ITEM No …14………..

/REPORT TO:	**PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD– 17 MARCH 2025**
REPORT ON:	**TAYSIDE PENSION FUND BUSINESS PLAN 2025/2026**
REPORT BY:	**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**
REPORT NO:	**102-2025**

1 PURPOSE OF REPORT

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

2 RECOMMENDATION

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

3 FINANCIAL IMPLICATIONS

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

4 INTRODUCTION

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

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

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

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

7 BACKGROUND PAPERS

None

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

Tayside
Pension Fund

BUSINESS PLAN

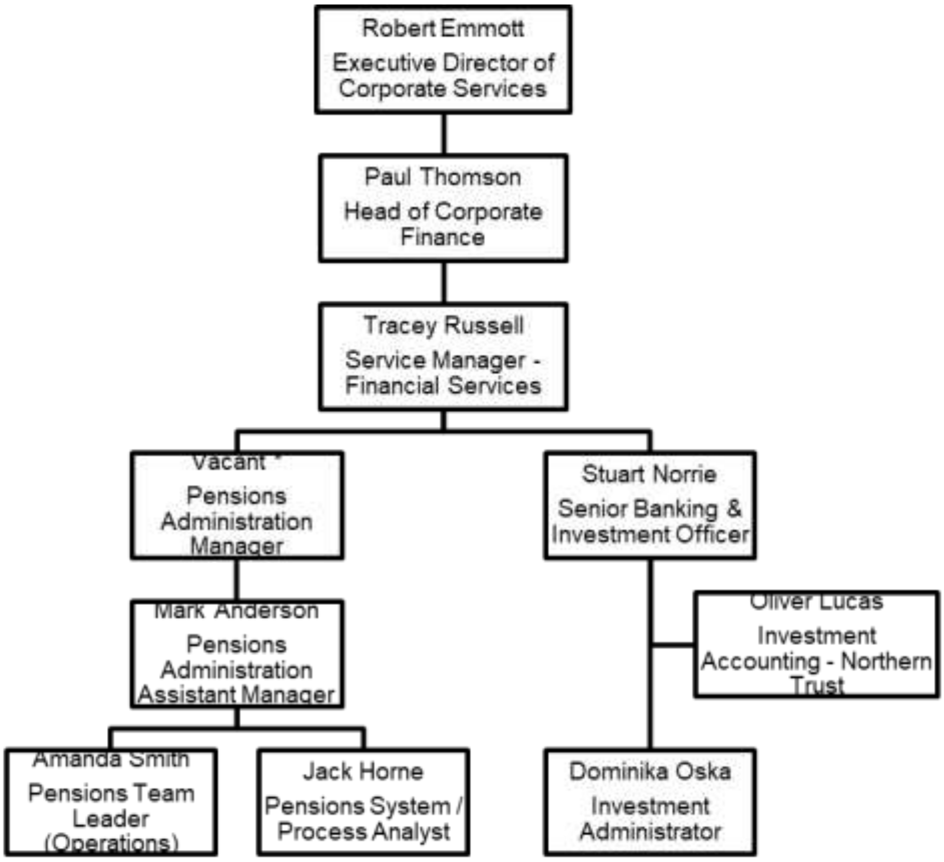
2025-2026

1 **INTRODUCTION**

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

2 **STRUCTURE**

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



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

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

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

3 **INVESTMENT**

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

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

4 **FINANCIAL POSITION**

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

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

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

5 **PERFORMANCE MANAGEMENT**

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

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

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

6 **INTERNAL AUDIT**

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

Audits planned for 2025/26 are as follows:

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

7 **ACTUARIAL SERVICES**

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

8 **INVESTMENT CONSULTANCY**

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

9 **FUNDING STRATEGY STATEMENT**

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

10 **KEY MEASURES AND TARGETS**

These are summarised in Appendix 3.

11 **ADMINISTRATION**

Online employer and member services

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

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

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

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

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

McCloud / Sargeant Judgement

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

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

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

GMP Rectification

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

Pensions Dashboard

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

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

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

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

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

Annual Report

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

TPR General Code of Practice

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

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

12 TREASURY MANAGEMENT

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

Three Year Analysis of Tayside Pension Funds Costs

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

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

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

TAYSIDE PENSION FUND - FUND ACCOUNT

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

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

TAYSIDE PENSION FUND NET ASSETS STATEMENT

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

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

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

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

KEY MEASURES AND TARGETS

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

** does not include 10% volatility reserve.

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

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

4 Asset Allocation

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

5 Service Providers

Actuarial Services	To continue to monitor funding levels of the Fund and provide actuarial accounting reports to employers as required.
Investment Consultancy	To continue to monitor performance and fees of managers, and advise as required; remain vigilant of asset allocation in relation to required returns; and to support the fund in building the local and alternative opportunities portfolio.