Dundee City Council
Corporate Services
CHANGING FOR THE FUTURE

City Chambers
DUNDEE
DD1 3BY

11 March 2025

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

Dear Sir or Madam

You are requested to attend a JOINT MEETING of the **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD** to be held remotely on Monday, 17th March 2025, at 12 noon.

Members of the Press or Public wishing to join the meeting should contact Committee Services by telephone (01382) 434211 or by email at committee.services@dundeecity.gov.uk by no later than 12 noon on Friday, 14th March, 2025.

Yours faithfully

GREGORY COLGAN

Chief Executive

AGENDA OF BUSINESS

1 APOLOGIES

2 MINUTE OF PREVIOUS MEETING - Page 1

(Minute of the meeting of the Pension Investment Sub-Committee of 9th December 2024 (copy attached).

3 APPOINTMENT OF CHAIRPERSON OF PENSION BOARD (AN13-2025)

In accordance with the Public Service Pensions Act 2013, the Sub-Committee are asked to seek nominations for the post of Chair of the Pension Board for the period of 12 months. The post of Chair of the Pension Board is subject to annual change.

4 TAYSIDE PENSION FUND RISK REGISTER - Page 5

(Report No 93-2025 by the Executive Director of Corporate Services, copy attached).

5 PENSION ADMINISTRATION PERFORMANCE – UPDATE TO 31ST DECEMBER, 2024 - Page 21

(Report No 94-2025 by the Executive Director of Corporate Services, copy attached).

6 TAYSIDE PENSION FUND – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2024/2025 - Page 45

(Report No 95-2025 by the Executive Director of Corporate Services, copy attached).

7 INTERNAL AUDIT RISK ASSESSMENT AND AUDIT PLAN 2025/2026 - Page 67

(Report No 96-2025 by the Executive Director of Corporate Services, copy attached).

8 TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – THIRD PARTY MANAGEMENT REVIEW - Page 91

(Report No 97-2025 by the Executive Director of Corporate Services, copy attached).

9 TREASURY POLICY STATEMENT 2025/2026 - Page 115

(Report No 98-2025 by the Executive Director of Corporate Services, copy attached).

10 TREASURY MANAGEMENT STRATEGY 2025/2026 - Page 121

(Report No 99-2025 by the Executive Director of Corporate Services, copy attached).

11 PENSION ADMINISTRATION STRATEGY - Page 127

(Report No 100-2025 by the Executive Director of Corporate Services, copy attached).

12 TAYSIDE PENSION FUND COMMUNICATION POLICY - Page 145

(Report No 101-2025 by the Executive Director of Corporate Services, copy attached).

13 THE PENSIONS REGULATOR - GENERAL CODE UPDATE (AN14-2025)

The External Auditors Annual Report on the Tayside Pension Find Accounts 2023/24 was previously considered by the Pension Sub-Committee and Board (Article VI of the Minute of the Meeting of Pension Sub-Committee and Pension Board 23 September 2024, report 273-2024 refers). The action plan to this report noted the Pension Regulators General Code of Practice was introduced on 28 March 2024 and it was agreed a review of the code requirements would be undertaken during the year. It is confirmed that ISIO have been commissioned to undertake this review on behalf of the Fund. This review is underway and the outcome will be presented to the Sub-Committee and Board in a report at a later date. The Pension Sub-Committee and Board are asked to note this item.

14 TAYSIDE PENSION FUND BUSINESS PLAN 2025/2026 - Page 151

(Report No 102-2025 by the Executive Director of Corporate Services, copy attached).

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

15 TAYSIDE PENSION FUNDS

16 INVESTMENT STRATEGY IMPLEMENTATION UPDATE

17 ANNUAL PERFORMANCE REVIEW TO 31ST DECEMBER, 2024

18 PRESENTATION

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ITEM No …2………..

At a JOINT MEETING of the **PENSION SUB-COMMITTEE** of the **CITY GOVERNANCE COMMITTEE AND THE PENSION BOARD** held remotely on 9th December, 2024 .

Present:-

PENSION SUB-COMMITTEE

BAILIES

Willie SAWERS	Kevin KEENAN

COUNCILLORS

Steven ROME	Dorothy McHUGH

PENSION BOARD

Bill DUFF (Representing Angus Council)
Stewart DONALDSON (Representing Perth and Kinross Council)
George RAMSAY (Representing Unite the Union)
Arthur NICOLL (Representing UNISON)
Kenny DICK (Representing Social Care & Social Work Improvement Scotland)

Bailie Willie SAWERS, Convener in the Chair.

I DECLARATION OF INTEREST

No declarations of interest were made.

II APOLOGIES

The Sub-Committee and Board noted apologies had been received from Councillor Lynn.

III MINUTE OF PREVIOUS MEETING

The minute of meeting of 23rd September, 2024 was submitted and approved.

IV TAYSIDE PENSION FUNDS RISK REGISTER

There was submitted Report No 347-2024 by the Executive Director of Corporate Services seeking approval for the Quarterly Risk Register for Tayside Pension Fund.

The Sub-Committee and Board:-

(i) approved the Quarterly Risk Register for Tayside Pension Fund, noting that there were no changes from the previous quarter.

V PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 30TH SEPTEMBER, 2024

There was submitted Report No 348-2024 by the Executive Director of Corporate Services providing information on the recent quarter's operational performance in relation to Pension Administration and other general developments in this area over the above period.

The Sub-Committee and Board:-

(i) noted the content of the report.

VI TREASURY MANAGEMENT ACTIVITY 2024/2025 (MID-YEAR REVIEW)

There was submitted Report No 349-2024 by the Executive Director of Corporate Services reviewing Tayside Pension Fund's Treasury Management activities for the period 1 April 2024 to 30 September 2024.

The Sub-Committee and Board:-

(i) noted the content of the report.

VII PROPOSED TIMETABLE OF MEETINGS FOR 2025

There was submitted Report No 329-2024 by the Executive Director of Corporate Services proposing a suggested programme of meetings of the Pension Sub-Committee and Pension Board in 2025.

The Sub-Committee and Board:-

(i) examined the dates set out in the timetable in Appendix 1 to the report and agreed the proposed programme of meetings.

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

VIII TAYSIDE PENSION FUND

(a) TAYSIDE PENSION FUND PERFORMANCE SUMMARY

There was submitted Report No 350-2024 by the Executive Director of Corporate Services reviewing investment performance of the Fund's investment managers for the quarter to 30 September 2024. The report compared investment performance of the Fund with the Fund's specific benchmarks which consist of various stock and security market indices.

The Sub-Committee and Board:-

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

(b) SUMMARIES OF INVESTMENTS AND TRANSACTIONS SUMMARIES OF INVESTMENTS & TRANSACTIONS 1 JULY 2024 – 30 SEPTEMBER 2024

There was submitted Report No 351-2024 by the Executive Director of Corporate Services reviewing the investment activities of Tayside Pension Fund's five Fund Managers for the quarter to 30th September, 2024 and summarising the transactions of each Fund Manager and showing the market values of the Pension Fund.

The Sub-Committee and Board:-

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

(c) QUARTERLY FUNDING UPDATE AS AT 30TH SEPTEMBER, 2024

There was submitted Report No 352-2024 by the Executive Director of Corporate Services reviewing the current funding level of the Fund as assessed by the Fund Actuary.

The Sub-Committee and Board:-

(i) noted the report by the Fund Actuary.

IX ANNUAL ASSESSMENT OF INVESTMENT ADVISORY SERVICES 2024

There was submitted Report No 353-2024 by the Executive Director of Corporate Services, providing information on the annual assessment of investment advisory service performance undertaken by Fund Officers as required by the Competition and Markets Authority.

The Sub-Committee and Board:-

(i) noted the content of the report.

X REVIEW OF INVESTMENT STRATEGY

There was submitted Report No 354-2024 by the Executive Director of Corporate Services, recommend changes to the Fund's Investment Strategy following a detailed review by ISIO, the Fund's investment consultants, and in the context of the recent Actuarial Valuation of the fund.

The Sub-Committee and Board:-

(i) noted the content of Investment Strategy Review as provided by ISIO (Appendix 1 to the report); and

(ii) agreed to delegate officers to implement ISIO recommendations in relation to portfolios as outlined in the strategy document.

IX PRESENTATION

Christine Baalham, Tom Record and David Barber from Fidelity gave a short presentation to the Sub-Committee and Board.

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

Willie SAWERS, Chair.

ITEM No …4………..

`REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025**

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

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

REPORT NO: **93-2025**

1 PURPOSE OF REPORT

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

2 RECOMMENDATIONS

The Sub-Committee is asked to approve the Quarterly Risk Register for Tayside Pension Fund. The changes from previous quarter are highlighted as follows:

Item 3 - Funding Liquidity.
The risk that funds will be insufficient to meet liabilities as they fall due is considered to have reduced reflecting the significant level of cash currently available through the Fund's segregated mandates and property portfolio in relation the to the value of benefits that require to be paid out to members each month. The likelihood has reduced from low (2) to very low (1) resulting in revised overall risk scoring of 4 (previously 8).

Item 7 - Funding Investment.
The risk that employer contributions will rise significantly due to poor/negative investment returns is considered to have reduced reflecting the recent performance on Fund's investments. Since the previous actuarial valuation was undertaken as at March 2023 quarterly results have shown positively trends although this will continue to be monitored closely ahead of the next actuarial valuation at March 2026. The likelihood has reduced from medium (3) to low (2) resulting in a revised overall risk scoring of 10 (previously 15).

3 FINANCIAL IMPLICATIONS

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

4 INTRODUCTION

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

The Scottish Ministers guidance refers to the six revised principles on investment decision making contained within CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles" (December 2009).

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

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

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

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

All risks and controls have been reviewed and rescored accordingly.

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

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

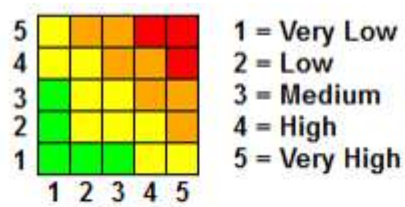
7 BACKGROUND PAPERS

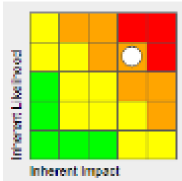
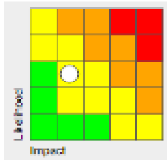
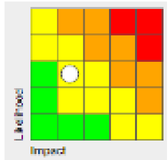
None.

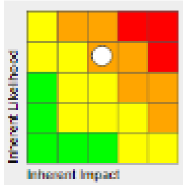
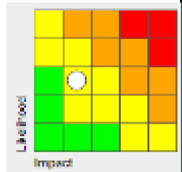
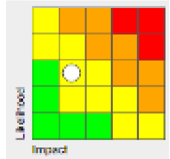
ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

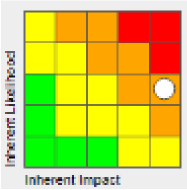
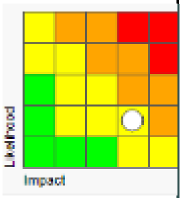
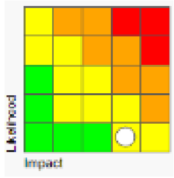
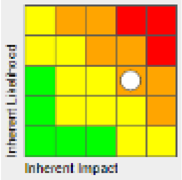
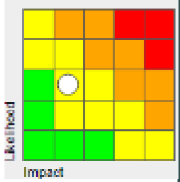
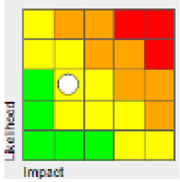
Quarterly Risk Report
Report Type: Tayside Pensions Fund Risks Report
Report Author: Executive Director of Corporate Services
Generated on: 6 March 2025

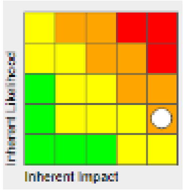
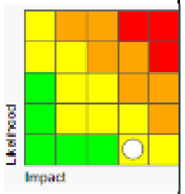
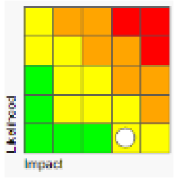
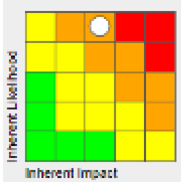
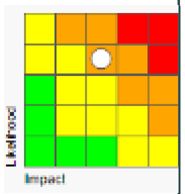
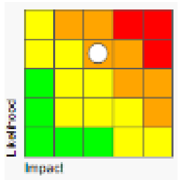
Pentana Risk Matrix

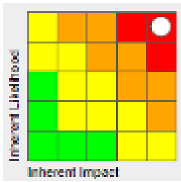
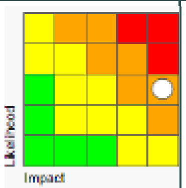
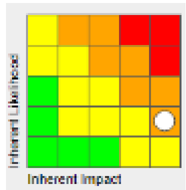


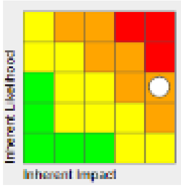
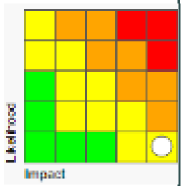
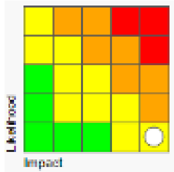
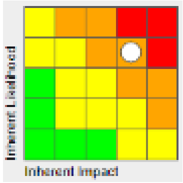
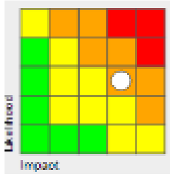
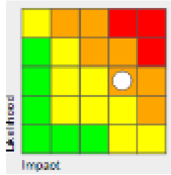
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Pension Administration (Risk appetite - minimalist) 1.Failure to process pension payments and lump sums on time	• Non-availability of pension / payroll systems • Resource unavailable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

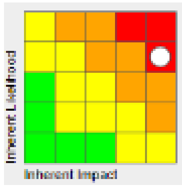
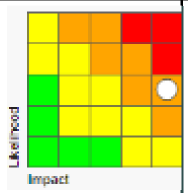
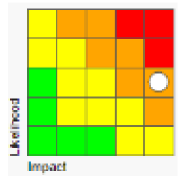
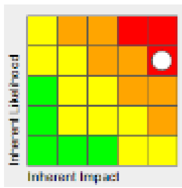
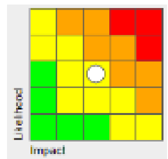
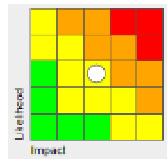
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Funding - Employer related (Risk appetite - cautious) 2.Failure to collect and account for contributions from employers and employees on time	• Non-availability of financial system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

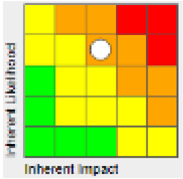
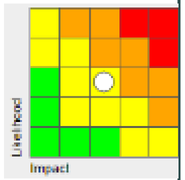
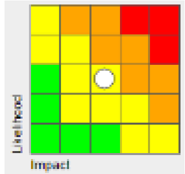
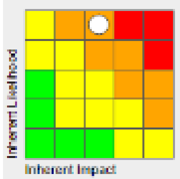
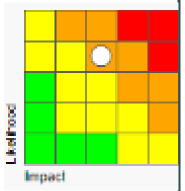
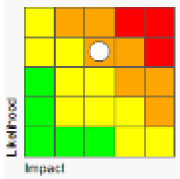
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Funding - Liquidity (Risk appetite - averse) 3.Insufficient funds to meet liabilities as they fall due	• Contribution levels are inadequate • Contributions • Investment strategy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

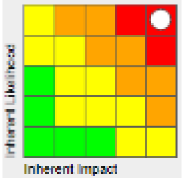
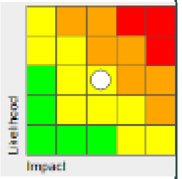
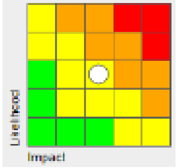
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Operational (Risk appetite - minimalist) 5.Loss of funds through fraud or misappropriation	• Fraud or misappropriation of funds by staff/employer/ 3rd party service provider	• Financial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

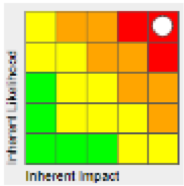
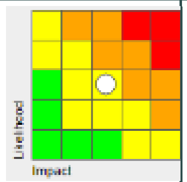
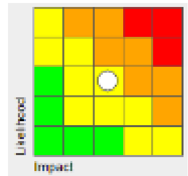
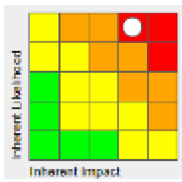
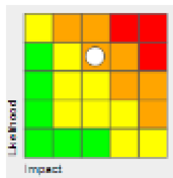
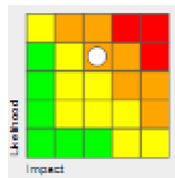
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	• Employer liabilities increase disproportionately as a result of external factors (i.e. change in bond yields) • Reduced asset values in relation to liabilities due to external factors	liabilities on exit	• Fund profile changed as a result of employer exit • Insolvency of employer • Recovery of liabilities in liquidation		• Funding Strategy enables exit at minimum risk. • Independent covenant and financial settlement assessment on affordability • Employer contribution payment flexibility within financial year (subject to agreement) • Employer / fund communications and relationship management		
Funding - Investment (Risk appetite - open) 7.Significant rises in employer contributions due to poor/negative investment returns	• Poor economic conditions • Inappropriate investment strategy • Poor selection / performance of investment managers	• Financial impact as a result of poor/negative investment returns • Revision of investment strategy required • Dismissal of investment managers	• Inability to meet overall strategic objectives • Reduced funding level • Increased contributions required • Transaction costs on change of strategy or investment manager		• Performance & funding levels monitored on an ongoing quarterly basis • Investment & Funding strategies reviewed and assessed independently • Diversified range of investment managers over		 Reduced Likelihood

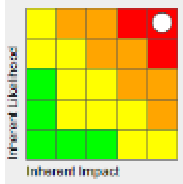
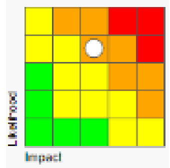
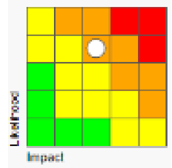
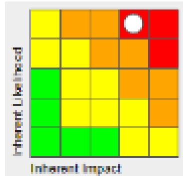
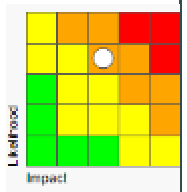
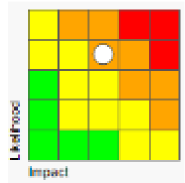
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
					different asset classes • 10% asset shock reserve		
Operational (Risk appetite - minimalist) 8.Failure of global custodian	• Financial collapse of global custodian or failure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

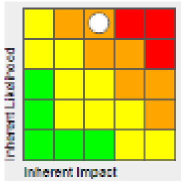
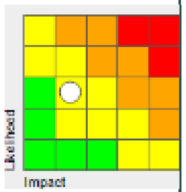
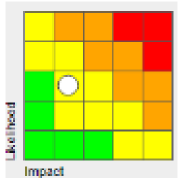
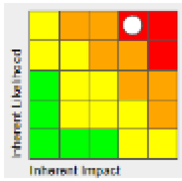
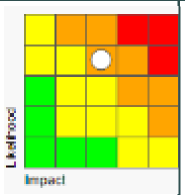
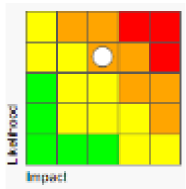
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
Funding - Investment (Risk appetite - open) 10.Equity Risk	• Market sector falls substantially as a result of global economic factors	• Financial loss to the fund	• Inability to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

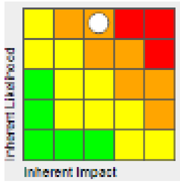
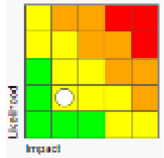
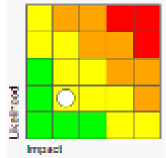
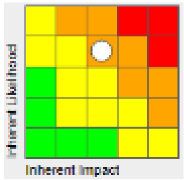
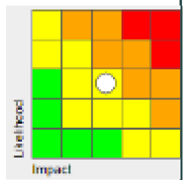
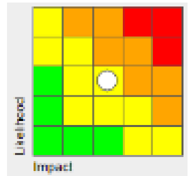
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	• Inadequate procedures / process • Lack of resources • Error in interpreting requirements • IT systems not updated to reflect changed requirements				• Robust system maintenance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

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

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

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

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

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

ITEM No …5………..

REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025**

REPORT ON: **PENSION ADMINISTRATION PERFORMANCE – UPDATE TO 31 DECEMBER 2024**

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

REPORT NO: **94-2025**

1. PURPOSE OF REPORT

This report provides information on the recent quarter's operational performance in relation to Pension Administration and other general developments in this area over the above period.

2. RECOMMENDATIONS

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

3. FINANCIAL IMPLICATIONS

There are no direct financial implications.

4. BACKGROUND

This report focusses on statutory performance and is subject to ongoing review and development that will aim to provide enhanced reporting functionality that can be prepared efficiently and improve the quality of information on administration performance and compliance that is presented to members for scrutiny.

5. SERVICE SUMMARY

- **Summary of Statutory Performance Requirements**

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

	Received (1)			Completed (2)					
	Q2	Q3	% Change	Q2	Q3	% Change	Statute Days (3)	Days to Complete Q3 (4)	Cases Out with Statute at end of Q3 (5)
Starter	1,031	735	-29%	1,026	711	-31%	60	6	-
Estimate	190	144	-24%	273	199	-27%	60	53	1
Options	552	449	-19%	541	620	15%	60	45	-
Actual	366	424	16%	346	389	12%	60	15	-
TV In	38	36	-5%	26	39	50%	60	45	-
TV Out	196	139	-29%	153	200	31%	90	46	-
Deferred	220	341	55%	215	237	10%	60	30	6
Death	165	159	-4%	170	160	-6%	60	12	-
Death Grant	34	44	29%	25	41	64%	60	48	-
Dependant	53	72	36%	64	70	9%	60	25	-
Divorce	11	18	64%	13	12	-8%	90	40	-
Total	**2,856**	**2,561**	**-10%**	**2,852**	**2,678**	**-6%**			**7**

Key:

Q2 denotes July to September 2024 period.
Q3 denotes October to December 2024 period.

1) Reflects total number of cases received in each period and movement %
2) Reflects total number of cases completed in each period and movement %
3) Reflects the statutory target timescale to deal with each case
4) Reflects the average number of days take to complete each case during the quarter
5) Reflects the number of individual cases that were not dealt with in the statutory time at the end of the quarter

The following provides further detail on statutory task data:

Overall Caseload:

There was an overall improvement in the average days to complete cases this quarter with these decreasing in nearly all areas of the statutory requirements. The number of cases received in this quarter decreased by 10%, however, 7 cases remained out with statue at the end of the period. A continued effort within the team is made to ensure all cases are completed within the statutory period where possible.

Prioritised Tasks:

- **Issue of Pension Options & Pensions Brought into Payment**
    - Actual pension payments saw a 16% increase in cases received compared to last quarter, along with a 12% increase in cases completed.
    - The volume of pension options decreased by 19% in the quarter but there was an increase in 15% of the amount issued to members.

- **Processing of Death Benefits, Payments of Death Grants, and Dependant Pensions**
    - Death grant payments received increased by 29% along with an increase of 64% in the amount completed in the quarter.
    - Whilst death benefit cases saw a small decrease in 4% received and 6% completed, Dependant Pensions increased by 36% received and 9% completed.

Other Statutory Tasks:

- **New Member Processing:** Due to the workflow system in operation the average days for completion in the area dropped to 6 days this quarter.
- **Estimates:** Cases dropped in both areas for this period and along with this a decrease in the average number of days to complete was recorded.
- **Deferred Member Processing:** There was an increase by 55% in the number of cases received along with an increase by 10% of cases completed. There are ongoing complex cases in this area and the team are communicating with some employers for information to calculate the member benefits.
- **Outbound Benefit Transfers**: The number of cases completed in the quarter rose by 31%, whilst there was a decrease of 29% of cases received.
- **Inbound Benefit Transfers**: The number of cases completed in the quarter improved by 50% and the cases received decrease of 5%.
- **Divorces:** The average days to process saw a small decrease to 40 days in this quarter, whilst the number of cases received increased by 64%

5.1 Other Pension Operations

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

	Received (1)			Completed (2)			Days to complete (3)		
	Q2	Q3	% Change	Q2	Q3	% Change	Q2	Q3	% Change
Amendment to Account	3,500	834	-76%	1,345	637	-53%	27	69	153%
Certificates	77	68	-12%	218	101	-54%	34	42	23%
Other Admin Tasks	686	911	33%	594	1,003	69%	24	52	115%
Other pensions processing	1,564	902	-42%	640	888	39%	213	285	34%

Q2 denotes July to September 2024 period.
Q3 denotes October to December 2024 period.

1) Reflects total number of cases received in each period and movement %
2) Reflects total number of cases completed in each period and movement %
3) Reflects the average number of days take to complete each case during the quarter and movement %

After successful recruitment in the previous quarter a new Clerical Assistant started in the vacant post from November. The post being unfilled for a period along with the requirement of training for the new staff member have affected the case numbers in this area.

5.2 Employer Contributions

For the period October-December covering the payroll periods of September to November there were 2 late payments and 2 late submissions of the TPF91 form which is required to be submitted with supporting details of payment to the fund. The employers were contacted regarding the late payment of contributions, and these were received promptly after.

The fund remains in open communication with one employer regarding outstanding contributions and we will continue to provide updates in future reports.

Employers and Member Online Portals:

5.3 Member Self Service Update

On the 31 December 2024 there were 17,705 members registered for the Member Self Service Portal, this is an increase in 211 users in this quarter.

Heywood have advised that the Member Self Service portal will be replaced by a new system named Engage and Member Self Service will no longer be available from January 2026. We are in discussion with Heywood for costings and to agree an implementation plan with key dates for migration over to the new service. Updates will be provided in future reports.

5.4 I-Connect Update

28 Employers submitted monthly uploads through the I-Connect system during the period. We continue to work with the larger employers on the issues they are experiencing in providing us with data and aim to have this resolved and all employer using the system monthly by April 2025.

5.5 Call Centre

The volume of inbound calls reduced in this quarter. This was expected as the previous quarter volumes were mainly as a result of annual benefit statement queries. Calls answered totalled 2,481, a decrease of 571 calls from the last quarter. Over the period, a total of 539 hours was spent on incoming calls, which continues to be a major resource for the team.

5.6 Compliance

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

The next Nation Fraud Initiative exercise is due to take place in the next quarter and training is scheduled in January for this.

5.7 Recruitment

- New Clerical Assistant started in post in November.
- The ongoing review into resources and structure of the staff is ongoing and further updates will be provided as this progresses.
- Recruitment for a further Pension Assistant and Assistant IT/Systems Process Analysis began in December and interviews will take place in the next quarter.

5.8 Queries & Complaints

- 4,045 emails were received into the generic mailbox in the quarter up to the 31 December 2024, this equates to approximately 64 emails per working day. This is a decrease of 2,419 emails from the last period (where volumes were higher as a consequence of Annual Benefit Statement issue). E mail tasks continue to be a significant work allocation and is an area which is also being reviewed as part of the resourcing exercise.

  - Complaints to Prudential: one escalated complaint was received and is under review by Prudential.
  - GDPR: No GDPR breaches within this quarter.
  - Complaints: During the quarter one complaint was received and this was upheld.

5.9 Staff Training

- In House Training

In house training continues to be utilised for the newer members of staff and also with staff who are undertaking extra responsibilities within the team. Peer to peer training is delivered by experienced staff and whilst this training is invaluable to the team, it is recognised the impact this has on caseloads. This will be reviewed in the wider resource review.

5.10 Employers meetings

Meetings have been held with some employers to provide a Q&A session on the new Ill Health guidance for employers which covered the completion of the new ill health certificate by the occupational health provider and the employer. These sessions were offered to all employers when details of the new guidance was circulated and a further 1 employer is scheduled in the next quarter.

Management have also attended meetings with some employers to discuss topics on Voluntary Early Retirement, McCloud and Certificates of Protection.

5.11 Annual Allowance Update

The statutory Annual Allowance Annual exercise for 2023/24 was carried at the start of October to issue Pension Input letters to those who had exceed the Annual Allowance threshold of £60,000. Due to the increase in the threshold from £40,000 to £60,000 less members were affected than previous years.

Below shows a breakdown of the number of members affected and how they were contacted to advise of a breach.

	Email	Letter	Total
Members Affected	9	5	14

5.12 September CPI Rate Announced

On 16th October 2024, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2024 as 1.7%

Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year, and official confirmation is awaited.

6. MCCLOUD UPDATE

Club Transfers (transfer from another public service pension scheme under the Club transfer rules)

There has been an extension of 12-month time limit granted on the 24 October 2024. The Cabinet Office has emailed public sector pension scheme stakeholders about the 12-month time limit for Club transfers. Paragraph 4.1 of the Club memorandum provides that individuals must elect to proceed with a Club transfer within 12 months of becoming eligible to join their current scheme. However, a transfer can take place after the 12-month time limit if there are exceptional circumstances that have prevented the member from making an election within 12 months, and both the sending and receiving schemes agree.

The email from Cabinet Office stated: “It has long been our policy that, if both schemes agree, that time limit can be extended if there are exceptional circumstances to justify it. The purpose of this email is to advise that, in its capacity as secretariat to the Club, the Cabinet Office's view is that complying with the 2015 Remedy can be considered as 'exceptional circumstances' for the purposes of extending the 12-month time limit.”

If administering authorities need to extend the 12-month time limit due to the above exceptional circumstance, an agreement for extension will be required with the receiving scheme.

LGPS (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024

On the 12 December 2024, the Scottish Government laid the LGPS (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024 (the ‘Amendment Regulations’), which will amend the underpin rules. These regulations come into force on 6 February 2025.

The Scottish Public Pensions Agency (SPPA) consulted on the Amendment Regulations between 2 September 2024 and 28 October 2024.

The main changes are:
Correcting an error in regulation 4L(4) Regulation 4L(4) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 provides for actuarial reductions to provisional underpin amounts, calculated using the early retirement GAD guidance. This will apply where:

• the member is drawing the main CARE pension on voluntary retirement or flexible retirement before age 65, and
• their pre-April 2015 benefits are being actuarially reduced.

The second condition is an error. The intention is that actuarial reductions may apply to the provisional underpin amount where the first condition is met, even if the pre April 2015 benefits are not reduced.

Amendment Regulation 4 will correct the error by revoking the second condition with backdated effect to 1 October 2023.

The early retirement GAD guidance was drafted assuming the second condition was an error.

Active and deferred annual benefit statements

From 2023/24 onwards, before preparing an ABS for an active and deferred CARE account, administering authorities must identify whether the account qualifies for underpin protection. If it does, the ABS figures must be calculated using the new underpin rules set out in the LGPS (Remediable Service) (Scotland) Regulations 2023. To do this accurately, the administering authority must have:
• obtained, validated and loaded all relevant McCloud service data
• ensured that all transfers-in and aggregations are correctly and fully recorded
• for deferred members or active members over the final salary normal retirement age, calculated the provisional assumed benefits and provisional underpin amounts.

Additionally, software must be capable of calculating the ABSs figures using the new underpin rules.

The Scottish Government has acknowledged that it will take time for administering authorities to be able to calculate the ABS figures for CARE accounts with underpin protection under the new underpin rules correctly.

Amendment Regulation 6 modifies the LGPS ABS rules for 2023/24 and 2024/25 with backdated effect to 1 October 2023:
• ABS for 2023/24: administering authorities should have calculated the ABS figures ignoring the new underpin rules. If, for any member or class of members, the authority was able to, it has discretionary power to have calculated the figures under the new underpin rules. This power can be exercised at any point before 1 April 2025.
•ABS for 2024/25: administering authorities must calculate the ABS figures using the new underpin rules. For any members, or class of members, the authority has discretionary power to calculate the ABS figures ignoring the new underpin rules where it considers it reasonable in all circumstances of the case. This power can be exercised at any point before 31 August 2025. If the authority uses this power, it must notify the member in the ABS.

Pension credit member ABSs
Administering authorities must revisit pension credit calculations where the pension debit member qualifies for underpin protection and the effective date of the pension sharing order was between 1 April 2015 and 30 September 2023. From 2023/24 ABS onwards, the figures should reflect any recalculations. The Scottish Government has acknowledged that it will take time for administering authorities to complete the recalculations. Therefore, the modifications to the LGPS ABS rules for 2023/24 and 2024/25 also apply to ABSs for pension credit members.

Pensioner member death grant recalculations
Regulation 7 of the LGPS (Remediable Service) (Scotland) Regulations 2023 requires administering authorities to recalculate death grants for pensioner CARE accounts that qualify for underpin protection where:
• the member both retired and died before 1 October 2023,
• the death grant was calculated before 1 October 2023, and
• after recalculating the member's pension for the underpin, arrears of pension are due.

Amendment Regulation 10 will amend regulation 7 with backdated effect to 1 October 2023 as follows:

• the condition requiring the death grant to have been calculated before 1 October 2023 will be revoked
• where the member was also an active member at death and the single death grant paid was three times the assumed pensionable pay, authorities will not need to recalculate the pensioner death grant. These amendments align the rules on recalculating pensioner death grants with those for recalculating deferred member death grants.

Special interest - misalignment with LGPS (England and Wales) rules
Regulation 14 of the LGPS (Remediable Service) (Scotland) Regulations 2023 outlines the special interest rules for McCloud recalculations. The Scottish Government intended to align these rules with the equivalent rules in LGPS (England and Wales). However, the rules in LGPS Scotland are unintentionally misaligned:
• When a member's pension increases due to the McCloud recalculation and the member elects to commute some of the extra pension for a tax-free lump sum, the regulation does not specify the start date for calculating special interest on the lump sum. In LGPS (England and Wales), the start date is the earliest date from which the administering authority would have been able to pay the lump sum.
• When a top-up death grant, top-up transfer payment or top-up trivial commutation payment (including small pot payment) is due as a result of a McCloud recalculation, special interest is calculated from the day that falls halfway through the period beginning with the date on which the original payment was made and ending with the date on which the top up payment is paid. In LGPS (England and Wales), the start date is the day on which the original payment was made.

Amendment Regulation 13 will align the special interest rules with the equivalent rules in LGPS (England and Wales) with backdated effect to 1 October 2023.

Special interest rules - Club transfers
The Scottish Public Pensions Agency is aware that there is an error in regulation 14 of the 2023 Regulations regarding the interest due for retrospective adjustments to Club transfers. The regulation requires interest to be paid on all top-up transfer payments (other than bulk transfers). For top-up Club transfer payments to chapter 1, judicial and other LGPS schemes, this conflicts with paragraph 4.41 of the Club Memorandum, which says not to pay interest. Scottish Ministers will amend the LGPS regulations to align with the Club memorandum.

Amendment Regulation 13 will correct this error with backdated effect to 1 October 2023 by disapplying the special interest rules to top-up transfer payments to other McCloud remedy schemes (eg NHS Pension Scheme, Civil Service Pension Scheme, Teachers' Pension Scheme). The amendment applies to both non-Club and Club transfers.

7. UPDATE ON THE LIFETIME ALLOWANCE

The Pensions (Abolition of LTA Charge etc) (No 2) & (No 3) Regulations 2024

On the 7th and 9th October 2024, the Pensions (Abolition of Lifetime Allowance Charge etc) (No 2) Regulations 2024 and the Pensions (Abolition of Lifetime Allowance Charge (No 3) Regulations 2024 were laid. Both sets of regulations will come into force on 18 November 2024 and have effect from the tax year 2024/25. The regulations amend the Taxes Management Act 1970, the Income Tax Earnings and Pensions Act 2003, the Finance Act 2004 and secondary legislation.

The changes include:

• minor corrections relating to LTA protections

• new provisions covering Transitional Tax-Free Amount Certificates (TTFAC) and the calculation to determine the value of member's benefits when paying a Trivial Commutation Lump Sum (TCLS).

The Pensions (Abolition of Lifetime Allowance Charge etc) (No. 2) Regulations 2024

The Pensions (Abolition of Lifetime Allowance Charge etc) (No. 3) Regulations 2024

8. PROPOSED CHANGES TO DEATH BENEFITS

The Chancellor announced that from 6 April 2027 that most unused pension funds and death benefits will be included in the value of a person's estate for inheritance tax (IHT) purposes. The Government launched a technical consultation on Inheritance tax on pensions: liability, reporting and payment on the same day. The consultation seeks views on the processes required to implement the change. Under the current rules, unused pension funds and death benefits are not liable for inheritance tax where the trustees/scheme managers have discretion in deciding who will receive the payment. From 6 April 2027, the distinction between discretionary and non-discretionary payments will be removed. The proposed changes would mean that:

- LGPS death grants would be subject to inheritance tax from April 2027

- personal representatives would calculate whether any inheritance tax is due, and pass on the relevant information to the administering authority

- administering authorities would be responsible for paying and reporting to HMRC any inheritance tax deducted from an LGPS death grant.

<u>A response to this proposal has been collated between the 11 LGPS funds in Scotland and the reply submitted can be read at Appendix 2 of this report.</u>

9. FIRE SCOTLAND – CONSOLIDATION OF FUND

The transfer of Fire Scotland members is to take place at the 31 January 2025, Tayside Pension Fund officers have continued to liaise with the fund actuaries to consolidate the information required for the upcoming transfer of members to Strathclyde Pension Fund.

29 letters to deferred members and 79 letters to pensioners were issued to members who are affected by the transfer. Work has been carried out with Strathclyde Pension Fund and Heywood to extract data to ensure that the transfer completes with minimum issues

Further updates will be provided in future reports.

10. REGULATIONS

Details of regulatory matters are contained in Appendix 1.

11. POLICY IMPLICATIONS

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

12. CONSULTATIONS

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

13. BACKGROUND PAPERS

None

ROBERT EMMOTT

EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 March 2025**

Appendix 1

REGULATORY COMMUNICATIONS

Wider Landscape

Court of Appeal dismisses Virgin Media appeal – update

The case confirms that amendments made to pension scheme rules regarding section 9(2B) rights are void unless the scheme actuary certified that the scheme still met the contracting-out adequacy test. It has been confirm that HM Treasury is still assessing the implications. However, we understand that it does not believe the case expressly addresses whether actuarial certifications are required for relevant amendments to public service pension schemes (the case deals specifically with private sector schemes).

Relevant amendments to public service schemes would have been made by legislation. The general position in public law is that legislation remains valid until it is revoked or repealed by subsequent legislation or, in the case of regulations, specifically declared void by a court. Further updates will be provided when HM Treasury has finalised its assessment.

Website Updates

LGPS website for funds in Scotland

LGPS Regulations and Guidance

HMRC

- Pensions schemes newsletter 163 — October 2024 - GOV.UK
- Newsletter 164 — October 2024 - GOV.UK
- Pensions schemes newsletter 165 — December 2024 - GOV.UK
- Finance Bill - Parliamentary Bills - UK Parliament

Pension Dashboards

- DWP Ministerial Statement on dashboards to confirm it's commitment to the current timetable: Written statements - Written questions, answers and statements - UK Parliament
- The Pensions Administration Standards Association (PASA) published the first content in its new 'Dashboards Toolkit' which will be updated over time: Dashboards Toolkit – The Pensions Administration Standards Association

The Pension Ombudsman

TPO Update: November 2024

Operating Model Review: Reflections on our achievements this year | The Pensions Ombudsman

The Pension Regulator (TPR)

Joint statement from the FCA, ICO and TPR for retail investment firms and pension providers | ICO

Scheme Advisory Board

Scotland Updates

LGPSAB | Local Government Pension Scheme Advisory Board

SAB Bulletin – October 2024 | LGPSAB

England & Wales updates

LGPS Scheme Advisory Board - Home

Appendix 2

Technical consultation – Inheritance Tax on pensions: liability, reporting and payment

Please find attached the consultation response from the Scottish Pension Liaison Group, the senior pension officer group for the 11 administering authorities in the Local Government Pension Scheme (Scotland) (‘LGPS (Scotland)’) and Northern Ireland Local Government Officers’ Superannuation Committee (‘NILGOSC’). The 11 administering authorities in the LGPS (Scotland) represent 674,620 members and NILGOSC has approximately 165,000 members.

Background

The Local Government Pension Scheme (‘LGPS’) is a statutory defined benefit scheme providing an income in retirement and family protection, in the event of death, for its members.

The main scheme benefits of the Scheme are salary related and members can choose to make voluntary contributions to either buy extra Scheme pension or build up a pot of money that can be taken as tax free cash on retirement (subject to HMRC limits).

The family protection provided in the event of a member’s death is twofold. The first element is a pension that is payable to the eligible survivors and the second element is a death grant (i.e. a defined benefits lump sum death benefit or pension protection lump sum death benefit). The survivor’s pension is a proportion of the deceased member’s pension and the death grant depends on the status of the member, the date the member left the LGPS and how long a pension has been in payment. The death grant cannot be commuted to provide the survivor with extra Scheme pension. For the purpose of this response, we will not refer to survivors’ pensions as we understand they are out of scope.

If an active contributing member dies a death grant is payable of three times their assumed pensionable pay. If that member has both active and deferred records, only the highest death grant is paid and not the aggregated combination. If a deferred member dies, depending on the date of leaving the LGPS, a death grant of either three or five times the annual pension is paid. If a pensioner member dies, depending on the date of leaving the LGPS, a death grant of approximately either five or ten years pension less the pension already paid is payable. There is no age limit applying to these death grants in Northern Ireland though Scotland caps payments at age 75. In consequence, in Northern Ireland, pensioner death grants can be paid to the beneficiaries or personal representatives of deceased members who are over age 75 at date of death with associated lump sum death benefit tax charges.

The LGPS is a public service pension scheme (PSPS) and, as such, cannot be used as a tax-planning vehicle to pass on pension wealth free of tax. The employment benefits provided by the LGPS are designed to provide an income for employees during retirement and protection for survivors in the event of their death and a member cannot engineer a situation where the current level of tax free benefits provided to survivors can be increased beyond that prescribed by the Scheme’s Regulations. The only exception is where the member chooses to pay additional voluntary contributions (AVCs) and dies before retirement where an unused AVC pot would, as a discretionary death benefit, become payable as a lump sum tax free. However, the member would have to plan to die before reaching retirement age for this to be classed as a tax planning tool to transfer wealth without an Inheritance Tax (‘IHT’) charge.

Question 1: Do you agree that PSAs should only be required to report unused pension funds or death benefits of scheme members to HMRC when there is an Inheritance Tax liability on those funds or death benefits?

We feel that beneficiary details should only be reported where there is an IHT liability, as we would feel uncomfortable passing on the personal data for beneficiaries (particularly children), especially when they may not be in scope to become jointly and severally liable for IHT due to the size of the inheritable estate. Where the death benefit lump sum attracts IHT, we would suggest the **beneficiaries' details should be supplied by the PR** as we are firmly of the belief the PR should remain solely liable for IHT.

In regard to reporting the death grants themselves, due to the proliferation of small pots, we wonder whether, as with annual allowance where all excess savings are reported, whether or not in scope for Income Tax, all death benefit lump sums should be reported in order to afford HMRC greater transparency on the total payments made in respect of the deceased. It also allows for HMRC to already hold the data it needs in the event further assets are identified at a later date occasioning an amendment that brings the death benefit lump sum into scope for IHT.

If we were required to report all death benefit lump sums, our preference would be to do this annually in the form of an **annual event report without the inclusion of beneficiary data**. While reporting all death grants may be of assistance in the detection of error or omissions and acting as a safety net for PRs who may accidentally omit listing a payment (noting that PRs may be relatives and classed as vulnerable due to their bereavement), it may not be a practical way to report given the way IHT is collected.

For example, in Northern Ireland, an estate is not cleared for probate or administration until the inheritance tax is determined and either paid or there is agreement to pay in instalments on certain items. When HMRC is satisfied it issues a probate summary that allows the PR to proceed and apply for probate. In other words, the PR must pay all of the IHT first or agree to pay instalments on certain items before probate is received allowing any other steps to wind up the estate to be taken e.g. selling a house etc. However, were we only to report once a year, then we believe it may be possible that probate could be delayed until our report was received, unless steps were put in place to prevent this from happening.

At present there is a Direct Payment Scheme for Inheritance Tax where the PR fills out a form, **IHT423**, and forwards it to the parties whom it wishes to make a direct IHT payment to HMRC e.g., building society, bank, **pension contracts** and life insurance contracts. This states the amount of IHT to be paid and contains the IHT Reference number. Currently, payments from pension contracts do not require the pension provider to become jointly and severally liable. We do not understand why this current arrangement of making payments towards IHT is not expanded and rolled out for the additional IHT payments that are now being proposed. Expanding the current process is much more straightforward and avoids the AFT reporting, which is not without complications and would only allow actual cases where IHT is due to be reported, please refer to our response to question 4.

As previously advised, where the death benefit lump sum attracts IHT, we would suggest the details for beneficiaries should be supplied by the PR as we are firmly of the belief the PR should remain solely liable for IHT. We do not see the logic in making the PSA jointly and severally liable with the beneficiary when any payment towards IHT will be taken before the death benefits are distributed and we do not see why the PR should not continue to be solely liable for any IHT due, as they are at present. Any payment towards IHT will be taken from the deceased member's death benefits, not the payment made to beneficiaries and under the proposed information sharing process PSAs will be required to inform PRs and provide them with details of the settlement made within three months of a relevant death benefit being paid.

We also have concerns with the PRs process for instructing the tax payment rather than the PSA receiving a tax demand from HMRC. We note in Example 3 that the PR will use a HMRC calculator that will set out how the nil-rate band should be apportioned across different elements of the estate. We also understand the PR will notify the PSA of the amount of nil-rate band to be set against the unused pension funds, using a HMRC form provided for this purpose. However, the nature and content of the form is not discussed and while data protection does not extend to the dead, PSAs could face a very difficult balancing act if the form that is to be used to process the IHT payment contains details of the makeup of the estate left to beneficiaries. The LGPS provides discretionary death benefit lump sum payments and while we will request sight of a Will to inform our decision-making, we don't normally ask how large the estate was or how much each beneficiary received as, generally, we are looking to determine who the deceased wished to protect and provide for following their death. If the form contains more information than just the nil-rate band that is apportioned to the LGPS there is a danger that more of the beneficiary's personal data than is necessary to settle the IHT demand is collected.

We are not averse to making payments towards IHT, but we believe the primary purpose of a PSA is to settle the death benefits, not to provide an IHT checking or tax collection service and, as such, the responsibility for settlement of an estate with HMRC should remain the sole responsibility of the PR. We note that PRs may instruct banks to make payments or part payments towards IHT without the bank becoming liable for the IHT payment and we believe that this exemption from becoming liable should similarly continue to apply to PSAs where a payment towards IHT is made from a deceased member's death benefits / accrued pot.

Example 1 demonstrates the potential in the defined contribution arena for a double taxation issue to arise, if the beneficiary draws unused pension funds to pay IHT, but this situation is not possible in the LGPS. The death grant (i.e. a defined benefits lump sum death benefit or pension protection lump sum death benefit) that's payable under the LGPS is not an unused pension pot but is instead in-built scheme protection for dependants that is paid when a member dies. In consequence, where a lump sum is due payment, it is paid out in full and there is no option to convert the death grant paid into extra scheme pension. We would, therefore, endorse the current mechanism under form, IHT423, that allows PRs who have an IHT demand to settle to be able to instruct the deceased's pension contract to make a payment towards the IHT before monies are settled on the beneficiary rather than the current proposal which requires the PSA to become jointly and severally liable. We believe that extending the existing mechanism should remove the need to make the PSA jointly and severally liable for IHT and is consistent with the treatment of banks that do not become liable for the payment of IHT when making a payment towards IHT from a deceased member's bank account.

It should be noted that it is a principle of the LGPS scheme design to provide family protection and this is enshrined in both the Scheme Regulations and in the LGPS Members' Guide which contains a section called 'Protection for your family'. This intentional element of the Scheme's design existed before the introduction of defined contribution pension arrangements and their associated life assurance schemes.

Defined contribution arrangements are generally earmarked arrangements meaning that even where assets are pooled, they are identifiable and marked against the contributions made in respect of an individual member. This makes life assurance schemes the best way of providing the death benefit lump sums that are related to pensionable service. Though termed life assurance schemes, these are actually group life assurance policies and our understanding is that some defined contribution schemes are combined pension and life assurance schemes where there is one set of Trust Deed and Rules covering both the pension and the life assurance schemes whereas others, such as group personal pension schemes have standalone life assurance schemes.

We note the consultation specifically states on page 30 that:

***"All life policy products** purchased with pension funds or alongside them as part of a pension package offered by an employer are not in scope of the changes in this consultation document."*

In many respects, the death grant that's payable under the LGPS is not dissimilar to the death benefit lump sum payable under a defined contribution arrangement's group life assurance policy, the main difference being that the life assurance in a defined benefit scheme is provided for "in-house" (and accounted for in triennial valuations) rather than through an external group life assurance policy. Like the defined contribution life assurance scheme a lump sum is paid to dependants in the event of a member's death. In the LGPS, the death grant cannot be turned into extra Scheme pension as it is not intended to fund retirement income. Additionally, as provided by some life assurance schemes, there is also a separate pension payable to eligible survivors. Though this family protection element of the LGPS scheme design predates life assurance schemes and is currently a self assured feature in the Scheme, it would be possible for the Scheme Regulations to be amended to allow the “in-house” employer life assurance premium to be paid to an external group life assurance policy. However, this would increase the costs in providing this Scheme benefit and the benefits of the LGPS are ultimately funded not only by the contributions paid by members but also the taxpayer.

Given the administrative complexities that will be presented to PSAs if they become liable to IHT, we would request that government publishes detailed guidance covering these complexities as well as other matters related to the information sharing, such as, the action to be taken by PSAs when dealing with multiple PRs who may not be acting in concert, which PR should IHT payment instruction be taken from? What PSAs should do if there is no PR. What form(s) will be used and the information to be given to PSAs when payment of tax is requested, and what information must be supplied to HMRC etc?

Question 2: How are PSAs likely to respond if they have not received all the relevant information from the PR to pay any Inheritance Tax due on a pension by the 6-month payment deadline?

Our options are limited and in some cases we will know in advance that the six month limit will be breached. A breach will happen if the deceased is due supplementary Pensions Increase (‘supplementary PI’) and the death was to occur more than six months before the supplementary PI was due payment. For these circumstances, we would request that government either excludes the supplementary PI due under the Pensions (Increase) Act 1971 from IHT or makes some accommodation that enables the PR to settle an estate without having to wait for the supplementary PI to be paid and allow the PR to make a penalty free amendment to any IHT due once supplementary PI is paid to the beneficiaries, providing the additional IHT was paid in a reasonable timeframe.

Our understanding of the proposed process, as outlined in the consultation, is that it is not simply a question of supplying the amount of the total death grant to the PR and then paying the IHT to HMRC but it is also necessary to have identified the beneficiaries we intend to make payment to and report these people when we pay the IHT. This is very different from the data requirements under the current information sharing processes which only require amounts to be disclosed.

Generally speaking, six months would be challenging to meet due to the majority of deceased members not leaving a nomination form and gathering the data to make a decision on who should receive the death grant can be time consuming due to the complexities involved with modern relationships and, in certain circumstances, the cause of death. It is not that people are unwilling to engage with us, but the process can take time. This is particularly true when Tell Us Once (TUO) is not used by the person registering the member’s death.

The easiest way to make the six month deadline would be to remove the discretionary element of the death grant but this would reduce the protection afforded to survivors by the introduction of Income Tax. It would also increase the exposure of beneficiaries to the potential for double taxation. This is particularly true in the event of the death in-service of a moderate to high earner where the death grant may be sufficient to bring the estate into scope for IHT. We do not operate a non-discretionary death benefit, and it is unclear from the consultation if it is the death grant after the deduction of Income Tax that is in scope for IHT or the original amount before the deduction of Income Tax that is used. If it is the latter, then it would seem perverse that a beneficiary could pay 42% Income Tax and then pay an additional 40% on part of the same sum that has already been subjected to taxation at 42%.

Finally, the funds would seek to avoid building up late payment charges. Clearly this would be difficult to achieve if we didn’t have the information from the PR, but could IHT be applied to the full death grant (i.e. we assume no nil-rate applies)? Would it then be possible for any excess IHT paid to be resolved between HMRC, beneficiaries and the PR when the PR is in a position to make settlement? From the information we have gathered, which excludes the impact of supplementary PI on settlement, we feel it is likely that a reasonable number of cases will exceed six months to settle.

We also believe pension funds should not be responsible for settling the personal tax affairs of its members and, in consequence, any late interest should be deducted from the lump sum due payment to ensure fairness to other scheme members, scheme sponsors and, in the case of PSPSs, the taxpayers who help fund these schemes as they should not be required to fund the cost of other people's personal tax. The PSA does not have control of the process to prevent late payment from arising and once death grants are distributed, the deceased's rights and entitlements in the pension fund are extinguished meaning there is no money left to settle any further tax demands. It, therefore, needs to be made clear who is responsible for paying the late payment charge and how pension funds can recoup costs to ensure a loophole is not introduced which sees pension scheme members, scheme sponsors and taxpayers subsidising and paying to settle other people's personal tax affairs.

Question 3: What action, if any, could government take to ensure that PSAs can fulfil their Inheritance Tax liabilities before the Inheritance Tax payment deadline while also meeting their separate obligations to beneficiaries?

Many PSPSs use the TUO service which, if used by the PR, means notifications of member deaths in Great Britain are delivered promptly to the PSPS, though it can still take over a week to receive a death notification. However, this is not the same experience for other workplace pension arrangements or PSPS who do not participate in TUO, where it is not uncommon for death notifications to take up to or more than a month to be received. Additionally, regardless of whether TUO is used, depending on the nature of the death where an autopsy may be required, timelines can be protracted due to delays in producing the necessary documentation verifying the death.

We would, therefore, suggest that, as the priority for the Pensions Dashboard Programme is to connect people with their pensions, allowing anyone with a State Pension and/or one or more private pensions to locate and view their pensions savings together in one place, allowing PRs to register and access the deceased's pension savings via the Pensions Dashboard will help PRs to locate and contact PSAs thereby increasing the speed and accuracy at which estates can be wound up. While only undrawn pension pots will be shown on the dashboard, as most people do not talk to their partners about their pension savings, allowing PRs to access the Pensions Dashboard would increase the chances that all PSAs were notified of a death in a timely manner and that all death benefits could be accounted for in the wind up of the deceased's estate. Additionally, noting that some private sector schemes apply a six year rule whereby an unclaimed pension pot becomes forfeit if not claimed within six years (this is likely to happen when a person builds up a small entitlement from an employment at the beginning of their career), we believe allowing PRs to connect to the dashboard on behalf of the deceased would result in a positive outcome and reduce potential stress for beneficiaries who would be connected to and benefit from all of the deceased's pension savings.

However, even with the benefit of TUO, notifying a PR of the beneficiaries of a death grant within six months is challenging. This is particularly true where identification of the actual beneficiaries from the eligible beneficiaries is not straightforward. This is exacerbated when TUO is not used and NILGOSC who do not have access to TUO have reported that for the death grants paid out between 1 April 2023 and 31 March 2024, approximately 25% took longer than six months to settle. We would, therefore, ask government considers extending the deadline for payment of IHT to decrease the likelihood that late payment charges occur. Additionally, currently only amounts due must be disclosed within two months, but if it is intended that the PR be informed within two months of the actual beneficiaries, then, for discretionary death benefits, two months is inadequate time to properly decide on the distribution of the death grant.

For reference, funds representing a membership of 137,371 were able to provide data on how death grants were distributed to beneficiaries and showed that of the 309 death grants paid from deaths arising in a 12 month period, 115 of these death grants were paid to two or more beneficiaries (of which 30 were paid to three or more beneficiaries). This, in part, demonstrates the extra complexity surrounding the distribution of discretionary death benefits as compared to non-discretionary death benefits where payment would likely be made to fewer beneficiaries.

Question 4: Do you have any views on PSAs reporting and paying Inheritance Tax and late payment interest charges via the Accounting for Tax return?

If the current process and use of HMRC form IHT423 is to be abandoned, then the Accounting for Tax return (AFT) seems the sensible method for paying any IHT and interest charges, similar to how annual allowance payments are currently made.

However, as AFT payments are returned quarterly, the six month deadline before interest applies may prove problematic.

It is therefore preferred that any IHT / interest charges are formatted in such a way as the date of payment / deduction of IHT is captured, as opposed to when the AFT is submitted and paid.

Our understanding is that AFT submissions cover each quarter, with deadlines for payment being approximately 6 weeks later. See below, using 2023/24 as an example;

Q1 – 30/06/2023 (ends) – 14/08/2023 (payment deadline)

Q2 – 30/09/2023 (ends) – 14/11/2023 (payment deadline)

Q3 – 31/12/2023 (ends) – 14/02/2024 (payment deadline)

Q4 – 31/03/2024 (ends) – 14/05/2024 (payment deadline)

The current version of the AFT reporting tool has its issues, such as automatic application of interest and the use of traditional mail to resolve any queries, which present PSAs with difficulties. On that basis, it is the view that a robust system must be in place prior to implementation so that any IHT amounts submitted via the AFT must clearly record the date they were deducted by the PSA, to avoid breaching a potential 6 month deadline and the online AFT system automatically applying interest. For example:

Member dies late February 2024

- Proposed 6 month deadline would be end August 2024
- Death grant paid and IHT deducted by PSA on 25 August
- Tax would be included in Q2 AFT and reach HMRC on or around 14 November

If sufficient controls are not in place, it could be (incorrectly) envisaged that interest is due on the IHT payment between end August due date and payment being made on or around 14 November.

It would also be helpful to PSAs if a help service unit or some similar service could be added to the AFT reporting structure, which could include HMRC officers being on hand either via telephone or email to assist PSAs with their returns.

Additionally, provision for capturing IHT on supplementary PI would need to be made, if that portion of the death grant is not made exempt from late payment charges.

Question 5: Do you agree that 12 months after end of the month in which the member died is the appropriate point for their beneficiaries to become jointly and severally liable for the payment of Inheritance Tax?

No

We feel that if the PSA must become jointly and severally liable, the point at which beneficiaries must also become jointly and severally liable for the payment of IHT should be the earlier of when PSAs have been instructed to and have paid the IHT, and 12 months after the end of the month in which the member died. This is because our preference would be to distribute the death grant once the IHT is paid but if, for example, the death grant was made in month six and an amendment was made, in say, month nine, then the fund, though liable under the current proposal, would be unable to pay any further IHT demanded because the death grant will have been distributed and the deceased's rights and entitlements in the Scheme extinguished, meaning there would be no monies available to meet the demand.

In, consequence, it would either be necessary to delay the distribution of the death grant to the month 12 point (potentially increasing hardship for the survivors that the family protection is designed to alleviate) or pay the death grant and allow any subsequent late interest charges to build up to the point where the beneficiaries become jointly and severally liable for the payment. The pension funds cannot make payment if there is no money remaining available to make the payment.

It is also not uncommon for spouses to die within a year of each other though we consider this instance not to be common where a death grant is also payable. Additionally, we would expect that there will be situations where the death of a surviving spouse could reveal an asset that should have been included in their predeceased spouse's estate. Although we would imagine these occurrences would not be commonplace, we would ask government gives consideration as to how the collection of any additional IHT will be collected (which may fall due as a result of an amendment to a deceased scheme member's estate after the death of the beneficiary and after the distribution of the death grant), noting that funds will not have any money available to meet the additional IHT. In this instance it would be unfair on other scheme members, scheme sponsors and taxpayers to bear the burden of the IHT due and it should be expected that the deceased beneficiary's estate pays the additional IHT demanded.

Question 6: What is the most appropriate means of identifying or contacting beneficiaries if either the PR or HMRC realises that an amendment is needed after Inheritance Tax has been paid? Should PSAs be required to retain the details of beneficiaries for a certain period?

The primary purpose of the PSA is to administer the retirement and death benefits of its membership and not act as an extension of HMRC's tax collection service. However, PSAs will retain details of beneficiaries for a certain period according to their retention schedule, though this does not mean the PSAs are holding current contact information. Beneficiaries of a death grant are not necessarily in receipt of a survivor's pension, so the information PSAs hold will not be different to that notified to HMRC or the PR when the relevant death benefit was paid unless the beneficiary is in receipt of a survivor's pension. Additionally, where the beneficiary is not in receipt of a survivor's pension but is a UK taxpayer, we would expect HMRC's records to hold superior data.

Question 7: What are your views on the process and information sharing requirements set out above?

We have grave concerns over the expectations and additional responsibilities these proposals bring to PRs, many of whom, in our experience, are relatives and consequently vulnerable individuals during the proposed timeframe of six months (i.e. their first six months of bereavement).

Within Scotland there is a two-tier approach to winding up a deceased's estate. The first is the Small Estates route which is for estates under £36,000 and for which PRs can get support from their Sheriffs Office in completing the necessary paperwork and obtaining the Letter of Confirmation.

The second is the Large Estates route which is for estates over £36,000. This process is more complex and can result in legal costs arising when PRs, who do not have significant financial or legal knowledge, must obtain assistance to wind up the estate.

The administrative burden between the two tiers is markedly different and while we have not been able to trace any observable data on the number of Small Estates filed as they relate to local government employees, we believe a reasonable number of current employees will have estates that would currently be classed as Small Estates. This is due to a combination of our expectation that many low paid workers will live in rented accommodation and statistics on savings habits showing that average savings are below the Small Estates limit of £36,000. However, we would expect the estates of the majority of deaths in service to be dragged into Large Estates if death grants were to form part of a member's estate.

For example, the National Living Wage for people aged 21 and over, with effect from April 2025, is £12.21 per hour, making the annual earnings of a fulltime worker who works 35 hours per week £22,283 (£12.21 x 35 x 52.142).

The LGPS provides a death in service lump sum of three times assumed pensionable pay, or £22,283 x 3 = £66,849 for a fulltime worker on National Living Wage. Even if the person was a part-time worker earning assumed pensionable pay of £12,000 giving a death grant of £36,000, if this person had even £1 in other savings, their estate would be dragged into the Large Estate regime.

Additionally, a moderate earner with assumed pensionable pay of £50,000, who is the sole owner of an average home but who lives with an unmarried cohabiting partner would also be dragged into IHT. This is based on data from the HM Land Registry data © Crown copyright and database right 2020. This data is licensed under the Open Government Licence v3.0. which shows the average house price in the UK for September 2024 as:

- £308,782 in England
- £190,553 in Northern Ireland
- £198,046 in Scotland
- £216,750 in Wales

See About the UK House Price Index - GOV.UK

For example, in Northern Ireland, the estate would be made up of a death grant of £150,000 and the house of £190,553, making the estate £340,553. We are also aware that in Scotland people make use of joint ownership (also known as tenants in common) where each joint owner owns a share of the property which may or may not be equal in size to the other joint owner. Additionally, due to the definition of marital property in Scotland, some people choose not to move house if they enter into a long term relationship and they owned their property prior to entering into their long term relationship, so this example is equally applicable in Scotland to some married couples, particularly where a second or later marriage is being entered into.

While it is clear that the policy intention is that the majority of estates will not become subject to IHT, the current construct of the proposals will see the wind up of many more estates in Scotland dragged into a more complex and costly process which could add to the distress experienced by survivors. To ameliorate this, we would suggest that consideration is given to introducing an equivalent to the trivial commutation limit whereby, if a member's total pension pots fell under a set limit, the pension pot(s) would be exempt from IHT. Additionally, we would suggest that a de minimis for single pots is set noting that a person of high wealth is unlikely to disperse their savings into multiple small pots.

A total pots exemption limit of £30,000, while similar to the trivial commutation limit is not reflective of the difference between defined benefit life cover and defined contribution pension saving, so we would ask that if such an arrangement is considered, a higher limit is set. For example, a total pots exemption limit of £70,000 could be reasonable given that a person with a total pension pot of £70,000 is unlikely to have more than £255,000 saved elsewhere. We would also suggest that a de minimis of £10,000 for single pots should apply or a higher amount with a restriction on the number of de minimis payments that could be made. This suggestion is based on evidence provided by the data and analysis from the 2021 Census published by the ONS which detailed the saving for retirement in Great Britain: April 2018 to March 2020. This data showed that the average pot size at the 50th percentile point for defined contribution arrangements was close to £10,000.

The process and information sharing requirements set out under the consultation seem, on the face of it, straightforward: PSAs are required to respond to requests for information from PRs within two months and inform PRs within three months of paying a relevant death benefit. Additionally, PRs will tell PSAs to pay IHT within six months after the end of the month in which the death occurs. Late payment interest will accrue on any IHT that is not paid by this point.

However, complications abound and LGPS administrators are acutely aware that the reality of settling death benefits is full of complexity, especially when dealing with discretionary benefits. Our experience is that six months is not necessarily sufficient time to carry out such a complex process. Additionally, without some easement on the amounts of death grant due payment that fall into a deceased member's estate, more estates, which would otherwise have been classed as a Small Estate, will pass into the Large Estate regime attracting legal fees, delays and additional distress and potential hardship for the bereaved who will have to wait longer before the death grant is paid to them.

Question 8: Are there any scenarios which would not fit neatly into the typical process outlined above? How might we address these?

Official pensions, such as those paid by PSPSs, are required to increase pensions in payment in accordance with the Pensions (Increase) Act 1971. In certain situations, this Act requires supplementary PI to be paid. The supplementary PI is paid following the coming into force of the annual Pensions Increase (Review) Order and if the death was to occur more than six months before the supplementary PI was known and the estate was in scope for IHT, then by default, late payment charges would accrue because the PR would not be able to pay the IHT until the supplementary PI was known, even if all other elements of the estate were known. For these circumstances, we would request that government either excludes the supplementary PI due under the Pensions (Increase) Act 1971 from IHT or makes some accommodation that enables the PR to settle an estate without having to wait for the supplementary PI to be paid and allow the PR to make a penalty free amendment to any IHT due once supplementary PI is paid to them, providing settlement is made within a reasonable timeframe.

Under the LGPS regulations a member may buy additional life cover by paying in-house AVCs to a scheme established under an agreement between the administering authority and a body approved for the purposes under the Finance Act 2004 to be an AVC provider and that body / scheme is registered in accordance with that Act and administered in accordance with the Pensions Act 2004. The life cover provided by these AVCs, because they are a "*life policy product purchased with pension funds"*, are not in scope of this consultation meaning the current proposals create a conflict in the treatment of the death grant that could be paid under the LGPS Regulations because the death grant arising from the AVC policy will be treated differently to the death grant in respect of the main scheme benefits, thereby causing member confusion. NB the AVCs paid by members in these circumstances do not build up a pot of money but instead purchase additional life cover and there is no pot at the end of the contract.

The proposed process also fails to take account of the additional complexities presented to umbrella schemes like the LGPS (Scotland) (11 funds, one scheme) that operate a one death grant rule. The one death grant rule means that if a person has more than one pension record, we will only pay the higher of the total of the aggregate death in service grants and the total of the aggregate pensioner and in-deferment death grants. As the memberships can span more than one fund, this adds time to the process. As previously stated, six months is a challenging timeframe with two months being inadequate for a discretionary death benefit to be decided on.

The LGPS (NI) has many multiple jobholders / multi-record members and, consequently, multiple small death grants per deceased individual. These are also subject to the one death grant rule and each record needs to be assessed separately to determine which amounts are payable. As described earlier the one death grant rules means that only the highest death grant by status is payable and not the combined total of death grants.

Unlike the LGPS (Scotland), the LGPS (NI) also makes payment of death grants following the death of some pensioners who are over age 75. These are taxable at the recipient's marginal rate of Income Tax. If the recipient is the PR they are taxed at 45%. The same also applies to any LGPS death grants that are not paid out within two years of the PSA finding out about the death. It is not clear from the consultation if these payments will also be liable for IHT and, if so, on the gross or net amount.

It is also not clear from the consultation if payments in excess of the lump sum death benefit allowance which are paid to beneficiaries and taxed at their marginal rate will also be liable for IHT and, if so, on the gross or net amount. Finally, we understand that trivial commutation lump sum death benefits are to be captured for IHT. This is the commutation value of a small survivor's pension and extinguishes the survivor's pension. Only 25% of the payment made is paid tax free with the remainder taxed at the survivor's marginal rate. As survivors' pensions are out of scope from the proposed changes because they are subject to Income Tax, we believe that a trivial commutation lump sum death benefit should also be out of scope as 75% of the payment made is subject to Income Tax and the payment, by its very nature, will be small. It would be expected that where the survivor's pension can be trivially commuted, the estate left by the deceased would be unlikely to exceed £325,000 and the necessity for bringing the trivial commutation into scope for IHT may not be proportionate when weighed up against the delays and hardship that could be occasioned for this particularly financially vulnerable group of beneficiaries. A small survivor's pension is typically associated with a person of low net wealth and while there is potential for double taxation to arise if the payment is brought in scope for IHT, we believe it unlikely to arise as the aggregate of the trivial payment and residue of the estate is unlikely to exceed £325,000.

There isn't always a PR and given the responsibilities attached to being a PR, there may not be anyone willing to undertake that role, especially when a small pot is involved or there is no obvious PR because the deceased had no known relatives. In such circumstances, is it intended for legislation to allow for PRs to be appointed by The Pensions Regulator '(the Regulator')? Our concern is that many small pots may otherwise go unclaimed due to the responsibilities placed on PRs. If legislation is made to allow for the Regulator to appoint PRs, how will this process work? What fees would be chargeable and who would have responsibility for making payment etc?

There is a presumption that the PR will be internet savvy, but this is not always the case. Will there be paper based options and an alternate recourse to the online calculator for PRs for determining the apportionment of the nil-rate band?

It is not uncommon for there to be more than one PR. Occasionally the PRs do not act in concert, and it would be helpful if government published guidance covering how this scenario and other issues generated by this new process were to be handled.

Question 9: Do you have any other views on the proposal to make PSAs liable for reporting details of unused pension funds and death benefits directly to HMRC and paying any Inheritance Tax due on those benefits? Are there any feasible alternatives to this model?

The primary role of the PSA is to administer member benefits and, in the context of this consultation, deliver the Scheme's family protection to beneficiaries by paying a pension and death grant to eligible survivors / beneficiaries. We do not believe it is necessary for the PSA to become involved in the wind up of a deceased's estate and PRs should remain solely liable for IHT if death grants are brought in scope of IHT. We note that PRs may already instruct pension contracts and banks to make payments or part payments towards IHT from a deceased member's pension or bank account using form IHT423 without the PSA or bank becoming liable for the IHT payment and we believe this exemption to liability should continue to apply to PSAs should the life cover provided by defined benefit schemes be brought into scope for IHT.

Where IHT is due, we are not averse to making payment to HMRC in respect of that IHT and agree that allowing PRs, who have an IHT demand to settle, to instruct the deceased's pension arrangement by completing form IHT423 to make payment direct to HMRC before settlement of the death benefits would remove the requirement for a beneficiary to drawdown funds to facilitate a payment, thereby removing the double taxation issue identified in Example 1. As the payment towards IHT would be on behalf of the deceased, if it were necessary for the PSA to become jointly and severally liable, should it not be with the deceased's representative rather than their beneficiaries as the IHT payment would be deducted before the death benefits were distributed. However, we note that current arrangements for payments from PSAs towards IHT do not result in the PSAs becoming jointly and severally liable to the IHT due and we fail to understand why this is now deemed necessary as no reasoning is given as to why the current arrangements cannot continue.

We further note that the policy intention is that all life policy products purchased with pension funds, such as additional life cover purchased via AVCs, or alongside pension funds as part of a pension package, such as the life assurance schemes provided by employers alongside their defined contribution pension arrangements are not in scope of the changes in this consultation. However, the policy does not appear to recognise that both defined benefit and defined contribution arrangements are providing life cover to their membership. The differences are simply in the structures of the arrangements, with defined benefit arrangements allowing for in-house self assurance and defined contribution arrangements, by their very structure, effectively disallowing in-house self assurance by reason of the fund being segregated into earmarked pots or being held in individual personal pension pots, in the case of group personal pension arrangements.

To understand why defined contribution pension arrangements have life assurance schemes requires a look back in history. When pension provision was first introduced in the UK it was done so on a salary related basis. These arrangements developed over time to become what we now call defined benefit arrangements. Many of these schemes provided for retirement benefits for workers as well as family protection in the event of the member's death. This was of particular importance in the early 1900s when women were not expected to work after marriage and the breadwinner's death could result in penury for the family.

However, due to the rising cost of providing defined benefits, towards the end of the 1900s employers started to set up defined contribution pension arrangements to fix their costs. These employers did not wish to lose the family protection element they previously provided in their defined benefit arrangements and so set up pension and life assurance schemes or, in the case of group personal pension schemes, an adjoining life assurance scheme. A Trust based occupational money purchase pension scheme is, generally, a pooled arrangement consisting of earmarked pots due, in part, to the fact members can specify the funds into which their pension contributions are invested. A contribution once paid into a personal pension is owned by the individual holding the policy.

The reason defined benefit schemes have chosen not to use a life assurance scheme to cover life benefits is simply a matter of cost: it is cheaper to build in self assurance via the pension fund's actuarial valuation. In consequence, we do not believe the life benefits in the LGPS should be in scope for IHT because the Scheme's Regulations could be amended to require the life cover to be placed with an external provider. Additionally, the death grant provided by the LGPS is a family protection benefit that provides a lump sum (which cannot be turned into extra Scheme pension) to dependants in the event of a member's death and is in addition to the pension payable to eligible survivors. The death grant is not intended to fund the deceased member's retirement income but is intended to act as compensation for survivors and, as such, we do not believe it falls within the definition of an unused pension asset as it applies to unused defined contribution pots which are intended to fund a deceased member's retirement income and are intended to provide income to their survivor, that could become subject to Income Tax.

While we accept there is a difference in the treatment of discretionary and non-discretionary death benefits, we would suggest that if it is desired to remove the difference then either the tax treatment of non-discretionary death benefits should align to that of discretionary death benefits or **all life cover** provided by defined contribution and defined benefit pension arrangements should be in scope for IHT. Singling out one regime over another would, to our minds, potentially create inequalities and member confusion. This is particularly true of the LGPS where the current proposals would see the introduction of some death grants falling in scope of IHT and others being exempt from IHT, please see our response to question 8.

Additionally, while we accept the findings of Example 1 which shows the potential in the defined contribution arena for a double taxation issue to arise, if the beneficiary draws unused pension funds to pay IHT; this is not possible under the current proposals in the LGPS. This is because where a death grant is due payment, it is paid out in full as a lump sum with no option to convert the lump sum into extra scheme pension. Additionally, as noted earlier, if the PR instructed a payment towards IHT using form IHT423 before closure of the deceased's pension account, the issue of taxation on funds drawdown by beneficiaries should be eliminated. Finally, the proposed information sharing process contains a requirement for PSAs to notify PRs about any relevant death benefits and, in consequence, we feel PRs should retain sole responsibility for the settlement of any IHT due.

The proposals made within the consultation will perforce result in delays to the settlement of the death grants for all deceased members, not just the top 10% quoted in the consultation. We also fear that due to the scheme design for the LGPS more of our memberships' death grants will be in scope for IHT over time, though not necessarily attracting IHT, due to the increase to the life cover provided for deferred and pensioner members.

The following paragraphs set out real time data from the 12 funds last triennial valuation or later snapshot.

At 31 March 2024, the LGPS (NI) had 78,324 active members. The average annual pay was £17,251 and the average death grant per active member record was £51,754.

If a deferred member dies, depending on the date of leaving the LGPS (NI) a death grant of either three or five times the annual pension is paid. At 31 March 2024, the LGPS (NI) had 35,177 deferred members with an average deferred pension of £1,740 per annum. The average death grant is, therefore, in the range of £5,220 to £8,770.

If a pensioner member dies, depending on the date of leaving the LGPS (NI) a death grant of approximately either five or ten years pension less the pension already paid is payable. There is no age limit on these death grants so they can be paid to the beneficiaries or personal representatives of deceased members who are over age 75 at date of death with associated lump sum death benefit tax charges. The average annual pension paid by the LGPS (NI) is £5,800 with a maximum average death grant payable in the range of £26,000 to £58,000 reducing with each year the person is a pensioner and nothing payable after either five or ten years on pension.

Similarly, for the LGPS (Scotland) at 31 March 2023, the last formal triennial valuation, there were 262,045 active members with an average death grant of £70,174.

Where a deferred member dies, depending on the date of leaving the LGPS (Scotland) a death grant of either three or five times the annual pension is paid. At 31 March 2023, the LGPS (Scotland) had 192,731 deferred members with an average deferred pension of £2,020 per annum. The average death grant is, therefore, in the range of £6,060 to £10,100.

If a pensioner member dies, depending on the date of leaving the LGPS (Scotland) a death grant of approximately either five or ten years pension less the pension already paid is payable providing the deceased is under the age of 75 at date of death. The average annual pension paid by the LGPS (Scotland) is £6,292 with a maximum average death grant payable in the range of £31,460 to £62,920 reducing with each year the person is a pensioner and nothing payable after either five or ten years on pension or age 75 if earlier.

In addition, under both schemes, active and deferred members may have contributed to Additional Voluntary Contribution schemes and death benefits may be paid by lump sum on a discretionary basis.

The following paragraphs are based on actual experience from deaths occurring across all 12 of the SPLG funds between 1 April 2023 and 31 March 2024 representing a total membership of approximately 840,000.

Average death grant paid was £39,629.13

Median death grant paid was £22,431.89

Lowest death grant paid was £0.74

Highest death grant paid was £302,035.91

Total number of deaths resulting in a death grant payment was 1698

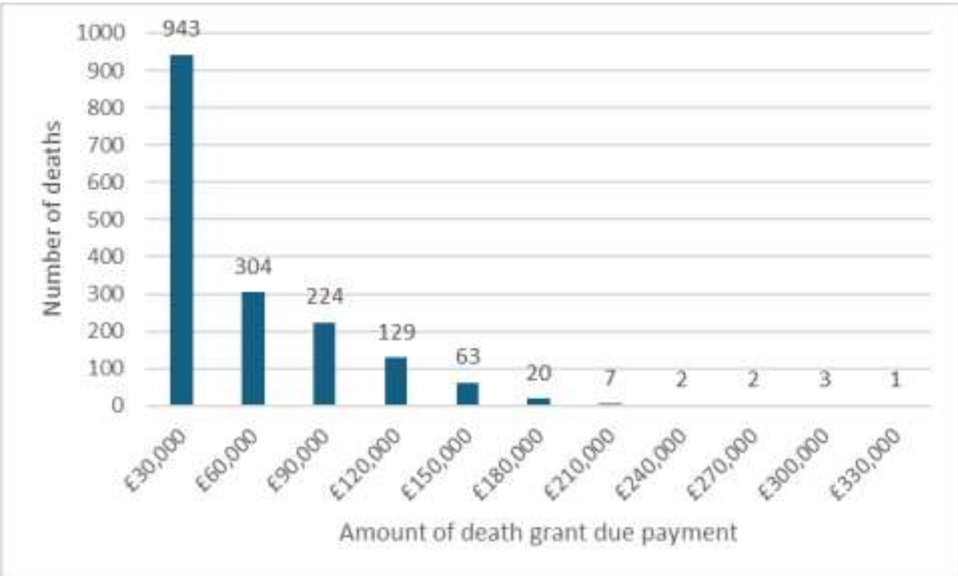
The number of death grants paid in respect of deceased men was 815 with an average death grant of £42,640.22.

The number of death grants paid in respect of deceased women was 883 with an average death grant of £36,849.93.

Age range for death grants due in respect of the 1698 deceased members was 19 to 85.

The death grants for 262 out of 1561 cases were paid after 182 days. The date of payment was not held in an extractable field for 137 cases. This clearly demonstrates a regional variation between the LGPS (Scotland) which uses TUO and LGPS (NI) which does not and which we would expect to play out in the private sector who likewise do not have access to TUO. NB as reported in question 3, approximately one in four cases take longer than six months to settle in Northern Ireland.

The spread of the death grants paid across the 12 funds is illustrated in the graph below.



Funds representing a membership of 137,371 were able to provide data on how death grants were distributed to beneficiaries and showed that of the 309 death grants paid, 115 of these death grants were paid to two or more beneficiaries (of which 30 were paid to three or more beneficiaries).

We close by thanking you for the opportunity to respond to the above consultation.

For and on behalf of:

Dumfries and Galloway Council Pension Fund

Falkirk Council Pension Fund

Fife Pension Fund

Lothian Pension Fund

North East Scotland Pension Fund

Northern Ireland Local Government Officers' Superannuation Committee

Orkney Islands Council Pension Fund

Scottish Borders Council Pension Fund

Shetland Islands Council Pension Fund

Strathclyde Pension Fund

Tayside Pension Fund

The Highland Council Pension Fund

ITEM No …6………..

REPORT TO:	**PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD– 17 MARCH 2025**
REPORT ON:	**TAYSIDE PENSION FUND – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2024/25**
REPORT BY:	**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**
REPORT NO:	**95-2025**

1 PURPOSE OF REPORT

This report provides a summary of the responsibilities and approach of Audit Scotland in respect of Tayside Pension Fund for 2024/25.

2 RECOMMENDATIONS

The Sub-Committee is asked to:

- Note the contents of the report by Audit Scotland (Appendix A)
- Provide Audit Scotland with confirmation of any instances of actual, suspected or alleged fraud, as a requirement of the revised International Standard on Accounting (ISA) 240.

3 FINANCIAL IMPLICATIONS

Tayside Pension Fund's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is £32,790.

4 MAIN TEXT

4.1 Following Audit Scotland's appointment as external auditor for Dundee City Council for five years from 2022/23, they have produced the above report outlining the planned approach to the audit of Tayside Pension Fund ("the Pension Fund") for the year ending 31 March 2025. The document sets out the statutory and professional responsibilities in terms of the Code of Audit Practice and also outlines their key audit objectives.

4.2 The report in appendix A sets out information on the proposed audit approach focussing on the key issues and risks facing the Pension Funds in terms of corporate governance arrangements, ownership and valuation of investments, regulatory and accounting compliance and other issues relevant to the opinions on the financial statements. The document also sets out the key stages of the planned audit process, together with a summary of procedures for working with internal audit, materiality considerations and arrangements for communication and reporting.

5 POLICY IMPLICATIONS

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

6 CONSULTATION

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

7 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

Tayside Pension Fund

Annual Audit Plan 2024/25

AUDIT SCOTLAND

Prepared for Tayside Pension Fund
March 2025

Contents

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of Tayside Pension Fund's annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance.

Appointed auditor and independence

2. Rachel Browne, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Tayside Pension Fund for the period from 2023/24 until 2026/27. The 2024/25 financial year is the second year of her four-year audit appointment.

3. Rachel Browne and the audit team are independent of Tayside Pension Fund in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of Tayside Pension Fund to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts: the Management Commentary, the Governance Compliance Statement and the Annual Governance Statement.
- Conclusions on the pension fund's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership, and Governance; and Use of Resources to Improve Outcomes.
- Reporting on Tayside Pension Fund's arrangements for securing Best Value.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of Tayside Pension Fund and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on Tayside Pension Fund's arrangements in place for the wider scope areas.

Tayside Pension Fund's responsibilities

8. Tayside Pension Fund has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Communication of fraud or suspected fraud

9. In line with the ISA (UK) 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements), in presenting this plan we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. During our audit, should members of the Pension Sub-Committee have any such knowledge or concerns relating to the risk of fraud within it, we invite them to communicate this to us for our consideration. Similar assurances will also be sought as part of the audit completion process.

Audit of the annual report and accounts

Introduction

10. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

11. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

12. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

13. The materiality levels determined for the audit of Tayside Pension Fund are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for Tayside Pension Fund

Materiality	Tayside Pension Fund
Materiality – based on an assessment of the needs of users of the financial statements and the nature of Tayside Pension Fund's operations, the benchmark used to determine materiality is net assets based on the audited 2023/24 financial statements. Materiality has been set at 2 per cent of the benchmark.	£110 million

Materiality	Tayside Pension Fund
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 65 per cent of planning materiality.	£71.5 million
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£1.1 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. The risk assessment process draws on the audit team's cumulative knowledge of Tayside Pension Fund, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

15. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in Exhibit 2, page 8. These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

16. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to Tayside Pension Fund and those charged with governance, where relevant.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.

Source: Audit Scotland

Other area of audit focus

17. In addition to the significant risks of material misstatement in Exhibit 2, the actuarial valuation of future retirement benefits has been identified as an area of specific audit focus and will be reported on in the Annual Audit Report.

18. The actuarial valuation of future retirement benefits is based on a range of financial and demographic estimations about the future including investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions. The subjectivity around these estimates gives rise to a risk of material misstatement in the financial statements. To address this risk we will:

- Assess the competence, capabilities, and objectivity of the actuary in line with ISA 500.
- Review the information provided to the actuary by the Fund.

- Review the assumptions used by the actuary to reach the valuation of future retirement benefits.
- Review officers' arrangements for ensuring the completeness and accuracy of professional estimations for pensions.

Key audit matters

19. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The matters determined to be key audit matters will be communicated in the Annual Audit Report.

Wider scope and Best Value

Introduction

22. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on Tayside Pension Fund being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering Tayside Pension Fund's medium- to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering Tayside Pension Fund's arrangements for ensuing resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

23. A conclusion on the effectiveness and appropriateness of arrangements Tayside Pension Fund has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Best Value

24. Tayside Pension Fund is a pension fund that is administered by Dundee City Council. As pension funds are not local authorities or separate bodies that fall within section 106 of the Local Government (Scotland) Act 1973, the statutory responsibility for securing Best Value for pension funds lies with the administering local authority, Dundee City Council.

25. We will consider the arrangements to secure Best Value at the Pension Fund as part of the Dundee City Council audit. Any matters relating to Tayside Pension Fund will be reported in the Annual Audit Report.

Significant wider scope and Best Value risks

26. No significant risks in the wider scope areas or Best Value were identified from the risk assessment process.

Reporting arrangements, timetable and audit fee

Audit outputs

27. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to Tayside Pension Fund and the Accounts Commission setting out opinions on the annual report and accounts.
- An Annual Audit Report to Tayside Pension Fund and the Accounts Commission setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

28. The matters to be reported in the outputs will be discussed with Tayside Pension Fund for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

29. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the annual report and accounts, which is 30 September 2025 for local government bodies.

30. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2025.

Audit timetable

31. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. Exhibit 3 includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with Tayside Pension Fund and reported to those charged with governance, where required.

Exhibit 3
2024/25 audit timetable

Audit activity	Tayside Pension Fund target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan	N/A	4 March 2025	17 March 2025
Annual accounts:			
• Consideration of unaudited annual report and accounts by those charged with governance	23 June 2025	N/A	23 June 2025
• Submission of unaudited annual report and accounts and all working papers to audit team	30 June 2025	N/A	N/A
• Latest date for audit clearance meeting	4 September 2025	4 September 2025	N/A
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	N/A	8 September 2025	22 September 2025
• Agreement of audited and unsigned annual report and accounts	11 September 2025	11 September 2025	22 September 2025
• Approval by those charged with governance and signing of audited annual report and accounts • Signing of Independent Auditor's Report and issue of Annual Audit Report	22 September 2025	22 September 2025	22 September 2025

Source: Audit Scotland

Audit fee

32. Tayside Pension Fund's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is £32,790.

33. In setting the audit fee, it is assumed that Tayside Pension Fund has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

34. As the Tayside Pension Fund auditor, we receive assurance requests from employer bodies' auditors. The number and complexity of these requests is increasing and the cost of the audit work required cannot be fully contained within the baseline expected fee set out above. If we require to carry out additional work to respond to assurance requests from employer body auditors, we will charge the pension fund an additional fee. Tayside Pension Fund may choose to recharge the additional fee to the employer bodies.

Other matters

Internal audit

35. Tayside Pension Fund is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

36. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

37. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the Audit Scotland website.

38. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.

- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

39. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

40. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

41. Audit Scotland may periodically seek the views of Tayside Pension Fund on the quality of audit services provided. The audit team would also welcome feedback at any time.

Tayside Pension Fund

Annual Audit Plan 2024/25

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
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ITEM No …7………..

REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025**

REPORT ON: **INTERNAL AUDIT RISK ASSESSMENT & AUDIT PLAN 2025/26**

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

REPORT NO: **96-2025**

1 PURPOSE OF REPORT

This report sets out the risk assessment undertaken by Pricewaterhouse Coopers (PwC) and details their internal audit plans for Tayside Pension Fund for 2025/26.

2 RECOMMENDATIONS

The Sub-Committee is asked to review and approve the Internal Audit plan by Pricewaterhouse Coopers (PwC) as detailed in appendix A and note that the outcomes of these audits will be reported to the Sub-Committee at a future date.

3 FINANCIAL IMPLICATIONS

The cost for Pricewaterhouse Coopers (PwC) services to undertake the annual internal audit requirements is £79,000 which is funded by Tayside Pension Fund.

4 MAIN TEXT

Pricewaterhouse Coopers (PwC) have been appointed to provide a full internal audit service to fulfil the service requirements of annual audits for a 3-year period commencing 2021/22, with an option to extend for a further 2 years. The procurement exercise undertaken though Crown Commercial Services Framework, and the option of extension for a further 2 years has been exercised.

The report in appendix A details the risk assessment undertaken and outlines the planned approach to the internal audit of Tayside Pension Fund for the financial year, outlining the key audit objectives and methodology, setting out information on the proposed audit approach focussing on the key issues and risks in relation to the audit universe and key risks assessed. The document also sets out the key stages of the planned internal audit process, together with a summary of the timetable and detail of how PwC intend to form their independent audit opinion.

The proposed audits for 2025/26 are summarised below:

- Member data quality - assessment of data quality using specialised software which will include ability to quantify the number of members who will pass / fail the Dashboard Find requirements.
- GDPR - review of the design of key controls in respect of GDPR regulations.
- McCloud post implementation - review of the design of controls related to the project approach taken, including data management; approach to calculations and proformas; and the check review process. Review will also encompass member communications and training provided to staff.

5 POLICY IMPLICATIONS

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

6 **CONSULTATION**

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

7 **BACKGROUND PAPERS**

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

Internal audit plan 2025/26

Tayside Pension Fund

Draft

March 2025

Contents

Distribution list

For action: Pension Sub-Committee

For information: Executive Director Corporate Services
Head of Corporate Finance
Senior Manager Financial Services

Introduction and approach

Introduction

This document sets out our risk assessment and internal audit plan for 2025/2026 for the Tayside Pension Fund ("TPF").

We have refreshed our risk assessment of TPF's audit universe for 2025/2026 to provide us with the foundation for the development of the internal audit plan. This document sets out the proposed internal audit reviews to be completed, developed through discussion with management, for approval by the Pension Sub-Committee.

The internal audit service will be delivered in accordance with the Internal Audit Charter (See Appendix D). A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by TPF's strategic goals, and the risks that may prevent TPF from meeting those goals. A more detailed description of our approach can be found in Appendix A.

To develop this plan, we have considered:

- The areas where we believe TPF would benefit from an internal audit review (the audit universe);
- The risks and control environment associated with each area included in the audit universe;
- The most significant risks faced by TPF and the sector more generally; and
- The requirements of the internal audit service to provide an annual report and opinion (in line with PwC's Internal Audit methodology which is aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing).
- Previous areas of internal audit focus.

Other assurance

TPF Internal Audit is only one of a number of sources of assurance over the risks the Fund faces. In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Summary of other sources of assurance is given below.

- Audit Scotland as External Auditors;
- Dundee City Council Internal Audit (see further details adjacent);
- Annual Progress Review exercise; and
- National Fraud Initiative.

We do not intend to place formal reliance upon these other source of assurance but would not seek to duplicate the work they do.

The Pension Fund Management team and the Fund's administration service operate within Dundee City Council. This means that certain Fund operations are integrated into the Council's operations and supporting infrastructure. By virtue of this, some of these operations / infrastructure fall into the scope / remit of the in-house internal audit team of Dundee City Council. In order to ensure key risks are: included in assurance plans; and to avoid duplication of assurance, TPF's internal audit team met with the Dundee City Council internal audit function to understand the extent to which assurance is derived from the Council's internal audit plan. This is summarised below:

<table>
<tr><th>Risk area</th><th>Dundee City Council internal audit coverage</th><th>Impact on TPF audit plan</th></tr>
<tr><td>Admin IT controls</td><td>Considered in Council's audit universe - however not audited in last 5 years.</td><td>Include for audit consideration</td></tr>
<tr><td>Data protection</td><td>Considered in Council's audit universe - however not audited in last 5 years.</td><td>Include for audit consideration</td></tr>
<tr><td>Cyber</td><td>Considered in Council's audit universe. Two reviews conducted in last 5 years.</td><td rowspan="5">Excluded in the current year - TPF use the services of Dundee City Council, and are considered as part of the wider Council's Internal Audit programme.</td></tr>
<tr><td>BCP and ITDR</td><td>Considered in Council's audit universe - the Council are working to remediate this area as part of a wider project. Risk area to be considered in the Council's own audit plan.</td></tr>
<tr><td>Committee governance</td><td>Considered in Council's audit universe - Annual local code governance review.</td></tr>
<tr><td>HR</td><td>Considered in Council's audit universe. Reviews conducted in last 5 years.</td></tr>
<tr><td>Financial control: Payments, capital planning and monitoring</td><td>Considered in Council's audit universe. Reviews conducted in last 5 years.</td></tr>
</table>

Introduction and approach

Approach to preparing the internal audit plan

Step 1 **Understand corporate objectives and risks**	• Obtain information and utilise sector knowledge to identify corporate level objectives and risks.
Step 2 **Define the audit universe**	• Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.
Step 3 **Assess the inherent risk**	• Assess the inherent risk of each auditable unit based on impact and likelihood criteria.
Step 4 **Assess the strength of the control environment**	• Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.
Step 5 **Calculate the audit requirement rating**	• Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.
Step 6 **Determine the audit plan**	• Determine the timing and scope of audit work based on the organisation's risk appetite.
Step 7 **Other considerations**	• Consider additional audit requirements to those identified from the risk assessment process.

Costs and resources

We have set out below, based on our discussions with management and review of the TPF risk register, a summary of the reviews which will be part of the 2025/26 internal audit plan. On the current budget we propose the following reviews:

- Member data quality
- Data Protection
- McCloud Post Implementation

We will continue to keep this plan under review to ensure that it remains relevant and aligned to TPF's risks.

The level of required resources for the internal audit service for the period 2025/26 is 46 days (£79,000).

Based on our risk assessment, this is the level of resource that we believe would be necessary to evaluate the effectiveness of risk management, control and governance processes for the purpose of providing an annual opinion. This plan is performed on a four year frequency basis and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process every year. Accordingly, the level of internal audit activity represents a deployment of internal audit resources sufficient to cover some of the key risks each year, and in approving the risk assessment and internal audit plan, the Pension Sub-Committee recognises this limitation. The internal audit plan will be updated, where required, throughout the year to reflect any changes in the organisation, risk profile and areas of focus. We will agree all amendments with management and ensure that any changes are communicated to the Pension Sub-Committee as part of our regular progress monitoring.

NOTE: The following areas have not been reviewed by internal audit. We ask the Committee to assess the below in line with its risk appetite:

- **Asset safeguarding / Custodian oversight:** To be next considered in 2027
- **Foreign currency management:** To be next considered in 2028
- **Derivatives management:** To be next considered in 2028
- **Data Quality:** Proposed for 2025
- Administrator IT general controls: To be next considered in 2026
- **Data Protection:** Proposed for 2025
- **Project Management - McCloud:** Proposed for 2025

Annual plan and indicative timetable

The following table sets out the proposed internal audit work planned for the period 1 April 2025 - 31 March 2026.

Auditable Units	Audit title	Indicative number of audit days	Audit timing	Audit sponsor/Executive lead	Focus of review[1]
Member data quality	Member data quality	12	Q1	Senior Manager Financial Services	Assessment of data quality using our Data Pass tool, including: • Ability to quantify the number of members who will pass / fail the Dashboard Find requirements. • Data gap analysis.
Data protection	GDPR	12.5	Q2	Senior Manager Financial Services	Review of the design of key controls in respect of GDPR regulations.
Regulatory compliance change control	McCloud Post implementation	14.5	Q3	Senior Manager Financial Services	A post-implementation review of TPF's McCloud project. This review could include areas such as: • Review of the design of controls related to the project approach taken, including: data management; approach to calculations and proformas; and the check review process. • Member communications. • Training provided to staff. Once project plans are in place and understood by internal audit, a detailed audit scope will be agreed with Management, taking into account available budget. **NOTE:** This review will not include testing / validating the accuracy of calculations performed.
Internal Audit management time		7	Ongoing		Annual Audit Planning, Reporting, Contract Management, Attendance at Pension Sub-Committee
Total internal audit days		**46**			

[1]Each of the individual reviews will be agreed with management and will be based upon a detailed terms of reference. For the purposes of our audit planning we have completed initial work to identify the potential scope of our review, but these will be revisited prior to commencing each audit to ensure that it is still relevant.

Basis of our annual internal audit opinion/conclusion

Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion.

Mapping of internal audit opinion

Below we set out how our 2025/26 internal audit plan maps to the reporting requirements as set out in the Institute of Internal Auditors International Standards.

Review	Governance	Risk management	Control	Value for Money	Data quality
Data Quality	x		x		x
Administrator IT Controls	x		x	x	
GDPR	x	x	x		x
McCloud Implementation	x		x	x	

Audit universe and IA risk assessment

Audit Universe				Useful Information	PwC risk assessment methodology (fully outsourced)								4 year plan			
	Processes	Fund Risks	TPF risk rating (Current)	Previous IA results	Impact	Likelihood	Inherent Risk	Control Environment Indicator	Audit need	3 year cycle	4 year cycle	Year last reviewed by IA	25/26	26/27	27/28	28/29
Investment and funding																
1	Investment Governance and risk management including: • Objective and investment strategy setting; • Asset allocation; and • Annual planning; and • Monitoring	Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD) Equity Risk	High High	2023/24 ESG Workshop Memo 2024/25 Investment Strategy review in progress	5	4	5	3	3.50	Annual	Every three years	2024/25			Consider	
2	Cash flow and Liquidity (Long term strategic planning and daily management)	Insufficient funds to meet liabilities as they fall due	Medium	2023/24 Liquidity review (Satisfactory with Exceptions)	4	3	4	3	2.50	Every two years	Every four years	2023/24			Consider	
3	Asset safeguarding / Custodian oversight	Failure of global custodian	High	None	3	3	5	3	3.50	Annual	Every three years	None		Consider		
4	Scheme Liabilities, Actuarial Valuations and funding models (Model Governance)	Insufficient funds to meet liabilities as they fall due	Medium	The Committee historically have not sought assurance from IA due to the involvement and assurance provided by the independent third party actuary.												
5	Employer contributions, relationship and covenant monitoring	Employers unable to participate in scheme Failure to collect and account for contributions from employers and employees on time Significant rises in employer contributions due to poor/negative investment returns	High Medium High	Contributions monitoring: 2022/23 (Satisfactory with Exceptions)	4	3	4	3	2.50	Every two years	Every four years	2022/23			Consider	
6	Portfolio Construction and Investment decision making Investment implementation / transition (including investment manager selection and onboarding)	Significant rises in employer contributions due to poor/negative investment returns	High	2024/25 Investment Strategy review in progress	5	4	5	3	3.50	Annual	Every three years	2024/25			Consider	

Audit universe and IA risk assessment

Audit Universe				Useful Information	PwC risk assessment methodology (fully outsourced)								4 year plan			
	Processes	Trustee Risks	TPF risk rating (Current)	Previous IA results	Impact	Likelihood	Inherent Risk	Control Environment Indicator	Audit need	3 year cycle	4 year cycle	Year last reviewed by IA	25/26	26/27	27/28	28/29
Investment and funding (continued)																
7	Investment performance monitoring and oversight (including Investment Manager oversight)	Failure of Investment Manager	High	2024/25 Third party monitoring	5	4	4	3	2.50	Every two years	Every four years	2024/25				Consider
		Risks in relation to use of 3rd party service providers	Medium													
8	Foreign currency (strategy development and daily management)	Significant rises in employer contributions due to poor/negative investment returns	High	None	4	4	4	3	2.50	Every two years	Every four years	None			Consider	
		Failure of Investment Manager	High													
9	Derivatives (strategy development and daily management)	Significant rises in employer contributions due to poor/negative investment returns	High	None	4	4	4	3	2.50	Every two years	Every four years	None			Consider	
		Failure of Investment Manager	High													
Administration services																
10	Benefit calculation and procedures (Inc. data quality)	Failure to process pension payments and lump sums on time	Medium	2023/24 Pensions Administration review (Satisfactory with Exceptions)	4	3	4.5	3	3.00	Every two years	Every three years	2023/24		Consider		
11	Data Quality	Failure to keep pension records up-to-date and accurate	Medium	None	4	4	4	2	3.00	Every two years	Every three years	None	AUDIT 1			
12	Member Payroll and contributions	Failure to collect and account for contributions from employers and employees on time	Medium	As above	4	4	4	2	3.00	Every two years	Every three years	2023/24		Consider		
		Failure to process pension payments and lump sums on time	Medium	As above												
13	Member communications	Failure to communicate adequately with stakeholders	Medium	As above	4	2	3	2	2.00	Every three years	Every four years	2023/24			Consider	

Audit universe and IA risk assessment

Audit Universe				Useful Information	PwC risk assessment methodology (fully outsourced)								4 year plan			
Processes		Trustee Risks	TPF risk rating (Current)	Previous IA results	Impact	Likelihood	Inherent Risk	Control Environment Indicator	Audit need	3 year cycle	4 year cycle	Year last reviewed by IA	25/26	26/27	27/28	28/29
14	Pensioner customer service (Inc. complaints and disputes)	Failure to provide quality service to members	Medium	As above	4	2	3	2	2.00	Every three years	Every four years	2023/24			Consider	
		Failure to communicate adequately with stakeholders	Medium													
15	Administrator IT general controls (Cloud risk, Logical access, Change and IT operations	Refer to audit units #28 & #29	Medium	None	4	2	3	2	2.00	Every three years	Every four years	None		Consider		
16	Data Protection	Refer to audit unit #30	Medium	None								None	AUDIT 2			
Operations																
17	Trustee Governance / Committee effectiveness	Lack of expertise on Pension Committee, Pension Board or amongst officers	Medium	2023/24 Consolidated code of practice IA workshop and memo	Considered in Council's audit universe - Annual local code governance review.											
		Failure to comply with governance best practice.	Medium													
18	HR	Over reliance on key officers	Medium	2022/23 Succession Planning review (Satisfactory with Exceptions)	Considered in Council's audit universe. Reviews conducted in last 5 years.											
		Inability to maintain service due to loss of main office, computer system or staff	Medium													
		Lack of expertise on Pension Committee, Pension Board or amongst officers	Medium													
19	Third party advice and management	Risks in relation to use of 3rd party service providers	Medium	024/25 Third party monitoring	4	2	4	3	2.50	Every three years	Every four years	2024/25				Consider

Audit universe and IA risk assessment

Audit Universe				Useful Information	PwC risk assessment methodology (fully outsourced)								4 year plan			
	Processes	Trustee Risks	TPF risk rating (Current)	Previous IA results	Impact	Likelihood	Inherent Risk	Control Environment Indicator	Audit need	3 year cycle	4 year cycle	Year last reviewed by IA	25/26	26/27	27/28	28/29
20	Risk management framework	Failure to comply with changes to LGPS regulations and other new regulations / legislation	Medium	2021/22 Risk Management and Regulatory Compliance (Medium Risk) 2024/25 Risk Management Framework review in progress	4	4	4	2	3.00	Every two years	Every three years	2024/25			Consider	
21	Regulatory compliance	Failure to comply with changes to LGPS regulations and other new regulations / legislation Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)	Medium Medium	2021/22 Risk Management and Regulatory Compliance (Medium Risk)	4	4	4	2	3.00	Every two years	Every three years	2021/22				Consider
22	Key financial controls including payments, expenses, cash and bank account management and fraud risk	Loss of funds through fraud or misappropriation	Medium		4	4	4	2	3.00	Every two years	Every three years	The external audit plan includes a significant focus on financial control. Financial controls were also considered where relevant to the FY25 Pension admin review. In addition, some of the financial controls go through the Council's channels (e.g. payments) and are included as part of the Council's Internal audit programme.				
23	Change control	Inability to maintain service due to loss of main office, computer system or staff	Medium		4	3	3.5	2	2.50	Every two years	Every four years	Never audited	AUDIT 3: Proposed: McCloud Implementation review			
24	Cyber (inc. oversight of third parties)	Cyber crime	Medium	Considered in Council’s audit universe. Two reviews conducted in last 5 years.												

Audit universe and IA risk assessment

Audit Universe				Useful Information	PwC risk assessment methodology (fully outsourced)								4 year plan			
Processes		Trustee Risks	TPF risk rating (Current)	Previous IA results	Impact	Likelihood	Inherent Risk	Control Environment Indicator	Audit need	3 year cycle	4 year cycle	Year last reviewed by IA	25/26	26/27	27/28	28/29
31	Business continuity and IT disaster recovery (inc. oversight of key third parties)	Inability to maintain service due to loss of main office, computer system or staff	Medium	2022/23 Succession Planning review (Satisfactory with Exceptions)	Considered in Council's audit universe - the Council are working to remediate this area as part of a wider project. Risk area to be considered in the Council's own audit plan.											
		Over reliance on key officers	Medium													

Audit universe and IA risk assessment

Key to frequency of audit work

Audit universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations.

In identifying auditable units, we have determined where key activities are performed and by who. This level of detail will better enable the scoping of individual audits - allowing internal audit to determine where audit resource should be focussed taking into account risk ownership and roles and responsibilities in managing risks.

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in **Appendix A**.

Each auditable area has been allocated an “audit requirement rating”. The audit requirement rating drives the frequency of internal audit work for each auditable unit. The approach adopted by TPF i to audit over a 4 year cycle, based on the following:

Audit requirement rating	Frequency
5+	Annual
4 - 4.5	Every two years
3 - 3.5	Every three years
1 - 2.5	Every four years

Appendices

Appendix A: Detailed methodology

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Step 1 – Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy and risk register;
- Drawn on our knowledge of the sector; and
- Held discussions with a number senior management members.

Step 2 – Define the audit universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for Tayside Pension Fund made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 – Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix B.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and the sector; and
- Discussions with management.

Impact Rating	Likelihood rating					
	6	**5**	**4**	**3**	**2**	**1**
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Appendix A: Detailed methodology

Step 4 – Assess the strength of the control environment

- In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:
- Our knowledge of your internal control environment;
- Information obtained from other assurance providers; and
- Discussions with management.

Step 5 – Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	6	5	4	3	2	1
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 – Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years, every three years or every four years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduced frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 – Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

Appendix B: Risk assessment criteria

Determination of inherent risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

Likelihood rating	Assessment rationale
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Impact rating	Assessment rationale
6	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact;; or Minor breach in laws and regulations with limited consequences;; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

Appendix C: Independence

We confirm that in our professional judgement, as at the date of this document, Internal Audit staff have had no direct operational responsibility or authority over any of the activities planned for review. We can confirm that as an organisation we are independent from **Tayside Pension Fund.**

Appendix D: Internal audit charter

Purpose and scope

This Internal Audit Charter provides the mandate and framework for the conduct of the Internal Audit function in Tayside Pension Fund and has been approved by the Pension Sub Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

Purpose

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations and to protect the assets, reputation and sustainability of the organisation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Scope

All of Tayside Pension Fund's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Pension Sub Committee.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Appendix D: Internal audit charter

Authority, responsibility and independence

Authority

The Internal Audit function of Tayside Pension Fund derives its authority from the Pension Sub Committee. The Chief Audit Executive is authorised by the Pension Sub Committee to have full and complete access to any of the organisation's records, properties and personnel. The Chief Audit Executive is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities. The internal audit function shall also have free and unrestricted access to the Pension Sub Committee.

Responsibility

The Chief Audit Executive is responsible for preparing the annual audit plan, using a risk-based methodology, in consultation with the Pension Sub Committee and senior management, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Pension Sub Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Pension Sub Committee and senior management.

If risks change during the year, Internal Audit may propose an in year adjustment to the annual audit plan to the Pension Sub Committee.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Pension Sub Committee should make appropriate inquiries of management and the Chief Audit Executive to determine whether there are any inappropriate scope or resource limitations.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

Independence

Internal Audit staff will remain independent of the fund and they shall report to the Chief Audit Executive who, in turn, shall report functionally to the Pension Sub Committee and administratively to the Senior Manager (Financial Services).Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit.

Internal Audit activities shall remain free of influence by any element in the organization, including matters of audit scope, procedures, frequency, timing, and report content to permit maintenance of independence necessary in rendering objective audit reports. Internal auditors shall have no direct operational responsibility or authority over any of the activities within the scope of an internal audit project.

Because of the importance of Pension Sub Committee visibility to internal auditing to support independence and objectivity of the internal audit activity, the Pension Sub Committee should be involved in:

- Approving the internal audit charter;
- Approving the risk based internal audit plan;
- Receiving communications from Internal Audit on its performance relative to its plan and other matters,
- Approving decisions regarding major changes in the Internal Audit program; and
- Making appropriate inquiries of management and Internal Audit to determine whether there are inappropriate scope or resource limitations.

Appendix D: Internal audit charter

Professional competence, reporting and monitoring

Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Internal Audit will align to the Global Internal Audit Standards that are published by the Institute of Internal Auditors and the principles of the UK Internal Audit Code of Practice published by the Chartered Institute of Internal Auditors.

Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS).

Reporting and monitoring

At the end of each audit, the Chief Audit Executive or designee will prepare a written report and distribute it as appropriate.

The Pension Sub Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Chief Audit Executive shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Periodically, the Chief Audit Executive will meet with senior management in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to Senior Management and the Pension Sub Committee.

Appendix D: Internal audit charter

Definitions

Pension Sub Committee	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
Senior management	The individuals at the highest level of organisational management who have day-to-day responsibility for managing the organisation.
Chief audit executive	Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity. The specific job title of the Chief Audit Executive may vary across organisations. Throughout this document, the term 'Chief Audit Executive' refers to Fraser Wilson, PwC Partner.

Thank you

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ITEM No …8………..

REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025**

REPORT ON: **TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – THIRD PARTY MANAGEMENT REVIEW**

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

REPORT NO: **97-2025**

1 PURPOSE OF REPORT

To submit audit reports prepared by the Fund's Internal Auditor, Pricewaterhouse Coopers (PwC).

2 RECOMMENDATIONS

Members are asked to note the content of the report on the audit review undertaken, and to approve the management response.

3 FINANCIAL IMPLICATIONS

None.

4 MAIN TEXT

4.1 The report details the review undertaken that focused on Third Party Management of service providers. PwC have provided an overall rating of this area as 'Satisfactory' driven by one medium-rated and three low-rated findings.

The following areas of good practice were identified -

● Management recognises the growing need for enhanced governance of the pension fund and is currently undertaking a structured review to improve its governance and operations across the Fund. Additionally, management has engaged with other similar pension funds to gather insights and best practices.

● The Management team is informed and knowledgeable over the third-party management of the Fund.

Further details are included in Appendix A of this report.

4.3 The findings and recommendations of the audit have been discussed with management and responses are contained within the report. The implementation of the agreed management actions will be monitored, with progress being reported to the Sub-Committee in due course.

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

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

7 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

Internal audit report 2024/25

Third Party Management Review

Tayside Pension Fund ("TPF")

March 2025

pwc

Contents

Distribution list

For action:
Stuart Norrie (Senior Banking & Investment Officer)
Paul Thomson (Head of Corporate Finance)

Executive summary

Report classification

Satisfactory

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	1	3	-
Operating effectiveness	-	-	-	-	-
Total	-	-	**1**	**3**	**-**

Background and scope

Tayside Pension Fund has been administered by Dundee City Council since 1st April 1996. It is part of the Local Pension Government Scheme (LGPS), which is a statutory scheme established under the primary legislations of the Superannuation act 1972 and Public Service Pensions Act 2013. The Fund has investment assets of c.£5.4billion, and a membership of over 56,900 across 40 plus participating employers. The fund engages a diverse array of third-party suppliers to provide essential outsourced services, including fund managers, investment advisors, actuaries, custodians, system providers, performance measurement services, legal advisors, and covenant advisors.

The effective management of all third parties is key to ensuring the objectives of the Fund are met. Managing and monitoring third-party relationships is crucial for pension schemes due to their direct impact on performance, compliance, and risk profiles. Ensuring third parties deliver expected returns and services is essential for meeting financial objectives and managing risks such as operational disruptions, financial instability, compliance breaches, reputational damage, and data security threats. To mitigate these risks, pension schemes should conduct thorough due diligence, establish clear contractual agreements, implement continuous performance monitoring, and maintain open communication. Regular risk assessments, technology and security evaluations, and compliance checks further safeguard the scheme and ensure it fulfills its commitments to beneficiaries. It is therefore expected that Tayside Pension Fund (TPF) have adequate and appropriate oversight; and that monitoring controls are in place to enable a holistic and effective approach to third party management.

An audit of Third Party Management is included in the 2024/2025 Internal Audit plan approved by the Pension Sub-Committee. This review assessed the design and operating effectiveness assessment of key controls in respect of third party management and has focussed on the following areas:

- Policy and procedures;
- Monitoring and oversight; and
- Training and communication.

See Appendix B for more details.

Executive summary

Summary of findings

The overall rating of this report is 'Satisfactory' driven by one Medium-rated and three Low-rated findings. These are summarised in the table below. Full details, alongside agreed actions from management are within the following sections of the report.

The following areas of good practice were identified:

- Management recognises the growing need for enhanced governance of the pension fund and is currently undertaking a structured review to improve its governance and operations across TPF. Additionally, management has engaged with other similar pension funds to gather insights and best practices.
- The Management team is informed and knowledgeable over the third party management of the fund.

Sub-process	Scope Objectives	Summary of findings
Policy and procedures	• Third party supplier policies and procedures exist in relation to third party management, which clearly outline roles and responsibilities for managing outsourcing arrangements.	**Finding 1 - Absence of formal policy for outsourcing and third-party management (Medium):** TPF does not have a comprehensive and documented policy for managing third-party relationships throughout their lifecycle, which is essential for effective governance and compliance. There is also no training in place for staff. Although established practices, such as utilizing the Norfolk Framework for supplier recruitment, are in place, there is no overarching policy which governs the third party management process.
Monitoring and oversight	• Appropriate controls are in place at TPF to ensure regular and consistent monitoring and oversight of performance management of third parties; including performance management meetings, review of MI and performance packs, and their availability to senior management. • Ensure there is a framework in place to provide adequate reporting to enable monitoring and oversight of key service providers. This will include ensuring there is evidence of review and challenge as appropriate.	**Finding 2 - Incomplete monitoring of third-party performance (Low)**: The fund engages a diverse array of third-party suppliers to provide essential outsourced services, including fund managers, investment advisors, actuaries, custodians, system providers, performance measurement services, legal advisors, and covenant advisors. Whilst a structured performance evaluation process established for fund managers and investment advisors (which carry the largest financial risk to the Fund with over 95% of management costs), formalised performance monitoring mechanisms are not in place for other service providers, creating potential risks that may affect service quality and the overall effectiveness of the fund's operations. **Finding 3 - Absence of register of third party service providers (Low)**: The fund includes a listing of its third-party service providers in its annual report, but there is no centralised and documented list that captures the essential elements necessary for effective governance and oversight. This situation may hinder the fund's ability to appropriately manage supplier risks and ensure adequate oversight of outsourced services. Management has indicated that the procurement team is actively working on developing a comprehensive centralized listing of all third-party suppliers with relevant details.

Executive summary (cont.)

Sub-process	Scope Objectives	Summary of findings
Training and communication	• Robust risk training and awareness programmes exist to support core third party supplier management procedures and are reviewed to reflect any updates or changes to key third party supplier processes. • Training completion rates amongst staff are tracked and reported on, with enforceable consequences for lack of completion.	**Finding 4 - Insufficient documentation of engagement with third-party suppliers (Low):** Quarterly meetings are held with the Fund Managers, Custodian, and Investment Advisor where management engages in discussions about the reports provided by each party. These discussions include inquiries regarding the content of the reports, evaluations of the services rendered, and identification of required improvements. While the reports from these third parties are retained and follow-up emails shared by the suppliers, there is no formal documentation detailing the minutes of these meetings. Specifically, there is no evidence to indicate that management's comments, challenges, decisions made, along with action items from these discussions, are consistently recorded.

Current year findings

1 Absence of formal policy for outsourcing and third-party management

Control Design

Finding rating

Impact	3
Likelihood	iv
Rating	Medium

Finding and root cause

There is currently no formalised and documented policy governing the management of outsourcing and third-party management across the key stages of the third party management lifecycle. This policy should cover critical components such as:

- Due diligence and initial risk assessment
- Selection process
- Ongoing oversight and performance monitoring
- Business continuity planning
- Offboarding process or the procedure for transitioning away from a third-party provider

According to the Pension Regulator guidelines, there should be established, mutually agreed-upon, and documented policies for appointments. These policies must be reviewed at least every three years and must be approved by the governing body prior to commencing any procurement or appointment processes.

While we noted that the fund has established certain practices, such as utilising the Norfolk Framework—a National Local Government Pension Scheme (LGPS) framework—for supplier recruitment and appointing fund managers through the advisory services of Isio, there is no comprehensive policy or procedures document that addresses all aspects of the third-party management lifecycle. This absence could present potential risks to effective governance and compliance.

Furthermore, it has been observed that there is no training provided for staff regarding these processes. This absence of training, along with the absence of a documented policy, may contribute to potential errors, inconsistencies, and inefficiencies, particularly for new employees who might not fully understand the appropriate procedures and expectations.

Potential implications

- Potential non-compliance with regulatory requirements set forth by the Pension Regulator. This may expose the fund to legal risks, potential penalties, and reputational damage.

- The absence of training and a comprehensive policy can hinder staff effectiveness, particularly among new employees who may be unaware of established procedures and expectations. This could lead to inconsistencies, errors, and inefficiencies in managing third-party relationships.

Current year findings

1 Absence of formal policy for outsourcing and third-party management

Control Design

Finding rating

Impact	3
Likelihood	iv
Rating	Medium

Recommendations

1. Management should establish a formal documented policy for managing outsourcing and third-party providers, encompassing all lifecycle stages—due diligence, selection, ongoing oversight, business continuity planning, and offboarding. Ensure the policy aligns with regulatory requirements and best practices and that it is approved by the governing body.

2. Schedule regular reviews of the policy at least every three years, as per the Pension Regulator's guidance.

3. Establish a training program for relevant staff on the policy's requirements and procedures. This will promote compliance, enhance understanding, and drive consistent application.

Management action plan

All of the above recommendations will be implemented on or before relevant target date.

Responsible person/title:

Service Manager – Financial Services

Target date:

September 2025

Current year findings

2 Incomplete monitoring of third-party performance

Control Design

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Finding and root cause

The fund engages a diverse array of third-party suppliers to provide essential outsourced services, including fund managers, investment advisors, actuaries, custodians, system providers, performance measurement services, legal advisors, and covenant advisors. While a structured performance evaluation process is effectively implemented for fund managers, custodian and investment advisors (which carry the largest financial risk to the Fund with over 95% of management costs), conducted on a quarterly basis and reported to the Pensions Committee, there are currently no formalised performance monitoring mechanisms in place for the remaining service providers.

Potential implications

- The absence of established performance evaluation processes for service providers may lead to compliance risks and operational inefficiencies.
- The fund may be unaware of underlying risks, making it challenging to address issues before they escalate.

Recommendations

1. Develop and implement a formal performance monitoring framework for all third-party, outlining specific evaluation criteria, frequency of assessments, and reporting processes to the governing body.
2. Schedule regular reviews of third-party supplier performance, ensuring that findings are documented and communicated to relevant stakeholders. This will facilitate ongoing oversight and accountability across all service providers.

Current year findings

2 Incomplete monitoring of third-party performance

Control Design

Management action plan

Management action plan	
All of the above recommendations will be implemented on or before relevant target date.	Responsible person/title:
	Service Manager – Financial Services
	Target date:
	December 2025

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Current year findings

3 Absence of register of third party service providers

Control Design

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Finding and root cause

We noted that the fund includes a listing of its third-party service providers in its annual report as part of the annual accounts process. However, there is currently no centralised and documented list of third-party suppliers that incorporates the essential elements necessary for effective governance and oversight. Key components of a comprehensive supplier list should include:

- Supplier name
- Contact information
- Nature of services provided
- Contract start and end dates
- Risk assessment outcomes
- Contract Status
- Contract Value

While the annual report provides a listing, it does not serve as a centralised resource containing the details needed to manage the third party relationships effectively. This approach may limit the fund's ability to address supplier risks appropriately and ensure adequate oversight of the outsourced services provided.
From discussions with management, we understand that the procurement team is in the process of developing a centralised listing of all third-party suppliers, which will include all relevant details.

Potential implication

- The absence of a centralised and detailed list of third-party suppliers may hinder the fund's ability to maintain adequate visibility into their performance and associated risks.

Recommendations

1. Management should develop and maintain a centralized, documented list of all third-party suppliers that includes essential elements such as name, services provided, contract details, performance metrics, and risk assessments. This list should be easily accessible for ongoing reference and oversight.

2. Implement a process to regularly update and review the third party list to ensure that it remains accurate and comprehensive. This process should include periodic assessments of third party performance and compliance status, facilitating proactive risk management and effective oversight.

Current year findings

3 Absence of register of third party service providers

Control Design

Management action plan

All of the above recommendations will be implemented on or before relevant target date.	Responsible person/title: Service Manager – Financial Services Target date: December 2025

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Current year findings

4 Insufficient documentation of engagement with third-party suppliers

Control Design

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Finding and root cause

Quarterly meetings are held with the Fund Managers, Custodian, and Investment Advisor where management engages in discussions about the reports provided by each party. These discussions include inquiries regarding the content of the reports, evaluations of the services rendered, and identification of required improvements.

While the reports from these third parties are retained and follow-up emails shared by the suppliers, there is no formal documentation detailing the minutes of these meetings. Specifically, there is no evidence to indicate that management's comments, challenges, decisions made, along with action items from these discussions, are consistently recorded.

Potential implications

- The absence of formal documentation from these meetings may hinder management's ability to provide clear evidence of their engagement and discussions with third-party providers.
- Without formal records, there is an increased risk that key action items may be overlooked, leading to unresolved issues.
- Not having written documentation may conflict with best practices for corporate governance and could expose the fund to regulatory scrutiny regarding due diligence and oversight.

Recommendations

Management establish a formal process for documenting minutes of all quarterly meetings with the suppliers. This process should ensure that discussions, management reviews, action items, and decisions are appropriately recorded and distributed to relevant stakeholders.

Current year findings

4 Insufficient documentation of engagement with third-party suppliers

Control Design

Management action plan

Management action plan	
All of the above recommendations will be implemented on or before relevant target date.	Responsible person/title: Service Manager – Financial Services Target date: December 2025

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Appendices

Appendix A: Basis of our classifications

Individual finding ratings

Findings are assessed on their impact and likelihood based on the assessment rationale in the tables below.

Impact rating	Assessment rationale
6	A finding that could have a: • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	A finding that could have a: • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in large fines and consequences; or • Significant impact on the reputation or brand of the organisation.
4	A finding that could have a: • Major impact on operational performance; or • Major monetary or financial statement impact; or • Major breach in laws and regulations resulting in significant fines and consequences; or • Major impact on the reputation or brand of the organisation.
3	A finding that could have a: • Moderate impact on the organisation's operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations with moderate consequences; or • Moderate impact on the reputation of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Impact rating	Assessment rationale
2	A finding that could have a: • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
1	A finding that could have a: • Insignificant impact on the organisation's operational performance; or • Insignificant monetary or financial statement impact; or • Insignificant breach in laws and regulations with little consequence; or • Insignificant impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Likelihood

Likelihood rating	Assessment rationale
vi	Has occurred or probable in the near future
v	Possible in the next 12 months
iv	Possible in the next 1-2 years
iii	Possible in the medium term (2-5 years)
ii	Possible in the long term (5-10 years)
i	Unlikely in the foreseeable future

Appendix A: Basis of our classifications

Finding rating

This grid is used to determine the overall finding rating. Issues with a low impact and likelihood rating will not be reported.

	Impact rating					
Likelihood rating	**6**	**5**	**4**	**3**	**2**	**1**
vi	Critical	Critical	High	High	Medium	Medium
v	Critical	High	High	Medium	Medium	Low
iv	High	High	Medium	Medium	Low	Low
iii	High	Medium	Medium	Low	Low	Low
ii	Medium	Medium	Low	Low	Low	Not reportable
i	Medium	Low	Low	Low	Not reportable	Not reportable

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
●	Satisfactory	6 points or less
●	Satisfactory with exceptions	7 – 15 points
●	Needs improvement	16 – 39 points
●	Unsatisfactory	40 points and over

Appendix B: Terms of reference

This review is being undertaken as part of the 2024/25 internal audit plan approved by the by the Pension Sub-Committee.

Background and audit objectives

The effective management of all third parties is key to ensuring the objectives of the Fund are met. It is therefore expected that Tayside Pension Fund (TPF) have adequate and appropriate oversight; and that monitoring controls are in place to enable a holistic and effective approach to third party management.

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

As at 31st March 2024, Tayside Pension Fund had investment assets of c.£5.4billion, and a membership of over 56,900 across 41 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

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

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

An audit of Outsourcing and Third Party Management is included in the 2024/2025 Internal Audit plan approved by the Pension Sub-Committee. The objectives of this audit is to assess the design and operating effectiveness of key controls in respect of third party management.

Appendix B: Terms of reference

Sub-process	Objectives	Risks
Policy and procedures	• Third party supplier policies and procedures exist in relation to third party management, which clearly outline roles and responsibilities for managing outsourcing arrangements.	• There is no clearly articulated procedures and guidance for the management of outsourcing risk resulting in a lack of clarity over roles and responsibilities, governance and oversight.
Monitoring and oversight	• Appropriate controls are in place at TPF to ensure regular and consistent monitoring and oversight of performance management of third parties; including performance management meetings, review of MI and performance packs, and their availability to senior management. • Ensure there is a framework in place to provide adequate reporting to enable monitoring and oversight of key service providers. This will include ensuring there is evidence of review and challenge as appropriate.	• Insufficient oversight and challenge of the functions and activities outsourced to third parties. • Lack of third party monitoring may result in issues and underperformance going unnoticed. • Insufficient oversight and challenge of the functions and activities outsourced to third parties.
Training and communication	• Robust risk training and awareness programmes exist to support core third party supplier management procedures and are reviewed to reflect any updates or changes to key third party supplier processes. • Training completion rates amongst staff are tracked and reported on, with enforceable consequences for lack of completion.	• Training is insufficient, inadequate or misaligned to good practice. • Evidence of training completion is not monitored leading to knowledge gaps amongst staff.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Thank you

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REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025**

REPORT ON: **TREASURY POLICY STATEMENT 2025/26**

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

REPORT NO: **98-2025**

1 PURPOSE OF REPORT

This report revises the Fund's Treasury Policy Statement which is intended to govern all treasury activities carried out by Tayside Pension Fund.

2 RECOMMENDATION

The Sub-Committee is asked to approve the policies and procedures laid out in the appended Treasury Policy Statement 2025/26, noting that the Treasury Policy Statement must be reviewed annually, and that there are no changes.

3 FINANCIAL IMPLICATIONS

None.

4 INTRODUCTION

The Pension Sub-committee of the City Governance Committee and Pension Board approved the current Treasury Policy Statement on 18 March 2024 (Report no 77-2024) which incorporated activities of Tayside Pension Fund. The statement is subject to review annually or earlier in the event of a major policy change.

5 TREASURY POLICY STATEMENT

This document sets out the policies and objectives of Tayside Pension Fund's Treasury Management activities and the practices which will be used to achieve these.
It contains -

- Treasury Management Policy Statement
- Delegations of Authority and Governance
- Creditworthiness & Permitted Counterparties
- Cash & Liquidity Management Policies
- Treasury Management Practices (Main Principles in 12 key areas)

6 POLICY IMPLICATIONS

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

The major issues identified relate to Risk Management and these are addressed in Treasury Management Practices.

7 CONSULTATION

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

8 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

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Tayside
Pension Fund

TREASURY POLICY
2025-2026

Executive Director of Corporate Services
Dundee City Council, Administering Authority
March 2025

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1. TREASURY MANAGEMENT POLICY STATEMENT

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 13 of its Financial Regulations. Investment policy and decisions (including those relating to Treasury Management) are delegated to the Pension Sub-Committee of the Policy and Resources Committee. The Pension Board assist the Sub-Committee with securing compliance to the regulations.

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

Dundee City Council in its administering role, defines its treasury management activities as:

"The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

It regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

It acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques, within the context of effective risk management.

All treasury management activities must comply with the appropriate regulations, codes and guidance as stated in the Treasury Management Policy Statement of Dundee City Council.

2. DELEGATIONS OF AUTHORITY & GOVERNANCE

The scheme of delegation for treasury management of Tayside Pension Fund are in accordance with that for Dundee City Council and referred to in their Treasury Management Policy Statement

3. CREDIT WORTHINESS & PERMITTED COUNTERPARTIES

In undertaking treasury management for the Fund, the Council's investment priorities (as stated in their policy) will be security first, liquidity second and then return. The Council manage Credit Worthiness of counterparties in line with their own policy and the following are permitted Counterparties for investment transactions:

The Council will only use UK regulated institutions, with the maximum deposit will be in line with counterparty credit rating as follows:

Short Term Credit Rating**

- F1+ £10m
- F1 £5m
- AAAmf - Money Market Funds £10m
- Part-Nationalised UK Banks £5m
  (with a minimum holding of 20% as per LAS approach)

Any institution whose credit rating falls below the limits F2 will no longer be a permitted counterparty for further transactions (subject to advice from Treasury Advisor).

** Fitch Ratings Definition - Short-Term Ratings Assigned to Issuers or Obligations in Corporate, Public and Structured Finance

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality - Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

4. CASH & LIQUIDITY POLICY

The Fund's policy is to ensure the efficient and effective management of cash resources to maximise investment income while ensuring sufficient cash on hand to meet obligations and avoid funding shortfalls.

This policy also contributes towards meeting the Fund's obligations to all relevant parties by ensuring the existence of an effective cash management system to provide for the payment and investment of cash, transmitting timely and reliable cash flow forecasts and ensuring compliance with relevant statutory and regulatory requirements.

Monies managed for Treasury purpose will be low value and short-term in nature, used to provide payment of pension benefits. Any higher balances are transferred to external pension investment managers, who invest per their individual investment mandates.

In addition to the above, as part of their remit, the Pension Fund's custodian undertakes short term cash management investment activities on behalf of the fund and operate to pre-agreed criteria within their mandate.

5. TREASURY MANAGEMENT PRACTICES

Dundee City Council in its administering role will follow the main principles as detailed in their separate policy, listed as:

- TMP 1 Risk Management
- TMP 2 Performance Measurement
- TMP 3 Decision-making and analysis
- TMP 4 Approved Instruments, Methods and Techniques
- TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements
- TMP 6 Reporting Requirements and Management Information Arrangements
- TMP 7 Budgeting, Accounting and Audit Arrangements
- TMP 8 Cash and Cash Flow Management
- TMP 9 Money Laundering
- TMP 10 Training and Qualifications
- TMP 11 Use of External Service Providers
- TMP 12 Corporate Governance

REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025**

REPORT ON: **TREASURY MANAGEMENT STRATEGY 2025/2026**

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

REPORT NO: **99-2025**

1 PURPOSE OF REPORT

This report reviews the Treasury Management Strategy for Tayside Pension Fund.

2 RECOMMENDATIONS

The Sub-Committee is asked to approve the Treasury Management Strategy.

3 FINANCIAL IMPLICATIONS

None

4 BACKGROUND

From 1 December 2009, as a requirement of legislation in order to ensure greater transparency of Pension Fund monies, Tayside Pension Fund has operated a separate bank account from that of Dundee City Council.

Although the Pension Fund's investments are all managed externally there are frictional cash balances which are held internally. These arise from timing differences between receipt of pension contributions and payment of pensions within the month.

The previous Treasury Management Strategy for the Pension Fund (Article XI of the Minute of Meeting of the Pension Sub-Committee of Policy and Resources Committee & Pension Board of 18 March 2024, report no. 78- 2024 refers) reviews this strategy.

5 TREASURY MANAGEMENT STRATEGY 2025/2026

The Pension Fund's Treasury Management Strategy is based on cash flow management to ensure that sufficient funds are held to make all necessary payments with the primary concern of ensuring security and accessibility of cash to allow the capital to be preserved.

6 POLICY IMPLICATIONS

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

7 CONSULTATION

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

8 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

TREASURY MANAGEMENT STRATEGY 2025-2026

Executive Director of Corporate Services
Dundee City Council, Administering Authority
March 2025

INDEX

1. INTRODUCTION

1.1 Background

From 1 December 2009, Tayside Pension Fund has operated a separate bank account from that of Dundee City Council. This is a requirement of legislation and ensures greater transparency of Pension Fund money.

Although the Pension Fund's investments are all managed externally there are frictional cash balances which are held internally. These arise from timing differences between receipt of pension contributions and payment of pensions within the month.

Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 Treasury Management Strategy for 2025/26

The strategy for 2024/25 covers the following Treasury Management areas:

- investment strategy;
- investment interest risk

These elements cover requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government Investment Regulations not included in the Treasury Policy.

2. ANNUAL INVESTMENT STRATEGY

2.1 Investment strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The current forecast is for Bank of England base rate is to continue to decrease since a peak of 5.25% in Q4 2023. Base rate forecasts for financial year ends (March) are:

2024/25	4.50%
2025/26	3.75%
2026/27	3.50%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 3 months during each financial year are as follows:

2024/25 (residual)	4.60%
2025/26	4.10%
2026/27	3.70%
2027/28	3.50%
2028/29	3.50%
Years 6 - 10	3.50%
Years 10+	3.50%

For its cash flow generated balances, the Fund will seek to utilise its money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

2.2 Investment interest risk

The Fund holds relatively low levels of cash internally which allows fund managers to actively manage the majority of cash balances. The table below details projections for investment cash balance (31 March), the average investment cash balance, investment interest along with an average interest rate.

£000s	Actual 2023/24	Outturn 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28
Investment cash balance (31 March)	13,260	5,000	5,000	5,000	5,000
Average investment cash balance	18,500	19,900	15,000	15,000	15,000
Investment interest	893	950	615	555	525
Average interest rate	4.83%	4.77%	4.10%	3.70%	3.50%

The above investment interest is generated from either Money Market Funds or call accounts. We are currently expecting around £950,000 of estimated income this financial year based on an average interest rate of 4.77% and an average cash balance of £19.9m.

ITEM No …11………..

REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025**

REPORT ON: **PENSION ADMINISTRATION STRATEGY**

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

REPORT NO: **100-2025**

1 PURPOSE OF REPORT

This report sets out the Fund's policy in respect of the standards required of both the Fund and the participating employers to ensure that statutory obligations are met and to demonstrate effective and efficient service delivery. The strategy contains a variety of performance measures against which the Fund and participating employers are assessed, with performance reported to the Committee.

2 RECOMMENDATIONS

The Sub-Committee is asked to approve the strategy contained within, noting that there are no changes.

3 FINANCIAL IMPLICATIONS

There are no financial implications.

4 BACKGROUND

The current Administration Strategy was approved by the Sub-Committee on 31 August 2015 (Article III of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee & Pension Board of 31 August 2015, Report No 318-2015 refers). Administration performance reporting has been reported on a quarterly basis since September 2016.

As part of an internal audit, PwC made recommendation that the Fund's Administration Strategy be reviewed on an annual basis and subject to Sub-Committee approval (Article VI of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee & Pension Board of 7 December 2020, Report No 339-2020 refers).

5 EMPLOYER CONSULTATION

Employers have been consulted in the drafting of this strategy and have also received the draft report.

6 POLICY IMPLICATIONS

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

There are no major issues, other than Risk Management itself, which is addressed through the register.

7 CONSULTATIONS

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

8 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

PENSIONS ADMINISTRATION STRATEGY

2025-26

CONTENTS

1. Introduction

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

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

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

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

This document sets out the duties and statutory responsibilities of the employer (Appendix A), the Fund (Appendix B) and also specifies the level of services the parties will provide to each other (Appendices C & D) and the performance measures used to evaluate them (appendix E).

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

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

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

2. Pension Administration Strategy Statement

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

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

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

3. Roles and responsibilities

- Employer's duties and responsibilities listed in Appendix A
- Fund duties and responsibilities are listed in Appendix B.

4. Service standards and Performance Measures

Service standards in relation to the Employer are shown in Appendix C with performance measures being shown in Appendix E.

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

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

Service standards in relation to the Fund are shown in Appendix D with performance measures being shown in Appendix E.

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

5. Member Data

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

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

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

6. Communication

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

7. Monitoring and Reporting

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

8. Discretions

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

9. Improving employer performance

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

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

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

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

The Fund may make the following charges:

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

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

Appendix A – Duties and responsibilities of scheme employers

- To decide those employees eligible to become members of the Scheme.
- If eligible, a new employee must be treated as a member unless he/she elects otherwise.
- To advise employees of their rights under Auto Enrolment legislation.
- To determine a member’s pay (or fees) for the purposes of pension contributions
- To supply timely and accurate information to the Fund regarding new members, leavers and changes in employment required for pension administration purposes
- To determine and advise members of their contribution rate annually on the basis of the member’s rate of pensionable pay having regard to guidance issued by the Scottish Ministers, and to ensure such deductions are made from members pay.
- To decide whether members are employed in a full-time, part-time or variable time capacity. If part-time, to determine the proportion of comparable full-time hours.
- To issue a Certificate of Protection of Pension Benefits if asked to do so by scheme member within 12 months of a material reduction or restriction in the member’s pay, where such reduction or restriction arose otherwise than by virtue of the member’s own volition. A copy of the Certificate should be kept on file, with another issued to the member and the Fund.
- If a Certificate of Protection of Pension Benefits is issued, to keep a record of the member’s pay for the period commencing 3 years before the effective date of the certificate and ending 10 years after the effective date of the certificate.
- To comply with relevant auto-enrolment legislation regarding members who have previously opted out of the Scheme, including auto-enrolling such members again as required.
- To use an independent Medical Officer qualified in Occupational Health Medicine, (who has been approved by the Fund), in determining ill-health retirement and provide the Fund with a relevant certificate where appropriate.
- To notify a member, in writing, whose rights or liabilities are affected by a ‘first instance’ decision made by the employer under the Regulations
- To appoint a person designated to receive appeals from employees on ‘first instance decisions’ under the Regulations.
- When issuing any statement issued to an employee relating to any decision made about the scheme, to include a notice drawing the employee's attention to their right of appeal under the LGPS. However, the Fund will issue, on behalf of the employer, a Statutory Notice detailing when a member joins the Fund. This Statutory Notice includes details of the employee’s right of appeal against the decisions made at these times.
- To ensure that all member election to move between the main and 50:50 sections are applied and that notification is issued to the Fund.
- To determine a member’s entitlement to benefit on cessation of scheme membership, employment or on a member’s application for early release of benefits or flexible retirement and provide early retirement authorisation as and when appropriate.
- Where an employee opts out of the Scheme within the timescale for auto-enrolment, the employer must:
    - ensure that pension contributions deducted previously are refunded previously
    - advise the Fund via the appropriate secure online portal that the employee has opted out and should be treated as never having been a member of the Scheme
- To determine and provide final pay for the purposes of calculating benefits due from the Scheme, both in terms of a members CARE pay and also their Fulltime Equivalent (FTE).
- To collect, pay over and account for the deduction of the correct rate of pension contributions payable by both the members and the Employer.

- If notified of a member's election to pay Additional Voluntary Contributions, to deduct from the member's pay the specified amount and to pay over those amounts to the relevant AVC provider/Fund. To ensure that final payments are deducted made to the provider before a member's retirement (where possible).

- To provide prospective members with basic information about the Scheme using, by signposting them to the Fund website at www.taysidepensionfund.org.

- To ensure those not joining are fully aware of the benefits given up and that equalities principles are met.

- To maintain employment records for each scheme member for the purposes of determining membership and entitlement to pension benefits.
- To decide whether to award additional compensatory years under the Discretionary Regulations. At the request of the employer, the Fund will calculate and pay the benefits arising as a result of the employer awarding additional compensatory years along with the main scheme benefits, and the employer will reimburse the Fund for all such amounts paid. Where the Fund is not reimbursed within the agreed timescale, the payment of such additional benefits may cease until the matter is resolved to the satisfaction of the Fund.
- To provide details of officers or representatives who are to receive employer communications issued by the Fund. Details should be kept up to date as necessary.
- To provide details of senior officers or representatives authorised to sign early retirement authorisation letters/memos.
- To ensure that all relevant officers (e.g. HR/Payroll) can access the Fund's secure online portal in order to submit forms and other information
- To ensure all information is provided as required regarding members' employment, using the secure online portal. Data provided should comply with Data Protection legislation.
- To provide additional information as required for actuarial valuation, year-end exercises, data-matching or communication purposes. The specification for such exercises will be provided by the Fund and may, after consultation, be modified from time to time.

- To respond to Fund queries resulting from the annual year end routines by the date determined annually by the Fund to facilitate the preparation of annual benefit statements.

- To ensure the Fund is informed about, and Government guidance is followed in respect of, any transfer of members in respect of an outsourcing of service arrangement, and any subsequent changes to that arrangement which would impact on those members.

- To inform the Fund of any planned changes to their pension provision for employees, including whether the scheme is open to new employees, bulk transfers of employments or any redundancy exercises as soon as known.

- Annual report and account information should be provided to the Fund as soon as possible after the Employers year end.

- To maintain awareness and understanding of the Fund's Governance Policy, Actuarial Valuation Reports and Funding Strategy Statement and take part in consultations on strategic issues.

- Employers must complete and return a compliance certificate on an annual basis. This document confirms that employers understand their responsibilities and statutory obligations under the Scheme Regulations.

- To inform members awarded additional compensatory years that the payment of the award will be subject to restriction should they take up further employment with an employer participating in the LGPS.

- To pay the Fund, by lump sum and within prescribed time limits, any amounts arising as a result of the employer’s decision to increase total membership and/or increase annual pension under the Regulations.

- To pay the Fund, by lump sum payment and within prescribed time limits, any strain cost arising from a decision made by the employer to award early payment of benefits.

- To pay monthly contributions due to the Fund by electronic payment method no later than the 19th of month following that in which deductions were made.

Appendix B – Duties and responsibilities of the Fund

- To maintain the Tayside Pension Fund.
- To invest pension contributions received and account for and manage the Fund's assets.
- To arrange for the triennial actuarial valuation of the Fund and send copies of the resulting report to employers by the first anniversary of the valuation date.
- To set up and maintain one or more record(s) for each member which contains all the necessary information for the production of an accurate benefit calculations.
- To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- To notify members of decisions regarding the counting of service or additional pension.
- To calculate and pay the appropriate benefits, based on the member's record, and the termination and pay details (both CARE and FTE) provided by the employer when a member ceases pensionable employment.
- To calculate and process transfers of members' pension rights inwards and outwards.
- To supply members with a Statutory Notice on commencing membership, or on an increase in membership following a transfer of pension rights.
- To supply survivor beneficiaries with notification of their entitlements.
- To appoint a suitable person for the purposes of the scheme's internal dispute resolution procedure.
- To increase pensions annually in accordance with the provisions of Pensions Increase Acts and Orders.
- To produce and issue annual benefit statements to active and deferred members, by 31st August annually.
- To produce and issue Pension Saving statements to those who have exceeded their annual allowance by 6th October annually.
- To publish and review the Fund's Governance Policy and Funding Strategy Statement and prepare annual report and accounts.
- To prepare, maintain and publish a written policy in respect of communication with employers and scheme members.
- To prepare, maintain and publish a written policy in respect of Fund Discretions under the LGPS.
- To appoint an actuary for the purposes of the triennial valuation of the Fund and to provide periodical actuarial advice when required.
- To appoint Additional Voluntary Contributions provider(s).
- To comply with any orders or instructions issued by The Pensions Regulator or the Pensions Ombudsman. Where the order or instruction requires financial compensation or a fine to be paid from the Fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned shall be recharged to the employer
- To issue forms, newsletters and such other materials as are necessary in the administration of the Scheme, for members and for use by employers.
- To provide accurate, timely data to the Fund actuary for the purposes of the triennial actuarial valuation of the Fund and for employer accounting reports (e.g. FRS17) requested.
- Where appropriate, to pay benefits based on additional compensatory service awarded by an employer in accordance with the provisions of the Discretionary Regulations.
- To aid employers in regard to the pension implications of outsourcing services and to deal with any related bulk transfers of pension rights.
- To comply with HMRC reporting requirements regarding pension benefits.

- To ensure that sufficient information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.
- To ensure that steps are taken at all times to pay benefits to appropriate beneficiaries only and to reduce the possibility of fraud.
- To ensure compliance with Data Protection legislation including use of appropriate secure data transfer methods.

Appendix C – Service Standards (Employer)

- Employers must provide the following information in relation to scheme members.
- Information must be issued in the agreed format and submitted electronically.
- Employers must ensure that GDPR is adhered to.

Information to be supplied by the Employer	**Information Required / Action by Employers**	**Timescale**
Employee Contribution Rate	To decide and deduct the correct contributions rate, in accordance with guidance issued by the Scottish Ministers	• At commencement • Accompanying each subsequent end of year schedule, a notification of the rate applicable for the following year is required
Employer Contribution Rate	To apply changes in the Employer contribution rate as per the Fund Actuary	• At commencement of membership • Thereafter as per Rates & Adjustment Certificate of the latest Actuarial Valuation.
Monthly Contributions	Amount of contributions paid by the employee and employer and also to include the amounts paid in respect of AVC's APC's and Added Years. Payment is to be made via BACs and in the format agreed between the employer and the Fund.	• No later than the 19th of the month after deductions have been made. • Electronic submission of data required.
CARE (including Assumed Pensionable Pay APP) & Fulltime Equivalent Pay (FTE)	CARE, or where applicable APP and FTE pay to be notified by the employer to maintain the member's pension scheme record.	Monthly as part of the submission of monthly contributions
Additional Voluntary Contributions	Deduct contributions as per member instructions and forwarded deductions either to the Fund or the provider.	• Where monies are being paid direct to the provider – no later than the 19th of the month following that in which they were deducted. • Where the monies are being paid to the Fund these must be received prior to this date to allow for their onward transmission to the provider. • Electronic submission of data is required
Strain on the Fund Payments	Payment as agreed.	On receipt of invoice or in line with agreed payment arrangement.
Compensatory Added Years	Payment to the Fund of any amounts paid on behalf of the scheme employer as awarded under the Discretionary and Injury Payments Regulations	On receipt of invoice or in line with agreed payment arrangement.

New Starts	Information required to create a new pension scheme record. This information must be supplied in the agreed format.	• Received no later than the end of the month following the date of entry. • Submissions must be made electronically.
Changes in Circumstances	Information required to maintain member pension scheme record including such changes as • Move to and from the 50:50 section of the scheme • Changes of Address • Changes of Name • Breaks in Membership (e.g. unpaid leave, trade dispute) • Changes of Hours Information to be issued to the Fund using the agreed format.	• Received no later than the end of the month following the change in circumstance. • Submissions must be made electronically.
Early Leavers under age 55 - Where the member does not have right to immediate payments of benefits. (Over 55 - please process as per Voluntary Retirement)	• Completed Cessation Form, including where appropriate earnings for previous years where the member is in receipt of a valid Certificate of Protection of Pension Benefits. • Copy of the opting out form (where applicable)	Received no later than the end of the month following the date of leaving/opting out.
Retirement Estimates (individual)	Where the member has an AVC and/or a Certificate of Protection. Otherwise estimates can be run by the member using the Member Self Service Portal. Employer to issue a completed Estimate Form, including where appropriate earnings for previous years where the member is in receipt of a valid Certificate of Protection of Pension Benefits	Requests must be received at least 3 months prior to the estimated retirement date.
Retirement Estimates (Bulk)	• Where 10 or more estimates are required by an employer this is deemed to be a bulk exercise. • Employers should contact the Fund for details of the data required and submission format. • Employers must note that for a bulk estimate the grounds for retirement, award of any Compensatory Added Years (where applicable) and date of leaving must be the same for all members.	3 months' notice
Voluntary Retirement	• Completed Cessation Form, including where appropriate earnings for previous years where the member is in receipt of a valid Certificate of Protection of Pension Benefits • P45	At least 20 working days prior to the member's retirement date, but no later than 5 working days from the end of the month in which the retirement occurred.

Ill Health Retirement	• Completed Cessation Form, including where appropriate earnings for previous years where the member is in receipt of a valid Certificate of Protection of Pension Benefits. • A completed Ill Health Certificate by the Occupation Health Practitioner and employer must also be issued. • P45	No later than 5 working days after the members date of leaving.
Redundancy/ Business Efficiency	• Completed Cessation Form, including where appropriate earnings for previous years where the member is in receipt of a valid Certificate of Protection of Pension Benefits. • Notification of the award of any Compensatory Added Years (where applicable). • Signed authority from the employer of the redundancy/business efficiency • P45	At least 20 working days prior to the member's retirement date but no later than 5 working days from the end of the month in which the retirement occurred.
Flexible Retirement	• Completed Cessation Form, including where appropriate earnings for previous years where the member is in receipt of a valid Certificate of Protection of Pension Benefits. • Signed authority from the employer granting the flexible retirement.	At least 20 working days prior to the member's retirement date but no later than 5 working days from the end of the month in which the retirement occurred.
Death in Service	• Completed Cessation Form, including where appropriate earnings for previous years where the member is in receipt of a valid Certificate of Protection of Pension Benefits. • Copy of the Death Certificate is available. • Details of the next of kin.	No later than 10 working days following the date of death.
Queries raised in relation to the processing of a member's retirement, Death in service or Early Leaver	Queries raised will be issued in an agreed electronic format and replies from the employer must be issued electronically.	• Retirement - No later than 10 working days from the date the query is issued. • Retirement (Ill Health) – No later than 5 working days from the date the query is issued. • Death in Service -No later than 5 working days from the date the query is issued. • Early Leaver – no later than 20 working days from the date the query is issued.
Year End Data Schedules	• Electronic submission for year-end data must be completed on the supplied Fund template and in accordance with the guidance notes included. • End of Year schedules not in the correct format will be automatically returned to the employer.	All files must be accurate, complete and submitted by the deadline date advised.

Responding to Year End Data Queries	All data queries relating to missing or mismatched data will be returned to employers for review and resolution.	As the volume of queries can range between employers a banding system applies to the reply dates: • For queries which number 1 – 49 – to be returned no later than 10 working days from the date of issue • For queries which number 50 – 249 – to be returned no later than 20 working days from the date of issue • For queries which number 250 and over – to be returned within 30 working days from the date of issue But in all cases all must be returned no later than 31st July to allow time for the queries records to be update prior to the issue of the annual benefit statement.
Responding to Annual Benefit Statement Queries (Queries following the receipt of the statement by the employee)	All data queries relating to missing or mismatched data will be returned to employers for review and resolution.	Within 15 working days from the issue of the queries
Responding to Queries in relation to the issue of the issue of annual Pension Saving Statement (Annual Allowance)	All queries and or requests for additional information required to provide scheme members with their annual Pension Saving Statements	Within 10 working days from the issue of the queries.
Responding to queries in relation to the Actuarial Valuation data submission	All data queries relating to missing or mismatched data will be returned to employers for review and resolution	Within 15 working days from the issue of the queries.
Employer Structural Changes	This notification would include such events as, large changes in membership (perhaps TUPE or Fair Deal), bulk transfer of employees to another Fund, changes in corporate status, possible cessation or closure.	As soon as possible, providing all relevant details and requests for information.

Appendix D – Service Standards (Fund)

Those marked with * below are those with a statutory timescale requirement.

Fund Action	Target
To provide scheme membership details to new starters	Within 2 months of the date of entry *
To provide transfer credit information (estimate) (Inward transfer of previous pension rights)	Within 2 months of receipt of required information*
To provide transfer credit information (finalised) (Inward transfer of previous pension rights)	Within 2 months of receipt of information*
To provide retirement estimates (individual) -Where the member has an AVC and/or a Certificate of Protection of Pension Benefits	No more than 2 months from the date of request *
To provide retirement estimates (bulk)	Within 15 working days of receipt of all information
To provide Divorce information	Within 3 months of receipt of all information, or such shorter period is as required by the Courts. *
To issue deferred benefit information	Within 2 months of receiving leaver notification (cessation form) *
To issue transfer out information (CETV Quotes)	Within 3 months from the date of request *
To provide retirement details (retirement options paperwork and details to Retirees)	Within one month where retirement is on or after normal pension age or two months from date of retirement where retirement is before normal pension age.*
To issue finalised retirement details and payment of lump sum	As soon as practicable on receipt of all essential member documents.
Calculate and notify dependent(s) or amount of death benefits	No more than 2 months from the date of becoming aware of death *
To provide annual benefit statements to active and deferred members	By 31st August *
To provide Pension Saving Statements to those who have exceeded the Annual Allowance	By 6th October *
To issue formal valuation results including Rates & Adjustment Certificate	As soon as practical following the receipt from the Fund Actuary
To publish forms required by scheme members and scheme employers	Within 30 days from any revisions
To provide Employer Briefings	As and when required
To provide Technical Bulletins	As and when required
To host meetings with scheme employers	Annually
To arrange training for employers	Upon request
To provide notice to scheme member and employers of changes to the scheme regulations	As and when required
To prove notice to scheme employers of any additional costs (including any interest due) arising from performance	As and when required

Appendix E - Performance Measures		
Scheme Employer		
Task	**Target**	**% in target**
New Starters	Received no later than the end of the month following the date of entry	
Retirement	Received at least 20 working days prior to the member's retirement date, but no later than 5 working days from the end of the month in which the retirement occurred.	
Ill Health Retirement	Received at least no later than 5 days following the date of leaving	
Early Leavers	Received no later than the end of the month following the date of leaving/opting out	
Death in Service Notification	Received no later than 5 working days from date of death.	
Payment of monthly Contributions – No later than the 19th of the month following the deductions of contributions	Received no later than the 19th of the month following the deductions of contributions	
Submission of monthly contributions returns via secure on-line portal	Received no later than the 19th of the month following deduction.	
Fund		
Task	**Target**	**% in target**
New Starters	Within 20 working days from the receipt of the information, but no later than 2 months from the member's date of entry *	
Early Leavers (deferred benefits)	Within 2 months of receiving leaver notification (cessation form)*	
Payment of Retirement Benefits (lump sum)	As soon as practicable on receipt of all essential member documents, but no later than 20 working days from receipt of all essential documents.	
Dependent(s) notification of benefits	No more than 2 months from the date of becoming aware of death *	
Issue Transfer Out – CETV Quotes	Within 3 months from the date of request *	
Issue Transfer Out – CETV Actual	Within 1 month from the receipt of all required information and compliance checks being made	
To provide retirement estimates (individual) -Where the member has an AVC and/or a Certificate of Protection of Pension Benefits	No more than 2 months from the date of request *	
To provide retirement estimates (bulk)	Within 15 working days of receipt of all information	
To provide Divorce information	Within 3 months of receipt of all information, or such shorter period is as required by the Courts. *	
Annual Benefit Statements - Active and deferred Members	No later than 31st August *	
Annual Pension Increase notifications	No later than 30th April *	
Annual Pension Saving Statements (for those who have exceed the annual allowance)	No later than 6th October *	

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 17 MARCH 2025

REPORT ON: TAYSIDE PENSION FUND COMMUNICATION POLICY

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 101-2025

1 PURPOSE OF REPORT

To present a communications policy as required by the Local Government Pension Scheme (Scotland) Regulations 2014.

2 RECOMMENDATIONS

The Committee is asked to approve the Communications Policy which has been reviewed and updated in conjunction with the Fund's Administration Strategy, noting that the Communications Policy must be reviewed annually, and that there are no changes.

3 BACKGROUND

The Local Government Pension Scheme (Scotland) Regulations 2014 requires that a Fund have a Communications Policy.

Regulation 59 states that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members and their representatives; prospective members; and scheme employers. The statement must set out its policy on the following, and must be revised and published following any material changes:

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

3 FINANCIAL IMPLICATIONS

There are no financial implications.

4 POLICY IMPLICATIONS

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

5 CONSULTATIONS

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

6 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

Tayside Pension Fund

COMMUNICATIONS POLICY

MARCH 2025

1. Introduction

Tayside Pension Fund is administered by Dundee City Council, with pension administration and investment services for 40 local government employers and associated bodies and their employees within the Tayside Area.

2. Vision

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

3. Objectives & Aims

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

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

Our aim is that our communications shall:

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

4. Stakeholders

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

- Prospective Scheme Members
- Active Scheme Members
- Deferred Scheme Members
- Pensioner and Dependent Members
- Scheme employers
- Dundee City Council, as the Administering Authority
- The Pensions Committee
- The Pensions Board
- Pensions Team Staff
- Other external bodies such as Scottish Public Pensions Agency, the Pensions Regulator, Scheme Auditors, Scheme Advisory Board and Trade Unions.

5. Communication Methods

- **Fund Website**

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

The website will display:

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

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

- **General Communications**

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

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

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

  - **Postal Address** - **Tayside Pension Fund**
Floor 1, Dundee House
50 North Lindsay Street
DUNDEE, DD1 1EQ

  - **Personal appointments -** By prior arrangement at Dundee House.

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

- **Active Members**

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

  - On joining the pension scheme members will be issued with a welcome pack which will include
    - Welcome Letter including details of the Fund's website: https://www.taysidepensionfund.org/
    - Member Self Service Activation Key for the online self-service portal
  - Scheme Guide – Available on the Fund website
  - Annual Benefit Statement - Personalised statement of each member's pension benefits to the 31st March and also their Normal Pension Age.
  - On request, provision of communications in alternative formats including translation, braille, large print documents or audio.
  - E mail and Member Self Service use wherever possible, however, postal communication is available.
  - Links from the website to other useful sites including www.scotlgpsmember.org

- **Deferred Members**

  There are over 11,600 members with deferred benefits in the scheme but whose pension we are managing until it becomes payable. These include members who have moved to a non-participating employer and others who remain with a scheme employer but have stopped contributing themselves.

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

- **Pensioners and Dependents**

  There are over 20,300 pensioner members including dependents. Again, their needs are met by the same approach as that for active and deferred members, but in addition they also receive annual P60 statement, and payslips for monthly pension changes of over £10 in value.

- **Representatives of Members**

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

- **Prospective Members**

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

- **Scheme Employers**

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

- **Pension Board and Committee**

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

- **Pension Fund Staff**

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

/REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD– 17 MARCH 2025**

REPORT ON: **TAYSIDE PENSION FUND BUSINESS PLAN 2025/2026**

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

REPORT NO: **102-2025**

1 PURPOSE OF REPORT

This report introduces the annual business plan for the Tayside Pension Fund.

2 RECOMMENDATION

The Sub-Committee are asked to note the information within the report and to approve the 2025/2026 Business Plan which applies to the administration and management of the Tayside Pension Fund.

3 FINANCIAL IMPLICATIONS

The costs of the Treasury and Investment and Pensions Administration section are contained within the overall Corporate Services Revenue Budget 2025/2026. Investment manager fees are charged directly to the Fund, as are actuarial and investment consultancy costs.

4 INTRODUCTION

The "CIPFA Pension Panel Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom". A Guide to the Application of the Myners Principles (December 2009) suggests that as one of the means of achieving effective decision making an annual business plan for the pension fund should be prepared and submitted.

This plan is prepared for the Pension Fund as a whole. This is over and above an individual Service Plan for the Financial Services Section as part of Corporate Service's overall planning process.

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

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

7 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **10 MARCH 2025**

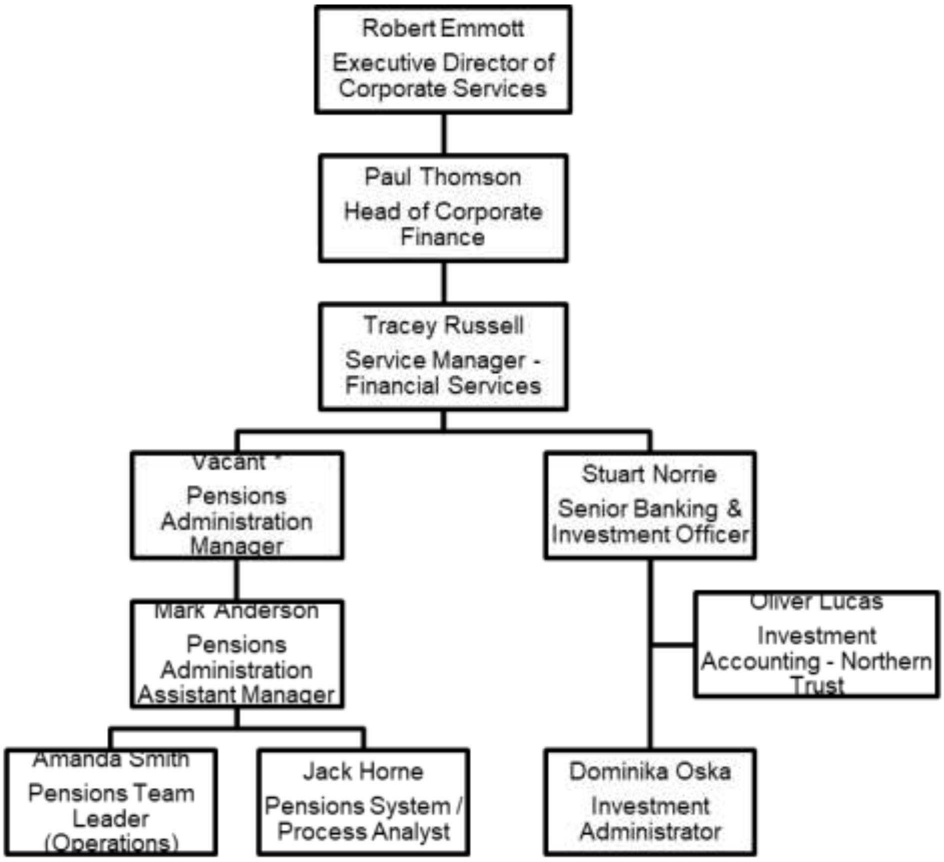
BUSINESS PLAN
2025-2026

1 **INTRODUCTION**

In order to comply with "CIPFA Pension Panel Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme" Principle 1 - Effective Decision Making it is necessary that an annual business plan is prepared for the Funds. This document together with the Statement of Investment Principles will set out the investment philosophy and priorities for the Funds.

2 **STRUCTURE**

The Pension Fund management structure lies within Financial Services as part of Dundee City Council's Corporate Finance function, the structure is detailed below:



* Vacant Pension Administration Manager post is currently being covered by three postholders, namely Assistant Manager, Team Leader (Operations) and System / Process Analyst.

An analysis of the Fund's management costs can be found in Appendix 1.

The Fund are facing an increasing number of new additional legislative and governance requirements in the near future. This, coupled with recommendations of Internal Audits, have highlighted that there is a requirement to review the structure, roles and resources of the Fund to ensure that the Fund is capable of meeting these new challenges. In early 2025/26, a full review will be undertaken as a priority and proposals will be brought to Pensions Sub-committee and Board for approval, with full implementation to follow.

3 **INVESTMENT**

As stated in the Statement of Investment Principles (SIP) the objective of the Fund is to be 100% funded and to that end individual performance targets are set for each manager. These are stated in the SIP. However, these targets can only influence the asset side of the valuation and the liability side also affects the funding level. This is considered more fully in the Funding Strategy Statement (FSS).

The Fund has been transitioning assets recently to reach target asset allocation, there are still further transitions to be carried out in 2025/26, namely 5% allocation to alternative assets and ongoing transitioning of existing equity indexes to ESG alternatives. These exercises will be undertaken throughout the year if market conditions allow. Following the outcome of the 2023 actuarial valuation, a review of the Fund's investment strategy took place and was approved in December 2024, with any recommendations actioned when market conditions favour.

4 **FINANCIAL POSITION**

The value of the Fund was approximately £5,751.4m as at 31 December 2024. Audited accounts for the year to 31 March 2024 are shown in Appendix 2. It is possible that investment manager fees will be subject to increase due to their linkage with the value of funds under management.

Most employer contribution rates are 15.7% of payroll for the 3-year period from 2024/2025 to 2026/2027. There are three employers who pay higher contribution rates due to this scheme being closed to new entrants.

In respect of Fund outflows, it is possible that lump sum benefit payments may increase as some employers in the scheme continue to offer Early Retirement schemes.

5 **PERFORMANCE MANAGEMENT**

Investment Performance Measurement will continue to be provided by Northern Trust, the Fund's custodian.

Investment and administration costs will continue to be benchmarked against national performance indicators and also against information collated by the LGPS Scotland Investment & Governance Group.

The Fund's performance will also be subject to periodic review by both internal and external audit.

6 **INTERNAL AUDIT**

PricewaterhouseCoopers (PwC) are the Fund's Internal Auditors. During 2024/25, audits undertaken reviewed Outsourcing / Third Party Management arrangements, Investment Strategy and Risk Management and Regulatory Compliance. The recommendations made have been accepted and are in the process of implementation now and will be complete during 2025/26.

Audits planned for 2025/26 are as follows:

- Member data quality - assessment of data quality using specialised software which will include ability to quantify the number of members who will pass / fail the Dashboard Find requirements.
- GDPR - review of the design of key controls in respect of GDPR regulations.
- McCloud post implementation - review of the design of controls related to the project approach taken, including data management; approach to calculations and proformas; and the check review process. Review will also encompass member communications and training provided to staff.

7 **ACTUARIAL SERVICES**

These have been provided from 1 July 2004 by Barnett Waddingham. The procurement exercise planned has been subject to delay as a result of operational priorities, and will begin in March 2025.

8 **INVESTMENT CONSULTANCY**

Investment advice is currently provided by ISIO Ltd (formerly KPMG). This contract began on 2 July 2018 following a tendering exercise using the new LGPS Procurement Framework. The period of the contract is for an initial 3 years with an option to extend for a further 1 year plus 1 year, based upon satisfactory performance. This option has been actioned. ISIO provide an annual report to the sub-committee each March (covering the managers and fund performance for the previous full calendar year) and should attend quarterly meetings with fund managers and provide regular advice to the Council's Officers. During 2025/26 they will be assisting with implementation of investment strategy recommendations as approved in December 2024.

9 **FUNDING STRATEGY STATEMENT**

This is produced annually following consultation with the actuary and employers. The funding strategy has been subject to revision following the 2023 valuation to specifically accommodate changes in employer status, and cessation valuation criteria.

10 **KEY MEASURES AND TARGETS**

These are summarised in Appendix 3.

11 **ADMINISTRATION**

Online employer and member services

- **I-**Connect **-** This online portal provides employers with a secure and efficient way to issue essential information required by the fund to ensure accurate information is held on members records.

  The objective in 2025/26 is to improve efficiency and compliance of monthly returns, as there are still a small number of the larger employers who are not providing monthly uploads, and we continue to work with these employers to have this in place.

- Member Self Service – Heywood who are the system provider for the Member Self Service (MSS) system, have announced the end of life of the current arrangement and this will be replaced with a new product, Heywood Engage.

  The existing MSS system will no longer be supported after 2025, and Tayside Pension Fund will be working with Heywood to implement a project plan with key dates for moving to the new system.

  Member Self Service will still be used whilst in operation to issue Annual Benefit Statements, and to allow members to access their pension records to projected pension benefits for certain types of benefit calculations which are available on the system.

McCloud / Sargeant Judgement

The Local Government Regulation were laid on the 1st October 2023. In early 2025 Tayside Pension Fund will continue to work on the implementation of McCloud by completing the required update to member records with the service information provided by employers. This well then allow the finalisation of data for all members in scope. Some employer information is still outstanding, and the fund continue to engage with these employers.

Progress with McCloud will then move to a business-as-usual approach, which will then allow the required calculations to be undertaken to determine which members are affected by the judgement and will then also lead onto the recalculation of benefits that are required.

Software updates are still outstanding in some areas, and these will be implemented when available by the software provider.

GMP Rectification

During 2025/26 the GMP Rectification process will continue in the final stage (phase 3), after the 2025 pension increase has been applied work will begin on the calculations. A time frame of around 10 months is anticipated for this to be complete.

Pensions Dashboard

Pensions Dashboards are a digital service such as apps, tools or websites, which savers will be able to use to see their pension information in one place. The dashboard can be used to search records of all pension schemes to confirm whether they are a member. Dashboards aim to help members plan for their retirement and locate any lost pension pots.

Pension Schemes in scope for the Dashboard need to be connected by the 31 October 2026 and a confirmed staging date of September 2025 is in place for public service pensions.

Tayside Pension Fund has a contract in place with its existing software supplier Heywood to provide an integrated service provider (ISP) to the Dashboard.

In 2025/26 the fund will begin ISP implementation and testing from March 2025 and will be working with the software provider on the set up of the ISP to allow a seamless transition to the Dashboard infrastructure. Support will be provided on data readiness, matching rules assessment, data analytics, compliance status and AVC solutions. Testing on the data cleansing tool kit continues and once finalised will be fully launched.

Dashboard updates will continue to be provided to the Sub Committee in the quarterly administration report.

Annual Report

New guidance on Local Government Pension Scheme annual reports was published by CIPFA and the England & Wales Scheme Advisory Board and has adopted this as mandatory for 2024/25 annual reports. Previous guidance was advisory only in Scotland, and the status of the new guidance in Scotland has still to be confirmed, but Tayside Pension Fund will be reviewing its requirements for compliance. This is likely to entail additional data gathering and publication for some new scheme administration KPIs which are included in the guidance.

TPR General Code of Practice

The Pension Regulator General Code of Practice came into effect from 28 March 2024. The code brings together 10 of the 15 codes of practice into one single code consisting of 51 modules across 5 sections. There are two additional areas of compliance added to the code, these being Cyber Controls and Scams.

Work is in progress at Tayside Pension Fund on the gap analysis and assessment for compliance with the revised code and to implement a plan to address any gaps. Updates on this work will be provided to committee as part of the quarterly reporting process.

12 TREASURY MANAGEMENT

Dundee City Council provides a treasury management service for the Pension Fund, these costs are incorporated within a service level agreement with the administered authority.

Three Year Analysis of Tayside Pension Funds Costs

	2023/24 Actual £000	2024/25 Estimate £'000	2025/26 Budget £'000
Administrative costs *			
DCC Management charge	1,542	1,600	1,650
System costs	481	310	350
Audit fees	132	121	130
Actuary	51	30	35
Other expenses	32	50	50
	2,238	**2,111**	**2,215**
Oversight and Governance costs **	**101**	**105**	**110**
Investment Management expenses			
Management fees	9,431	9,700	10,200
Transactions costs	706	1,050	1,100
Custody fees	103	105	110
Performance monitoring service	25	28	30
Investment consultancy ***	157	100	75
	10,422	**10,983**	**11,515**
Total	**12,761**	**13,199**	**13,840**

* Administration costs are a combination of direct and indirect costs. Indirect costs, those borne by Dundee City Council, are a management charge for services provided by the administering authority. Direct costs include pension administration system, administration consultancy, audit fee, actuary, training and other fund expenses.

** Oversight and Governance costs relate to support costs incurred by the administering authority, namely Corporate and Democratic Core.

TAYSIDE PENSION FUND - FUND ACCOUNT

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

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

TAYSIDE PENSION FUND NET ASSETS STATEMENT

2022/23 £000		2023/24 £000
4,836,157	Investment Assets	5,479,300
(17,965)	Investment Liabilities	(5,423)
4,818,192	**Total Net Investments**	**5,473,877**
20,464	Current Assets	25,533
4,838,656		5,499,410
(4,604)	Current Liabilities	(5,885)
4,834,052	Net assets of the fund available to fund benefits at the end of the reporting period	5,493,525

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

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

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

APPENDIX 3

KEY MEASURES AND TARGETS

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual
1 Pension Fund Administration					
(i) Cost per member					
	£34.55	£28.67	£34.63	£31.64	£38.60
2 Pension Fund Investment					
(i) Annual Investment performance relative to benchmark					
	+0.29%	+8.13%	-5.87%	-1.26%	+1.45%
(ii) Funding level of Pension Fund					
	109%**	109%**	109%**	110%**	110%**

** does not include 10% volatility reserve.

3 Investment Managers — Performance Target (on rolling 3-year basis)

Investment Managers	Performance Target (on rolling 3-year basis)
Fidelity	100% MSCI AC World Index +1.5% pa (gross of fees)
Baillie Gifford Global	100% MSCI AC World Index +1.75% to 2% pa (net of fees)
Baillie Gifford UK	100% FTSE All World Index +1.75% to 2% pa (net of fees)
Schroder Property	100% IPD All Balanced Property Funds Weighted Average Index +0.75% pa
Goldman Sachs	Yield to maturity of 3%+1.25% pa (gross of fees)
LGIM	100% FTSE AW Index +/-0.5%pa (2 out of 3 yrs)

4 Asset Allocation

Tayside Pension Fund - Target Future Asset Allocation		
Asset Class	**Current Allocation**	**Agreed Allocation**
Equities	70%	65%
Fixed Income	18%	13%
Property	12%	12%
Local and Alternative Opportunities	-%	10%

5 Service Providers

Actuarial Services — To continue to monitor funding levels of the Fund and provide actuarial accounting reports to employers as required.

Investment Consultancy — To continue to monitor performance and fees of managers, and advise as required; remain vigilant of asset allocation in relation to required returns; and to support the fund in building the local and alternative opportunities portfolio.