ITEM No …6………..

Tayside Pension Fund

Audited

Annual Report and Accounts 2016/17

Administered by Dundee City Council

September 2017

CONTENTS

MANAGEMENT COMMENTARY BY EXECUTIVE DIRECTOR OF CORPORATE SERVICES

Introduction

Welcome to the Tayside Pension Funds Annual Report and Accounts produced by Dundee City Council for the year ended 31 March 2017.

The Annual Report has been produced in accordance with Regulation 31a of the Local Government Pension Scheme Amendment (Scotland) Regulations 2010 and supporting guidance issued by Scottish Ministers. It is intended to keep members, employers and other interested stakeholders informed about the administration and performance of the two Local Government Pension Scheme (LGPS) Funds that Dundee City Council is responsible for administering. These funds are: Tayside Pension Fund (Main Fund) and Tayside Transport Pension Fund (Transport Fund).

Governance Arrangements

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 oversees the supervision and administration of the fund's investments, sets the investment strategy and also oversees pension administration. Day to day operational matters are further delegated in the main to the Executive Director of Corporate Services.

There is also a Pension Board which was established on 1st April 2015 that is separate from the Sub-Committee, and who are responsible for 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.

The Sub-Committee and Board hold joint meetings on a quarterly basis. Full details of the scheme's governance structure is contained in the scheme's Governance Compliance Statement.

2016/2017 Events and Activities

Policies and Strategies

Following the strategic review of asset allocation of the main fund in March 2016, the officers have been working with investment managers to evolve the current investment mandates to provide a better fit in meeting liabilities in the increasingly challenging market environment; as well as analysing alternative options for local and alternative investments, including collaborations with other LGPS schemes and existing partners. Further detail on the changes to investment are contained in the Statement of Investment Principles.

A number of the scheme's investment policies and strategies underwent reviews over the year. The Environmental, Social and Corporate Governance Policy has now extended voting recommendations to all major global indices, demonstrating the funds commitment to responsible stewardship. The review of the strategy of the Transport Fund has resulted in the planning of a repatriation of this employer to the main fund in 2017/18, following expert opinion and employer consultations.

Planned Repatriation of the Transport Fund

In early 2016 Tayside Pension Fund and Xplore Dundee (the respective employer of Tayside Transport Fund) entered discussions regarding their proposal to transfer the assets and liabilities of the Transport Fund back to the main fund. Expert legal, actuarial and investment opinion was sought by the fund, and in October 2016, the fund consulted with the employers of the main fund, seeking their views prior to presenting the proposal to the Pension Sub-Committee and Board. The consultation received no resistance, and the proposal was approved on 5th December 2016. The proposal (following full legal agreement) is scheduled to take place on the 30th June 2017. Further information in relation to this can be found in the following report: http://www.dundeecity.gov.uk/reports/reports/402-2016.pdf

Service Improvements

The roll out of PensionsWeb on-line self-service application played a key role in the focus of the Pension Administration Team and saw a number of employers working closely with us to successfully implement this new system and introduce new ways of working to enable more effective and efficient communication and processing for the scheme, its members and employers. Early indicators of success saw a number of employers producing year end returns within a couple of weeks as opposed to a number of months, and thus benefiting from these efficiencies. I would like to thank both the Pensions Team and those employers who provided both input and support to the team during this exercise. Further details of this, as well as the wider Pensions Administration performance are contained in the Scheme Administration Report.

A number of key processes have undergone review, resulting in improved practices which have enabled the team to support the continuous voluntary retirement and redundancy exercises which have continued throughout the year.

Another area which underwent review was contributions, and as a result, a Contribution Tracking service was implemented to ensure that submissions are made within the required legal timeframes.

Training, Development and Communication

All members of the Sub-Committee and Pensions Board underwent an intensive training program over the year, which concluded with all completing and passing the Pensions Regulator Trustee Toolkit assessments for both Public Sector and Defined Benefits.

There have also been a number of training and communication sessions hosted for employers and pension staff. All employers and staff underwent PensionsWeb training, and staff attended a number of events covering key processes, system management, and triennial valuation training.

Regulatory & Legislative Changes

Annual Allowances - The key change to the LGPS benefit structure was the amendment to the "pensions input period" used in the calculation of the annual allowance, with 2015/16 being a transitional period. This change required the annual allowance to be calculated in two parts, with the following transitional allowances being granted:

1st April 2015 – 8th July 2015 - transitional allowance of £80,000

9th July 2015 – 5th April 2016 - transitional allowance of £40,000

This resulted in two calculations taking place with the specified period, and aggregate details being issued to those affected. The team managed this successful delivery within the required timescales of 6th October 2016.

Lifetime Allowance – The total value of all pension benefits which a member can have without triggering an excess benefit charge reduced from £1.25m to £1m on 6/4/16. In response, HMRC introduced an online service for individuals wishing to apply for either fixed or individual protection.

Freedom and Choice – Although this commenced in April 2015 with new flexibilities only applying to defined contribution schemes, it has not precluded qualifying members requesting transfer value estimates to ascertain whether to transfer their benefits into a defined contribution scheme in order to access their funds. The team receive on average an additional 50 requests per month from those considering their options, however these quotations largely outweigh any resultant transfers out.

End of Contracting Out - From 6 April 2016 the new single tier State Pension replaced the basic and additional State Pension for those who reach State Pension age after 5 April 2016 and the 'contracted-out' status for all LGPS members (not just those reaching State Pension age after 5 April 2016) no longer exists. This means that scheme members no longer receive the National Insurance rebate and will pay a higher amount of National Insurance than in previous years (unless they are already over State Pension age or are one of the few members still paying the married woman's or widow's reduced rate of National Insurance). The Fund issued a letter to all active scheme members making them aware of these changes.

Triennial Valuation and Funding Strategy

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 as at 31 March 2014 revealed that the main fund's assets, valued at £2.463 billion, were sufficient to meet 99.8% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £4.8m. Individual employers' contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Funding Strategy Statement. Further detail in respect of this is contained within the Actuarial Statement.

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 as at 31 March 2014 revealed that the Transport Fund's assets, valued at £54.2 million, were sufficient to meet 99.8% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £0.074m. Individual employers' contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Funding Strategy Statement. Further detail in respect of this is contained within the Actuarial Statement.

Fund Update

Membership

The Local Government Pension Scheme is voluntary and is open to all employees of the Scheduled and Admitted Bodies (see Appendix 1). Membership of the Tayside Funds at 31 March 2017 was:

	Main Fund	Transport Fund	Total Fund
Contributing Members	18,184	46	18,230
Pensioners	14,714	422	15,136
Deferred Pensioners	8,487	71	8,558
Undecided or Frozen	4,115	5	4,120
	45,500	544	46,044

Changes in Membership

Culture Perth & Kinross joined the Fund as an admitted body on 1 April 2016, this change involved transferring active members from Perth & Kinross Council Libraries and Museums staff.

Dundee Society for the Visually Impaired, an admitted body, left the Fund on 30 September 2016.

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, whereas the employers' contribution levels are reviewed every three years by the Funds' actuaries as part of their actuarial valuation of the Funds. If the actuaries believe that a surplus is likely to materialise they will recommend a reduction in the employers' contribution rate and if they believe a deficit is likely to materialise they will recommend an increase in the employers' contribution rate.

The Fund Actuary, Barnett Waddingham, carried out an actuarial valuation as at 31 March 2014. Following discussions with the Transport Fund's employer, administering authority and actuary, the actuary concluded that a change from fixed sum contributions to a percentage of pensionable payroll would be the best way forward. The result of the valuation for the two Funds were as follows:-

	Main Fund	Transport Fund
Actuarial Value of Assets	£2,396.5m	£54.2m
Actuarial Value as a percentage of Accrued Liabilities	99.8%	99.9%

Recommended Employers' Contributions as a Percentage of Pensionable Payroll for the Main Fund and Transport Fund were as follows :-

2015/2016	17.0%	33.8%
2016/2017	17.0%	33.8%
2017/2018	17.0%	33.8%

The common rate of contribution is the rate which, in addition to the accumulated assets and contributions paid by members, is sufficient to meet 100% of the liabilities of the Fund. This rate takes into account the deficit at 31 March 2014. The deficit is spread over the average remaining working lifetime of the existing members.

The Main Fund contribution rates following the 31 March 2014 valuation were calculated using the projected unit actuarial method.

The Transport Fund contribution rates following the 31 March 2014 valuation were calculated using the attained age actuarial method.

Additional Voluntary Contributions (AVCs)

Under Inland Revenue rules, scheme members are permitted to make contributions towards retirement and death in service benefits, in addition to those which they are required to make as members of the Local Government Pension Scheme. These contributions are known as AVCs and are treated separately from the scheme's assets under arrangement with the Standard Life Assurance Company and Prudential Assurance Company. They are not recorded in the accounts of the Tayside Funds since the AVC scheme works on a defined contribution basis (i.e. benefit eventually derived will depend upon the amount of the contributions made, the performance of the investments made with these monies and the annuity rates at the point of retiral).

Pension Increases

Pensions and deferred pensions are increased every year under the Pension (Increase) Act 1971 in line with movements in the Consumer Price Index. Recent pension increases are as follows:-

2013	2.2%
2014	2.7%
2015	1.2%
2016	0.0%
2017	1.0%

Investment Performance

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

The strategic asset allocation of both funds is as follows (following an Investment Review in February 2016):

Main Fund		Transport Fund	
Equities:	65%	Equities:	50%
Bonds:	13%	Bonds:	40%
Property:	12%	Property:	10%
Alternatives:	10%		

In the year to 31 March 2017, the Main Fund return of 22.07% slightly under-performed the benchmark return of 22.64%, although it outperformed all other time periods (3yrs, 5yrs, 10yrs). The funds value increased from £2.836bn to £3.438bn in the twelve month period. Further detail in respect of this is contained within the Performance Commentary.

In the year to 31 March 2017, the Transport Fund return of 19.50% slightly outperformed the benchmark return of 18.62%, and outperformed all other time periods (3yrs, 5yrs, 10 yrs). The funds value increased from £60.6 to £70.2m in the twelve month period. Further detail in respect of this is contained within the Performance Commentary.

Future Outlook

The UK outlook remains broadly positive, but there are heightened uncertainties as investors expect some difficulty in negotiations with the European Union over Brexit. Moreover, inflation is now above the Bank of England's (BoE) 2% target and will intensify concerns over people's living standards being squeezed by higher living costs, especially as the household savings rate in the UK remains weak. Higher inflation has also coincided with a slowdown in wage growth, leaving an adverse impact on household budgets and consumer spending. Against this backdrop, the BoE's policymakers are likely to adopt an increasingly cautious tone in coming months.

The US economy continued to show strength in the first quarter of 2017 with both consumer and business sentiment increasing and leading indicators pointing to further expansion. Investors have turned cautious about President Donald Trump's ability to execute pro-growth policies as he failed to deliver a healthcare reform bill. This has increased the uncertainty and timing of a tax reform package including the reduction in the corporate tax rate. The corporate tax reform has the potential to change the outlook significantly, especially if it includes border adjustment - which is likely to entail higher inflation and a stronger dollar. In the short- to medium-term, markets are likely to continue to be volatile. Investors will be looking towards the release of the budget in May this year to provide further insight.

The near-term outlook for Europe is positive. Unemployment is declining and growth is solid, while credit and inflation are picking up. More importantly, the region is witnessing a synchronised pickup in the Purchasing Managers' Index (PMI) in both core and peripheral Europe. Even the UK has been resilient, though formal Brexit negotiations present a headwind. This strength is broad based, with all segments of the market now seeing upgrades.

The Japanese economy is benefiting from a synchronised global expansion and the corporate earnings cycle is improving against a more benign macroeconomic backdrop and a weaker yen. The Bank of Japan remains fully accommodative and fiscal policy has the potential to support upside for economic growth. On the downside, the uncertainty surrounding US trade policies and President Donald Trump's pro-growth agenda has led to a moderate strengthening of the yen.

The outlook for South East Asia remains resilient. Strong structural growth drivers and a focus on reforms are expected to create attractive multi-year investment opportunities across the region. Notably, positive demographics, a growing middle class and increasing income levels, low consumer product penetration along with cost and technology competitiveness hold the region in good stead. China appears to be maintaining sufficient nominal growth while slowly rebalancing the economy away from credit-driven fixed asset growth towards sustainable private consumption. Household income and consumption are likely to support a recovery in corporate profitability.

2016/17 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 funds net assets at the start and end of the financial year.

The Tayside Pension fund account shows that contributions of £93.1m increased by £2.5m during the year to 31 March 2017 and the benefits payable were £97.9m which increased by £5.2m. Contributions have increased as there were more active members participating in the scheme during 2016/17 and benefits payable increased due to increased pensioners.

The Tayside Transport Pension fund account shows that contributions of £0.44m decreased by £0.046m during the year to 31 March 2017 and the benefits payable were £2.154m which decreased by £0.314m. Contributions have decreased as there were less active members participating in the scheme during 2016/17 and benefits payable decreased due to fewer pensioners.

Net Asset Statement – showing the type and value of all net assets at the end of the financial year. The Tayside Pension fund's net assets increased to £3,445.1m from £2.839.6m in 2016. The Tayside Transport Pension fund's net assets increased to £70.2m from £60.7m in 2016.

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

Acknowledgements

I would wish to acknowledge the efforts of Dundee City Council's Financial Services Section for their patience and diligence in ensuring the continuing smooth operation of the scheme and for the courteous and efficient manner in which the Pension Team look after the pension needs of contributors, pensioners and deferred pensioners. Further, I would like to thank all the Members of the Pensions Sub-Committee and Pension Board, and the officers of the City Council Corporate Services Department for their effort and assistance in managing the Tayside Pension Funds and, in particular, the Chair, Willie Sawers for his leadership of the Committee.

Finally I'd like to take the opportunity to thank Marjory Stewart for her service to Tayside Pension Fund as she retires after over 30 years' service.

Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
27 September 2017

David Martin

Chief Executive
Dundee City Council
27 September 2017

Bailie Willie Sawers

Chair of Pension Sub-Committee
Tayside Pension Funds
27 September 2017

REVIEW OF THE YEAR

MEMBERS, ADVISORS AND OFFICERS

Pension Sub-Committee

Dundee City Council is the administering authority for the Funds. The majority of this responsibility is delegated through the Council's Policy and Resources Committee to the Pension Sub-Committee. Membership of the Sub-Committee as at 31 March 2017 is as noted below:

Committee Members

Bailie Willie Sawers (Chair)
Cllr Jimmy Black
Cllr Kevin Keenan
Bailie Ian Borthwick
Cllr Gregor Murray
Cllr Brian Gordon

All committee members are members of Tayside Pension Funds.

Local Pension Board

As a result of changes to the governance arrangements in relation to pension schemes within 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 role of the Pension Board is to assist the Tayside Pension Fund in complying with all of the legislative requirements and making sure that the scheme is being efficiently & effectively governed and managed.

The 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.
Membership of the Board as at 31 March 2017 is as noted below:

Board Members

Employer Representatives
Cllr Rob Murray – Angus Council (Chair)
Cllr Mac Roberts – Perth & Kinross Council
Mr Kenny Dick – Social Care & Social Work Improvement Scotland
Mr Gordon Murray* – Carnoustie Golf Links

Substitutes Representatives
Cllr Brian Boyd – Angus Council
Mr Gordon Weir – Social Care & Social Work Improvement Scotland

Member Representatives
Ms Helen Meldrum* - GMB Scotland
Mr Arthur Nicoll - UNISON
Ms Claire Shepherd - UNITE
Mr George Ramsay – UCATT

Substitute Representative
Ms Margaret McGuire - UNISON
Mr Stephen Massey - GMB Scotland

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

Fund Managers	Alliance Bernstein Baillie Gifford & Co Fidelity Pension Management Goldman Sachs Asset Management Legal & General Investment Management M&G Investment Management Schroder Property Investment Management
Investment Advisor	Aon Hewitt
Actuary	Barnett Waddingham
Custodian	Northern Trust
Banker	Royal Bank of Scotland
Auditor	Audit Scotland
Corporate Governance Advisor	Pension & Investment Research Consultants Ltd (PIRC)
Performance Measurement	Northern Trust
Officers	Marjory Stewart* - Executive Director of Corporate Services Gregory Colgan** - Executive Director of Corporate Services Sandy Flight - Head of Corporate Finance Tracey Russell - Senior Financial Services Manager Roger Mennie - Head of Democratic and Legal Services

* retired on 16 June 2017
** appointed from 19 June 2017

REVIEW OF THE YEAR

INVESTMENT COMMENTARY

Global Equity Overview

The year was marked by unexpected events, including the UK's vote to leave the European Union (EU), the subsequent triggering of Article 50 in March to initiate the official exit process, as well as Donald Trump's surprise victory in the US elections.
Global equities climbed significantly over the 12-month period to March 2017, and financial markets were also supported by continued accommodative monetary policies from most global central banks following the UK's Brexit vote. However, the US Federal Reserve (Fed) raised interest rates twice in less than six months towards the end of the period. Markets were further supported by a reduction in political risk in Europe following the Dutch election results, as voters rejected a populist candidate. The Organization of the Petroleum Exporting Countries (OPEC) agreed to its first production cut in eight years, which supported crude oil prices. Later in the period, though, energy stocks came under pressure on continued concerns over rising crude oil inventory in the US, which is expected to offset the positive effect of the output cut by the OPEC. Against this backdrop, Pacific ex Japan equities outperformed other regions, while the UK lagged. Returns in sterling terms were supported by its depreciation against the US dollar, yen and the euro.

Regional Equity Commentary

UK
The UK stock market rose 22.0% in sterling terms (as measured by the FTSE All Share Index). The Bank of England's (BoE) decision to cut interest rates, for the first time in seven years, to 0.25% in August, and further expand its stimulus efforts in view of the weakening economic outlook, supported a strong rally in equities. Stocks fell sharply in the immediate aftermath of the Brexit referendum held in June, when the UK voted to leave the European Union (EU). Contrary to expectations, the UK economy continued to show resilience, which helped to ease concerns over the economic implications of the Leave vote. A sharp fall in sterling post the Brexit vote also supported stock prices. At a sector level, resources, technology, financials and industrials led the gainers, while telecommunications and consumer services stocks were among the weakest performers.

USA
US equities rose 34.7% in sterling terms (as measured by the S&P 500) over the 12-month period ending March 2017. Stocks were supported by positive economic data, Trump's surprise victory in the US presidential elections and interest rate increases by the US Fed. All sectors generated positive returns, with financials, information technology (IT) and materials leading the market. Energy stocks gave back some of their early gains due to growing concerns over rising crude oil inventory in the US, which could offset the positive impact of the output cut by the Organization of the Petroleum Exporting Countries. During the period, the Fed increased interest rates twice, by a total of half of a percentage point, to range between 0.75% and 1.00%. The Fed had indicated earlier that it may raise interest rates three times in 2017. However, the scale and pace of interest rate hikes will depend on upcoming economic data.

Europe
European equities returned 28.4% in sterling terms (as measured by the MSCI Europe ex UK Index) over the 12-month period ending March 2017. The period was divided into two very different phases. From March 2016 to the end of July 2016, bond yields fell and concerns about political risks following the Brexit vote in June rose. This led to a search for yield and low volatility stocks, as a result of which defensives markedly outperformed cyclical stocks. This trend reversed at the end of July, as several factors led investors to change their outlook on bond yields and economic growth prospects. In particular, the Chinese stimulus initiated in early 2016 boosted both commodity prices and the global economic outlook, while the US Federal Reserve (Fed) indicated that it would increase interest rates in the fourth quarter of 2016 in light of rising inflation. These factors led bond yields higher and there was a rapid sector rotation away from defensive growth stocks towards value and cyclical sectors. The banking sector, in particular, which is cyclical and very sensitive to changes in interest rates, saw a rapid recovery. Other cyclical sectors, such as materials and energy led the market higher. These stocks were further boosted in November 2016, after the newly elected US President spoke about cutting tax rates, deregulation and large infrastructure investment. The market remained strong in the first quarter of 2017, as macroeconomic data pointed to a global upswing. However,

the enthusiasm for cyclical and value stocks abated slightly as investors took profits following strong performance. At a sector level, financials, energy and materials were among the best performers, while telecommunications and consumer staples lagged the broader market.

Japan

Japanese equities rose 33.0% in sterling terms (as measured by the Tokyo SE Index, also known as the TOPIX). In the first quarter of the review period, concerns about slowing growth in China and a shift in US monetary policy resulted in some sharp corrections. Earnings estimates were lowered as the yen strengthened on expectations that the US Fed would make fewer interest rate cuts than previously anticipated. However, investors expected further fiscal and monetary stimulus following the landslide victory of Prime Minister Shinzo Abe's ruling coalition in Upper House elections, which contributed to a strong rally in Japanese equities. Subsequent policy moves by the Bank of Japan (BoJ), including the introduction of a new monetary framework, also lifted shares. After Trump won the US presidential election in November 2016, long-term US Treasury yields surged and the US dollar strengthened. In the ensuing global rally, Japanese equities advanced in anticipation of higher demand in the US and falling value of the yen. Later in the period, uncertainty over US policy making and the Fed's cautious interest rate outlook led to a pickup in long-term bonds and a decline in the US dollar. Against this backdrop, Japanese equities experienced a sharp style reversal over the year, as value stocks (predominantly financials and laggard cyclicals) rebounded on expectations of global reflation. The energy, materials and technology sectors were among the leading beneficiaries of renewed growth optimism. Conversely, defensive stocks, led by utilities, underperformed.

Pacific Ex-Japan

Equities in the Pacific ex Japan region rose 36.5% in sterling terms (as measured by the FTSE W Asia Pacific ex Japan Index), amid signs of economic stabilisation in China. The approval of a share trading link to connect the Hong Kong and Shenzhen stock markets supported Chinese and Hong Kong equities. Expectations that authorities would step-up supply side reforms also boosted sentiment. South Korean equities advanced as better-than-expected corporate results and improved earnings growth expectations buoyed investor confidence. In addition, global rating agency Standard & Poor's upgraded the country's long-term sovereign credit rating, citing steady economic growth and improved fiscal and monetary flexibility. Australian markets gained, led by the materials and utilities sectors. Indian equities also advanced. In its annual budget, the government maintained focus on macroeconomic stability and fiscal discipline. The lower house of parliament also approved the goods and services tax (GST) bill, boosting prospects for the implementation of a key tax reform this year. All sectors in the Asia Pacific ex Japan region ended in positive territory. IT and financials were the key gainers. Energy producers gained on the back of rising oil prices, while materials tracked commodity prices higher.

Global Bond Overview

Global bonds rose 12.8% in sterling terms (as measured by the Barclays Capital Global Aggregate Index). Fixed income markets posted mixed returns over the period, with corporate bonds outperforming core government bonds.
Core government bond yields fell at the start of the period, against the backdrop of global monetary policy easing. More recently, however, yields backed up somewhat, especially on US Treasuries, driven by expectations that the new Trump administration will initiate a large fiscal stimulus plan that will spur growth at the expense of inflation. Furthermore, the US Fed raised interest rates twice over the period, in December and March, by 0.25% each. Meanwhile, the European Central Bank (ECB) maintained its easing bias and the BoE lowered its key interest rate. It also announced the purchase of corporate bonds to prevent the UK economy from going into a recession following the surprise vote to leave the European Union.

Macroeconomic Commentary

The US economy expanded faster than expected in the third and fourth quarter, at seasonally adjusted annualised rates of 3.5% and 2.1%, respectively. This was driven by strong consumer spending. The UK's GDP grew by 0.7% in the fourth quarter of 2016, driven by continued strong consumer spending and exports. Overall, the UK's GDP was up 1.8% in 2016, compared to 2.2% a year earlier. In the eurozone, GDP growth outpaced the US for 2016, growing at 1.7% vs. 1.6% in the US, for the first time since 2008. Annual inflation in the eurozone rose to 2% in February for the first time in four years; however, the region's core inflation remained unchanged at 0.9%.

Performance Commentary

Main Fund

In the year to 31 March 2017, the Main Fund return of 22.07% under-performed the benchmark return of 22.64%. The fund has however outperformed in all other periods. In the three years to 31 March 2017, the Main Fund return of 12.39% pa outperformed the benchmark return of 12.00% pa; In the five years to 31 March 2017, the Main Fund return of 12.31% pa out-performed the benchmark return of 11.14% pa; and in the ten years to 31 March 2017, the Main Fund return of 7.62% pa out-performed the benchmark return of 7.36% pa.
The value of investments at 31st March 2017 was £3.438bn, an increase of £602m during 2016/17.

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

Alliance Bernstein - was ahead of benchmark with a return of 31.84% versus 30.72% for the benchmark. Out-performance occurred across all regions except for the UK.
Baillie Gifford Global Equities - was ahead of benchmark with a return of 35.56% versus 32.97% for the benchmark. Out-performance occurred across all regions except for Europe ex UK and Pacific ex Japan.
Baillie Gifford UK Equities - was behind benchmark with a return of 19.16% pa versus 21.95% pa for the benchmark. Under-performance occurred in all sectors except for the Consumer Goods, Consumer Services and Technology sectors.
Fidelity Investment Management - was behind benchmark with a return of 24.19% versus 28.40% for the benchmark. The fund under-performed across all equity regions apart from North America and Developed Asia Pacific ex Japan.
Legal & General Investment Management (Passive Equity) - returned 30.36% which was behind the benchmark return of 30.49%.

During the year, the performance of the fixed income managers was as follows:
Fidelity was ahead of benchmark with a return of 13.06% versus 12.38% for the benchmark. Out-performance occurred across all sectors except for the Index-Linked Gilts sector
Goldman Sachs was ahead of benchmark with a return of 13.24% versus 12.17% for the benchmark. Out-performance occurred across all sectors except for the Index-Linked Gilts sector.
During the year, the performance of the commercial property manager and alternatives manager was as follows:
Schroders was behind the benchmark with a return of 2.77% versus 3.75% for the benchmark, this was largely due to their strategy of reducing Central London Office exposure though the year to reduce risk. The benchmark however remains more heavily weighted in this sector than the portfolio.
M&G Investment Management - was ahead of benchmark with a return of 5.43% versus 0.44% for the benchmark.

Transport Fund

In the year to 31 March 2017, the Transport Fund return of 19.50% outperformed the benchmark return of 18.62%. The fund has also outperformed in all other periods. In the three years to 31 March 2017, the Transport Fund return of 11.41% pa out-performed its benchmark return of 10.89% pa; In the five years to 31 March 2017, the Transport Fund return of 11.23% pa was ahead of its benchmark return of 10.07% pa; and in the ten years to 31 March 2017, the Transport Fund return of 8.44% pa was ahead of its benchmark return of 7.20% pa.
The value of investments at 31st March 2017 was £70.2m, an increase of £9.6m during 2016/17.

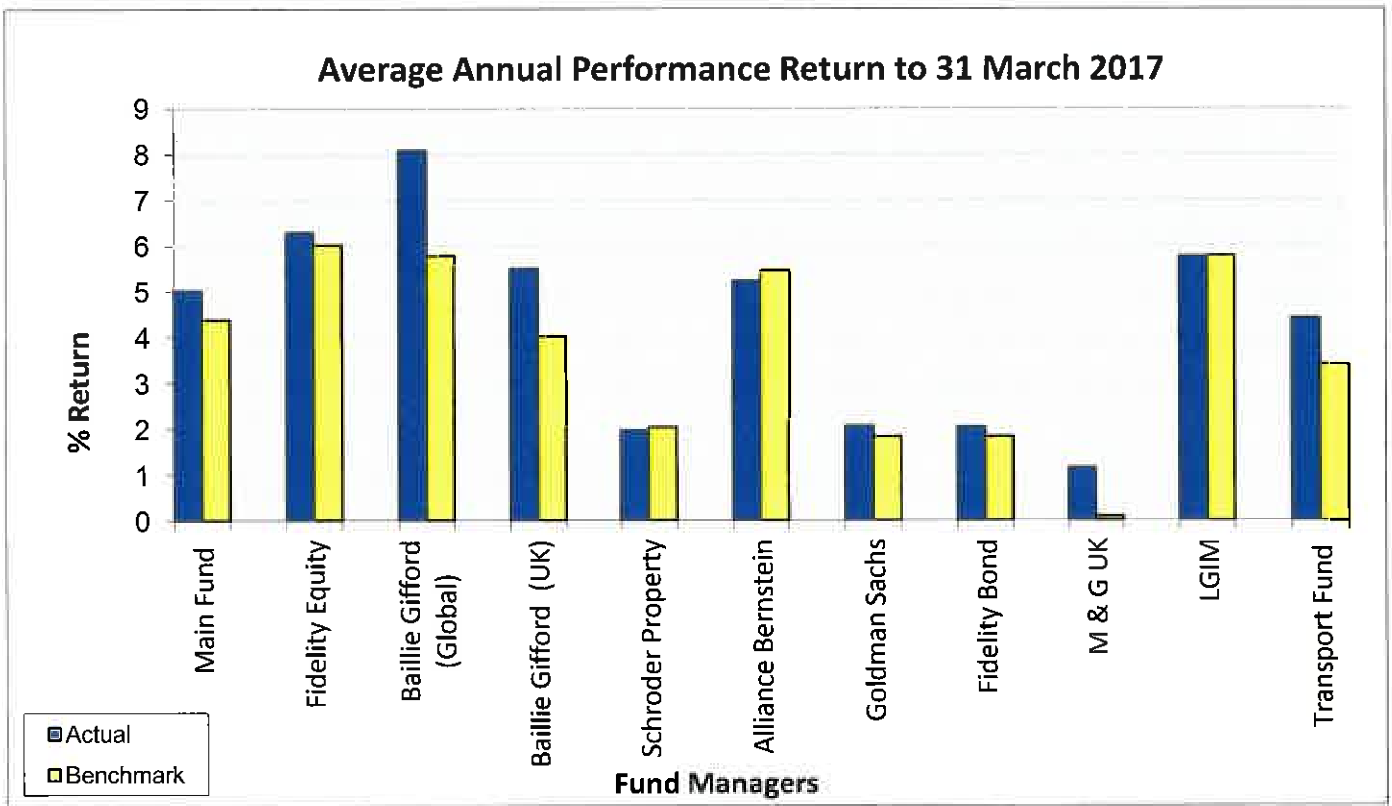
During the year, the performance of the equity managers was as follows:

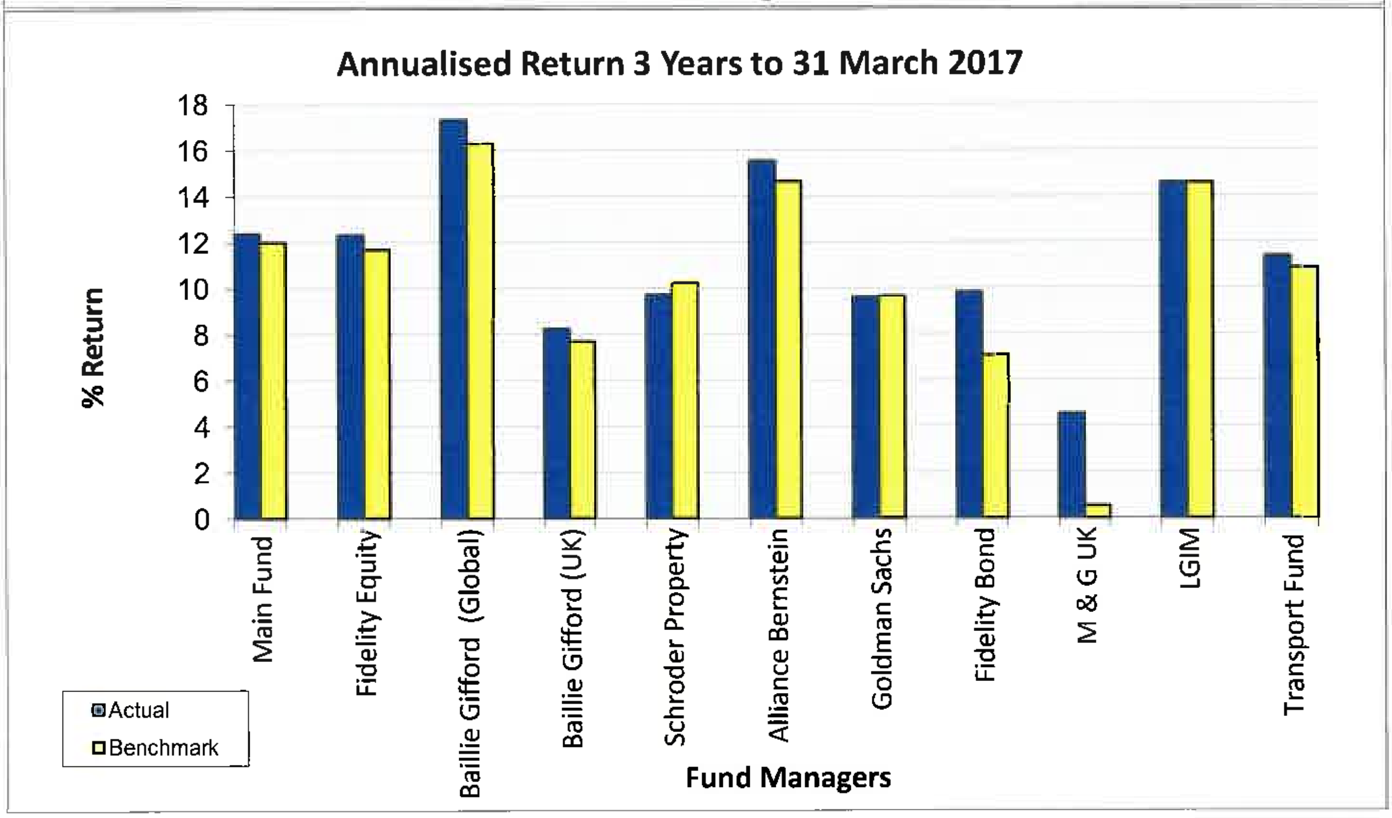
Baillie Gifford Global Equities - was ahead of benchmark with a return of 36.05% versus 32.97% for the benchmark. Out-performance occurred across all regions except for Europe ex UK and Pacific ex Japan.
Baillie Gifford UK Equities - was behind benchmark with a return of 19.01% pa versus 21.95% pa for the benchmark. Under-performance occurred in all sectors except for the Consumer Goods, Consumer Services and Technology sectors.

During the year, the performance of the fixed income managers was as follows:
Goldman Sachs was ahead of benchmark with a return of 12.92% versus 12.17% for the benchmark. Out-performance occurred across all sectors except for the Index-Linked Gilts sector.
During the year, the performance of the commercial property manager and alternatives manager was as follows:
Schroders was ahead of benchmark with a return of 5.47% versus 3.75% for the benchmark.

Performance Measurement

In the financial year to 31 March 2017 the Main Fund returned 5.03% which was 0.64% in excess of the overall benchmark for the year. The Transport Fund returned 4.41% which was 1.01% in excess of the overall benchmark for the year. This outperformance is attributable to the individual investment managers and for Tayside Transport Fund for both 1 year and 3 year timescales is as follows:





VALUATION AND DISTRIBUTION OF ASSETS

Asset Allocation and Value

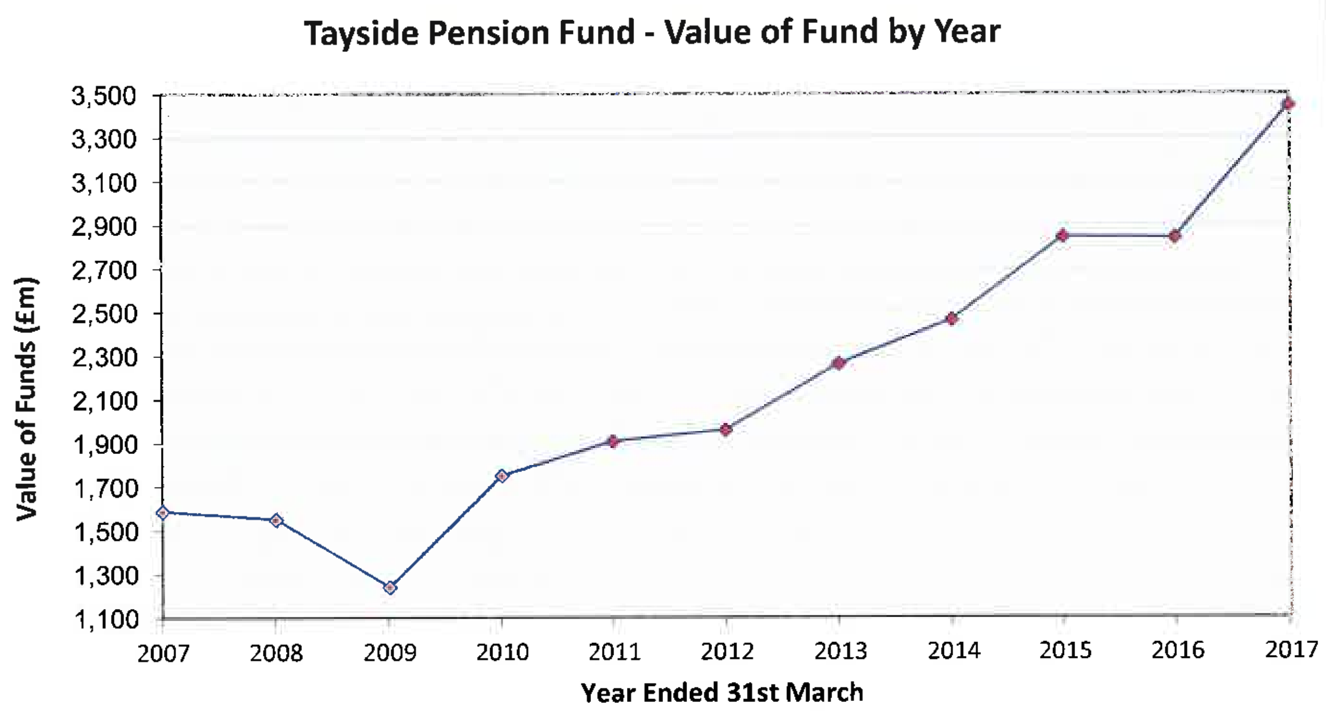
These performance returns in relation to the assets invested had the following impact on the value of the funds:

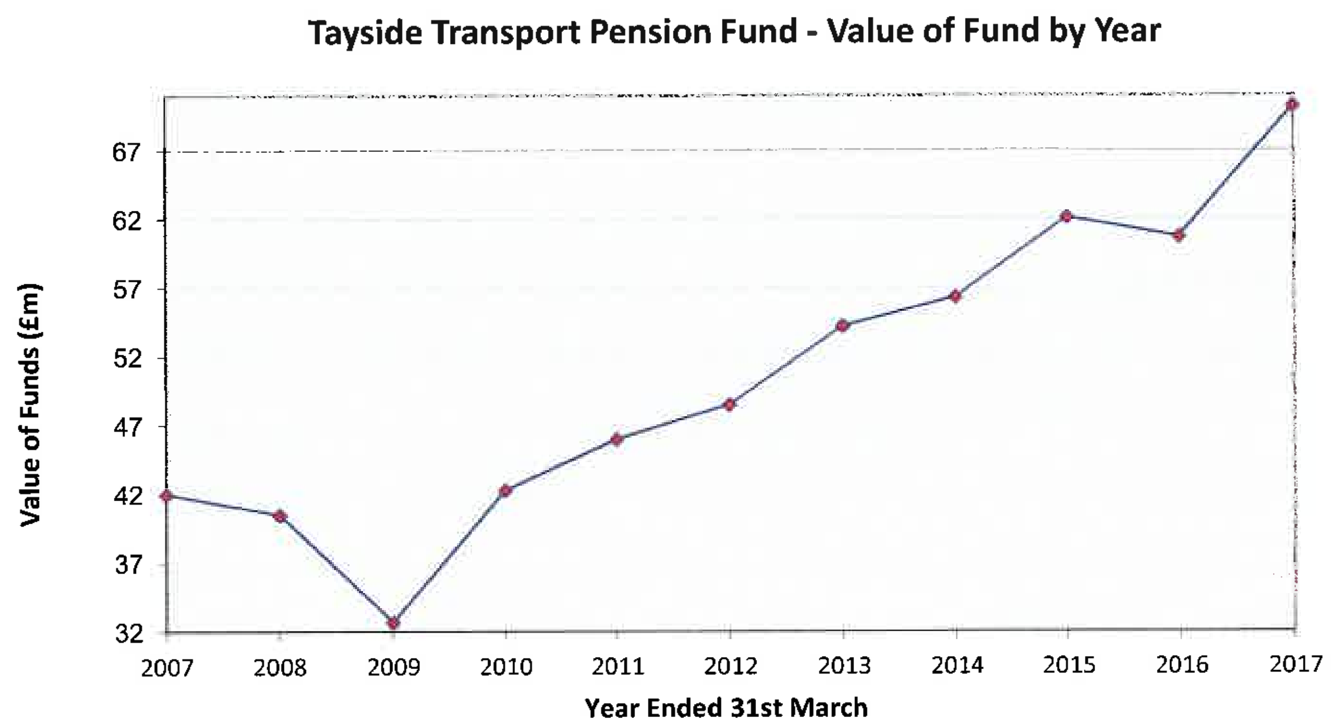
Main Fund	Valuation (£m) and Distribution (%)			
	31/03/2016		31/03/2017	
Sector	£m	%	£m	%
UK Equities	717.2	25.3	810.0	23.5
UK Bonds	459.7	16.2	474.2	13.8
Overseas Bonds	35.9	1.3	133.9	3.9
Overseas Equities	1,242.1	43.9	1,627.7	47.2
Property Unit Trusts	335.2	11.8	346.3	10.1
M&G Fund	9.5	0.3	4.1	0.1
Derivatives	1.0	-	0.6	-
Cash Balance Held By Managers	22.7	0.8	31.0	0.9
Net Financial Assets	6.8	0.3	6.4	0.2
Net Current Assets / (Liabilities)	9.5	0.1	11.0	0.3
	2,839.6	100.0	3,445.2	100.0

Transport Fund	Valuation (£m) and Distribution (%)			
	31/03/2016		31/03/2017	
Sector	£m	%	£m	%
UK Equities	14.6	24.0	18.8	26.8
UK Bonds	21.9	36.2	25.5	36.3
Overseas Bonds	2.5	4.1	2.3	3.3
Overseas Equities	15.6	25.7	15.7	22.4
Property Unit Trusts	4.9	8.0	5.0	7.1
Derivatives	0.1	0.1	-	-
Cash Balance Held By Managers	0.9	1.5	2.6	3.6
Net Financial Assets	0.1	0.2	0.2	0.3
Net Current Assets	0.1	0.2	0.1	0.2
	60.7	100.0	70.2	100.0

REVIEW OF THE YEAR

Valuation of Assets of the Pension Funds	Main Fund		Transport Fund	
	2016	2017	2016	2017
	£m	£m	£m	£m
Opening Value	2,843.1	2,839.6	62.1	60.7
New Cash Inflow/(Outflow)	48.0	41.5	(1.4)	(1.4)
Appreciation during the year	(51.5)	564.0	0.0	10.9
Value as at 31 March	2,839.6	3,445.1	60.7	70.2





REVIEW OF THE YEAR

ADMINISTRATION COMMENTARY

Pension Administration Strategy
The Fund's Pension Administration Strategy Statement effectively combines all roles, responsibilities, and expected performance targets for the team and scheme employers in one document. The statement can be accessed at http://www.taysidepensionfund.org/media/2415/pensions-administration-policy.pdf

Administration Performance
A quarterly administration performance report is presented for the Pension Sub-Committee and Pension Board. The following summarises the volume of key tasks undertaken throughout the year:

Actual Pensions Brought into Payment in Quarter	April-June 2016	July-September 2016	October - December 2016	January-March 2017
Efficiency / Redundancy	180	124	32	25
Ill Health	11	22	11	15
Flexible	19	29	14	15
Preserved into Payment	73	110	61	75
Voluntary (inc employers consent)	43	60	29	45
Voluntary Age 65		41	20	22
Total	**326**	**386**	**167**	**197**

Estimates - Standard operations and Voluntary Early Retirement exercises	April-June 2016	July-September 2016	October - December 2016	January-March 2017
Dundee City Council	163	38	20	19
Perth & Kinross Council		188		
Angus Council				141
Other Employers	50	25	92	50
Total Received	**213**	**251**	**112**	**210**

Other Pension Events	April-June 2016	July-September 2016	October - December 2016	January-March 2017
Deaths	117	120	155	160
Survivors Pensions	55	53	63	55

- Voluntary Early Retirement (VER) exercises had a major impact on resources and operational performance throughout the year, with the subsequent pensions being brought into payment across many employers straining the existing resources available.

- The new legal requirement to issue annual benefit statements by the end of August, has meant that the team have had to further prioritise their workload over key periods to ensure deadlines were met.
- In the 6 week period following issue of the Annual Benefit Statements, query volumes doubled, which challenged the team in maintaining service delivery volume and standards.
- Approximately 20-25 e mail queries were received daily during the period which equates to over 8000 queries over the year. Approximately 90% are dealt with within 20 working days, with the remaining 10% referred to other agencies or employers for further information.

- All counter visits were accommodated within 10 minutes of arrival.
- Increasing volume of requests are being received via Freedom & Choice which was introduced by the government to allow greater flexibility for individuals aged over 55 to access defined contribution pension saving. Approximately 40-50 requests for transfer out calculations are being received per month to be issued to Financial Advisers (over and above normal volumes of 10-15 per month expected).

National Fraud Initiative

The fund participates in the National Fraud Initiative. This is a counter-fraud initiative led by Audit Scotland. The following summarises the status of the 2016/17 data matches with DWP received:

Purpose of Match	Number Received	Number Closed	Further Investigation / Awaiting Information	Comment
Pension gratuity being paid to DWP deceased notified	166	161	5	£14,651 in recovery
Deferred pension on record for DWP deceased notified	20	16	4	

There were a further 471 matches received in relation to abatement of pensions following re-employment, however as this discretion was under review, the decision on the treatment was pending approval of the proposal to cease abatement. This policy has now changed and as a result, these cases are no longer applicable.

Knowledge and Skills

Tayside Pension Fund recognises the importance of developing team members to a professional standard in order to provide an efficient and effective service to members and employers. Development and training needs are identified to ensure that the relevant pension knowledge is acquired, maintained and developed. Team members are encouraged to obtain a recognised professional pension qualification through the Chartered Institute of Payroll and Professionals.

Training is also delivered in-house by senior pensions staff and by our Pensions Consultants, AON Hewitt, at LGPS Secretariat workshops and training events organised by our software supplier, Aquila Heywood.

All members of the Sub-Committee and Pensions Board underwent an intensive training program over the year, which concluded with all completing and passing the Pensions Regulator Trustee Toolkit assessments for both Public Sector and Defined Benefits.

There have also been a number of training and communication sessions hosted for employers and pension staff. All employers and staff underwent PensionsWeb training, and staff attended a number of events covering key processes, system management, and triennial valuation training.

Communications

Effective communication is fundamental to ensure both members and employers are aware of the benefits of the LGPS and are also kept up to date with scheme changes. The fund's Communication Policy sets out how Tayside Pension Fund addresses this requirement:

http://www.taysidepensionfund.org/media/2414/communications-policy.pdf

Along with their annual benefits statements, members received updates on topics which affect them. The pension fund website is updated and provides content including information on tax controls as well as a more comprehensive range of forms and policy documents. Scheme guides are kept up to date reflecting regulation amendments.

Specific communications exercises were undertaken to inform of:

- the end of contracting out (letter sent to all active scheme members)
- annual allowance and lifetime allowance factsheet added to forms and publications on website

Working with Scheme Employers

The team commenced and exercise with participating employers to ensure employer discretionary policies are in place and that employers are fully aware of the data requirements of the new scheme. The trend of employers requiring additional help relating to staffing reduction exercises has continued and this is reflected in the statistics above.

The Annual Employers' Forum was held early 2016, and as with previous years, it was well attended. The Forum focused on key administration issues and PensionsWeb. There was also specialist surgeries held afterwards which gave the employers opportunities to discuss matters relating to their own membership, in the following areas: Regulations, Administration Operations, Accounting, and the new Pension System.

Additional Voluntary Contribution (AVC) Providers

The Fund's AVC providers are Prudential and Standard Life. Following positive feedback from previous AVC information sessions, Prudential delivered more AVC information sessions in throughout the year to the larger employers and other smaller employers at their request.

Improved Efficiency through IT Development

A main focus in 2016-2017 has been the roll out of the PensionsWeb Self Service Module to scheme employers. The roll out of this on-line self-service application played a key role in the focus of the Pension Administration Team and saw a number of employers working closely with us to successfully implement this new system and introduce new ways of working to enable more effective and efficient communication and processing for the scheme, its members and employers.

The automation of processes through use of this system, not only improves operational performance and customer satisfaction, it strengthens controls by reducing the risk of errors, and improving data security and integrity.

Early indicators of success saw employers using the system achieve instant efficiencies on daily processing as well as producing year end returns within weeks as opposed to months, and thus benefiting further.

2017/18 will see the implementation completed as well as the introduction of the member module enabling all classes of member instant access to their pension information.

Ending of contracting out

The introduction of the new flat state pension scheme from 6 April 2016 brought to an end the option to contract out of the additional state pension scheme. Whilst protections are in place for existing contracting out rights, HMRC's contracting out support services will be scaled down and then withdrawn. HMRC will no longer track contracted out rights and will issue schemes with closure schedules so they can compare the contracted out details with the information held on scheme records. This is known as scheme reconciliation. The team tender exercise to outsource this task in order to ensure accurate data is held by the date all HMRC services are withdrawn in December 2018. The contract is to be awarded May 2017.

Internal Dispute Resolution Cases

Any queries from members are directed, in the first instance, to the HR/Payroll and Pension Transaction Team to resolve. If a member is still unhappy with the decision then, following dispute rules, the member may ask their case be referred to the Head of Democratic and Legal Services, the appointed person, under the dispute framework.

During the year to 31 March 2017, the Head of Democratic and Legal Services dealt with eight cases. The following provides a summary:

Reason For Dispute	Number	Status
Early payment - appeal against regulations	2	Withdrawn
Early payment - appeal against level of contribution	1	Not upheld
Ill-Health - appeal an employer's decision	1	Referred back to employer
Ill-Health - appeal against tier 2	2	Upheld
Ill-Health - appeal against tier 2	1	Pending
Survivors Benefit - appeal against regulations	1	Pending

THE PENSION YEAR

2016 Pension Increase

The UK Government approved zero rate of increase for all public sector pension schemes and state scheme benefits effective from 6 April 2016. The increase was set by reference to the Consumer Price Index at September 2015.

Legislative Changes

Scottish Statutory Instrument 2015/448 - The Local Government Pension Scheme (Scotland) Amendment Regulations 2016 were laid before the Scottish Parliament on 22 January 2016 and came into force on 1 April 2016. These regulations amend 2014 Regulations to cover cost capping of employer contributions and the requirement to have a Scheme Actuary.

Scottish Statutory Instrument 2016/32 - The Local Government Pension Scheme (Scotland) Amendment (No.2) Regulations were laid before the Scottish Parliament on 21 December 2015 and came into force on 2 February 2016. These Regulations made a number of technical amendments to the regulations governing the 2015 scheme in addition to introducing an amendment to the Transitional Regulations to cover employer payments for historic liabilities and amending the 2014 Regulations to provide a grace period of up to three years before a cessation debt payment is required by the Fund Actuary.

Scottish Statutory Instrument 2016/74 - The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2016 were laid before the Scottish Parliament on 4 February 2016. These Regulations increase the proportion of funds that a local authority pension fund can invest in partnerships from a maximum of 15% of the fund to a maximum of 30%.

The Pensions Act 2004 (Code of Practice) (Governance and Administration of Public Service Pension Schemes) Appointed Day Order 2015

This Order appointed 1 April 2015 as the day The Pensions Regulator's Code of Practice No.14 - Governance and administration of public service pension schemes came into effect.

In June 2016, The Pensions Regulator published a Compliance and enforcement policy for public service pension schemes. This policy and further information on matters relating to the regulation of public sector pension schemes by the Pensions Regulator can be found on their website. (http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)

Changes to Pension Taxation

Lifetime Allowance (LTA)

Is the total value of all pension benefits which a member can have without triggering an excess benefit charge. The LTA reduced from £1.25 million to £1 million with effect from 06/04/2016, and as a result HMRC introduced two new protections for individuals to apply for online:

- Fixed Protection (FP16) - applicable for those who expect their pension savings to be more than £1 million when the member takes them (or as at 06/04/2016). FP16 fixes the lifetime allowance at £1.25 million rather than the standard allowance of £1 million. FP16 can only be held where the value of benefits increases by no more than the cost of living, as such members considering FP16 will need to take into account that they would be required to opt out of the LGPS from 06/04/16 to retain this protection.
- Individual Protection (IP16) – applicable for those who have pension savings at over £1 million on 05/04/2016. IP16 fixes the lifetime allowance equal to the value of the an individual's pension benefits as at 05/04/2016, whilst allowing the member to continue contributing to their pension but any pension saving in excess if the protected lifetime allowance will be subject to a lifetime allowance excess charge.

Annual Allowance (AA)

Is the total value in a year by which a member's pension value can increase without triggering an excess benefit charge.

Since the introduction of the AA in 2011/12 the pension input period (PIP) was 1st April to 31st March, however this was aligned to the tax year wef 06/04/2016 and this alignment provided for transitional rules to apply to the calculation of the AA during 16/17.

- The pre-alignment period was 01/04/2015 – 08/07/2015 and for this period a revised AA of £80,000 applied.
- The post alignment period was 09/07/2016 – 05/04/2016 and for this period, the amount of the £80,000 not used in the first period (subject to a maximum of £40,000) is carried forward.

From 2016/17 the AA is also **'tapered'** for those who have a 'Threshold Income' of £110,000 (broadly comparable to taxable income after the deduction of pension contributions) and an 'Adjusted Income' of £150,000 (broadly the threshold income plus pension savings built up over the year). For every £2 that the Adjusted Income exceeds £150,000 the AA is taped down by £1 (to a minimum of £10,000).

Other Related Legislation

End of Contracting Out

From 6 April 2016 the new single tier State Pension replaced the basic and additional State Pension for those who reach State Pension age after 5 April 2016 and the 'contracted-out' status for all LGPS members (not just those reaching State Pension age after 5 April 2016) no longer exists. This means that scheme members no longer receive the National Insurance rebate and will pay a higher amount of National Insurance than in previous years (unless they are already over State Pension age or are one of the few members still paying the married woman's or widow's reduced rate of National Insurance).

The Fund issued a letter to all active scheme members making them aware of these changes.

Freedom & Choice

From 6 April 2015 members of certain pension schemes have more freedom over how they take their money from their pension pot.

These changes affect pension scheme members who are:

- age 55 or over, and
- have a pension based on how much has been paid into their pot (a Defined Contribution pension).

There are four main options for members who are in a Defined Contribution pension scheme which offers flexible benefits from their pension pot, including:

- Purchasing an annuity (annual pension) or scheme pension if offered by the scheme
- flexi-access drawdown
- taking a number of cash sums at different stages
- taking the entire pot as cash in one go.

These new flexibilities do not apply to any Defined Benefits in a Defined Benefit pension scheme, including the LGPS, and therefore they have no direct impact on a members Defined Benefits from the LGPS.

UK Government Consultations

Consultation on reforms to public sector exit payments (consultation period ran from 5 February 2016 to 3 May 2016).

Although the consultations on public sector payments only applied to England, the consultation documents state that the Scottish and Welsh Governments and Northern Ireland Executive should determine if and how they want to take forward similar arrangements in relation to their devolved workforces.

GOVERNANCE ARRANGEMENTS

ANNUAL GOVERNANCE STATEMENT
1 APRIL 2016 – 31 MARCH 2017

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 over 40 other large and small employers. The Council is responsible 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).

Scope of Responsibility

The Council has set up the Pensions Sub-Committee to control and resolve all matters relating to the investment of assets and the overall governance of the 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.
  - Ensure appropriate additional voluntary contributions arrangements are in place.
- 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 Governance Framework

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

The overall governance structure, including the wider responsibilities of the Pensions-Sub Committee, is set out in the Governance Compliance Statement (Report 199-2017). The Local Government Pension Scheme (Scotland) 2014 requires administering authorities to prepare, maintain and publish a written statement setting out the terms of their current governance arrangements, incorporating guidance provided by Scottish Ministers. The statement was last reviewed by Committee in June 2017 and demonstrates that the Fund is compliant with guidance provided.

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 13 of its Financial Regulations. The main functions are the 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. Investment policy and decisions are delegated to the Pensions Sub-Committee of the Policy and Resources Committee.

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). The Committee meets quarterly at joint meetings with the Pensions Board. Additional meetings are arranged as required should the need arise.

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

The Pensions Board consist of equal numbers of trade union representatives and employer representatives, drawn from councils and scheduled or admitted bodies in membership of the fund.

Internal audit services for the Tayside Pension Fund are currently provided by Dundee City Council's Internal Audit Service in line with a formal Service Level Agreement (1 April 2017 – 31 March 2020). DCC's Internal Audit Service operates in conformance with the Public Sector Internal Audit Standards (PSIAS), which apply to all internal audit service providers within the public sector, and the Local Authority Accounts (Scotland) Regulations 2014. The requirements under PSIAS represent best practice and these, along with the Regulations, are mandatory.

The Senior Manager – Internal Audit prepares an annual internal audit plan for the Council, which outlines the work to be undertaken. The internal audit plan is developed utilising a risk-based methodology and takes into account the requirement placed upon the Senior Manager – Internal Audit to deliver an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's control environment. Dundee City Council's 2016/17 Annual Internal Audit Report, presented to the Council's Scrutiny Committee, concluded 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 2017.

In compiling the plan, input from Elected Members, senior management and any other relevant parties is sought and cognisance is taken of emerging issues. Part of that annual process involves the consideration of risk relating to the Tayside Pension Fund and, with that in mind, an allocation of time is provided in the internal audit plan for the review of internal controls surrounding the Tayside Pension Fund. During the 2016/17 financial year, two internal audit reviews were delivered specifically for the Tayside Pension Fund, one relating to treasury management and the other relating to administration. A report on the pension fund, which was finalised on 29 March 2016, was also submitted to the Council's Scrutiny Committee in April 2016.

In addition, assurances surrounding the implementation status of previously agreed recommendations, including those relating to the Tayside Pension Fund, are sought from management and reported as part of the annual progress review exercise to the Council's Scrutiny Committee every September.

The Fund also holds annual investment forums for employers and the trade unions. The agenda for these meetings includes presentations by the Actuary and the Fund's Investment and Administration Managers. The topics covered include the actuarial position, the benefits structure and investment performance, changes to legislation or regulations, and review of effectiveness.

Continuous Improvement Agenda

The following are service improvements achieved during 2016/17:

- Implementation and roll out of the on line self-service application (LGPS PensionsWEB) to scheme employers enable more effective and efficient communication and processing.
- Review of the Environmental, Social and Corporate Governance Policy extending voting recommendations to all major global indices.
- Introduction of quarterly administration performance review.
- Partial implementation of required changes following review of strategic asset allocation and benchmarks.
- Review of the strategy of the Transport Fund, which following expert opinion and employer consultation, has resulted in the planned repatriation to the main fund on 30th June 2017.
- Review and analysis of administering authority and employer discretions, per internal audit recommendation.
- Review of Treasury Policy and Strategy, per internal audit recommendation.
- Intensive training program delivered for both Pensions Sub-Committee and board to meet CIPFA and Pensions Regulator standards.
- Employer communications sessions provided as requested.
- Employer contribution tracker implemented, per internal audit recommendation.

The following are notable planned improvements to be taken forward during 2017/18:

- Review of the Environmental, Social and Corporate Governance Policy incorporating guidance on Fiduciary Duty from the Scheme Advisory Board.
- Implementation and roll out of the on line self-service application (LGPS PensionsWEB) to scheme members, providing access to information, and enabling further efficiencies and more effective communication and processing.
- Full Implementation of required changes following review of strategic asset allocation and benchmarks.
- Introduction of automated task management and auto-scanning of incoming documents.
- Procurement exercises for fund custodian and for 3rd party administration specified exercises which will achieve efficiencies, but also enable the fund to meet organisational objectives more effectively.
- Repatriation of the Transport Fund to the main fund which will deliver efficiencies.
- Training program for new Pension Board and Sub-Committee members, with ongoing CPD for experienced members.

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Board meetings –

http://www.dundeecity.gov.uk/minutes/meetings?in_cc=35&in_dat=1

Fund Website - http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx

- 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 2014 valuation.
- The Funding Strategy Statement, concerning the management of the identification and management of the Fund's liabilities.
- The Risk Register, concerning the application of Myners Principles.
- 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.

David Martin	**Bailie Willie Sawers**
Chief Executive	Chair of Pension sub-committee
Dundee City Council	Tayside Pension Funds
27 September 2017	27 September 2017

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Administering Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Funds in its charge and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Executive Director of Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Scrutiny Committee at its meeting on 27 September 2017.

Willie Sawers

Bailie Willie Sawers
Chair of Pension sub-committee
Tayside Pension Funds
27 September 2017

The Executive Director of Corporate Service's Responsibilities

The Executive Director of Corporate Services is responsible for the preparation of the Pension Funds statement of accounts which, in terms of CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), is required to present a true and fair view of the financial position of the Pension Funds at the accounting date and their income and expenditure for the year (ended 31 March 2017).

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 2017, and their income and expenditure for the year ending 31 March 2017.

Gregory Colgan BAcc (Hons), ACMA, CGMA

Executive Director of Corporate Services
Dundee City Council
27 September 2017

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

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Tayside Pension Fund and Tayside Transport Pension Fund for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Accounts, the Net Assets Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the financial transactions of the funds during the year ended 31 March 2017 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 am independent of the funds 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Executive Director of Corporate Services 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 the Executive Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the funds and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Corporate Services; and the overall presentation of the financial statements.

My objectives are to achieve 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&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Executive Director of Corporate Services is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

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 2014.

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.

Fiona Mitchell-Knight

Fiona Mitchell-Knight
Assistant Director, Audit Services
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

29 September 2017

2015/2016 £000	FUND ACCOUNT	Note	2016/2017 £000	2016/2017 £000
	CONTRIBUTIONS AND BENEFITS			
	Contributions receivable :-			
67,576	From employers	5	69,594	
23,036	From members	5	23,518	
90,612				93,112
2,547	Transfers in	7		2,310
	Benefits payable :-			
(72,335)	Pensions		(75,312)	
(20,337)	Lump Sums	6	(22,564)	
(92,672)		6		(97,876)
	Payments to and on account of Leavers :-			
(207)	Refund of Contributions to Members		(214)	
(133)	Refund of Contributions to State Scheme		(94)	
(2,256)	Transfers Out	7	(8,047)	
(2,596)				(8,355)
(1,323)	Administration Expenses	4,14,16		(1,378)
(3,432)	Net (Withdrawals)/Deposits from dealings with Members			(12,187)
	RETURNS ON INVESTMENTS			
58,956	Investment Income	8	62,227	
(51,468)	Change in Market Value of Investments	9	563,997	
(7,589)	Investment Management Expenses	17	(8,516)	
(101)	Net Returns on Investments			617,708
(3,533)	Net (decrease)/increase in Fund during the year			605,521
2,843,135	**OPENING NET ASSETS OF THE SCHEME**			2,839,602
2,839,602	**CLOSING NET ASSETS OF THE SCHEME**			3,445,123

Notes on pages 31 to 44 form part of the financial statements.

2016 £000	NET ASSETS STATEMENT (AS AT 31 MARCH) INVESTMENT ASSETS AT MARKET VALUE	Note	2017 £000	2017 £000
	Listed Investments			
640,093	UK Equities		770,788	
61,984	UK Pooled Funds		21,095	
35,949	UK Fixed Interest - Public Sector		65,024	
7,373	UK Fixed Interest – Other		93,909	
95,125	UK Index Linked - Public Sector		83,863	
642,836	Overseas Equities		817,367	
207,676	Overseas Pooled Funds		323,590	
326,858	Overseas Open Ended Investment Companies		408,478	
28,980	Overseas Fixed Interest – Other		131,290	
1,270	Derivatives (Futures)		910	
	Unlisted Investments			
340,845	UK Open Ended Investment Companies		249,666	
9,445	M&G Fund		4,097	
67,176	Overseas Open Ended Investment Companies		80,750	
335,209	Property Unit Trusts		346,275	
22,723	Cash Balances held by Fund Managers		30,965	
7,876	Financial Debtors	13	22,458	
2,831,418				3,450,525
	INVESTMENT LIABILITIES			
(264)	Derivatives (Futures)		(309)	
(1,100)	Other Financial Liabilities	13	(16,045)	
(1,364)	Total Financial Liabilities			(16,354)
2,830,054	Net Financial Assets	9,19		3,434,171
	CURRENT ASSETS			
7,176	Contributions Due from Employers		7,705	
2,005	Sundry Debtors	12	2,133	
5,867	Cash and Bank		4,396	
15,048			14,234	
	LESS CURRENT LIABILITIES			
(5,500)	Sundry Creditors	12	(3,282)	
9,548	**NET CURRENT ASSETS**			10,952
2,839,602	**NET ASSETS**			3,445,123

Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
27 September 2017

Notes on pages 31 to 44 form part of the financial statements.
Unaudited Accounts were issued on 28 June 2017 and the audited Annual Accounts were authorised for issue on 27 September 2017.

NOTES TO TAYSIDE PENSION FUND FINANCIAL STATEMENTS

1 - The Local Government Pension Scheme

The Scheme is a "defined benefit scheme" which means that the benefits to which members and their spouses are entitled are determined by final pensionable pay and pensionable service.

Dundee City Council is the administering authority for Tayside Pension Fund (Main Fund). The scheme covering the Fund is statutory, approved by the Inland Revenue and contracted out of S2P (the State Second Pension).

Tayside Pension Fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises the majority of Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 42 other "scheduled bodies" and "admitted bodies" (see appendix 1). Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement.

2 - Basis of Preparation of the Financial Statements

Local authorities responsible for administering a pension fund that forms part of the local government pension scheme ("LGPS") are required by an amendment to The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 to publish a pension fund annual report, which is required to include financial statements. Local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices. The Scottish Government issued accounting Guidance for the LGPS financial statements in Finance Circular 1/2011, which clarified that pension fund financial statements within the annual report should be prepared in accordance with proper accounting practices set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 ("the Code").

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, other scheduled bodies or admitted bodies. Such amounts relate both to their own employer contributions and to those of their pensionable employees. Employee and employers contributions due as at 31 March 2017 have been accrued.

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 two Pension Funds. The above sections receive an allocation of the overheads of the Council, this is based on the amount of central services consumed. In turn, these sections allocate this charge to the two Pension Funds. Costs which can be directly charged to each fund during the financial year will be, costs which are shared by both Funds are allocated in proportion to the market value or membership of the Funds as at 31 March 2017.

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, but are disclosed as notes only (note 10).

Transfers to and from other Schemes

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

Taxation

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

VAT

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

Derivatives

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

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund.

Financial Liabilities

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Fair Value Measurement

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

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

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 11).

4 - Related Party Transactions

Dundee City Council

Tayside Pension Funds are administered by Dundee City Council, consequently there is a strong relationship between the council and pension funds.

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

	2016 £000	2017 £000
Transactions		
Administration Costs	1,124	1,089
Balances		
Due from Dundee City Council as at 31 March	2,301	3,410

Key Management Personnel

The key management personnel of the fund is Section 95 officer, the Executive Director of Corporate Services. Total remuneration payable, as allocated to pension fund (7%), is set out below:

	2016 £000	2017 £000
Short-term benefits	7	8
Post employment benefits	1	1

5 - Contributions

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

2015/2016	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Member contributions	6,871	12,357	3,808	23,036
Employer contributions	19,158	34,700	10,059	63,917
Strain on Fund	763	2,506	390	3,659
Total	26,792	49,563	14,257	90,612

2016/17	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Member contributions	7,034	12,217	4,267	23,518
Employer contributions	19,559	34,204	11,339	65,102
Strain on Fund	2,135	978	682	3,795
Deficit recovery	-	-	697	697
Total	28,728	47,399	16,985	93,112

6 - Benefits

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)	
	2015/2016	2016/2017	2015/2016	2016/2017
	£000	£000	£000	£000
Administering Authority	34,236	37,738	6,404	8,947
Other Scheduled Bodies	47,297	49,307	10,566	10,960
Admitted Bodies	11,139	10,831	3,367	2,657
TOTAL	92,672	97,876	20,337	22,564

7 - Transfer Values

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

	Transfer Values Received		Transfer Values Paid	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Administering Authority	1,489	371	640	1,072
Other Scheduled Bodies	562	1,127	1,008	5,010
Admitted Bodies	496	812	608	1,964
TOTAL	2,547	2,310	2,256	8,046

8 - Investment Income

	2015/16	2016/17
	£000	£000
Interest from Fixed Interest Securities	6,906	8,812
Dividends from Equities	34,109	31,935
Income from Index Linked Securities	670	483
Income from Pooled Investment Vehicles	13,291	17,465
Interest on Cash Deposits	92	94
Other Income	4,294	3,890
	59,362	62,679
Irrecoverable Withholding Tax	(406)	(452)
	58,956	62,227

9 - Investments

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of seven external fund managers. At 31 March 2017 the market value of these investment assets was £3,434.2m (2016 £2,830.1m), managed as follows:

	2016		2017	
	£m	%	£m	%
Schroder Properties Limited	340.1	12.0	353.3	10.3
Baillie Gifford & Co	701.2	24.8	856.8	24.9
Fidelity Pensions Management Equity	589.0	20.8	724.7	21.1
Alliance Bernstein	415.2	14.7	528.7	15.4
Goldman Sachs	322.9	11.4	303.9*	8.9
Fidelity Bond	175.8	6.2	309.9	9.0
M & G Investment Management	9.4	0.3	5.9	0.2
Legal & General	269.7	9.5	344.7	10.0
Financial Debtors	7.9	0.3	22.4	0.7
Financial Liabilities	(1.1)	-	(16.1)	(0.5)
Net Financial Assets	2,830.1	100.0	3,434.2	100.0

* Within the Goldman Sachs investment total above there is an investment of £143.0m (2016 £149.9m) which exceeds 5% of net assets available for benefits. This is in the GS Sterling Credit Portfolio. Although it is classed as a single investment, this is a pooled fund with over 300 holdings designed to ensure a diversified exposure to corporate bonds.

Derivatives - Futures

Summary of contracts held at 31 March 2017

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
FUT DEC 17 BANK ACCEPT 3M	9 months	3,708	10	-	10
FUT DEC 18 BANK ACCEPT 3M	21 months	3,696	-	(12)	(12)
FUT JUN 17 BANK ACCEPT 3M	3 months	3,712	9	-	9
FUT JUN 18 BANK ACCEPT 3M	15 months	3,702	9	-	9
FUT MAR 18 BANK ACCEPT 3M	12 months	3,706	10	-	10
FUT SEP 17 BANK ACCEPT 3M	6 months	3,710	9	-	9
FUT SEP 18 BANK ACCEPT 3M	18 months	3,699	9	-	9
FUT DEC 17 LIF 3M STRLG	9 months	5,972	2	-	2
FUT JUN 17 LIF 3M STRLG	3 months	5,978	5	-	5
FUT SEP 17 LIF 3M STRLG	6 months	5,975	3	-	3
FUT JUN 17 SFE 3Y T-BOND	3 months	17,929	-	(134)	(134)
FUT JUN 17 EURX EUR-BOBL	3 months	7,215	25	(107)	(82)
FUT JUN 17 EURX EUR-BUND	3 months	(8,560)	31	(8)	23
FUT JUN 17 LIF LONG GILT	3 months	35,977	581	-	581
FUT JUN 17 10 YR T-NOTES	3 months	1,594	19	(27)	(8)
FUT JUN 17 CBT 5Y T-NOTE	3 months	(45,567)	161	-	161
FUT JUN 17 CBT UL T-BONDS	3 months	(4,239)	3	(7)	(4)
FUT JUN 17 CBT ULT TNOTE	3 months	(14,669)	-	(14)	(14)
FUT JUN 17 U.S. T-BONDS	3 months	(4,222)	4	-	4
FUT JUN 17 US 2YR T-NOTE	3 months	(15,233)	20	-	20
		14,083	910	(309)	601

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

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

Investment Movement Summary

	Value at 01/04/2016 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2017 £m
Schroder Property	335.2	37.2	(25.9)	(0.2)	346.3
Baillie Gifford Global	347.9	45.5	(71.1)	118.0	440.3
Fidelity Equity	586.2	195.4	(187.3)	127.1	721.4
Alliance Bernstein	413.5	283.2	(292.8)	120.5	524.4
Goldman Sachs	320.8	236.6	(235.2)	(20.9)	301.3
Fidelity Bond	175.8	224.7	(170.7)	77.6	307.4
Baillie Gifford UK	342.1	60.9	(39.2)	43.1	406.9
M&G Fund	9.4		(5.8)	0.5	4.1
Legal & General	269.7	-	(7.0)	82.0	344.7
	2,800.6	1,083.5	(1,035.0)	547.7	3,396.8
Financial Liabilities	(1.1)				(16.1)
Cash Deposits	22.7			16.3	31.0
Financial Debtors	7.9				22.5
Net Financial Assets	2,830.1			564.0	3,434.2

Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £2.197m (2016 £1.522m).

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2016 was nil (2015 nil).

10 - 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 2017 (£000)	31 March 2016 (£000)
Prudential	4,025	3,089
Standard Life	4,946	4,740
Contributions Received	2016/17 (£000)	2015/16 (£000)
Prudential	1,369	1,112
Standard Life	342	299

11 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2017, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £4,400.7m (2016 £3,379.3m) of which £4,278.8m (2016 £3,197.6) is a vested obligation and £121.9m (2016 £181.7m) 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.

As noted above, the liabilities above are calculated on an IAS19 basis and therefore will differ from the results of the 2014 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions Used	2016/17	2015/16
	%	%
Inflation / pension increase rate	2.7	2.4
Salary increase rate	3.7	4.2
Discount rate	2.7	3.7

12 - Sundry Debtors and Creditors

Sundry Debtors total £2.133m as at 31 March 2017 (2016 £1.909m), this figure contains pending sales ledger income (£0.415m), management fees rebate from Fidelity (£0.975m), employer cessation valuation (£0.697m) and miscellaneous debtors (£0.046m).

Sundry Creditors total £3.282m as at 31 March 2017 (2016 £5.500m), this figure contains unpaid benefits (£1.064m), custodian fees (£0.048m), Investment Manager fees (£2.034m), Consultancy fees (£0.009m), pending purchase ledger payments (£0.077m) and miscellaneous creditors (£0.50m).

13 - Other Financial Liabilities and Financial Debtors

Other Financial Liabilities total £16.045m as at 31 March 2017 (2016 £1.100m). This wholly represents pending purchase transactions.

Financial Debtors total £22.458m as at 31 March 2017 (2016 £7.876m). This is made up of pending sales transactions (£12.198m) and investment income (£10.260m).

14 - Audit Fee & Other Services

The Pension Funds have been subject to a separate external audit to that of the Council. The Main Fund incurred an audit fee of £18,031 for 2016/17 financial year (£19,649 2015/16). During 2016/17 Tayside Pension Funds received no other services from Audit Scotland.

15 – Management Expenses

	2015/16	2016/17
	£000	£000
Administrative costs	1,230	1,281
Investment management expenses	7,589	8,516
Oversight and governance costs	94	97
	8,913	9,894

16 – Investment Expenses

	2015/16	2016/17
	£000	£000
Management fees	7,377	8,270
Custody fees	158	162
Performance monitoring service	25	26
Investment consultancy	29	34
Broker Commission	-	24
	7,589	8,516
Management fees as a %age of Net Financial Assets	0.26%	0.24%

17 – Nature and Extent of Risks arising from Financial Instruments

Risk Management

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 to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The new 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 equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council 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 expected 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	19.00%
Emerging Market	30.90%
Global	20.30%
Bonds	
UK Index-Linked Gilts	11.90%
UK Gilts	11.00%
UK Corporate	10.00%
Other	10.80%
Property	12.50%
Alternatives	9.20%
Cash	0.90%

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 firm's assumptions for asset class volatilities as at 31 March 2017.

If the market price of the Fund 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	809,966,107	19.00%	963,859,668	656,072,547
Emerging Market	274,051,019	30.90%	358,732,784	189,369,254
Global	1,353,695,563	20.30%	1,628,495,763	1,078,895,364
Bonds				
UK Index-Linked Gilts	171,071,401	11.90%	191,428,897	150,713,904
UK Gilts	49,195,026	11.00%	54,606,479	43,783,573
UK Corporate	271,435,727	10.00%	298,579,300	244,292,154
Other	116,405,132	10.80%	128,976,886	103,833,378
Property	346,275,064	12.50%	389,559,447	302,990,681
Alternatives	4,096,556	9.20%	4,473,439	3,719,673
Cash	37,377,823	0.90%	37,714,223	37,041,423
Total	**3,433,569,418**	**14.70%**	**3,938,304,123**	**2,928,834,714**

Interest rate risk 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 interest rates.

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

The Council 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 movements as at 31 March 2017 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 2017 (£)**	**Potential change in year in the net assets available to pay benefits £**	
		100bps	**-100 bps**
Fixed Interest Securities	615,408,510	-75,352,372	86,794,922
Cash	30,965,064	0	0
Total change in assets available	646,373,574	-75,352,372	86,794,922

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 does not impact the value of cash balances but will increase the interest income received on those balances by £309,651, 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 2017. 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 2017:

Currency exposure - asset type	**Asset value**
	31-Mar-17
Overseas Index-Linked - Public Sector	£196,079
Overseas Equities	£817,366,682
Overseas OEIC (listed)	£408,478,005
Overseas OEIC (unlisted)	£80,750,373
Overseas Fixed Interest - Other	£131,290,078
Overseas Pooled Investments	£323,590,417
Total overseas assets	**£1,761,671,634**

Currency risk- sensitivity analysis

Following analysis of historical data, the likely volatility associated with foreign exchange movements on an individual currency basis is shown in the following table. The weight of each currency in relation to the total currency basket is multiplied by the change in its exchange rate (relative to GBP) to create the aggregate potential currency change of the 'basket' and the % Change in Total Currency includes the impact of correlation across the underlying currencies. The likely volatility is 9.1% (as measured by one standard deviation).

Currency exposure - asset type	Asset value	Change to net assets available to pay benefits	
	31-Mar-17	-9.1%	9.1%
Overseas Index-Linked - Public Sector	£196,079	£178,270	£213,888
Overseas Equities	£817,366,682	£743,129,118	£891,604,247
Overseas OEIC (listed)	£408,478,005	£371,377,872	£445,578,138
Overseas OEIC (unlisted)	£80,750,373	£73,416,197	£88,084,549
Overseas Fixed Interest - Other	£131,290,078	£119,365,618	£143,214,537
Overseas Pooled Investments	£323,590,417	£294,200,224	£352,980,611
Total overseas assets	**£1,761,671,634**	**£1,601,667,299**	**£1,921,675,970**

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 2017, including current account cash, was £5.3m (2016 : £6.1m). This was held with the following institutions :-

	Credit Rating	Balance as at 31 March 2016 £'000	Balance as at 31 March 2017 £'000
Bank deposit accounts :-			
Bank of Scotland	F1	5,000	3,060
Santander	F1	1,105	2,190
Bank current accounts :-			
Royal Bank of Scotland	F2	19	53

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 in to cash.

18 – Post Balance Sheet Event – Repatriation of Transport Fund

In early 2016 Tayside Pension Fund and Xplore Dundee (the respective employer of Tayside Transport Fund) entered discussions regarding their proposal to transfer the assets and liabilities of the Transport Fund back to the main fund. Expert legal, actuarial and investment opinion was sought by the fund, and in October 2016, the fund consulted with the employers of the main fund, seeking their views prior to presenting the proposal to the Pension Sub-Committee and Board. The consultation received no resistance, and the proposal was approved on 5th December 2016.

The repatriation of the Transport Fund (following full legal agreement) took place on 30th June 2017.

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

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

The items in the net assets statement as at 31 March 2017 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 11)

Uncertainities
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	4,400,661	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	4,319,177	4,483,764
Long term salary increase	4,413,290	4,388,114
Pension increases and deferred revaluation	4,471,054	4,331,645
Sensitivity to	**+1 year**	**-1 year**
Life expectancy assumptions	4,563,800	4,243,536

Financial Assets and Liabilities measured at fair value

Uncertainities
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 publically listed there is a degree of estimation involved in the valuation.

Effect if actual results differ from assumptions
The fund has a total of £4.096m of investment assets which are not based on quoted prices in active markets and therefore thee is a risk that this could be under or over stated in the accounts.

20 – Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the Actuarial Position (Note 11). This estimate is subject to significant variances based on changes to the underlying assumptions.

21 – Accounting Standards issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- IAS 39, Financial Instruments: Recognition and Measurement
- IFRS 7, Financial Instruments: Disclosures
- IFRS 9, Financial Instruments

The amendments are generally minor or principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

Actuarial Statement for 2016/2017

This statement has been prepared in accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 1 April 2014. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund.
- to minimise the degree of short-term change in employer contribution rates.
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment.
- to help employers manage their pension liabilities.
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer.

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

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 was as at 31 March 2014. This valuation revealed that the Fund's assets, which at 31 March 2014 were valued at £2,463.1 million, were sufficient to meet 99.8% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £4.8m. Individual employers' contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method Used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated February 2015, a copy of which can be found on Tayside Pension Funds website (http://www.taysidepensionfund.org/).

Method

The method adopted at this valuation is known as the "Projected Unit Method". The key feature of this method is that in assessing the future service cost the Actuary will calculate the contribution rate which meets the cost of one year benefit accrual. This is the same method adopted at the previous valuation and is an appropriate method for a Fund which is open to new members.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2014 valuation were as follows:

Investment Return	pa
Equities	5.9%
Gilts	3.6%
Cash	3.4%
Bonds	4.1%
Property	5.5%

Financial Assumptions	pa
Discount Rate	5.4%
Retail Price Index	3.6% (20 year point on BoE Inflation curve)
Consumer Price Index	2.8% (RPI less 0.8%)
Pension Increases	2.8% (RPI less 0.8%)
Short-term pay increases	In line with CPI assumption for 2 years to 31/03/16
Long-term pay increases	4.6% (RPI plus 1%)

The key demographic assumption was the allowance made for longevity. The longevity assumptions adopted at this valuation were in line with standard PA92 mortality tables.

Experience Over the Period Since April 2014

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2017.

	Main Fund @ 99.8%				
	Net Reserve		CARE ongoing % Value of payroll	Net Reserve required to maintain current contribution	
Date	£'000	%	%	£'000	%
31 March 2014	87,317	3.5	16.5	-	-
31 March 2015	242,956	8.5	17.3	7,806	0.3
31 March 2016	294,585	10.6	14.8	-	-
31 March 2017	543,535	16.0	17.1	-	-

The results show the net excess / deficit from the set funding levels at actuarial valuation of 31 March 2014 and the requirements to maintain the current level of employer contribution considering changes to asset values and the ongoing liability costs of the scheme to employers.

These results are calculated by projecting forward from the last valuation allowing for estimated investment returns, pay and pension increases, benefits paid and contributions made and any changes in underlying market conditions. Experience in terms of factors such as retirement or mortality are not updated.

The results are therefore only a broad indication of the current position and can only give an approximate guide to the position.

The smoothed basis is derived from an average position over a six month period.

The next actuarial valuation will be carried out as at 31 March 2017. The Funding Strategy Statement will also be reviewed in March 2018.

TAYSIDE TRANSPORT PENSION FUND ACCOUNTS

2015/2016	FUND ACCOUNT		2016/2017	
£000			£000	£000
	CONTRIBUTIONS AND BENEFITS	Note		
	Contributions receivable:-			
404	From employers		369	
82	From members		71	
486				440
	Benefits payable:-			
(2,032)	Pensions		(2,029)	
(436)	Lump Sums		(125)	
(2,468)				(2,154)
	Payments to and on account of Leavers:-			
-	Transfers Out		-	
-				-
(30)	Administration Expenses	10,11		(47)
(2,012)	Net Withdrawals from dealings with Members			(1,761)
	RETURNS ON INVESTMENTS			
833	Investment Income	5	611	
(47)	Change in Market Value of Investments	6	10,912	
(207)	Investment Management Expenses	12	(217)	
579	Net Returns on Investments			11,306
(1,433)	Net (decrease)/increase in Fund during the year			9,545
62,134	**OPENING NET ASSETS OF THE SCHEME**			60,701
60,701	**CLOSING NET ASSETS OF THE SCHEME**			70,246

Notes on pages 49 to 56 form part of the financial statements.

2016 £000	NET ASSETS STATEMENT (AS AT 31 MARCH)	Note	2017 £000	2017 £000
	INVESTMENT ASSETS AT MARKET VALUE			
	Listed Investments			
13,902	UK Equities		17,985	
3,019	UK Fixed Interest - Public Sector		4,109	
546	UK Fixed Interest - Other		176	
7,208	UK Index Linked - Public Sector		7,962	
15,625	Overseas Equities		15,719	
1,982	Overseas Fixed Interest - Other		2,105	
87	Derivatives (Futures)		65	
	Unlisted Investments			
12,094	UK Open Ended Investment Companies		14,030	
209	Overseas Open Ended Investment Companies		226	
4,854	Property Unit Trusts		4,984	
943	Cash Balances held by Fund Managers		2,539	
133	Financial Debtors	9	594	
60,602				70,494
	INVESTMENT LIABILITIES			
(2)	Derivatives (Futures)		(31)	
(2)	Other Financial Liabilities	9	(362)	
(4)	Total Financial Liabilities			(393)
60,598	Net Financial Assets	6, 14		70,101
	CURRENT ASSETS			
43	Contributions Due from Employers		34	
-	Sundry Debtors		-	
108	Cash and Bank		209	
151			243	
	LESS CURRENT LIABILITIES			
(48)	Sundry Creditors	8	(98)	
103	**NET CURRENT ASSETS**			145
60,701	**NET ASSETS**			70,246

Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
27 September 2017

Notes on pages 49 to 56 form part of the financial statements.
Unaudited Accounts were issued on 28 June 2017 and the audited Annual Accounts were authorised for issue on 27 September 2017.

1 - Local Government Pension Scheme

Tayside Transport Superannuation Fund began as a result of the 1985 Transport Act when the employees of the former Dundee City Bus Unit which formed part of Tayside Regional Council's Roads and Transport Department were transferred to a new company, Tayside Public Transport Company Ltd. A separate Superannuation Fund for those transferred employees was set up on 26 October 1986.

2 - Basis of Preparation

Local authorities responsible for administering a pension fund that forms part of the local government pension scheme ("LGPS") are required by an amendment to The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 to publish a pension fund annual report, which is required to include financial statements. Local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices. The Scottish Government issued accounting Guidance for the LGPS financial statements in Finance Circular 1/2011, which clarified that pension fund financial statement within the annual report should be prepared in accordance with proper accounting practices set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 ("the Code").

3 - Statement of Accounting Policies

The accounting policies of Tayside Transport Pension Fund are consistent with those adopted for Tayside Pension Fund as outlined on pages 31 and 33.

4 - Related Parties

There were no transactions with related parties during the year.

5 - Investment Income

	2015/16 £'000	2016/17 £'000
Interest from Fixed Interest Securities	157	179
Dividends from Equities	453	219
Income from Index Linked Securities	48	44
Income Pooled Investment Vehicles	168	164
Interest on Cash Deposits	7	5
	833	611

6 - Investments

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of three external fund managers. At 31 March 2017 the market value of these investment assets was £70.1m (2016 £60.6m), managed as follows:-

	2016		2017	
	£m	%	£m	%
Schroder Properties Limited	5.4	9.0	7.0	10.0
Baillie Gifford & Co	30.4	50.1	34.8*	49.7
Goldman Sachs	24.7	40.8	28.1**	40.0
Financial Debtors	0.1	0.1	0.6	0.8
Financial Liabilities	-	-	(0.4)	(0.5)
Net Financial Assets	60.6	100.0	70.1	100.0

* Within the Baillie Gifford investment total above there is an investment of £15.7m (2016 £15.6m) which exceeds 5% of net assets available for benefits. This investment is in Baillie Gifford Global Life Fund.

** Within the Goldman Sachs investment total above there is an investment of £13.2m (2016 £11.5m) which exceeds 5% of net assets available for benefits. This investment is in the GS Sterling Credit Portfolio. Although it is classed as a single investment, this is a pooled fund with over 300 holdings designed to ensure a diversified exposure to corporate bonds.

Derivatives - Futures

Summary of contracts held at 31 March 2017

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
FUT DEC 17 BANK ACCEPT 3M	9 months	297	1	-	1
FUT DEC 18 BANK ACCEPT 3M	21 months	296	-	(1)	(1)
FUT JUN 17 BANK ACCEPT 3M	3 months	297	1	-	1
FUT JUN 18 BANK ACCEPT 3M	15 months	296	1	-	1
FUT MAR 18 BANK ACCEPT 3M	12 months	296	1	-	1
FUT SEP 17 BANK ACCEPT 3M	6 months	297	1	-	1
FUT SEP 18 BANK ACCEPT 3M	18 months	296	1	-	1
FUT JUN 17 LIF 3M EURIBOR	3 months	215	34	-	34
FUT DEC 17 LIF 3M STRLG	9 months	622	-	-	-
FUT JUN 17 LIF 3M STRLG	3 months	623	1	-	1
FUT SEP 17 LIF 3M STRLG	6 months	622	-	-	-
FUT JUN 17 SFE 3Y T-BOND	3 months	1,568	-	(15)	(15)
FUT JUN 17 EURX EUR-BOBL	3 months	1,015	-	(11)	(11)
FUT JUN 17 EURX EUR-BUND	3 months	276	-	(1)	(1)
FUT JUN 17 LIF LONG GILT	3 months	1,021	9	-	9
FUT JUN 17 10 YR T-NOTES	3 months	398	-	(2)	(2)
FUT JUN 17 CBT 5Y T-NOTE	3 months	(2,919)	13	-	13
FUT JUN 17 CBT UL T-BONDS	3 months	385	-	-	-
FUT JUN 17 CBT ULT TNOTE	3 months	(642)	-	(1)	(1)
FUT JUN 17 U.S. T-BONDS	3 months	(603)	1	-	1
FUT JUN 17 US 2YR T-NOTE	3 months	(1,039)	1	-	1
		3,617	65	(31)	34

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

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

Investment Movement Summary

	Value at 01/04/2015 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2016 £m
Schroder Property	4.9	-	-	0.1	5.0
Baillie Gifford Global	15.6	-	(5.0)	5.1	15.7
Goldman Sachs	24.5	12.4	(12.3)	3.2	27.8
Baillie Gifford UK	14.5	4.2	(1.7)	1.8	18.8
	59.5	16.6	(19.0)	10.2	67.3
Financial Liabilities	-				(0.4)
Cash Deposits	1.0			0.7	2.6
Financial Debtors	0.1				0.6
Net Financial Assets	60.6			10.9	70.1

Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £23,083 (2016 £8,330).

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2016 was nil (2015 Nil).

7 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2017, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £60.5m (2016 £50.5m) of which £60.0m (2016 £49.7m) is a vested obligation and £0.5m (2016 £0.8m) 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.

As noted above, the liabilities above are calculated on an IAS19 basis and therefore will differ from the results of the 2014 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions Used	2016/17	2015/16
	%	%
Inflation / pension increase rate	2.5	2.0
Salary increase rate	3.5	3.8
Discount rate	2.4	3.3

8 - Sundry Creditors

Sundry Creditors total £0.098m as at 31 March 2017 (2016 £0.048m), this figure contains custodian fees (£0.009m), investment manager fees (£0.043m) and benefits payable of £0.047m (£nil).

9 - Other Financial Liabilities and Financial Debtors

Other Financial Liabilities total £0.361m as at 31 March 2017 (2016 £0.002m), this figure is solely for pending purchase transactions.

Financial Debtors total £0.594m as at 31 March 2017 (2016 £0.133m), this is made up of pending sales transactions (£0.458m) and investment income (£0.136m).

10 - Audit Fee

The Pension Funds have been subject to a separate external audit to that of the Council. The Transport Fund incurred an audit fee of £6,010 for 2016/17 financial year (£8,401 2015/16).

11 – Management Expenses

	2015/16	2016/17
	£000	£000
Administrative costs	29	46
Investment management expenses	207	217
Oversight and governance costs	1	1
	237	264

12 – Investment Expenses

	2015/16	2016/17
	£000	£000
Management fees	166	182
Custody fees	26	18
Performance monitoring service	10	10
Investment consultancy	5	7
	207	217
Management fees as a %age of Net Financial Assets	0.27%	0.26%

13 - Nature and Extent of Risks arising from Financial Instruments

Risk Management

The Fund's primary long-term risk is that the Fund's 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 to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The new 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 equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council 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 expected 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	19.00%
Emerging Market	30.90%
Global	20.30%
Bonds	
UK Index-Linked Gilts	11.90%
UK Gilts	11.00%
UK Corporate	10.00%
Other	10.80%
Property	12.50%
Alternatives	19.00%
Cash	0.90%

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 firm's assumptions for asset class volatilities as at 31 March 2017.

If the market price of the Fund 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	19,520,632	19.0%	23,229,552	15,811,712
Emerging Market	2,782,347	30.9%	3,642,092	1,922,602
Global	12,103,996	20.3%	14,561,107	9,646,885
Bonds				
UK Index-Linked Gilts	7,455,767	11.9%	8,343,003	6,568,531
UK Gilts	4,536,240	11.0%	5,035,226	4,037,253
UK Corporate	5,052,921	10.0%	5,558,213	4,547,629
Other	10,733,638	10.8%	11,892,870	9,574,405
Property	4,984,180	12.5%	5,607,202	4,361,157
Cash	2,897,342	0.9%	2,923,418	2,871,266
Total	**70,067,063**	**10.8%**	**77,634,305**	**62,499,819**

Interest rate risk 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 interest rates.

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

The Council 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 movements as at 31 March 2017 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 parallel shift in yield curve):

Asset Type	**Carrying amount as at 31 March 2017 (£)**	**Potential change in year in the net assets available to pay benefits £**	
		100bps	**-100 bps**
Fixed Interest Securities	28,144,091	-3,527,861	4,076,797
Cash	2,539,130	0	0
Total change in assets available	30,683,221	-3,527,861	4,076,797

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 does not impact the value of cash balances but will increase the interest income received on those balances by £25,391, 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 2017.

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 2017:

Currency exposure - asset type	Asset value
	31-Mar-17
Overseas Index-Linked - Public Sector	£0
Overseas OEIC (unlisted)	£225,444
Overseas Fixed Interest - Other	£2,104,591
Overseas Pooled Investments	£15,719,476
Total overseas assets	**£18,049,510**

Currency risk- sensitivity analysis

Following analysis of historical data, the likely volatility associated with foreign exchange movements on an individual currency basis is shown in the following table. The weight of each currency in relation to the total currency basket is multiplied by the change in its exchange rate (relative to GBP) to create the aggregate potential currency change of the 'basket' and the % Change in Total Currency includes the impact of correlation across the underlying currencies. The likely volatility is 10.9% (as measured by one standard deviation).

Currency exposure - asset type	Asset value	Change to net assets available to pay benefits	
	31-Mar-17	-10.9%	10.9%
Overseas Index-Linked - Public Sector	£0	£0	£0
Overseas OEIC (unlisted)	£225,444	£200,939	£249,948
Overseas Fixed Interest - Other	£2,104,591	£1,875,834	£2,333,348
Overseas Pooled Investments	£15,719,476	£14,010,859	£17,428,092
Total overseas assets	**£18,049,510**	**£16,087,632**	**£20,011,388**

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

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

The items in the net assets statement as at 31 March 2017 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 7)

Uncertainities
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	60,529	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	59,698	61,372
Long term salary increase	60,585	60,474
Pension increases and deferred revaluation	61,315	59,753
Sensitivity to	**+1 year**	**-1 year**
Life expectancy assumptions	63,030	58,130

Financial Assets and Liabilities measured at fair value

Uncertainities
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 publically listed there is a degree of estimation involved in the valuation.

15 – Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the Actuarial Position (Note 11). This estimate is subject to significant variances based on changes to the underlying assumptions.

16 – Accounting Standards issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- IAS 39, Financial Instruments: Recognition and Measurement
- IFRS 7, Financial Instruments: Disclosures
- IFRS 9, Financial Instruments

The amendments are generally minor or principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

Actuarial Statement for 2016/2017

This statement has been prepared in accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 1 April 2014. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund.
- to minimise the degree of short-term change in employer contribution rates.
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment.
- to help employers manage their pension liabilities.
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer.

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

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 was as at 31 March 2014. This valuation revealed that the Fund's assets, which at 31 March 2014 were valued at £56.3 million, were sufficient to meet 99.9% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £0.1m. Employer contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method Used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated February 2015, a copy of which can be found on Tayside Pension Funds website (http://www.taysidepensionfund.org/).

Method

The method adopted at this valuation is known as the "Attained Age Method". The key feature of this method is that in assessing the future service cost the Actuary calculates the contribution rate which meets the cost of benefits accruing up to retirement age. This is the same method adopted at the previous valuation and is an appropriate method for a Fund which is closed to new members.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2014 valuation were as follows:

Investment Return	pa
Equities	5.9%
Gilts	3.6%
Cash	3.4%
Bonds	4.1%
Property	5.5%

Financial Assumptions	pa
Discount Rate	3.6%
Retail Price Index	3.6% (20 year point on BoE Inflation curve)
Consumer Price Index	2.8% (RPI less 0.8%)
Pension Increases	2.8% (RPI less 0.8%)
Short-term pay increases	In line with CPI assumption for 2 years to 31/03/16
Long-term pay increases	4.6% (RPI plus 1%)

The key demographic assumption was the allowance made for longevity. The longevity assumptions adopted at this valuation were in line with standard PA92 mortality tables.

Experience Over the Period Since April 2014

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2017.

	Transport Fund @ 99.9%				
	Net Reserve		CARE ongoing % Value of payroll	Net Reserve required to maintain current contribution	
Date	£'000	%	%	£'000	%
31 March 2014	2,554	4.5	33.8	-	-
31 March 2015	895	1.4	40.8	250	0.4
31 March 2016	(303)	(0.5)	40.1	365	0.6
31 March 2017	1,897	2.7	47.4	-	-

The results show the net excess / deficit from the set funding levels at actuarial valuation of 31 March 2014 and the requirements to maintain the current level of employer contribution considering changes to asset values and the ongoing liability costs of the scheme to employers.

These results are calculated by projecting forward from the last valuation allowing for estimated investment returns, pay and pension increases, benefits paid and contributions made and any changes in underlying market conditions. Experience in terms of factors such as retirement or mortality are not updated.

The results are therefore only a broad indication of the current position and can only give an approximate guide to the position.

The smoothed basis is derived from an average position over a six month period.

The next actuarial valuation will be carried out as at 31 March 2017. The Funding Strategy Statement will also be reviewed in March 2018.

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 2017 were as follows :-

Scheduled Bodies (14) :-

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

Admitted Bodies (31) :-

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

CONTACT INFORMATION

Key Documents Online

The following documents are on the website's (http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx) publications section :

- 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
(01382) 431333

Other Contacts

The Occupational Pensions Advisory Service (OPAS)
In the event of a dispute, members have recourse initially to an internal dispute procedures and if still not satisfied to the Scottish Minister and in addition may contact the following bodies.

The Occupational Pensions Advisory Service (OPAS), 11 Belgrave Road, London, SW1V 1RB

This organisation is available to assist members and beneficiaries of occupational pension schemes in connection with difficulties, which they have been unable to resolve with the trustees or administrators of their scheme. For problems that cannot be settled through OPAS, a Pensions Ombudsman (based at the same address as OPAS) has been appointed. The Ombudsman has power to investigate and determine complaints or disputes of fact or law in relation to occupational pension schemes. The Ombudsman can only become involved after a dispute has been to the Scottish Ministers.

Registry of Occupational Pension Schemes
The Registry acts as a central tracing agency to help individuals keep track of any benefits they may have in previous employers' pension schemes. The Council's Scheme and the names and addresses of all current and previous participating employers have been registered with the Registrar.

Registry of Occupational Pension Schemes, PO Box 1NN, Newcastle upon Tyne, NE99 1NN

The Pensions Regulator (www.thepensionsregulator.gov.uk)
The Pensions Regulator is the UK regulator of work-based pension schemes. They work with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them. The principal aim is to prevent problems from developing. They use their powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long term.