21 City Chambers
DUNDEE
DD1 3BY

13th September, 2024

TO: ALL MEMBERS OF THE PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD

Dear Colleague,

You are requested to attend a JOINT MEETING of the **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD** to be held remotely on Monday, 23rd September, 2024 at 12 noon.

Members of the Press or Public wishing to join the meeting should contact Committee Services by telephone (01382) 434205 or by email at committee.services@dundeecity.gov.uk by no later than 12 noon on Friday, 20th September, 2024.

Yours faithfully

GREGORY COLGAN

Chief Executive

AGENDA OF BUSINESS

1 DECLARATION OF INTEREST

Members are reminded that, in terms of The Councillors Code, it is their responsibility to make decisions about whether to declare an interest in any item on this agenda and whether to take part in any discussions or voting.

This will include all interests, whether or not entered on your Register of Interests, which would reasonably be regarded as so significant that they are likely to prejudice your discussion or decision-making.

2 APOLOGIES

3. MINUTE OF PREVIOUS MEETING - Page 1

(Minute of the meeting of the Pension Investment Sub-Committee of 24th June, 2024, copy attached).

4 TAYSIDE PENSION FUND RISK REGISTER - Page 5

(Report No 269-2024 by the Executive Director of Corporate Services, copy attached).

5 PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 30TH JUNE 2024 - Page 21

(Report No 270-2024 by the Executive Director of Corporate Services, copy attached).

6 TAYSIDE PENSION FUND ACCOUNTS 2023/24

(a) TAYSIDE PENSION FUND 2023/24 – ACCOUNTS AND AUDIT **- Page 33**

(Report No 271-2024 by the Executive Director of Corporate Services copy attached).

(b) DRAFT AUDITED ANNUAL REPORT AND ACCOUNTS 2023/24 **- Page 35**

(Report No 272-2024 by the Executive Director of Corporate Services copy attached).

(c) EXTERNAL AUDITORS ANNUAL REPORT **- Page 157**

(Report No 273-2024 by Audit Scotland copy attached).

7 ANNUAL TREASURY MANAGEMENT ACTIVITY 2023/24 - Page 205

(Report No 274-2024 by the Executive Director of Corporate Services, copy attached).

The Sub-Committee may resolve under Section 50(A)(4) of the Local Government (Scotland) Act 1973 that the press and public be excluded from the meeting in order that the undernoted items of business may be considered in private on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 4, 6 and 11 of Part 1 of Schedule 7(A) of the Act.

8 TAYSIDE PENSION FUND

(a) TAYSIDE PENSION FUND PERFORMANCE SUMMARY

(b) SUMMARIES OF INVESTMENTS AND TRANSACTIONS 1ST APRIL, 2024 TO 30TH JUNE, 2024

(c) SECURITIES LENDING – 6 MONTHS ACTIVITY TO 30TH JUNE, 2024

(d) QUARTERLY FUNDING UPDATE AS AT 30TH JUNE, 2024

9 PRESENTATION

At a JOINT MEETING of the **PENSION SUB-COMMITTEE** of the **CITY GOVERNANCE COMMITTEE AND THE PENSION BOARD** held remotely on 24th June, 2024.

Present:-

PENSION SUB-COMMITTEE

Bailie Willie SAWERS

COUNCILLORS

Ken LYNN Steven ROME Dorothy McHUGH

PENSION BOARD

Bill DUFF (Angus Council)
Stewart DONALDSON (Perth & Kinross Council)
Arthur NICOLL (Unison)
George RAMSAY (Unite the Union)

Bailie Willie SAWERS, in the Chair.

I DECLARATION OF INTEREST

No declarations of interest were made.

II APOLOGIES

The Sub-Committee and Board noted apologies had been received from Bailie Keenan and Kenny Dick.

III MINUTE OF PREVIOUS MEETING

The minute of meeting of 18th March, 2024 was submitted and approved.

IV TAYSIDE PENSION FUNDS RISK REGISTER

There was submitted Report No 183-2024 by the Executive Director of Corporate Services seeking approval of the Quarterly Risk Register for Tayside Pension Fund which was updated on 27th May, 2024, noting no changes to risk profile since the previous report.

The Sub-Committee and Board:-

(i) approved the Quarterly Risk Register for Tayside Pension Fund.

V TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – ESG AND TPR GENERAL CODE ADVISORY REVIEWS

There was submitted Report No 184-2024 by the Executive Director of Corporate Services informing the Sub-Committee and Board of the Audit Reports prepared by the Fund’s Internal Auditor, PricewaterhouseCoopers (PwC).

The Sub-Committee and Board:-

(i) approved the policy noting that it was subject to annual review and that there were no changes.

VI TAYSIDE PENSION FUND INTERNAL ANNUAL AUDIT REPORT 2023/2024

There was submitted Report No 185-2024 by the Executive Director of Corporate Services informing the Sub-Committee and Board of the Annual Audit Report for 2023/2024 prepared by the Fund's Internal Auditor, PricewaterhouseCoopers (PwC).

The Sub-Committee and Board:-

(i) agreed to note the content of the Annual Report as well as the content of the appended reports on specific audit exercises undertaken, and approved the management response.

VII PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 31ST MARCH, 2024

There was submitted Report No 186-2024 by the Executive Director of Corporate Services providing information on the recent quarter's operational performance in relation to Pension Administration.

The Sub-Committee and Board:-

(i) noted the content of the report.

VIII TAYSIDE PENSION FUND ANNUAL GOVERNANCE AND GOVERNANCE COMPLIANCE STATEMENTS

There was submitted Report No 187-2024 by the Executive Director of Corporate Services presenting the Annual Governance Statement and Governance Compliance Statement for approval and inclusion into the unaudited Annual Accounts for the year ended 31st March, 2024. This report set out the Governance arrangements of Tayside Pension Fund and the extent to which it complied with regulations.

The Sub-Committee and Board:-

(i) approved the Annual Governance and Governance Compliance Statements which were included as an Appendix to this report; and

(ii) instructed the inclusion of the statements in the Annual Accounts for the year to 31st March, 2024.

IX TAYSIDE PENSION FUND ANNUAL REPORT AND ACCOUNTS 2023/2024

There was submitted Report No 188-2024 by the Executive Director of Corporate Services providing some additional commentary on the unaudited Annual Accounts 2023/2024 which were being submitted to the Sub-Committee and Board along with this report.

The Sub-Committee and Board:-

(i) agreed to note the content of the covering report;

(ii) agreed to note the unaudited Annual Accounts which have been submitted along with this report in Appendix A to the report;

(iii) agreed to instruct the Executive Director of Corporate Services to arrange for the unaudited Accounts to be signed as necessary; and

(iv) agreed to instruct the Executive Director of Corporate Services to submit the Annual Accounts to the Fund's external auditor.

The Sub-Committee and Board resolved under Section 50(A)(4) of the Local Government (Scotland) Act 1973 that the press and public be excluded from the meeting for the undernoted items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraphs 4, 6 and 11 of Part I of Schedule 7A of the Act.

X TAYSIDE PENSION FUND

(a) TAYSIDE PENSION FUND PERFORMANCE SUMMARY

There was submitted Report No 189-2024 by the Executive Director of Corporate Services reviewing the investment performance of the Fund's investment managers for the quarter to 31st March, 2024. The report compared investment performance of the Fund with the Fund's specific benchmarks which consisted of various stock and security market indices.

The Sub-Committee and Board:-

(i) noted the information contained therein with regard to the performance of the Tayside Main Fund and their Fund Managers.

(b) SUMMARIES OF INVESTMENTS AND TRANSACTIONS 1ST JANUARY 2024 TO 31ST MARCH 2024

There was submitted Report No 159-2024 by the Executive Director of Corporate Services reviewing the investment activities of Tayside Pension Fund's seven Fund Managers for the quarter 1st January to 31st March 2024 and summarising the transactions of each Fund Manager and showing the market values of the Pension Fund.

The Sub-Committee and Board:-

(i) noted the information contained therein with regard to the performance of the Tayside Main Fund and its Fund Managers.

(c) QUARTERLY FUNDING UPDATE AS AT 31ST MARCH, 2024

There was submitted Report No 190-2024 by the Executive Director of Corporate Services reviewing the current funding level of the Fund as assessed by the Fund Actuary.

The Sub-Committee and Board:-

(i) agreed to note the content of the report.

XI SOCIALLY RESPONSIBLE INVESTMENT - SIX MONTHLY REPORT

There was submitted Report No 191-2024 by the Executive Director of Corporate Services reviewing the progress by the Fund Managers regarding positive engagement in line with the Policy on Environmental, Social and Corporate Governance approved by the Sub-Committee (Article XIV of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 18th March, 2024, Report No 81-2024 refers).

The Sub-Committee and Board:-

(i) noted the information contained within this report with regards to the activities of the Fund Managers during the six-month period ended 30th September, 2023.

XII PRESENTATION

Robert Evans and Roberto Cagnati from Partners Group gave a short presentation to the Sub-Committee and Board.

After Mr Evans and Mr Cagnati had given their presentation and answered questions from members, the Chair thanked the presenters on behalf of members of the Sub-Committee and Board.

Willie SAWERS, Chair.

REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 SEPTEMBER 2024**

REPORT ON: **TAYSIDE PENSION FUND RISK REGISTER**

REPORT BY: **EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

REPORT NO: **269-2024**

1. PURPOSE OF REPORT

The Sub-Committee is asked to approve the Quarterly Risk Register for Tayside Pension Fund. The changes since the last report are as follows:

Item 4 - Inability to maintain service due to loss of main office, computer system or staff. This risk has increased due to absences of key staff within the team although steps have been to taken to mitigate the impact this has.

2. RECOMMENDATIONS

The Sub-Committee is asked to approve the Quarterly Risk Register for Tayside Pension Fund.

3. FINANCIAL IMPLICATIONS

There are no financial implications other than those highlighted in the risk register.

4. INTRODUCTION

The Local Government Pension Scheme Management and Investment of Funds (Scotland) Regulations 2010 requires funds to state the extent to which they comply with guidance given by the Scottish Ministers.

The Scottish Ministers guidance refers to the six revised principles on investment decision making contained 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).

Principle 3: Risk and Liabilities (paragraph 98) states that "The annual report of a pension fund should include an overall risk assessment in relation to each of the fund's activities and factors expected to have an impact on the financial and reputational health of each fund. This could be done by summarising the contents of a regularly updated risk register. An analysis of the risks should be reported periodically to the committee, together with necessary actions to mitigate risk and assessment of residual risk".

The initial Tayside Superannuation Funds Risk Register (Article III of the Minute of Meeting of the Superannuation Sub-Committee of the Policy and Resources Committee of 21 February 2011, Report No 114-2011 refers) requires conformity with the Statements of Investment Principles for the Tayside Pension Fund.

In 2021, an internal audit review of Risk Management and Regulatory Compliance was completed and the findings were reported to the Pension Sub-Committee & Board (Article IX of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee & Pension Board of 21 March 2022, Report No 87-2022 refers). The review suggested the following changes be made to the risk register:

- Update of current risk descriptions to use cause, event and consequence format
- Addition of risks not specified within current risk register
- Implementation of a revised risk scoring matrix specific to Tayside Pension Fund

All risks and controls have been reviewed and rescored accordingly.

5. POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6. CONSULTATIONS

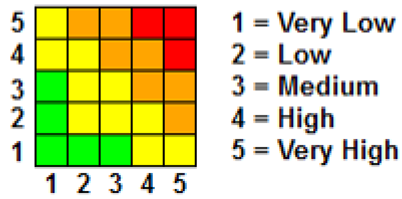
The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

7. BACKGROUND PAPERS

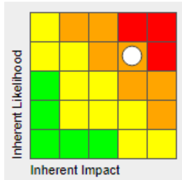
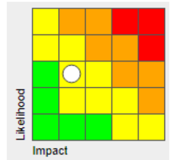
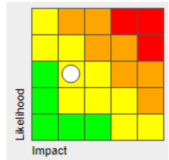
None

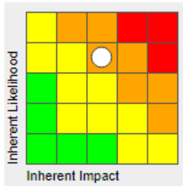
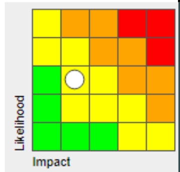
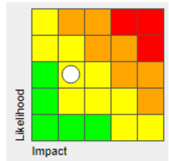
ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **12 SEPTEMBER 2024**

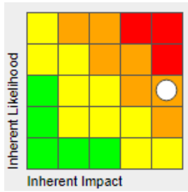
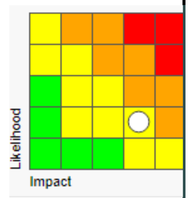
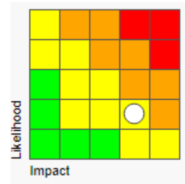
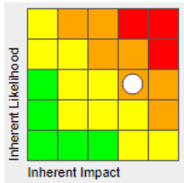
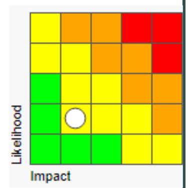
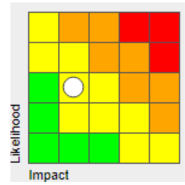
Pentana Risk Matrix

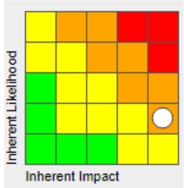
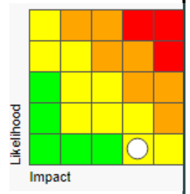
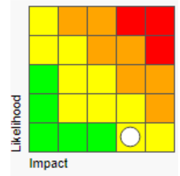
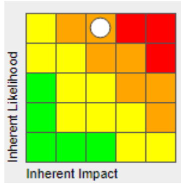
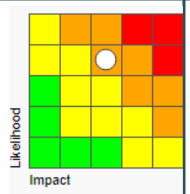
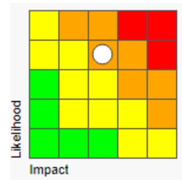


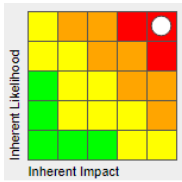
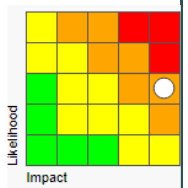
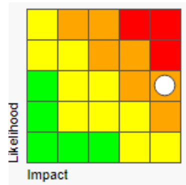
Quarterly Risk Report
Report Type: Tayside Pensions Fund Risks Report
Report Author: Executive Director of Corporate Services
Generated on: 12 September 2024

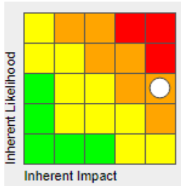
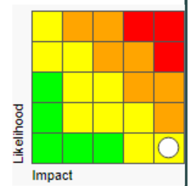
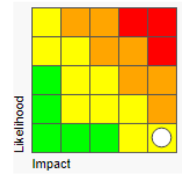
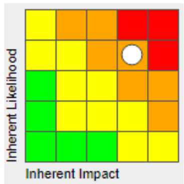
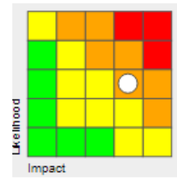
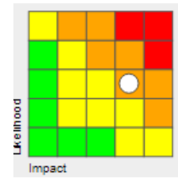
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Pension Administration (Risk appetite - minimalist) 1.Failure to process pension payments and lump sums on time	• Non-availability of pension / payroll systems • Resource unavailable • New staff undertaking duties • Increased workload • Failure to gain relevant information from employers to enable processing	• Processing delays • Processing errors • Retiring members will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action		• Regular update & maintenance of Altair & Resourcelink • Standardised processes & independent review of calculations • Sufficient staff cover arrangements • Task prioritisation • Contingent measures to prevent financial detriment		 No change

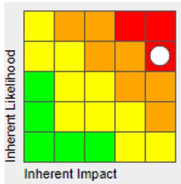
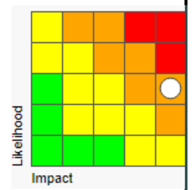
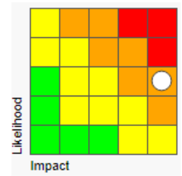
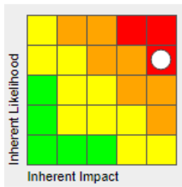
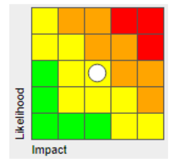
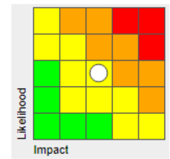
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Funding - Employer related (Risk appetite - cautious) 2.Failure to collect and account for contributions from employers and employees on time	• Non-availability of financial system (Fund and employer) • Resource unavailable • New staff undertaking duties • Failure to communicate with employers effectively • Failure of employer to provide required information • Failure of employer to make financial settlement	• Adverse audit opinion • Breach of statutory requirements • Knock on effect on reporting requirements • Financial impact as insufficient cashflow to meet monthly pension payments without unplanned sale of assets	• Requirement for report of regulatory breach & subsequent action if required • Potential delays to employers' FRS17 year-end accounting reports • Loss of stakeholder confidence • Recovery / legal action required • Opportunity cost of lost investment income		• Robust maintenance and update of Resourcelink and Authority Financials systems • Sufficient staff cover arrangements • Staff training and checking of work. • Ongoing employer communication to ensure they understand responsibilities to pay by the 19th of the month. • Contribution tracker system • Introduction of employer contribution payment flexibility within financial year (subject to agreement)		 No change

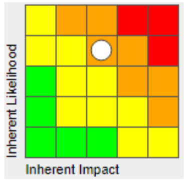
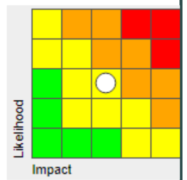
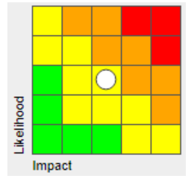
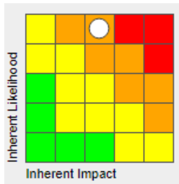
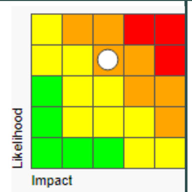
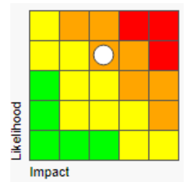
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Funding - Liquidity (Risk appetite - averse) 3.Insufficient funds to meet liabilities as they fall due	• Contribution levels are inadequate • Contributions • Investment strategy fails to deliver adequate returns • Significant changes in member profile (i.e. rapid maturing of fund liabilities) • Significant increases in actuarial assumptions (i.e. longevity.	• Rise in employer contribution rate required • Unplanned asset sales required to meet • Revision of Funding and Investment strategies required	• Inability to meet overall strategic objectives • Immediate cash injections would be required from employers by means of contributions • Reduced funding levels • Lost investment income from unplanned asset sales • Transaction costs associated with changing strategies		• Funding Strategy Statement • Investment Strategy • Ongoing advice from investment consultants, etc. • Suitable policies & strategies in place to prevent • Regular monitoring of asset / liability valuations • Triennial actuarial valuations		 No Change
Operational (Risk appetite - minimalist) 4.Inability to maintain service due to loss of main office, computer system or staff	• Fire, bomb, flood, etc. • Staff unable to access office (i.e. public health restrictions) • IT system / network outage	• Temporary loss of service provision. • Delayed payments & processing • Retiring staff will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action		• DCC business continuity plan (top priority) • Contractual agreement with system provider • Daily back up and contingent procedures • Back-up server located in different building • 100% staff remote working capabilities		 Risk Increased

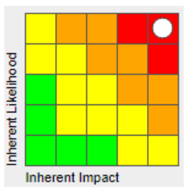
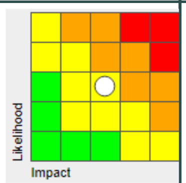
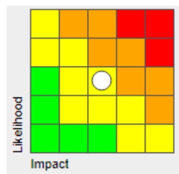
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Operational (Risk appetite - minimalist) 5.Loss of funds through fraud or misappropriation	• Fraud or misappropriation of funds by staff/employer/ 3rd party service provider	• Financial loss to the fund • Reputational risk for the Fund • Adverse audit opinion • Breach of statutory requirements • Enforcement action	• Requirement for report to regulator & subsequent action if required • Criminal investigation • Loss of stakeholder confidence • Recovery / legal action required		• Internal and external audit regularly test that appropriate controls are in place and working effectively. • Regulatory control reports from investment managers, custodian, etc are also reviewed by audit. • Due diligence carried out when a new manager is appointed. • Reliance also placed on Financial Conduct Authority registration & requirements.		 No Change
Funding - Employer related (Risk appetite - cautious) 6.Employers unable to participate in scheme	• Employer liabilities increase disproportionately as a result of changed member profiling	• Employers unable to maintain contributions • Employers exit from fund • Employer cannot meet	• Inability to meet overall strategic objectives • Financial loss to fund, triggering asset sales to meet pension payments		• Full Actuarial Valuation undertaken every 3 years (employers advised of liability)		 No Change

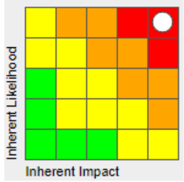
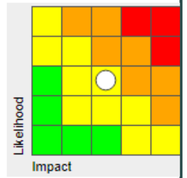
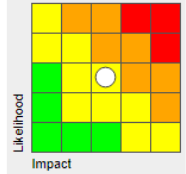
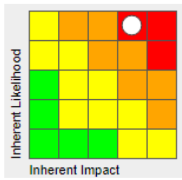
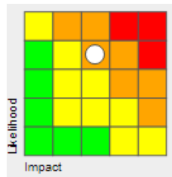
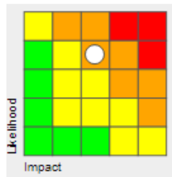
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	• Employer liabilities increase disproportionately as a result of external factors (i.e. change in bond yields) • Reduced asset values in relation to liabilities due to external factors	liabilities on exit	• Fund profile changed as a result of employer exit • Insolvency of employer • Recovery of liabilities in liquidation		• Funding Strategy enables exit at minimum risk. • Independent covenant and financial settlement assessment on affordability • Employer contribution payment flexibility within financial year (subject to agreement) • Employer / fund communications and relationship management		
Funding - Investment (Risk appetite - open) 7.Significant rises in employer contributions due to poor/negative investment returns	• Poor economic conditions • Inappropriate investment strategy • Poor selection / performance of investment managers	• Financial impact as a result of poor/negative investment returns • Revision of investment strategy required • Dismissal of investment managers	• Inability to meet overall strategic objectives • Reduced funding level • Increased contributions required • Transaction costs on change of strategy or investment manager		• Performance & funding levels monitored on an ongoing quarterly basis • Investment & Funding strategies reviewed and assessed independently • Diversified range of investment managers over		 No change

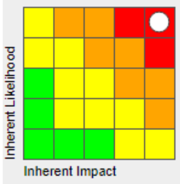
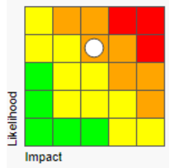
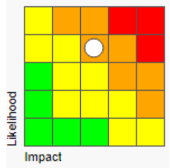
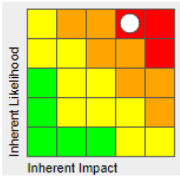
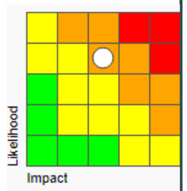
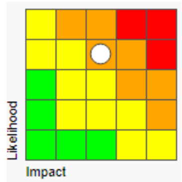
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
					different asset classes • 10% asset shock reserve		
Operational (Risk appetite - minimalist) 8.Failure of global custodian	• Financial collapse of global custodian or failure to safeguard assets or records	• Financial loss to the fund. • Loss of information required for statutory and accounting purpose	• Inability to meet overall strategic objectives • Severe service disruption as a result of recovery action • Statutory breaches		• Legal agreement with custodian. • Credit rating monitored on an ongoing basis. • Regulated by Financial Conduct Authority. • Assets not on custodian balance sheet.		 No Change
Funding - Investment (Risk appetite - open) 9.Failure of Investment Manager	• Substantial decline of global financial market • Economic factors impacting on asset class • Under performance of investment manager	• Financial loss to the fund • Reduced asset returns • Investment outflows from investment manager portfolio • Termination of mandate with investment manager	• Inability to meet overall strategic objectives • Reduced funding level • Increased employer contribution levels • Required appointment of alternative investment manager • Transaction costs associated with change		• Performance monitored on an ongoing quarterly basis. • Diversified range of asset classes. • Advice provided by Investment Consultant.		 No Change

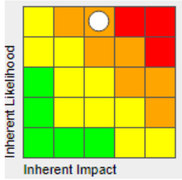
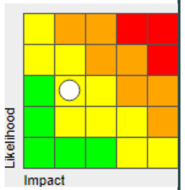
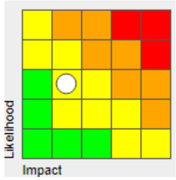
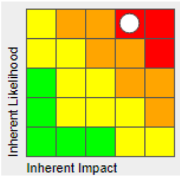
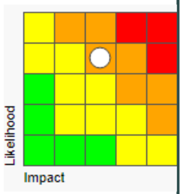
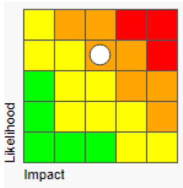
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Funding - Investment (Risk appetite - open) 10.Equity Risk	• Market sector falls substantially as a result of global economic factors	• Financial loss to the fund	• Inability to meet overall strategic objectives • Reduced funding level • Increased employer contribution levels		• Performance monitored on an ongoing quarterly basis. • Investment strategy with diversified range of asset classes and long-term investment objectives. • Advice provided by Investment Consultant. • Fund officers remain in close communications with investment managers • 10% volatility reserve		 No Change
Governance (Risk appetite - minimalist) 11.Failure to comply with changes to LGPS regulations and other new regulations / legislation Specifically: • GMP • McCloud • Pensions Dashboard	• Significant changes to scheme & regulations which staff are unfamiliar with • Failure in readiness for changes • Lack of technical expertise / training	• Incorrect calculations • Delays in processing • Statutory breaches • Reputational risk	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action		• Verification process in place within Pensions section • Staff training • Audited key processes reviewed prior to significant changes • Recruitment exercises as required		 No change

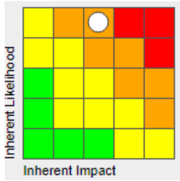
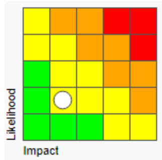
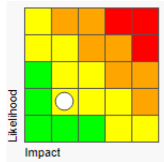
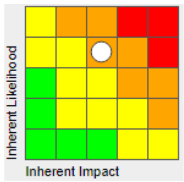
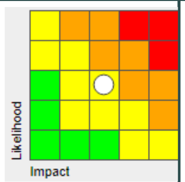
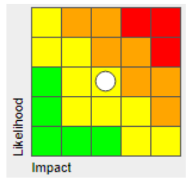
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	• Inadequate procedures / process • Lack of resources • Error in interpreting requirements • IT systems not updated to reflect changed requirements				• Robust system maintenance & upgrade • Specialist advice used as required to ensure correct interpretation • Performance monitoring • Project management for implementation of key changes / exercises		
Governance (Risk appetite - minimalist) 12.Failure to comply with governance best practice Specifically: • TPR New Draft Code of Practice • TPR Good Governance project outcomes	• Failure to implement requirements • Inadequate processes / procedures • Inadequate training as to changed requirements	• Breach of statutory requirements • Sub-standard service to members and employers • Reputational risk for the Fund	• Regulatory action • Loss of stakeholder confidence		• Staff training • Audited key processes reviewed prior to significant changes • Specialist review and advice		 No Change
Pension Administration (Risk appetite - minimalist) 13.Failure to provide quality service to members	• Inadequate administration & communication policies • Lack of resources	• Reputational risk for the Fund • Processing delays & errors • Late payments	• Financial implications to members • Loss of stakeholder confidence		• Key policies reviewed and updated annually or sooner if required • Recruitment exercises as required in		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	• Lack of staff skills / knowledge • Lack of training • Ineffective processes & procedures • Poor communication documentation • Unanticipated workloads	• Sub-optimal decision making • Reputational risk for the Fund			keeping with statutory requirements • Ongoing staff training and support • Key processes audited and reviewed annually • Communication / documentation reviewed regularly and updated • Weekly work allocation to prioritise and avoid bottlenecks		
Operational (Risk appetite - minimalist) 14.Failure to hold personal data securely	• Insufficient system abilities re security of data • Sub-standard retention processes & procedures • Inadequate data retention policy, backup and recovery procedures • Change of retention requirements	• Data lost or compromised • Incorrect member records • Processing delays & errors • Retiring staff will be paid late • Reputational risk for the Fund • Breach of statutory	• Financial impact to members • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action		• Data security system settings & controls • Data retention policy & processes / back up & recovery procedures		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
		requirements					
Operational (Risk appetite - minimalist) 15.Cybercrime	• Inadequate system abilities re security of data • Inadequate controls and security protocol	• Data lost or compromised • Incorrect member records • Processing delays & errors • Retiring staff will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial impact to members • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action		• Data security system settings & controls • Data back-up & recovery procedures		 No Change
Pension Administration (Risk appetite - minimalist) 16.Failure to keep pension records up-to-date and accurate	• Non-availability of pension / payroll systems • Resource unavailable • New staff undertaking duties • Increased workload • Failure to gain relevant information	• Processing delays • Processing errors • Retiring members will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members • Loss of stakeholder confidence • Financial cost to the fund if interest has to be paid to members • Regulatory action		• System contingency / recovery prioritised • Service prioritisation / allocation • Staff training • Scheduled communications / updates from employers		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	from employers to enable processing						
Governance (Risk appetite - minimalist) 17.Lack of expertise on Pension Committee, Pension Board or amongst officers	• Lack of training & continuous professional development • Loss of key individuals	• Detrimental decision making • Reputational risk for the Fund • Breach of statutory requirements • Failure to meet objectives	• Financial loss • Inability to meet overall strategic objectives • Increase in employer contribution requirements • Regulatory action • Loss of stakeholder confidence		• Key policies and governance arrangements independently audited and reviewed • Key officer meets Markets in Financial Instruments Directive (MIFIID) professional investor requirements • Training & support • External specialist advice		 No Change
Governance (Risk appetite - minimalist) 18.Over reliance on key officers	• Loss of key individuals • Inability to recruit individuals with specialist skills & experience • Inadequate governance arrangements • Lack of specialist	• Detrimental decision making • Reputational risk for the Fund • Breach of statutory requirements • Failure to meet objectives	• Financial loss • Inability to meet overall strategic objectives • Increase in employer contribution requirements • Regulatory action • Loss of stakeholder confidence		• Key policies and governance arrangements independently audited and reviewed • Knowledge & experience of staff • External specialist advice		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	advisors to support				• Peer support from other LGPS		
Governance (Risk appetite - minimalist) 19. Failure to communicate adequately with stakeholders	• Inadequate communication policy • Inadequate processes & protocols with employers and scheme members	• Scheme members not aware of their rights • Employers not aware of regulations, procedures, etc. • Reputational risk • Breach of statutory requirements	• Sub-optimal decision making resulting to financial detriment of members • Errors in members calculations • Loss of stakeholder confidence • Regulatory action		• Communications policy • Standard documentation & communications • Website information • Standard key processes & protocols • Employer communications (e mails / info sessions / documentation / guidance • Adequately trained staff		 No Change
Funding - Employer related (Risk appetite - cautious) 20.Employer Covenant Risk	• Change in employer actuarial profile which has resulted in significant increase in liability • Unsuitable guarantee / financial health of employer	• Employers unable to financially provide for exit liability	• Inability to meet overall strategic objectives • Financial impact on overall funding level • Remaining employers required to accommodate the shortfall via increased contribution		• Government or local authority guarantees, bonds or securities over assets • Independent covenant review and financial assessments to identify • Funding strategy to enable exit at minimal risk to		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
					remaining employers • Affordable payment schedule independently assessed		
Governance (Risk appetite - minimalist) 21.Risks in relation to use of 3rd party service providers	• Inadequate policy • Poor due diligence and selection processes • Poor contract management	• Poor decision making • Failure of supplier adhering to contractual agreement • Reputational risk	• Financial detriment to the fund • Loss of stakeholder confidence		• Procurement policy • Contracts database • Documented contract management protocol • Use of national frameworks		 No change
Funding - ESG (Risk appetite - cautious) 22.Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)	• Inadequate policy & practices • Failing to understand incoming requirements • Failing to plan and implement changes required • Lack of knowledge & skills	• Poor decision making • Non-compliant actions being taken • Statutory breach • Reputational risk	• Failing to meet strategic objectives • Regulatory action • Loss of stakeholder confidence		• Regularly reviewed policies, processes and reporting • Project plans to meet changing requirements • Specialist advice as required • Training		 No Change

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 SEPTEMBER 2024

REPORT ON: PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 30th JUNE 2024

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 270-2024

1. PURPOSE OF REPORT

This report provides information on the recent quarter's operational performance in relation to Pension Administration.

2. RECOMMENDATIONS

The Sub-Committee is asked to note the contents of the report.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications.

4. BACKGROUND

This report focusses on statutory performance and is subject to ongoing development to provide enhanced reporting functionality to improve the quality of information on administration performance and compliance.

5. SERVICE SUMMARY

- **Summary of Statutory Performance Requirements**

The following table summarises the performance of the fund administration against statutory requirements:

	Rec'd This Quarter	Rec'd Last Quarter	% Difference	Completed This Quarter	Completed Last Quarter	% Difference	Statute Days	Days To Complete This Quarter	Days To Complete Last Quarter	% Difference	Cases Out with Statute at end of Quarter
Starter	357	734	-51%	357	791	-55%	60	10	21	-51%	
Estimate	242	261	-7%	253	184	38%	60	93	78	19%	
Options	487	512	-5%	538	415	30%	60	80	66	21%	
Actual	285	299	-5%	296	253	17%	60	18	17	6%	
TV In	31	47	-34%	46	49	-6%	60	44	57	-22%	
TV Out	136	209	-35%	136	142	-4%	90	49	47	4%	
Deferred	243	311	-22%	230	326	-29%	60	27	28	-3%	
Death	174	213	-18%	177	225	-21%	60	19	16	21%	
Death Grant	33	39	-15%	39	38	3%	60	40	45	-11%	
Dependant	55	74	-26%	65	78	-17%	60	29	27	10%	
Divorce	12	15	-20%	24	21	14%	90	91	94	-3%	
Total	**2055**	**2714**	**-24%**	**2161**	**2522**	**-14%**					

The following provides further detail on statutory task data:

Overall Caseload:

In this quarter caseloads received have decreased by 24%, although volumes remain high within most areas. There has also been a decrease in the caseload completed by 14% as the team continue with peer to peer training for key roles. There are ongoing actions within the team to improve overall performance.

Prioritised Tasks:

- **Issue of Pension Options & Pensions Brought into Payment**
  - Whilst there has been a small drop in cases received within each of these areas by 5%, the team continue to give priority to these tasks and there has been an increase in the cases completed by 30% in options and 17% in actuals.
  - 3 staff have taken on acting up into Senior Pension Assistant roles from the begin of June these have been utilised to assist.

- **Processing of Death Benefits, Payments of Death Grants, and Dependant Pensions**
  - A decrease in caseloads received in all 3 areas was noted in this period.
  - Death grant days to completed have dropped by an average of 5 days.

Other Statutory Tasks:

- **New Member Processing:** The benefits of the new workflow procedure can be seen in this area as all new joiners within this period have received their paperwork and the average days have decreased.
- **Estimates:** The volume of estimates received in this quarter stayed consistent with only a 7% decrease, however there was a 38% increase in the number of estimates completed.
- **Deferred Member Processing:** There was a continued decrease of deferred cases of 22% and the days to complete have dropped by 3%
- **Outbound Benefit Transfers**: Case volumes decrease by 35%, average processing days remained consistent.
- **Inbound Benefit Transfers**: There was a continued decrease in case volumes of 34%, cases in this area are still affected by McCloud.
- **Divorces:** case volumes remain low but these calculations can be complex to undertake.

5.1 Other Pension Operations

The following table summarises the other operations undertaken in addition to statutory requirements:

	Received This Quarter	Received Last Quarter	% Difference	Completed This Quarter	Completed Last Quarter	Percent Difference		Days To Complete This Quarter	Days To Complete Last Quarter	% Difference
Amend	1318	1665	-21%	1350	1427	-5%		18	17	7%
Certs	252	91	177%	73	94	-22%		15	14	9%
Other	954	765	25%	883	739	19%		45	54	-17%
Process	1055	1208	-13%	1140	1045	9%		179	143	26%

5.2 Employer Contributions

For the period April-June which covered the payroll periods of March to May we received 1 Late payment (ongoing issued detailed below) and 5 late submissions of the TPF91 form which is required to be provide supporting details for payment, the late forms were submitted shortly after the deadline.

As advised previously there is an ongoing issue with 1 employer with the fund continuing to liaise with the employer and updates will be provided in future reports.

Employers and Member Online Portals:

5.3 MSS Update

On 30/06/2024 there were 16,046 members registered for the Member Self Service Portal. This is an increase from the last quarter of 520 new members registered.

5.4 I-Connect Update

37 employers are now using I-Connect on a monthly Basis. All employers have engaged with Tayside Pension Fund on the requirement to be fully operational and those not currently using I-Connect have a plan in place for this.

5.5 Call Centre

Inbound calls have increased this quarter, with the total calls answered amounting to 2979. This equals 566 hours of staff time being spent on calls and continues to be a major resource for the team.

5.6 Compliance

National Fraud Initiative: There are still 5 cases outstanding at the end of this quarter and Tayside Pension Fund will liaise back to the Dundee City Council fraud section regarding these where appropriate.

5.7 Recruitment

- Following on from interviews in the last quarter a new clerical assistant started in May.
- At the end of April, the Pension Admin Manager retired, the job was advertised internally and interviews were undertaken. Until the resource review is complete the position has been shared between 3 staff to allow for training in the role with the responsibilities being shared. This will also allow for the business as usual to continue within the team whilst this is ongoing.
- As part of the ongoing resource review a meeting with Strathclyde has been arranged for the next quarter.
- Internal recruitment was undertaken for the acting up for 3 staff into Senior Pension Assistant roles, this took effect from June.

5.8 Queries & Complaints

- 4289 emails were received into the generic email account in the quarter up to the 30th June, this equates to approximately 66 emails per working day. This is a decrease of 150 emails from the last period. Emails continue to be a significant work allocation within the team due to the considerable amount of time to review member records and ensure that a full response is provided.
- Complaints to Prudential: No escalated complaints received.
- GDPR: No GDPR breaches within this quarter.
- Complaints: During the quarter there was 1 complaint which was upheld.

5.9 Staff Training

- In House Training

Training remains within the team being undertaken either face to face and via MS Teams. Senior members of the team received training in the handover of duties prior to the retiral of the Pension Administration Manager and peer to peer training continues to be delivered by experienced staff for team members taking on new roles or learning new areas within their current role.

As the majority of training is undertaken inhouse it is recognised the impact this has on the completion of caseloads and this will be reviewed in the wider resource review.

5.10 Employers

A meeting was held via Microsoft Teams with 2 HR advisers from Dundee City Council to discuss the new ill health process. A further meeting has been arranged in the next quarter.

All employers have been offered the opportunity of a meeting to discuss the change.

5.11 Annual Pension Increase

The 2024 Pensions Increase was applied to all pensioners with effect from 8th April 2024. The percentage increase was 6.7%. For Pensioners, this provided them with a partial increase for April of 7 days at the old rate and 23 days at the new rate, with the full monthly increase coming into effect from May. A notice was also posted on to the Fund website to provide details of the increase.

5.12 End of Year Update

At the 30th June 2024:-

- 4 employers have submitted a first version end of year file
- 1 employer has uploaded 3 submissions
- 36 employers have uploaded all submissions for the end of year.

Employers who had not uploaded all submissions had queries or issues on the files and these were awaiting resolution.

5.13 Annual Benefits Statements

The elections forms required to be issued to new active members began on the 3rd June 2024. As at the 30th June 2024, 2461 forms had been generated and sent. Annual Benefit Statements were generated and issued either via upload to MSS or via post by the deadline of 31st August to all active and deferred members. Full details of the annual exercise will be provided in the next quarter.

5.14 McCloud remedy

- Employers

We are still awaiting information from some employers on change in hours and service breaks for members. We are actively liaising with employers to receive this information but understand this is a significant task for payroll departments due to having to provide information from the 1st April 2015 up to 31st March 2022.

- Update on transfers

As software updates are still outstanding the LGA created a spreadsheet for calculating Non Club transfers and this is now in operation. The LGA advised they will not be providing a spreadsheet for Club transfers and the Scottish LGPS funds are working together to create a resource for this.

5.15 Abolition of the Lifetime Allowance (LTA)

The UK Government introduced legislation to abolish the lifetime allowance and this came into effect from the 6th April 2024. It has however introduced two new lump sum limits to restrict the amount of tax-free cash an individual can take over their lifetime.

As with the lifetime allowance, most LGPS members will not be affected by the new lump sum limits below:

Limit	Lump sums included	Lump sum allowance (LSA)
£268,275	Pension commencement lump sums (PCLS) and uncrystallised funds pension lump sums (UFPLS)	Lump sum and death benefit allowance (LSDBA)
£1,073,100	PCLS, UFPLS, serious ill health lump sums (SIHLS), authorised lump sum death benefits	

The change in the new lump sum limits has meant that member retirement forms have been amended to ensure the necessary checks are been taken prior to the payment of member benefits.

6. EXIT CREDITS CONSULTATION

The Scottish Public Pensions Agency ran a short technical consultation on the draft Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024. The consultation ran from 9 May 2024 to 30 May 2024. The draft regulations propose:

- introducing a discretionary power for administering authorities to determine the amount of exit credit payable to an employer leaving the LGPS (aligning with the approach in LGPS England and Wales)
- implementing a six-month deadline from the exit date to pay exit credits (or such longer time as the authority and employer may agree).

The regulations are intended to also cover employers who left between 1 June 2018 and the date the regulations come into force (proposed to be 29 June 2024) where the exit credit has yet to be paid. A working group of the Scottish Scheme Advisory Board is considering whether any guidance is needed for administering authorities on the factors to consider when exercising the discretion, to ensure a degree of consistency. The consultation documents, including response, are available on the Scheme consultations page of the LGPS and Regulations Guidance website.

Scheme Consultations (scotlgpsregs.org).

7. SPPA CIRCULAR 7/2024

- **McCloud Remedy Underpin Information in 2024 Annual Benefit Statements**

The Scottish Public Pensions Agency (SPPA) published Circular 7/2024 on 31 July 2024. The circular was provided to notify that Scottish Ministers are preparing to consult on regulations to remove the requirement to include McCloud Remedy underpin information on the 2024 Annual Benefits Statements which were issued to members by 31 August 2024.

As the legislation is currently written Administering Authorities are required to include McCloud Remedy underpin information for qualifying active members in Annual Benefit Statements from this year onwards. However, it has been recognised that significant steps are needed to accurately update members' records to include the underpin information, including the collection, validation and testing of data from employers, updates to IT systems, and amendments to individual records. All these steps will need to be undertaken before Annual Benefit Statements can reflect a member's underpin rights.

Due to the difficulties in obtaining this information and to help ensure this does not detract from work on other aspects of the McCloud remedy, the SPPA will shortly consult on draft regulations to modify the requirement to include underpin information in the 2024 Annual Benefit Statement.

Administering authorities will be given the discretion to provide this information for members, if they have access to the necessary information. The amendments will be backdated to 1 October 2023, so that Annual Benefit Statement provided by administrators before the regulations are made are included within the change.

The SPPA will also seek views on whether to extend this to the 2025 ABS. If Ministers decide to take this approach, authorities will not be required to include the estimated underpin information for eligible members if they are not confident that they possess the necessary information in full. Where this decision is taken, underpin information for that member would not need to be included until the 2026 ABS. The SPPA are proposing that any administering authorities planning to exercise this discretion makes this decision by 31 July 2025, and informs affected members of this decision via their ABS for 2025.

As these modified regulations will not be in force before the 2024 ABS deadline of 31 August the Pensions Regulator (TPR) expects all administering authorities to report that they will not be in a position to include underpin information in the 2024 ABS. SPPA will also make TPR aware that the breach should be resolved when the regulations come into force later in 2024.

- **Calculating interest on payments resulting from McCloud**

The circular also covered part 3 of the LGPS (Remediable Service) (Scotland) Regulations where it sets out which past cases must be recalculated by administering authorities, where additional payments are due as a result of the recalculation, regulation 14 of those regulations sets out the special interest rules to apply.

The SPPA are proposing to make changes consistent with the provisions in the LGPS in England and Wales, which provide that interest is calculated from “the earliest date from which the administering authority would have been able to make the payment”. The 2023 regulations do not currently explicitly provide the date from which the interest is to be calculated.

In addition, in respect of recalculating top-up payments to trivial commutation payments, pension commencement lump sums, transfer payments and death grants, the 2023 regulations will provide that interest is calculated from the date the authority paid the original lump sum.

The SPPA intend to consult on amending regulation 14 with retrospective effect to 1 October 2023.

8. <u>Updated GAD guidance</u>

The Scottish Public Pensions Agency emailed administering authorities with new LGPS actuarial guidance on 14 May 2024, which took effect immediately. The guidance does not contain any new factors, but does provide additional information about how the McCloud remedy will affect certain calculations. The guidance update is:

- Early Payment Guidance
- Late Guidance

9. REGULATIONS

Details of regulatory matters are contained in Appendix 1.

10. POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

11. CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

BACKGROUND PAPERS

None.

ROBERT EMMOTT

EXECUTIVE DIRECTOR OF CORPORATE SERVICES **13 September 2024**

Appendix 1

REGULATORY COMMUNICATIONS

The Scottish Scheme Advisory Board (SAB)

The Scottish Scheme Advisory Board (SAB) recently published its May bulletin.
SAB Bulletin – May 2024 | LGPSAB

The bulletin follows its latest meeting held on 15 May 2024 and covers:

- the gender pensions gap
- the 2023 fund valuations
- the exit credit consultation
- LGPS specific cost control mechanism for Scotland
- Economic Activity of Public Bodies (Overseas Matters) Bill
- fund annual reports
- agreed measures to develop the SAB's work

Wider Landscape

HMRC

Pension schemes newsletter 157
Pensions schemes newsletter 157 — March 2024 - GOV.UK (www.gov.uk)

The newsletter covered:-

- additional security on the Managing Pension Schemes service
- migrating to the Managing Pension Schemes service
- updates to HMRC forms that are used for qualifying recognised overseas pension schemes (QROPS) transfers
- an invitation to volunteer to assist HMRC develop the function to submit the APSS262 form on the Managing Pension Schemes service
- updates to the event report due to the abolition of the LTA. The newsletter also contains additional FAQs on the abolition of the LTA.

- **Pension schemes newsletter 158**

Pensions schemes newsletter 158 — April 2024 - GOV.UK (www.gov.uk)

This newsletter gives more information on the abolition of the LTA and included:

- an update on future communications and guidance
- an outline of changes that will shortly be made through regulations. These will have effect from 6 April 2024 and cover:
  - transitional tax-free amount certificates
  - reporting requirements
  - protections
  - lump sum death benefits
  - overseas transfer allowance
  - scheme-specific lump sum protection
- guidance on how schemes should operate before the regulations come into force. The newsletter also covers the impact of the abolition of the LTA on the McCloud remedy.

- **Pension schemes newsletter 159**

Newsletter 159 — April 2024 - GOV.UK (www.gov.uk)

The newsletter provided more information on the abolition of the LTA. This included clarification on:

- how to treat benefits paid from 6 April 2024 where the individual became entitled to them before that date
- pension commencement excess lump sums
- the statutory override
- lump sum death benefits and transitional calculations
- how to deal with cases where further regulations are required and the member requires payment and cannot wait due to financial hardship
- lump sum reporting.

The newsletter also covered the tax treatment of interest payments for McCloud recalculations.

- **Pension schemes newsletter 160**
  [Newsletter 160 — May 2024 - GOV.UK (www.gov.uk)]

  The newsletter includes articles on:

- transitional tax-free amount certificates: a link to a new online member tool to check if they can apply and a reminder on what must be included on certificates
- payroll reporting for 2024/25: information on reporting certain authorised lump sums, such as death grants
- managing pension schemes service: information on submitting pension scheme returns, a reminder to migrate and a request for volunteers to assist HMRC with their plans to move the lifetime allowance protection look-up service onto the Managing pension schemes service
- contacting HMRC pension schemes services: a reminder of the correct routes for pension administrators to raise queries.

- **Lifetime Allowance**

Abolition of the Lifetime Allowance (LTA)

On 26 April 2024, HMRC published a consolidated version of all the frequently asked questions (FAQs) published, in pension scheme newsletters and Lifetime Allowance (LTA) newsletters, since January 2024. Including those published in pension schemes newsletter 157.

Updates to Pension Tax Manual (PTM)

HMRC updated the Pensions Tax Manual (PTM) with the changes brought about by the abolition of the LTA on 6 April 2024. The PTM details the changes made by Finance Act 2024 and the Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024. Any changes subject to further regulations will be highlighted in the PTM by pointing users towards the relevant LTA newsletters.

- **McCloud**

Impact of the abolition of the LTA on the McCloud remedy

HMRC published pension schemes newsletter 158, which covered the consequences of abolishing the lifetime allowance (LTA) on the McCloud remedy.

For the LGPS, the key points are: •

- Pensioner members will have a new tax entitlement if their benefits increase due to McCloud recalculations. The original benefit crystallisation events do not change.
- If the entitlement to the extra pension arises after 5 April 2024 and the member can and does elect to commute part of the extra pension for lump sum, a relevant benefit crystallisation event (RBCE) occurs, using up some of their lump sum allowance and lump sum death benefit allowance.

- Regulation 31 of The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 needs to be amended. It covers top-up death grants from McCloud recalculations. It aims to treat top up death grants paid after the ‘relevant two-year period’ as being paid within that period for tax purposes if the original death grant was. The ‘relevant two year period’ begins with the date the administrator first knew of the death, or could first reasonably have known of it. Due to changes to abolish the LTA from 6 April 2024, regulation 31 no longer delivers the intention. HMRC will consult with public service schemes to resolve this.
- Administering authorities will need to be careful upon receiving transitional tax-free amount certificate applications from members with previous benefits in other public service schemes - other than the LGPS. This is due to the retrospective nature of the McCloud remedy in those schemes. Before issuing a certificate, additional enquiries are necessary.
- HMRC plans to extend the deadline for applying for Fixed Protection 2016 or Individual Protection 2016 for members with remediable service, changing it from 5 April 2025 to 5 April 2027

Tax treatment of interest payment on McCloud recalculations

In newsletter 159, HMRC had confirmed it had updated previous guidance in newsletter 156 regarding the tax treatment of interest payments on arrears or top up payments stemming from McCloud recalculations. Before it was updated, newsletter 156 suggested a portion of the interest payment may have been an unauthorised payment. The updated guidance clarifies if the interest is paid on an authorised payment, the whole interest payment is also an authorised payment.

Public service pensions remedy newsletter

HMRC published the latest public service pensions remedy newsletter on 14 June 2024.
Newsletter on the public service pensions remedy — June 2024 - GOV.UK (www.gov.uk)

The newsletter covers:

- the interim process for members while the ‘Calculate your public service pension adjustment service’ is unavailable
- planned improvements to the ‘Calculate your public service pension adjustment service’ and proposed release dates. HMRC plans to re-open the service with some improvements in place in mid-July 2024, with further updates in September 2024
- a request for volunteers to email publicservicepensionsremedy@hmrc.gov.uk if they would like to influence the future development of the service.

Pension Dashboards

- The Pensions Regulator (TPR) has published a ‘Check your connect by date’ tool. Administrators can use this tool to work out by when they should connect to the dashboards ecosystem in line with guidance published by the Department for Work and Pensions (DWP). All public service pension schemes should connect to the ecosystem by 31 October 2025.

- **PDP progress update report**

PDP published its ninth progress update report. The report looks back at the achievements since October 2023, as well as looking ahead to its focus areas for the next six months.

The Data standards version 1.2 was published on the 30 April 2024
Data standards: what they are, what’s been updated and what this means for industry | Publications | UK Pensions Dashboards Programme

This covers the data requirements for ‘finding’ and ‘viewing’ pensions information that are mandatory for providers and schemes connecting to the ecosystem. They are there to build a common set of message handling tools to receive and reply with data. The ISP being used will use their processes to meet the data standards. However, as the standards apply to administering authorities, they remain responsible for compliance, even if implementation is delegated to an I S P. Further guidance on connection and the technical, reporting and design standards will be published once tested and validated by the volunteer participants.

- **PASA Spring 2024 dashboards update**

An update from the PASA Dashboards Working Group – Spring 2024 – The Pensions Administration Standards Association (pasa-uk.com)

The Pensions Administration Standards Association (PASA) published their Spring update on dashboards. The update looks at AVCs, a matrix of synthetic test cases, matching and administration readiness

Guidance on data presence and accuracy has also been published. The guidance sets out why data should not just be present but accurate. It provides suggestions on how administrators can improve and maintain their data accuracy. This guidance may prove particularly helpful when preparing data for submission to the pensions dashboards ecosystem.

PASA DWG – Data Accuracy vs Data Presence – The Pensions Administration Standards Association (pasa-uk.com)

The Pension Regulator (TPR)

- **Blog on equality, diversity and inclusion**

Equality, diversity and inclusion: how transparency can help to build trust | The Pensions Regulator Blog

TPR published a blog on equality, diversity and inclusion: how transparency can help to build trust. The blog discusses transparency on TPR's pay gaps and why this is a small but important part of making workplace pensions for all savers. It also includes publication of TPR's gender pay gap data.

- **Corporate plan for 2024 to 2027**

Corporate Plan 2024 to 2027 | The Pensions Regulator

The Pensions Regulator (TPR) published its new Corporate Plan 2024 to 2027 on 3 May 2024. The plan sets out TPR's direction for the next three years, explaining how it will protect savers' money, help to enhance the pensions system and support innovation in the interests of savers.

The Pension Ombudsman (TPO)

- **Blog on the TPO operating model**

Operating Model Review - A blog by Dominic Harris | The Pensions Ombudsman (pensions-ombudsman.org.uk)

This blog from the Pension Ombudsman talks about:

- how the TPO operating model review will benefit the industry and members
- changes that mean a member must exhaust a scheme's formal complaints process before bringing a case to TPO.

<u>Miscellaneous</u>

- **2020 HM Treasury cost control mechanism results**

On 19 April 2024, the Government Actuary's Department released the results for the 2020 HM Treasury cost control. The results showed that the core cost was 12.4 per cent of pensionable pay. This is 2.8 per cent below the employer cost cap of 15.2 per cent. As this lies within 3 per cent of the cost cap corridor, there is no breach of the cost control mechanism. Therefore, there is no requirement for Scottish Ministers to consult on changes to the scheme.

The Government Actuary's Department recently published a webpage which contains links to the 2020 cost control valuation reports for all relevant UK public service pension schemes.

Public Service pensions: 2020 actuarial valuation reports - GOV.UK (www.gov.uk)

- **Finance (No. 2) Act 2024**

Finance (No. 2) Act 2024 (legislation.gov.uk)

The Finance (No. 2) Act 2024 received Royal Assent on 24 May 2024. The Act amends the rules concerning collective money purchase (CMP) schemes. The amendment ensures that HMRC's regulation-making powers cater for the range of situations which may arise when a CMP scheme discharges its liabilities on winding up

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 SEPTEMBER 2024

REPORT ON: TAYSIDE PENSION FUND 2023/2024 ACCOUNTS AND AUDIT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 271-2024

1. PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Fund for the year to 31 March 2024. A copy of the External Auditor's Annual Audit Report (Report No 273-2024) and the Draft Audited Annual Report and Accounts 2023/2024 for the Tayside Pension Fund (Report No 272-2024) are also to be considered.

2. RECOMMENDATIONS

It is recommended that the Committee notes the contents of External Auditor's Annual Audit Report, in particular that Audit Scotland anticipate issuing an unqualified audit opinion.

3. FINANCIAL IMPLICATIONS

None.

4. MAIN TEXT

4.1 Introduction

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Tayside Pension Fund for the financial year 2023/2024 was carried out by Rachel Browne, Audit Director, Audit Services, Audit Scotland. The Auditor General for Scotland and the Accounts Commission for Scotland appointed Audit Scotland for a five-year period, 2023/24 being the second year of the new appointment.

The 2023/2024 Unaudited Statement of Accounts was circulated to elected members and to Audit Scotland on 24 June 2024, in line with the statutory deadline. The Accounts have been subject to a three-week statutory public inspection period and no objections were received.

4.2 External Auditor's Annual Audit Report

Audit Scotland have now completed their audit work and, in accordance with auditing standards (ISA 260), they are now required to report the outcome of their work in relation to the financial statements. This requirement is addressed via their Annual Audit Report. The report is divided into the following five key areas:

- Audit of 2023/2024 annual accounts
- Financial Management
- Financial Sustainability
- Vision, Leadership and Governance
- Use of resources to improve outcomes

4.3 Conclusions

The External Auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. Their audit of the annual accounts confirms that the financial statements provide a true and fair view and were properly prepared. The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared.

The audit highlighted that the value of the Fund increased by 14 per cent to £5.5 billion during 2023/24 with overall investment performance outperforming the benchmark return set for the year. Indeed, the Fund was the second best performing Scottish Fund in 2023/24 and the only Fund to outperform its benchmark for the year.

In respect of financial sustainability, there are no concerns over the arrangements in this area. The results of the 2023 full triennial valuation of the Tayside Pension Fund showed a marginally improved position with a funding level of 110 per cent. This enabled the Fund to reduce the employers' common contribution rate to 15.7 per cent for the period 2024-2027. Based on a funding position of this level and the healthy net asset position at 31 March 2024, the audit concluded there are no concerns about the financial sustainability of the Fund or the viability of the current funding strategy.

The Fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation approved after the 2020 triennial valuation and increased its proportion of alternative investments from 0.2 per cent to 4.7 per cent during 2023/24.

In terms of vision, leadership and governance the audit confirmed that the Fund has appropriate arrangements in place to support good governance and accountability, and scrutiny of decision-making. The Fund conducts its business in an open and transparent manner.

Finally, whilst the audit considers that appropriate arrangements are in place to secure best value it is noted that the number of pension administration cases increased during 2023/24 and the average time to process these doubled. This was partly as result of the increase in number of cases and additional workload and administrative impact of implementing the McCloud remedy. The administrative capacity will be reviewed during 2024/25 in light of this and this is noted within the recommendations of the auditor's report.

5. POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6. CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services has been consulted on the content of this report.

7. BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **13 SEPTEMBER 2024**

Draft Audited

Annual Report and Accounts

2023/24

Tayside Pension Fund

Administered by Dundee City Council

Management Commentary

Governance

Financial Statements

Funding

Investment

Pension Administration

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 2024, Tayside Pension Fund had investment assets of c.£5.4billion, and a membership of over 56,900 across 41 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

The Annual Report of Tayside Pension Fund provides information on the investments and financial statements of the Fund. It also informs our members, employers and other interested stakeholders more about the Fund's activities and performance throughout the financial year, and as the Fund's responsible officer, I'm delighted to present the Annual Report and Financial Statements for 2023/24.

Looking at the geo-political and economic events of the last twelve months, and the potential impact on financial markets, we remain cautious in the short-term despite the financial performance of the Fund, and want to reinforce the Fund's commitment to focus of consistency, sustainability and resilience.

Whilst maintaining a long-term view at a Fund level, the marked upsurge in technological advances in both medicine and Artificial Intelligence seen this year have been beneficial to the fund, but also make us curious of the impact that these will have on everyday lives, and how businesses of the future will operate, including the pensions world.

Having taken on my role in the early days of the pandemic, I'm mindful of the rapid changes and adaptations that the Fund implemented in order to ensure continued service delivery to members and employers; but recognise that there is need for further changes to our operating platform as a result of increased requirements introduced by legislation and regulators.

This year has seen the publication of the Pensions Regulator's Single Code of Practice, as well as the initiation of the age discrimination rectification exercise (McCloud) and the impending introduction of Pensions Dashboards as well as others, the Fund now needs to assess the suitability of existing governance arrangements, and over the year, the Fund Officers have been working with their Auditors and other advisors who have been undertaking analysis across the key areas of governance, administration and investment. Over the coming year, the Fund Officers are focussed on improvements and developing a revised structure and operating model. Myself, the Sub-Committee and the Board are committed to providing support and scrutiny in order to ensure stability and that the Fund is best positioned to deal with the unknown future challenges that continue to be encountered.

Lastly, after what has been yet another challenging year for the Fund, I'd like to take the opportunity to thank the Fund officers and staff for their continuing dedication and commitment. Their efforts are key to maintaining this strong and stable Fund, and I look forward to continuing to work with them, the Sub-Committee, and Board in the coming year, providing high-quality services to both 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.

It has been a year dominated by global inflationary pressures and recessionary fears, as central banks continued to fight to bring inflation back to target by raising interest rates. The latter part of the year saw a stabilising of inflation, and with it, the likelihood of rate cuts. This strengthened financial markets as investors grew increasingly hopeful that central banks would be successful in engineering a 'soft landing' for the global economy. Against this backdrop of growing investor sentiment, the Fund asset value also rose to £5.494bn by end of March 2024.

Whilst these are encouraging signs, we cannot overlook the continuing and increasing levels of geo-political turmoil and the potential impacts on financial markets; and the Pensions Sub-Committee and Board are committed to providing effective stewardship in ensuring that the Fund maintains a long-term strategic focus amongst this turbulence.

With this in mind, I am pleased to inform that during the year the Fund appointed two new investment managers. This sees the first significant investment in alternatives for Tayside Pension Fund, and the members of Sub-Committee and Board will be monitoring this initial phase, as well as further evolution of existing investment mandates.

The Fund also underwent the triennial actuarial valuation, and although the last three years have been extremely challenging for investments, the Fund has seen a further improvement in funding levels. With the focus firmly on long term sustainability, the Sub-Committee have been fortunate to have been able to approve the reduction of the common rate of employer contribution to 15.7% of employee payroll. This is effective from 1st April 2024 for a period of three years, and will assist in reducing the financial burden on pension fund employers in providing pensions to their staff.

Although I have no doubt that the Fund will continue to face challenging times ahead, I continue to enjoy working with my colleagues on the Sub-Committee and Pension Board, as well as the officers and staff, and I look forward to supporting them in the year ahead and thank all officers and staff for 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.

Having been a Pension Board member since its introduction, I have experienced the evolution of the governance environment and the ever-growing requirements as a result. Whilst providing stakeholders with increased transparency, to those responsible for the management and oversight of the fund, these additional responsibilities pose continuous challenge and obstacles that have to be overcome to achieve successful delivery of the outcomes desired. I would like to recognise the efforts of the staff and Officers, as well as my Board and Sub-Committee Colleagues in their continuing dedication to their sound governance of the Fund.

Throughout the year, the Board has been able to gain reassurance from internal audits undertaken of compliance and good practice in respect of the operational areas of Pension Administration and Liquidity Management, as well as recommendations for improvements, the implementation of these, the Board will monitor.

Environmental Social & Corporate Governance (ESG) standards have become incredibly valuable as stakeholders seek more accountability and transparency. Through the year, the Fund has had a specialist review undertaken to consider the current policy and practices, and highlight areas for improvements. Both myself and my colleagues on the Pensions Board are eager to see the impact of these changes.

With the publication of The Pensions Regulator Single Code of Practice (setting out their expectations of the conduct and practice for compliance), The Board are reassured that the Fund have been proactive in having already undertaken a compliance workshop, in order to highlight areas for changes required.

The Board remains extremely aware of these challenges as well as others that the LGPS faces in the near future, and we will continue to ensure that we work proactively with the Pension Sub-Committee and Fund officers to ensure compliance and best practice wherever possible.

As the role of Chair passes annually, I would again like to take this opportunity on behalf of the Board, to express our gratitude to the Officers and staff of the Fund, and we look forward to working together in the coming year.

Arthur Nicoll
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 2023/24 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 existing investment policies and strategies underwent review over the year:

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

Further information can be found at our website: https://www.taysidepensionfund.org/resources/

2023/2024 Events and Activities

Investment

In order to achieve further diversification and investment in alternative asset classes, the Fund officers and advisors undertook a large-scale procurement exercise to seek appropriate investment managers. Further recommended strategic asset reallocations were made to the Fund's bond portfolios, and the procurement exercise was expanded to accommodate.

The outcome of this exercise resulted in the appointments of Partners Group (Direct Private Markets), Apollo (Multi-asset Credit), and LGIM (Buy & Maintain) in December 2023. These investments were funded by the termination of the GSAM Bond mandate and rebalancing of other portfolios.

The asset transitions were undertaken in February and March, prior to the end of the financial year.

Changes to Regulation / Legislation

The following provides a summary of the legislation published in 2023/24:

SI2023- 270	The Guaranteed Minimum Pensions Increase Order 2023
SI2023- 338	The Pension Increase Review Order 2023
SI2023- 232	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2023
SI2023- 252	The Public Service Pensions Revaluation Order 2023
SI2023- 266	The Social Security Revaluation of Earnings Factors Order 2023

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

Consultations

- McCloud remedy in the LGPS – Supplementary issues and scheme regulations

The consultation sought to gather the views on the supplementary 'McCloud' issues and the updated draft LGPS (Scotland) (Transactional Protection Remedy) regulations 2023. The change would be put in place to ensure consistency when applying the underpin protection to members.

I.T. Developments

- I-Connect

During the year, the team continued to work with employers to increase usage of the system and functionalities. Communication is ongoing with some employers to assist them with undertaking full operational use.

- Member Self Service

All new starters into the fund are now provided automatically with MSS joining instructions from their first communication, along with details on the right to opt out receiving communications in this format if they wished to do so. The system is utilised by members once registered to update personal details, receive communication from the fund and project calculations. By the end of year, 15,526 individual users were registered.

- Contact Centre

The contact centre launched in 2022 and has continued this year to provide effective customer service to members and record the number a high call volume being received.

- Altair Database Server upgrade

During the year, the servers upon which the Altair databases are held were upgraded.

Training, Development and Communication

- Pension Sub-Committee, Board, and Officer training offered throughout 2023/24:

Funding	Implications of the 2023 Actuarial Valuation What the valuation is telling us about the LGPS
Investment	Economic overview and implications for the LGPS How to invest in a more volatile and inflationary environment Opportunities and threats in private debt markets
ESG	Applying carbon metrics to your fund Does social focus make investment sense, and can you measure it? The need for nature: Demystifying natural capital Carbon analysis in multi-asset credit Improving member engagement
Governance	The role of trustee in the pension fund
Administration	Administration issues – What's on the horizon?

- Staff Training

The following training was provided to staff:

<table>
<tr><th>Topic</th><th>Provider</th><th>Training method</th></tr>
<tr><td>I-Connect – Refresher training</td><td>In-House</td><td>Face to face & via MS Teams</td></tr>
<tr><td>Member Self Service– Refresher training</td><td>In-House</td><td>Face to face & via MS Teams</td></tr>
<tr><td>GDPR</td><td>Dundee City Council</td><td>E Learning</td></tr>
<tr><td>Pension Dashboards</td><td rowspan="4">Aquila Heywood (system provider)</td><td rowspan="4">Webinar</td></tr>
<tr><td>Change in legislation (McCloud)</td></tr>
<tr><td>Annual Benefit Statements</td></tr>
<tr><td>System Updates</td></tr>
<tr><td>McCloud</td><td>Local Government Association</td><td>via MS Teams</td></tr>
<tr><td>Annual Allowances</td><td rowspan="2">Aquila Heywood (system provider)</td><td rowspan="2">Training delivered via MS Teams</td></tr>
<tr><td>Insights (system provider's pension dashboard system)</td></tr>
</table>

- Employer / Members Sessions

The following sessions were held online over the year:

Employer	Topic
All Employers	Employers Forum was held via MS Teams. The topics covered were Provisional Update on Valuation, I-Connect Plans and future updates, monthly contributions, Pension Increase and McCloud.
PKC	Q&A session via MS Teams with Social Work staff (care home based)
Employers	Employers provided with topic specific ad hoc Microsoft Teams sessions as requested to discuss matters as they arose during the year.
Culture PKC	New payroll provider had been put in place, a meeting was held to cover I-Connect, employee and employer contributions, AVC payments.

Members	Ad hoc MS Teams sessions run as and when required to fully meet the needs of the members. Sessions were held on such topics as annual allowance, retirement and transfers queries.

Working Arrangements

Staff continue to work within the hybrid working model where they work flexibly between home and office. To enable an effective service delivery to members, face to face appointments are available at Dundee House along with operating the MS Teams function for online appointments.

Priorities remain in line with TPR guidance with the processing of pensions, death benefits and payments to ensure that difficult circumstances are not exacerbated by unnecessary delays. We continue to support any employers who are experiencing service disruption and financial challenges, offering 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 Tayside Pension Fund's scheduled and admitted bodies can be found on page 114 with membership totals shown below -

	31 March 2023	31 March 2024
Contributing Members	18,912	18,765
Pensioners	18,008	18,645
Deferred Pensioners	11,427	11,774
Undecided or Frozen	7,235	7,721
	55,582	56,905

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 Fund.

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% for the period to 31st March 2024, however, following the triennial valuation as at 31st March 2023, they have recommended that the common contribution rate for employers be reduced to 15.7% for the period of 1st April 2024 to 31st March 2027.

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 City Governance 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 funds is as follows (following the Investment Strategy in Review approved on 26th June 2021):

Strategic Allocation	%	Allocation 31 March 2024	%
Equities	65%	Equities	72.8%
Bonds	13%	Bonds	13.1%
Property	12%	Property	9.4%
Alternatives	10%	Alternatives	4.7%

In the year to 31 March 2024, the Fund ended 1.45% behind benchmark, with outperformance largely across all portfolios except growth style equity portfolios, that have had a mixed year. Although financial markets experienced gains over the period, they continue to be extremely volatile. Over the year, the fund more than regained the losses of the previous year, and rose to £5.49bn from £4.8bn by 31 March 2024. Whilst the annual and longer-term performance are above benchmark, the medium 3-year term remains marginally lagging. Individual portfolio performance is detailed further within the Investment Section of the report.

- Administration

Pension administration continues to endure challenges with rising task volumes and ongoing training requirements to enhance knowledge and skillset within the team. The team continue to work closely with employers to provide support and address operational needs.

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: https://www.taysidepensionfund.org/resources/

Risk Management

- Risk Management Policy & Strategy

In 2021, an internal audit review of Risk Management and Regulatory Compliance Review was undertaken, and recommendations made which resulted in a revised policy and strategy being approved in June 2022.

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. This will assist the Fund in ensuring that risks which may impact on the achievement of objectives are effectively managed.

Further information can be found at our website
https://taysidepensionfund.org/resources/

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 maintain service due to loss of main office, computer system or staff
- Loss of funds through fraud or misappropriation
- Employers unable to participate in scheme

- Significant rises in employer contributions due to poor/negative investment returns
- Failure of global custodian
- Failure of Investment Manager
- Equity Risk
- Failure to comply with changes to LGPS regulations and other new regulations / legislation. Specifically:
  - GMP
  - McCloud
  - Pensions Dashboard
- Failure to comply with governance best practice. Specifically:
  - TPR New Draft Code of Practice
  - TPR Good Governance project outcomes
- Failure to provide quality service to members
- Failure to hold personal data securely
- Cybercrime
- 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 adequately with stakeholders
- Employer Covenant Risk
- Risks in relation to use of 3rd party service providers
- Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)

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

Despite the unprecedented levels of geo-political unrest, there were periods of stability over the year, moreover, financial markets experienced significant growth largely attributable to a cluster of technology stocks. The road to financial recovery however is uncertain as governments continue their battles against rising inflation, however, progress is now tangible, and the world awaits reductions in interest rates and a return to a more stable global environment.

Whilst the Fund remain long term investors, adverse market conditions pose additional investment challenges. In the area of administration, the challenges of implementing new legislation have been acute, as although laws are passed, detail as to the treatment of cases and guidance remains lacking, and this poses further performance challenges, as cases are subject to delay as a result.

The Fund will continue to work with its portfolio managers and professional advisors to sustain its strong financial position and overcome these challenges, and support Fund Officers to ensure effective and efficient management is maintained to protect members interests, and to support employers.

2023/24 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.

Tayside Pension Fund accounts shows contributions received of £123.8m. This has increased by £9.0m during the year to 31 March 2024. Benefits payable were £153.6m, which increased by £20.6m since the previous year. Contributions increased in the scheme during 2023/24 mainly due to salary increases of active members. 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. Tayside Pension Fund's net assets increased to £5.494bn from £4.834bn in 2023.

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

TAYSIDE PENSION FUND STATISTICS

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

Membership	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Number of Employers	46	45	43	42	41
Active Members	19,117	19,181	18,816	18,912	18,765
Deferred Members	10,410	10,485	10,865	11,427	11,774
Undecided / Frozen	4,842	5,238	6,139	7,235	7,721
Pensioners	16,635	16,937	17,526	18,008	18,645
Total Membership	**51,004**	**51,841**	**53,346**	**55,582**	**56,905**

Member Transactions	**2019/20** £000	**2020/21** £000	**2021/22** £000	**2022/23** £000	**2023/24** £000
Employer Contributions	73,736	76,211	81,241	84,524	91,564
Employee Contributions	25,890	27,091	28,363	30,210	32,200
Transfers In	4,551	3,635	6,221	3,954	8,008
Lump Sums Paid	(24,369)	(23,026)	(26,132)	(27,481)	(35,073)
Pension Paid	(91,639)	(96,061)	(99,574)	(105,447)	(118,462)
Transfer Out	(5,825)	(12,503)	(5,757)	(5,076)	(4,676)
Administration costs	(1,884)	(1,655)	(1,968)	(1,867)	(2,339)
Net withdrawals	**(19,540)**	**(26,308)**	**(17,606)**	**(21,183)**	**(28,778)**

Net Asset Movements	**2019/20** £000	**2020/21** £000	**2021/22** £000	**2022/23** £000	**2023/24** £000
Opening Net Assets	3,893,121	3,672,321	4,849,572	5,095,976	4,834,052
Investment Income	86,738	71,033	79,440	84,205	82,981
Management Costs	(9,605)	(10,411)	(10,494)	(9,934)	(10,422)
Member Transactions	(19,540)	(26,308)	(17,606)	(21,183)	(28,778)
Change in Market Value	(278,393)	1,142,937	195,064	(315,012)	615,692
Closing Net Assets	**3,672,321**	**4,849,572**	**5,095,976**	**4,834,052**	**5,493,525**

Cashflow Forecast	**2024/25** £000	**2025/26** £000	**2026/27** £000	**2027/28** £000	**2028/29** £000
Pension Income	127,553	132,600	137,847	143,303	148,976
Pension Expenditure	(163,445)	(172,972)	(183,061)	(193,746)	(205,063)
Net Pension Cashflow	(35,892)	(40,372)	(45,214)	(50,443)	(56,087)
Net Investment Income	74,205	77,804	81,577	85,534	89,682
	2029/30 £000	**2030/31** £000	**2031/32** £000	**2032/33** £000	**2033/34** £000
Pension Income	154,873	161,005	167,381	174,009	180,901
Pension Expenditure	(217,049)	(229,743)	(243,188)	(257,428)	(272,511)
Net Pension Cashflow	(62,175)	(68,737)	(65,807)	(83,419)	(91,610)
Net Investment Income	94,032	98,592	103,374	108,388	113,644

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 2024:

Bailie Willie Sawers (Chairperson)
Bailie Kevin Keenan
Councillor Steven Rome
Councillor Dorothy McHugh
Councillor Ken Lynn
Councillor Michael Crichton

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. The Pension Board is 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 2024:

Name	Representing	Organisation
Mr Kenny Dick (Chairperson)	Employer	Care Inspectorate & SSSC
Mr Arthur Nicoll	Member	UNISON
Cllr Stewart Donaldson	Employer	Perth & Kinross Council
Cllr Bill Duff	Employer	Angus Council
Ms Claire Shepherd	Member	UNITE
Mr George Ramsay	Member	UNITE
Mr James Cunningham	Member	GMB Scotland
Ms Margaret McGuire	Member (substitute)	UNISON
Mr Raymond Boyd	Member (substitute)	GMB Scotland
Vacant	Employer	

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. The meetings have continued to be held virtually throughout 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:

Robert Emmott	Executive Director of Corporate Services
Paul Thomson	Head of Corporate Finance
Tracey Russell	Service 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 Legal & General Investment Management Schroder Property Investment Management Goldman Sachs Asset Management (terminated December 2023) Apollo Global Management (appointed December 2023) Partners Group (appointed December 2023)
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
Covenant Advisor	PwC

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 38 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 Pension 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 Board 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:

- Pension Administration
- Liquidity Management
- ESG Strategy (Advisory Review)
- TPR General Code (Advisory Review)

The Head of Internal Audit must be 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 has received a Satisfactory Opinion of the Fund's governance, risk management and control, based upon the two internal audit reviews undertaken in the year, and two advisory reviews performed. There were 2 medium and 5 low risk rated findings across the internal audit reviews completed in the period. PwC advise that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

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.

The Fund held employers' meetings online throughout the year, and ensured that all key reports have been made available to stakeholders at the earliest opportunity via the Fund's website. The Fund intend to reinstate an annual face to face event through the course of the new financial 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 duties Elected Members 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.

To this end the Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives) framework Delivering Good Governance in Local Government. The Local Code of Corporate Governance explains how Dundee City Council delivers good governance and this Annual Governance Statement reviews the effectiveness of these arrangements.

In addition, the Council is responsible for confirming effective corporate governance arrangements exist within its other group entities. In line with Accounts Commission guidance, including Safeguarding Public Money: are you getting it right? Following the Public Pound and Arm's Length External Organisations (ALEOs): are you getting it right? part of that responsibility is about ensuring that public money is being used appropriately and achieving Best Value.

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 altogether or detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision and checking.

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.
- Three-year service plans for all service areas. Regular performance reports in relation to the service plans began to be reported to relevant Committees from November 2021.
- Performance Management Framework.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers.
- A Monitoring Officer to ensure compliance with laws and regulations.

- A Scrutiny Committee and individual Service Committees. The functions of the Scrutiny Committee are undertaken as identified in Audit Committees: Practical Guidance for Local Authorities, however, for Tayside Pension Fund, scrutiny is provided by the Pension Board rather than an audit committee.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- Ethical Values Framework.
- A Corporate Integrity Group.
- A Serious Organised Crime Group.
- Senior Officer Resilience Group.
- Council Leadership Team and each Service's Senior Management Teams.
- Participating in the National Fraud Initiative for sharing and cross-matching data with regular reports to Committee.
- 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 and Medium-Term Financial Strategy.
- Formal revenue and capital budgetary control systems and procedures.
- 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.
- Corporate Risk and Assurance Board, chaired by the Executive Director of Corporate Services as Senior Responsible Officer for risk.
- Corporate Governance Assurance Statement Group.
- Strategic Information Governance 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.

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 2023/24 review of governance arrangements against the Local Code of Corporate Governance has identified the Council as being 99% (2022/23: 99%) 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 74-point checklist covering eight 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; and Information Governance. This continues to score a high level of compliance, with an overall score above 92% for 2023/2024 (2022/2023: 91%).

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 should be confirmed independently, through the completion of a formal External Quality Assurance (EQA) process. The independent review was due to be undertaken in 2023 but has been subject to delay of the reviewer. Conformance with PSIAS, with the exception of updating the EQA within 5 years has been confirmed by the self-assessment prepared by the Service as part of the review. 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, based on the above, 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 2024.

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. The Council's financial management arrangements conform with the requirements of the CIPFA Financial Management (FM) Code (2019).

Continuous Improvement Agenda

The following are service improvements specific to Tayside Pension Fund achieved during 2023/24:

Business Area	Item	Description	Status / Information
Finance & Governance	Employer contributions	Changes required following review to assess adequacy of design and operating effectiveness of key controls supporting the employer contributions process	Additional controls implemented
Investment	Investment Strategy	Implementation of recommendations to achieve further diversification	Exercise completed
Administration	Changes to legislation	Analysis of records and plan to be developed & implemented to enable changes to legislation in relation to discrimination are implemented	Exercise ongoing
	Pensions Dashboard	Action of requirements following advisory review to assess readiness	Recommendations implemented

The following are service improvements specific to Tayside Pension Fund planned for 2024/25:

Business Area	Item	Description	Status / Information
Finance & Governance	Review of structure, roles and resources / Business Resilience	Recommendation of audits to review as a result of increasing number of new additional legislative and governance requirements	In initial stages
	Investment Strategy	Review of the design of key controls and governance that lead to advising on and setting the investment strategy.	Scheduled
	Employer Covenant	Employer engagement following outcome of review undertaken 2019/20 with aim of implementing recommendations.	Delayed from previous year as a result of resource constraints.
	Admission Agreements	Standardisation of admission agreements	Delayed from previous year and will coincide with covenant exercise
Investment	Investment Strategy	Following the outcome of the 2023 actuarial valuation, a review of the Fund's investment strategy will take place in 2024/25, with any recommendations actioned when market conditions favour.	Scheduled

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Pension Board meetings –
https://www.dundeecity.gov.uk/minutes/meetings?in_cc=35&in_dat=2

Fund Website - https://taysidepensionfund.org/resources/

- 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 2023 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 2023/2024. It is proposed over 2024/2025 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

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 38 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://taysidepensionfund.org/resources/

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, it is noted there is one area where it is considered only partial compliance has been made and further details are contained within the full Governance Compliance Statement which is available at:
https://taysidepensionfund.org/resources/

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

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 City Governance 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 risk areas facing Tayside Pension Fund are summarised as:

- Governance
- Funding
- Operational
- Pensions Administration
- Transitional

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 are included in Appendices A and B.

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 investment objective is to balance risk and return.

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

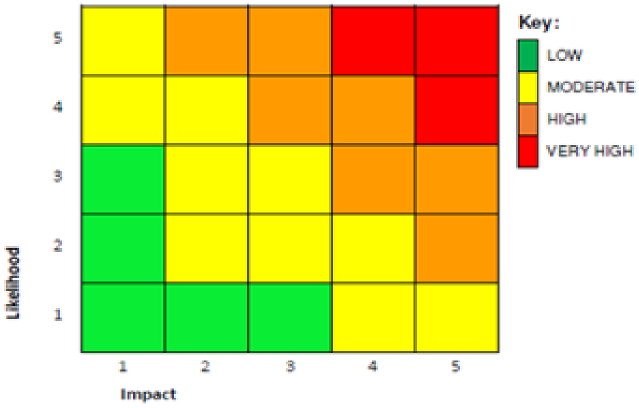
For this Tayside Pension Fund uses a standard methodology and template:

- 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 Corporate 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 Risk Appetite of Tayside Pension Fund is detailed in Appendix B.

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 pensions are 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.

TAYSIDE PENSION FUND RISK APPETITE STATEMENT

Introduction
Risk management is an integral part of good governance and corporate management mechanisms. Tayside Pension Fund (TPF) acknowledges that the Fund cannot be inherently risk averse and be successful. Therefore, effective and meaningful risk management involves taking a balanced view of risk and opportunity in delivering our objectives. This Risk Appetite Statement articulates the Fund's attitude to taking managed risks in support of strategic objectives. This statement will be reviewed annually in line with the Fund's Risk Policy.

Purpose
The purpose of the document is to outline the areas of principal risk to which the Fund is exposed, and set out an optimal and tolerable risk position. In doing this, this Risk Appetite Statement will:
- Set the parameters by which the Tayside Pension Fund officers will manage risk within the organisation.
- Inform resource allocation, balancing the need for effective risk management against the need to ensure value for money.

Areas of principal risk
The principal risk areas facing TPF are set out below:
- Governance: Risks associated with the policies, principles, processes, and resources used to govern the Fund.
- Funding: Risks of TPF having insufficient financial resources (assets) to pay its liabilities as they fall due.
- Operational: Risks associated with operational processes of TPF to achieve its operational objectives and desired operational results.
- Pensions Administration: Risks associated with TPF's interactions with members and employers, including record keeping.
- Transitional: Risks associated with short-term projects, likely to last for less than one year.

Definition of risk appetite
Tayside Pension Fund's risk appetite is described by setting an optimal and tolerable risk position, which are defined as follows:

- Optimal position: the level of risk at which the Fund aims to operate. Achieving an optimal position does not imply that TPF looks favourably on the risk. Risks at the optimal position may still represent a threat, however the controls currently in place are considered sufficient to reduce the risk to an appropriate level. Additional risk controls are not considered necessary for risks at the optimal position.
- Tolerable position: the level of risk within which TPF is willing to operate. Risks within the tolerance range may require further risk controls where suitable controls are available at a justifiable cost. Risks that are outside of tolerance represent the highest priority for further action.

In order to provide consistency across the TPF's activities, we consider risk appetite on the following scale:

Risk Appetite	Optimal position	Tolerable position	Description
Averse	Nil	Low	Avoidance of risk and uncertainty in achievement of deliverables or initiatives is the most important objective. We seek to remove any risks that could jeopardise our objectives. Residual risks will be tolerated only if they carry a "low" risk rating. Where necessary, significant cost can be justified in the interest of ensuring that the residual risk remains "low".
Minimalist	Low	Moderate (where unavoidable)	We seek to reduce our exposure to these risks as much as possible within the constraints of the organisation. Residual risks are considered optimal if they are rated as "low". Where multiple approaches are available, we have a strong preference for options that have a low degree of risk. The potential for benefit/return is not a key driver, and increased costs are justifiable in the interest of reducing risk. We will tolerate risks rated as "moderate" only where no reasonable controls are available.
Cautious	Low	Moderate (where opportunity	We seek lower risk options, especially where the opportunity for upside is limited or the cost of lowering risk levels is acceptable. We are willing to tolerate residual risks rated as "moderate" where there is the

		exists, cost unjustifiable, or unavoidable)	opportunity for significant benefit, where the cost of reducing the level of risk is unjustifiable, or where no reasonable controls are available.
Open	Moderate	High (where opportunity is substantial)	We consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. We are comfortable accepting "moderate" risks in recognition of the potential benefits available. We are willing to tolerate activities that carry, or contribute to, a high degree of residual risk where the opportunity for benefit is substantial.
Eager	Moderate	High	We are eager to be innovative and to choose options based on maximising opportunities and potential higher benefit, even where this results in increased risk. The level of residual risk resulting from activities is less important in the decision-making process than the opportunities available. A very high degree of residual risk can be tolerated.

Risk Appetite Statement

Tayside Pension Fund's Appetite for each area of principal risk is set out below.

- **Governance**
  The Fund have adopted a minimalist stance for governance risks. We recognise that effective decision-making processes and internal controls are essential for the long-term success of TPF. Reductions in governance risks have a role in optimising positive outcomes for the Fund. TPF ensure that the Pensions Sub-Committee, Pensions Board and Fund Officers receive sufficient support to carry out their duties effectively. Compliance with all relevant legislation, regulation, and codes of practice is crucial, and ensure all statutory requirements are met. The Pension Sub-Committee & Pension Board receive quarterly performance reports to provide assurance that compliance monitoring is in place so that compliance risks are promptly identified and mitigated where required.

- **Funding**
  We have adopted a varied stance on funding risks. Funding risks are central to the operation of a defined benefit pension scheme, and we note the wide range of risks captured by this category. We recognise the need for balance between the requirement to secure the solvency of the pension fund and the long-term cost efficiency of the Scheme.
  Within this category:

  - We have adopted an open stance on investment risk. We recognise that investing in assets that target a higher level of return can lead to improved outcomes for the Fund and lower contributions for employers, but also higher potential losses. We aim to optimise returns subject to an acceptable level of risk. Our Statement of Investment Principles and Investment Beliefs set out our investment objectives and the investment strategy we follow in order to achieve them. We report investment performance on a quarterly basis, and have regular engagement with investment managers and advisors to ensure that the investment strategy remains appropriate to achieve the level of returns required. We also undertake quarterly funding level monitoring.
  - We have adopted a cautious stance on environmental, social, and governance (ESG) risk. Investments which exploit the environment or otherwise give rise to risk arising from poor or unsustainable business practices are not consistent with the investment goals of the Fund. We seek to reduce ESG risks primarily through engagement via the activities of our delegated investment managers. Our Environmental, Social & Corporate Governance Policy sets out our approach to managing these risks in more detail.
  - We have adopted a cautious stance on employer-related risks. The employer-related risk is that individual employers are unable remain in the Fund and make payments in respect of their staff and their organisation, which could ultimately result in other employers needing to pay more. We seek to reduce this risk where possible, whilst seeking to ensure that contributions remain affordable for employers. Where there are circumstances which make it likely that a Scheme employer will have to exit the Fund, we will prioritise the solvency of the Fund above the affordability of employer contributions, however we will take all available efforts to ensure that the payment of liabilities to the Fund are affordable. The Fund utilises specialist services identify, assess, and manage all aspects of covenant risk.
  - We have adopted an adverse stance on liquidity risk. It is essential that TPF maintains sufficient liquid assets to pay benefits as they fall due. The Fund will not tolerate any risks that could jeopardise the

ability to access funds to pay benefits. TPF has a defined Treasury Management Policy & Strategy, as well as effective operational cashflow management.

- **Operational**

We have adopted a minimalist stance on operational risks. We recognise that operational risks (including asset security, data protection, business continuity, and cyber security) could threaten TPF's ability to pay benefits as they fall due. We therefore seek to reduce our exposure to these risks as much as possible. These risks are managed on a day-to-day basis primarily through the activities of third parties (including our custodian, appointed investment managers, and system providers) as well as in-house services provided by Dundee City Council as administering authority. TPF maintain regular oversight of both in-house and third parties to ensure that operational risks managed appropriately.

- **Pensions Administration**

We have adopted a minimalist stance on pension administration risks. We recognise that pension administration risks (including the risk of poor data quality, incorrect benefit calculations, and poor-quality service and communications) could negatively affect members, employers, and regulatory compliance. These risks could also be detrimental to the reputation of TPF.
Day-to-day pensions administration is carried out in-house. The Fund Officers maintain daily oversight of Fund administration, with TPF Pension Sub-Committee and Board maintaining regular oversight of TPF to ensure that pensions administration risks are managed appropriately. We seek to ensure that benefits are administered to a high standard on our behalf, with a preference for processes and systems that reduce pensions administration risks as much as possible within the constraints of the organisation.

- **Transitional**

TPF have adopted a varied stance on transitional risks (i.e. temporary and largely short-term in nature). These risks can result from events initiated by TPF or our service providers (for example, projects to improve systems or processes), or from external factors out-with the Fund's direct control (e.g. changes to legislation or the Covid-19 pandemic).
Within this category:

- We have adopted a cautious stance on events initiated by TPF as we recognise the benefits to the Fund of improving systems and processes, and as such, can tolerate moderate risks where significant opportunities are identified.
- We have adopted a minimalist stance on projects in response to external influences. We recognise that we have little control over the emergence of these risks and our focus is therefore on reducing their impact as much as is possible.

APPENDIX C

RISK ASSESSMENT MATRIX

Impact / Domain	1 None / Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
Political / Reputational	No media coverage / no impact on staff morale Little or no reputational impact	Local media short term / minor impact on staff morale and / or Some impact on reputation with principal stakeholders	Local media longer term / clear impact on staff morale and / or reputational damage with principal stakeholders (distrust resulting in close monitoring)	National media (<3 days) / public confidence undermined / service usage affected and / or Loss of trust of principal stakeholders (seeking external advice)	National media (3+ days) MP / MSP concern – questions asked in parliament and / or fundamental change in relationships with principal stakeholders
Economic / Financial (Unanticipated Financial Loss)	< £10m	£10m to £50m	£50m to £100m	£100m to £500m	>£500m
Strategy	Minor impact on functional objectives, but no impact on overall strategy	Major impact on 1 or more functional objectives, but no impact on overall strategy	Major impact on 1 or more functional objectives, but some limited impact on overall strategy	Significant impact on ability to deliver strategic objectives	Unable to meet multiple strategic objectives
Technological / Operational Business or Service Interruption	No or negligible interruption (1-2 working days)	Some impact but only minor interruption (3-5 working days)	Noticeable interruption and client inconvenience (6-8 working days)	Sustained service interruption and serious client impact – major contingency plans invoked (9-15 working days)	Loss of core service / facility, significant 'knock-on' effect / inability to achieve key objectives (> 15 days)
Legal / Statutory Obligations	No / negligible or marginal deviation / breach / non-compliance No regulatory interest (not material)	Minor deviation / breach / non-compliance Regulator report – Regulators require explanation and update (informal)	Moderate Deviation / breach / non-compliance Regulator report – Formal investigation (i.e. written request)	Major Deviation / breach / non-compliance Regulator launches formal investigation, with potential for fine	Catastrophic Deviation / breach / non-compliance reported to regulatory authority. Potential for significant fine and changes to operating model mandated by Regulator
Organisational / Staffing & Competence	Staff turnover / absence higher than expected with little or no impact on operations/ objectives	Staff turnover / absence significant with minor impact on operations / objectives Minimal service disruption, with	Limited loss of key individuals (1-2 people) Noticeable impact on objectives / noticeable service disruption	Loss of multiple skills or loss of mission critical individual Significant impact on objectives / considerable service disruption	Irrecoverable loss of key skills Unable to meet objectives / extended loss of service

	Service unaffected with minimal disruption	potential for minor training related errors	Ongoing staffing level problems / late delivery of key objective(s) / compliance / moderate training related errors	Significant reduction in ability to meet objectives / compliance. Lack of staff / uncertain delivery of key objective / major training related errors	Inability to meet objectives, serious reputational damage Critical training related errors

Risk Likelihood Assessment

	1 **Remote**	2 **Unlikely**	3 **Possible**	4 **Likely**	5 **Almost Certain**
Probability	Will only occur in exceptional circumstances	Unlikely to occur, but definite potential exists	Reasonable chance of occurring – has happened before within DCC or elsewhere	Likely to occur – strong possibility	The event will occur in most circumstances

APPENDIX D

RISK REGISTER

The following provides the revised list of risks that are assessed and reported on a quarterly basis:

Risk Title	Causes	Impact	Consequence
1. Failure to process pension payments and lump sums on time	• Non-availability of pension / payroll systems • Resource unavailable • New staff undertaking duties • Increased workload • Failure to gain relevant information from employers to enable processing	• Processing delays • Processing errors • Retiring members will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action
2. Failure to collect and account for contributions from employers and employees on time	• Non-availability of financial system (Fund and employer) • Resource unavailable • New staff undertaking duties • Failure to communicate with employers effectively • Failure of employer to provide required information • Failure of employer to make financial settlement	• Adverse audit opinion • Breach of statutory requirements • Knock on effect on reporting requirements • Financial impact as insufficient cashflow to meet monthly pension payments without unplanned sale of assets	• Requirement for report of regulatory breach & subsequent action if required • Potential delays to employers' IAS19/FRS17 year-end accounting reports • Loss of stakeholder confidence • Recovery / legal action required • Opportunity cost of lost investment income
3. Insufficient funds to meet liabilities as they fall due	• Contribution levels are inadequate • Contributions • Investment strategy fails to deliver adequate returns • Significant changes in member profile (i.e. rapid maturing of fund liabilities) • Significant increases in actuarial assumptions (i.e. longevity.	• Rise in employer contribution rate required • Unplanned asset sales required to meet • Revision of Funding and Investment strategies required	• Inability to meet overall strategic objectives • Immediate cash injections would be required from employers by means of contributions • Reduced funding levels • Lost investment income from unplanned asset sales • Transaction costs associated with changing strategies
4. Inability to maintain service due to loss of main office, computer system or staff	• Fire, bomb, flood, etc. • Staff unable to access office (i.e. public health restrictions) • IT system / network outage	• Temporary loss of service provision. • Delayed payments & processing • Retiring staff will be paid late	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members.

Risk Title	Causes	Impact	Consequence
		• Reputational risk for the Fund • Breach of statutory requirements	• Regulatory action
5. Loss of funds through fraud or misappropriation	• Fraud or misappropriation of funds by staff/employer/3rd party service provider	• Financial loss to the fund • Reputational risk for the Fund • Adverse audit opinion • Breach of statutory requirements • Enforcement action	• Requirement for report to regulator & subsequent action if required • Criminal investigation • Loss of stakeholder confidence • Recovery / legal action required
6. Employers unable to participate in scheme	• Employer liabilities increase disproportionately as a result of changed member profiling • Employer liabilities increase disproportionately as a result of external factors (i.e. change in bond yields) • Reduced asset values in relation to liabilities due to external factors	• Employers unable to maintain contributions • Employers exit from fund • Employer cannot meet liabilities on exit	• Inability to meet overall strategic objectives • Financial loss to fund, triggering asset sales to meet pension payments • Fund profile changed as a result of employer exit • Insolvency of employer • Recovery of liabilities in liquidation
7. Significant rises in employer contributions due to poor/negative investment returns	• Poor economic conditions • Inappropriate investment strategy • Poor selection / performance of investment managers	• Financial impact as a result of poor/negative investment returns • Revision of investment strategy required • Dismissal of investment managers	• Inability to meet overall strategic objectives • Reduced funding level • Increased contributions required • Transaction costs on change of strategy or investment manager
8. Failure of global custodian	• Financial collapse of global custodian or failure to safeguard assets or records	• Financial loss to the fund. • Loss of information required for statutory and accounting purpose	• Inability to meet overall strategic objectives • Severe service disruption as a result of recovery action • Statutory breaches
9. Failure of Investment Manager	• Substantial decline of global financial market • Economic factors impacting on asset class • Under performance of investment manager	• Financial loss to the fund • Reduced asset returns • Investment outflows from investment manager portfolio • Termination of mandate with investment manager	• Inability to meet overall strategic objectives • Reduced funding level • Increased employer contribution levels • Required appointment of alternative investment manager

Risk Title	Causes	Impact	Consequence
			• Transaction costs associated with change
10. Equity Risk	• Market sector falls substantially as a result of global economic factors	• Financial loss to the fund	• Inability to meet overall strategic objectives • Reduced funding level • Increased employer contribution levels
11. Failure to comply with changes to LGPS regulations and other new regulations / legislation Specifically: • GMP • McCloud • Pensions Dashboard	• Significant changes to scheme & regulations which staff are unfamiliar with • Failure in readiness for changes • Lack of technical expertise / training • Inadequate procedures / process • Lack of resources • Error in interpreting requirements • IT systems not updated to reflect changed requirements	• Incorrect calculations • Delays in processing • Statutory breaches • Reputational risk	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action
12. Failure to comply with governance best practice Specifically: • TPR New Draft Code of Practice • TPR Good Governance project outcomes	• Failure to implement requirements • Inadequate processes / procedures • Inadequate training as to changed requirements	• Breach of statutory requirements • Sub-standard service to members and employers • Reputational risk for the Fund	• Regulatory action • Loss of stakeholder confidence
13. Failure to provide quality service to members	• Inadequate administration & communication policies • Lack of resources • Lack of staff skills / knowledge • Lack of training • Ineffective processes & procedures • Poor communication documentation • Unanticipated workloads	• Reputational risk for the Fund • Processing delays & errors • Late payments • Sub-optimal decision making • Reputational risk for the Fund	• Financial implications to members • Loss of stakeholder confidence
14. Failure to hold personal data securely	• Insufficient system abilities re security of data • Sub-standard retention processes & procedures • Inadequate data retention policy, backup and recovery procedures • Change of retention requirements	• Data lost or compromised • Incorrect member records • Processing delays & errors • Retiring staff will be paid late	• Financial impact to members • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action

Risk Title	Causes	Impact	Consequence
		• Reputational risk for the Fund • Breach of statutory requirements	
15. Cybercrime	• Inadequate system abilities re security of data • Inadequate controls and security protocol	• Data lost or compromised • Incorrect member records • Processing delays & errors • Retiring staff will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial impact to members • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action
16. Failure to keep pension records up-to-date and accurate	• Non-availability of pension / payroll systems • Resource unavailable • New staff undertaking duties • Increased workload • Failure to gain relevant information from employers to enable processing	• Processing delays • Processing errors • Retiring members will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members • Loss of stakeholder confidence • Financial cost to the fund if interest has to be paid to members • Regulatory action
17. Lack of expertise on Pension Committee, Pension Board or amongst officers	• Lack of training & continuous professional development • Loss of key individuals	• Detrimental decision making • Reputational risk for the Fund • Breach of statutory requirements • Failure to meet objectives	• Financial loss • Inability to meet overall strategic objectives • Increase in employer contribution requirements • Regulatory action • Loss of stakeholder confidence
18. Over reliance on key officers	• Loss of key individuals • Inability to recruit individuals with specialist skills & experience • Inadequate governance arrangements • Lack of specialist advisors to support	• Detrimental decision making • Reputational risk for the Fund • Breach of statutory requirements • Failure to meet objectives	• Financial loss • Inability to meet overall strategic objectives • Increase in employer contribution requirements • Regulatory action • Loss of stakeholder confidence
19. Failure to communicate adequately with stakeholders	• Inadequate communication policy • Inadequate processes & protocols with employers and scheme members	• Scheme members not aware of their rights • Employers not aware of	• Sub-optimal decision making resulting to financial detriment of members

Risk Title	Causes	Impact	Consequence
		regulations, procedures, etc. • Reputational risk • Breach of statutory requirements	• Errors in members calculations • Loss of stakeholder confidence • Regulatory action
20. Employer Covenant Risk	• Change in employer actuarial profile which has resulted in significant increase in liability • Unsuitable guarantee / financial health of employer	• Employers unable to financially provide for exit liability	• Inability to meet overall strategic objectives • Financial impact on overall funding level • Remaining employers required to accommodate the shortfall via increased contribution
21. Risks in relation to use of 3rd party service providers	• Inadequate policy • Poor due diligence and selection processes • Poor contract management	• Poor decision making • Failure of supplier adhering to contractual agreement • Reputational risk	• Financial detriment to the fund • Loss of stakeholder confidence
22. Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)	• Inadequate policy & practices • Failing to understand incoming requirements • Failing to plan and implement changes required • Lack of knowledge & skills	• Poor decision making • Non-compliant actions being taken • Statutory breach • Reputational risk	• Failing to meet strategic objectives • Regulatory action • Loss of stakeholder confidence

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Administering Authority's Responsibilities

The Authority is required to:

- Make arrangement for the proper administration of the financial affairs of the Pension Fund 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

The Executive Director of Corporate Service's Responsibilities

The Executive Director of Corporate Services is responsible for the preparation of the Pension Fund 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 2024).

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 2024, and their income and expenditure for the year ending 31 March 2024.

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

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and accounts of Tayside Pension Fund (the fund) for the year ended 31 March 2024 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 material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 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 by the Accounts Commission on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. 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 as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Executive Director of 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 there is an intention to discontinue the fund's operations.

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 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:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund;
- inquiring of the Executive Director of Corporate Services as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;
- inquiring of the Executive Director of Corporate Services concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice 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 108 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.

Rachel Browne CPFA

Audit Director

Audit Scotland

102 Westport

Edinburgh

EH3 9DN

TAYSIDE PENSION FUND - FUND ACCOUNT

2022/23 £000		Note	2023/24 £000
	Dealings with Members, Employers and other directly involved in the fund		
84,524	Employers' contributions	5	91,564
30,210	Employees' contributions	5	32,200
3,954	Transfers in from other pension funds	7	8,008
118,688			131,772
(132,928)	Benefits	6	(153,535)
(5,076)	Payments to and on account of leavers	8	(4,676)
(138,004)			(158,211)
(19,316)	Net Withdrawals from dealings with members		(26,439)
(1,867)	Administration Expenses	21	(2,339)
(21,183)	**Net Withdrawals from dealings with Members including Administration Expenses**		**(28,778)**
	Returns on Investments		
84,205	Investment Income	9	82,981
(315,012)	Change in Market Value of Investments	10a	615,692
(9,934)	Investment Management Expenses	22	(10,422)
(240,741)	**Net Returns on Investments**		**688,251**
(261,924)	**Net increase/(decrease) in Fund during the year**		**659,473**
5,095,976	**Opening Net Assets of the scheme**		**4,834,052**
4,834,052	**Closing Net Assets of the scheme**		**5,493,525**

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

2022/23 £000		Note	2023/24 £000
	Investment Assets	10	
623,655	Bonds		264,751
2,113,207	Equities		2,377,732
101,844	Fixed Income Unit Trust		340,263
1,367,019	Equity Unit Trust		1,569,650
-	Multi Asset Credit		100,000
471,365	Pooled Property Investments		485,213
8,374	Derivatives		1,398
23,842	Other Investment Assets		18,291
126,851	Cash Deposits		322,002
4,836,157			5,479,300
(17,965)	Investment Liabilities	10	(5,423)
4,818,192	**Total Net Investments**	**10**	**5,473,877**
20,464	Current Assets	18	25,533
4,838,656			5,499,410
(4,604)	Current Liabilities	19	(5,885)
4,834,052	**Net assets of the fund available to fund benefits at the end of the reporting period**		**5,493,525**

Robert Emmott BSc CPFA
Executive Director of Corporate Services
Dundee City Council
23 September 2024

The Net Asset Statement represents the value and liabilities as at 31 March 2024 (excluding liability to pay pensions).

The Unaudited Accounts were issued on 24 June 2024 and the Audited Accounts were authorised for issue on 23 September 2024.

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 38 other bodies. 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 2023/24 financial year and its position as at the 31 March 2024. The accounts have been prepared on a going concern basis, and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 - 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 2024 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. Three employers elected to make an upfront payment of their 2023/24 employer contributions in April 2023 with a balancing payment in April 2024.

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 accrual 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.

4 - Related Party Transactions and Balances

All employer member bodies are by nature related parties of the Fund. 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 2023/24.

A remuneration report providing disclosures in respect of the Executive Director Corporate Services, the Chief Executive, and the members of the Pension Sub-Committee and Pension Board who hold the 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). As noted above, all senior officers, Sub-committee and Board representatives are members of Tayside Pension Fund.

Details of the transactions and balances with the 10 largest employers are disclosed in the fund account and net asset statement with further analysis provided below -

Employer	Employer type	Transactions 2022/23	Balances due 31 March 2023	Transactions 2023/24	Balances due 31 March 2024
Dundee City Council	Administering	33,304	2,789	35,877	3,596
Angus Council	Scheduled	19,578	1,650	21,155	1,735
Care Inspectorate	Admitted	6,321	1,310	6,801	597
Dundee and Angus College	Scheduled	2,918	65	2,462	53
Leisure and Culture Dundee	Admitted	2,250	-	2,563	-
Perth and Kinross Council	Scheduled	26,539	2,272	29,098	2,697
Scottish Social Services Council	Admitted	2,559	439	2,647	202
Tayside Contracts	Scheduled	7,726	-	8,361	3
Tayside Police Civilians	Scheduled	4,268	-	5,022	-
University of Abertay Dundee	Admitted	1,795	-	1,841	60

5 – Contributions Receivable

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

2023/24	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Member contributions	9,043	17,727	5,430	32,200
Employer contributions	25,189	50,112	14,614	89,915
Strain on Fund	2	1,441	206	1,649
Deficit Recovery	-	-	-	-
Total	34,234	69,280	20,250	123,764

2022/23	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Member contributions	8,459	16,627	5,124	30,210
Employer contributions	23,417	46,536	13,619	83,572
Strain on Fund	3	855	49	907
Deficit Recovery	-	-	45	45
Total	31,879	64,018	18,837	114,734

* Deficit recovery amounts relate to the cessation valuation payments due from two exiting employer bodies during 2022/23.

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)	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
Administering Authority	46,510	52,584	9,071	11,299
Other Scheduled Bodies	67,338	77,848	14,949	18,534
Admitted Bodies	19,080	23,103	3,461	5,240
	132,928	**153,535**	**27,481**	**35,073**

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	
	2022/23	2023/24
	£000	£000
Administering Authority	986	940
Other Scheduled Bodies	1,328	3,551
Admitted Bodies	1,640	3,517
	3,954	**8,008**

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	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
Administering Authority	1,908	1,796	10	92
Other Scheduled Bodies	2,192	2,076	52	187
Admitted Bodies	877	434	37	91
	4,977	**4,306**	**99**	**370**

9 - Investment Income

	2022/23 £000	2023/24 £000
Bonds	26,469	20,670
Dividends from Equities	37,993	40,065
Income from Pooled Investment Vehicles	18,415	17,654
Interest on Custody Cash Deposits	1,277	4,078
Securities Lending	234	317
Interest on Cessation Debt	181	54
Interest on Internal Cash Deposits	277	893
	84,846	83,731
Withholding Tax	(641)	(750)
	84,205	**82,981**

10 – Investments

Market Value as at	31 March 2023	31 March 2024
Investment Assets	£000	£000
Bonds	623,655	264,751
Equities	2,113,207	2,377,732
Pooled Investments	1,468,863	1,909,913
Multi-Asset	-	100,000
Pooled Property Investments	471,365	485,213
Derivative contracts	8,374	1,398
Cash deposits	126,851	322,002
Investment Income due	16,325	11,985
Amounts receivable for sales	5,833	6,306
Other Investment assets	1,684	-
Total Investment Assets	**4,836,157**	**5,479,300**

Investment Liabilities		
Derivative contacts`	(3,657)	(782)
Amounts payable for purchases	(9,371)	(3,817)
Amounts payable for pending spot FX	(238)	-
Other Investment liabilities	(4,699)	(824)
Total Investment Liabilities	**(17,965)**	**(5,423)**
Net Investment Assets	**4,818,192**	**5,473,877**

10a Reconciliation of Movements in Investments and Derivatives

	Market value at 31/03/23	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value at 31/03/24
	£000	£000	£000	£000	£000
Bonds	623,655	170,923	(160,826)	(369,001)	264,751
Equities	2,113,207	466,928	(524,027)	321,623	2,377,731
Pooled Investments	1,468,863	143,364	(264,244)	661,931	2,009,914
Pooled Property Investments	471,365	44,687	(19,549)	(11,290)	485,213
	4,677,090	825,902	(968,646)	603,263	5,137,609
Derivative Contracts	4,717	121,117	(139,083)	13,865	616
	4,681,807	947,019	(1,107,729)	617,128	5,138,225
Other Investment Balances	(3,015)			(1,857)	(824)
Cash Deposits	126,851			1,944	322,002
Amounts receivable for sales	5,833			(2)	6,306
Investment income due	16,325			-	11,985
Spot FX contracts	(238)			(1,524)	-
Amounts payable for purchases	(9,371)			3	(3,817)
Net Financial Assets	**4,818,192**			**615,692**	**5,473,877**

Purchases and sales of derivatives are recognised as follows: Futures – on close out or expiry the variation margins are recognised as cash receipts or payments, depending on whether there is a gain or loss. Options – premiums paid and received are reported as payments or receipts together with any close out costs or proceeds arising from early termination. Forward currency contracts settlements are reported as gross receipts and payments. All payments or receipts under swap contract are reported in the reconciliation tables above, together with any close out costs or proceeds arising on early termination.

10b Investments Analysed by Fund Manager

The Fund's investment assets are under the management of five external fund managers. At 31 March 2024 the market value of these investment assets was £5,473.9m (2023 £4,818.2m), managed as follows:

		2023		2024	
Fund Manager	Mandate	£000	£000	£000	%
Schroders Property	Property	507,856	10.5	514,560	9.4
Fidelity	Global Equity	1,126,046	23.4	1,271,643	23.2
Baillie Gifford	Global Equity	600,809	12.5	710,675	13.0
Goldman Sachs	Bond	404,641	8.4	53	0.1
Fidelity	Bond	361,370	7.5	375,893	6.9
Baillie Gifford	UK Equity	457,347	9.5	434,001	7.9
Legal & General	Passive Equity	1,305,661	27.1	1,518,857	27.7
GSAM Broad Street	Infrastructure	7,204	0.1	7,910	0.1
Northern Trust	Securities Lending	-	-	11	-
Baillie Gifford	Equity (Positive Change)	47,258	1.0	50,794	0.9
The Partners Fund	Private Markets	-	-	250,131	4.6
LGIM Buy and Maintain	Bond	-	-	239,303	4.4
Apollo Total Return Fund	Multi-asset	-	-	100,046	1.8
Net Investment Assets		**4,818,192**	**100.0**	**5,473,877**	**100.0**

The following investments represent more than 5% of the net assets of the scheme as at 31 March 2024:

	Market value as at 31/03/2023 £000	% of total fund	Market value as at 31/03/2024 £000	% of total fund
LGIM All World Equity Index (OFC)	979,153	20.3	1,122,324	20.5
LGIM Future World Index (OFC)	326,508	6.8	396,533	7.2
	1,305,661		1,518,857	

11 - Analysis of Derivatives

The Funds approach to derivatives is to allow individual managers to participate in derivative contracts subject 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.

Objectives and policies for holding derivatives Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment managers. Futures - The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements. Outstanding exchange traded futures contracts are as follows –

Futures

Type	Expires	Economic exposure £000	Market Value as at 31/03/2023 £000	Economic exposure £000	Market Value as at 31/03/2024 £000
Assets					
UK Fixed Income Futures	Less than one year	40,927	1,062	78,753	1,328
Overseas Fixed Income Futures	Less than one year	13,717	453	16,868	40
Total assets			**1,515**		**1,368**
Liabilities					
UK Fixed Income Futures	Less than one year	(23,150)	(644)	-	-
Overseas Fixed Income Futures	Less than one year	(81,983)	(2,514)	(44,843)	(544)
Total liabilities			**(3,158)**		**(544)**
Net futures			**(1,643)**		**824**

Open Forward Currency Contracts

Forward foreign currency - A significant proportion of the fund's quoted equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the fund hedges its foreign currency exposure. Open forward currency contracts are as follows –

Settlements	Currency bought	Local Value £000	Currency sold	Local Value £000	Asset value £000	Liability value £000
Up to one month	GBP	65	EUR	(76)	1	-
Up to one month	GBP	43	USD	(54)	-	-
One to six months	GBP	38,365	USD	(48,620)	-	(114)
One to six months	USD	9,359	GBP	(7,383)	24	-
One to six months	GBP	38,266	EUR	(44,829)	5	(124)
Open forward currency contracts at 31 March 2024					**30**	**(238)**
Net forward currency contracts at 31 March 2024						**(208)**

Prior year comparative:	Asset value	Liability value
Open forward currency contracts at 31 March 2023	6,859	(499)
Net forward currency contracts at 31 March 2023		6,360

The economic exposure represents the nominal value of securities purchased under future contracts and therefore the value is 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

Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below:

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Quoted equities	The published bid market price on the final day of the accounting period.	Not required.	Not required.
Quoted fixed income bonds and unit trusts	Quoted market value based on current yields	Not required	Not required
Futures and Uk bond options'	Published exchange price at the year-end	Not required	Not required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Amounts receivable From investment sales	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2			
Gilts, TIPS (Treasury Inflation Protected Securities)	Fixed income securities are priced based on evaluated prices provided by	Evaluated price feeds.	Not required.

	independent pricing services.		
Pooled investments – equities, fixed income, and managed property funds	Closing bid price where bid and offer price are published Closing single price where single price published.	NAV – based pricing set on a forward pricing basis.	Not required.
Forward foreign exchange derivatives	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Level 3			
Directly held property / Affordable Housing	Valued at year end by external valuer DM Hall / Allsop in accordance with the Royal Institute of Chartered Surveyors' Red Book Global Valuation Standards (introduced with effect from 31 January 2020).	• Existing lease terms • Nature of tenancies • Covenant strength • Vacancy levels • Estimated rental growth • Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Private Equity / Infrastructure / Private Debt	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	• EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control Premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts.

Fair Value Hierarchy

Market Value as at 31/03/2024	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	2,852,824	2,621,546	4,930	5,479,300
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at a fair value through profit and loss	(1,367)	(4,056)	-	(5,423)
Net financial assets	**2,851,457**	**2,617,490**	**4,930**	**5,473,877**

Market Value as at 31/03/2023	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	2,261,902	2,567,656	6,599	4,836,157
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at a fair value through profit and loss	(7,538)	(10,427)	-	(17,965)
Net financial assets	**2,254,364**	**2,557,229**	**6,599**	**4,818,192**

12a Reconciliation of Fair Value Measurements within Level 3

	Market Value as at 31/03/2023 £000	Transfers in/out of Level 3 £000	Purchases £000	Sales £000	Unrealised gains (losses) £000	Realised gains (losses) £000	Market Value as at 31/03/2024 £000
UK property Funds	6,591	-	4,031	(6,404)	276	428	4,922
Overseas Equities	8	-	-	-	-	-	8
Total	**6,599**	**-**	**4,031**	**(6,404)**	**276**	**428**	**4,930**

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 2024.

	Assessed valuation range (+/-)	Value as at 31/03/2024 £000	Value on Increase £000	Value on Decrease £000
UK property Funds	13%	4,922	5,561	4,281
Overseas Equities	21%	8	10	6
Total		**4,930**	**5,571**	**4,287**

13 - Financial Instruments

13a Classification of Financial Instruments

Market Value as at 31/03/2023				Market Value as at 31/03/2024		
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			
623,655	-	-	Bonds	264,751	-	-
2,113,207	-	-	Equities	2,377,732	-	-
1,468,863	-	-	Pooled investments	2,009,914	-	-
471,365	-	-	Pooled property investments	485,213	-	-
-	-	-	Private equity / infrastructure	-	-	-
8,374	-	-	Derivative contracts	1,398	-	-
52,219	74,632	-	Cash	10,969	311,032	-
1,684	16,325	-	Other investment balances	-	11,985	-
-	5,833	-	Debtors	-	6,306	-
4,739,367	**96,790**	**-**		**5,149,977**	**329,323**	**-**
			Financial liabilities			
(3,656)	-	-	Derivative contracts	(782)	-	-
-	-	(4,938)	Other Investment balances	-	-	(824)
-	-	(9,371)	Creditors	-	-	(3,817)
(3,656)	**-**	**(14,309)**		**(782)**	**-**	**(4,641)**
4,735,711	**96,790**	**(14,309)**	**Total**	**5,149,195**	**329,323**	**(4,641)**
	4,818,192		**Grand Total**		**5,473,877**	

13b Net Gains and Losses on Financial Instruments

Market Value as at 31/03/2023		Market Value as at 31/03/2024
£000	**Financial Assets**	£000
(291,788)	Fair value through profit and loss	603,263
4,596	Loans and receivables	1,947
	Financial Liabilities	
(26,401)	Fair value through profit and loss	13,865
(1,419)	Loans and receivables	(3,383)
(315,012)		615,692

14 - Stock Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2024 was £73.1m (2023 £67.7m). 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.

15 - 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 2023	31 March 2024
	£000	£000
Prudential	10,465	12,621
Standard Life	3,516	3,477

Contributions Received	2022/23	2023/24
	£000	£000
Prudential	2,698	3,816
Standard Life	182	201

16 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2024, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £3,981.0m (2023 £3,521.7m) of which £3,921.8m (2023 £3,447.5m) is a vested obligation and £59.2m (2023 £74.2m) 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 2023 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions Used	2022/23	2023/24
	%	%
Inflation / pension increase rate	2.90	2.90
Salary increase rate	3.90	3.90
Discount rate	4.80	4.85

17 – Current Assets

	2022/23	2023/24
	£000	£000
Contributions Due from Employers	10,932	9,984
Cash and Bank	7,670	13,260
Pending sales ledger income	48	215
Employer cessation valuation	1,790	1,769
Miscellaneous debtors	24	305
	20,464	25,533

18 – Current Liabilities

	2022/23	2023/24
	£000	£000
Unpaid benefits	2,099	3,346
Custodian fees	23	81
Cash and Bank	158	39
Investment Manager Fees	2,011	2,161
Consultancy fees	17	30
Pending purchase ledger payments	50	1
HMRC	206	140
Audit Services	20	79
Miscellaneous creditors	20	8
	4,604	5,885

19 - 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 £32,180 for the financial year, this fee excludes a travel rebate of £846. (2023 £28,420). During 2023/24 financial year the Fund received no other services from Audit Scotland. The Fund also incurred an internal audit fee of £100,996 from
PwC (2023 £37,280)

20 – Management Expenses

	2022/23	2023/24
	£000	£000
Administrative costs	1,752	2,238
Investment management expenses	9,934	10,422
Oversight and governance costs	115	101
	11,801	12,761

21 – Investment Expenses

	2022/23	2023/24
	£000	£000
Management fees	9,048	9,431
Custody fees	68	103
Performance monitoring service	25	25
Investment consultancy	29	159
Commission recapture	(1)	(2)
Transaction costs	765	706
	9,934	10,422
Investment Management fees as a percentage of Net Financial Assets	0.21%	0.19%

	Management fees £000	Transaction costs £000	Total £000
Bonds	859	125	984
Equities	6,459	579	7,038
Pooled investments	191	-	191
Property	1,764	-	1,764
Alternatives	63	-	63
Securities Lending	95	-	95
	9,431	704	10,135
Custody fees			128
Consultancy fees			159
Total			10,422

22 – 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 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	21.0%
Bonds	
UK Index-Linked Gilts	12.0%
UK Gilts	11.5%
UK Corporate	11.0%
Multi-asset Credit	9.0%
Other	7.5%
Property	13.0%
Alternatives	18.0%
Cash	1.5%

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 2024. 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	496,074,331	20.5%	597,769,569	394,379,093
Emerging Markets	-	28.0%	-	-
Global	3,451,308,166	21.0%	4,176,082,881	2,726,533,451
Bonds				
UK Index-Linked Gilts	100,960,156	12.0%	113,075,375	88,844,937
UK Gilts	688,824	11.5%	768,039	609,609
UK Corporate	114,394,231	11.0%	126,977,597	101,810,866
Multi-asset Credit	100,000,000	9.0%	109,000,000	91,000,000
Other	389,794,598	7.5%	419,029,193	360,560,003
Property	485,212,561	13.0%	548,290,194	422,134,928

Alternatives	-	18.0%	-	-
Cash	335,443,733	1.5%	340,475,389	330,412,077

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 2024 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 2024 (£)	Potential change in year in the net assets available to pay benefits £	
		100bps	-100bps
Fixed Interest Securities	604,053,881	(27,923,364)	27,923,364
Index-Linked Securities	100,960,156	(19,384,350)	19,384,350
Cash	322,001,817	-	-
Total change in assets available	1,027,015,854	(47,307,714)	47,307,714

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 £3,220,018 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 2024. 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 2024 –

Currency exposure – asset type	Asset value (£)
	31 March 2024
Overseas quoted securities	1,881,657,753
Overseas unit trusts	1,569,650,413
Overseas public sector bonds (quoted)	4,424,892
Overseas corporate bonds (quoted)	146,570,885
Total Overseas assets	**3,602,303,943**

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 2024, including current account cash, was £13.288m (2022: £7.710m). This was held with the following institutions -

	Credit Rating	Balance as at 31 March 2023 £'000	Balance as at 31 March 2024 £'000
Money Market Funds -			
Aberdeen Standard	AAAmf	-	-
Federated	AAAmf	1,720	4,070
LGIM	AAAmf	5,950	9,190
Current account -			
Royal Bank of Scotland	F1	40	28

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.

23 – 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 with consideration for 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 2024 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	3,980,984	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	3,919,105	4,044,447
Long term salary increase	3,987,118	3,974,889
Pension increases and deferred revaluation	4,039,468	3,923,982
Sensitivity to	**+1 year**	**-1 year**
Life expectancy assumptions	4,128,533	3,839,109

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.

24 - Contingent Liabilities

Contingent Liabilities reflect possible liabilities facing the Fund where the potential amount is unable to be estimated, and/or it is still not deemed probable that an obligatory event has arisen. There are a number of judgements from recent pensions litigation which may have some impact on the valuation of scheme liabilities. These include the following –

McCloud. Benefits accrued by certain members between 2015 and 2022 may increase following the McCloud case, which ruled that transitional protections introduced in 2015 for older members were discriminatory. Barnett Waddingham made an allowance in the 2023 actuarial valuation for the cost of these potential improvements, based on the guidance issued by the Scottish Public Pensions Agency on 28 April 2023.

GMP Equalisation. Remediation adjustments are in the final phase (phase 3). It is assumed that all increases on GMPs for members reaching State Pension age after 6 April 2016 will be paid for by LGPS employers in the Fund.

Goodwin case refers to a tribunal outcome that changed the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005. The impact of this is likely to be very small for the Fund and therefore no allowance was made for this in the 2023 valuation.

Virgin Media / section 37 legal ruling. In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment was subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024. On 25 July 2024, the Court dismissed the appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, Tayside Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

25 – Post Balance Sheet Event

The unaudited Statement of Accounts was issued by the Executive Director of Corporate Services on 24 June 2024. 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 2023 actuarial valuation was undertaken as at 31st March 2023 and the outcome of this valuation sets the employer's rate of contributions for the 3 years from 1st April 2024. The outcome of the 2023 actuarial valuation states that the common contribution rate for active employers for financial years 2024/25, 2025/26 and 2026/27 will reduce to 15.7%, 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

Purpose 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

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 64of 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 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 2023 was 3.15% 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 0.35% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2023 was 2.7% p.a.

Future pay inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make an 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 2023 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 2023 valuation was 4.3% 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 more prudent basis rather than the 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 lower 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 in Part 2 above) that cessation valuations will be undertaken on a more prudent basis to the on-going funding basis on which contributions are determined for on-going employers. The level of prudence will be set by the actuaries using a stochastic approach with the aim to limit the probability of a deficit arising in the future to 15%. This basis is less prudent than a gilts-cessation basis but should lead to more affordable cessation liabilities while still providing sufficient protection for the other employers in the Fund. 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 30th 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, Visio, 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.

Tayside Pension Fund

Actuary’s Statement as at 31 March 2024

Barnett Waddingham LLP

The last full triennial valuation of the Tayside Pension Fund ("the Fund") was carried out as at 31 March 2023 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 27 March 2024.

Asset value and funding level

At 31 March 2023, the smoothed value of assets used for valuation purposes and which included a 10% volatility reserve deduction was £4,340m which represented 110% 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 cost of 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 2023 valuation certified an average primary rate of 22.5% 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 2023 are **summarised** below:

Assumptions as at 31 March 2023	
Discount rate	4.3% p.a.
Salary increases	3.7% p.a.
Pension increases	2.7% p.a.
Post-retirement mortality (member) – base table	Male/Female 105% / 115% of the S3PA_H tables
Allowance for improvement in life expectancy	CMI 2022 Model with a long-term rate of improvement of 1.25% p.a., a smoothing parameter of 7.0, an initial addition to improvements of 0.0% p.a. and weighting parameters of 0%, 0% and 25% for 2020-2022 respectively.
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 2024 have been higher than expected. As at 31 March 2024, 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 2024, the real discount rate calculated using the same methodology as at 31 March 2023 but updated for changes in market conditions is lower than at the 2023 valuation. This has increased the liabilities.

The value of liabilities will have further increased since the 2023 triennial valuation due to interest accrued over the period as well as actual inflation being higher than previously anticipated. Accrued benefits increased by 6.7% in line with the 2024 pension increase order, which is higher than the pension increase assumption at the previous valuation, increasing the value of liabilities further.

Overall position

On balance, we estimate that at 31 March 2024 there is sufficient volatility reserve to maintain the funding level at the previous valuation level of 110% using assumptions consistent with those adopted at the 2023 valuation.

Overall, the funding position is broadly comparable to the previous valuation and the surplus position would be sufficient to maintain contribution rates at current levels.

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 is reviewed annually 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 Miners 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 City Governance 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 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 Miners 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:

- The measurement and monitoring of the Fund's asset and liability values,
- Providing 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. The 2020 valuation stipulated 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 2024 was as follows:

Asset Class	Asset Distribution 31 March 2023		Asset Distribution 31 March 2024	
	Fund Actual %	Target Allocation %	Fund Actual %	Target Allocation %
Equities	73.4	65.0	72.8	65.0
Bonds, Gilts	15.9	13.0	13.1	13.0
Property	10.5	12.0	9.4	12.0
Alternatives	0.2	10.0	4.7	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

These benchmarks have been revised, and the following benchmarks will be effective from 1st April 2024:

<table>
<tr><th>EQUITIES</th><th>FIXED INCOME</th><th>PROPERTY</th><th>Opportunistic</th></tr>
<tr><td>15.0%: FTSE All Share</td><td>15%: SONIA + 5.3%</td><td rowspan="2">100%: IPD All Balanced Property Funds Weighted Average Index</td><td rowspan="2">100%: 6% p.a. absolute return</td></tr>
<tr><td>19.3%: MSCI ACWI GD</td><td></td></tr>
</table>

<table>
<tr><td>31.4%: MSCI ACWI ND</td><td rowspan="2">35%: iBoxx Sterling non-gilt index + 0.5%</td><td rowspan="8"></td><td rowspan="8"></td></tr>
<tr><td>7.3%: FTSE AW North America</td></tr>
<tr><td>2.8%: FTSE Developed Europe (Ex UK)</td><td rowspan="3">36%: ML Sterling Non-Gilts Index</td></tr>
<tr><td>1.4%: FTSE Japan</td></tr>
<tr><td>11.7%: FTSE All World</td></tr>
<tr><td>0.6%: FTSE Developed Asia Pacific Ex Japan</td><td rowspan="3">14%: FTSE Index-Linked Over 5yr Index</td></tr>
<tr><td>1.2%: FTSE AW Emerging Markets</td></tr>
<tr><td>9.3%: Sol active L&G ESG Global Markets Index</td></tr>
</table>

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 been defined by global inflationary pressures and tightening monetary policy. Recessionary fears dominated investor sentiment as central banks continued to hike interest rates to seek to bring inflation back in line with their central targets. Investor optimism increased towards the end of year, as inflation appeared to stabilise, and the likelihood of interest rate cuts in early 2024 increased. This backdrop resulted in a strong end to the year for global markets.

Despite a challenging economic backdrop through most of the year, performance was largely positive across all markets, with risk markets remaining resilient and investors growing increasingly hopefully that central banks would be successful in engineering a 'soft landing' for the global economy.

Global markets advanced early in the year as China abandoned its 'Zero Covid Policy' and reopened its economy, while global energy costs continued to fall from highs seen in the previous year. Following the sharp fall of US markets in March, as the impact of tightening financial conditions on balance sheets drove the collapse of several second tier US Banks, including Silicon Valley Bank. Financial sector disruption in European markets followed closely behind, owing to the perceived instability of Credit Suisse. The markets loss of confidence in Credit Suisse ultimately resulted in the Swiss government brokering a deal for the bank to be acquired by rival UBS.

In October, increased geopolitical tensions in the Middle East dampened market sentiment, coupled with the increased uncertainty that interest rates had peaked. In the final two months of the year, however, global markets rallied, buoyed by the prospect that central banks may have concluded their interest rate rises and could begin cutting rates in 2024.

In January, there was a surprising uptick in inflation since then there has been much more welcome news from the Office for National Statistics (ONS) confirming that the CPI measure of inflation was at 3.4% in February, a significant drop from the 4% recorded in January. The decline has predominantly been driven by lower energy, food and core goods price inflation. UK CPI inflation is now predicted to fall temporarily to the 2% target in June this year before rising again slightly towards the end of the year.

Global Equities Summary

Developed equity markets delivered positive returns over the 12-month period, and positive performance was largely driven by a relatively small number of very large US technology stocks. The US was the strongest performing region over the year, outperforming the global average as it benefitted from the rally in technology stocks driven by investor excitement around the potential of artificial intelligence (AI). The UK also posted healthy gains for the year, with names within industrials and consumer discretionary driving returns.

Equities rallied in the last quarter to March 2024 as strong economic data and expectations for interest rate cuts, fuelled by decelerating inflation in developed markets, underpinned hopes for a soft landing in the global economy. Sentiment received further support as corporate earnings in developed markets exceeded expectations. However, stickier than expected inflation led investors to lower the expected size of interest rate cuts this year. Against this global backdrop, US, Japan and Europe ex-UK equities gained strongly. Emerging markets also ended higher but lagged developed markets amid concerns around China's economic recovery. All sectors ended in positive territory. Information technology and communication services advanced as optimism around artificial intelligence themes buoyed sentiment. Energy stocks benefited from the higher oil prices amid geopolitical concerns in the Middle East and supply pressures.

Global Fixed Income Summary

Fixed income markets delivered positive returns over the year, benefitting from strong returns at the start of the year and towards the end, which helped offset losses experienced through the middle of the year. Performance was heavily influenced by changing investor expectations on the future path of interest rates, and the timing of potential cuts to interest rates. The expectations that monetary tightening had ended, and that the prospect of rate cuts moved into 2024 boosted investor confidence and saw fixed income markets post strong positive returns over the final months of the year.

After concerns over the stability of the global financial sector earlier in the year, credit spreads trended tighter over 2023, with higher yielding, lower quality credit performing comparatively better due to lower correlation with government bond yields and lower sensitivity to interest rates. There was a significant inter-period volatility in the year as investor expectations strengthened towards the idea of a “higher for longer” interest rate environment, driving gilt yields higher, however towards the end of the year, we saw a reversal of this trend, with markets pricing in expectations that central banks would begin to cut rates in early 2024.

UK Property Summary

The UK property market continued to struggle over 2023, following on from a difficult second half of 2022. The effects of higher interest rates, coupled with reduced loan availability and dampened economic growth were increasingly felt across the property market over the period.

The UK economy returned to growth in 2024 with January and February data showing 0.3% and 0.1% monthly expansion respectively. Inflation moderated in February with annual CPI growth declining to 3.4% in February from 4.0% in December and January. Whilst the heightened cost of living, and notably mortgage and rental costs, continue to bite, the housing market has shown signs of stabilisation, with a robust labour market supporting private consumption. At the same time, the service and manufacturing PMIs are back in expansionary territory. This is reflected in renewed optimism over the economic outlook, with the March Consensus forecast suggesting a return to growth in the second half of 2024. Notwithstanding this more optimistic outlook, downside risks remain, not least from the volatile geopolitical situation.

UK Economic Outlook

After dominating the agenda in recent years, there is an expectation from some economists for inflation to return to its 2% target by the second half of 2024, with disruptions in the Red Sea and relatively strong wage growth adding some upside risk to their forecasts. Weakening inflationary pressure should put the Bank of England in a position to begin cutting interest rates from the middle of the year.

Falling interest rates could spur partial recovery in liquidity conditions, with accumulated ‘dry powder’ aiding a bounce-back in private equity deals. However, the deterioration in access to finance pre-dates the current hiking cycle and rates are expected to remain above earlier lows.

The fall in house prices may have already bottomed out, but expectations of falls in interest rates could depress activity in the short term as borrowers wait for better deals. The labour market is softening, with employers hesitant to commit to new hires. However, a larger proportion of the population outside the labour force, could leave the supply of labour relatively low. Economists believe that nominal pay growth is set to moderate further (notwithstanding the 10% increase in the National Living Wage in April 2024), but it will remain well above inflation, allowing households to continue to recover their purchasing power, while unemployment is also expected to rise only marginally.

A service-led recovery has returned the economy back to growth, which is expected to average 0.3% this year, with long-term challenges kerbing real growth to around 1%. We expect improving incomes to bolster consumer spending, while investment should also benefit from easing credit conditions.

Global Equities - Market Outlook

Whilst global equities performed strongly over 2023, this did not result in a ‘typical bull market’, with a sizeable number of stocks delivering negative returns, and volatility spiking at various points throughout the year. The strong headline returns masked significant divergence in performance, with the US and Japanese markets performing particularly strongly, but Emerging Markets and the UK both lagged. Emerging Markets continue to be hampered by economic growth and regulatory concerns in China, while the UK’s significant exposure to ‘old world’ utility and energy firms continue to weigh on performance.

Looking forward, at an aggregate level, markets appear increasingly ‘priced for perfection’. Valuation metrics such as the Price/Earnings ratio and the CAPE remain elevated relative to history, particularly within the US – a market which is also almost as concentrated as it has ever been. Such metrics appear even more stretched when compared to the yield now available within fixed income markets. With market participants now anticipating the much sought after ‘soft landing’, the S&P 500 is expected to generate 12% earnings growth in 2024; this is above the 10-year trailing average rate of 8%.

There are reasons for optimism: corporate earnings growth has proven resilient to-date and central bank monetary tightening has failed to significantly slow economic growth; however, there also remain significant risks as we go into

2024. Most notably, the year ahead is likely to bring political volatility, as around half of the world's population are set to vote in elections; meanwhile, a central bank policy misstep also remains possible as global inflation remains above target. Investors remain cautious around the overall short to medium term risk-return reward outlook for global equities. However, it is important to note that there may be pockets of value within the market, and there remains upside available for companies which have struggled over recent years; a broadening of equity market returns could be a positive sign for equity investors over the next year or two.

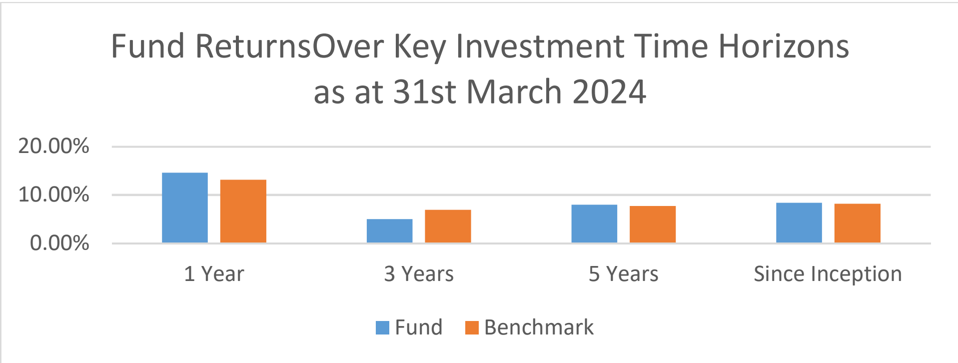
Global Fixed Income - Market Outlook

The UK bond market has shifted its focus from being higher for longer to pricing in interest rate cuts in 2024. The Bank of England has indicated that it could reduce interest rates over the year. However, the central bank will need more evidence of inflation returning to its target level before it lowers interest rates. There is still cautions on the outlook for the credit market, and valuations are expensive given credit spreads tightened on the back of positive macro backdrop. Meanwhile, outright yield levels remain attractive. In this environment, high quality corporate bonds provide a credible income seeking option for investors.

FUND PERFORMANCE

Performance Commentary

In the year to 31 March 2024, the Fund achieved positive return of 14.59%, whilst the benchmark return was 13.14%. The Fund value increased from £4.825bn to £5.494bn at end of March 2024. 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 behind benchmark with a positive return of 18.31% versus 21.18% 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 portfolio had a mixed year, outperforming in two of the four quarters. Whilst the US stock selection accounted a significant proportion of the gains in both technology & consumer discretionary, this region also suffered negative allocation and stock selection effect over the year. Other detractors to performance included Emerging markets and Japan. Whilst it has been a challenging time for growth style investors, recent performance has been discussed in depth, and the portfolio manager has provided reassurance that the companies invested in are resilient in the face of market disorientation.

Baillie Gifford UK Equities - was behind benchmark with a return of 6.07% versus 8.43% 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.

This was an extremely challenging year for this portfolio, which is evidenced by the underperformance in three of the four quarters. In the year, strong performance came from consumer staples and construction companies, whilst the financial sector holdings were a key detractor to performance. The investment manager's strong conviction to their current holdings remains firm throughout the volatile period.

Baillie Gifford Positive Change - was behind benchmark with a return of 7.48% versus 21.18% for the benchmark.

This is a relatively new allocation for Tayside Pension Fund. The portfolio has a dual objective to deliver attractive long-term returns whilst delivering a positive change by contributing towards a more sustainable and inclusive world. The portfolio is constructed of concentrated 25-50 holdings of exceptional companies focussing on the following features as well as seeking active long-term growth:

- Social Inclusion and Education
- Environment and Resource Needs
- Healthcare and Quality of Life
- Base of the Pyramid

As with the previous year, the portfolio's underweight position in energy and the specific technology stocks in the index (which have dominated the index performance) has been detrimental in the short term that the Fund has been invested.

Fidelity Global Equity – was slightly above benchmark with a return of 20.62% versus 20.60% 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 portfolio had a mixed year of performance, but although it suffered underperformance in two of the four quarters, it managed to achieve overall outperformance versus the index. Contributing to the outperformance in the year were the sector allocations in consumer staples, real estate and materials, with the US, emerging markets and Japan being the regions which accounted for majority of gains. The underweight positions to the technology stocks which dominated the index over the year were both contributors and detractors from performance. Their value investment bias continued to protect the portfolio to some extent over the period in comparison to growth style investment portfolios.

Legal & General Investment Management Passive Equity – was above benchmark with a return of 21.03% versus 19.55% for the benchmark.

Although a passive mandate, the 25% weighting to the Future World Global Index Fund delivered outperformance due to the increased weighting this fund has to the index dominating technology stocks.

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

Fidelity Bond – The portfolio was ahead of benchmark with a return of 5.06% versus 2.49% for the benchmark.

The portfolio continues to take a relatively defensive position, outperforming benchmark in all reported time periods.

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

Schroders Property - were ahead of benchmark with a return of 1.34% versus -0.70% for the benchmark.

The portfolio retains an overweight relative to benchmark in industrials, regional offices and alternatives (including student accommodation, social housing and healthcare) 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 again benefited the portfolio over the year as the strongest drivers of performance. There have been other timely disinvestments over the year which has further strengthened their strong defensive position. The portfolio performance remains ahead of benchmark in all time horizons.

GSAM – Broad Street Real Estate Credit Partners III – was behind benchmark with a return of 9.8% versus 12.13% for the benchmark. This fund is in the latter stages awaiting closing distributions.

Portfolio Transitions

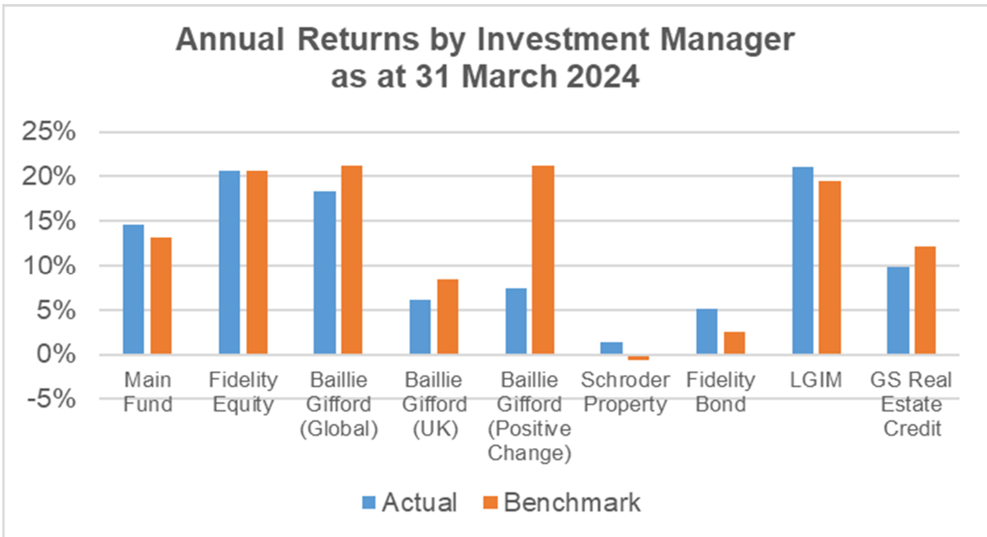
In keeping with the Fund's Investment strategy, the Fund undertook a number of investment manager procurement exercises, and made the following appointments below, which were funded in February 2024 following the termination of the GSAM Bond mandate and distributions from the Fidelity Equity mandate in March.

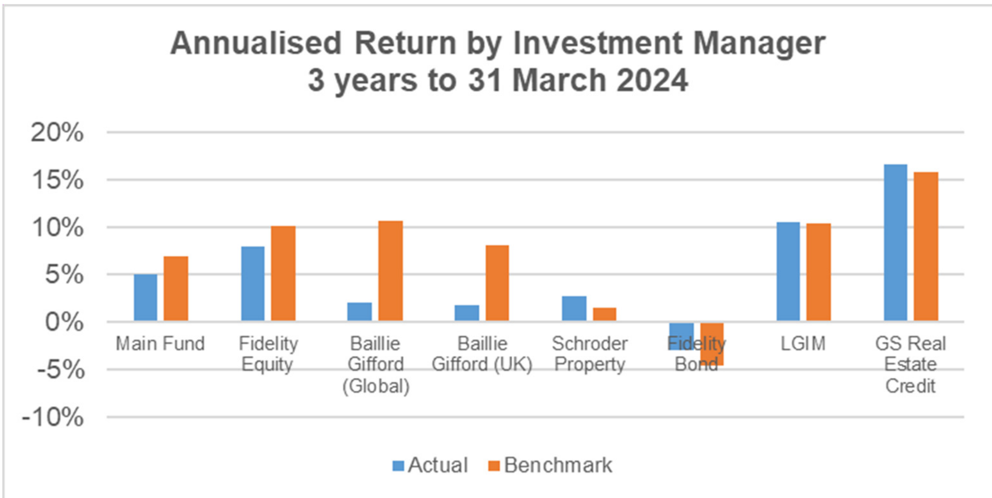
Buy & Maintain Bond Fund – LGIM
Multi-Asset Credit – Apollo
Direct Market Portfolio – Partners Group

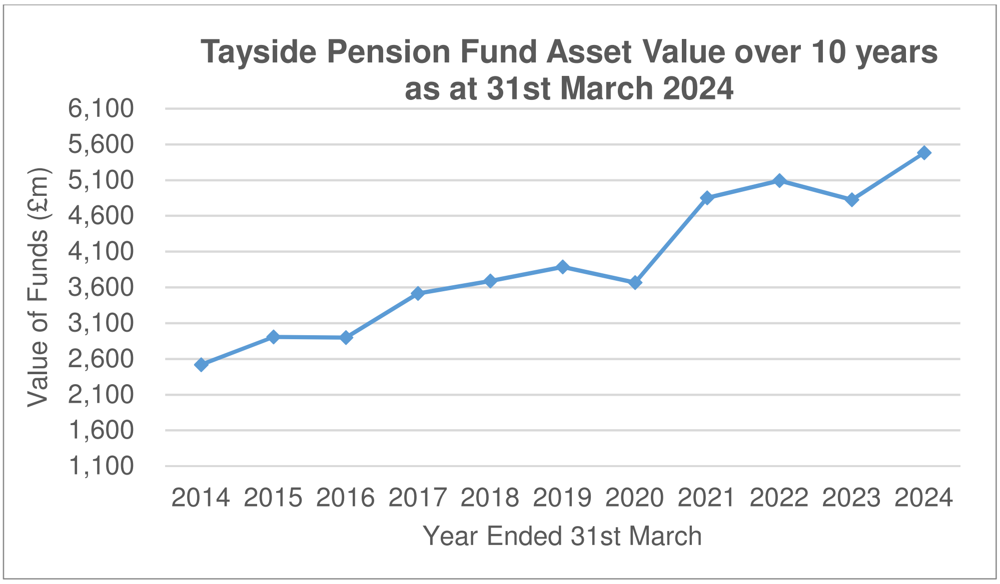
These transitions were planned for the end of the financial year and the holdings are detailed in the financial statements.

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:






Tayside Pension Fund Asset Value over 10 years as at 31st March 2024
Value of Funds (£m)
6,100
5,600
5,100
4,600
4,100
3,600
3,100
2,600
2,100
1,600
1,100
2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024
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 are members 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 through the following:

    - Voting: Exercising voting rights globally in accordance with independent corporate governance and shareholder advisors and further engagement activity of investment managers.
    - UK Stewardship Code: All asset managers and investment advisors must seek to be signatories to the code and fulfil reporting requirements.
    - Membership of Key Investor Groups: To use collaborative powers as asset owners to support net-zero emissions transitions.

3. Seek appropriate disclosure of ESG issues by entities in which the Fund is invested through the following:

    - Investment manager engagement: To be monitored and reported on a bi-annual basis.
    - Taskforce for Climate related Financial Disclosures (TCFD): Commitment to ensuring that appropriate governance, assessment and disclosure requirements are met in advance of statutory deadline.

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 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.

* In the case of the following industries:

- Tobacco - the Fund requires investment managers to provide the Fund with an investment case prior to undertaking new investments within this industry. These investment cases must demonstrate that there are no suitable alternatives at that time that better meet the criteria to meet their investment objectives.

- Energy - the Fund requires that:

    - companies held within the segregated equity mandates to have agreed a Scope 1/ Scope 2 emission reduction target by December 2022;
    - companies held within the segregated equity mandates to have a firm commitment to achieve a net zero position by 2050 by December 2024;
    - investment managers must engage with energy sector companies on these requirements, and monitor and report on progress.
    - managers will be expected to disinvest from any companies where engagement is failing to encourage progress towards targets, and reasonable progress is not being demonstrated.

CLIMATE FOCUS

Tayside Pension Fund recognise that Climate Change is a systemic risk and thus a material long-term financial risk, and thus support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

TCFD provides a global framework to enable stakeholders to understand the financial system's exposure to climate-related risks particularly affecting organisations most likely to experience climate-related financial impacts from transition and physical risks. Tayside Pension Fund has committed to reporting on its approach to climate risk using the TCFD framework for asset owners, and sets out below its approach to managing climate risk within the TCFD's four thematic areas of Governance, Strategy, Risk Management and Metrics and Targets.

Governance

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

Whilst the Fund's governance structure is contained in the Annual Governance Statement, in short, Tayside Pension Fund Sub-Committee has responsibility for agreeing investment objectives, strategy and structure and for developing the Environmental, Social & Corporate Governance strategy, and it is the role of the Pension Board to ensure compliance with policy. Climate change is specifically addressed in the quarterly risk register which is reported to both the Sub-Committee and Board, and in addition to this, they also receive bi-annual reports on the Fund's ESG activities and engagement which also details the carbon foot-printing of the Fund's active equity portfolios.

- Recommended Disclosure B - Describe management's role in assessing and managing climate related risks and opportunities.

The Executive Director of Corporate Services is the responsible officer who ensures that Sub-Committee decisions are implemented by the officers and service providers of the Fund.

It is the role of the Fund's investment managers to incorporate analysis of ESG issues into their investment analysis. They are expected to engage on these issues with the companies in which they invest, and ensure that their decisions are in keeping with the Fund's ESG Policy. It is a requirement that all of the Fund's investment managers are PRI (Principle for Responsible Investment) signatories, and that they seek to be signatories of the new UK Stewardship Code.

Tayside Pension Fund also work in collaboration with other investors including the Institutional Investor Group on Climate Change (IIGCC), Climate Action 100+. This collective approach ensures that Tayside Pension Fund contribute to wider initiatives.

Strategy

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

Risks - As long-term investors, the macro-economic and demographic impacts of Climate Change are a risk. Whilst Tayside Pension Fund has a globally diversified investment strategy, which incorporates a number of asset classes, the Fund's greatest weighting is to equities, therefore the prime concern is that active equity portfolio managers and the management of the companies in which they invest have fully assessed climate-related risks, and the potential impact on asset valuations, in particular from:

- obsolescence, impairment or stranding of assets
- changing cost structures including increased emissions pricing
- changing consumer demand patterns

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

Opportunities – In 2021, the Fund amended its ESG Policy to ensure that emission reduction was formalised for companies invested in, in that there is a distinct timebound reduction requirements for scope 1& 2 emissions by end 2022, and net zero commitments by 2024.

Furthermore, the Fund have worked with investment advisors on plans of existing portfolios to more environmentally conscious alternatives where possible, and where market conditions allow. 2022 saw the initial allocations made.

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

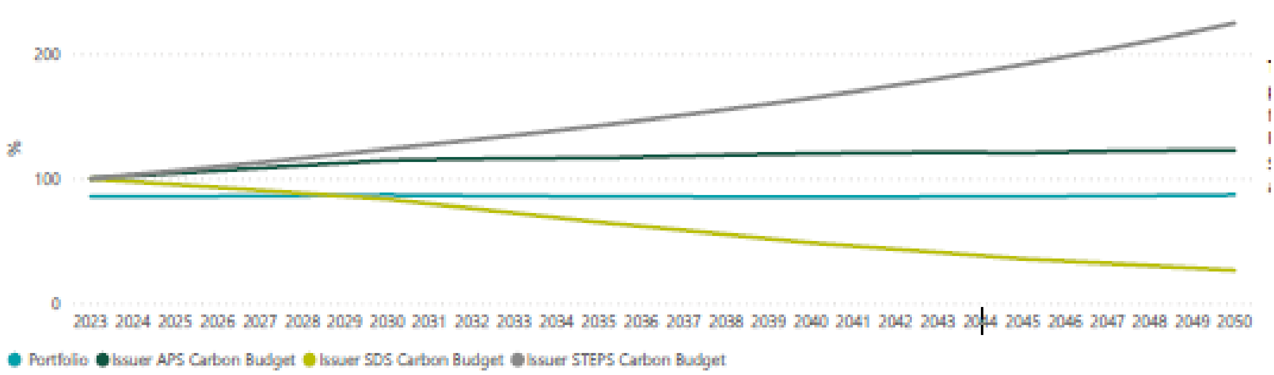
The primary objective of the Fund is to pay pensions, and the principal strategy document is the Funding Strategy Statement. It describes the funding objective as: to ensure that sufficient funds are available to pay all members' pensions now and in the future.
The basis for strategy and financial planning is the triennial actuarial valuation of the Fund. As part of the 2023 valuation and modelling process, the Fund's actuary will complete an analysis of the impact of climate risk on the Fund's liabilities, assets and operating costs.

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

- Recommended Disclosure C - Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2℃ or lower scenario.

The scenario alignment analysis Tayside Pension Fund use is provided by the Fund's custodians, and compares current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS) and the Current Policies Scenario (CPS). Performance is shown as the percentage of assigned budget used by the portfolio. See below for information available as at 31 December 2023

PORTFOLIO EMMISION PATHWAYS VS. CLIMATE SCENARIOS BUDGETS



Risk

- Recommended disclosure A & B - Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.
- Recommended disclosure C - Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Tayside Pension Fund's overall approach to risk management is described in its Risk Policy & Strategy Statement. The statement is also summarised in the Governance section of the Fund's annual report. Climate Change is addressed at risk 22 which is summarised below:

Risk 22 - Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD).

Cause of risk:

- Inadequate policy & practices
- Failing to understand incoming requirements
- Failing to plan and implement changes required

Impact:

- Poor decision making
- Non-compliant actions being taken
- Statutory breach
- Reputational risk

Consequences:

- Failing to meet strategic objectives
- Regulatory action
- Loss of stakeholder confidence

Whilst the risks cannot be removed, they are partially mitigated by the following controls:

- Regularly reviewed policies (annually), processes and reporting (biannually)
- Project plans to meet changing requirements
- Specialist advice as required

Exercise of Ownership Responsibilities - Activity relating to Climate Change risk is carried out by the Fund's investment managers who are required to exercise the Fund's voting rights, to incorporate analysis of ESG issues into their investment analysis and expected to engage on these issues with the companies in which they invest. As mentioned previously, a timebound requirement for ensuring companies had emission reduction targets and net zero commitments was put in place in 2021.

The Fund also collaborate with other investors including the Institutional Investor Group on Climate Change (IIGCC) and Climate Action 100+.

Formal Advice & development of specific strategies - A key element in the development of Tayside Pension Fund's Investment strategy has been the consideration of ESG factors, and more specifically, climate change. The Fund has worked with its investment advisors to develop a transition strategy to more environmentally conscious funds. During 2022, Tayside Pension Fund made allocation of 25% of the passive equity mandate to the Future World Index Fund, which avoids investment in companies that fail a number of wide ranging ESG scoring. There was also a small initial allocation to a positive impact fund which has dual investment objectives to ensure that whilst delivering returns, it is also delivering positive outcomes.

Metrics & Targets

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

Tayside Pension Fund have engaged with their custodians to provide carbon footprinting data and analysis. For all listed equities and bond portfolios, the carbon footprinting has enabled the identification of the top 10 assets responsible for contributing to the carbon footprint of that portfolio as shown below as at 31 December 2023. Portfolio managers also provide this information on a quarterly basis. The Fund is committed to repeating this footprinting on a bi-annual basis and investigating the inclusion of other asset classes in addition to listed equities and bonds.

TOP 10 POSITIONS BY WEIGHT

Issuer	% Portfolio	Carbon Risk Rating
Microsoft Corporation	3.8%	69.0
Alphabet Inc.	2.1%	88.0
Amazon.com, Inc.	2.1%	65.0
Apple Inc.	1.6%	70.0
Mastercard Incorporated	1.1%	70.0
UnitedHealth Group Incorporated	0.9%	57.0
AstraZeneca Plc	0.9%	90.0
JPMorgan Chase & Co.	0.9%	63.0
Taiwan Semiconductor Manufacturing Co., Ltd.	0.9%	74.0
Meta Platforms, Inc.	0.9%	77.0

TOP 10 CARBON RISK RATING

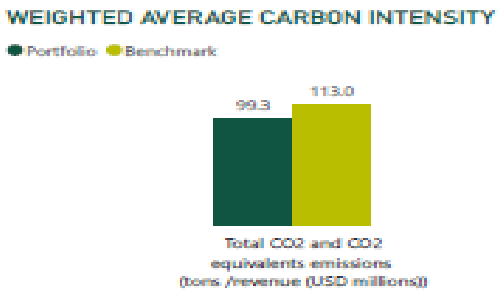
Issuer	% Portfolio	Carbon Risk Rating
ENPHASE ENERGY, INC.	0.0%	100.0
First Solar, Inc.	0.0%	100.0
Kingspan Group Plc	0.0%	100.0
Vestas Wind Systems A/S	0.0%	100.0
Dell International LLC	0.0%	99.0
Dell Technologies Inc.	0.2%	99.0
Adani Green Energy Limited	0.0%	96.0
Elevance Health, Inc.	0.6%	92.0
Moodys Corporation	0.6%	92.0
Hewlett Packard Enterprise Company	0.0%	91.0

TOP 10 CARBON INTENSITY (SCOPE 1 & 2)		
Issuer	% Portfolio	Carbon Intensity
ACWA Power Co	0.0%	48,080.4
Ultratech Cement Ltd	0.0%	8,971.6
Taiwan Cement Corp	0.0%	8,350.8
Vistra Corp	0.0%	7,492.1
Vistra Operations Co. LLC	0.0%	7,492.1
Grasim Industries Limited	0.0%	5,365.0
Evergy, Inc	0.0%	4,436.9
PPL Corporation	0.0%	4,577.1
CLP Holdings Limited	0.0%	4,436.9
Amerman Corporation	0.0%	4,426.8

BOTTOM 10 CARBON INTENSITY (SCOPE 1 & 2)		
Issuer	% Portfolio	Carbon Intensity
NASDAQ, INC	0.0%	0.0
Match group, Inc	0.0%	0.0
Franco-Nevada Corporation	0.0%	0.0
Wheaton Precious Metals Corp	0.0%	0.0
St James's Place Plc	0.2%	0.0
DNB Bank ASA	0.1%	0.0
AerCap Holdings NV	0.0%	0.0
AerCap Ireland Capital DAC	0.0%	0.0
Swiss Re AG	0.0%	0.0
Spotify Technology SA	0.1%	0.0

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

Tayside Pension Fund have considered Scopes 1 and 2 in its analysis. Scope 3 data was not considered to be of a sufficiently robust standard to incorporate. Summary findings of this analysis by mandate as at 31 December 2023 are as follows:



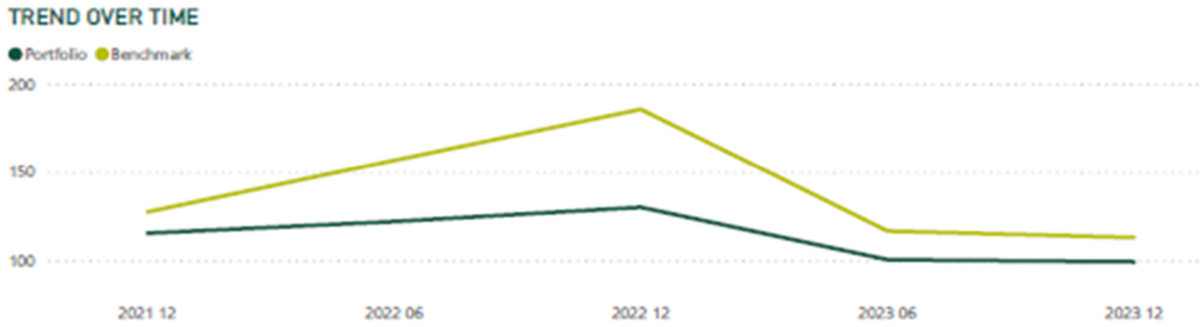
MANAGER COMPARISON

Portfolio	WACI
Baillie Gifford Global Eq	153.3
Baillie Gifford Positive	28.7
Baillie Gifford UK Eq	61.6
Fidelity Bond Fund	38.5
Fidelity Equity Fund	59.2
Goldman Sachs Global Bond Fund	205.4
LGIM Passive Equity	109.5

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

Whilst Tayside Pension Fund has no explicit Climate Strategy, it is committed to ensuring that their investment strategy is consistent with achieving the goal of global net-zero emissions by 2050 if conditions allow, and are working to achieve this trajectory.

Tayside Pension Fund has used historic portfolio information to establish the December 2021 position as a baseline. Results for Tayside Pension Fund's listed equity and bond portfolios are summarised in a simplified format in the chart below:


TREND OVER TIME
Portfolio
Benchmark
200
150
100
2021 12
2022 06
2022 12
2023 06
2023 12

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 31/3/2023	Total at 31/3/2024
Active	18,912	18,765
Deferred / Undecided/ Frozen	18,662	19,495
Pensioners (Inc. dependents)	18,008	18,645
Total	55,582	56,905

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 20th March 2023 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/resources/pensions-administration-strategy-2023-24/

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 that 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. The use of electronic submission of data in the quality of data received, however the Fund will continue to work with employers for instances or missing/mismatched data.

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 18th March 2024 and subsequently published to the Fund website. The document can be also be viewed at: https://www.taysidepensionfund.org/resources/communication-policy-march-2024/

Introduction

Tayside Pension Fund is administered by Dundee City Council, with pension administration and investment services for 41 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
- Link to our Member Self Service Portal

The website address is: https://www.taysidepensionfund.org/

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 surface and e mail to send and receive general correspondence.

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

Telephone Communications – Our Contact Centre number is (01382) 307900. This information is also available on the website and is contained in all outgoing correspondence. Our business hours are 8.30am – 5.00pm Monday, Tuesday, Thursday and Friday, and 9.30am – 5pm on a Wednesday.

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

Personal appointments - By prior arrangement at Dundee House.

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

Active Members

We have over 18,000 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 www.lgps2015.org;

Deferred Members

There are over 19,000 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 18,000 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 £10 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

2023/24 has continued to see increases in case volumes. Through the year, resourcing has been challenging due to staff absence and continuous recruitment exercises being undertaken along with the ongoing training within the team. Pensions Dashboard preparation has been progressing in good speed towards the upcoming staging date; and the implementation of age discrimination legislation (McCloud) has been the key focus for the more experienced staff who are being utilised to deal with the complexity of cases affected.

The Member Self-Service Portal (MSS) usage continues to increase, now with over 50% active and deferred members as registered users. The key functions being used by members are to amend their personal details and also undertake simple benefit calculations and projections. The system is also a key tool for the administration team, enabling the electronic issue of Annual Benefit Statements and other documents to those members who have registered. Correspondence in paper format remains available for members who elect this option.

The employer portal (I-Connect) usage has also progressed, with most employers utilising the system through the year, and support has been provided to employers to enable full operational usage by May 2024.

Performance

The following provides summary of task volumes over the year to 31st March 2024 in comparison to the previous year:

Pensions Brought into Payment	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Total	Last Year	% Change
Redundancy/Efficiency	5	11	11	14	41	49	-16%
Ill Health	17	19	16	18	70	76	-8%
Deferred	84	109	104	98	395	344	15%
Flexi	14	13	18	16	61	28	118%
Voluntary	108	131	100	75	414	371	12%
Voluntary (Age 65+)	37	55	38	32	162	132	23%
Grand Total	265	338	287	253	1143	1000	14%

2023/2024 saw an overall increase of 14% across all methods of retirement, with voluntary retirement consistently over recent years as the highest method of retiral. Flexible retirement has also seen an increase by 118% for the year.

Estimates Received	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Total	Last Year	% Change
General	109	164	133	184	590	684	-14%
VER	79	0	0	2056	2135	3776	-43%
Grand Total	188	164	133	2240	2725	4460	-39%

During 2023/2024 there was a marked decline in estimate requests received. This is mainly due to:

- employers now operating the function on I-connect to undertake their own initial estimate calculation for strategic planning and requesting bulk estimates for redundancy/efficiency.
- members using the MSS portal to produce their own estimates.

These volumes can however fluctuate depending on the needs of the members, as the software does not accommodate more complex cases (e.g. members with AVCs or a scheme debit), which will always require pensions specialists to undertake calculations.

Other Pension Events	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Total	Last Year	% Change
Deaths	164	166	184	225	739	755	-2%
Survivor Pensions	77	48	53	78	256	248	-3%
Grand Total	241	214	237	303	995	1003	

2023/24 saw caseloads remain at a high level in line with previous years, although a marginal decrease in both areas is noted.

Tasks Measured	Case Volume 2022/23	Average Days to Process	Case Volume 2023/24	Average Days to Process
Clerical Tasks	3010	87.29	5291	138.53
Death Grant	126	65.29	130	69.57
Divorce	50	47.80	57	65.11
Estimates	4460	13.01	2725	17.72
Misc Payroll	1476	25.37	3035	36.88
Retirements	1000	18.23	1143	18.46

During 2023/24 there was a marked increase in clerical tasks. Additionally, an additional checking process has also been required for GDPR purposes for address changes made by employers via I-Connect. This, coupled with the increase in task volumes has inevitably resulted in a rise in processing times.

Across all other areas apart from estimates where the case volumes have dropped, average processing times remain in line with the increase in task volumes. As noted previously, the estimates undertaken by the team are more complex in nature and require additional time and resource.

2023/24 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.

The Internal control measure of the 19th of month following deduction is also maintained, and during the period there were 7 instances of payment after the 19th recorded. These employers were contacted in relation to the late payments, and with the exception of 1 employer this issue was quickly addressed. The employer with outstanding balance was referred to management, who have engaged with the employer to arrange settlement.

An Employers Forum was held in November, and the importance of the statutory deadline was strongly reiterated to all employers.

- **Annual Benefit Statements**

Annual Benefit statements were published in August 2023 on the Member Self Service (MSS) portal to allow members to view information as they require. Emails were issued to all registered members to advise the statement was available for viewing.

Prior to publication, all active and deferred members who weren't already ready registered for MSS were issued with activation keys and portal instructions to register. However, paper copies still remain available on request and 7% of members opted for this.

- **Annual & Lifetime Allowances**

Annual allowance statements are issued annually, prior to the 6th of October. The current annual allowance threshold remained £40,000, and 102 members received statements notifying them of excess.

The UK Government introduced legislation to abolish the lifetime allowance from 6th April 2024. They have however introduced two new lump sum limits and conditions in order to restrict the amount of tax-free cash an individual can take over their lifetime. As with the lifetime allowance, most LGPS members will not be affected by the new lump sum limits below:

Limit	Lump sums included	Lump sum allowance (LSA)
£268,275	Pension commencement lump sums (PCLS) and uncrystallised funds pension lump sums (UFPLS)	Lump sum and death benefit allowance (LSDBA)
£1,073,100	PCLS, UFPLS, serious ill health lump sums (SIHLS), authorised lump sum death benefits	

- From 6 April 2024, if a member takes a PCLS from the LGPS, funds will need to check the lump sum fits with the LSA and LSDBA. Funds will also still need to ask members how much lifetime allowance they have used before 6 April 2024 in order to do this.
- If an individual holds valid LTA protections the LSA and LSDBA are increased.
- The maximum PCLS is the lowest of:
- 25 per cent of the capital value of the benefits
    - the remaining LSA
    - the remaining LSDBA
- Where a member has taken payment of pension benefits previously, the LSA and LSDBA are reduced accordingly. The standard calculation is the LSA less:
    - the total of any PCLS and non-taxable amounts of UFPLS paid since 6 April 2024
    - an amount equal to 25 per cent of the percentage of LTA previously used.
- However, if the member has a transitional tax-free amount certificate the calculation is:
    - the total of any PCLS and non-taxable elements of UFPLS paid since 6 April 2024
    - the individual's transitional tax-free amount.
- The LSDBA is amended similarly except that 100% of any serious ill health lump sums previously paid is deducted. Funds will also deduct any authorised death benefit lump sums previously paid.

Transitional tax-free amount certificates

A member may wish to apply for a transitional tax-free certificate if they opted to take a PCLS or UFPLS of less than 25 per cent when they took their benefits before 6 April 2024. In reality, this is only going to be needed where the amount of PCLS or UFPLS they can take over their lifetime is limited by the LSA and LSDB.

- **National Fraud Initiative**

Tayside Pension Fund continues to participate in the counter-fraud initiative led by Audit Scotland. The Fund continues to participate in the supplementary exercise following on from the biennial exercise as it provides additional checks to be carried out against pensioner records. For all identified cases a process of review and action is set to rectify overpayments made.

- **McCloud & Sargeant (age discrimination remedy)**

On 26 June 2023, the Scottish Government published a consultation and draft regulations concerning the McCloud remedy. The consultation closed on 31 July 2023. It sought views on proposals to address discrimination found by the courts in the McCloud case. This followed the consultation the Scottish Government which ran in 2020.

This consultation focussed on new approaches in certain areas that reflected the responses to the 2020 consultation, and more closely aligned the LGPS to policies adopted by other public service pension schemes. They sought views on the following:

- No aggregation requirement: underpin protection will extend to a new pension account that started before 1 April 2022, even if the earlier period of membership is not aggregated, as long as there has not been a disqualifying break.
- Previous membership of another public service pension scheme on or before 31 March 2012: a member will qualify for underpin protection because of earlier membership of another public service pension scheme, even if the pension rights from the other scheme have not been transferred to the LGPS, as long as there has not been a disqualifying break.
- Flexible retirement: a member with underpin protection who takes flexible retirement before 1 April 2022 will also have underpin protection on any benefits built up after flexible retirement and before the end of the underpin period. The consultation also considers how the underpin will operate when a member takes partial flexible retirement.

The consultation also covered topics that were not included in the 2020 consultation. These included:

- policies for individuals with excess teachers membership
- when a member may be paid compensation if they have suffered a loss relating to the discrimination found in the McCloud case or the McCloud remedy
- the interest terms that will apply when payments are made late due to the McCloud discrimination.

The Scottish Government laid The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 on 30 August 2023. These come into force on 1 October 2023. The regulations implemented the McCloud remedy and amended the underpin rules to make sure they work correctly.

Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014. It also makes related changes to the LGPS (Scotland) Regulations 2018. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2015 and 30 September 2023.

Local Government Association (LGA) support

In order to implement the new regulations, the LGA issued an initial volume of McCloud remedy Guidance to LGPS funds. Further guidance will be issued in instalments due to the volume and complexity of content. An administrator's webinar was held in early December which covered the topics in the first part of the guidance and allowed questions to be asked in relation to the guidance.

Government Actuaries Department (GAD)– Transfer Guidance

On 5 March 2024, the SPPA, issued a new version of the GAD Transfer actuarial guidance and an Interfund addendum document. Both documents came into effect immediately, however, the transfer guidance did not contain any new factors (and these remain outstanding), but does provide additional information about how the McCloud remedy will affect certain calculations.

Interfund addendum advice

In October 2023, the SPPA confirmed that interfund transfer payments in respect of members protected by the McCloud remedy could continue to be based on the methodology set out in the Individual Incoming & Outgoing Transfers guidance dated 14 August 2020. The Interfund guidance addendum published on 5th March 2024 confirms this arrangement can continue until 29 April 2024.

The SPPA understands that updates to administration systems (as a result of the new actuarial guidance) will not happen immediately, and that these transitional arrangements aim to prevent administering authorities from building up a backlog of interfund cases while systems are updated and checked.

Transfers

Certain cases had been on hold since the LGPS regulations were amended to implement the McCloud remedy from 1 October 2023. Publication of the Individual Incoming & Outgoing Transfers guidance means administering authorities now have the information they need to process:

- transfers in on Club and non-Club terms
- transfers out of deferred benefits on Club and non-Club terms.

At present, pension system updates required to reflect the new calculations have yet to be introduced, and discussions with software providers are ongoing. Depending on the outcome of these, it may be necessary to continue manual calculations in urgent cases to ensure any statutory deadlines are met.

On 8th March 2024, the LGA issued guidance for calculating the McCloud element of a non-Club transfer value. Although basic, this will allow funds to calculate the McCloud element of a non-Club transfer value for a member who is under 65.

Deferred refunds

There are outstanding queries remaining concerning the treatment of transfers out of deferred member refunds. It is not clear whether the McCloud remedy applies to any or all members who hold a deferred refund in the LGPS, nor whether they would gain or retain protection on transfer to a different public service pension scheme. Although the LGA have issued guidance, there are a number of operational queries ongoing to be decided upon to enable calculations to be undertaken.

Divorce cases

Currently Funds can proceed with divorce quote cases for members protected by the McCloud remedy, however pension sharing order guidance remains outstanding.

- **Pension Dashboards**

An assessment of the Fund's current dashboard data readiness was carried out by the pension system provider to ensure that Fund's data is dashboards ready and maintained on an ongoing basis, as data quality is key to delivering a smooth experience for both members and the Fund.

There are two types of data relevant to Pensions Dashboards:

- **Find Data -** This is the personal data used to match a member who has logged into the dashboard to their records held by the Fund.
- **View Data -** This is information about a member's pension benefits which is returned to the user via the Pensions Dashboards.

The assessment analysed the Fund's data to determine onboarding readiness, and exception items were given a rating, based on both the impact of the issue (on members and admin team) and the volumes of specific issues using a traffic light system.

No red areas were identified, but amber areas were identified in relation to the following:

Find Data

- Member names – middle and previous names are not necessarily held on our records
- Unlinked Members – Altair will, on creation link together member records, however this has not always been in place and as such some remain unlinked.

View Data

- Missing previous employer data – this was identified in records which were converted from a previous system onto the current pension system.

The fund is taking actions to address the above, but also putting in place a package of data readiness products including:

- ongoing data cleansing and enrichment services
- mortality and address tracing service
- product for dashboard readiness.

- **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 2023 the SPPA amended the guidance to reflect the above and a copy of this guidance was forwarded to all scheme employers. This guidance came into effect from 1 April 2023.

- **Employer Communications**

Employer sessions were held via MS Teams, the topics covered were I-Connect and AVC payments.

On 20th November an Employers Forum was held via Microsoft Teams. The session covered the following topics:

- Provisional Update on Valuation
- I-Connect Plans and Future Updates
- Reminder in respect of the issue of monthly contributions and associated documentation
- Provisional Update on Pension Increase 2024
- McCloud Remedy Update and Employer Requirements

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

I-Connect

I-Connect is a cloud-based system that manages the flow of employee information from the payroll system to the fund's pension administration system. The software enables employers to provide employee information in a secure method. The monthly data uploads inform the Fund of any changes to members details, new joiners and leaver forms, removing the burden of cumbersome employer year end reporting. This system was rolled out to all scheme employers during 2021/22.

34 employers are now using I-Connect on a monthly basis. Although all employers have been advised of deadline for monthly submissions, uptake has been slower than desired. The team have engaged with those employers yet to onboard to assist them, and plans are now in place for mandatory full operational implementation by end of May 2024.

Member Self Service

The member portal (MSS – Member Self Service) was introduced in 2021. The MSS portal is now utilised to issue members with documents, letters and calculation summaries including new joiner communications, estimates and retirement details. With the implementation of the Insights reporting module is can identify the reporting of individual users and by the end of 2023/24, there were a total 15526 users registered.

- **Contact Centre**

The telephone contact centre launched in January 2022, with all incoming calls automatically routed to the call centre. In the year to 31/03/2024 the numbers of calls received via the call centre was 11,461 with 75% of these being answered within the first three rings.

- **Website**

The website is a key source of information to members along with news updates and Fund related resources being added as required. The website has an employer's section where the Fund is able to publish documents and information specific to the employer. A link to the Member Self Service (MSS) portal is also provided on the website, which gives members a direct link to the service for registration or viewing of their pension records and documents.

- **Meetings, User Groups and Forums**

Representatives attended quarterly meetings of the Joint Scottish Liaison Group (SPLG) and Investment & Governance Groups, along with representation from the Local Government Association and the Scottish Public Pensions Agency. Representatives of the Fund also attended and 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. Participation in specialist user groups for I-Connect and Member Self Service (MSS) were also attended. During 2023/24 sessions continue to be held with employers' vis MS Teams along with an Employers Forum in November to cover topics on the Valuation, I-Connect and McCloud.

- **Payment of Pensions**

Tayside Pension Fund continues to operate two monthly payrolls to retiring members. The main payroll is on the 20th of each month, with the legacy payroll on the last working day of each month. During 2023/2024 all monthly pension payroll payments were made on their due date.

- **CARE Scheme Revaluation**

The Local Government Pension Scheme (Scotland) Regulations 2015 require that pension accounts built up from 1 April 2015 are revalued at the end of each scheme year. The Order published provided for a 10.1% revaluation with effect from 1 April 2023.

- **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 10.1% increase with effect from 6 April 2023.

- **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 2023 the SPPA amended the guidance to reflect the above and this became effective from 1 April 2023.

- **Staffing 2023/24**

Resourcing continues to be very challenging for the team, and throughout the year, recruitment exercises have taken place for vacancies arising from turnover. Whilst this has provided opportunities for internal appointments to promoted posts, this presents resourcing issues elsewhere. In house training is delivered by the more experienced staff as well as online, however there is inevitable impact on performance. An exercise to review current caseloads and trends is ongoing to assess adequate resourcing to continue to meet statutory requirements.

- **Consultations**
  - In May, HMRC launched a consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023.

  - The draft regulations supplement The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 ('first set of regulations'), which came into force on 6 April 2023.

- The first set of regulations modifies various tax legislation, so the correct tax treatment is applied when public service schemes implement the McCloud remedy. For more information, see the commentary provided by the LGA.

- https://lgpslibrary.org/assets/cons/nonscheme/20230522_McCloud_tax_No2_CR.pdf

- The draft regulations propose further modifications. HMRC will shortly publish guidance on the draft regulations. As part of the consultation, HMRC will hold several round tables. These will provide an opportunity to raise any technical points on the draft regulations.

- The consultation closes on 19 June 2023.

  Consultation on annual allowance changes
- HMRC had a consultation on changes to the annual allowance for unfunded public service pension schemes. HMRC also consulted on changes set out in the draft Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) Order 2024. The purpose is to allow legacy and reformed scheme benefits to be combined when working out a member's pension input amount for annual allowance purposes, where they relate to the same employment.

- **Revised Ill Health Guidance**

The Scottish Public Pensions Agency (SPPA) published a Circular on 14 March 2024. The circular introduces revised ill health guidance. This updated guidance incorporates feedback from stakeholders and aligning with the principles set out by The Pensions Ombudsman.

The key changes to the guidance are that for active members, employers will be required to undertake a review of the case specifics and recommendations made by the Occupational Health Professional, and determine eligibility of case. For deferred members, this review will be undertaken by the Fund.

Legislation Update

During 2023/24 the following legislation came into effect:

Instrument	Title	Topic	Link
SI2023-270	The Guaranteed Minimum Pensions Increase Order 2023	Increases value of GMPs within system 3% increase applied.	The Guaranteed Minimum Pensions Increase Order 2023 (legislation.gov.uk)
SI2023-338	The Pension Increase Review Order 2023	Pensions in payment and deferment is indexed annually based on the annual change in Consumer Price Index (CPI) as at the previous September. 10.1% increase was applied.	The Pensions Increase (Review) Order 2023 (legislation.gov.uk)
SI2023-232	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2023	For employer action – relates to national insurance thresholds	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2023 (legislation.gov.uk)
SI2023-252	The Public Service Pensions Revaluation Order 2023	Order provided for a 10.1% increase to be applied to CARE benefits	The Public Service Pensions Revaluation Order 2023 (legislation.gov.uk)
SI2023-266	The Social Security Revaluation of Earnings Factors Order 2023	For employer action – relates to level of national insurance	The Social Security Revaluation of Earnings Factors Order 2023 (legislation.gov.uk)

		contributions being in line with earnings in relation to GMP	
Circular 1/2024	PI Review and revaluation order	Notification of the increase to pensions with effect from 08/04/2024 and also of the annual revaluation rate to be applied to CARE pensions. Rate to be applied is 6.7%	202401_LGPS_Circular_The_Pensions_Increase_(Review)_Order_2024_The_Public_ServicePensions_Revaluation_Order_2024.pdf
Circular 2/2024	Tiered contributions rate guidance for 2024	For employer action – relates to employee contribution rates to be applied wef 01/04/2024	2024-02_LGPS_Circular_Employer_Guidance_for_the_Assessment_of_Member_Contribution_Rates.pdf (pensions.gov.scot)
Circular 3/2024	Updates to the Ill Health Retirement and Internal Dispute Resolution Procedure Guidance	Update notification on ill health guidance for those responsible for making the decisions on ill health retirals	2024-03_LGPS_Circular_Updates_to_the_Ill_Health_Retirement_and_Internal_Dispute_Resolution_Procedure_guidance.pdf (pensions.gov. scot)

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 2024 were as follows -

Scheduled Bodies (12)

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

Admitted Bodies (29)

Abertay Housing Association
Angus Alive
Care Inspectorate
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
Sodexo
University of Abertay, Dundee
Xplore Dundee

CONTACT INFORMATION

Key Documents Online

The following documents are on the website's publications section: https://taysidepensionfund.org/resources/

- 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

Moneyhelper, (previously 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 meet their ongoing automatic enrolment duties and provide effective regulation for defined benefit schemes and looks to promote good trusteeship through improving governance and administration.

4th Floor
102 West Port
Edinburgh
EH3 9DN

T: 0131 625 1500
E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

AUDIT SCOTLAND

Pension Sub-Committee, 23 September 2024

Tayside Pension Fund – Audit of 2023/24 Annual Report and Accounts

Independent auditor's report

1. Our work on the 2023/24 annual report and accounts is now substantially complete. Subject to receipt of a revised set of annual report and accounts for final review, we anticipate being able to issue unmodified audit opinions in the independent auditor's report on 23 September 2024 (the proposed report is attached at Appendix A).

Annual Audit Report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the annual report and accounts to those charged with governance of an audited body in sufficient time to enable appropriate action. For the Tayside Pension Fund, those charged with governance are the Dundee City Council Pension Sub-committee. We present for the committee's consideration our proposed Annual Audit Report on the 2023/24 audit. Exhibit 3 titled "Significant findings and key audit matters from the audit of the annual report and accounts" sets out the issues identified in respect of the Tayside Pension Fund Annual Report and Accounts 2023/24.

3. The report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. Our Annual Audit Report will be issued in final form after the Tayside Pension Fund Annual Report and Accounts 2023/24 have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements in the annual accounts which we have identified during our audit, other than those below our reporting threshold, and request that these misstatements be corrected. We have no unadjusted misstatements to report.

Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Pension Sub-committee we seek confirmation from those charged with governance of any instances of any actual, suspected, or alleged fraud; any subsequent events that occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

7. As part of the completion of our audit, we seek written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

8. A template letter of representation is attached at Appendix B. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

Acknowledgement

9. We would like to thank elected members, management and staff, particularly those in finance, for their cooperation and assistance during the audit.

Appendix A: Proposed 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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and accounts of Tayside Pension Fund (the fund) for the year ended 31 March 2024 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 material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 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 by the Accounts Commission on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. 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 as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Executive Director of 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 there is an intention to discontinue the fund's operations.

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 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:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund;
- inquiring of the Executive Director of Corporate Services as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;
- inquiring of the Executive Director of Corporate Services concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice 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 108 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.

Rachel Browne CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Appendix B: Template Letter of Representation (ISA 580)

To be reproduced on Tayside Pension Fund's headed paper, signed by Section 95 Officer and provided to appointed auditor with signed 2023/24 Annual Report and Accounts

Rachel Browne
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

23 September 2024

Dear Rachel

Tayside Pension Fund
Annual Report and Accounts 2023/24

10. This representation letter is provided about your audit of the annual report and accounts of Tayside Pension Fund for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view and have been properly prepared, and for expressing other opinions on the Remuneration Report, Management Commentary, Annual Governance Statement and Governance Compliance Statement.

11. I confirm to the best of my knowledge and belief and having made appropriate enquiries of relevant officers, the following representations given to you in connection with your audit of Tayside Pension Fund’s annual report and accounts for the year ended 31 March 2024.

General

12. Tayside Pension Fund and I have fulfilled our statutory responsibilities for the preparation of the 2023/24 annual report and accounts. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Tayside Pension Fund have been recorded in the accounting records and are properly reflected in the financial statements.

13. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

14. The annual report and accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (2023/24 accounting code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and The Local Authority Accounts (Scotland) Regulations 2014.

15. In accordance with the 2014 Regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Tayside Pension Fund at 31 March 2024 and the amount and disposition at that date of its assets and liabilities.

Accounting Policies and Estimates

16. All material accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2023/24 accounting code where applicable. Where the accounting code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Tayside Pension Fund's circumstances and have been consistently applied.

17. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

18. I have assessed Tayside Pension Fund's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Tayside Pension Fund's ability to continue to adopt the going concern basis of accounting.

Contributions – Pension Strain

19. All contributions due to the fund have been properly identified and accounted for. In particular the 'strain on the fund' costs have been properly recharged to relevant services and bodies.

Assets

Investments

20. For the year ended 31 March 2024, the amounts included in the net assets statement reflect investments managed externally by appointed fund managers and the global custodian on behalf of the fund. Amounts have been calculated in accordance with approved bases of valuation and fairly represent the values at 31 March 2024. In making these assertions I am reliant on the opinions of the appointed fund managers. As far as we can reasonably ascertain, all assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Banking and Cash Flow Arrangements

21. The pension fund maintains a separate bank account and while these accounts form part of Dundee City Council's treasury management arrangements, the pension fund can demonstrate that there is no borrowing from the administering authority. Amounts due to the administering authority to cover daily cash flows such as payments through the council's systems are reimbursed on a regular basis.

Other Current Assets

22. On realisation in the ordinary course of the Fund's business, the other current assets in the Net Assets Statement are expected, in my opinion, to produce at least the amounts at which they are stated. In particular adequate provision has, in my opinion, been made against all amounts owing which are known or may be expected to be irrecoverable.

Actuarial Assumptions

23. The pension assumptions made by the actuary in the IAS26 report as at 31 March 2024 have been reviewed and I confirm that they are consistent with management's own view.

Liabilities

24. All liabilities at 31 March 2024 of which I am aware have been recognised in the annual accounts.

Provisions

25. There are no provisions included in the financial statements of the Tayside Pension Fund for 2023/24.

Commitments

26. There are no significant commitments or obligations including financial guarantees and offers of financial support which might adversely affect the fund.

Carrying Value of Assets and Liabilities

27. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Contingent liabilities/assets

28. There are no significant contingent liabilities or contingent assets other than those disclosed in the notes to the accounts.

Fraud

29. I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

30. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements, and
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

31. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

32. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2023/24 accounting code. I have made available to you the identity of all the Tayside Pension Fund’s related parties and all the related party relationships and transactions of which I am aware.

Management Commentary

33. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

34. I confirm that Tayside Pension Fund has undertaken a review of the system of internal control during 2023/24 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

35. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. I confirm that the Governance Compliance Statement has been prepared in accordance with applicable regulations. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2024, which require to be reflected.

Events Subsequent to the Date of the Net Assets Statement

36. There have been no material events since the date of the Net Assets Statement which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities, other than those already reflected in the audited financial statements.

37. Since the date of the Net Assets Statement no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Other Matters

38. Except as disclosed in the financial statements, the results for the period were not materially affected by:

- (i) transactions of a sort not usually undertaken by Tayside Pension Fund;
- (ii) circumstances of an exceptional or non-recurrent nature;
- (iii) charges or credits relating to prior periods; and
- (iv) any change in the basis of accounting.

Yours sincerely

Robert Emmott
Executive Director of Corporate Services, Dundee City Council

Tayside Pension Fund

Proposed 2023/24 Annual Audit Report

AUDIT SCOTLAND

Prepared for the members of the Pension Sub-Committee and the Controller of Audit

23 September 2024

Contents

Key messages

2023/24 annual report and accounts

1 Audit opinions on the annual report and accounts are unmodified.

2 The 2023/24 annual report and accounts were certified on 23 September 2024, in line with the agreed audit timetable.

Financial management and sustainability

3 The Fund has appropriate and effective financial management arrangements in place which includes comprehensive reporting of administration and investment performance.

4 The value of the Fund increased by 14 per cent to £5.5 billion during 2023/24, with overall investment performance outperforming the benchmark return set for the year. However, we would caution that the longer-term outlook remains uncertain with a risk of market volatility and negative fluctuations in the value of investments in future years.

5 The 2023 triennial valuation showed a marginally improved position with the Fund 110 per cent funded, having been assessed as 109 per cent funded in the 2020 valuation. This enabled the Fund to reduce the employers' common contribution rate to 15.7 per cent for the period 2024-2027.

6 The Fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation approved after the 2020 triennial valuation and increased its proportion of alternative investments from 0.2 per cent to 4.7 per cent during 2023/24.

7 Overall membership has increased over the last five years but the ratio of active members to pensioners has continued to reduce over the same period. This contributed to the Fund reporting a £28.8 million deficit from dealings with members in 2023/24 and this is likely to increase over the next 3 years due to the reduction in the rate of employer contributions.

8 Based on the Fund being 110 per cent funded, and the healthy net asset position at 31 March 2024, we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

Vision, leadership and governance

9 The Fund has appropriate arrangements in place to support good governance and scrutiny of decision-making and conducts its business in an open and transparent manner.

10 The Fund had no reportable breaches of the Pensions Regulator Public Service Code regulations during 2023/24. Management now needs to identify and implement the changes required to ensure compliance with the Pensions Regulator's new General Code of Practice.

Use of resources to improve outcomes

11 Tayside Pension Fund was the second best performing Scottish fund in 2023/24 and was the only fund to outperform its benchmark for the year. Performance of the Fund's individual investment managers over the last 12 months was generally in line with expectations, but the Baillie Gifford Positive Change fund performed significantly below its benchmark during 2023/24. Longer-term investment performance shows above benchmark returns for the Fund over the last five and ten years.

12 The number of pension administration cases increased during 2023/24, and the average days taken to process these cases nearly doubled due to an increase in the level of complex cases. This was partly attributable to the administrative impact of implementing the remedy to fix unlawful discrimination in public service pension schemes. The Fund should review its administrative staffing capacity to deal with the increased volume and complexity of pension administration cases.

13 The administering authority has appropriate arrangements in place for securing Best Value at Tayside Pension Fund.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Tayside Pension Fund (the Fund) and will be published on Audit Scotland's website: www.audit-scotland.gov.uk

2. The scope of the audit was set out in our annual audit plan which was presented to the March 2024 meeting of the Pension Sub-Committee. This annual audit report comprises the significant matters arising from an audit of the Fund's annual report and accounts and conclusions on the wider scope areas set out in the Code of Audit Practice.

3. We would like to thank elected members, management and staff, particularly those in finance, for their cooperation and assistance during the audit.

Responsibilities and reporting

4. The administering authority (Dundee City Council) of the Fund has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts for the Fund in accordance with proper accounting practices. Dundee City Council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable the Fund to successfully deliver its objectives.

5. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice and supplementary guidance and International Standards on Auditing in the UK.

6. This report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers, and dates for implementation. Weaknesses or risks identified in this report are only those which have come to our attention during our audit work and may not be all that exist. Communicating these does not absolve management of the administering authority of its responsibility to address the issues raised and to maintain adequate systems of control.

Auditor Independence

7. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £32,180, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity or independence.

1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare an annual report and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Audit opinions on the annual report and accounts are unmodified.

The 2023/24 annual report and accounts were certified on 23 September 2024, in line with the agreed audit timetable.

Audit opinions on the annual report and accounts are unmodified

8. The Pension Sub-Committee approved the annual report and accounts for the Fund for the year ended 31 March 2024 on 23 September 2024. The independent auditor's report included the following audit opinions on the annual report and accounts:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary, annual governance statement and governance compliance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The 2023/24 annual report and accounts were certified on 23 September 2024, in line with the agreed audit timetable

9. We received the unaudited annual report and accounts on 24 June 2024, in line with the agreed audit timetable. The accounts and working papers presented for audit were of a good standard and management and finance staff provided excellent support to the team during the audit process. This helped ensure that the final accounts audit was completed in line with the audit timetable, with the 2023/24 annual report and accounts certified on 23 September 2024.

Our audit approach and testing were informed by the overall materiality level of £110 million

10. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and impact the opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality although some issues may be considered material by their nature, and it is ultimately a matter of the auditor's professional judgement.

11. Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the financial results reported in the Fund's audited 2022/23 annual report and accounts. These materiality levels were reported in our annual audit plan to the March 2024 meeting of the Pension Sub-Committee.

12. On receipt of the unaudited 2023/24 annual report and accounts we recalculated our materiality levels based in the financial results for the year ended 31 March 2024. These are detailed in Exhibit 1.

Exhibit 1
Materiality levels for the 2023/24 audit

Materiality level	Amount
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set based on our assessment of the needs of the users of the financial statements and the nature of the Fund's operations.	£110 million
Performance materiality: This is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65 per cent of overall materiality, reflecting the scale of previous year's adjustments, the extent of estimation in the accounts and the planned testing in proportion to the scale of the organisation.	£71.5 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£1.0 million

Source: Audit Scotland

Our audit identified and addressed the risks of material misstatement

13. Exhibit 2 sets out the significant and non-significant risks of material misstatement to the financial statements. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2
Significant and non-significant risks of material misstatement

Nature of risk	Audit Response	Conclusion
Significant risks of material misstatement		
1. Risk of material misstatement due to fraud caused by the management override of controls As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	• Assessed the design and implementation of controls over journal entry processing. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • We used data analytics to consider all journals and substantively tested a sample of higher risk year end journals. • Considered the need to test journal entries and other adjustments during the period. • Evaluated any significant transactions outside the normal course of business. • Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantively tested income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.	We did not identify any instances of management override of controls during our audit.
Other risks of material misstatement		
2. Actuarial valuation of future retirement benefits	• Assessed the competence, capabilities, and objectivity of the actuary in line with ISA 500.	We did not identify any issues with the competence, capabilities, and

Nature of risk	Audit Response	Conclusion
The valuation is based on a range of financial and demographic estimations about the future including investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions. The subjectivity around these estimates gives rise to a risk of material misstatement in the financial statements.	• Reviewed the information provided to the actuary by the Fund. • Reviewed the assumptions used by the actuary to reach the valuation of future retirement benefits. • Reviewed officers' arrangements for ensuring the completeness and accuracy of professional estimations for pensions.	objectivity of the actuary. Our audit work also did not identify any issues with the completeness and accuracy of the information used in the valuation, or the appropriateness of the assumptions applied by the actuary.

Source: Audit Scotland

We reported the significant findings from the audit prior to the annual report and accounts being approved and certified

14. Under International Standard on Auditing (UK) 260, we are required to communicate significant findings from the audit, including our view about the qualitative aspects of the body's accounting practices, to those charged with governance prior to the audited annual report and accounts being approved and certified.

15. The Code of Audit Practice also requires us to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance.

16. The significant findings are summarised in Exhibit 3. Our audit also identified other presentation and disclosure issues which were discussed with management. These were all adjusted in the audited annual report and accounts, and none were significant enough to require to be separately reported under ISA 260.

Exhibit 3
Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
1. Valuation of unobservable inputs in Level 2 and Level 3 investments Unobservable inputs are used in investment valuations when there is no open market data available. These carry an inherently higher risk of misstatement in value due to the inability for open market comparison. As part of the audit we discussed with management what arrangements the Fund has in place to gain independent assurance over the accuracy of valuations of Level 2 and Level 3 investments. We were advised that the Fund do not currently carry out any procedures to gain independent assurance over these valuations.	Due to the low value of Level 3 investments held by the Fund at 31 March 2024, and the majority of Level 2 investments not containing unobservable inputs, these valuations did not represent any risk of material misstatement for the 2023/24 annual accounts. However, due to the diversification of the Fund's investment portfolio, discussed at paragraphs 43. to 45. , the Fund will have a higher value of Level 3 investments at 31 March 2025. Management should ensure that adequate arrangements are in place to gain independent assurance over the fund manager valuations of investments containing unobservable inputs at 31 March 2025. This could include the Fund: • Reviewing fund manager controls reports which provide assurance that valuation techniques used by the fund manager are appropriate and consistent with industry standards. • Engaging with an independent third party to provide assurance over the valuation provided by fund managers in relation to wider market trends. • Conducting sensitivity analyses to assess the reasonableness of changes in value between years for investments relying on unobservable valuation techniques and seeking explanations from the fund manager for unusual or unexpected movements. This was judged to be a key audit matter. **Recommendation 1 at Appendix 1**

Issue	Resolution
2. Investments and derivatives disclosures The CIPFA Local Government Pension Scheme (LGPS) model accounts reflect the reporting requirements for LGPS funds under the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This includes the presentation and disclosure requirements for the primary financial statements and the notes the accounts. As part of our audit we reviewed Tayside Pension Fund's 2023/24 Annual Report and Accounts against these requirements and identified that *Note 10. Investments* and *Note 12. Fair Value* did not fully reflect the suggested disclosures in the CIPFA model accounts.	Management advised that it would not be possible to include the additional disclosures in the 2023/24 annual report and accounts as the required information would need to be provided by the custodian, Northern Trust. However, the Fund will discuss the requirements with the custodian to ensure this information can be obtained and included in the 2024/25 annual report and accounts. As the disclosure issues identified do not represent material departures from the disclosure requirements for LGPS funds under the Code of Practice on Local Authority Accounting in the United Kingdom, we are content for these to be addressed in 2024/25. **Recommendation 2 at Appendix 1**

Source: Audit Scotland

Our audit did not identify any misstatements within the financial statements

17. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected but the final decision on making the correction lies with those charged with governance.

18. Our audit did not identify any misstatements above our reporting threshold.

Limited progress was made on prior year recommendations

19. Our 2022/23 annual audit report included three recommendations for improvement, including one issue carried forward from the 2021/22 audit. The Fund has made limited progress in implementing these and all three recommendations have still to be fully addressed. An update on progress with these issues is set out in Appendix 1.

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

The Fund has appropriate and effective financial management arrangements in place which includes comprehensive reporting of administration and investment performance.

The value of the Fund increased by 14 per cent to £5.5 billion during 2023/24, with overall investment performance outperforming the benchmark return set for the year. However, we would caution that the longer-term outlook remains uncertain with a risk of market volatility and negative fluctuations in the value of investments in future years.

The Fund has appropriate and effective financial management arrangements in place which includes comprehensive reporting of administration and investment performance

20. The Executive Director of Corporate Services for Dundee City Council is the Proper Officer responsible for Tayside Pension Fund. The financial regulations of Dundee City Council, as administering authority, apply to the Fund. We consider these to be current, comprehensive and support good financial management.

21. The Pension Fund Sub-Committee receives administration and performance reports at its quarterly meetings. These reports are comprehensive and include administration caseload and processing time performance information, fund performance trends, investment manager performance against benchmarks and movements in asset allocations. From our attendance at committee meetings, we concluded that reports presented to members are subject to appropriate review and scrutiny.

Financial systems of internal control operated effectively during 2023/24

22. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to producing the financial statements (including those relating to IT). Our objective is to gain assurance that Tayside Pension Fund has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

23. Our work in 2023/24 covered the key controls over the systems used for pension administration activity and the pension fund's investments. The Fund also uses the financial systems of the administering authority, Dundee City Council. The main council systems used by the Fund are the general ledger system and the payroll system. Our review of the controls in operation within these systems was conducted as part of our audit of Dundee City Council.

24. Our review of the systems used by the Fund and the administering authority did not identify any significant control weaknesses which could affect the Fund's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

The value of the Fund increased by 14 per cent to £5.5 billion during 2023/24, with overall investment performance outperforming the benchmark return set for the year

25. The Fund's performance in 2023/24 is summarised in Exhibit 4. This shows that the net assets of the Fund increased from £4.834 billion at 31 March 2023 to £5.494 billion at 31 March 2024. This £0.660 billion (13.7 per cent) increase in net assets was mainly attributable to increases in the value of equities (£0.265 billion), fixed income unit trust investments (£0.238 billion), equity unit trust investments (£0.203 billion) and cash deposits (£0.195 billion), offset by a reduction in the value of bonds (£0.359 billion) during the year. These market value changes contributed to a positive annual fund investment return for the year of 14.59 per cent, which was above the benchmark return set for the year of 13.14 per cent.

26. Exhibit 4 also shows that the overall funding level of the Fund has increased to 110 per cent at 31 March 2024 using assumptions consistent with those adopted for the 2023 triennial valuation. Further commentary on this is included within the Financial sustainability section of this report.

Exhibit 4
Assets, funding level and investment performance

Increase in net assets	Funding level	Investment performance
£5.494 billion Closing net assets as at 31 March 2024 (+13.7%)	**110%** At 31 March 2024 (interim valuation using assumptions consistent with those adopted for the 2023 triennial valuation)	**14.59%** Return on investments 2023/24
£4.834 billion Opening net assets as at 1 April 2023	**109%** At 31 March 2023 (interim valuation based on roll forward approximation from 2020 triennial valuation)	**7.94%** Average annual return on investments over 5 years

Source: Tayside Pension Fund 2023/24 Annual Report and Accounts

The value of the fund's assets increased by 14 per cent during 2023/24 but the longer-term outlook remains uncertain with a risk of negative fluctuations in the Fund value in future years

27. When considering the overall investment performance of the Fund during 2023/24, as shown in Exhibit 4, it is important to recognise the impact of world events on financial markets and investments. The global impact of the ongoing conflict in Ukraine and other events has significantly increased market volatility.

28. While the Fund's current financial position is still strong, we would caution that the value of the fund's assets decreased by 5 per cent during 2022/23 and the longer-term outlook remains uncertain. There is a risk that there will be further market volatility and fluctuations in the value of investments in future years as the long-term impact of recent world events becomes clearer.

The Fund reported a deficit from dealings with members of £28.8 million for 2023/24

29. The Fund reported a deficit from dealings with members of £28.8 million in 2023/24 (£19.3 million in 2022/23 and £17.6 million in 2020/21). This means that pension payments exceeded member contributions and investment income was used to ensure pensions were paid.

Internal audit has given a satisfactory opinion on the Fund's governance, risk management and control framework for 2023/24

30. Tayside Pension Fund's internal audit function is carried out by PwC under the Crown Commercial Service Framework for the provision of a full internal audit service to fulfil the service requirements of annual audits. They have now completed their 2023/24 audit work and presented their Annual Audit Report to the June 2024 Pension Sub-Committee. This provided a satisfactory opinion on the Fund's governance, risk management and control framework for 2023/24. The report also noted 2 medium risk findings (both relating to pension administration) and 5 low risk findings (2 relating to pension administration and 3 relating to liquidity) across the internal audit reviews completed during the year, that would enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The Fund has appropriate arrangements in place to prevent and detect fraud, error and irregularities, bribery, and corruption

31. In the public sector there are specific fraud risks, including those relating to pension claimants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery, and corruption.

32. We assessed the Fund's arrangements for the prevention and detection of fraud as part of our 2023/24 audit. The Fund relies on the administering authority's arrangements for the prevention and detection of fraud and corruption.

These include a Code of Conduct for members and officers, Whistleblowing Policy and an Anti-Fraud Strategy.

33. We concluded that the Fund has appropriate arrangements in place to prevent and detect fraud, error and irregularities, bribery, and corruption. We are also not aware of any specific issues during 2023/24 that we require to bring to your attention.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

The 2023 triennial valuation showed a marginally improved position with the Fund 110 per cent funded, having been assessed as 109 per cent funded in the 2020 valuation. This enabled the Fund to reduce the employers' common contribution rate to 15.7 per cent for the period 2024-2027.

The Fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation approved after the 2020 triennial valuation and increased its proportion of investments in alternatives from 0.2 per cent to 4.7 per cent during 2023/24.

Overall membership has increased over the last five years but the ratio of active members to pensioners has continued to reduce over the same period. This contributed to the Fund reporting a £28.8 million deficit from dealings with members in 2023/24 and this is likely to increase over the next 3 years due to the reduction in the rate of employer contributions.

Based on the Fund being 110 per cent funded, and the healthy net asset position at 31 March 2024, we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

The 2023 triennial valuation showed a marginally improved position with the Fund 110 per cent funded, having been assessed as 109 per cent funded at the time of the 2020 valuation

34. There is a statutory requirement for local government pension funds to undertake a full actuarial valuation of assets and liabilities every three years. This is referred to as a triennial valuation.

35. The most recent triennial funding valuation took place across Local Government Pension Scheme funds in 2023/24 based on data as at 31 March 2023. The main purpose of the valuation is to review the financial position of each fund and to set appropriate contribution rates for each employer for the upcoming three-year period as part of the fund's overall funding strategy.

36. The results of the triennial valuation of Tayside Pension Fund were reported to the Pension Sub-Committee in March 2024. As required by Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014, Barnett

Waddingham (the Fund's appointed actuary) considered the following four factors when conducting the valuation:

- the existing and prospective liabilities
- the desirability of maintaining as nearly constant a primary rate as possible
- the current version of the administering authority's funding strategy
- the requirement to secure the solvency of the pension fund and the long-term cost efficiency of the Scheme, so far as relating to the pension fund.

37. While the Fund was valued at 31 March 2023, it is worth noting that for the purposes of the valuation, the actuary used a smoothed value of the assets with the market value over the period 1 January 2023 to 30 June 2023 informing the asset valuation. This methodology is used to ensure that the assets are valued in a consistent way to the liabilities and guards against any market volatility around the valuation date resulting in the assets being over or under-valued.

38. The results of the valuation showed the Fund to be 110 per cent funded, including a volatility reserve of 10 per cent which is in place to protect the Fund from future volatility of investment returns. This means that, overall, the Fund had a surplus of assets over liabilities. This represented a marginally improved position from the 2020 valuation when the Fund was assessed as 109 per cent funded.

The Fund reduced the employers' common contribution rate to 15.7 per cent for the period 2024/25-2026/27

39. The results of the 2023 valuation enabled the Fund to reduce the employer's common contribution rate from 17.0 per cent to 15.7 per cent for the period 2024/25-2026/27. While this reduced contribution rate will decrease the amount paid in to the Fund through employer contributions over the next three years, we do not believe this presents a risk to the long-term financial sustainability of the Fund.

The Fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation approved after the 2020 triennial valuation

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

41. Following each triennial valuation, the Fund is required to review its investment strategy. This review is undertaken by ISIO, the Fund's Investment Consultants. ISIO's review after the 2020 valuation recommended that the Fund should further diversify its investments via investment in alternative class assets, as well as further global equity diversification, with increased focus on sustainability within the portfolios in order to help manage equity and inflation risk over the short to medium term. The Pension Sub-Committee approved the review recommendations at its meeting in June 2021 and agreed that the implementation of the related actions should be taken forward when market conditions are suitable.

42. Over the last 3 years the Fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation, as shown in Exhibit 5. However, the Fund still needs to reduce its level of equities and increase the proportion of investments in alternatives.

Exhibit 5
Asset distribution of the Fund's investment portfolio over time

Asset class	Asset allocation					Variance from target at 31 March 2024 (%)
	Target (%)	31 March 2021 (%)	31 March 2022 (%)	31 March 2023 (%)	31 March 2024 (%)	
Equities	65.0	67.3	71.7	73.4	72.8	+7.8
Bonds, Gilts	13.0	19.9	16.8	15.9	13.1	+0.1
Property	12.0	12.7	11.4	10.5	9.4	-2.6
Alternatives	10.0	0.1	0.1	0.2	4.7	-5.3

Source: Tayside Pension Fund Annual Report and Accounts 2021/22 to 2023/24

The Fund increased its proportion of investments in alternatives from 0.2 per cent to 4.7 per cent during the year

43. To achieve further diversification and investment in alternative asset classes, the Fund officers and advisors undertook a large-scale procurement exercise to seek appropriate investment managers during 2023/24. The change in asset allocation between 31 March 2023 and 31 March 2024, Exhibit 5, reflects the outcome of this procurement exercise which resulted in the Fund appointing three new investment managers during 2023/24.

44. The Fund appointed Apollo Global Management, Partners Group and Legal & General Investment Management, with Goldman Sachs Asset Management's appointment terminated to fund these new investment mandates, along with the rebalancing of other portfolios. The asset transitions were undertaken in February and March 2024, prior to the end of the financial year, and the new appointments included the Fund's first significant investment in alternatives. This resulted in the proportion of alternatives investments increasing from 0.2 per cent at 31 March 2023 to 4.7 per cent at 31 March 2024.

45. ISIO is still concluding its review of the Fund's investment strategy after the 2023 valuation. However, it is not anticipated that this will recommend any significant changes to the target investment portfolio asset distribution from that identified after the 2020 valuation.

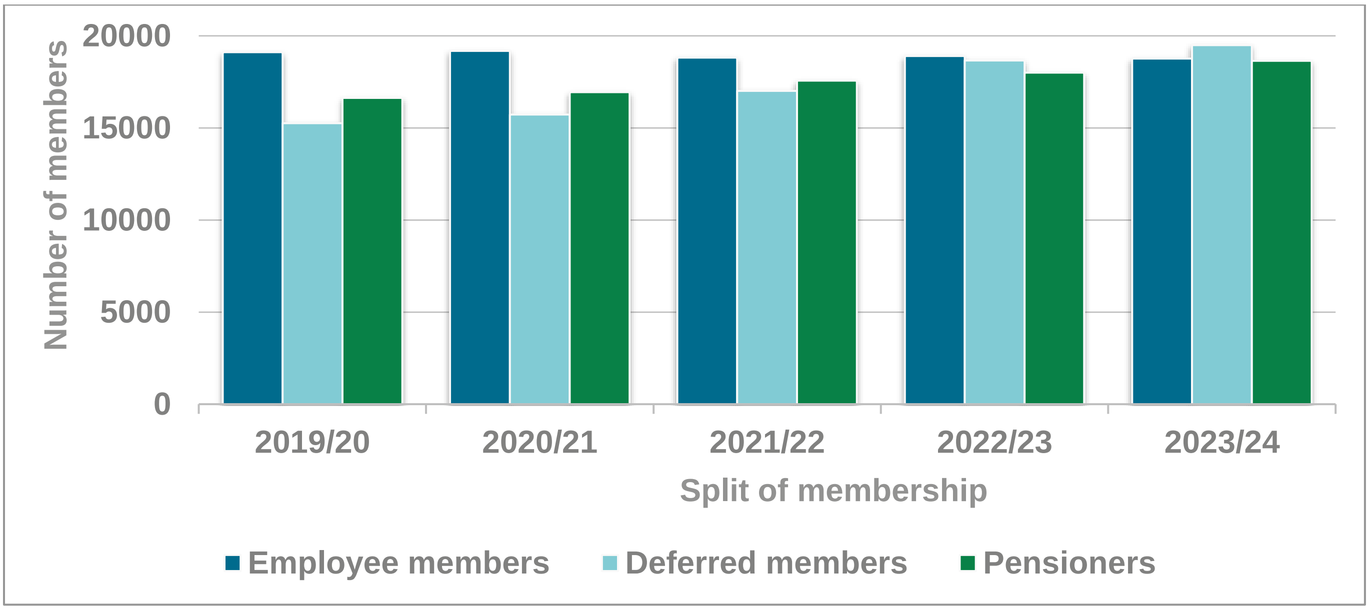
Recommendation 3

Management should continue to take action to diversify the Fund's investment portfolio to better reflect the investment strategy asset allocation, taking account of any changes resulting from the review of the investment strategy conducted after the 2023 valuation.

Overall membership has increased over the last five years but the ratio of active members to pensioners has continued to reduce over the same period

46. The Fund is a multi-employer fund with 41 employers at 31 March 2024, comprising 12 scheduled bodies (including Dundee City, Angus and Perth & Kinross Councils) and 29 admitted bodies. The current membership profile is shown at Exhibit 6.

Exhibit 6
Tayside Pension Fund membership
The ratio of active members to pensioners has reduced over the last five years



Source: Tayside Pension Fund Annual Report and Accounts 2019/20 to 2023/24

47. The Fund gives its members a guarantee that in exchange for contributions during their employment, it will pay a pension until the end of each member's life. It is important that the Fund maintains the capacity to meet the current and future pension entitlements of its members.

48. Membership of the fund increased by 1,323 (2.4 per cent) to 56,905 members during 2023/24 and has increased by 5,901 (11.6 per cent) since 2019/20. However, although the number of active members continues to exceed the number of pensioners, the ratio of active members to pensioners has steadily reduced in recent years from 1.149:1 in 2019/20 to only 1.006:1 in 2023/24. This, combined with increasing life expectancy over this period, continues to place additional pressure on the Fund. However, we do not believe this presents any immediate risk to the financial sustainability of the Fund.

There have been negative cash flows from member activity in recent years and the annual deficit is likely to increase over the next 3 years due to the reduction in the rate of employer contributions

49. The Fund reported a £28.8 million deficit from dealings with members in 2023/24. This reflects the trend of negative cash flows from member activity over recent years, Exhibit 7. The level of the annual deficit from dealings with members is also likely to increase over the next 3 years due to the reduction in the rate of employer contributions from 2024/25, paragraph 39. . However, the Fund continues to actively monitor its cash-flow position and based on the actuarial maturity profile, management is content that there is no immediate need to consider investment changes due to the cash flow position.

Exhibit 7
Member transactions over the last five years

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Employer contributions	73.736	76.211	81.286	84.524	91.564
Employee contributions	25.890	27.091	28.363	30.210	32.200
Transfer in	4.551	3.635	6.221	3.954	8.008
Lump sums paid	(24.369)	(23.026)	(26.132)	(27.481)	(35.073)
Pension paid	(91.639)	(96.061)	(99.574)	(105.447)	(118.462)
Transfer out	(5.825)	(12.503)	(5.757)	(5.076)	(4.676)
Administration costs	(1.884)	(1.655)	(1.968)	(1.867)	(2.339)
Net withdrawals	**(19.540)**	**(26.308)**	**(17.561)**	**(21.183)**	**(28.778)**

Source: Tayside Pension Fund Annual Report and Accounts 2019/20 to 2023/24

We currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy

50. Based on the actuary’s interim valuation which showed that the Fund is 110 per cent funded (paragraphs 34. to 38.), and the healthy net asset position at 31 March 2024 (paragraph 25. and Exhibit 4), we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

The Fund has appropriate arrangements in place to support good governance and scrutiny of decision-making and conducts its business in an open and transparent manner.

The Fund had no reportable breaches of the Pensions Regulator Public Service Code regulations during 2023/24. Management now needs to identify and implement the changes required to ensure compliance with the Pensions Regulator's new General Code of Practice.

The Fund has appropriate arrangements in place to support good governance and scrutiny of decision-making

51. The Fund's overall governance arrangements are set out in the Annual Governance Statement and Governance Compliance Statement included in the annual report and accounts. The responsibilities of the Executive Director of Corporate Services, the Pension Sub-Committee and the Pension Board are set out in the Statement of Investment Principles which is also included within the annual report and accounts.

52. Dundee City Council is the administering authority for Tayside Pension Fund. The Council has delegated the responsibility for governance to the Pension Sub-Committee of the Policy and Resources Committee. This Sub-Committee, supported by the Pension Board, is responsible for establishing arrangements that ensure the proper conduct of the affairs of Tayside Pension Fund. It is also responsible for ensuring that decisions are made within the terms of the Local Government Pension Scheme.

53. The main functions of the Fund are the management of investments and the administration of scheme benefits. These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) regulations which are statutory instruments made under the Superannuation Act 1972 and Public Service Pensions Act 2013.

54. All meetings of the Pension Sub-Committee and Pension Board were held remotely via Microsoft Teams throughout 2023/24. However, we have not noted any adverse impact on the level of scrutiny at meetings due to these meetings being held remotely.

The Fund conducts its business in an open and transparent manner

55. Openness and transparency means that the public, in particular members of the Fund, have access to understandable, relevant and timely information about how decisions are being taken and how resources are being used.

56. Public sector governance guidance indicates that an organisation that is transparent shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

57. There is evidence from several sources which demonstrate the Fund's commitment to transparency. For example, the Pension Sub-Committee and Pensions Board meetings can be observed remotely by the public via Teams or YouTube, and the minutes of all meetings are available on the administering authority's website. The Fund's Annual Report and Accounts is also available on the administering authority's website, along with investment and administration performance information, and key governance documents.

The management commentary in the 2023/24 Annual Report and Accounts provided a fair, balanced and reasonable analysis of the organisation’s financial performance for the year

58. In addition to the consistency opinion on the management commentary covered in Part 1 of this report, we also consider the qualitative aspects of the management commentary included in the annual report and accounts. The purpose of the management commentary is to provide information on the Fund, its main objectives and strategies, and the principal risks that it faces. It must provide a fair, balanced and reasonable analysis of a body’s performance and is essential in helping stakeholders understand the financial statements. We concluded that the management commentary in the 2023/24 Annual Report and Accounts satisfied these requirements.

The Fund included climate change financial disclosures within the 2023/24 annual report and accounts

59. The Scottish Parliament has set a legally binding target of becoming net zero by 2045. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change. For the pension fund, the responsibility for meeting these targets lies with Dundee City Council as the administering authority.

60. While the administering authority is responsible for meeting the above targets, the Fund should be working towards monitoring and reporting on climate-related disclosures. The Scottish Local Government Pension Scheme (LGPS) Advisory Board’s working group discussed the Taskforce for Climate Related Financial Disclosures (TCFD) in February 2022 and have engaged with all eleven Scottish LGPS funds on TCFD. This highlighted that four funds already report in line with TCFD recommendations and a further five funds, including Tayside Pension Fund, were preparing to do so over the next two years. The working group concluded that all funds are fully aware of the evolving landscape and the vast majority are already preparing to report in line with TCFD recommendations voluntarily.

Good practice – Climate related financial disclosures

Tayside Pension Fund included climate change financial disclosures within the investment section of the 2023/24 annual report and accounts. These were reported in line with the Taskforce for Climate Related Financial Disclosures recommendations and covered governance, strategy, risk management, and metrics and targets, related to the Fund's climate related risks and opportunities.

The Fund requires all fund managers to be signatories to the United Nations Principles for Responsible Investing Initiative

61. Corporate governance and corporate social responsibility have developed significantly in recent years in response to both legislative and stakeholder demands. Funds have 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.

62. The United Nations Principles for Responsible Investing Initiative is intrinsic within the global investment community, and Tayside Pension Fund requires all fund managers be signatories to the principles. These principles widen socially responsible investing to cover ESG, setting out guidance on how this can be met.

63. The Fund's overall approach to environmental, social and corporate governance was reported within the investment section of the 2023/24 annual report and accounts.

The Fund had no reportable breaches of the Pensions Regulator Public Service Code regulations during 2023/24

64. The Public Sector Pensions Act 2013 provided for extended regulatory oversight by the Pensions Regulator. The Pensions Regulator issued a code on the governance and administration of public service pension schemes in January 2015 which funds are expected to comply with.

65. The Pension Fund Manager and Senior Financial Services Manager monitor any potential breaches of the Pensions Regulator Public Service Code regulations. If any such incidents occur, they are discussed with the Head of Corporate Finance to establish if they are material breaches that require to be reported to the regulator.

66. Management has confirmed that there were no reportable breaches during 2023/24.

The Fund needs to identify and implement the changes required to ensure compliance with the Pensions Regulator's new General Code of Practice

67. The Pensions Regulator's new General Code of Practice sets out the standards and expectations for the governance and management of occupational pension schemes in the UK. The code, which came into force on 28 March 2024, consolidated and replaced 10 previous codes of practice. This comprehensive code aims to ensure that pension schemes are managed effectively and in the best interests of their members. Key aspects of the code include:

- **Governance Requirements:** It outlines the necessary governance structures, systems, and controls that pension schemes should have in place.
- **Funding and Investment:** It details investment governance and strategy requirements, including environmental and social duties.
- **Administration:** It covers the handling of information, record-keeping, and monitoring contributions.
- **Communications and Disclosure:** It specifies the communications that governing bodies must produce for scheme members and the information that should be publicly available.
- **Reporting:** It includes requirements for reporting to The Pensions Regulator, such as scheme returns and breaches of the law.

68. The Fund is aware that it needs to assess the suitability of existing governance arrangements against the new Code and has already been working with internal auditors and other advisors to analyse the key areas of governance, administration and investment. Over the coming year, the Fund officers are focussed on improvements and developing a revised structure and operating model.

Recommendation 4

Management needs to identify and implement the changes required to ensure the Fund's compliance with the Pensions Regulator's new General Code of Practice.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Tayside Pension Fund was the second best performing Scottish fund in 2023/24 and was the only fund to outperform its benchmark for the year. Performance of the Fund's individual investment managers over the last 12 months was generally in line with expectations, but the Baillie Gifford (Positive Change) fund performed significantly below its benchmark during 2023/24. Longer-term investment performance shows above benchmark returns for the Fund over the last five and ten years.

The number of pension administration cases increased during 2023/24, and the average days taken to process these cases nearly doubled due to an increase in the level of complex cases. This was partly attributable to the administrative impact of implementing the remedy to fix unlawful discrimination in public service pension schemes. The Fund should review its administrative staffing capacity to deal with the increased volume and complexity of pension administration cases.

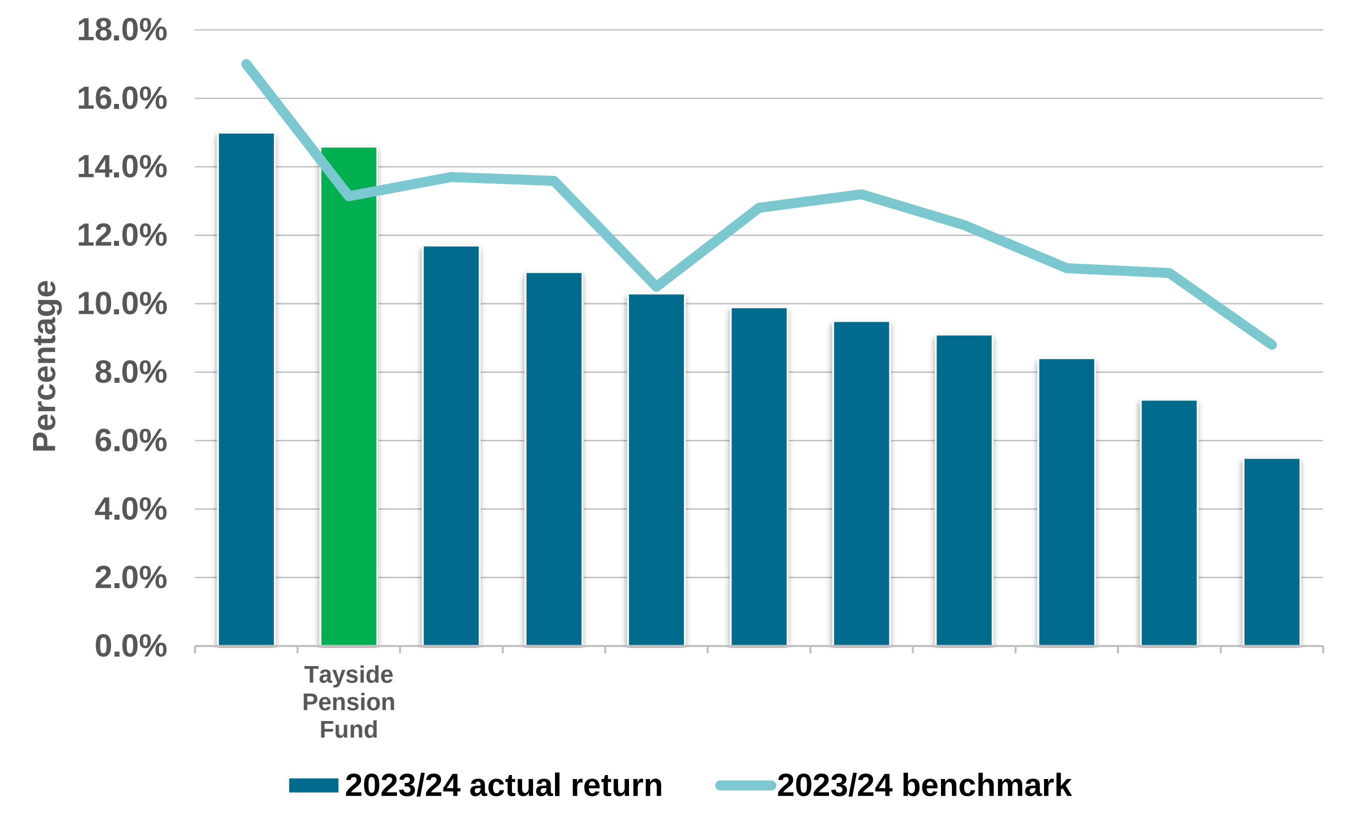
The administering authority has appropriate arrangements in place for securing Best Value at Tayside Pension Fund.

Tayside Pension Fund was the second best performing Scottish fund in 2023/24, and was the only fund to outperform its benchmark for the year

69. 2023/24 was a more positive year for Scottish Local Government Pension Schemes in terms of returns on investments, after a challenging year in 2022/23 when most industry benchmarks delivered negative performance. Across Scottish funds investment performance ranged from 5.5 per cent to 15 per cent (compared to returns ranging from minus 6 per cent to 1 per cent in 2022/23).

70. As shown in Exhibit 8, Tayside Pension Fund was the second best performing Scottish fund in 2023/24 and was the only fund to outperform its benchmark for the year, reporting a return of 14.6 per cent against a benchmark of 13.1 per cent.

Exhibit 8
Scottish Local Government Pension Schemes performance against benchmark 2023/24



Source: Tayside Pension Fund 2023/24 Scottish LGPS pension funds annual accounts

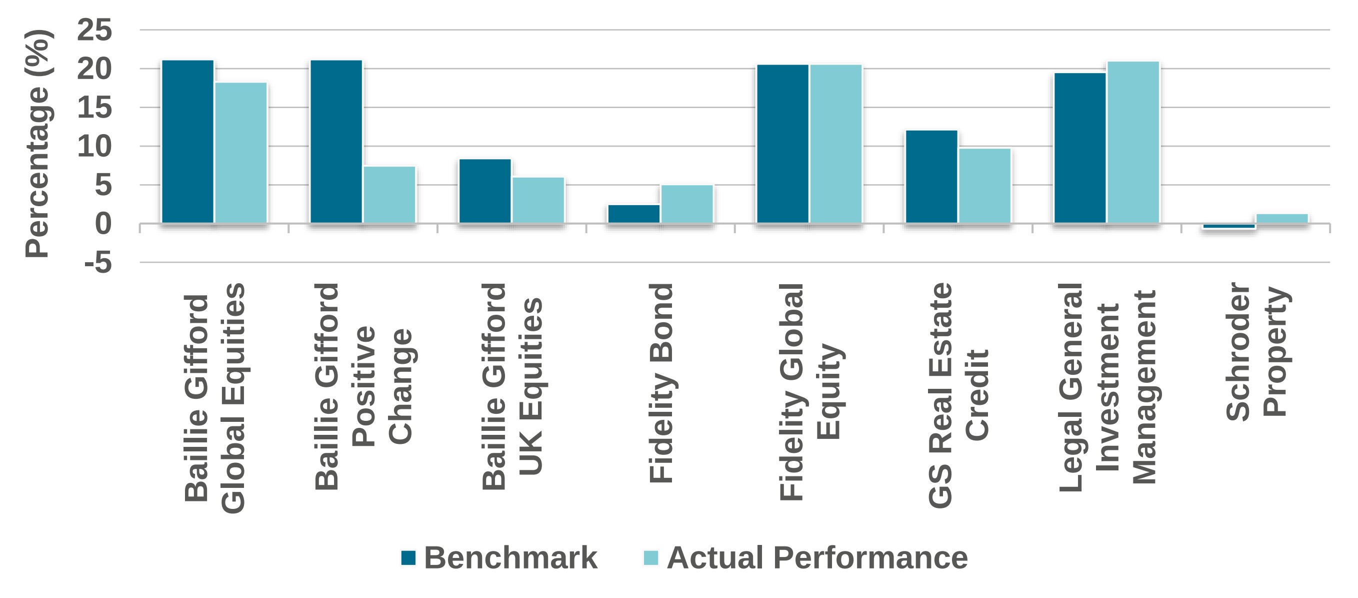
Performance of the Fund's individual investment managers over the last 12 months was generally in line with expectations, but the Baillie Gifford Positive Change fund performed significantly below its benchmark during 2023/24

71. Investment manager performance for each portfolio is reported on a quarterly basis to the Pension Sub-Committee. The Fund's external investment advisor attends the meetings in an advisory capacity, when required. The external investment advisor also provides an annual report to the Pension Sub-Committee each March covering the performance of each portfolio, and the full fund, for the previous calendar year.

72. The performance summaries presented to each meeting of the Sub-Committee include details of performance of individual portfolios against benchmark for each quarter of the current year, and over the last three and five years. This allows members of the Sub-Committee to scrutinise investment performance and to question officers on the reasons for any under-performance.

73. The Fund's overall performance for 2023/24, discussed at paragraph 70. , reflected the performance of the investment managers for the year. During 2023/24 the year the Fund used five external investment managers managing eight distinct mandates (a set of instructions laying out how a pool of assets should be invested). As shown in Exhibit 9, four of the eight investment mandates reported above benchmark returns, and four reported below benchmark returns, for the year.

Exhibit 9
Investment mandate performance against benchmark 2023/24



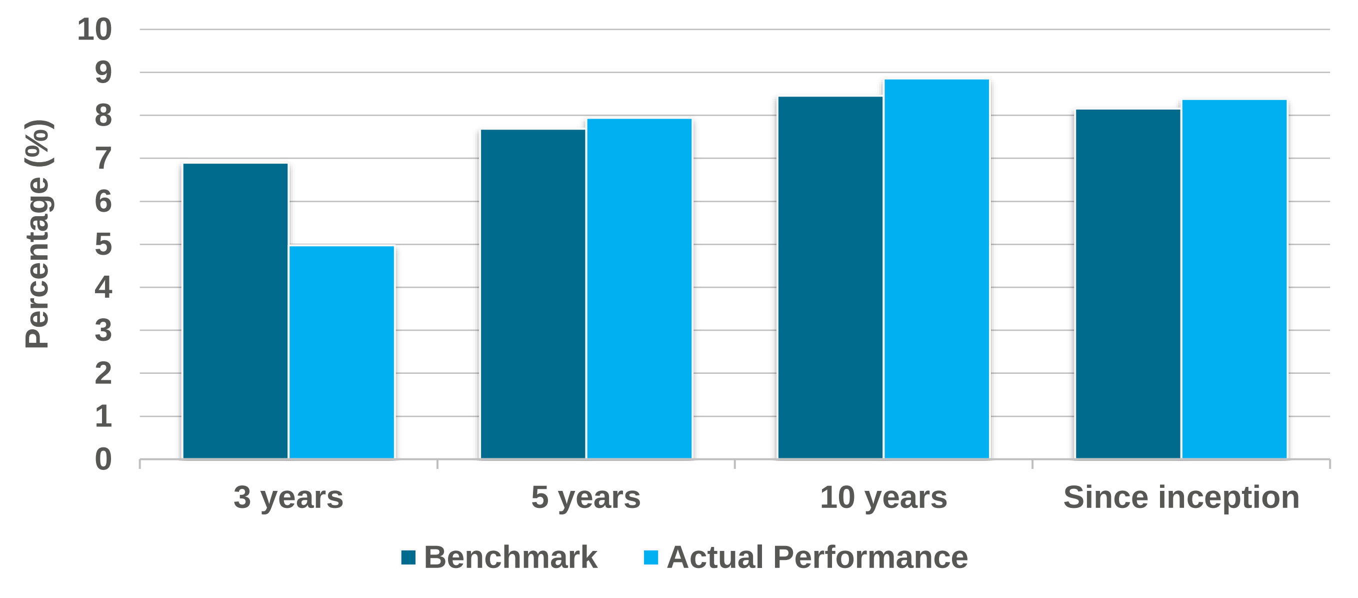
Source: Tayside Pension Fund Annual Report and Accounts 2023/24

74. Performance of the investment mandates was generally in line with expectations during 2023/24 with reported returns just above or just below the benchmark set, Exhibit 9. However, the Baillie Gifford Positive Change fund performed significantly below its benchmark, reporting returns of only 7.48 per cent against a benchmark of 21.18 per cent. Despite this poor annual return in 2023/24, management still expects this fund to deliver attractive longer-term returns due to its investment in companies that look to contribute to a more sustainable and inclusive world.

Longer-term investment performance shows above benchmark returns for the Fund over the last five and ten years

75. Exhibit 8 on page 26 shows that the Fund outperformed its benchmark over the last 12 months, generating a rate of return of 14.6 per cent against the benchmark of 13.1 per cent. Exhibit 10 shows that medium and long-term performance is also strong with the Fund performing above benchmark over the last five years (7.9 per cent against the benchmark of 7.7 per cent), ten years (8.9 per cent against the benchmark of 8.5 per cent), and since the inception of the Fund (8.4 per cent against the benchmark of 8.2 per cent).

Exhibit 10
Longer-term Fund investment performance



Source: Tayside Pension Fund Annual Report and Accounts 2023/24

The number of pension administration cases increased during 2023/24, and the average days taken to process these cases nearly doubled due to an increase in the level of complex cases

76. The Pension Fund Committee receives administration reports at its quarterly meetings. These reports include administration caseload and processing time performance information and also highlight any emerging pressures or areas of risk, including potential non-compliance with statutory processing deadlines, for members attention.

77. As shown in Exhibit 11, there was a 22 per cent increase in the total pension administration caseload from 10,122 cases in 2022/23 to 12,381 in 2023/24. The average days taken to process cases also increased significantly (96 per cent) from 38.24 days last year to 74.88 days in 2023/24. The increase in processing time was mainly attributable to the additional time taken to process clerical tasks and payroll cases during the year.

78. Management advised that the increase in processing times partly reflects the increased complexity of cases, as well as ongoing resource challenges due to staff absence. Another factor has been the ongoing training required for less experienced staff to enable them to be able to deal more quickly with more complex cases, coupled with the impact of more experienced staff having to focus their time on the implementation of age discrimination legislation, paragraphs 79. and 80. , and preparation for the launch of the Pension Dashboard, paragraphs 81. to 83. .

Exhibit 11
Administration case processing volumes and performance

Task	Case volume 2022/23	Average days to process	Case volume 2023/24	Average days to process
Clerical tasks	3,010	87.29	5,291	138.53
Death grant	126	65.29	130	69.57
Divorce	50	47.80	57	65.11
Estimates	4,460	13.01	2,725	17.72
Payroll related	1,476	25.37	3,035	36.88
Retirements	1,000	18.23	1,143	18.46
Total caseload	**10.122**	**38.24**	**12,381**	**74.88**

Source: Tayside Pension Fund Annual Report and Accounts 2023/24

Implementing the remedy to fix unlawful discrimination in public service pension schemes is placing a significant additional administrative burden on the Fund

79. The McCloud Case resulted in a high court judgement that found the protection given to older members of public service pension schemes, when the schemes reformed in 2014 and 2015, was age discriminatory. A remedy to this came into force on 1 October 2023 extending the statutory underpin to all members who would have been eligible if no age restriction had applied. This is to be applied retrospectively to 1 April 2015 and will have cost and administration implications.

80. Applying the remedy to the large volume of Tayside Pension Fund members affected by this ruling will continue to place a significant additional administrative burden on the Fund, and the complexity of these cases will also necessitate input from more experienced staff which reduces their availability to deal with other administration cases.

Recommendation 5

The Fund should review its administrative staffing capacity to deal with the increased volume and complexity of pension administration cases, alongside implementing the remedy to fix unlawful discrimination in public service pension schemes. Consideration should be also given to what contingency measures can be put in place to ensure that these activities are completed in line with the relevant statutory requirements and deadlines.

The Fund is taking action to ensure its data is ready for the launch of the Pension Dashboard in 2025

81. The Pension Dashboard for the Local Government Pension Scheme (LGPS) in Scotland is expected to go live towards the end of 2025 and will provide a comprehensive and secure way for members to access their pension information online. The dashboard's key features will include:

- **Personalised information:** Members will be able to view their pension details, including contributions, benefits, and projected retirement income.
- **Calculators and tools:** The dashboard will provide members with various calculators to help them understand how their pension will grow, the impact of additional contributions, and options for taking lump sums.
- **Planning resources:** It will provide members with resources to help them plan for their retirement, understand their pension options, and make informed decisions about when to take their pension.
- **Support and guidance:** It will provide members with answers to frequently asked questions, explanatory videos, and other resources to help them better understand their pension scheme.

82. In preparation for the launch of the dashboard, the pension system provider undertook an assessment of the Fund's current dashboard data readiness during 2023/24. This involved analysing the Fund's data to determine onboarding readiness and giving exception items a red or amber rating based on both the impact of the specific issue (on members and the administration team) and the volume of data that the issue affected. The assessment did not grade any of the exceptions as red, but it identified amber gradings in relation to the following areas:

- **"Find Data"** – This is the personal data which will be used to match a member who has logged into the dashboard to their records held by the Fund. The specific issues identified by the assessment were:
  - Member names: Middle and previous names are not necessarily held on the Fund's records which could result in dashboard searches not returning any record for those members if the names don't match.
  - Unlinked Members: All records for the same member should be automatically linked on the system but the assessment identified instances where this has not occurred and so the records remain unlinked. This would result in dashboard searches only returning partial records for those members.
- **"View Data"** – This is the information about a member's pension benefits which will be returned to the user via the Pension Dashboard when they search for their records. The specific issue identified by the assessment related to:

- Missing previous employer data: This was identified in records which had been converted from a previous system onto the current pension system and would result in members searches not returning pension data relating to their previous employment.

83. To ensure that the Fund's data is dashboard ready, management is taking action to address the issues noted above. Alongside this the Fund is also undertaking ongoing data cleansing as it recognises that data quality is the key to delivering a smooth experience for both members and the Fund.

The administering authority has appropriate arrangements in place for securing Best Value at Tayside Pension Fund

84. The administering authority (Dundee City Council) has responsibility for the ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a statutory duty to make arrangements to secure Best Value, which are subject to audit.

85. The outcome of audit work on the administering authority's Best Value arrangements is reported in the Dundee City Council Annual Audit Report. There were no findings from this work that suggested weaknesses in the arrangements in place to secure Best Value that are directly applicable to the pension fund.

86. As set out in this section of the report, the Fund should continue to focus on maximising investment returns for members and reducing administration case processing times, while ensuring it complies with all statutory requirements and deadlines.

Appendix 1: Action plan

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Valuation of unobservable inputs in Level 2 and Level 3 investments The Fund does not currently carry out any procedures to gain independent assurance over the accuracy of valuations of Level 2 and Level 3 investments. **Risk:** The investment assets balance may be over or under-valued in the annual accounts due to the incorrect valuation of investments containing unobservable inputs.	Management should ensure that adequate arrangements are in place to gain independent assurance over the fund manager valuations of Level 2 and Level 3 investments at 31 March 2025. Issue 1 in Exhibit 3	Fund officers will liaise with Investment Advisors to seek assurance over asset values and level classifications. **Responsible officer:** Senior Banking and Investment Officer **Agreed date:** 30 June 2025
2. Investments and derivatives disclosures *Note 10. Investments* and *Note 12. Fair Value* in the 2023/24 Annual Report and Accounts do not fully reflect the disclosure requirements for LGPS funds under the Code of Practice on Local Authority Accounting in the United Kingdom. **Risk:** Investments and fair values disclosures do not include all the information that may be of interest to readers of the accounts to understand the Fund's investment asset holdings.	The Fund should engage with the custodian to ensure that the additional investments and fair value information required is obtained and disclosed in the 2024/25 annual report and accounts. Issue 2 in Exhibit 3	2024/25 unaudited accounts will incorporate necessary investment disclosures in compliance with Code of Practice. **Responsible officer:** Senior Banking and Investment Officer **Agreed date:** 30 June 2025

Issue/risk	Recommendation	Agreed management action/timing
3. Investment portfolio asset allocation Over the last 3 years the Fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation but still needs to reduce its level of equities and increase the proportion of investments in alternatives. **Risk:** The Fund's investment portfolio has greater exposure to equity and inflation risk over the short to medium term.	Management should continue to take action to diversify the Fund's investment portfolio to better reflect the investment strategy asset allocation, taking account of any changes resulting from the review of the investment strategy conducted after the 2023 valuation. Paragraphs 40. to 45.	Fund officers will continue to work with Investment Advisors to deliver recommendations from investment strategy reviews. **Responsible officer:** Senior Manager – Financial Services **Agreed date:** 30 June 2025
4. Pensions Regulator General Code of Practice The Pensions Regulator's new General Code of Practice sets out the standards and expectations for the governance and management of occupational pension schemes in the UK. The code, which came into force on 28 March 2024, consolidated and replaced 10 previous codes of practice. This comprehensive code aims to ensure that pension schemes are managed effectively and in the best interests of their members. **Risk:** The Fund's existing governance arrangements, structure and operating model do not meet the requirements of the new Code.	Management needs to identify and implement the changes required to ensure the Fund's compliance with the Pensions Regulator's new General Code of Practice. Paragraphs 67. and 68.	The new code requirements are noted and a review will be undertaken during the year and any necessary amendments to existing governance and policies will be made thereafter to ensure these are compliant with these arrangements. **Responsible officer:** Senior Manager – Financial Services **Agreed date:** 31 March 2025

Issue/risk	Recommendation	Agreed management action/timing
5. Administrative staffing capacity The number of pension administration cases increased during 2023/24, and the average days taken to process these cases nearly doubled due to an increase in the level of complex cases. This was partly attributable to the impact of implementing the remedy to fix unlawful discrimination in public service pension schemes which is placing a significant additional administrative burden on the Fund. **Risk:** There is a risk that the Fund will have insufficient staff capacity to complete administrative activities in line with the relevant statutory requirements and deadlines in the future.	The Fund should review its administrative staffing capacity to deal with the increased volume and complexity of pension administration cases, alongside implementing the remedy to fix unlawful discrimination in public service pension schemes. Consideration should be given to what contingency measures can be put in place to ensure that these activities are completed in line with the relevant statutory requirements and deadlines. Paragraphs 76. to 80.	A structure review is currently underway of our existing staffing resources. This review will focus on comparing resources, structure and processes with other Scottish LGPS. The review findings will be reported to sub-committee. **Responsible officer:** Senior Manager – Financial Services **Agreed date:** 31 March 2025

Follow-up of prior year recommendations

Recommendation	Agreed management action / timing	Progress
PY1. Ad hoc payments reconciliation A year end reconciliation of ad hoc payments between the Altair pension system and the general ledger should be carried out to ensure completeness and accuracy of these payments.	This recommendation will be implemented for the end of the 2023/24 financial year and will be undertaken on a quarterly basis thereafter. **Responsible officer:** Senior Banking and Investment Officer **Agreed date:** 31 December 2023	**Ongoing** Some progress has been made with the reconciliation during 2023/24 but this has still to be fully concluded. Officers advised that this will be progressed during 2024/25 and will be in place for 31 March 2025.
PY2. KPI reporting Performance reporting should be improved to provide additional details on Key Performance Indicators (KPIs) such as progress against target.	This recommendation will be implemented for the end of the 2023/24 financial year and will be included in the annual report. **Responsible officer:** Service Manager – Financial Services **Agreed date:** 31 December 2023	**Ongoing** The Fund is still considering which performance measures represent KPIs for readers of the accounts and will include these within the *Administration Events and Performance* section of the 2024/25 Annual Report and Accounts. These are likely to include performance against statutory targets and deadlines and other internal processing targets.
PY3. Pension administration case processing times *(Recommendation carried forward from 2021/22)* The Fund should develop additional guidance and support to help pension administration staff understand the more complex cases and enable the team to build a larger pool of staff who are able to process these cases with limited assistance.	**Update reported in 2022/23 Annual Audit Report:** Six staff were employed to assist with this, but there was still work to be completed.	**Ongoing** The number of pension administration cases increased during 2023/24, and the average days taken to process these cases nearly doubled due to an increase in the level of complex cases. This was partly attributable to the impact of implementing the remedy to fix unlawful discrimination in public service pension schemes which is placing a significant additional administrative burden on the Fund. **See Recommendation 5 above**

Tayside Pension Fund

2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:
www.audit-scotland.gov.uk/accessibility

For the latest news, reports and updates, follow us on social media or **subscribe to our email alerts**

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk

AS.4.0

ITEM No …7………..

REPORT TO:	**PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE AND PENSION BOARD - 23 SEPTEMBER 2024**
REPORT ON:	**ANNUAL TREASURY MANAGEMENT ACTIVITY 2023/2024**
REPORT BY:	**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**
REPORT NO:	**274-2024**

1. PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2023 to 31 March 2024.

2. RECOMMENDATION

The Committee is asked to note the information contained within this report.

3. FINANCIAL IMPLICATIONS

The Fund's internal Treasury Management activities in 2023/2024 achieved income of £892,502.

4. BACKGROUND

At its meeting on 20 March 2023 the Pension Sub-committee of the Policy and Resources Committee approved the Fund's Treasury Policy Statement which set out the policies which governed all treasury transactions carried out by the Fund during the financial year 2023/24 (Article X of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 20 March 2023, Report No 93-2023 refers).

The Treasury Policy Statement requires that the Pension Sub-committee of the Policy and Resources Committee will receive and consider the Treasury Management strategy in advance of each new financial year and subsequently an annual monitoring report on the activities in that year.

This monitoring report covers the Treasury Management activity over the financial year 2023/2024.

5. THE TREASURY MANAGEMENT STRATEGY FOR 2023/2024

The Treasury Management Strategy for 2023/24 was approved at the meeting on 20 March 2023 of the Pension Sub-committee of the Policy and Resources Committee (Article XI of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 20 March 2023, Report No 94-2023 refers).

As a requirement of legislation, in order to ensure greater transparency of Pension Fund monies, Tayside Pension Fund has operated a separate bank account from that of Dundee City Council. Although the Pension Fund's investments are all managed externally, there are frictional cash balances which are held internally. These arise from timing differences between receipt of pension contributions and payment of pensions within the month.

The Pension Fund's Treasury Management Strategy is therefore based on cash flow management to ensure that sufficient funds are held to make all necessary payments with the primary concern of ensuring security and accessibility of cash to allow the capital to be preserved.

The expectation for interest rates which are incorporated within the Council's treasury strategy statement were based upon officers' views along with advice from our treasury advisers supported by a selection of City forecasts. The view on base rates at time of strategy publication (in March 2023) was that rates were forecast to reach 4.25% by the end of the financial year. It is important to note that The Bank of England increased base rate on three occasions during 2023/24 with base rate reaching 5.25% on 21 March 2024.

6. LENDING FOR 2023/2024

Interest Rates

Bank of England base rate started the financial year at 4.25% and increased to 5.25% by the end of the financial year.

Actual Lending

Variations in cash flow requirements mean that there will be surplus funds which will be invested for short periods (maximum of 364 days).

Short-term investments will be restricted to only those institutions identified in the Fund's approved counterparty list provided they have maintained their credit rating.

An analysis of the lending position to 31 March 2024 shows:

Month	Lowest Lending Amount £m	Highest Lending Amount £m	End of month Lending Amount £m	Interest Rate Range %	
				Min	Max
April 2023	7.610	40.000	36.750	4.04	4.22
May	27.575	37.135	27.575	4.14	4.45
June	22.425	31.750	22.425	4.40	4.83
July	14.335	25.410	14.335	4.69	4.96
August	8.140	15.390	8.140	4.94	5.21
September	2.860	12.485	2.860	5.18	5.35
October	2.600	11.380	7.030	5.30	5.39
November	5.230	23.400	21.490	5.32	5.39
December	19.760	29.360	19.760	5.30	5.38
January 2024	16.075	22.640	16.075	5.29	5.38
February	8.025	18.005	8.025	5.29	5.33
March	6.615	15.315	13.260	5.27	5.30

The lending activity shown above related solely to short-term positions. All of these loans complied with the Treasury Strategy Statement provisions on such lending with regards to amounts and institutions involved.

7. POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

8. CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

9. BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **12 SEPTEMBER 2024**