives and strategy
- advice on appropriate investment management structures
- advice on asset classes and investment vehicles
- assistance with investment manager monitoring
- assistance with investment manager selection, retention and termination
- benchmark advice
- advising on the appropriate content of Investment Management and other related agreements.

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 companies

The Global Custodian is responsible for:

- safekeeping of assets
- servicing of assets including income collection
- execution of transactions, corporate actions and proxy voting
- record keeping and primary accounting
- securities lending
- cash management
- performance measurement

The Actuary is responsible for:

measurement, monitoring, advice and information relating to the Fund's liabilities and the relationship between its investment assets and liabilities.

INVESTMENT STRATEGY

The Fund's investment objective is to support the funding strategy by adopting a suitable investment strategy and structure, incorporating the appropriate balance of returns for the accepted level of risk. The current funding strategy requires the Fund to hold the following diversified portfolio and achieve the required returns, however, this is subject to review following the outcome of the 2020 actuarial valuation. The 2017 valuation stipulates a required return of 6.3% p.a. from the current blend and weighting of asset classes in order to achieve the key investment objective of maintaining the ability to meet current and future pension liabilities through effective long-term investment, whilst acting prudently where possible to protect its funding level and maintaining stable and affordable employer contribution rates (currently 17%).

<table>
<tr><th colspan="3">Tayside Main Fund - Target Asset Allocation</th></tr>
<tr><th>Asset Class</th><th>Allocation</th><th>Required Nominal Return p.a.</th></tr>
<tr><td>Equities</td><td>65%</td><td>7.5%</td></tr>
<tr><td>Gilts</td><td rowspan="2">13%</td><td>1.9%</td></tr>
<tr><td>Bonds</td><td>2.6%</td></tr>
<tr><td>Property</td><td>12%</td><td>6.3%</td></tr>
<tr><td>Local and Alternative Opportunities</td><td>10%</td><td>5.05% overall, with individual returns appropriate to level of risk.</td></tr>
</table>

Asset Allocation as at 31 March 2021 was as follows –

Asset Class	Asset Distribution 31 March 2020		Asset Distribution 31 March 2021	
	Fund Actual %	Target Allocation %	Fund Actual %	Target Allocation %
Equities	67.3	65.0	72.3	65.0
Bonds, Gilts	19.9	13.0	18.0	13.0
Property	12.7	12.0	9.6	12.0
Alternatives	0.1	10.0	0.1	10.0
Total	100.0	100.0	100.0	100.0

The Fund's overall investment strategy had the following set benchmarks which were effective since 1st April 2017:

EQUITIES	FIXED INCOME	PROPERTY
80% MSCI AW Index 20% FTSE All Share Index	65% Libor + 5% 20% ML Sterling Non-Gilts Index 15% FTSE Index-Linked Over 5yr Index	100% IPD All Balanced Property Funds Weighted Average Index

In order to ensure a prudent and balanced investment exposure to an acceptable level of investment risk, these benchmarks are further refined at portfolio level as follows:

Manager	Asset Class	Weighting	Current Benchmark	Performance Target (3yr rolling)
Fidelity	Global Equities (active)	21%	100% MSCI AC World Index	+ 1.5% pa (gross of fees)
Baillie Gifford Global Alpha	Global Equities (active)	12%	100% MSCI AC World Index	+ 1.75 to 2% pa (net of fees)
Baillie Gifford UK	UK Equities (active)	12%	100% FTSE All Share Index	+ 1.75 to 2% pa (net of fees)
LGIM	Global Equities (passive)	25%	100% FTSE AW Index	+/- 0.5% p.a. (for 2 years out of 3)
GSAM	Fixed Income (UK)	9%	Yield to maturity of 3%	+ 1.25% pa (gross of fees)
Fidelity	Fixed Income (UK)	9%	72% ML Sterling Non-Gilts Index 28% FTSE Index-Linked Over 5 Year Index	+ 0.75% pa (gross of fees)
Schroders	Property (UK)	12%	100% IPD All Balanced Property Funds Weighted Average Index	+ 0.75% pa
GSAM	Real Estate Credit	<1%	UK CPI + 9%	
Northern Trust	Securities Lending	Circa 70%	N/A	0.026% pa

INVESTMENT PERFORMANCE

Market Commentary

Economic overview

The last 12 months have seen a remarkable recovery across global equity markets following the initial coronavirus-related sell-off which began in February 2020. This recovery has been led by companies that saw their growth rates accelerate as a result of the pandemic. Technology-enabled businesses operating in areas such as ecommerce, gaming, entertainment, food delivery and online education, which were already delivering extremely attractive rates of growth prior to the pandemic, have sailed through the crisis, enjoying 'demand binges' from locked down consumers. In many cases, competitive positions are likely to have been enhanced as less nimble competitors struggled, and trends which we may have expected to play out over the next five to ten years have been condensed to less than a year.

One of the legacies of the COVID pandemic is higher government spending, as fiscal policymakers adjust to the new reality of rising demands for government support while interest rates remain low.
The shock of the COVID pandemic has pushed governments to increase spending to record levels, with over $10trillion being allocated around the world. Much of this effort has been financed by additional borrowing, adding to the already large debt piles that governments had accumulated before the pandemic began. However, as interest rates have also fallen around the world, the cost of servicing that debt has remained low, which could mean that some of the extra spending may remain until the crisis period of the pandemic has passed.

Whilst global equities generated positive returns, supported by the substantial global monetary and fiscal policy measures to mitigate the economic impact of the COVID-19 pandemic, risks of further infection waves and rise in US-China tensions in the year kept markets volatile.

The COVID-19 pandemic has disrupted global growth, with major economies contracting sharply. Nonetheless, Global Manufacturing Purchasing Managers' Index moved back into expansionary territory over the latter part of the period as production and new orders rebounded as lockdown measures to curb the pandemic were eased. Manufacturing sector activity improved across the US, UK, Eurozone, China and Japan. The global services sector growth also recovered with a resumption of economic activity. Furthermore, economic sentiment in the eurozone continued to rise from its all-time low in April 2020.

Concerns however remain about the liquidity trap as companies and households continue to save despite record low interest rates or fearing out of control inflation as economies restart and the floodgates open are arguably nicer worries to have than an out of control virus and no prospect of a return to living life. In the investment environment there is much to support the view that the pandemic has been overcome and that vaccination programs are working. In the US and UK results are already being seen and European equity indexes have outperformed global counterparts despite vaccine supply chain issues.

Broadly speaking the US was able to avert economic disaster in 2020 due to a significant fiscal and monetary policy response. 2020 GDP fell the least of any OECD economy except Sweden and Switzerland. Nevertheless, a "K" shaped recovery is underway in the US, where industries and households most vulnerable to the pandemic are still in need of assistance to prevent long-term economic scarring.

As more countries entered lockdown due to a rising number of COVID cases, the Eurozone economy ended 2020 with a fresh contraction. Ongoing restrictions in the first quarter of 2021 could see further falls in output, taking the economy back into recession, albeit a much milder one than seen at the start of the pandemic in the first half of 2020. Despite the recent rise in inflation, ECB policy rates are expected to remain unchanged over the next two years, with the ECB continuing to provide support to the economy via its program of asset purchases. A range of national and EU lending facilities, together with grants, have been put in place to shield the economy. Most notably the Next Generation EU recovery plan, estimated at EUR750bn, is expected to provide support over the coming years through stronger investment as well as growth-oriented reforms.

The UK economy managed to avoid a contraction in the fourth quarter of 2020 despite a lockdown taking place during part of the quarter. However, growth momentum eased in December with the economy contracting by 9.9% overall in 2020. A more prolonged lockdown in the first quarter of 2021 will inevitably see GDP contract, although by much less than in same quarter of the previous year.

The UK’s retail sales exceeded pre-pandemic volumes in March and both the services and manufacturing Purchasing Managers’ Index (PMI) also soared in April with services PMI hitting a six-year high and manufacturing PMI hitting a multi decade high. The UK’s consumer confidence also hit the highest reading since March 2020. Meanwhile, inflation too accelerated but remained well below BoE’s 2% target.

Global Equities Summary:

Equity valuations have rebounded since March 2020 as if the pandemic wasn’t happening. Central government support has underpinned the recovery and even enticed some private companies to take advantage and go public. Globally, it’s been a very strong 12 months for all sectors since the shock of the first quarter of 2020 passed.

After the COVID-19-driven crisis in early 2020, equities rallied amid large-scale policy measures unveiled globally to mitigate the economic impact of the pandemic. The resumption in economic activity amid the easing of lockdown measures across countries and positive news around COVID-19 vaccines and treatments also supported investor sentiment which has fuelled optimism towards the ongoing economic recovery. However, various waves of rising infections and the re-imposition of targeted mobility restrictions in many regions, as well as concerns over new, more infectious COVID-19 strains kept markets volatile. Against this global backdrop, all key regional equity markets ended higher. From a sector perspective, consumer discretionary, materials and information technology were among the leading performers.

Against this backdrop, UK equities significantly lagged the global rebound over the year. The UK’s service-oriented economy effectively ground to a halt in the early months of the pandemic, and the rate of decision-making by the UK Government did little to reassure investors that domestic stocks would perform well in the months ahead. The picture brightened significantly in the closing months of 2020, however, after the UK became the first country in the world to approve a COVID-19 vaccine. That coupled with the trade deal between the EU and UK just before the year end led to a relief rally in stocks as the dreaded ‘no-deal’ scenario had been avoided.

US equity markets outperformed global markets as decisive action from the country’s central bank, political leaders and corporations steered the economy through the various stages of the pandemic. Throughout the early months of global lockdowns US equity returns were powered by the technology sector (clear beneficiaries of the ‘stay at home’ environment), with technology used to help facilitate work and shopping. Over the year, however, returns from the communications sector lagged those of the energy sector, which was the leading US sector as the oil price rebounded amid the brightening economic outlook. Financials rose strongly amid the recovery in cyclical stocks and benefited from rising Treasury yields over the past quarter, helping to improve net interest margins.
European equity returns lagged the broader global index. COVID-19 hit many of the region’s biggest economies hard, with Italy and Spain suffering high levels of infections in the early months of the pandemic and Germany, which was lauded for its early containment efforts, suffering a third wave along with much of the continent towards the end of the period under review. At a sector level, banks suffered early in the period as a result of the European Central Bank opting to suspend dividends to bolster capital reserves, though on an annual basis the sector performed solidly, benefiting from the rebound in cyclical sectors later in the period. The leading European equity sectors on an annual basis were information technology (which benefited from increased working from home during lockdowns) and materials (a beneficiary of the recovery in cyclicals).

Asia Pacific equity returns were strong, outperforming global returns, though they tailed off in the final quarter of the review period amid fears that China’s economy is overheating. As the first country to suffer from the COVID-19 pandemic, China was also the first country to implement its response, and subsequently one of the first economies to benefit from rising global demand for consumer goods. By the end of the year, however, it was apparent that China was in danger of overheating, with expectations of tightening lending conditions exacerbated by a number of high-profile defaults in the property development sector.

Emerging market equity returns outpaced the broader indices, though the headline figure masks significant variability both in terms of the quarter in question and in terms of the various countries in the region. In currency terms, South Korea was the leading equity market on an annual basis, with its highly effective response to the pandemic driving returns. Commodity-exporting nations made headway as demand for materials increased in step with the global economic rebound, with Chile also benefiting from increasing copper demand from electric vehicle makers. At the other end of the spectrum, Turkey and Brazil were among the worst performers over the year as a result of political instability in the former and the devastating economic and human costs of COVID-19 in the latter.

Global Fixed Income Summary:

Yields on government bonds rose as an improving economic backdrop over the year since the onset of the pandemic led investors to favour equities. Despite inflation levels generally remaining below central bank targets, rising GDP, coupled with unprecedented quantitative easing, has led to expectations of sustained inflation in the months ahead, weighing on fixed income generally. US Treasury yields showed a strong rise from the summer of 2020 onwards as a result of the booming economic recovery in the country, while benchmark European government bond yields have risen modestly since the start of the year. Nonetheless, the European Central Bank stated that it would act to contain rising borrowing costs to relieve the burden on corporates in the region in an effort to keep the fragile economic recovery on track.

From the starting point of the financial year when investors priced in the possibility of waves of defaults as a result of businesses failing during the pandemic, spreads narrowed considerably in the early months of the review period, and in many cases had reached pre-pandemic levels by the second half of 2020. With spreads at very tight levels, investment grade debt in developed countries effectively tracked underlying government bond yields towards the end of the review period, with little cushion available in the event of a rise in underlying yields. This dynamic was in evidence across the US, UK and Europe, though government bond yields in Europe have barely risen in comparison to the US and UK. High yield remains supported by investors seeking returns in a world of low fixed income rates.

Emerging market debt yields rose over the year, particularly in the final quarter, with political risk in Brazil and Turkey weighing on investor sentiment. The marked rise in the strength of the US dollar also put emerging market borrowing costs in the spotlight, with the International Monetary Fund warning in March that another debt crisis may be on the horizon.

UK corporate bonds generated positive returns as credit spreads (i.e. the difference between government and corporate bond yields) tightened. On the monetary front, the BoE announced an additional £150 billion of government bond purchases at its November meeting, which is set to start in January. Importantly, the BoE made it clear that it is ready to further increase the pace of purchases should market functioning worsen materially once again. The central bank has now pumped out £450 billion under its quantitative easing programme since March, when Covid-19 prompted UK's first lockdown. The BoE also cut interest rates from 0.75% to 0.1%, setting borrowing costs at their lowest point in history.

UK Property Summary:

UK commercial property values declined significantly, primarily due to the retail sector, with shuttered businesses struggling to make rental payments. The owners of shopping centres have been badly hit by the combination of rent arrears and declining property values. Returns from office space have however been more resilient, posting modest gains over the year as a whole. Industrial property, meanwhile, has been the best-performing sector, gaining in part from increased demand for warehousing to support the retail e-commerce boom, followed by prime offices, supermarkets and residential.

Despite the national lockdown, the investment market has remained active, although some of the properties which traded in the first quarter of 2021 had previously been marketed in 2020.

The pandemic has magnified pre-existing trends in the UK real estate market, resulting in increased polarisation in performance between sectors. There is an expectation that industrials will continue to be the best performing mainstream commercial property sector in 2021, and retail the weakest.

Global Equities - Market Outlook:

The market environment presents investors with challenges as the COVID-19 pandemic continues to pose near-term risks, as new variants of the virus and rising infection rates across the globe push governments to reimpose or extend restrictions. The rotation from growth to value looks likely to continue but any sign that bond yields are no longer moving higher may re-ignite interest in last year's winners.

Riskier assets such as equities are expected to continue to outperform, while value stocks will continue to gain traction and maintain their uptrend even amid rising volatility. On a positive note, we can expect higher consumer spending as economies reopen and this spending will likely be fuelled by positive aggregate consumer finances caused by forced savings and ongoing government transfer payments.

Global Fixed Income - Market Outlook:

The momentum in reflation trade has resulted in an over 7% drawdown in UK Gilts, with nearly 6% of that coming in February. This has challenged long-held views of lower for longer in terms of yields and inflation. Volatility in the rates market is clearly not over, and there is expectation of quarterly growth numbers, as well as some signs of inflation.

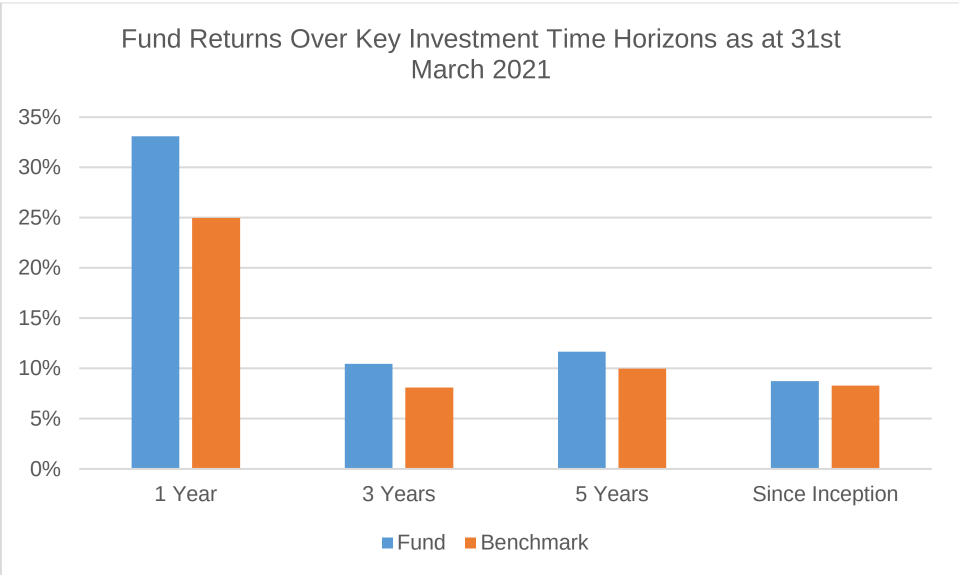
This macroeconomic backdrop, together with expansionary fiscal policies (particularly from the US and UK), will normally mean higher yields. However, the financial system is sensitive to rising borrowing costs, the central banks are expected to remain committed to maintaining its easy monetary policy.

In terms of credit, a positive view remains on investment grade corporate bonds, and although valuations are expensive, corporate bonds have remained remarkably resilient given the favourable macroeconomic backdrop.

FUND PERFORMANCE

Performance Commentary

In the year to 31 March 2021, the Fund had returned a positive return of 33.1% which outperformed the benchmark return of 24.97%. The Fund recovered from the low of £3.67bn at the end of March 2020, ending the period at £4.85bn. The following graph details the performance of the fund across all periods:



During the year, the performance of the equity managers was as follows:

Baillie Gifford Global Equities - was ahead of benchmark with an unprecedented return of 57.36% versus 39.58% for the benchmark.

This is primarily a bottom-up, active investment strategy, which seeks to invest in companies that it believes enjoy sustainable competitive advantages in their industries and which will grow earnings faster than the market average, based on their belief that share prices ultimately follow earnings. Their investment aim is to generate above average long-term performance by picking the best growth stocks available globally. The turnover of portfolio remains low (below 20% p.a.) due to their long-term, patient approach, to stock picking. Their growth style of investing has benefited their performance over the year, which has been consistent, out-performing benchmark in all but one of the quarters. They also continue to outperform in all longer-term time periods.

Baillie Gifford UK Equities - was ahead of benchmark with a return of 38.03% versus 26.71% for the benchmark.

This portfolio typically favours companies that have strong balance sheets and lower than average debt, with the belief that such companies recover from the current crisis relatively strong and be well-placed to take advantage of the opportunities that always await after a severe market dislocation. Their very long-term investment philosophy focusses on long-term business fundamentals. The portfolio has out-performed benchmark across three the four most recent calendar quarters and continues to deliver outperformance across every longer quoted horizon.

Fidelity Investment Management – was ahead of benchmark with a return of 48.05% versus 38.94% for the benchmark.

This portfolio has a value style biased approach designed to deliver strong returns over the long term, with stock selection driven by potential for absolute share price appreciation. It has a stylistic balance across three differing investment methodologies to aim to deliver returns even in a low growth environment. The resurge of value investing has benefitted the portfolio, and it outperformed benchmark across three of the four most recent calendar quarters and now beats the benchmark over all time horizons. This mandate was restructured in March 2018 following poor performance, replacing legacy regional funds with segregated assets.

Legal & General Investment Management (Passive Equity) – was in-line with benchmark with a positive return of 39.48%. As this is a passive mandate, the objective is to achieve market return.

During the year, the performance of the fixed income managers was as follows:

Fidelity - was ahead of benchmark with a return of 8.25% versus 5.80% for the benchmark.

The portfolio currently maintains a defensive position. This portfolio outperformed its benchmark across all of the four most recent calendar quarters and remains ahead of benchmark, and it continues to deliver outperformance over every longer reported performance horizon.

Goldman Sachs - was ahead of valuation benchmark with a return of 13.73% versus 3.16% for the benchmark, however this is a buy and maintain mandate with an investment objective of meeting a target yield to maturity of 3%. As at 31 March 2021, the hedged yield to maturity was 2.14%, and only achieved target yield in one of the performance quarters. As this portfolio has underperformed this target yield, the investment objective is currently undergoing review.

During the year, the performance of the property and alternative asset managers was as follows:

Schroders - were ahead of their benchmark with a return of 3.45% versus 2.47% for the benchmark.

The portfolio retains an overweight relative to benchmark in industrials, regional offices and alternatives (including student accommodation, healthcare and leisure) and underweight to the traditional retail sector and central London offices. The selection of funds with a high industrial concentration and low retail exposure has benefited the portfolio over the year as the strongest drivers of performance. The portfolio returned outperformance to benchmark over the year, and outperformance over 3 and 5 year time horizons. The portfolio performance since inception remains marginally lower than benchmark as a result of the 2008 global financial crisis.

GSAM – Broad Street Real Estate Credit Partners III – was behind benchmark with a return of -7.51% versus 9.74% for the benchmark.

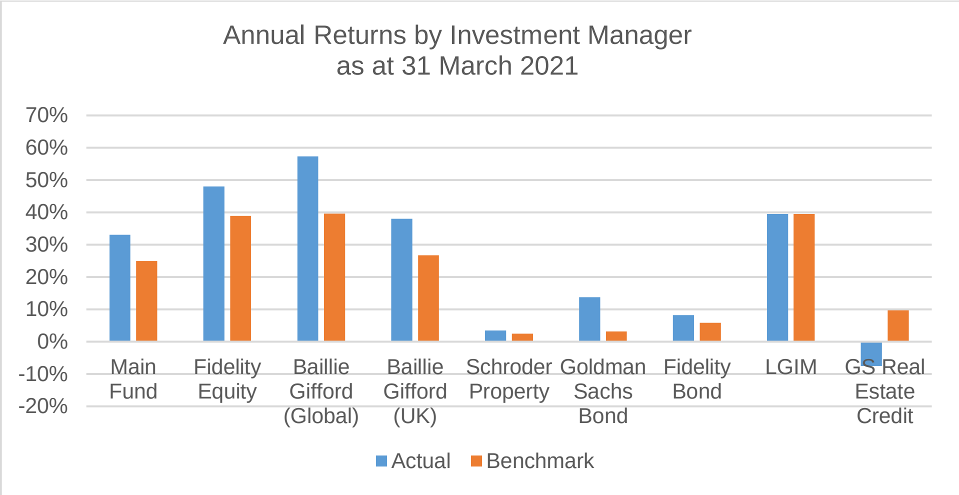
As at 31st March 2021, RECP III had $3.5 billion committed ($4.9 billion including co-investors) across 31 investments to date (of which $2.2 billion is invested). There are currently 27 of these investments remaining, and these loans generally have guarantees on completion and over-runs.

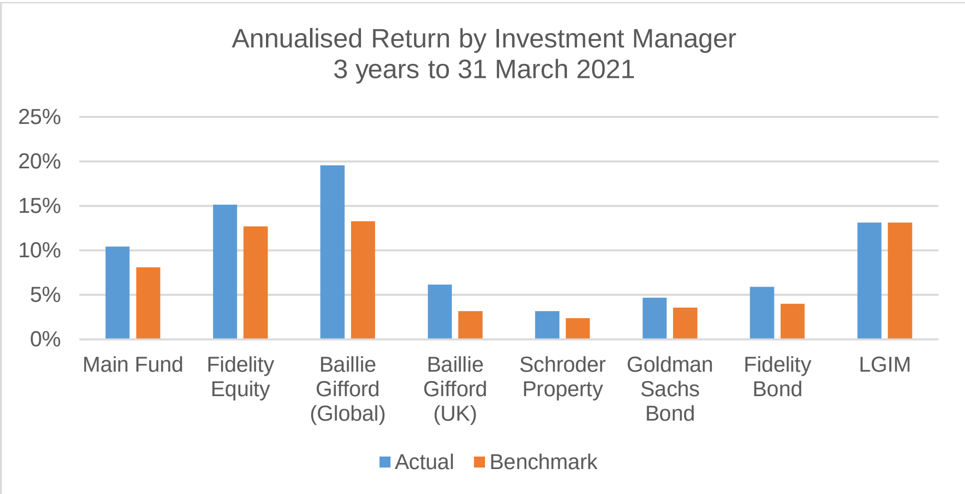
Approximately 83% of the Fund's commitments (excluding fully exited investments) are generally in defensive assets, including residential, mixed-used, office, student housing, senior housing and industrial. The fund has limited retail and hospitality exposure.

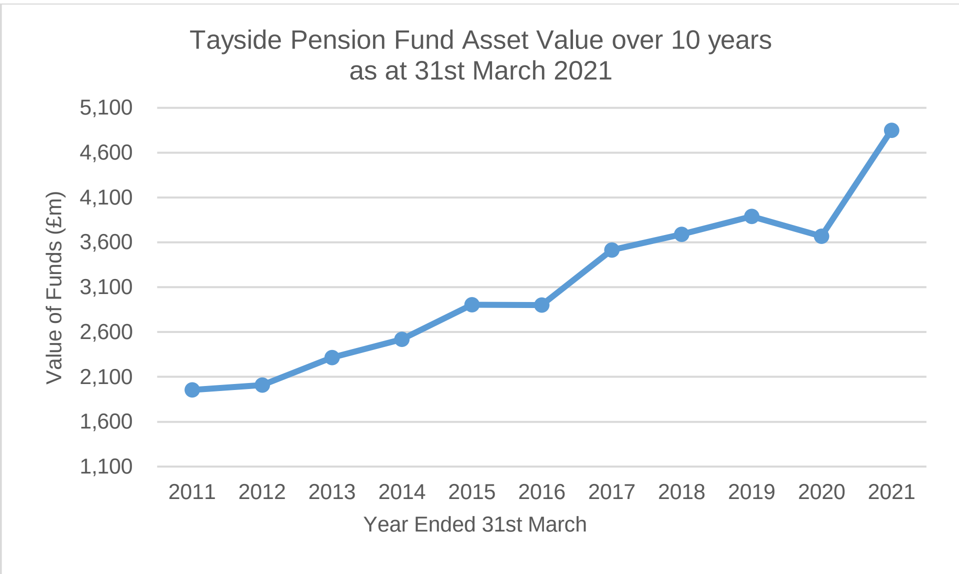
The fund experienced mark-to-market write-downs in 2020 as a result of the effects of the pandemic, but the investment managers do not anticipate that these will result in realised losses as the majority of the Fund's investments have strong long-term fundamentals and collateral support. As at 31 December 2020 the fund had an unlevered effective yield of 8.4%

Performance Measurement

The following graphs provide detail of the Fund's performance over time in relation to the component investment portfolios, and the impact of these returns on the Fund's value over a 10 year period:


Annual Returns by Investment Manager
as at 31 March 2021
70%
60%
50%
40%
30%
20%
10%
0%
-10%
-20%
Main Fund
Fidelity Equity
Baillie Gifford (Global)
Baillie Gifford (UK)
Schroder Property
Goldman Sachs Bond
Fidelity Bond
LGIM
GS Real Estate Credit
Actual
Benchmark


Annualised Return by Investment Manager
3 years to 31 March 2021
25%
20%
15%
10%
5%
0%
Main Fund
Fidelity Equity
Baillie Gifford (Global)
Baillie Gifford (UK)
Schroder Property
Goldman Sachs Bond
Fidelity Bond
LGIM
Actual
Benchmark


Tayside Pension Fund Asset Value over 10 years
as at 31st March 2021
Value of Funds (£m)
5,100
4,600
4,100
3,600
3,100
2,600
2,100
1,600
1,100
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Year Ended 31st March

ENVIRONMENTAL, CORPORATE AND SOCIAL GOVERNANCE

RESPONSIBLE INVESTING

Corporate Governance and Corporate Social Responsibility have developed significantly in recent years in response to both legislative and stakeholder demands. Tayside Pension Fund remains committed to supporting good environmental, social and corporate governance within the companies in which it invests.

The Fund has a fiduciary duty to incorporate Environmental, Social and Corporate Governance (ESG) factors as an active and embedded principle of risk and return assessment in managing and determining its investment portfolio and ensuring that any managers appointed by the Funds are doing likewise. The United Nations Principles for Responsible Investing Initiative is intrinsic within the global investment community, and the Fund requires all assets managers be signatories to the principles. These principles widen socially responsible investing to cover ESG, setting out guidance on how this can be met.

In-keeping with the Fund's Environmental, Social & Corporate Governance Policy in seeking to enhance effectiveness in implementing the United Nations Principles of Responsible Investment (UNPRI) of responsible stewardship, the fund has made a commitment to join with other institutional investors in Climate Action 100+ and also join with other Scottish LGPS in collaboratively seeking improved engagement. The fund has now gained membership of The Institutional Investors Group on Climate Change.

The Fund also uses an independent voting advisory service to provide global voting recommendations and disclosures on a quarterly basis for companies within the main financial indices in order to exercise responsible stewardship across their entire global portfolio. The Fund's investment managers use this service to vote on their behalf to ensure voting is in accordance with these recommendations.

The Fund is required to take a responsible approach to exercise their fiduciary duty to guard against extremes or selective interpretation of the legal principles which might unduly restrict the consideration of ESG and other wider factors which may influence the choice of investments so long as that does not risk material financial detriment to the Fund.

POLICY ON ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Fund believes that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios through time. So, where it is consistent with its fiduciary duty, the Fund would follow the principles below:

1. Incorporate ESG issues into investment analysis and decision-making processes - this would require to be done by the investment managers and monitored by the Fund. *

2. Be an active owner and incorporate ESG issues into ownership policies and practices - this will be mainly achieved by exercising voting rights globally in accordance with independent corporate governance and shareholder advisors and further engagement activity of investment managers.

3. Seek appropriate disclosure of ESG issues by entities in which the Fund is invested - this will be achieved through investment manager engagement.

4. Promote acceptance and implementation of the Principles within the investment industry - this can be met by seeking the quarterly reports from investment managers.

5. Work to enhance effectiveness in implementing the Principles - this will be both by working with its investment managers and other Pension Funds (particularly other Scottish Local Authorities).

6. Report on activities and progress towards implementing the Principles - a six monthly Report will continue to be prepared for the Sub-Committee.

7 Exercise its fiduciary duty to guard against extremes or selective interpretation of the legal principles which might unduly restrict the consideration of ESG and other wider factors which may influence the choice of investments provided this does not risk material financial detriment to the Fund.

* In the case of tobacco companies, the Fund requests that investment managers provide quarterly review of investments in tobacco with a view to identifying investments which would provide satisfactory returns without materially affecting the volatility of risk and return or impacting on current investment benchmarks.

As it is the Fund's aim (where circumstances permit) to disinvest from tobacco stocks, the Fund requires investment managers to provide the Fund with an investment case prior to undertaking new investments within this industry. These businesses cases must demonstrate that there are no suitable alternatives at that time that better meet the criteria to meet their investment objectives.

SCHEME MEMBERSHIP AND BENEFITS

The Local Government Pension Scheme is a defined Benefit Scheme. From 1st April 2015, benefits are accrued at 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, and all benefits are paid in accordance with the Local Government Pension Scheme Regulations. The following table gives a summary of scheme benefits:

Membership up to 31st March 2009		Membership from 1st April 2009 to 31st March 2015		Membership from 1st April 2015
Annual Pension = (Service years / days x Final Pay) / 80		Annual Pension = (Service years / days x Final Pay) / 60		Annual Pension = Annual Pensionable Pay / 49
Automatic tax-free cash lump sum = 3 x Annual Pension		No automatic tax-free cash lump sum, but pension conversion available		No automatic tax-free cash lump sum, but pension conversion available

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

Dundee City Council administers the Local Government Pension Scheme (LGPS) on behalf of employers participating in the Scheme through the Tayside Pension Fund (the Fund). The scheme is governed by statutory regulations.

Scheme Membership

The following table summarises the scheme membership.

Status	Total at 31/3/2020	Total at 31/3/2021
Active	19,117	19,181
Deferred / Undecided/ Frozen	15,252	15,723
Pensioners (Inc. dependents)	16,635	16,937
Total	51,004	51,841

PENSION ADMINISTRATION STRATEGY

Tayside Pension Fund is committed to providing a high-quality pension service to both members and employers and particularly to ensure members receive their correct pension benefit entitlement. These aims are best achieved where the Fund and employers work in partnership and are clear about their respective roles and responsibilities. The quality of service provided to members is therefore dependent on these parties meeting high standards of accuracy and the timeliness of information supplied.

This strategy details the standards required of both the Fund and the participating employers to ensure that statutory obligations are met and also to demonstrate effective and efficient service delivery. The strategy contains a variety of performance measures against which the Fund and participating employers are assessed, with performance reported to the Committee. The Pension Administration Strategy underwent employer consultation before being approved by the Pension Sub-Committee on 8th March 2021 and subsequently published on our website. The following provides an abridged version of the policy, with the full document available for view on our website:
https://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

Introduction

Dundee City Council administers the Local Government Pension Scheme (LGPS) on behalf of employers participating in the Scheme through the Tayside Pension Fund (the Fund).

The LGPS is a statutory scheme and its regulations are laid by the Scottish Government, the current regulations are laid in the Local Government Pension Scheme (Scotland) Regulations 2018. A copy can be viewed at https://www.scotlgpsregs.org/schemeregs/lgpsregs2018/timeline.php.

The Fund is committed to providing high quality pension service to both members and employers and particularly to ensure members receive their correct pension benefit entitlement.

These aims are best achieved where the Fund and employers work in partnership and are clear about their respective roles and responsibilities. The quality of service provided to members is therefore dependent on both parties meeting high standards of accuracy and timeliness of information supplied.

This strategy statement is an over-arching agreement between the Fund and all its employers and as such it is essential that both understand what they are required to do and communicate with each other effectively and in a timely manner. A failure to achieve this can result in:

- members suffering loss and distress
- the pensions regulatory organisations fining and publicly naming and shaming a party that is at fault
- employers' contributions being set at higher levels.

This Strategy is designed to help employers and the Fund work together to improve data quality and reduce the risk of rules breaches that could result in penalties. Its focus is on the timely flow of accurate information between employers and the Fund.

Pension Administration Strategy Statement

This strategy statement will be kept under review on an annual basis and revised where appropriate. The statement will be issued to all participating employers.

Strategy Principles - in agreeing this strategy, all parties commit to:

- achieving a high-quality pension service to employees
- continually developing and improving efficient working arrangements
- striving to exceed the Fund's service standards
- an annual report of performance
- keeping the pension administration strategy under review.

Roles and responsibilities

Employer's duties and responsibilities, and those of the Fund are listed in the full document.

Service standards and Performance Measures

Service standards in relation to the Employer and the Fund along with details of performance measures are listed in the full document.

It is the employer's responsibility to provide correct information about their members. The Fund is not responsible for checking the accuracy of any information provided by the employer. However, the Fund will inform the employer of any differences between information provided by the employer and information already provided. Information is to be issued to the Fund using the provided secure online portal and in the agreed format.

From 1st April 2015 the Pensions Regulator became the body responsible for the oversight of effective governance, management and administration of the LGPS. The Regulator has provided where Funds and scheme employers can be fined for non-compliance.

The Fund aims to provide the information within the timescales shown, but amended timescales may be agreed in exceptional circumstances at the employer's request.

Member Data

Accurate and up-to-date data is essential to the provision of pension scheme administration. It forms the basis of statutory requirements such as annual benefit statement, pension saving statement, individual member benefit calculations as well as being vital for actuarial and accounting purposes.

Member data is considered a priority, not just by the Fund, but also by the Pensions Regulator and the Fund must submit data quality results annually.

Communication

In accordance with the scheme regulations the Fund prepares, reviews and publishes a separate communication policy.

Monitoring and Reporting

Performance and service standards will be monitored on an ongoing basis, with performance against key performance indicators reported quarterly to the Committee and Pensions Board and published on the Fund website. Annual performance will also be included in the annual report.

Discretions

The Funds policy on the exercise of its discretions are set out in a separate policy statement which will be reviewed, amended and published as required.

Improving employer performance

The Fund will assist employers in identifying and helping to improve areas of poor performance. The Fund will do this by:

- Reminding employers of the required standards and timescales
- Offering training and guidance
- Offer to meet with the employer to discuss areas of poor performance and how they may be improved.

Circumstances where costs maybe recovered as a result of poor performance.

The Local Government Pension Scheme (Scotland) Regulations at section 65 allows the Fund to recharge to the employer the cost of any additional resources they have needed to employ as a result of an employer's poor performance.

The Fund may make the following charges:

Failure to pay contributions by the 19th of the month following the deduction for pay.	Interest calculated in accordance with Regulation 66(4) of the LGPS (Scotland) Regulations 2018.
Failure to provide the Fund with end of year schedule by stipulated deadline or the statutory deadline (30th June). Late submission of this data creates pressure on the Fund being able to meet its statutory requirements of the provision of an annual benefit statement by 31st August, a Pension Saving Statement by 6th October, and where applicable submission of data for the actuarial valuation.	£200 for failing to meet the Fund deadline. (May) £200 for failing to meet Statutory deadline. (30th June) Where queries regarding missing or mismatched data are not remedied in agreed timescales a further charge of £1 per member per week may also be levied.
Failure to submit monthly contribution return, in and by the agreed format, by 19th of the month following deduction of contributions	£50 per occurrence

Where the Fund has determined that the above costs have become payable, it will provide the scheme employer with written notice detailing the reasons and the amount due.

COMMUNICATIONS POLICY

The Local Government Pension Scheme (Scotland) Regulations 2014 requires that a Fund have a Communications Policy. Regulation 59 states that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members and their representatives; prospective members; and scheme employers. The statement must set out its policy on the following, and must be revised and published following any material changes:

- the provision of information and publicity about the Scheme to members, representatives of members, and Scheme employers;
- the format, frequency and method of distributing such information or publicity;
- the promotion of the Scheme to prospective members and their employers.

The following Communications Policy was approved by the Pension Sub-Committee on 8th March 2021 and subsequently published to the Fund website. The document can be also be viewed at: https://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

Introduction

Tayside Pension Fund is administered by Dundee City Council, with pension administration and investment services for 45 local government employers and associated bodies and their employees within the Tayside Area.

Vision

Our vision is that anyone with an interest in the pension fund should have ready access to all the information they require, and in this, we aim to make pensions issues understandable to all and to promote the membership of the Tayside Pension Fund.

Objectives & Aims

Our goal is to provide an efficient, affordable and attractive pension arrangement that is regarded by employers and members as an important and valued part of the employment package. The objectives of this policy are as follows:

- To improve understanding of the pension fund, ensuring that pension regulations and policies are communicated in a clear and informative way.
- To promote the benefits of the scheme, to ensure recognition as an integral part of employee remuneration.
- To provide clear information in the most appropriate manner to allow members to make more informed decisions relating to their pensions.
- To ensure that our communications methods and manners are continually evaluated, assessed and redesigned to ensure continuing effectiveness.

Our aim is that our communications shall:

- be timely delivered in the most efficient and effective manner
- have relevant content, clear purpose with clear message
- be monitored and measured as to level of success and satisfaction, with targets agreed in annual business plan, and results reported annually
- encourage engagement, comment and feedback
- continue using digital communication where possible

Stakeholders

There is a statutory requirement to communicate with all stakeholders, and we will inform all stakeholders of the Fund about the scheme in a clear, purposeful and timely manner. Our stakeholders are:

- Prospective Scheme Members
- Active Scheme Members
- Deferred Scheme Members
- Pensioner and Dependent Members
- Scheme employers
- Dundee City Council, as the Administering Authority

- The Pensions Committee
- The Pensions Board
- Pensions Team Staff
- Other external bodies such as Scottish Public Pensions Agency, the Pensions Regulator, Scheme Auditors, Scheme Advisory Board and Trade Unions.

Communication Methods

Fund Website

With many people working out of normal office hours and wishing convenience, we wish to make our information accessible 24 hours per day through our website. As a convenient and efficient means of communication, it will provide both public and secure areas for employers and members to access.

The website will display:

- All scheme policies
- Scheme booklets
- Contact details
- Forms for both employees and employers
- Latest news
- A link to Pensions Committee and Local Pension Board minutes
- Links to other useful sites

General Communications

Tayside Pension Fund uses e-mail as preferred method to send and receive general correspondence, but if not possible please direct surface mail to our postal address below -

E mail - enquiries should be addressed directly to pensions@dundeecity.gov.uk

Telephone Communications – telephone enquiries are directed from the Dundee City Council main switchboard (01382 434000), and upon first contact queries are allocated to the appropriate team. Information as to direct contact numbers for specific queries are available on the website and are contained in all outgoing correspondence. Our business hours are 8.30 – 5.00pm Monday – Friday

Postal Address: Tayside Pension Fund
Floor 4, Dundee House
50 North Lindsay Street
DUNDEE, DD1 1NZ

Personal appointments - By prior arrangement at Dundee House. This service has been currently suspended due to current restrictions as a result of Covid-19.

Communication Methods by Stakeholder (in addition to general communication requirements)

Active Members

We have over 19,000 members currently contributing to the scheme. This membership spans a wide range of ages, occupations and salaries. In order to meet their communications needs we use a mix of generic and targeted approaches as well as one-to-one meetings. The Fund also provides an online Member Self Service Portal which allows the member and Fund to communicate directly and securely, Communication issued to members include:

On joining the pension scheme members will be issued with a welcome pack which will include

- Welcome Letter including details of the Fund’s website: https://www.taysidepensionfund.org/
- Member Self Service Activation Key for the online self-service portal
- Scheme Guide – Available on the Fund website
- Annual Benefit Statement - Personalised statement of each member’s pension benefits to the 31st March and also their Normal Pension Age.
- On request, provision of communications in alternative formats including translation, braille, large print documents or audio.

- Links from the website to other useful sites including https://www.lgpsmember.org/scotlgps2015/apc/ ;

Deferred Members

There are over 10,400 members not currently contributing to the scheme but whose pension we are managing until it becomes payable. These include members who have moved to a non-participating employer and others who remain with a scheme employer but have stopped contributing themselves.

In order to meet their communications needs we use the same mix of generic and targeted approaches as that for members who are currently active in the fund. Deferred members will also have access to the online Self Service portal. Deferred members receive revised benefit statements on an annual basis.

Pensioners and Dependents

There are currently over 16,900 pensioner members (dependents). Again, their needs are met by the same approach as that for active and deferred members, but in addition they also receive annual P60 statement, and payslips for monthly pension changes of over £5 in value. Pensioners will also have access to the online self-service portal where they will be able to view and print copies of payslips.

Representatives of Members

Members of Tayside Pension Fund are represented on the Pensions Board by the following trade union: GMB, Unison and Unite.

Prospective Members

We work with employers to promote the benefits of scheme membership to new employees or those employees who have previously opted out through promotional material, and access to the website.

Scheme Employers

- Website providing general fund information
- Leaflets and forms available for download via website
- Dedicated professional support and guidance
- Annual Pension Fund Employer Forum
- Pension Administration Strategy including service standards and performance measurement against these standards
- Updates on scheme regulation changes as applicable
- technical and procedure training on demand
- Consultations on changes to the Scheme
- Employee roadshows on request

Pension Board and Committee

The Fund will work closely with the members of the Pension Committee and Board to ensure that they can fulfil their duties and responsibilities, including the provision of dedicated training. Minutes of the meetings of the Committee and Board are available on Council website.

Pension Fund Staff

The Fund provides staff with relevant training in order to undertake their roles, and provides access to information in order to ensure that they have the required knowledge to ensure that they can fulfil their duties. Communication methods include process guidance notes, team meetings and both face to face and online training sessions (both internal and external).

SCHEME DISCRETIONS POLICY

The Local Government Pension Scheme (LGPS) in Scotland was amended from 1 April 2015 so that benefits accruing for service after 31 March 2015 accrue on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis. As a result of these changes, all LGPS schemes in Scotland were required to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the CARE Scheme.

To provide full clarity of scheme discretions available across all relevant pension regulations, a Discretions Policy was developed and approved by the Pensions Sub-Committee on 8th March 2021. This policy will be reviewed following regulatory or policy changes approved. The document can be viewed at https://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

ADMINISTRATION EVENTS & PERFORMANCE

2020/2021 was a challenging year as the Pensions Fund Team commenced working from home in line with measures put in place to combat Covid-19. Staff had to deal with a range of issues including managing their time and schedule, reduced supervision and in some cases increased distraction, communication challenges and social isolation.

Ensuring that all team members had clear direction was vital, and the move to a workflow-based system was of great assistance. This, along with the roll out of the ability to make face to face virtual contact using Microsoft Teams has resulted in positive results and feedback from both staff and members.

The requirement to move to electronic document issue and receipt with scheme members was challenging, as some members did not have access to retrieve, complete or return documents electronically and access to surface post for these cases was not readily available at times during the pandemic, however solutions were developed and implemented to accommodate, in-keeping with restriction levels and the needs of the members.

Members that were approaching, or at the point of retirement required additional support from the team, both in writing and by verbal communication, not only around the issue and return of documents, but also to confirm that their pension payments were secure during these unsettling times. Members who were furloughed were also unclear as the affect this would have on their pension benefits and they also sought reassurance from the team. To assist us, we published an FAQ's aid memoire provided by the Local Government Association on our website. These can be viewed at: https://www.taysidepensionfund.org/tayside-pension-fund/client-area/news/coronavirus-covid-19-faqs-for-lgps-members/

Guidance on communicating with members during the pandemic was issued by The Pensions Regulator, and in April 2020 they released a statement in relation to members who may be looking to transfer their benefits away from the LGPS to another pension provider. The statement included a document prepared in conjunction with the FCA and Pensions Advisory Service to be aware of the possible risks involved in transferring their benefits away from the LGPS. This statement became a standard issue to all members requesting a Cash Equivalent Transfer Value (CETV) and we strengthened our controls further to require members to confirm that they had read and understood the possible risks before proceeding with their requests. Further details of making members aware of possible scams was also published on our website. The scam safe update can be viewed at https://www.taysidepensionfund.org/tayside-pension-fund/client-area/news/tprfcs-pensions-scam-campaign/.

Due to the impact of the pandemic and the measures being put in place at an employer levels (i.e. furlough/redundancy exercises), communication was issued to all employers to advise them that they should contact the Fund in relation to any issues they may have or anticipated facing during the pandemic which may affect their ability to meet their financial responsibilities. No applications for alternative contribution payments plans. In relation to redundancy/early retirement exercises, a number of employers requested both targeted and whole workforce redundancy strain costs. For those who implemented retirement via redundancy/early retirement schemes, the Fund worked with employers on schedules to suit, and arranged suitable payment plans to address strain costs.

Performance

The following provides summary of task volumes over the year to 31st March 2021 in comparison to the previous year:

Pensions Brought into Payment	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total	2019/2020	% Change
Efficiency / Redundancy	4	1	10	39	54	69	-22%
Ill Health	4	7	8	8	27	60	-55%
Flexible	8	10	9	3	30	59	-49%
Deferred into Payment	53	76	67	36	232	296	-22%
Voluntary	165	74	70	123	432	307	41%
Voluntary (age 65+)	15	24	20	14	73	87	-16%
Total Pensions Brought into Payment in Year	249	192	184	223	848	878	-4%

During 2020/2021 there was a slight reduction in pensions brought into payment, with the largest reduction being in the categories of ill-health retirement, flexible retirement and voluntary retirement.
There was however a significant increase in employer driven exercises for bulk voluntary early retirement estimate requests, but a resulting increase in pensions being brought into payment as a result, was not seen.

The amount of voluntary retirements being brought into payment (i.e. those who have not yet attained normal pension age) increased again and in part these values reflect the change in regulations made previously to allow those aged 55 or over the ability to elect to take their retirement benefits, albeit on a reduced basis.

Estimates Received	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total	2019/2020	% Change
General	266	121	234	286	907	509	78%
Voluntary Early Retirement	-	223	1,993	10	2,226	76	2829%
Total Estimates Issued in Year	266	344	2,227	296	3,133	585	436%

During 2020/2021 there was a significant increased number of requests from employers for bulk calculations of VER retirement estimates. These were largely produced as large-scale calculation system tasking in order to provide employers with indicative costs of eligible staff retiring on early retirement grounds. General estimate requests also increased by 78% on previous year.

Other Pension Events	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total	2019/2020	% Change
Deaths	190	114	157	153	614	525	17%
Survivor Pensions	42	19	32	38	131	345	-62%
Total Death & Survivor Benefits Paid in Year	232	133	189	191	745	870	-14%

During 2020/2021 an increase in deaths of 17% is record, but an equivalent increase was not seen with in the dependent's records being created.

Tasks measured	**Case volume 2019/2020**	**Average days to process**	**Case volume 2020/2021**	**Average days to process**
Clerical Tasks	5,630	23.42	1304	12.41
Death Grant	98	35.28	97	90.28
Divorce	68	43.57	55	48.07
Estimates	1,008	45.94	3,133	26.91
Miscellaneous Payroll	325	55.48	335	53.54
Refund of Contributions	214	40.37	215	92.32
Retirements	878	69.84	848	48.36

A number of tasks have benefited from system and process improvements implemented in the year, and this is reflected in increased volumes and reduced processing times. Some tasks are relatively complex and require information and documentation from individuals, employers, and legal representatives in order to process to completion, which has detrimental impact on performance, but is out with the Fund's control. These have also been exacerbated by the restrictions and members circumstances.

2020/2021 Events

- **Payment of contributions by scheme employers**

The Pensions Act 1995 requires employers to make payment of the employee and employer contributions by the 22nd of the month following deduction from the employee's wage/salary and as such this is recorded and monitored monthly.

Of the 45 scheme employers, 4 late payments were identified and investigated with the scheme employers during the period. The Internal control measure of the 19th of month following deduction is also maintained, and during the period there were 18 instances of payment after the 19th recorded.

- **Annual Benefit Statements**

These were Issued to the active and deferred membership of Tayside Pension Fund in August 2020.

- **Pension Saving Statements (Annual Allowance)**

84 members received statements prior to statutory date of 6th October 2020 having breached the annual allowance for 2019/2020 of £40,000.

- **Lifetime Allowance**

The allowance for 2020/2021 was set at £1,073,100.00, and notification of breaches is on an Individual case by case basis.

- **Bulk Transfer of Staff (VisitScotland)**

Following the issue of a Ministerial Order, the administration of the LGPS for all VisitScotland and predecessor employers were to be transferred to Lothian Pension Fund on 31st December 2020. The members to be transferred were active, deferred, pensioner and dependent members.

This national project was co-ordinated by Hymans Robertson who arranged regular on-line meetings of all LGPS Funds to ensure event timings and communications were issued. The Fund effected successful transfer as at 31 December 2020.

- **McCloud & Sargeant**

At the start of February, the UK government published its approach to remedying the age discrimination found in the 2015 pension reforms. The decision is to implement a 'deferred choice underpin' and this was the public consultations favoured approach.

The UK Government also confirmed that from 1 April 2022 all those who continue in service will do so as members of the reformed schemes, regardless of age, meaning all members will be treated equally in future. In terms of member benefits earned up to that date in the pre-2015 schemes these will be fully protected, and final salary benefits will still be calculated using the salary at the point of retirement.

Therefore, members of the scheme between 31 March 2012 and 31 March 2015, are most likely to be affected by these changes, but those scheme members who joined the scheme on or after 1 April 2012 will not be affected by the reforms to be brought in.

The report defines what a "deferred choice underpin" is, this option means that members will remain in, or be returned to, their legacy schemes for service between 1 April 2015 and 31 March 2022. This is described as the Remedy Period. Affected members will be given a choice at the point of retirement (or when benefits become payable) to choose which scheme benefits they wish to receive in respect of service during the remedy period. Those members who have retired since 1 April 2015 will also be offered this choice.

It is important to note that some members will have achieved better benefits under the move to the CARE Scheme in April 2015, and as such members can choose which scheme benefits they want to receive.

By allowing active scheme members to defer this choice until retirement, they will be able to make a more informed choice as to which pension scheme benefits are better for them.

The Scottish Ministers will need to introduce changes to the schemes are they have confirmed that they will need to consider many complex issues, including how the new arrangements will interact with aspects of the scheme, as well as tax implications for some members. SPPA have confirmed that they will be exploring these issues with member and employer representatives on the scheme advisory boards in the coming months.

At present there is nothing for members to do, as the process of introducing the necessary legislative changes has yet to begin. The SPPA have confirmed that further information will be issued as they consider the reforms to be brought into the scheme.

A full copy of the UK Government's response can be found at https://pensions.gov.scot/news/important-update-your-pension-governments-approach-2015-remedy.

A link to the SPPA update, response document and an FAQ section was signposted on the Tayside Pension Fund website within the news section.

Resourcing, contact and gathering of information with employers will be commence during 2020/21.

- **Tell Us Once**

Tell Us Once is a service is offered by most local authorities on behalf of the Department for Work and Pensions (DWP). The service allows those registering deaths to inform central and local government services of the death at one time, rather than having to write, telephone or even attend each service individually. The Tell Us Once service is free to use and can save a great deal of time and effort. During 2020/2021 Tayside Pension Fund joined this scheme and following the staff receiving Disclosure (Scotland) certification, this facility is now used to commence death tasks quickly and efficiently, and this has benefitted the members in streamlining the process for those recently bereaved.

- **Triennial Valuation**

The Triennial valuation of the fund was conducted as at 31st March 2020. Prior to data submission, all data underwent a cleanse exercise through a product provided by the Fund's Actuary Barnett Waddingham. This identified cases requiring action across all member categories that would not have been picked up in the Annual Benefit Statement exercise. The tool was run against fund data 3 times, and all resulting actions were carried out on member records prior to final submission of data on the 3rd November 2020. Data quality is a critical requirement, and as this facility is now readily available, this exercise will be scheduled in to be run on an annual basis.

- **Employer Communications**

The Fund has ensured compliance with all guidance issued by the Pensions Regulator in respect of employer and member support. Officers have worked with employers in arranging suitable payment plans to address strain costs as a result of unavoidable redundancy exercises. The Fund are maintaining close communications with employers to ensure that appropriate support is offered in the coming months.

- **I-Connect and Member Self Service**

Throughout the year, the Fund have been assessing the needs of the service in terms of communication requirements for employers, members, and the staff providing services as the contract for the existing Pensionsweb Portal was due to cease on 31st March 2021. A procurement exercise was undertaken to provide a fully integrated solution in order to provide secure and efficient communication portals for employers and members with additional functionality. These solutions are to be provided by Aquila Heywood who are the providers of the core pension administration system.

The I-Connect Portal, in operation from the 31st March 2021 is to be used by employers to upload monthly information on all employees including contributions, pay details, new scheme member details and date of leaving etc. via direct upload into the Altair System, thereby allowing the instant and accurate creation of member records.

The member portal (MSS – Member Self Service) will also be brought online during the first quarter of 2021/22 following the receipt of vital year end employer submissions. This module will allow active, deferred and pensioner members to view their pension scheme records, and communicate changes directly with us.

For active members, they will have the ability to carry out certain types of retirement estimates and for them to be able to adjust these instantly in line with varying estimated retirement dates. The Portal will also allow members to be issued with documents electronically in a secure format and for them to be able to securely upload these in response.

For pensioners it will provide them with continuing access to a monthly payslip and the ability to contact us securely with regard to changes in circumstances (for example bank and address changes).

As well as a number of record confirmation exercises undertaken in preparation for the switch of systems, the Fund has held virtual meetings with all employers to provide training of how to use the new I-Connect Portal. These meetings also provided employers to gain an understanding of the benefits to them, the Fund and scheme members.

- **Call Centre Functionality**

Whilst home working is set to continue into the future, and with an eye on further service improvements, the Fund are in the process of arranging to amend our current telephone communications set up to call centre functionality in order to better control call volumes and record all inbound and outbound calls for training and control purposes. This call centre environment will improve call handling and enhance member communications. This service will be implemented during 2021/22.

- **Payment of Pensions**

Tayside Pension Fund provides 2 monthly payrolls to retiring members. One making payment on the 20th of each month and the other on the last working day of each month. During 2020/2021 all monthly pension payroll payments were made by their due date.

- **CARE Scheme Revaluation**

The Local Government Pension Scheme (Scotland) Regulations 2015 require that pension accounts built up from 1st April 2015 are revalued at the end of each scheme year. The Order published provided for a 1.7% revaluation.

- **Pension Increase**

Pensions in payment and those in deferment are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September. The Order provided for a 1.7% increase with effect from 6th April 2020.

- **Tiered Contributions Rate Guidance**

Under the Local Government Pension Scheme (Scotland) Regulations 2014 the earnings ranges used to determine annual contributions rates are to be increased each year by any increase applied to pension under the Pensions (Increase) Act 1971. In March 2020 the SPPA amended the guidance to reflect the above and a copy of this guidance was forwarded to all scheme employers for use with effect from 1 April 2020.

- **Meetings, User Groups and Forums**

Although held virtually during 2020/21, representatives attended quarterly meetings of the Joint Scottish Liaison Group and Investment Governance Groups, along with representation from the Local Government Association and the Scottish Public Pensions Agency. Department Representatives attended virtual meetings and also participated in webinars as members of the Computerised Local Authority Superannuation System (CLASS) Group whose membership is made up of all 11 Scottish Funds and 80 English and Welsh Funds.

- **Staffing 2020/2021**

There has been little staff movement over the year, and in light of the administration requirements of the incoming discrimination legislation, a staffing review is planned for 2021/22. During the period a Senior Pensions Assistant returned from Maternity Leave in March 2021, and a Clerical Assistant left in January 2021 to commence a new post.

- **Legislation Update**

During 2020/21 the following legislation came into effect:

Instrument	Title	Topic	Link
12020-354	The Parental Bereavement Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2020	Effected regulation **10**, **12**, **15** and **16**, and to **schedule 1** of the Local Government Pension scheme Scotland) Regulations 2018. The amendment was to reflect the recognition of leave granted to parents following the death of a child.	https://www.lgpslibrary.org/assets/si/uk/SI2020-354.pdf
SI2020-299	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2020	For employer action – relates to national insurance thresholds	http://www.legislation.gov.uk/uksi/2020/299/contents/made

SI2020-235	The Guaranteed Minimum Pensions Increase Order 2020	Increases value of GMPs within system 1.7% increase applied.	http://www.legislation.gov.uk/uksi/2020/235/contents/made
SI2020-372	The Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order 2020	For employer action – relates to earnings levels relevant for enrolment	http://www.legislation.gov.uk/uksi/2020/372/contents/made
SI2020-193	The Social Security Revaluation of Earnings Factors Order 2020	For employer action – relates to level of national insurance contributions being in line with earnings in relation to GMP	http://www.legislation.gov.uk/uksi/2020/193/contents/made
SI2020-230	The Public Service Pensions Revaluation Order 2020	CARE Scheme Revaluation 1.7% increase applied.	http://www.legislation.gov.uk/uksi/2020/230/contents/made
S!2020-290	The Pensions Increase (Review) Order 2020	Pensions in payment and deferment are indexed annually based on the annual change in Consumer Price Index (CPI) as at the previous September. 1.7% increase applied.	http://www.legislation.gov.uk/uksi/2020/290/contents/made
Circular 2021/02	Tiered Contributions Rate Guidance	For employer action – relates to employee contribution rates	https://pensions.gov.scot/local-government/scheme-governance-and-legislation/circulars

SCHEDULED AND ADMITTED BODIES

Scheduled Bodies are those detailed in Schedule 2 Part 1 of the Regulations, with the most current being in the Local Government Pension Scheme (Scotland) Regulations 2014. For example, the bodies are Local Authorities, Colleges, Transport Authorities.

Admitted Bodies are those described in Schedule 2 Part 2 of the same Regulations and detail the type of bodies along with the requirements to be considered prior to admission (and the signing of the formal admission agreement).

The employers with active members as at 31 March 2021 were as follows :-

Scheduled Bodies (13)

Angus Council
Dundee City Council
Dundee and Angus College
Perth & Kinross Council
Perth College
Scottish Fire & Rescue Service (Civilians)
Scottish Police Authority (Civilians)
Scottish Police Services Authority
TACTRAN
Tayplan
Tay Road Bridge Joint Board
Tayside Contracts
Tayside Valuation Joint Board

Admitted Bodies (32)

Abertay Housing Association
Angus Alive
Balnacraig School
Carnoustie Golf Links
Carolina House Trust
Culture Perth & Kinross
Dorward House
Dovetail Enterprises
Duncan of Jordanstone College of Art
Dundee Citizens' Advice Bureau
Dundee Contemporary Arts Ltd
Dundee Science Centre
Dundee Voluntary Action
Forfar Day Care Committee
Highlands & Islands Airports Ltd
idverde
Leisure and Culture Dundee
Live Active Ltd
Mitie PFI Ltd
Montrose Links Trust
Montrose Port Authority
Perth & Kinross Countryside Trust
Perth & Kinross Society for the Blind
Perth Citizens' Advice Bureau
Perth Theatre Co Ltd
Robertsons Facilities Management
Rossie Secure Accommodation Services
Scottish Social Services Council
Social Care and Social Work Improvement Scotland
Sodexo
University of Abertay, Dundee
Xplore Dundee

CONTACT INFORMATION

Key Documents Online

The following documents are on the website's publications section: https://www.taysidepensionfund.org/tayside-pension-fund/about-us/forms-and-publications/

- Actuarial Valuation Reports
- Funding Strategy Statement
- Statement of Investment Principles
- Treasury Management Strategy
- Risk Register
- Annual Report and Accounts

Contact Details

Enquiries regarding investments, individual benefits, contributions or pensions in payment or requests for further information should be addressed to:-

Tracey Russell, Senior Financial Services Manager
Dundee City Council, Floor 4, 50 North Lindsay Street, Dundee DD1 1NZ

Other Contacts

The Pensions Ombudsman

10 South Colonnade

Canary Wharf

E14 4PU

https://www.pensions-ombudsman.org.uk/

The Pensions Ombudsman is an independent organisation set up by law to investigate complaints about pension administration and has the remit to consider complaints about personal and occupational pension schemes.

The Pensions Advisory Service has now been incorporated into Money Helper

120 Holborn

London

EC1N 2TD

https://www.moneyhelper.org.uk/en

The Pensions Advisory Service (TPAS) provide independent and impartial information and guidance about pension, free of charge to members of the public. They deal with all pension matters covering workplace, personal and stakeholders' scheme and also the State Scheme.

The Pension Tracing Service

The Pension Service 9

Mail Handling Site A

Wolverhampton

WV98 1LU

https://www.gov.uk/find-pension-contact-details

This is a register of all workplace pension schemes who provide assistance to individuals searching for the contact details of any previous pension rights.

The Pensions Regulator

Napier House

Trafalgar Place

Brighton

BN1 4DW

http://www.thepensionsregulator.gov.uk/

The Pensions Regulator is the public body that protects workplace pensions in the UK. They work with employers and scheme administrators so that people can save safely for their retirement. They ensure that employers met their ongoing automatic enrolment duties and provide effective regulation for defined benefit schemes and looks to promote good trusteeship through improving governance and administration.