

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD– 23 MARCH 2026

REPORT ON: TAYSIDE PENSION FUND BUSINESS PLAN 2026/2027

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 84-2026

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 2026/2027 Business Plan which applies to the administration and management of the Tayside Pension Fund. There are no major changes to the plan.

3 FINANCIAL IMPLICATIONS

None.

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 business plan is prepared for the Pension Fund which is over and above an individual Service Plan for the Financial Services section as part of Corporate Service's overall planning process. It sets the strategic direction, governance priorities, and operational programme of work for a pension fund. It ensures the fund is managed efficiently, complies with regulation, and delivers good outcomes for members.

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

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

13 MARCH 2026

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BUSINESS PLAN

2026-2027

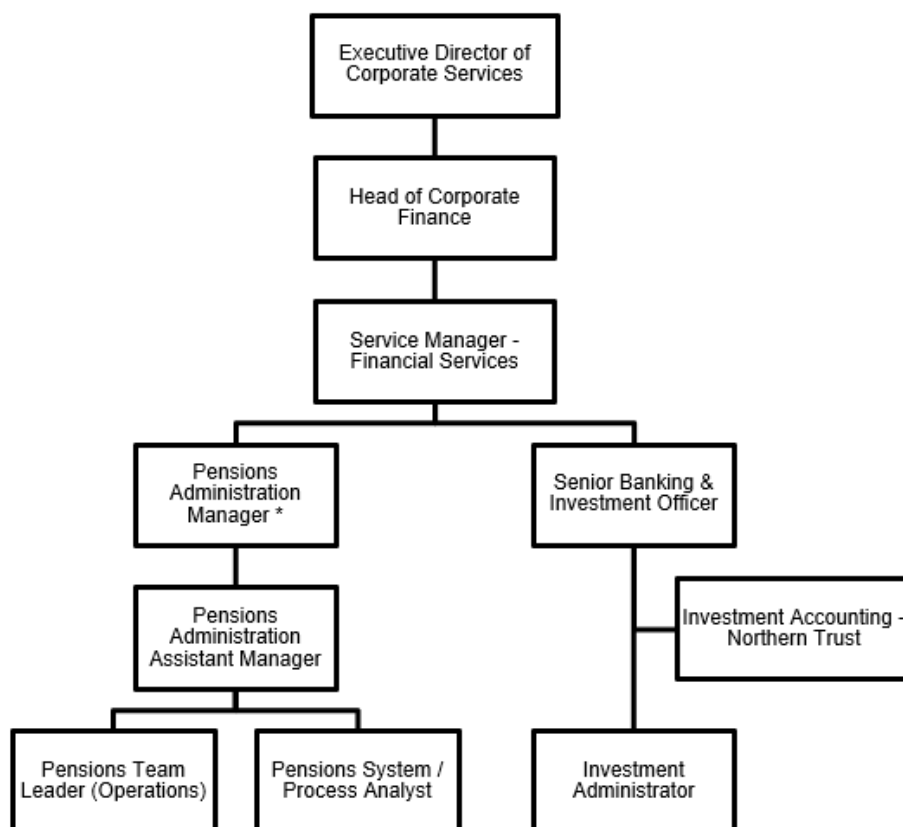
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1 INTRODUCTION

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 -



* Pension Administration Manager post is currently vacant and 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 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 can meet these new challenges. During 2025/26, a comprehensive structure review was undertaken by an independent advisor, with implementation of agreed recommendations commencing during 2026/27.

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).

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. The Fund has completed transitioning assets for existing equity indexes to ESG alternatives along with reallocation between active equity mandates. The main focus in 2026/27 is to appoint a fund manager for the opportunistic mandate (5% allocation to alternative assets), anticipated

in June 2026, and a procurement exercise will be undertaken to appoint a replacement manager for the property mandate, currently managed by Schroders.

4 FINANCIAL POSITION

The value of the Fund was approximately £6,308.7m as at 31 December 2025. Audited accounts for the year to 31 March 2025 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 2024/25 to 2026/27. 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 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 2025/26, audits were planned for Member Data Quality, GDPR, Risk Framework and McCloud Post Implementation. Management have responded to the recommendations, which will be implemented during 2026/27.

Fund officers are currently undertaking a procurement exercise to appoint an Internal Auditor. As with previous Internal Auditor appointments there will be four areas identified for review each financial year.

7 ACTUARIAL SERVICES

These have been provided from 1 July 2004 by Barnett Waddingham. The procurement exercise to appoint an actuarial advisor will begin in December 2026 following the conclusion on 2026 triennial valuation of the Fund.

8 INVESTMENT CONSULTANCY

Investment advice is currently provided by Isio Ltd (formerly KPMG). Isio have provided services to the Fund since 2018 with current contract due to expire on 30 June 2026. They provide an annual report to the sub-committee each March (covering the managers and fund performance for the previous full calendar year) and aim to attend quarterly meetings with fund managers and provide regular advice to Council Officers. During 2026/27 Isio will be assisting with implementation of the investment strategy recommendation, including the appointment of a new fund manager for the opportunistic private markets mandate.

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 - The I-Connect online portal provides employers with a secure and efficient method for submitting the essential information required by the fund, ensuring accurate and up to date member records.

For 2026/27, the objective is to build on the progress made with employers by further improving efficiency and ensuring full compliance with monthly return submissions across all employers. Engagement continues with a small number of employers who are experiencing difficulties, and work is ongoing to support them in resolving these issues.

- Pension Portal (Engage) - The new Pension Portal was launched to members in October 2025 and provides enhanced security through the introduction of SMS Multi Factor Authentication. In addition, the updated layout and extended functionality offer members a more user-friendly experience.

The new system was promoted to members via our website, and an email was issued to previously registered users inviting them to re-register. Further promotion will continue throughout the year by directing members to use the portal when requesting benefit projections or updating their personal details. Additional communication will be issued to members to prompt registration to view their Annual Benefit Statements, which will be available by the 31st August 2026.

McCloud / Sargeant Judgement

The Local Government Regulation were laid on the 1st October 2023. Tayside Pension Fund will continue to work with employers to reconcile data, check qualifying criteria and update member records which will then allow the adjustment of any qualifying underpins to be calculated and applied to member benefits.

Business-as-usual casework commenced on the 1st November 2025, ensuring all current calculations incorporate the McCloud underpin check as part of day-to-day processing. Retrospective work began in December 2025, where employer data has been successfully reconciled. The recalculation of member benefits if an underpin has been identified commenced at the start of 2026 and will be ongoing.

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

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

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.

On 31st October 2025 Tayside Pension Fund completed connection to the Pensions Dashboard architecture after a period of UAT. This means that upon launch of the Pensions Dashboards which is expected in October 2026, our members will be able to register to search for their pensions rights they currently hold within the fund.

Tayside Pension Fund continue to prepare for the public launch by reviewing data quality and ensuring staff readiness.

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

Resource and Structure Review

A review of the Fund's staffing structure and resources is being taken forward following a review by Hymans Robertson; to ensure Tayside Pension Fund operating model is aligned with current and emerging operational, governance, and regulatory demands.

The aim is to ensure the Fund is sustainably resourced and positioned for long-term service resilience. Hymans completed their assessment and shared initial high-level findings across three key areas:

- resourcing and recruitment, where capacity gaps and key-person risks have been identified;
- operational structure, where opportunities exist to strengthen team organisation, role clarity, and performance management; and
- governance and oversight, where enhancements to risk management, policy documentation, and internal control frameworks have been recommended.

Planning for phased implementation is now underway.

Changes to the Local Government Pension Scheme (Scotland) Regulations 2018

In September 2025 the Scottish Government consulted on amendments to the Local Government Pension Scheme (Scotland) Regulations proposing a series of significant regulatory updates. The proposals include several different areas including the removal of the age-75 limit for death grant payments, gender pension gap, and updates linked to the ongoing implementation of the McCloud remedy. These regulatory changes will require updates to the Fund's policies, administrative processes, and communication materials to ensure compliance.

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

	2024/25 Actual £000	2025/26 Estimate £'000	2026/27 Budget £'000
Administrative costs *			
DCC Management charge	1,604	1,650	1,700
System costs	335	385	340
Audit fees	75	98	130
Actuary	13	25	50
Legal	29	70	50
Outsourcing	-	127	-
Other expenses	41	30	30
	2,097	2,385	2,300
Oversight and Governance costs **	108	113	120
Investment Management expenses			
Management fees	9,911	10,050	10,300
Transactions costs	959	1,225	1,200
Custody fees	77	80	85
Performance monitoring service	28	30	32
Investment consultancy	99	130	135
	11,074	11,515	11,752
Total	13,279	14,013	14,172

* 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.

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TAYSIDE PENSION FUND - FUND ACCOUNT

2023/2024 £000		2024/25 £000
	Dealings with Members, Employers and other directly involved in the fund	
91,564	Employers' contributions	89,674
32,200	Employees' contributions	33,317
8,008	Transfers in from other pension funds	7,334
<u>131,772</u>		<u>130,335</u>
(153,535)	Benefits	(177,919)
(4,676)	Payments to and on account of leavers	(45,066)
<u>(158,211)</u>		<u>(222,985)</u>
(26,439)	Net Withdrawals from dealings with members	(92,650)
(2,339)	Administration Expenses	(2,205)
<u>(28,778)</u>	Net Withdrawals from dealings with Members including Administration Expenses	<u>(94,855)</u>
	Returns on Investments	
82,981	Investment Income	74,138
615,692	Change in Market Value of Investments	104,195
(10,422)	Investment Management Expenses	(11,074)
<u>688,251</u>	Net Returns on Investments	<u>167,259</u>
659,473	Net increase in Fund during the year	72,404
4,834,052	Opening Net Assets of the scheme	5,493,525
5,493,525	Closing Net Assets of the scheme	5,565,929

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

2023/24 £000		2024/25 £000
5,479,300	Investment Assets	5,663,283
(5,423)	Investment Liabilities	(108,340)
5,473,877	Total Net Investments	5,554,943
25,533	Current Assets	16,990
5,499,410		5,571,933
(5,885)	Current Liabilities	(6,004)
5,493,525	Net assets of the fund available to fund benefits at the end of the reporting period	5,565,929

Paul Thomson CPFA
Executive Director of Corporate Services
Dundee City Council
22 September 2025

The Net Asset Statement represents the value and liabilities as at 31 March 2025 (excluding liability to pay pensions).

The Unaudited Accounts were issued on 23 June 2025 and the Audited Accounts were authorised for issue on 22 September 2025.

KEY MEASURES AND TARGETS

2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual	2024/25 Actual
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1 Pension Fund Administration

(i) Cost per member

£28.67	£34.63	£31.64	£38.60	£35.92
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2 Pension Fund Investment

(i) Annual Investment performance relative to benchmark

+8.13%	-5.87%	-1.26%	+1.45%	-1.95%
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(ii) Funding level of Pension Fund

109%**	109%**	110%**	110%**	110%**
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** does not include 10% volatility reserve.

**3 Investment Managers –
Performance Targets**

Portfolio Benchmarks				
Manager	Asset Class	Weighting	Current Benchmark	Performance Target (3yr rolling)
Fidelity	Global Equities (active)	22%	100% MSCI AC World ND Index	+ 2% pa (gross of fees)
Baillie Gifford Global Alpha	Global Equities (active)	12.5%	100% MSCI AC World GD Index	+ 2% pa (gross of fees)
Baillie Gifford UK	UK Equities (active)	7.5%	100% FTSE All Share Index	+ 1.5% pa (gross of fees)
Baillie Gifford Positive Change	Global Equities (active)	1%	100% MSCI AC World GD Index	+ 2% pa (gross of fees)
LGIM	Global Equities (passive)	27%	46% FTSE All World 54% Solactive L&G ESG Global Markets Index	+/- 0.5% p.a. (for 2 years out of 3)
Apollo	Multi-Asset Credit	2%	SONIA	+5.3% p.a. (net of fees)
LGIM	Buy and Maintain	4.5%	iBoxx Sterling non-gilt index	+0.5% p.a. (net of fees)
Fidelity	Fixed Income (UK)	6.5%	72% ML Sterling Non-Gilts Index 28% FTSE Index-Linked Over 5 Year Index	+ 0.65% pa (gross of fees)
Schroders	Property (UK)	12%	100% IPD All Balanced Property Funds Weighted Average Index	+ 0.75% pa
Partners Group	Diversified Alternatives	5%	6% p.a. absolute return	n/a
GSAM	Real Estate Credit	<1%	UK CPI + 9%	n/a
Northern Trust	Securities Lending	Circa 70%	N/A	0.026% pa

4 Target Future Asset Allocation

The strategic asset allocation of funds is as follows (following the Investment Strategy Review approved on 9th December 2024):

Strategic Allocation	%	Allocation 31 March 2025	%
Equities	65%	Equities	67.4
Bonds	13%	Bonds	13.1
Property	12%	Property	12.4
Alternatives	10%	Alternatives	7.1