Unaudited

Annual Report and Accounts

2022/23

Tayside Pension Fund

Administered by Dundee City Council

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ABOUT THE FUND

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

As at 31st March 2023, Tayside Pension Fund had investment assets of £4.8billion, and a membership of over 55,500 across 42 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

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

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

Foreword by the Executive Director of Corporate Services

Welcome to the 2022/23 Annual Report and Financial Statements of Tayside Pension Fund. I hope that this report informs our members, employers and other interested stakeholders about the Fund's activities and performance, as well as its investments and financial statements.

Against the backdrop of escalating global geo-political conflict and continuing domestic and global economic challenges, the Fund was unable to maintain asset value and declined to £4.8bn by end of March 2023. Ensuring stability and sustainability has been the focus of the Sub-Committee and Board throughout the year, and the Fund officers have been working with their advisors in challenging the Fund's resilience in light of changed investment cases following both the pandemic but also the changed global environment. This scrutiny continues to be invaluable in ensuring stability, but also, it's position to deal with the unknown future challenges that continue to be encountered.

With pandemic restrictions now a thing of the past, I'm delighted that we have been able to re-introduce in-person appointments for our members, but also that the technological improvements made to enable service delivery without disruption during the pandemic are now providing a robust framework for flexible working for the Fund staff, whilst also enabling on-line meetings with members and employers which has had positive impact on both performance but also improved customer experience.

I was pleased to see the first transitions to environmentally conscious investment funds this year, and I hope that market conditions improve to provide a suitable platform for further investment in the coming year. Climate change is a key focus for us all, and Funds are facing increased pressure to demonstrate not only their commitment to reducing global emissions but also ensuring that these are improving. I hope that the additional information provided in this respect provides members and other stakeholders with the reassurance that Tayside Pension Fund are fully committed to this trajectory.

Lastly, after what has been yet another challenging year for the Fund, I'd like to take the opportunity to thank the Fund officers and staff for their continuing dedication and commitment to not only maintaining a strong and stable Fund, but their ambitions of continuous improvement, and I continue to look forward to working with them, the Sub-Committee, and Board in the coming year, providing sustainable and high-quality services to both the members and employers of the Fund.

Robert Emmott
Executive Director of Corporate Services

Report by the Chair of the Pension Sub-Committee

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

It has been yet another year of unprecedented challenges for the Fund. The hopes that following the end of the pandemic that the Fund would have had a chance to catch breath before encountering new obstacles was shattered following the September mini-budget fall out. Whilst there are small signs that we may be over the worst, the future outlook in the near term is not optimistic, and the Pensions Sub-Committee and Board remain effective stewards in ensuring that the Fund's long-term strategic focus remains amongst this turbulence.

That being said, Fund evolution continues across both investment and administration, and the proactive efforts of the Fund in delivering improvements across all areas provides reassurance to the Sub-Committee and Board of the commitment and the dedication of the Officers and staff in addressing and overcoming any obstacles encountered, as well as taking seeking opportunities.

The transition to environmentally focussed funds during this year and to diversification to alternatives planned for the coming months has been exciting for the Fund and the Sub-Committee look forward to supporting the Officers through this.

Although challenging times ahead, I look forward to working with my colleagues on the Sub-Committee and Pension Board, as well as the officers and staff in the year ahead and acknowledge their continued commitment to Tayside Pension Fund.

Bailie Willie Sawers
Chair of Pension Sub-Committee

Report by the Chair of the Pension Board

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

It has been a difficult year for all aspects of Pension Fund management, so I would like to firstly recognise the efforts of the staff and Officers, as well as my Board and Sub-Committee Colleagues in their continuing dedication to their sound governance of the Fund.

Managing risk is a core part of effective governance, and this year the Fund has worked with specialists to revise our risk management framework and policies to assist us in our fiduciary duties and responsibilities towards our members, employers and local taxpayers. Risks to the security and stability of Tayside Pension Fund should be eliminated, transferred or controlled as far as possible, and to achieve this we are ensuring that risk management is integral to the governance and management of the Fund at both strategic and operational levels. We are integrating risk awareness and management into both the processes and the culture of Tayside Pension Fund to help ensure that the Fund's objectives are met.

The Board are also pleased that the recruitment drive to ensure the smooth introduction of new legislation to remedy age discrimination as well as the introduction of the pensions dashboard to name but a couple of the imminent challenges the LGPS faces in the near future is now complete, and that the pre-work required is now underway to assist in implementation. We will ensure that we work proactively with the Pension Sub-Committee and Fund officers to ensure compliance and best practice throughout.

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

Kenny Dick
Employer Representative & Chair of Tayside Pension Board

MANAGEMENT COMMENTARY

Introduction

The Annual Report has been prepared in accordance with the Code of Practice on Local Authority Accounting for the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003. It is intended to keep members, employers and other interested stakeholders informed about the administration and performance of the Local Government Pension Scheme (LGPS) Fund that Dundee City Council is responsible for administering. Since the repatriation of Tayside Transport Fund back to the main fund on 30th June 2017, the funds have been managed as one entity.

Purpose and Aims

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

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

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

Policies, Strategies & Objectives

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

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

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

Further information can be found at our website:

https://www.taysidepensionfund.org/resources

2022/2023 Events and Activities

Implementing recommendations following Investment Strategy Review

The previous year's investment strategy review made recommendations for further diversification via investment in alternative asset classes, and also for further global equity diversification with increased focus on sustainability, whilst maintaining the long term return strategic benchmark for investment returns of 5.4%p.a. (or CPI + 3%).

At the start of the financial year, 25% of the LGIM global equities passive mandate was transitioned to the LGIM Future World Global Equity Index Fund. This portfolio incorporates environmental, social and governance (ESG) 'tilts' to LGIM designed indices which aims to reduce exposure to companies associated with poor ESG practices and provides greater exposure to those that are better positioned from an ESG perspective. A further small transition was made to the Baillie Gifford Positive Change Fund which aims to deliver a positive change by contributing towards a more sustainable and inclusive world.

Both of these actions are in-keeping with the investment belief of the Fund that that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios through time. So, where it is consistent with its fiduciary duty, the Fund follows the principle of incorporating ESG issues into investment analysis and decision-making processes.

These investments are being closely monitored, and further allocations will be made when market conditions are suitable, in agreement with specialist advisors.

The further recommendation of the introduction of a diversified private markets mandate for 5% of the Fund's overall assets has been explored by Officers and Isio (the Fund's Investment Advisors) to ascertain the most appropriate investment vehicle and procurement requirements. The Fund officers have received delegated authority to progress, and implementation of this allocation is expected in the coming months.

Changes to Regulation / Legislation

The following provides a summary of the legislation published in 2022/23:

SI2022-215	The Public Service Pensions Revaluation Order 2022
SI2022-216	The Social Security Revaluation of Earnings Factors Order 2022
SI2022-297	The Guaranteed Minimum Pensions Increase Order 2022
SI2022-232	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2022
SI2022-333	The Pensions Increase (Review) Order 2022

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

Consultations

- Annual revaluation date change in the LGPS – Scottish Government Consultation 2023

The consultation sought to gather the views on changing the annual revaluation rate from 1st April to 6th April. The change of date would seek to mitigate the impact of high inflation and the consequential tax liabilities which may arise from this. The proposed change would bring into alignment the HMRC process for assessing scheme members annual allowance tax charge with that of the LGPS.

The regulations which would require amendment via the proposal are:

- Regulation 21 – Assumed Pensionable Pay (APP)
- Regulation23 – Active members
- Regulations 24 & 25 – Deferred and pensioner members
- Regulation 27 – Flexible retirement members
- Regulations 39,40, 42, 43 45 & 46 – Survivor benefits
- Regulations 41 & 44 – Death grants for deferred and pensioner members (who die in the period 1st to 5th April)
- Schedule 1 – Definition of revaluation adjustment and revaluation date

The consultation period commenced on 14/03/2023 and a closed on 27/03/2023.

I.T. Developments

- I-Connect

During the year, the team worked with employers to increase their utilisation of the system and functionalities. By end of year, all employers were fully utilising the system for their year end uploads and monthly uploads are now mandatory.

- Member Self Service

All new starters into the LGPS are now provided automatically with MSS joining instructions from their first communication with the Fund. They receive a communication giving full instructions on how to register for the service and notice that all forms to be returned can be opened, completed and returned securely via the MSS portal. The communication allows members the right to opt out receiving communications in this format and for such members a flag detailing their preference is activated within their member record. By end of year, 16,497 active & deferred members were registered, this equates to 30% of total membership (>54% of active & deferred members).

- Contact Centre

The centralised contact centre has now had its full year of operations, and whilst there has been no reduction in call volumes, the functionality has ensured that customer experience for members wishing to contact the Fund by telephone has greatly improved.

- Hybrid Mail

Tayside Pension Fund has adopted this digital mail cost effective handling service that allows the whole team to upload letters and documents to an electronic portal which are then auto-printed, enveloped and posted.

- Altair Database Server upgrade

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

Training, Development and Communication

- Pension Sub-Committee, Board, and Officer training provided throughout 2022/23:

Introduction to investing	Key challenges of LGPS: • TCFD • Stewardship Code • Triennial Valuation
Investment strategy when 100% funded	Social investing
Private companies investing	Commercial property: • Net zero journey • Refit vs new build • Key considerations of "green" fitting
Demographics – Challenges created by ageing population on economic growth, inflation and interest rates	Investing in emerging markets and considerations in relation to sustainability
Introduction to growth investing	Macroeconomics
Positive impact investing	Exploring investment opportunities in current economic environment
ESG – Long term engagement	Stewardship & Governance
Income investing for growth style investors	Infrastructure investing

- Staff Training

The following training was provided online to staff:

Topic	Provider	Training method
I-Connect – New start & refresher training	In-House	Face to face & via MS Teams
Member Self Service– New start & refresher training	In-House	Face to face & via MS Teams
GDPR	Dundee City Council	E Learning
Pension Scams	The Pensions Regulator	Webinar
Pension Dashboards		
Change in legislation (McCloud)		Webinar

Annual Benefit Statements	Aquila Heywood (system provider)	
Complaint Handling		
Aggregation and transfers (inwards & outwards)	Local Government Association	Face to face & via MS Teams
Aggregation	Aquila Heywood (system provider)	Training delivered via MS Teams
Annual Allowances		
Actuarial valuation		
Insights (system provider's pension dashboard system)		

- Employer / Members Sessions

The following sessions were held online over the year:

Employer	Topic
All Employers	Sessions were held during 2022/2023 for all employers on topics including End of Year process & guidance. I-Connect amendments, process for repaying contributions following industrial action.
Angus Council	Various sessions held over the year to discuss outstanding issues and proposed resolutions.
PKC, DCC & AC – New Councillors (June 2022)	An introduction to the LGPS Microsoft Teams session was held for all new and existing Councillors.
Employers	Employers provided with topic specific ad hoc Microsoft Teams sessions as requested to discuss matters as they arose during the year.
Care Inspectorate & SSSC	Overview of the LGPS sessions held via Microsoft Teams for all staff.
PKC – Member 1-2-1's	Face to face 1-2-1 sessions held for PKC Environment Staff who are shift workers and do not necessarily have access to computers or MS Teams during their working day.
Angus Council	MS Teams session held with staff to provide an overview of the LGPS in general and on retirement methods and process.
Members	Ad hoc MS Teams sessions run as and when required to fully meet the needs of the members. Sessions were held on such topics as annual and lifetime allowance charges, retirement and transfers in and out.

Working Arrangements Post COVID-19

IT functionality and adaptations made during the pandemic enabled successful service delivery and improvements are enabling staff to continue to work flexibly between home and office. Face to face appointments with members at Dundee House were also re-introduced over the year, and this addition compliments the continuing MS teams appointments that the service offers to members from their own homes and offices.

Although all restrictions are now lifted, we continue to prioritise the processing of pension and death benefits and payments to ensure that difficult circumstances are not exacerbated by unnecessary delay, and we continue to support any employers who are experiencing service disruption and financial challenges, offering flexible arrangements in-keeping with their circumstances and legislation.

Fund Update

Membership

The Local Government Pension Scheme is voluntary and is open to all employees of the Scheduled and Admitted Bodies. A list of Tayside Pension Fund's scheduled and admitted bodies can be found on page 113 with membership totals shown below -

	31 March 2022	31 March 2023
Contributing Members	18,816	18,912
Pensioners	17,526	18,008
Deferred Pensioners	10,865	11,427
Undecided or Frozen	6,139	7,235
	53,346	55,582

Employer Exit

Carolina House Trust ceased their membership of Tayside Pension Fund on 1st April 2022.

Membership Funding

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

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

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

Performance

- Fund Investment

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

The strategic asset allocation of funds is as follows (following the Investment Strategy in Review approved on 26th June 2021):

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

In the year to 31 March 2023, the Fund ended 1.26% behind benchmark, with equity portfolios being the largest detractor of returns throughout the period. Financial markets experienced extreme volatility, and as a result, the fund value decreased from £5.09bn to £4.8bn by 31 March 2023. Longer term performance has been impacted, with marginal underperformance against benchmarks in time periods up to 5 years. Longer term performance remains positive. Individual portfolio performance is detailed further within the Investment Section of the report.

- Administration

Pension administration performance continued to improve over the year as a result of the improvement made to systems and processes, and the team continue to work closely with employers to provide support and address operational needs.

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

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

Risk Management

- Risk Management Policy & Strategy

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

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

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

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

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

- Failure to process pension payments and lump sums on time
- Failure to collect and account for contributions from employers and employees on time
- Insufficient funds to meet liabilities as they fall due
- Inability to maintain service due to loss of main office, computer system or staff
- Loss of funds through fraud or misappropriation
- Employers unable to participate in scheme
- Significant rises in employer contributions due to poor/negative investment returns
- Failure of global custodian
- Failure of Investment Manager
- Equity Risk
- Failure to comply with changes to LGPS regulations and other new regulations / legislation. Specifically:
    - GMP
    - McCloud
    - Pensions Dashboard
- Failure to comply with governance best practice. Specifically:
    - TPR New Draft Code of Practice
    - TPR Good Governance project outcomes
- Failure to provide quality service to members
- Failure to hold personal data securely
- Cybercrime
- Failure to keep pension records up-to-date and accurate
- Lack of expertise on Pension Committee, Pension Board or amongst officers

- Over reliance on key officers
- Failure to communicate adequately with stakeholders
- Employer Covenant Risk
- Risks in relation to use of 3rd party service providers
- Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)

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

Future Outlook

The long awaited hopes of return to a more stable global environment were not met this year, and if anything, the challenges left in the wake of the pandemic have been further exacerbated by other destabilising events, which have left the UK teetering on the brink of recession, rocketing inflation rates, and a depressed outlook of marginal growth over the next few years.

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

2022/23 Accounts

A summary of the main statements is provided below:

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

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

The Tayside Pension Fund accounts shows contributions received of £114.7m. This has increased by £5.1m during the year to 31 March 2023. Benefits payable were £132.9m, which increased by £7.2m since the previous year. Contributions have increased as there were more active members participating in the scheme during 2022/23, and there were also salary increases which raised the contribution levels. Benefits payable also increased due to increased pensioner membership and pension increase being applied.

Net Asset Statement – showing the type and value of all net assets at the end of the financial year. The Tayside Pension Fund's net assets decreased to £4.834bn from £5.095bn in 2022.

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

Robert Emmott
Executive Director of Corporate Services
Dundee City Council

18 September 2023

Gregory Colgan
Chief Executive

Dundee City Council

18 September 2023

Bailie Willie Sawers
Chair of Pension Sub-Committee
Tayside Pension Fund

18 September 2023

TAYSIDE PENSION FUND STATISTICS

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

Membership	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Number of Employers	46	46	45	43	42
Active Members	19,091	19,117	19,181	18,816	18,912
Deferred Members	8,838	10,410	10,485	10,865	11,427
Undecided / Frozen	4,904	4,842	5,238	6,139	7,235
Pensioners	16,102	16,635	16,937	17,526	18,008
Total Membership	**48,935**	**51,004**	**51,841**	**53,346**	**55,582**

Member Transactions	**2018/19** £000	**2019/20** £000	**2020/21** £000	**2021/22** £000	**2022/23** £000
Employer Contributions	72,110	73,736	76,211	81,241	84,524
Employee Contributions	24,631	25,890	27,091	28,363	30,210
Transfers In	1,919	4,551	3,635	6,221	3,954
Lump Sums Paid	(24,538)	(24,369)	(23,026)	(26,132)	(27,481)
Pension Paid	(86,714)	(91,639)	(96,061)	(99,574)	(105,447)
Transfer Out	(6,314)	(5,825)	(12,503)	(5,757)	(5,076)
Administration costs	(1,932)	(1,884)	(1,655)	(1,968)	(1,867)
Net withdrawals	**(20,838)**	**(19,540)**	**(26,308)**	**(17,606)**	**(21,183)**

Net Asset Movements	**2018/19** £000	**2019/20** £000	**2020/21** £000	**2021/22** £000	**2022/23** £000
Opening Net Assets	3,690,623	3,893,121	3,672,321	4,849,572	5,095,976
Investment Income	94,450	86,738	71,033	79,440	84,205
Management Costs	(9,028)	(9,605)	(10,411)	(10,494)	(9,934)
Member Transactions	(20,838)	(19,540)	(26,308)	(17,606)	(21,183)
Change in Market Value	137,914	(278,393)	1,142,937	195,064	(315,012)
Closing Net Assets	**3,893,121**	**3,672,321**	**4,849,572**	**5,095,976**	**4,834,052**

Cashflow Forecast	**2023/24** £000	**2024/25** £000	**2025/26** £000	**2026/27** £000	**2027/28** £000
Pension Income	123,969	129,385	135,038	140,939	147,098
Pension Expenditure	(156,307)	(165,400)	(175,030)	(185,229)	(196,029)
Net Pension Cashflow	(32,338)	(36,015)	(39,992)	(44,290)	(48,931)
Net Investment Income	76,583	80,259	84,111	88,149	92,380

	2028/29 £000	**2029/30** £000	**2030/31** £000	**2031/32** £000	**2032/33** £000
Pension Income	153,528	160,241	167,247	174,562	182,197
Pension Expenditure	(207,467)	(219,581)	(232,410)	(245,998)	(260,389)
Net Pension Cashflow	(53,939)	(59,340)	(65,163)	(71,436)	(78,192)
Net Investment Income	96,814	101,461	106,331	111,435	116,784

THE MANAGEMENT OF TAYSIDE PENSION FUND

Pension Sub-Committee

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

The table below show the membership of the Pension Sub-Committee to 31st March 2023:

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

All committee members are members of Tayside Pension Fund.

Local Pension Board

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

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

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

The table below show the membership of the Pension Board as at 31st March 2023:

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

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

Tayside Pension Fund Officers

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

Robert Emmott	Executive Director of Corporate Services
Paul Thomson	Head of Corporate Finance
Tracey Russell	Service Manager Financial Services
Roger Mennie	Head of Democratic and Legal Services

Scheme Advisory Board

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

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

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

ANNUAL GOVERNANCE STATEMENT

Dundee City Council is the administering authority and scheme manager of Tayside Pension Fund, a local government pension fund covering the three local authorities in the former Tayside area, and 39 other large and small employers. The main functions of the Administering Authority are the administration of scheme benefits and the investment of the assets of the Fund. These functions are conducted in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972.

Role of the Administering Authority

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

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

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

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

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

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

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

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

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

Internal Audit and other governance measures

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

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

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

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

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

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

- Employers contributions
- Business resilience
- Compliance with LGPS and applicable regulations – Pension dashboard readiness
- Compliance with LGPS and applicable regulations – New consolidated code of practice (currently underway)

Being satisfied that sufficient internal audit work has been undertaken within the financial year to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and controls. Tayside Pension Fund received an annual opinion of general satisfaction, with no identified control weaknesses that they consider should be reported in the Annual Governance Statement. PwC did note in their Annual Report that there were some areas of improvement in order to enhance operational adequacy and effectiveness, and these have been addressed. The Internal Audit Annual Report was presented to the Pensions Sub-Committee and all recommendations have been actioned.

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

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

Scope of Responsibility

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

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

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

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

The Governance Framework

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

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

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

The overall control arrangements include:

- Identifying the Council's objectives in the Council Plan, Community Plan and Local Outcomes Improvement Plan (City Plan).
- Monitoring of achievement of those objectives and outcomes by the Council and senior officers.
- A systematic approach to monitoring service performance at Elected Member, senior officer and project level.
- Reporting performance regularly to Council Committees.
- Three-year service plans for all service areas. Regular performance reports in relation to the service plans began to be reported to relevant Committees from November 2021.
- Performance Management Framework.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers, including temporary arrangements during the Covid 19 emergency.
- A Monitoring Officer to ensure compliance with laws and regulations.

- A Scrutiny Committee and individual Service Committees.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- Ethical Values Framework.
- A Corporate Integrity Group.
- Corporate Compliance Group.
- A Serious Organised Crime Group.
- Senior Officer Resilience Group.
- Council Management Team and each Service's Senior Management Teams.
- Participating in the National Fraud Initiative for sharing and cross-matching data with regular reports to Committee.
- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and service performance.
- Long-term Financial Outlook and Financial Strategy 2020 – 2030.
- Formal revenue and capital budgetary control systems and procedures.
- Clearly defined capital expenditure and option appraisal guidelines.
- A Capital Governance Group consisting of senior officers from across Council services and chaired by the Executive Director of Corporate Services.
- The Council, together with NHS Tayside have established an Integrated Health and Social Care Partnership (HSCP). The HSCP has established a governance structure and an integrated senior management structure to support delivery of its key objectives and outcomes.
- An Our People and Workforce Strategy is in place to support delivery of the Council Plan and its strategic priorities.
- A Risk Management Policy and Strategy, Corporate and Service Risk Registers, Risk Management Improvement Plan, and Covid 19 Recovery Risk Register.
- Corporate Risk Management Working Group, chaired by the Executive Director of Corporate Services as Senior Responsible Officer for risk.
- Corporate Governance Assurance Statement Group.
- Strategic GDPR (General Data Protection Regulation) Group.
- Data Protection Policy and Data Breach Management Procedure.
- The assurances provided by internal audit through their independent review work of the Council's governance, risk management and control framework.
- Chief Social Work Officer governance arrangements.
- Recovery Plan from Covid 19 emergency for the Council and its Services.

Review of Effectiveness

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

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. The 2022/23 review of governance arrangements against the Local Code of Corporate Governance has identified the Council as being 99% (2021/2022: 98%) compliant with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

In addition, Executive Directors from each service have made a self-assessment, in conjunction with their senior management teams, of their own governance, risk management and internal control arrangements. This involved the completion of a 74-point checklist covering eight key governance areas of Service Planning and Performance Management; Internal Control Environment; Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management; and Partnerships; and Information Governance. This continues to score a high level of compliance, with an overall score above 91% for 2022/2023 (2021/2022: 91%).

Over and above the Internal Audit Service delivered by PwC, the Council's Internal Audit Service also operates in accordance with the Public Sector Internal Audit Standards and reports functionally to the Scrutiny Committee. Conformance with the PSIAS has been confirmed independently, through the completion of a formal External Quality Assurance process. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny

Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. The overall audit opinion, based on the above, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2023.

The Executive Director of Corporate Services complied fully with the five principles of the role of the Chief Financial Officer, as set out in CIPFA guidance. The Council's financial management arrangements conform with the requirements of the CIPFA Financial Management (FM) Code (2019).

Impact of Coronavirus Pandemic on Corporate Governance

The Local Code of Corporate Governance (LCCG) assesses governance in place during 2022/2023 So the majority of the financial year was not affected by the coronavirus pandemic to the same degree as previous years, and the conclusion on whether or not governance is fit for purpose should reflect normal operations, the LCCG is required to reflect the circumstances at the time of publication and therefore, it should be recognised that coronavirus has impacted on governance arrangements since March 2020 . However, as the pandemic progressed into 2022/2023 the impact has reduced to the point that any specific or remaining issues, for example, monitoring of financial impacts are now being dealt with as part of business as usual arrangements.

Local Response and Risk Management Arrangements:

- The Scrutiny Committee in June 2022 considered the annual Audit Scotland report, Local Government in Scotland Overview for 2022 (Report 176-2022) which provides an overview of the wider challenges which have been facing councils ongoing response to the Covid-19 pandemic and the challenges in recovering services.
- The Scrutiny Committee in September 2022 considered the Audit Scotland report on Scotland's Financial Response to Covid (Report 260-2022). The Council's report considered the key messages and recommendations of Audit Scotland. The Council's existing and planned key actions to address these recommendations include:
- All additional Covid-19 related expenditure and funding is included within Corporate revenue budget monitoring process which is regularly reported to the Policy and Resources Committee.
- Information on the purpose and level of reserve balances is included in the annual accounts which are reported to the Scrutiny Committee.
- To review its medium and longer-term financial plans to reflect the ongoing impact and financial consequences of the pandemic. These were reported to Elected Members in this financial year.
- Internal Audit conducted a review of the Council's Covid-19 funding which was reported to Scrutiny Committee on 29 June 2022 (Report 157-2022). This included the arrangements in place within the Council to track and monitor the portfolio of different COVID-19 funding streams.
- Many of the additional Covid-19 funds included a requirement to report directly to the Scottish Government to demonstrate use of the funds for the intended purpose. The Council has complied with this requirement.
- The Council has regularly reported on the local response and risk management arrangements associated with the response to the pandemic. Last year's Local Code of Corporate Governance report which was reported to the Policy and Resources Committee on 27 June 2022 (Report 140-2022) summarised the various reports that the Council has presented to committee in response to the pandemic including the funding and logistical consequences of delivering the local government response, the various actions implemented by the Council and the Scottish and UK Governments in response to the on-going Covid-19 emergency, and the associated financial implications.
- As part of the updated service planning processes, services were requested to review those items included within the Covid-19 Recovery Plan that were considered to have an ongoing impact and ensure that actions to address these priorities were reflected in these plans. These plans, together with any subsequent progress updates, have been considered by various committees throughout the past two years.

Continuous Improvement Agenda

The following are service improvements specific to Tayside Pension Fund achieved during 2022/23:

Business Area	Item	Description	Status / Information
Finance & Governance	Employer contributions	Changes required following review to assess adequacy of design and operating effectiveness of key controls supporting the employer contributions process	Review undertaken
	Business resilience	Action of requirements following review of processes and controls in place	Review undertaken
Investment	Investment Strategy	Implementation of recommendations to amend investment strategy	Transition of assets to environmentally conscious portfolios
Administration	GMP Rectification	Comparison exercise between reconciled GMP data and the current pensioner payroll data.	Exercise underway
	TPR New Consolidated Code of practice	Action of requirements following advisory review to assess compliance with the new consolidated code of practice, highlighting any potential gaps	Review underway

The following are service improvements specific to Tayside Pension Fund planned for 2023/24:

Business Area	Item	Description	Status / Information
Finance & Governance	Employer contributions	Changes required following review to assess adequacy of design and operating effectiveness of key controls supporting the employer contributions process	Implementation of additional controls
	Business resilience	Action of requirements following review of processes and controls in place	Implementation of recommendations
	Employer Covenant	Employer engagement following outcome of review undertaken 2019/20 with aim of implementing recommendations	Delayed from previous year. Covenant exercise findings will be reviewed following impact of Covid, and engagement will then be undertaken by PwC
	Admission Agreements	Standardisation of admission agreements	Delayed from previous year and will coincide with covenant exercise
	TPR New Consolidated Code of practice	Action of requirements following advisory review to assess compliance with the new consolidated code of practice, highlighting any potential gaps	Implementations of recommendations
	Pensions Dashboard	Action of requirements following advisory review to assess readiness	Implementation of recommendations

Investment	Investment Strategy	Implementation of recommendations to amend investment strategy	Appointment of alternatives mandate & subsequent transition
Administration	Changes to legislation	Analysis of records and plan to be developed & implemented to enable changes to legislation in relation to discrimination are implemented	Exercise in early stages, will be complete through financial year

Information on the Fund is available from the following links:

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

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

- The Statement of Investment Principles, concerning the approach to the investment of the Fund
- The Business Plan, communicating the aims and objectives of the Fund for the forthcoming year
- The Treasury Management Policy and Strategy for the forthcoming year.
- The Actuary's report on the 2020 valuation
- The Funding Strategy Statement, concerning the management of the identification and management of the Fund's liabilities
- The Risk Policy & Register
- The Governance Policy Statement which sets out the Funds approach
- Environmental, Social and Corporate Governance Policy for investment.
- Pension Administration Strategy
- Communications Policy
- The Governance Compliance Statement, setting out the governance arrangements and compliance with regulations

Conclusion

The annual review demonstrates sufficient evidence that the Code's principles of delivering good governance in local government operated effectively and compliance with the Local Code of Corporate Governance in all significant respects for 2022/2023. It is proposed over 2023/2024 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance governance arrangements.

Gregory Colgan
Chief Executive
Dundee City Council
18 September 2023

Bailie Willie Sawers
Chair of Pension Sub-Committee
Tayside Pension Fund
18 September 2023

GOVERNANCE COMPLIANCE STATEMENT

1. Role and Responsibilities
Dundee City Council has statutory responsibility for the administration of the Local Government Pension Scheme ("LGPS") in respect of the three local authorities in the former Tayside area, and 40 other large and small employers.

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

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

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

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

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

2. Delegation
The function of maintaining the Tayside Pension Fund is delegated by Dundee City Council to its Tayside Pension Fund Sub-Committee. The Fund's policy documents are available at: https://taysidepensionfund.org/resources/

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

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

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

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

Gregory Colgan
Chief Executive
Dundee City Council
18 September 2023

Bailie Willie Sawers
Chair of Pension sub-committee
Tayside Pension Funds
18 September 2023

RISK POLICY & STRATEGY

1. Introduction

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

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

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

2. Background

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

3. Risk Types

The principal risk areas facing Tayside Pension Fund are summarised as:

- Governance
- Funding
- Operational
- Pensions Administration
- Transitional

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

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

A more detailed description of each of the above are included in Appendices A and B..

4. Risk Policy

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

5. Risk Management Objectives

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

- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk;

- ensure consistent application of the risk management methodology across all activities; and
- minimise the cost of risk.

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

6. Risk Management Strategy

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

6.1. Identifying Risks

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

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

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

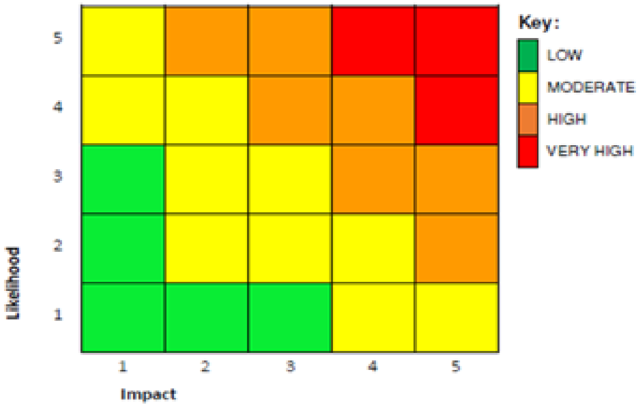
6.2. Risk Assessment

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

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

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

Risk Assessment Matrix



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

6.3. Controlling Risk (Treat or Avoid)

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

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

6.4. Monitoring & Reviewing Risk

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

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

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

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

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

7. **Risk Appetite**

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

SUMMARY OF RISK TYPES

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

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

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

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

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

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

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

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

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

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

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

Regulatory and Compliance Risk
Occupational pensions are heavily regulated and governed by general and LGPS-specific legislation.

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

APPENDIX B

TAYSIDE PENSION FUND RISK APPETITE STATEMENT

Introduction

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

Purpose

The purpose of the document is to outline the areas of principal risk to which the Fund is exposed, and set out an optimal and tolerable risk position. In doing this, this Risk Appetite Statement will:

- Set the parameters by which the Tayside Pension Fund officers will manage risk within the organisation.
- Inform resource allocation, balancing the need for effective risk management against the need to ensure value for money.

Areas of principal risk

The principal risk areas facing TPF are set out below:

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

Definition of risk appetite

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

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

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

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

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

Risk Appetite Statement

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

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

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

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

will take all available efforts to ensure that the payment of liabilities to the Fund are affordable. The Fund utilises specialist services identify, assess, and manage all aspects of covenant risk.

- We have adopted an averse stance on liquidity risk. It is essential that TPF maintains sufficient liquid assets to pay benefits as they fall due. The Fund will not tolerate any risks that could jeopardise the ability to access funds to pay benefits. TPF has a defined Treasury Management Policy & Strategy, as well as effective operational cashflow management.

- **Operational**

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

- **Pensions Administration**

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

- **Transitional**

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

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

APPENDIX C

RISK ASSESSMENT MATRIX

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

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

Risk Likelihood Assessment

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

APPENDIX D

RISK REGISTER

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

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

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

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

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Administering Authority's Responsibilities

The Authority is required to:

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

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

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

- Approve the Annual Accounts for signature.

Bailie Willie Sawers
Chair of Pension sub-committee
Tayside Pension Funds
18 September 2023

The Executive Director of Corporate Service's Responsibilities

The Executive Director of Corporate Services is responsible for the preparation of the Pension Funds statement of accounts which, in terms of CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), is required to present a true and fair view of the financial position of the Pension Funds at the accounting date and their income and expenditure for the year (ended 31 March 2023).

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

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

The Executive Director of Corporate Services has also:

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

Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Pension Funds as at 31 March 2023, and their income and expenditure for the year ending 31 March 2023.

Robert Emmott BSc CPFA
Executive Director of Corporate Services
Dundee City Council
26 June 2023

INDEPENDENT AUDITOR'S REPORT

The statement of accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

Brian Howarth
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

TAYSIDE PENSION FUND - FUND ACCOUNT

2021/2022 £000		Note	2022/2023 £000
	Dealings with Members, Employers and other directly involved in the fund		
81,241	Employers' contributions	5	84,524
28,363	Employees' contributions	5	30,210
6,221	Transfers in from other pension funds	7	3,954
115,825			118,688
(125,706)	Benefits	6	(132,928)
(5,757)	Payments to and on account of leavers	8	(5,076)
(131,463)			(138,004)
(15,638)	Net Withdrawals from dealings with members		(19,316)
(1,968)	Administration Expenses	21	(1,867)
(17,606)	**Net Withdrawals from dealings with Members including Administration Expenses**		**(21,183)**
	Returns on Investments		
79,440	Investment Income	9	84,205
195,064	Change in Market Value of Investments	10a	(315,012)
(10,494)	Investment Management Expenses	22	(9,934)
264,010	**Net Returns on Investments**		**(240,741)**
246,404	**Net increase/(decrease) in Fund during the year**		**(261,924)**
4,849,572	**Opening Net Assets of the scheme**		**5,095,976**
5,095,976	**Closing Net Assets of the scheme**		**4,834,052**

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

2021/22 £000		Note	**2022/23** £000
	Investment Assets	10	
720,680	Bonds		623,655
2,213,916	Equities		2,113,207
118,506	Fixed Income Unit Trust		101,844
1,388,968	Equity Unit Trust		1,367,019
559,963	Pooled Property Investments		471,365
3,806	Derivatives		8,374
31,475	Other Investment Assets		23,842
87,179	Cash Deposits		126,851
5,124,493			4,836,157
(38,025)	Investment Liabilities	10	(17,965)
5,086,468	**Total Net Investments**	**10**	**4,818,192**
13,696	Current Assets	18	20,464
5,100,164			4,838,656
(4,188)	Current Liabilities	19	(4,604)
5,095,976	**Net assets of the fund available to fund benefits at the end of the reporting period**		**4,834,052**

Robert Emmott BSc CPFA
Executive Director of Corporate Services
Dundee City Council
26 June 2023

The Net Asset Statement represents the value and liabilities as at 31 March 2023 (excluding liability to pay pensions).

The Unaudited Accounts were issued on 26 June 2023 and the Audited Accounts were authorised for issue on xx October 2023.

NOTES TO TAYSIDE PENSION FUND FINANCIAL STATEMENTS

1 - The Local Government Pension Scheme

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

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

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

Tayside Pension Fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises the majority of Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 39 other bodies. Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement.

2 - Basis of Preparation of the Financial Statements

The financial statements summarise the Fund's transactions for the 2022/23 financial year and its position as at the 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. In addition, consideration has been given to the Local Government Pension Scheme Fund Accounts - example accounts and disclosure checklist published by the Chartered Institute of Public Finance Accountants (CIPFA).

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

3 - Statement of Accounting Policies

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

Investments

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

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

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

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

Income and Expenditure

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

Investment Income

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

Cash and Cash Equivalents

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

Contributions

Contributions represent the amounts received from organisations participating in the Fund, these may be from the administering authority, and other scheduled bodies or admitted bodies. Such amounts relate both to their own employer contributions and to those of their pensionable employees. Employee and employer's contributions due as at 31 March 2023 have been accrued. In accordance with Funding Strategy Statement, employers have the option to prepay their pension contributions which will generate a saving based on an actuarial calculation. Three employers elected to make an upfront payment of their 2022/23 employer contributions in April 2022 with a balancing payment in April 2023.

Foreign Currency

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

Investment Management Expenses

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

Administrative Overheads and Expenses

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

Acquisition Cost

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

Additional Voluntary Contributions

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

Transfers to and from other Schemes

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

Taxation

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

VAT

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

Derivatives

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

Financial Assets

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

Financial Liabilities

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

Fair Value Measurement

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

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

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

Actuarial present value of promised retirement benefits

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

4 - Related Party Transactions and Balances

All employer member bodies are by nature related parties of the Fund. Tayside Pension Fund is administered by Dundee City Council, consequently there is a strong relationship between the Council and Pension Fund. Note 5 outlines the pension contributions paid by the Council, as administering authority, to the Fund in relation to 2022/23.

A remuneration report providing disclosures in respect of the Executive Director Corporate Services, the Chief Executive, and the members of the Pension Sub-Committee and Pension Board who hold the authority and responsibility for the Tayside Pension Fund, is included within Dundee City Council's Annual Report and Accounts which are available from the Council's website (www.dundeecity.gov.uk). As noted above, all senior officers, Sub-committee and Board representatives are members of Tayside Pension Fund.

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

Employer	Employer type	Transactions 2021/22	Balances due 31 March 2022	Transactions 2022/23	Balances due 31 March 2023
Dundee City Council	Administering	31,424	2,810	33,304	2,789
Angus Council	Scheduled	18,101	1,513	19,578	1,650
Care Inspectorate	Admitted	5,520	476	6,321	1,310
Dundee and Angus College	Scheduled	2,402	-	2,918	65
Leisure and Culture Dundee	Admitted	2,268	-	2,250	-
Perth and Kinross Council	Scheduled	24,513	2,057	26,539	2,272
Scottish Social Services Council	Admitted	2,336	200	2,559	439
Tayside Contracts	Scheduled	7,240	49	7,726	-
Tayside Police Civilians	Scheduled	3,960	-	4,268	-
University of Abertay Dundee	Admitted	2,209	122	1,795	-

5 – Contributions Receivable

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

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

2021/22	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Member contributions	7,966	15,513	4,884	28,363
Employer contributions	21,837	43,237	13,022	78,096
Strain on Fund	319	202	587	1,108
Deficit Recovery	-	-	2,037	2,037*
Total	30,122	58,952	20,530	109,604

* Deficit recovery amounts relate to the cessation valuation payments due from two exiting employer bodies during 2021/22.

6 – Benefits Payable

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

	Total Benefits Payable (incl. Lump Sums)		Lump sums (Retirement and Death Benefits)	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Administering Authority	44,341	46,510	9,032	9,071
Other Scheduled Bodies	61,275	67,338	11,580	14,949
Admitted Bodies	20,090	19,080	5,520	3,461
	125,706	**132,928**	**26,132**	**27,481**

7 – Transfers In from other Pension Funds

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

	Transfer Values Received	
	2021/22	2022/23
	£000	£000
Administering Authority	1,002	986
Other Scheduled Bodies	2,688	1,328
Admitted Bodies	2,531	1,640
	6,221	**3,954**

8 – Payments to and on Account of Leavers

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

	Transfer Values Paid		Refunds	
	2021/22	2022/23	2021/221	2022/23
	£000	£000	£000	£000
Administering Authority	2,194	1,908	20	10
Other Scheduled Bodies	2,797	2,192	31	52
Admitted Bodies	674	877	41	37
	5,665	**4,977**	**92**	**99**

9 - Investment Income

	2021/22 £000	2022/23 £000
Bonds	24,319	26,469
Dividends from Equities	37,783	37,993
Income from Pooled Investment Vehicles	17,638	18,415
Interest on Custody Cash Deposits	63	1,277
Securities Lending	247	234
Interest on Cessation Debt	-	181
Interest on Internal Cash Deposits	5	277
	80,055	84,846
Withholding Tax	(615)	(641)
	79,440	**84,205**

10 – Investments

Market Value as at	31 March 2022	31 March 2023
Investment Assets	£000	£000
Bonds	720,680	623,655
Equities	2,213,916	2,113,207
Pooled Investments	1,507,474	1,468,863
Pooled Property Investments	559,963	471,365
Private Equity / Infrastructure	-	-
Derivative contracts	3,806	8,374
Cash deposits	87,179	126,851
Investment Income due	16,509	16,325
Amounts receivable for sales	7,078	5,833
Amounts receivable for pending spot FX	2	-
Other Investment assets	7,886	1,684
Total Investment Assets	**5,124,493**	**4,836,157**

Investment Liabilities		
Derivative contacts`	(9,941)	(3,657)
Amounts payable for purchases	(25,188)	(9,371)
Amounts payable for pending spot FX	(3)	(238)
Other Investment liabilities	(2,893)	(4,699)
Total Investment Liabilities	**(38,025)**	**(17,965)**
Net Investment Assets	**5,086,468**	**4,818,192**

10a Reconciliation of Movements in Investments and Derivatives

	Market value at 31/03/22	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value at 31/03/23
	£000	£000	£000	£000	£000
Bonds	720,680	197,805	(244,012)	(50,818)	623,655
Equities	2,213,916	445,837	(452,661)	(93,885)	2,113,207
Pooled Investments	1,507,474	23,224	(1,500)	(60,335)	1,468,863
Pooled Property Investments	559,963	27,448	(29,296)	(86,750)	471,365
Private Equity / Infrastructure	-	-	-	-	
	5,002,033	694,314	(727,469)	(291,788)	4,677,090
Derivative Contracts	(6,134)	233,639	(196,386)	(26,402)	4,717
	4,995,899	927,953	(923,855)	(318,190)	4,681,807
Other Investment Balances	4,992			(1,396)	(3,015)
Cash Deposits	87,179			1,720	126,851
Amounts receivable for sales	7,078			-	5,833
Investment income due	16,509			-	16,325
Spot FX contracts	(1)			2,876	(238)
Amounts payable for purchases	(25,188)			(22)	(9,371)
Net Financial Assets	**5,086,468**			**(315,012)**	**4,818,192**

10b Investments Analysed by Fund Manager

The Fund's investment assets are under the management of seven external fund managers. At 31 March 2023 the market value of these investment assets was £4,818.2m (2022 £5,086.5m), managed as follows:

		2022		2023	
Fund Manager	Mandate	£000	%	£000	%
Schroders Property	Property	577,608	11.4	507,856	10.5
Fidelity	Global Equity	1,191,060	23.4	1,126,046	23.4
Baillie Gifford	Global Equity	628,485	12.4	600,809	12.5
Goldman Sachs	Bond	419,429	8.2	404,641	8.4
Fidelity	Bond	431,764	8.5	361,370	7.5
Baillie Gifford	UK Equity	462,250	9.1	457,347	9.5
Legal & General	Passive Equity	1,318,327	25.9	1,305,661	27.1
GSAM Broad Street	Infrastructure	5,693	0.1	7,204	0.1
Baillie Gifford	Equity (Positive Change)	51,840	1.0	47,258	1.0
Northern Trust	Securities Lending	12	-	-	-
Net Investment Assets		**5,086,468**	**100.0**	**4,818,192**	**100.0**

The following investments represent more than 5% of the net assets of the scheme as at 31 March 2023:

	Market value as at 31/03/2022 £000	% of total fund	Market value as at 31/03/2023 £000	% of total fund
LGIM All World Equity Index (OFC)	988,509	19.4	979,153	20.3
LGIM Future World Index (OFC)	329,817	6.5	326,508	6.8
	1,318,326		1,305,661	

11 - Analysis of Derivatives

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

Futures

Type	Expires	Economic exposure £000	Market Value as at 31/03/2022 £000	Economic exposure £000	Market Value as at 31/03/2023 £000
Assets					
UK Fixed Income Futures	Less than one year	(27,883)	470	40,927	1,062
UK Cash Futures	Less than one year	-	-	-	-
Overseas Fixed Income Futures	Less than one year	(101,859)	3,031	13,717	453
Overseas Cash Futures	Less than one year	-	-	-	-

Total assets			**3,501**		**1,515**
Liabilities					
UK Fixed Income Futures	Less than one year	66,677	(552)	(23,150)	(644)
Overseas Fixed Income Futures	Less than one year	677	(162)	(81,983)	(2,514)
Total liabilities			**(714)**		**(3,158)**
Net futures			**2,787**		**(1,643)**

Open Forward Currency Contracts

Settlements	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset value 000	Liability value 000
Up to one month	USD	13,412	GBP	(10,936)	-	(95)
Up to one month	EUR	5,556	GBP	(4,917)	1	(35)
Up to one month	GBP	96,756	EUR	(109,561)	492	(5)
One to six months	GBP	266,104	USD	(322,572)	5,443	-
One to six months	USD	20,936	GBP	(17,235)	-	(317)
One to six months	GBP	146,732	EUR	(165,530)	919	-
One to six months	EUR	7,186	GBP	(6,367)	4	(47)
Open forward currency contracts at 31 March 2023					**6,859**	**(499)**
Net forward currency contracts at 31 March 2023						**6,360**

Prior year comparative:	Asset value	Liability value
Open forward currency contracts at 31 March 2022	304	(9,226)
Net forward currency contracts at 31 March 2022		(8,922)

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

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

12 - Fair Value

Basis of Valuation

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

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

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

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

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

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

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Quoted equities	The published bid market price on the final day of the accounting period.	Not required.	Not required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Amounts receivable From investment sales	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2			
Gilts, TIPS (Treasury Inflation Protected Securities)	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds.	Not required.
Pooled investments – equities, fixed income, and managed property funds	Closing bid price where bid and offer price are published Closing single price where single price published.	NAV – based pricing set on a forward pricing basis.	Not required.
Level 3			
Directly held property / Affordable Housing	Valued at year end by external valuer DM Hall / Allsop in accordance with the Royal Institute of Chartered Surveyors' Red Book Global Valuation Standards	• Existing lease terms • Nature of tenancies • Covenant strength • Vacancy levels • Estimated rental growth • Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

	(introduced with effect from 31 January 2020).		
Private Equity / Infrastructure / Private Debt	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	• EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control Premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts.

Fair Value Hierarchy

Market Value as at 31/03/2023	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant observable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	2,261,902	2,567,656	6,599	4,836,157
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at a fair value through profit and loss	(7,538)	(10,427)	-	(17,965)
Net financial assets	**2,254,364**	**2,557,229**	**6,599**	**4,818,192**

Market Value as at 31/03/2022	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant observable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	2,343,400	2,703,207	77,886	5,124,493
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at a fair value through profit and loss	(3,466)	(34,559)	-	(38,025)
Net financial assets	**2,339,934**	**2,668,648**	**77,886**	**5,086,468**

12a Reconciliation of Fair Value Measurements within Level 3

	Market Value as at 31/03/2022 £000	Transfers in/out of Level 3 £000	Purchases £000	Sales £000	Unrealised gains (losses) £000	Realised gains (losses) £000	Market Value as at 31/03/2023 £000
UK property Funds	77,886	(58,119)	5,729	(5,231)	(14,942)	1,276	6,599
Total	**77,886**	**(58,119)**	**5,729**	**(5,231)**	**(14,942)**	**1,276**	**6,599**

12b Sensitivity of Assets Valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors (ISIO), Tayside Pension Fund has determined that the valuation methods are likely to be accurate to within the following ranges, and has set out the below consequent potential impact on the closing value of the investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value as at 31/03/2023 £000	Value on Increase £000	Value on Decrease £000
UK property Funds	13%	6,591	7,448	5,734
Oversea Equities	21%	8	10	6
Total		**6,599**	**7,458**	**5,740**

13 - Financial Instruments

13a Classification of Financial Instruments

Market Value as at 31/03/2022				Market Value as at 31/03/2023		
Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Financial assets			
720,680	-	-	Bonds	623,655	-	-
2,213,916	-	-	Equities	2,113,207	-	-
1,507,474	-	-	Pooled investments	1,468,863	-	-
559,963	-	-	Pooled property investments	471,365	-	-
-	-	-	Private equity / infrastructure	-	-	-
3,806	-	-	Derivative contracts	8,374	-	-
34,569	52,610	-	Cash	52,219	74,632	-
7,888	16,509	-	Other investment balances	1,684	16,325	-
-	7,078	-	Debtors	-	5,833	-
5,048,296	**76,197**	**-**		**4,739,367**	**96,790**	**-**

			Financial liabilities			
(9,940)	-	-	Derivative contracts	(3,656)	-	-
-	-	(2,897)	Other Investment balances	-	-	(4,938)
-	-	(25,188)	Creditors	-	-	(9,371)
(9,940)	**-**	**(28,085)**		**(3,656)**	**-**	**(14,309)**
5,038,356	**76,197**	**(28,085)**	**Total**	**4,735,711**	**96,790**	**(14,309)**
	5,086,468		**Grand Total**		**4,818,192**	

13b Net Gains and Losses on Financial Instruments

Market Value as at 31/03/2022		Market Value as at 31/03/2023
£000	**Financial Assets**	£000
200,967	Fair value through profit and loss	(291,788)
1,783	Loans and receivables	4,596
	Financial Liabilities	
(3,963)	Fair value through profit and loss	(26,401)
(3,723)	Loans and receivables	(1,419)
195,064		(315,012)

14 - Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £0.765m (2022 £0.737).

15 - Stock Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2023 was £67.7m (2022 £120.3m). These assets continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets. Stock lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

16 - Additional Voluntary Contributions (AVCs)

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

Net Asset Value	31 March 2022	31 March 2023
	£000	£000
Prudential	9,057	10,465
Standard Life	3,867	3,516

Contributions Received	2021/22	2022/23
	£000	£000
Prudential	2,687	2,698
Standard Life	173	182

17 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2023, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £3,521.7m (2022 £4,972.6m) of which £3,447.5m (2022 £4,843.6m) is a vested obligation and £74.2m (2022 £129.0m) is a non-vested obligation. This figure is used for statutory accounting purposes by Tayside Pension Fund and complies with the requirements of IAS26. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting of contributions payable to the Fund.

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

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

IAS19 Assumptions Used	2021/22	2022/23
	%	%
Inflation / pension increase rate	3.20	2.90
Salary increase rate	4.20	3.90
Discount rate	2.60	4.80

18 – Current Assets

	2021/22	2022/23
	£000	£000
Contributions Due from Employers	8,202	10,932
Cash and Bank	2,771	7,670
Pending sales ledger income	30	48
Employer cessation valuation	2,626	1,790
Miscellaneous debtors	67	24
	13,696	20,464

19 – Current Liabilities

	2021/22	2022/23
	£000	£000
Unpaid benefits	1,663	2,099
Custodian fees	24	23
Cash and Bank	-	158
Investment Manager Fees	2,215	2,011
Consultancy fees	15	17
Pending purchase ledger payments	1	50
HMRC	224	206
Audit Services	18	20
Miscellaneous creditors	28	20
	4,188	4,604

20 - Audit Fee & Other Services

The Fund have been subject to separate external and internal audits to that of the Council. The Fund incurred an external audit fee of £28,420 for the financial year (2022 £26,980). During 2022/23 financial year the Fund received no other services from Audit Scotland. The Fund also incurred an internal audit fee of £37,280 from PwC (2022 £23,500)

21 – Management Expenses

	2021/22 £000	2022/23 £000
Administrative costs	1,858	1,752
Investment management expenses	10,494	9,934
Oversight and governance costs	110	115
	12,462	11,801

22 – Investment Expenses

	2021/22 £000	2022/23 £000
Management fees	9,616	9,048
Custody fees	79	68
Performance monitoring service	24	25
Investment consultancy	40	29
Commission recapture	(2)	(1)
Transaction costs	737	765
	10,494	9,934
Investment Management fees as a percentage of Net Financial Assets	0.21%	0.21%

	Management fees £000	Transaction costs £000	Total £000
Bonds	1,185	-	1,185
Equities	5,936	775	6,711
Pooled investments	176	-	176
Property	1,555	(11)	1,544
Alternatives	126	-	126
Securities Lending	70	-	70
	9,048	764	9,812
Custody fees			93
Consultancy fees			29
Total			9,934

23 – Nature and Extent of Risks arising from Financial Instruments

The Fund’s primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure market risk (other price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund’s forecast cash flows.

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

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

Market Risk

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

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

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk, arising from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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

Other price risk – sensitivity analysis

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

	Potential Market Movement
	+/- per annum
Equities	
UK	20.5%
Emerging Markets	28.0%
Global	21.0%
Bonds	
UK Index-Linked Gilts	12.0%
UK Gilts	11.0%
UK Corporate	11.0%
Other	8.0%
Property	13.0%
Alternatives	18.0%
Cash	1.5%

Source: ISIO

Potential price changes are determined based on the historical volatility of asset class returns and expected future returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets and are based on the investment adviser's 10 year capital market assumptions for asset class volatilities as at 31 March 2023. If the market price of the Fund's investments increases/decreases in line with the above, the change in the net assets available to pay benefits in the market price could be as follows:

			Potential change in year in the net assets available to pay benefits	
	Value £	% Change	Favourable Market Movement £	Unfavourable Market Movement £
Equities				
UK	539,243,932	20.5%	649,788,938	428,698,926
Emerging Markets	-	28.0%	-	-
Global	2,940,982,352	21.0%	3,558,588,646	2,323,376,058
Bonds				
UK Index-Linked Gilts	101,844,214	12.0%	114,065,519	89,622,908
UK Gilts	-	11.0%	-	-
UK Corporate	172,231,574	11.0%	191,177,047	153,286,101
Other	449,780,006	8.0%	485,762,407	413,797,606
Property	471,365,352	13.0%	532,642,848	410,087,856
Alternatives	-	18.0%	-	-
Cash	142,744,364	1.5%	144,885,529	140,603,198

Source: ISIO/Northern Trust

Interest rate sensitivity analysis

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

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

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

The Fund's direct exposure to interest rate movement as at 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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

Asset Type	Carrying amount as at 31 March 2023 (£)	Potential change in year in the net assets available to pay benefits £	
		100bps	-100bps
Fixed Interest Securities	623,654,789	(177,269)	177,269
Cash	126,850,943	-	-
Total change in assets available	750,505,732	(177,269)	177,269

Source: Northern Trust

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. A 1% increase in interest rates may potentially increase the interest rate income received on cash and cash equivalents by £1,268,509 and vice versa.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund does not have a currency hedging programme but individual investment managers may hedge some currencies from time to time on a tactical basis. As any hedging could be temporary, the analysis below does not allow for any currencies that are hedged at 31 March 2023. The Fund is invested in equities and bonds that are denominated in currencies other than £UK. The following table summarises the Fund's currency exposure at 31 March 2023 -

Currency exposure – asset type	Asset value (£)
	31 March 2023
Overseas quoted securities	1,588,063,005
Overseas unit trusts	1,352,919,347
Overseas public sector bonds (quoted)	14,666,833
Overseas corporate bonds (quoted)	437,174,094
Total Overseas assets	**3,392,823,279**

Source: Northern Trust

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund has an Annual Treasury Strategy which sets out the approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The cash holding under its treasury management arrangements at 31 March 2023, including current account cash, was £7.710m (2022: £3.015m). This was held with the following institutions -

	Credit Rating	Balance as at 31 March 2022 £'000	Balance as at 31 March 2023 £'000
Money Market Funds -			
Aberdeen Standard	AAAmf	2,000	-
Federated	AAAmf	700	1,720
LGIM	AAAmf	-	5,950
Current account -			
Royal Bank of Scotland	F1	315	40

Liquidity Risk

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

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

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

The items in the net assets statement as at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows -

Actuarial present value of promised retirement benefits (note 17)

Uncertainties

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

Effect if actual results differ from assumptions	£000	£000
Present value of total obligation	3,521,678	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	3,471,129	3,573,434
Long term salary increase	3,529,400	3,514,013
Pension increases and deferred revaluation	3,566,628	3,477,822
Sensitivity to	**+1 year**	**-1 year**
Life expectancy assumptions	3,648,973	3,399,084

Financial Assets and Liabilities measured at fair value

Uncertainties

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

25 – Post Balance Sheet Event

The unaudited Statement of Accounts was issued by the Executive Director of Corporate Services on 26 June 2023. Events taking place after this date are not reflected in the financial statements or disclosure notes. There have been no material events since the date of the Net Asset Statement which have required any adjustments to these accounts.

FUNDING

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

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

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

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

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

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

FUNDING STRATEGY STATEMENT

OVERVIEW

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

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

PURPOSES OF THE STATEMENT

The four main purposes of this Statement are:

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

CONSULTATION

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

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

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

PURPOSE AND AIMS OF THE FUND

Purpose of the Fund

The purpose of the Fund is:

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

The Aims of the Fund in Relation to the Funding Strategy

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

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

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

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

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

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

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

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

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

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

The third aim is to manage employers' liabilities effectively.

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

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

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

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

RESPONSIBILITIES OF THE KEY PARTIES

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

Administering Authority

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

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

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

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

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

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

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

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

The Administering Authority will comply with the Investment Regulations.

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

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

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

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

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

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

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

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

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

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

Individual Employers

Individual employers are responsible for:

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

The Fund Actuary

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

The first key responsibility is to prepare valuations.

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

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

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

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

SOLVENCY

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

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

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

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

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

FUNDING STRATEGY

Valuation Methods

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

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

Valuation assumptions and funding model

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

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

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

Future price inflation

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

Future pension increases

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

Future pay inflation

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

Future investment returns/discount rate

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

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

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

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

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

Asset valuation

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

Statistical assumptions

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

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

Pooling of employers

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

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

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

Recovery Period

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

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

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

When an organisation (including an admission body) ceases to be an employer participating in the Fund (or, in the opinion of the Administering Authority, is likely to cease to participate in the Fund), the Fund Actuary will carry out a cessation valuation. The Administering Authority will then pursue the recovery of any deficiency from that organisation based on that valuation. The Administering Authority has determined (in line, in particular, with aims one and two set out in Part 2 above) that cessation valuations will be undertaken on a more prudent basis to the on-going funding basis on which contributions are determined for on-going employers. The level of prudence will be set by the actuaries using a stochastic approach with the aim to limit the probability of a deficit arising in the future to 20%. This basis is less prudent than a gilts-cessation basis but should lead to more affordable cessation liabilities while still providing sufficient protection for the other employers in the Fund. The Administering Authority may, but is not required to, consider making an exception to its policy on the basis used to perform cessation valuations in certain circumstances having regard always to relevant factors including (i) the requirements of the Regulations, (ii) the impact that any such exception may have on other employers and stakeholders in the Fund, (iii) the actuarial advice it receives and (iv) the particular circumstances relating to the exiting employer (for example where there is a merger of employers).

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

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

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

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

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

Stepping

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

Monitoring of the Financial and Funding Position between Valuations

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

Prepayment option

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

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

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

IDENTIFICATION OF RISKS AND COUNTER MEASURES

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

Demographic (including mortality risk)

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

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

Regulatory & Legislative

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

Governance

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

Statistical/Financial (investment & inflation risk)

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

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

Solvency Measure

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

Smoothing

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

Recovery Period

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

Stepping

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

Prepayment option

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

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

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

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

The strategic asset allocation implemented is based upon an investment strategy review conducted by the Fund's Investment Advisor, Isio, and in reference to the nature of the liabilities as outlined in the Fund's 31 March 2020 actuarial valuation. The strategy review concluded that a diversified portfolio, investing across active equities (55%), passive equities (10%), property (12%), bonds (13%) and alternative and opportunistic investments (10%) remains a suitable long-term strategic asset ambition for the Fund. The degree and nature of risks attaching to such a portfolio, when taken in conjunction with the expected returns, were considered by the Committee to be appropriate for the Fund at that time.

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

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

FUTURE MONITORING

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

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

Tayside Pension Fund

Actuary’s Statement as at 31 March 2023

Barnett Waddingham LLP

30 May 2023

Introduction

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

Asset value and funding level

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

Contribution rates

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

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

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

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

Assumptions

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

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

Updated position

Assets

Investment returns over the year to 31 March 2023 have been lower than expected. However, as at 31 March 2023, the Fund assets were still slightly ahead of where they were projected to be from the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be slightly higher than at the 2020 valuation due to higher future expected real returns on assets, reducing the valuation of the liabilities.

This reduction in the value of the liabilities will be offset by the accrual of new benefits net of benefits paid.

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

Overall position

On balance, we estimate that as at 31 March 2023 there is sufficient volatility reserve to maintain the funding level at the previous valuation level of 109% and also maintain current levels of employer contributions using assumptions consistent with those adopted at the 2020 valuation.

However, uncertainty has increased since the previous valuation due to the Covid-19 pandemic, higher levels of inflation and a volatile global political situation. The rise in uncertainty will be factored in at the next actuarial valuation as at 31 March 2023.

Following the 2023 valuation we will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

Graeme Muir FFA
Partner, Barnett Waddingham LLP

STATEMENT OF INVESTMENT BELIEFS

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

This Statement of Investment Beliefs has been designed to support the Fund in underpinning the investment decision-making process for the future, and also as a reference point for supporting why investment decisions are made. The Statement of Investment Beliefs should be viewed in conjunction with the Fund's Statement of Investment Principles, Funding Strategy Statement and Environmental, Social and Governance ("ESG") Policy. The statement is reviewed annually to ensure that it remains both in-line with the documents noted above and with the Fund's overall objectives. These are set out in the Fund's Funding Strategy Statement and, are as noted below:

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

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

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

Clearly defined investment objectives are important for success:

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

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

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

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

Strategic Asset allocation is the primary investment decision:

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

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

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

Risks should be appropriate, and be managed:

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

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

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

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

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

Fees and costs should be minimised wherever possible:

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

It is important to invest responsibly:

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

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

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

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

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

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

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

STATEMENT OF INVESTMENT PRINCIPLES

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

INTRODUCTION

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

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

ADMINISTRATION AND GOVERNANCE

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

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

INVESTMENT OBJECTIVE OF THE FUND

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

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

INVESTMENT STRUCTURE, STRATEGY & OBJECTIVES

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

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

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

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

INVESTMENT MANAGERS

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

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

BALANCE BETWEEN DIFFERENT TYPES OF INVESTMENTS

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

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

RISK

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

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

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

EXPECTED RETURN

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

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

REALISATION OF ASSETS

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

ADVISORS

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

PERFORMANCE MEASUREMENT

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

CUSTODIAN

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

AUDITORS

External - Audit Scotland
Internal - PricewaterhouseCoopers (PWC)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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

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

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

CORPORATE GOVERNANCE

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

CLASS ACTIONS

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

COMPLIANCE

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

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

SCOTTISH MINISTERS' GUIDANCE

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

INVESTMENT ROLES AND RESPONSIBILITIES

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

Tayside Pension Fund Sub-Committee is responsible for:

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

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

Tayside Pension Fund Pension Board is responsible for:

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

The Executive Director of Corporate Services is responsible for:

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

The Investment Consultant is responsible for:

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

The Investment Managers are responsible for:

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

The Global Custodian is responsible for:

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

The Actuary is responsible for:

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

INVESTMENT STRATEGY

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

Tayside Main Fund - Target Asset Allocation

Asset Class	**Allocation**	**Required Nominal Return p.a.**
Equities	65%	7.5%
Gilts		1.9%
Bonds	13%	2.6%
Property	12%	6.3%
Local and Alternative Opportunities	10%	5.05% overall, with individual returns appropriate to level of risk.

Asset Allocation as at 31 March 2023 was as follows:

Asset Class	Asset Distribution 31 March 2022		Asset Distribution 31 March 2023	
	Fund Actual %	Fund Actual %	Fund Actual %	Target Allocation %
Equities	71.7	71.7	73.4	65.0
Bonds, Gilts	16.8	16.8	15.9	13.0
Property	11.4	11.4	10.5	12.0
Alternatives	0.1	0.1	0.2	10.0
Total	100.0	100.0	100.0	100.0

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

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

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

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

INVESTMENT PERFORMANCE

Market Commentary

Economic overview

It was a year packed with global events which shook already battered economies and financial markets. Whilst the world thought that things might get back to normal, the first quarter of the financial year reminded us that we are still far away from that. Fears heightened of global recession, central bank rate hikes, runaway inflation, supply chain constraints, systemic credit events, war between Russia and Ukraine, food shortages and famine, and as if anyone could forget, COVID-19 which stubbornly refused to be consigned to history. Uncertainty loomed as nothing seemed to be playing out as predicted and the usual market fundamental rules weren't applying. Investor sentiment appeared worse than at the peak of the pandemic sell-off. This, coupled by weak economic results in mid-May resulted in the sharpest US stock market fall since the pandemic began, and poor performance from the defensive consumer staple stocks, thought to be inflation proof, undercut confidence further.

The second quarter saw both a change in UK prime minister as well as a mini-budget which kicked off bond market the rampant interest rate hike, and unprecedented turmoil in bond markets as liability driven investment strategies imploded. This coupled with the US stock market suffering its longest run of quarterly losses since the financial crisis in 2008 and the existing geo-political situation led to extreme market volatility, and the threat of recession ever more real. Energy prices soared, and the UK government warned of the possibility of energy blackouts in the coming winter months, should imports fall below the minimum requirement.

Global recession didn't quite come to pass at the end of 2022, and global inflation slowed. This supported equity performance for a positive quarter, and the health of consumer, corporate, and financial institution balance sheets provided reason to believe that if recession materialised, it will be shallow and short-lived, although excess cash also represents significant potential demand, which could maintain inflationary rises, making the next year much like the last one. The rising interest rate environment was challenging for the US financial markets especially, and rates rose in bigger increments and faster than in other developed economies. Being overweight to growth stocks meant the index fell harder due to the reducing value of future cash flows. One lessened pressure however in the quarter, was China's more lenient attitude to covid which should ease supply pressure and support both growth and natural resource valuations.

The final quarter of the financial year saw the International Monetary Fund warning that years of slow growth lay ahead, giving us the worst prospects since 1990. This quarter also saw the power of the digital age and the fragility of the banking sector in the US with the collapse of both Silicon Valley Bank and Signature Bank. Whilst the fear of a further banking crisis wasn't fully off the table, all financial markets produced positive returns over the first quarter and equities led the way despite the bumpy ride and ups and downs being driven by inflation outcomes or rumours.

Global Equities Summary

The financial year started with a fall in global equities as investors feared a slowdown in global growth due to increasing interest rates. Major central banks, especially the US Federal Reserve (Fed), adopted an increasingly hawkish stance over the period, escalating the risks of a recession. Growth prospects further deteriorated due to uncertainty over the war in Ukraine and supply chain disruptions due to anti-COVID-19 lockdowns in China. However, some of these worries eased off later in the period, on strong first quarter earnings in developed markets and hopes of easing restrictions in China. Against this backdrop, all key regional indices ended in negative territory, led by weakness in the US and Europe. At a sector level, consumer discretionary and information technology were the key decliners. The energy sector witnessed significant volatility but outperformed the broader market.

Equity markets remained volatile over the quarter to September, against the backdrop of a slowing global economy, worries over aggressive interest rate hikes by global central banks and the ongoing natural gas disruptions in Europe. Whilst markets rose in the first half of the quarter on expectations of interest rate cuts and upbeat corporate earnings, global equities fell after the US Federal Reserve reiterated its aggressive monetary policy stance to combat inflation. Low consumer confidence in the UK added to this due to concerns over financing the government's new fiscal package.

Global equities rose over the October - November period, as investors appeared to bet that peaking inflation and slowing growth would eventually force global central banks to slow down the pace of policy tightening. However, gains were curtailed in December as downbeat economic data and major central banks' hawkish policy stance intensified fears of a looming recession. These fears did not materialise, and global equities started the quarter on a strong note due to prospects of a less restrictive monetary policy amid signs of cooling inflation. However, markets came under pressure over the February–March period as major central banks reiterated their hawkish stance to manage persistently high inflation. Turmoil in the banking sector in developed markets also intensified fears around global financial stability. Nonetheless, receding contagion fears in the banking sector towards end of the quarter along with resilient economic data supported equities. Against this backdrop, Europe ex UK and US equities rose strongly. Emerging markets also ended higher as China's rapid economic re-opening and pro-growth stance boosted investor confidence. At a sector level, information technology and communication services were the leading gainers, while energy stocks fell amid a decline in crude oil prices. Headline inflation eased further in the US and Europe as energy prices fell. That said, persistently high inflation, tightening monetary policies and distrust in the banking sector present risks to global growth.

Global Fixed Income Summary

The first quarter of the financial year was another quarter of turbulence in UK bond markets as they grappled with rising input costs, supply chain bottlenecks, tighter financial conditions and slower growth prospects. Inflation touched multi-year highs in the US, UK and Europe, as energy and food prices surged due to Russia's invasion of Ukraine. Despite downgrading their growth outlooks for 2022 and beyond, major central banks, led by the US Federal Reserve (Fed), turned incrementally hawkish and signalled their resolve to take the necessary steps to bring inflation down. The Bank of England (BOE) raised its base rate to 1.25%, the highest level in 13 years. In turn, the UK government bond (Gilt) yield curve moved higher but yields retreated meaningfully in the latter part of the quarter as markets grew increasingly concerned about a recessionary scenario and whether the BOE could keep increasing interest rates despite a downturn. The central bank also warned that the UK was suffering from a much sharper economic slowdown and said that inflation was likely to last longer than in other countries. In Europe, the European Central Bank (ECB) was under pressurise to tighten its monetary policy and find a balance between its inflation target and the fragmentation across eurozone and recession risks. The US Fed delivered two interest rate hikes of 0.50 and 0.75 percentage points each at its May and June meetings, respectively, and began quantitative tightening. On the economic front, downside risks to global growth appeared to intensify and data reflected the impact of COVID-19 outbreaks, the war in Ukraine and the associated inflation squeeze.

September saw dramatic price action in UK Gilts as the new government's unveiling of across-the-board yet unfunded tax cuts in its mini budget against the backdrop of a highly constrained central bank (due to high inflation) sent bond yields soaring. The Bank of England (BoE) later stepped in to buy long-dated bonds to restore stability in the Gilt market. Overall, the BoE maintained its hawkish stance and delivered its seventh consecutive interest rate hike in September, taking its base rate to 2.25% from 1.75%. On the credit front, corporate bonds looked set to end the third quarter on a stronger note compared to the previous quarter. However, higher yields and spread widening in the last two weeks of September led to negative total returns from credit despite remaining resilient for most of the quarter.

By the end of the year, the European central bank had raised interest rates 250bps. This was an extreme rise but was beaten by the more hawkish Bank of England and Federal Reserve, which increased their rates by 325bps and 425bps respectively over the year. These substantial rate rises have resulted in fixed income portfolios showing huge losses, losses which have been increasing throughout the year as markets proved to be more reactionary than forward looking. The misery has been compounded by the fact that almost all other asset classes have also fallen, with previously uncorrelated asset classes suddenly becoming correlated on the way down. Even those who thought themselves safe have felt the fallout, with Liability Driven Investment portfolios suffering a liquidity crisis so severe the central bank had to intervene.

UK bonds posted positive returns during the three-month period ending March 2023. The quarter started on a positive note, as investors were hopeful that monetary policy tightening may be coming to an end. However, sentiment turned negative in February, as strong economic data from the UK and higher than expected inflation pointed to the likelihood of future interest rate hikes. The Bank of England (BoE) announced a 0.25 percentage point interest rate hike to 4.25%, marking its 11th successive rate rise, hitting the highest level since 2008. Markets witnessed substantial volatility in March after the collapse of Silicon Valley Bank in the US, which led to fears over broader contagion across the global banking system. The significant market turmoil in March saw investors recalibrating future rate hikes, which led to a fall in UK government bond (Gilt) yields.

UK Property Summary

The second half of 2022 saw a 20% fall in real estate capital values. That was the sharpest correction since the six months following the failure of Lehman Brothers in September 2008. The immediate cause was a jump in the all property initial yield from 4.2% in June to 5.1% in December, but the real driver was an adverse shift in investor sentiment, as higher interest rates impeded debt-backed buyers and the fall in equity and bond prices left some institutions over-allocated to real estate. The value of investment deals halved compared with the second half of 2021, as investors withdrew from the market. The one positive was that occupier demand held up in most sectors and rental values rose by 1.7% in the second half of 2022, albeit by less than inflation.

The first quarter of 2023 saw a degree of stabilisation. The all property initial yield only rose by a further 0.1% in the first quarter of 2023 to 5.2% and rental values continued to see modest growth. Consequently, the fall in capital values slowed from 3.7% in December to 0.7% per month through January and February, followed by a 0.2% rise in March.

The market is however showing signs of stabilisation following a notable deterioration in the latter half of 2022.

UK Economic Outlook

After a short period of economic turmoil, the UK economic outlook appears to be more positive, predictable and less uncertain. All of this is encouraging for businesses and consumers. Since the mini-budget of September 2022 and subsequent economic fallout, the economic environment has improved considerably, and the UK economy has avoided a technical recession. Three factors contributed to this: sustainably lower natural gas spot and future prices, a stronger pound, and the better-than-expected managed re-opening of the Chinese economy.

Even in ‘subdued growth’ scenarios, there is the expectation that the UK economy will avoid recession and grow by around 0.1% for 2023. This scenario assumes that there are no geopolitical flare ups and that the country reaps the benefits from the ‘dullness’ of a return to more normal domestic and international conditions with a low degree of policy uncertainty.

If the damaged situation remains prolonged, there are risks facing the UK economy that may materialise. The most apparent risk is for inflation to remain stickily high either because of geopolitical developments or higher wage, service or food inflation. This could be accompanied by widespread and prolonged sets of strikes in considerable segments of the public sector leading to lost hours of work. In this scenario, UK economic activity will contract.

Inflation is expected to fall sharply this year, returning to single digits at the middle of the year and around the 3-4% mark by the end of the year, however the tightening of financial conditions are likely to be increasingly reflected on economic activity in the coming quarters.

This inflationary episode has already had a significant, long-term impact on UK households and businesses, with some estimating that consumer prices will have risen by at least a cumulative 20% from the beginning of this inflationary episode until inflation drops back down to the Bank’s target.

Structural reasons will drive economic inactivity higher in the coming decade. Economic inactivity has remained elevated since the beginning of the pandemic, predominantly driven by health reasons and other factors. Nonetheless, this legacy masks the wider issue the UK economy is expected to face in the coming decades which is that of an ageing population. This will be a key consideration in the future for policy makers.

Global Equities - Market Outlook

Whilst the view on equities has moved from negative to a neutral stance on equities given a broadly resilient economic backdrop, the recent stress in the banking sector warrants caution going forward. Central banks also face a difficult trade-off between managing financial stability and inflation, even as consensus corporate earnings growth forecasts for 2023 have weakened. At a regional level, there is a cautious view of the US, where banking sector risks have raised the probability of recession. The view for Europe has improved due to better-than-expected economic activity, although inflationary pressures and uncertainty in the banking space persist. Meanwhile, healthy valuations provide support for the UK market. Manufacturing activities in Japan are negatively impacted by slowing global activity, though the service sector is supported by rising tourism related demands. China’s economic normalisation and stimulative policy stance underpins a positive view for emerging markets. The Pacific ex-Japan region could also benefit from China’s re-opening and associated trade demand.

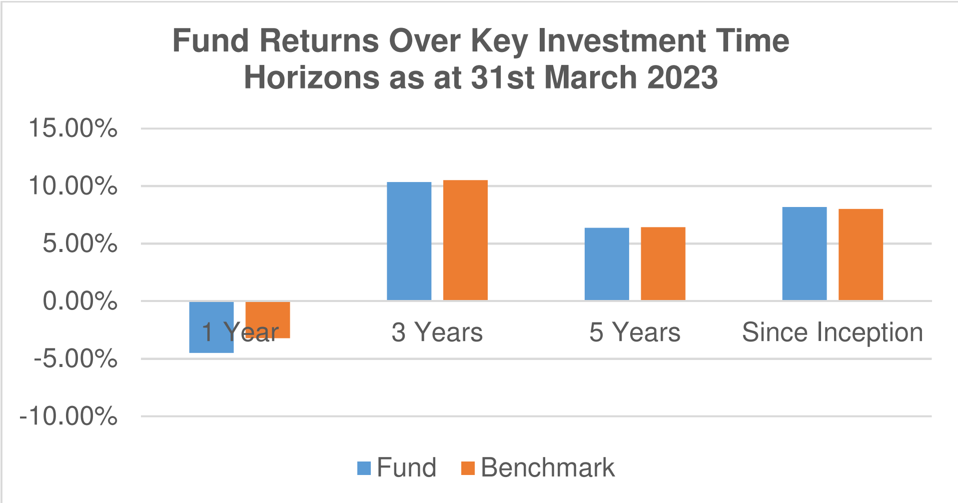
Global Fixed Income - Market Outlook

The impact of COVID-19 and the war in Ukraine continues to reverberate, with cracks in the global banking system on the back of the fastest episode of interest rate hikes in history. Central banks are facing an increasingly difficult trade-off between financial stability and controlling inflation. In the near term, stickier inflation, a strong labour market and a resilient consumer could force central banks to retain their hawkish stance. However, if interest rates are higher for a longer period, this will increase the pressure on financial systems in the form of higher borrowing costs for corporates and tighter financial conditions. The stress seen in US banks recently, and to a lesser extent globally, is likely to accelerate the tightening in credit conditions. While this is seen as unlikely to be the start of a full-blown financial crisis, it clearly increases the risk of a recession across developed markets. In this environment, bond managers are looking for sectors and regions with structural tailwinds, defensive characteristics and attractive valuations that present the best balance between risk and reward.

FUND PERFORMANCE

Performance Commentary

In the year to 31 March 2023, the Fund suffered an overall negative return of -4.5%, whilst the benchmark return was -3.24%. The Fund value decreased from £5.09bn to £4.825bn at end of March 2023. The following graph details the performance of the fund across all periods:



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

Baillie Gifford Global Equities – was behind benchmark with a negative return of -4.33% versus -0.93% for the benchmark.

This is primarily a bottom-up, active investment strategy, which seeks to invest in companies that it believes enjoy sustainable competitive advantages in their industries and which will grow earnings faster than the market average, based on their belief that share prices ultimately follow earnings. Their investment aim is to generate above average long-term performance by picking the best growth stocks available globally. The turnover of portfolio remains low (below 20% p.a.) due to their long-term, patient approach, to stock picking. Whilst the portfolio exposure to China was a key detractor during the year, the underweight exposure to the energy sector played also played a significant factor. These factors, coupled with the challenging environment for growth style investment management resulted in performance lag over all but longer term time periods. The investment managers have taken this time to review portfolios and investment cases in light of changed environment and outlooks and have adapted as required. They have reassured that the fundamentals and outlook for their holdings meets their long term investment criteria.

Baillie Gifford UK Equities - was behind benchmark with a return of -1.07% versus 2.92% for the benchmark.

This portfolio typically favours companies that have strong balance sheets and lower than average debt, with the belief that such companies recover from the current crisis relatively strong and be well-placed to take advantage of the opportunities that always await after a severe market dislocation. Their very long-term investment philosophy focusses on long-term business fundamentals. This portfolio has suffered the effects of the UK economic environment this year as well as being underweight in sectors such as energy which have outperformed over the period. The underperformance of the last 2 years has is portfolio has now detrimentally impacted the other shorter term time horizons. Like their global colleagues, the investment managers have reviewed and repositioned their portfolio to ensure robust fundamentals and investment cases to deliver on objectives over the longer term.

Baillie Gifford Positive Change - was behind benchmark with a return of -8.84% versus 0.93% for the benchmark.

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

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

The portfolio’s underweight position in specific sectors (such as energy) and specific stocks in the wider index which have out-performed the rest of the index has been detrimental in the short term that the Fund has been invested.

Fidelity Global Equity – was behind benchmark with a return of -2.39% versus -1.43% for the benchmark.

This portfolio has a value style biased approach designed to deliver strong returns over the long term, with stock selection driven by potential for absolute share price appreciation. It has a stylistic balance across three differing investment methodologies to aim to deliver returns even in a low growth environment. Although a difficult year, the value investment bias protected the portfolio to some extent over the period in comparison to growth style investments, and although it underperformed the benchmark over the year, the portfolio continues to deliver outperformance across every other quoted time horizon.

Legal & General Investment Management Passive Equity – As 25% of this holding has now transitioned to their Future World Global Index Fund which has an ESG tilt, there is now little expectation of returns tracking the general index. Due to the removal of specific stocks which do not meet the criteria of the Future World Fund, but have performed well over the last year, the portfolio returned -0.98%, whilst the benchmark was -0.01%.

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

Fidelity Bond – although ahead of benchmark with a return of -15.34% versus -16.21% for the benchmark, the bond portfolio delivered negative returns.

The portfolio has continued to reinforce its defensive position. This portfolio has outperformed its benchmark across all reported performance horizons.

Goldman Sachs Bond - was behind benchmark with a negative return of -3.51% versus 5.78% for the benchmark, however this is a buy and maintain mandate with an investment objective of meeting a target yield to maturity of 3%. As at 31 March 2023, the hedged yield to maturity was 4.1%, benefitting from the current interest rate environment. Prior to recent interest rate hikes, this portfolio was experiencing continuing underperformance against target yield, and as a result is currently under review with regards to its ability to achieve performance objective in the longer term.

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

Schroders Property - were ahead of benchmark with a return of -12.13% versus -14.49% for the benchmark.

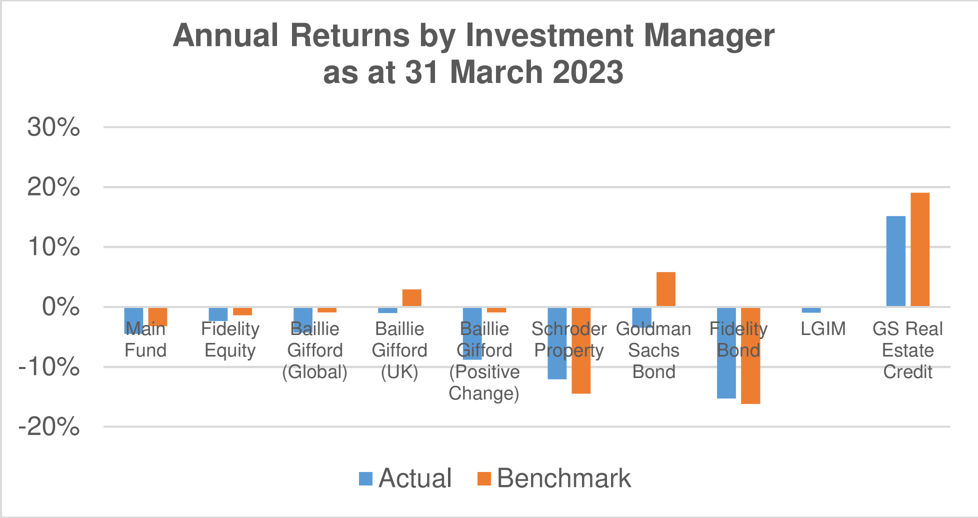
The portfolio retains an overweight relative to benchmark in industrials, regional offices and alternatives (including student accommodation, social housing and healthcare) and underweight to the traditional retail sector and central London offices. The selection of funds with a high industrial concentration and low retail exposure has benefited the portfolio over the year as the strongest drivers of performance, and this coupled with timely disinvestments has enabled them to take a strong defensive position. The portfolio performance is ahead of benchmark in all time horizons.

GSAM – Broad Street Real Estate Credit Partners III – was behind benchmark with a return of 15.11% versus 19.05% for the benchmark.

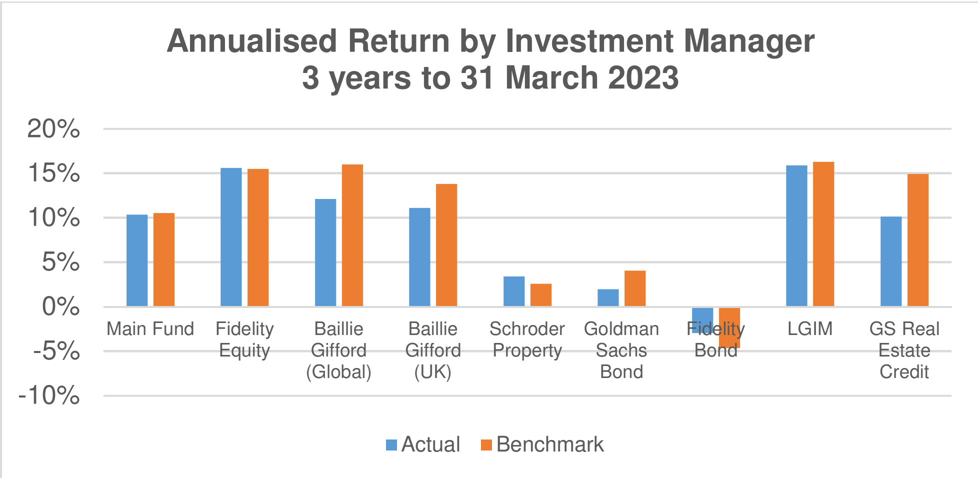
This fund is now in the latter stages awaiting closing distributions.

Performance Measurement

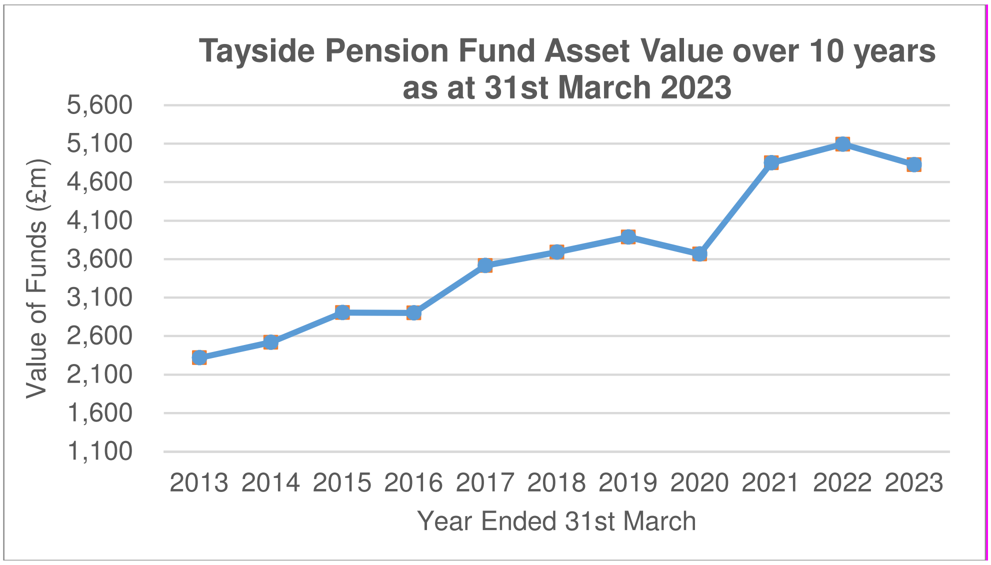
The following graphs provide detail of the Fund’s performance over time in relation to the component investment portfolios, and the impact of these returns on the Fund’s value over a 10 year period -



Annual Returns by Investment Manager
as at 31 March 2023
30%
20%
10%
0%
-10%
-20%
Main Fund
Fidelity Equity
Baillie Gifford (Global)
Baillie Gifford (UK)
Baillie Gifford (Positive Change)
Schroder Property
Goldman Sachs Bond
Fidelity Bond
LGIM
GS Real Estate Credit
Actual
Benchmark



Annualised Return by Investment Manager
3 years to 31 March 2023
20%
15%
10%
5%
0%
-5%
-10%
Main Fund
Fidelity Equity
Baillie Gifford (Global)
Baillie Gifford (UK)
Schroder Property
Goldman Sachs Bond
Fidelity Bond
LGIM
GS Real Estate Credit
Actual
Benchmark



Tayside Pension Fund Asset Value over 10 years
as at 31st March 2023
Value of Funds (£m)
5,600
5,100
4,600
4,100
3,600
3,100
2,600
2,100
1,600
1,100
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
Year Ended 31st March

ENVIRONMENTAL, CORPORATE AND SOCIAL GOVERNANCE

RESPONSIBLE INVESTING

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

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

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

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

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

POLICY ON ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

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

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

2. Be an active owner and incorporate ESG issues into ownership policies and practices through the following:

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

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

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

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

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

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

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

* In the case of the following industries:

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

- Energy - the Fund requires that:

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

CLIMATE FOCUS

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

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

Governance

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

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

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

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

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

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

Strategy

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

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

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

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

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

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

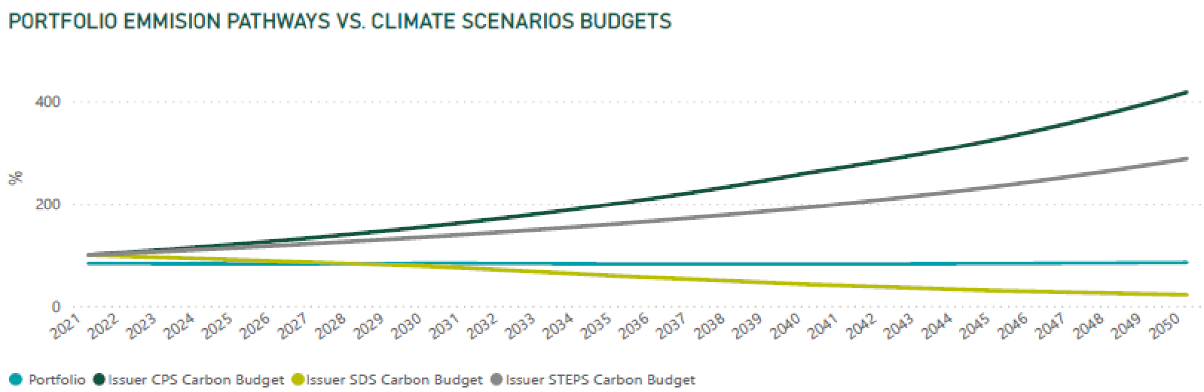
- Recommended Disclosure B - Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.

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

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

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

The scenario alignment analysis Tayside Pension Fund use is provided by the Fund's custodians, and compares current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS) and the Current Policies Scenario (CPS). Performance is shown as the percentage of assigned budget used by the portfolio. See below for information available as at 31 December 2022 -



Risk

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

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

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

Cause of risk:

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

Impact:

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

Consequences:

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

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

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

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

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

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

Metrics & Targets

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

Tayside Pension Fund have engaged with their custodians to provide carbon footprinting data and analysis. For all listed equities and bond portfolios, the carbon footprinting has enabled the identification of the top 10 assets responsible for contributing to the carbon footprint of that portfolio as shown below as at 31 December 2022. Portfolio managers also provide this information on a quarterly basis. The Fund is committed to repeating this footprinting on a bi-annual basis and investigating the inclusion of other asset classes in addition to listed equities and bonds.

TOP 10 POSITIONS BY WEIGHT

Issuer	% Portfolio	Carbon Risk Rating
Microsoft Corporation	2.9%	75.0
Alphabet Inc.	1.7%	82.0
Apple Inc.	1.6%	70.0
AstraZeneca Plc	1.1%	89.0
Mastercard Incorporated	1.1%	73.0
Amazon.com, Inc.	1.1%	68.0
Prudential plc	1.0%	58.0
UnitedHealth Group Incorporated	1.0%	56.0
JPMorgan Chase & Co.	1.0%	59.0
Johnson & Johnson	0.9%	83.0

TOP 10 CARBON RISK RATING

Issuer	% Portfolio	Carbon Risk Rating
Adani Green Energy Ltd.	0.0%	100.0
ENPHASE ENERGY, INC.	0.0%	100.0
Kingspan Group plc	0.0%	100.0
Vestas Wind Systems A/S	0.0%	100.0
Dell Technologies, Inc.	0.1%	99.0
Orsted A/S	0.4%	99.0
SolarEdge Technologies, Inc.	0.0%	97.0
Northland Power Inc.	0.0%	94.0
Hewlett Packard Enterprise Company	0.0%	93.0
International Business Machines Corporation	0.1%	93.0

TOP 10 CARBON INTENSITY (SCOPE 1+2)

Issuer	% Portfolio	Carbon Intensity
NTPC Limited	0.0%	17,772.3
UltraTech Cement Ltd.	0.0%	9,706.0
Vistra Corp.	0.1%	8,544.4
Gulf Energy Development Public Co. Ltd.	0.0%	8,041.8
Grasim Industries Ltd.	0.0%	6,170.6
Sasol Ltd.	0.0%	5,014.2
Evergy, Inc.	0.0%	4,869.3
Holcim Ltd.	0.0%	4,717.5
RWE AG	0.2%	4,668.4
CF Industries Holdings, Inc.	0.0%	4,526.7

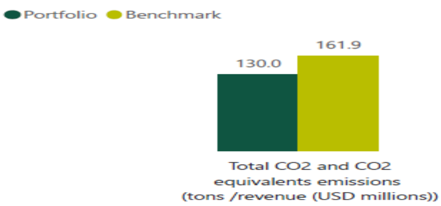
BOTTOM 10 CARBON INTENSITY (SCOPE 1+2)

Issuer	% Portfolio	Carbon Intensity
Cloudflare, Inc.	0.1%	0.0
Taiwan Cooperative Financial Holding Co., Ltd.	0.0%	0.0
Storebrand ASA	0.0%	0.0
Hannover Rueck SE	0.0%	0.0
Wheaton Precious Metals Corp.	0.0%	0.0
Franco-Nevada Corporation	0.0%	0.0
Just Group Plc	0.2%	0.0
DNB Bank ASA	0.2%	0.1
St. James's Place Plc	0.4%	0.1
Realty Income Corporation	0.0%	0.1

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

Tayside Pension Fund have considered Scopes 1 and 2 in its analysis. Scope 3 data was not considered to be of a sufficiently robust standard to incorporate. Summary findings of this analysis by mandate as at 31 December 2022 are as follows -

WEIGHTED AVERAGE CARBON INTENSITY



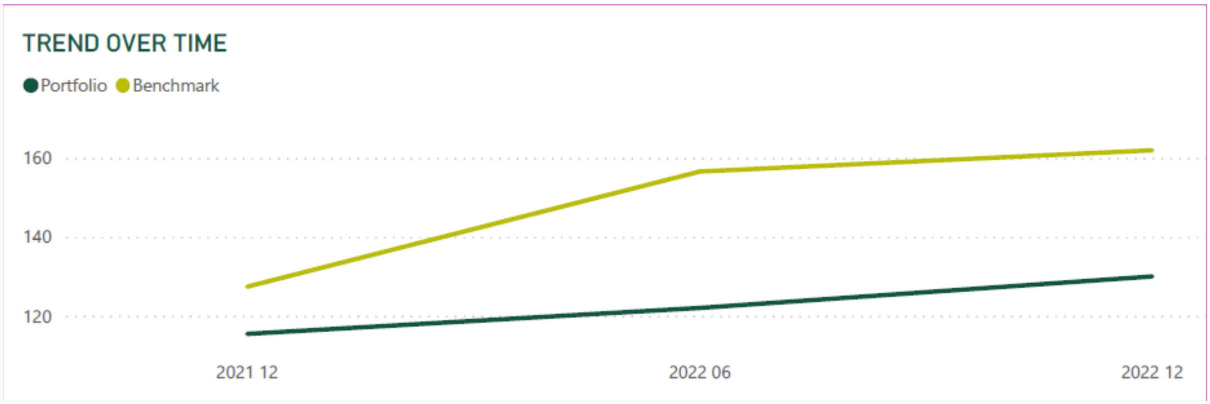
MANAGER COMPARISON

Portfolio	WACI
Baillie Gifford Global Eq	158.7
Baillie Gifford Positive	47.7
Baillie Gifford UK Eq	83.9
Fidelity Bond Fund	64.7
Fidelity Equity Fund	121.1
Goldman Sachs Global Bond Fund	162.5
LGIM Passive Equity	145.3

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

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

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



SCHEME MEMBERSHIP AND BENEFITS

The Local Government Pension Scheme is a defined Benefit Scheme. From 1st April 2015, benefits are accrued at 1/49th of pensionable pay on a career average basis. Prior to that date benefits were accrued on a final salary basis. These benefits are fully protected on the basis under which they were accrued, and all benefits are paid in accordance with the Local Government Pension Scheme Regulations. The following table gives a summary of scheme benefits:

Membership up to 31st March 2009	Membership from 1st April 2009 to 31st March 2015	Membership from 1st April 2015
Annual Pension = (Service years / days x Final Pay) / 80	Annual Pension = (Service years / days x Final Pay) / 60	Annual Pension = Annual Pensionable Pay / 49
Automatic tax-free cash lump sum = 3 x Annual Pension	No automatic tax-free cash lump sum, but pension conversion available	No automatic tax-free cash lump sum, but pension conversion available
• Annual revaluation and pensions increase in line with CPI inflation • Partners' and dependents' pensions • Ill health protection • Death in service protection		

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

Scheme Membership

The following table summarises the scheme membership.

Status	31/3/2022	31/3/2023
Actives	18,816	18,912
Deferred / Undecided / Frozen	17,004	18,662
Pensioners (Inc. dependents)	17,526	18,008
Total	53,346	55,582

PENSION ADMINISTRATION STRATEGY

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

This strategy details the standards required of both the Fund and the participating employers to ensure that statutory obligations are met and also to demonstrate effective and efficient service delivery. The strategy contains a variety of performance measures against which the Fund and participating employers are assessed, with performance reported to the Committee. The Pension Administration Strategy underwent employer consultation before being approved by the Pension Sub-Committee on 21st March 2022 and subsequently published on our website. The following provides an abridged version of the policy, with the full document available for view on our website: https://www.taysidepensionfund.org/resources/pensions-administration-strategy-2022-23/

Introduction

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

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

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

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

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

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

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

Pension Administration Strategy Statement

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

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

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

Roles and responsibilities

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

Service standards and Performance Measures

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

It is the employer's responsibility to provide correct information about their members. The Fund is not responsible for checking the accuracy of any information provided by the employer. However, the Fund will inform the employer of any differences between information provided by the employer and information already provided. Information is to be issued to the Fund using the provided secure online portal and in the agreed format. From 1st April 2015 the Pensions Regulator became the body responsible for the oversight of effective governance, management and administration of the LGPS. The Regulator has provided where Funds and scheme employers can be fined for non-compliance.

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

Member Data

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

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

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

Communication

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

Monitoring and Reporting

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

Discretions

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

Improving employer performance

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

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

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

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

The Fund may make the following charges:

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

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

COMMUNICATIONS POLICY

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

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

The following Communications Policy was approved by the Pension Sub-Committee on 21st March 2022 and subsequently published to the Fund website. The document can be also be viewed at: https://www.taysidepensionfund.org/resources/communication-policy-march-2022/

Introduction

Tayside Pension Fund is administered by Dundee City Council, with pension administration and investment services for 42 local government employers and associated bodies and their employees within the Tayside Area.

Vision

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

Objectives & Aims

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

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

Our aim is that our communications shall:

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

Stakeholders

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

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

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

Communication Methods

Fund Website

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

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

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

General Communications

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

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

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

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

Personal appointments - By prior arrangement at Dundee House.

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

Active Members

We have over 18,000 members currently contributing to the scheme. This membership spans a wide range of ages, occupations and salaries. In order to meet their communications needs we use a mix of generic and targeted approaches as well as one-to-one meetings. The Fund also provides an online Member Self Service Portal which allows the member and Fund to communicate directly and securely.

On joining the pension scheme members will be issued with a welcome pack which will include:
- Welcome Letter including details of the Fund's website: https://www.taysidepensionfund.org/
- Member Self Service Activation Key for the online self-service portal
- Scheme Guide – Available on the Fund website
- Annual Benefit Statement - Personalised statement of each member's pension benefits to the 31st March and also their Normal Pension Age.

- On request, provision of communications in alternative formats including translation, braille, large print documents or audio.
- Links from the website to other useful sites including www.lgps2015.org

Deferred Members

There are over 17,000 members not currently contributing to the scheme but whose pension we are managing until it becomes payable. These include members who have moved to a non-participating employer and others who remain with a scheme employer but have stopped contributing themselves.

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

Pensioners and Dependents

There are currently over 17,000 pensioner members (dependents). Again, their needs are met by the same approach as that for active and deferred members, but in addition they also receive annual P60 statement, and payslips for monthly pension changes of over £5 in value. Pensioners will also have access to the online self-service portal where they will be able to view and print copies of payslips.

Representatives of Members

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

Prospective Members

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

Scheme Employers

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

Pension Board and Committee

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

ADMINISTRATION EVENTS AND PERFORMANCE

2022/23 continued the trend of being a challenging, although extremely productive year for the Pension Administration Team due to unavoidable absence and recruitment issues. Experienced staff are now settled into new hybrid working arrangements, with new starts undertaking supported learning in the office environment. Face to face services resumed in Council properties during 2022/23, and the Fund introduced a formalised appointment service for any scheme member who wished to arrange a face to face visit to discuss their pension scheme queries. This has complimented the existing communications mediums of phone, email, and MS teams calls with members and employers to discuss and resolve any issues.

Member Self-Service (MSS) is now bedded in, and is proving invaluable to the service and members who can not only review their pension scheme records, but enable them to run certain calculations and projections. End to end times have been reduced, and members are receiving benefits quicker than ever as registered members are issued any correspondence (letters and forms for completion) via the MSS portal and these can be completed and returned electronically, directly into the system quickly and securely. The MSS portal is now also used to issue annual benefit statements electronically. The Fund will however continue to accept postal communications as it is widely appreciated that digital channels are not suitable for all members.

Now being a year into operation, the telephone contact centre has proven a definite enhancement to the quality of our service provision, with all incoming calls being routed to available staff, and a significant number of incoming calls are answered within the initial three rings.

Performance

The following provides summary of task volumes over the year to 31st March 2023 in comparison to the previous year:

Pensions Brought into Payment	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Total	Last Year	% Change
Redundancy/Efficiency	10	6	24	9	49	115	-57%
Ill Health	14	22	24	16	76	77	-1%
Deferred	73	101	72	98	344	348	-1%
Flexi	10	5	6	7	28	33	-15%
Voluntary	66	104	98	103	371	429	-14%
Voluntary (Age 65+)	30	41	28	33	132	150	-12%
Grand Total	203	279	252	266	1,000	1,152	-13%

2022/2023 saw a slight reduction in all methods of retirement, with voluntary retirement remaining as the highest volume method of retirement. The largest reduction was seen in redundancy/efficiency retirements with a reduction of 57%. Although overall volumes have slightly reduced, they still remain higher than in previous years.

Estimates Received	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Total	Last Year	% Change
General	212	116	160	196	684	781	-12%
VER	153	0	2,056	1,567	3,776	86	4,291%
Grand Total	365	116	2,216	1,763	4,460	867	414%

The large increase in volumes during 2022/2023 can be accounted to some larger employers undertaking strategic planning and requesting bulk estimates for redundancy/efficiency. The declining numbers of general estimates continues as the MSS portal allows members to run their own estimates, but these volumes can fluctuate depending on the needs of the members, as the software does not accommodate more complex cases (e.g. members with AVCs or a scheme debit), which will always require pensions specialists to undertake calculations.

Other Pension Events	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Total	Last Year	% Change
Deaths	169	180	183	223	755	749	1%

Survivor Pensions	69	65	51	63	248	256	-3%
Grand Total	238	245	234	286	1,003	1005	0%

2022/23 was a very stable year in this category of activity with no change in caseload being seen from the previous year. However, it is important to note that the volume of members deaths remain at a high level, having increased significantly over the past few years.

Tasks Measured	Case Volume 2021/22	Average Days to Process	Case Volume 2022/23	Average Days to Process
Clerical Tasks	2,326	56.92	3,010	87.29
Death Grant	129	64.60	126	65.29
Divorce	63	48.29	50	47.80
Estimates	867	51.39	4,460	13.01
Payroll related	355	80.00	1,476	25.37
Retirements	1,154	19.05	1,000	18.23

Clerical tasks during 2022/23 experienced an increase in average processing days due to recruitment and training. It is however important to note that although days to process cases increased, there was also a significant overall increase in case volumes completed.

There has been significant improvement in resolution of payroll related tasks due to improved processes and increased utilisation of I-Connect and MSS.

2022/23 Events

- **Payment of contributions by scheme employers**

The Pensions Act 1995 requires employers to make payment of the employee and employer contributions by the 22nd of the month following deduction from the employee's wage/salary and as such this is recorded and monitored monthly.
The Internal control measure of the 19th of month following deduction is also maintained, and during the period there were 11 instances of payment after the 19th recorded. All employers were engaged with in relation to these and these late payments were as a result of staff absence or isolated operational issues, with the exception of one employer who required additional support. All contributions for 2022/23 were received by 19th April 2023.

Employers have been reminded again of their responsibilities in relation to this, and an employer's bulletin will be issued in early 2023/24 to again ensure that they have a heightened awareness of this statutory duty.

- **Annual Benefit Statements**

Annual Benefit statements were published in August 2022 on the Member Self Service portal to allow members to view information as they require. Prior to publication, all active and deferred members were issued with activation keys and portal instructions. However, paper copies still remain available on request, although only 5% of members have opted for this.

- **Annual & Lifetime Allowances**

Annual allowance statements are issued annually, prior to the 6th of October. The current annual allowance threshold remained £40,000, and 121 members received statements notifying them of excess. The lifetime allowance for 2022/23 remained at £1.073 million, and individuals are notified of excesses on a case by case basis.

The Spring Budget of 15th March 2023 made some changes to pension tax allowances. The changes include:

- From 6 April 2023 the Annual Allowance (AA) will increase from £40,000.00 to £60,000.00.
- From 6 April 2023 the Tapered Annual Allowance threshold will increase to only coming into effect where relevant taxable earnings of £260,000 apply and the minimum allowance used in calculations will increase to £10,000.00.

- From 6 April 2023 the tax charge applied to those who exceed the Lifetime Allowance (LTA) is removed, however a limit on tax free cash at retirement of £268.275.00 still applies. The exception to that value would apply for members who have fixed or individual protection from HMRC, or for those who have already used their entire Lifetime Allowance.

- **National Fraud Initiative**

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

- **McCloud & Sargeant**

On 20 July 2022, The Pensions Ombudsman (TPO) published a factsheet on McCloud. This factsheet set out TPO's views on what affected members and schemes can do now, and TPO's present approach to dealing with McCloud complaints.

TPO's general starting position is that it would not investigate McCloud complaints. This is because it acknowledges that the Government is taking steps to address the discrimination with retrospective effect. TPO will, however, carefully look at the facts of each case before deciding whether to investigate. The factsheet sets out examples where TPO may decide to investigate a McCloud complaint now.
https://www.pensions-ombudsman.org.uk/publication/pensions-ombudsmans-tpo-approach-mccloud-and-sargeant-age-discrimination-complaints

On 14 December 2022, HM Treasury (HMT) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They come into force on 19 December 2022 and apply to England, Northern Ireland, Scotland and Wales.

The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised. The Act gives relevant government departments powers to rectify McCloud discrimination. For the LGPS, the Directions apply to the following powers in the Act:

- Section 82: an administering authority's power to pay compensation
- Section 83: the power to make regulations compensating members by paying additional LGPS benefits
- Section 84(1)(a): the power to make regulations setting out how interest should be calculated and paid on amounts due to the McCloud remedy, and
- Section 84(1)(B): the power to make regulations setting out the process to follow for paying amounts due to the McCloud remedy.

On 10 March 2023, the High Court ruled that HM Treasury's decision to include the McCloud remedy in the cost cap mechanism was not unlawful. The unions consulting with their legal team regarding any appeal.

During 2022/2023 the Pension Administration Team have continued to gather changes in hours and service breaks data from employers for those identified as being in scope. During 2023/24, following the release of the required regulations, these will be further analysed and uploaded to Altair in preparation for the work required to bring carry out the revised calculations for those identified in scope cases.

- **Pension Dashboards**

In March 2023, the LGA informed stakeholders on behalf of the Pensions Regulator (TPR) confirming the Government's intention to legislate to amend schemes' connection deadlines. This followed a written ministerial statement issued by DWP announcing the delays:
https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594

The statement stated that delays are necessary to give the Pensions Dashboards Programme (PDP) the time it needs to meet the challenges in developing the digital architecture. The Department for Work & Pensions (DWP) will provide an update on dashboards to Parliament before summer recess.

It is not clear if connection deadlines for public service pension schemes will change.

TPR confirmed that it:

- will write to those schemes affected by the announcement to confirm when new deadlines are set
- has published updated guidance and a checklist to help schemes focus on what they should be doing now to prepare for their dashboard duties.

https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance

- will produce a 'content toolkit' with key messages for administering authorities to use, as appropriate, in their communications.

Although the previously proposed timetable may now require adjustment, the Fund believed that it was important to ensure that plans to have dashboard ready data continued.

Data readiness reports have been produced, and areas of concern have been highlighted in a high-level report by the Fund's pension system provider. The report identified areas of concern via a traffic light system, and a small number of amber areas were highlighted. In order to gain improvements in these areas, an address and mortality service will be onboarded during 2023/24.

- **Tiered Contributions Rate Guidance**

Under the Local Government Pension Scheme (Scotland) Regulations 2014, the earnings ranges used to determine annual contributions rates are to be increased each year by any increase applied to pension under the Pensions (Increase) Act 1971. In March 2022 the SPPA amended the guidance to reflect the above and a copy of this guidance was forwarded to all scheme employers. This guidance came into effect from 1 April 2022.

- **Employer Communications**

Holding employer sessions via MS Teams enabled recorded sessions to be provided. This enhancement allows the employer the ability to not only review guidance/information provided but also to circulate to colleagues who were unable to attend sessions. Recorded sessions were held on the topics of I-Connect and end of year processing, and the guidance notes/slides used in MS Teams sessions are also issued for future reference to all employers.

During 2022/23, the Fund issued a bulletin to all employers with unfunded pension costs to provide them with advance notice of the high Consumer Price Index (CPI) value of 10.1% which will be applied to those unfunded pensions in payment in April 2023. A further bulletin was also issued to employers in respect of the actions needed to be taken to both notify members of their right to repay contributions following a period of industrial action, and for the employers to apply the correct deductions to their payroll systems and financial returns in respect of this.

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

I-Connect

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

This system was rolled out to all scheme employers during 2021/22. For those identified as smaller employers (up to approx. 75 members), I-Connect utilises an online data submission solution, whilst allowing larger employers upload CSV file formats.

As enhancements are made to the I-Connect services, the Fund have held employer training sessions via Microsoft Teams. Such sessions are recorded and issued to participants and those not able to participate on the day to ensure that all employers are given access to training and information on this invaluable tool.

Member Self Service

The member portal (MSS – Member Self Service) was introduced in 2021. The MSS portal is now utilised to issue members with documents, letters and calculation summaries including new joiner communications, estimates and retirement details. By end of 2022/23, a total of 16,497 users were registered.

- **Contact Centre**

The telephone contact centre launched in January 2022, with all incoming calls automatically routed to the call centre via the new telephone number of 01382 307900. In the period 01/04/2022 to 31/03/2023 the numbers of calls received via the call centre was 12,553 with 75% of these being answered within the first three rings, demonstrating improved quality of service to members. As staff levels are now stabilised, we would hope that this percentage will improve.

- **Website**

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

- **Meetings, User Groups and Forums**

Representatives attended quarterly meetings of the Joint Scottish Liaison Group (SPLG) and Investment Governance Groups, along with representation from the Local Government Association and the Scottish Public Pensions Agency. Representatives of the Fund also attended and participated in webinars as members of the Computerised Local Authority Superannuation System (CLASS) Group whose membership is made up of all 11 Scottish Funds and 80 English and Welsh Funds. Participation in specialist user groups for I-Connect and Member Self Service (MSS) were also attended.
During 2022/23 sessions available to all employers were held virtually via Microsoft Teams on year end processing and I-Connect enhancements and amendments. Individual sessions were held on a request basis with a variety of employers on topics including changing payroll providers, overview of the LGPS and retirement process.

- **Payment of Pensions**

Tayside Pension Fund provides 2 monthly payrolls to retiring members. One making payment on the 20th of each month and the other on the last working day of each month. During 2022/2023 all monthly pension payroll payments were made by their due date.

- **CARE Scheme Revaluation**

The Local Government Pension Scheme (Scotland) Regulations 2015 require that pension accounts built up from 1 April 2015 are revalued at the end of each scheme year. The Order published provided for a 3.1% revaluation with effect from 1 April 2022.

- **Pension Increase**

Pensions in payment and those in deferment are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September. The Order provided for a 3.1% increase with effect from 6 April 2022.

- **Tiered Contributions Rate Guidance**

Under the Local Government Pension Scheme (Scotland) Regulations 2014 the earnings ranges used to determine annual contributions rates are to be increased each year by any increase applied to pension under the Pensions (Increase) Act 1971. In March 2022 the SPPA amended the guidance to reflect the above and this became effective from 1 April 2022.

- **Meetings, User Groups and Forums**

Held on a face to face basis in 2022/23, representatives attended quarterly meetings of the Joint Scottish Liaison Group and Investment Governance Groups, along with representation form the Local Government Association and the Scottish Public Pensions Agency. Department Representatives attended virtual meetings and also participated in webinars as members of the Computerised Local Authority Superannuation System (CLASS) Group whose membership is made up of all 11 Scottish Funds and 80 English and Welsh Funds.

- **Staffing 2022/23**

This has been a very challenging time for recruitment. Through the year, there was an ongoing exercise to recruit 6 additional staff as well as replace 2 vacancies. The time taken to carry out the recruitment process and a lack of suitable candidates resulted in this exercise being prolonged.

Whilst recruitment has been ongoing throughout the year, and training being delivered to accommodate, by the end of 2022/23, the Pension Administration team was now almost up to full complement, and trained.

- **Consultations**

A consultation was run by the Scottish Public Pensions Agency from 14th March until 27th March 2023. The consultation was in respect of changes to the scheme required in light of the proposal to change the annual revaluation date from 1st to 6th April.

A change in date was proposed in order to provide members with protection against the impact of the application of the high inflation revaluation (10.1%) and the tax liability which may be incurred due to the non-alignment of HMRC and LGPS processes in assessing the annual allowance tax charge.

The consultation sought Fund views on their agreement or otherwise that the revaluation date should be amended from the 1st to the 6th April. It also sought agreement that the draft regulations would meet that policy aim for specific parts of the regulations affecting Assumed Pensionable Pay (APP), active, deferred and pensioners members, those retiring on flexible retirement and for survivor benefits and death grants. It also proposed a change to the definition of revaluation adjustment and date.

Legislation Update

During 2022/23 the following legislation came into effect:

Instrument	Title	Topic	Link
SI2022-215	The Public Service Pensions Revaluation Order 2022	Order provided for a 3.1% increase to be applied to CARE benefits	https://www.legislation.gov.uk/uksi/2022/215/contents/made
SI2022-216	The Social Security Revaluation of Earnings Factors Order 2021	For employer action – relates to level of national insurance contributions being in line with earnings in relation to GMP	https://www.legislation.gov.uk/uksi/2022/216/contents/made
SI2022-297	The Guaranteed Minimum Pensions Increase Order 2022	Increases value of GMPs within system 3.1% increase applied.	https://www.legislation.gov.uk/uksi/2022/297/contents/made
SI2022-232	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2022	For employer action – relates to national insurance thresholds	https://www.legislation.gov.uk/uksi/2022/232/contents/made

SI2022-333	The Pensions Increase (Review) Order 2022	Pensions in payment and deferment is indexed annually based on the annual change in Consumer Price Index (CPI) as at the previous September. 3.1% increase was applied.	https://www.legislation.gov.uk/uksi/2022/333/contents/made
Circular 1/2023	PI Review and revaluation order	Notification of the increase to pensions with effect from 10/04/2023 and also of the annual revaluation rate to be applied to CARE pensions. Rate to be applied is 10.1%	https://www.lgpslibrary.org/assets/sppacirc/202301.pdf
Circular 2/2023	Tiered contributions rate guidance for 2023	For employer action – relates to employee contribution rates to be applied wef 01/04/2023	https://lgpslibrary.org/assets/sppacirc/20233gui.pdf

SCHEDULED AND ADMITTED BODIES

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

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

The employers with active members as at 31 March 2023 were as follows -

Scheduled Bodies (13)

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

Admitted Bodies (29)

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

CONTACT INFORMATION

Key Documents Online

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

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

Contact Details

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

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

Other Contacts

The Pensions Ombudsman

10 South Colonnade

Canary Wharf

E14 4PU

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

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

The Pensions Advisory Service has now been incorporated into Money Helper

120 Holborn

London

EC1N 2TD

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

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

The Pension Tracing Service

The Pension Service 9

Mail Handling Site A

Wolverhampton

WV98 1LU

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

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

The Pensions Regulator

Napier House

Trafalgar Place

Brighton

BN1 4DW

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

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