

24th June, 2026

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

Dear Colleague

I refer to the agenda of business issued in relation to the meeting of the above Integration Joint Board which is to be held remotely on Monday, 29th June, 2026 and now enclose the undernoted items of business which were not received at the time of issue.

Yours faithfully

GREGORY COLGAN

Chief Executive

AGENDA OF BUSINESS

6 TAYSIDE PENSION FUND INTERNAL AUDIT ANNUAL REPORT 2025/26 - Page 1

(Report No 160-2026 by the Executive Director of Corporate Services, copy attached).

8 STATEMENT OF INVESTMENT PRINCIPLES REVIEW - Page 25

(Report No 162-2026 by the Executive Director of Corporate Services, copy attached).

**10 TAYSIDE PENSION FUND ANNUAL GOVERNANCE AND GOVERNANCE COMPLIANCE
STATEMENTS - Page 41**

(Report No 164-2026 by the Executive Director of Corporate Services, copy attached).

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ITEM No ...6.....

**REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE
& PENSION BOARD – 29 JUNE 2026**

REPORT ON: TAYSIDE PENSION FUND INTERNAL ANNUAL AUDIT REPORT 2025/26

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 160-2026

1 PURPOSE OF REPORT

To submit to the Sub-Committee the Annual Audit Report for 2025/26 prepared by the Fund's Internal Auditor, PricewaterhouseCoopers (PwC).

2 RECOMMENDATIONS

The Sub-Committee is asked to note the content of the Annual Report.

3 FINANCIAL IMPLICATIONS

There are no financial implications arising from the agreed recommendations in this report.

4 SUMMARY OF REPORT

The report outlines the internal audit work undertaken in the year to 31st March 2026 in conformance with Public Sector Internal Audit Standards. In-keeping with these requirements, PwC have provided an opinion, based on the following:

- Audits undertaken during the year
- Follow up actions taken in respect of audits from previous periods
- Overall understanding of the Tayside Pension Fund and the issues it faces

Tayside Pension Fund has received a Moderate Assurance opinion. Across three of the reviews, there were two high, seven medium-risk and one low-risk findings. The fourth review was "Not Rated" as this was a data gap analysis / advisory review. PwC inform that governance, risk management and control in relation the internal audit reviews performed requires some improvements and these weaknesses are considered material to the overall framework. However, certain discrete elements of the system of internal control remain effective and unaffected. They concluded that improvements are required in the areas identified to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The findings of the individual audits carried out over the year and the respective recommendations have been reported to the Sub-Committee and the implementation of the agreed management actions is being monitored. Progress is reported to the Sub-Committee in due course.

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

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

7 **BACKGROUND PAPERS**

None

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

24 JUNE 2026

Internal Audit Annual report FY 26



Tayside Pension Fund

23 June 2026

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Distribution list

For action: Pension Sub-Committee & Pension Board

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

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Executive summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31st March 2026 and over the contract extension period till 30th June 2026.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Pension Sub-Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix A. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Pension Sub-Committee agreed to a level of internal audit input of 61 days. Whilst this report is a key element of the framework designed to inform the Annual Governance Statement there are also a number of other important sources to which the Pension Sub-Committee should look to gain assurance. This report does not override the Pension Sub-Committee's responsibility for forming their own view on governance, risk management and control.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards.

Head of internal audit opinion

Tayside Pension Fund (TPF) has processes that are delivered by Dundee City Council and we expect that these areas are considered as part of the wider Dundee City Council Internal Audit programme. In view of the limited number of reviews that we have performed in the year, our opinion is based upon and limited to the four internal audit reviews performed by PwC solely for the TPF. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Opinion- Our opinion is as follows:

Moderate assurance

Governance, risk management and control in relation to the four reviews performed requires some improvement. Across the three rated internal audit reviews, high and medium risk rated weaknesses have been identified which, in aggregate, are material to the framework of governance, risk management and control; however, discrete parts of the system of internal control remain unaffected.

Improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Please see our [Summary of Findings](#) section.

Executive summary

An explanation of the types of opinion that may be given can be found in **Appendix B**.

Basis of our opinion

Our opinion is based on:

- Four audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- Our overall understanding of the Tayside Pension Fund and the issues it faces.

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Commentary

The key factors that contributed to our opinion are summarized as follows:

- For the four audits undertaken during the year, none pertaining to the governance, risk management and control have received an overall rating of high or critical risk.
- We have produced two 'Satisfactory with exceptions' reports for the Risk Management framework and McCloud Post-Implementation review and one 'Needs Improvement' rated report for the GDPR review. This resulted in two high, seven medium and one low risk rated findings across these internal audit reviews completed in the period.
- The fourth review, Data Quality review was "Not Rated" as this was a data gap analysis / advisory review.

Acknowledgement

We would like to take this opportunity to thank the Senior Manager, Financial Services and all the staff at Dundee City Council, for their cooperation and assistance provided during the period.

Summary of findings

Our annual internal audit report is timed to inform the organisation's Annual Governance Statement. A summary of key findings from our programme of internal audit work for the year work is recorded in the table below:

Description

Overview: We completed four internal audit reviews. This resulted in the identification of one high, seven medium and one low risk rated findings to improve weaknesses in the design of controls and operating effectiveness.

Internal control issues and other weaknesses: Weaknesses were identified within the organization's risk management framework, GDPR and McCloud Post-Implementation processes. Key findings (High and medium rated) raised in the year include the following:

❑ Risk Management framework review

- **Enhancing risk governance oversight:** The Fund's risk governance arrangements operate in practice but require greater formalisation to support clearer accountability, escalation and follow-up. Key areas requiring enhancement include explicit ownership of key risks, documented escalation routes and thresholds, formal tracking of risk-related actions, and approved Pension Sub-Committee Terms of Reference covering risk oversight responsibilities.
- **Inconsistent articulation of risk policy and appetite:** The Fund has an approved Risk Management Policy and documented risk appetite; however, the framework has not been sufficiently refreshed to explain how risk appetite should be interpreted, governed and applied. Further clarity is required on how appetite informs governance oversight, escalation and decision-making, including annual confirmation and validation against the Risk Register.
- **Limited maturity in the risk identification and assessment framework:** The Fund maintains a comprehensive Risk Register; however, risk identification and assessment are largely based on periodic review rather than a clearly defined, forward-looking framework. Areas for improvement include defining a risk taxonomy, formalising emerging-risk identification, improving consistency of risk descriptions and controls, and introducing validation of the Risk Register against the Fund's evolving risk profile.
- **Limited integration and visibility across risk reporting:** Risk information is reported to governance bodies, but it is spread across multiple reports and does not provide a consolidated or forward-looking view of the Fund's overall risk profile. Key improvements include developing a single risk dashboard, defining Key Risk Indicators, introducing trend analysis, improving linkage with performance and compliance reporting, and formally tracking mitigation actions.

❑ GDPR review

- **Absence of a Record of Processing Activities (RoPA) [High]:** TPF was not aware of whether Dundee City Council maintains a RoPA, and no RoPA was provided during the review. As Dundee City Council is the data controller, the absence of a structured and centrally governed RoPA limits the ability to demonstrate Article 30 accountability and creates a risk that TPF's processing activities are not fully documented, understood or aligned to lawful bases, purposes and retention requirements.
- **Opportunity to uplift Data Protection Procedures:** TPF relies on Dundee City Council's high-level Information Governance Policy and local staff knowledge to manage data subject access requests, data breaches, DPIAs and lawful basis assessments. Fund-specific operational procedures are not formally documented, which creates a risk to consistency, resilience and onboarding if key staff are unavailable or new staff join.
- **Training and cultural awareness measures require strengthening:** TPF relies on Dundee City Council's GDPR e-learning module, completed on a two-to-three-year cycle, with no role-based training for staff with enhanced data protection responsibilities. Additional privacy awareness activity is also limited, increasing the risk that staff knowledge becomes outdated and that privacy requirements are not consistently embedded into day-to-day operations.
- **Insufficient management information:** Quarterly reporting to senior management is in place, but it does not include structured KPIs or KRIs for areas such as policy reviews, training completion, RoPA maintenance, DPIA completion or data subject rights performance. TPF also lacks a formal data protection governance forum with Dundee City Council, reducing visibility over shared responsibilities, risks and compliance activity.

Summary of findings

Description

❑ McCloud Post-Implementation review

- **McCloud BAU Control Framework Documentation (High):** TPF has designed practical controls to support McCloud BAU processing, including eligibility assessment, data review, calculation processing, review, communications, exception handling and escalation. However, these controls are not consistently captured in the BAU McCloud Process Notes and related manual processing guidance, creating gaps in documentation over end-to-end processing, roles and responsibilities, calculation QA, manual interventions, communications, exceptions, training, governance oversight and future document review arrangements.

❑ Data Quality review

Based on the review, it was ascertained that scheme data is generally in good shape given the limited number of tests with failures that are classified as critical gaps. The critical gaps are mostly related to inconsistencies between pension tranches and members' service dates for deferred and pensioner members, inconsistencies in retirement type for pensioners and several duplicate entries in the dependant member data. Recommended data cleansing actions have been communicated to management:

- **Deferred population:** The deferred population review identified data quality issues mainly relating to inconsistencies between pension tranches and members' service dates, including some cases where deferred members were over age 75 at the date of the data extract. Further issues were noted around missing personal details, inconsistent membership dates, transfers-in data and a duplicate member record.
- **Pensioner population:** The pensioner population review identified the most significant data gaps, primarily relating to inconsistencies between pension tranches and members' service dates, particularly GMP pension tranches. Other issues included missing or invalid postcodes, transfers-in data, inconsistent retirement dates and types, retirement ages outside expected ranges, members above age 100 and trivial pensions.
- **Dependant population:** The dependant population review identified data quality issues mainly relating to duplicated Member IDs, missing or invalid postcodes and inconsistencies in the sum of pension tranches. Further issues were noted around dependant member ages falling outside expected ranges for spouse and child dependants.

Follow up: During the year TPF Management has undertaken follow up work on previously agreed actions. Out of 22 actions being monitored, 2 actions have been closed, due dates have been extended for 10 actions with appropriate senior management approvals, and 10 actions are not yet due.

Internal audit work conducted

Introduction

The table below sets out the results of our internal audit work along with a comparison of planned and actual internal audit activity.

Review Name	Report Classification	Number of Findings			
		Critical	High	Medium	Low
Risk Management framework	Satisfactory with Exceptions	-	-	4	1
GDPR	Needs Improvement	-	1	3	-
McCloud Post-Implementation	Satisfactory with Exceptions	-	1	-	-
Data Quality	Not Rated	-			
Total Observations		-	2	7	1

Comparison of planned and actual activity

Audit unit	Budgeted days	Actual days
Risk Management framework	10	17
GDPR	12	12
McCloud Post-Implementation	15	15
Data Quality	12	15
Sub total	49	59
Annual Audit Plan and Reporting, Contract Management, Attendance at Pension	12	12
Sub-Committee, Contingency		
Total days	61	71

Follow up work conducted

Introduction

The table below summarizes TPF Management's work in implementing agreed actions. Actions are validated by internal audit when the subject matter is next reviewed as part of the annual internal audit plan.

Audit unit	Report classification	Number of agreed actions	Implemented	Overdue	Not yet due	Date extended
22/23: Business Resilience	Satisfactory with Exceptions	3	2	-	-	1
24/25: Investment Strategy & Objectives Review	Satisfactory with Exceptions	5	-	-	-	5
24/25: Third party management	Satisfactory	4	-	-	-	4
25/26: Risk Management Framework	Satisfactory with Exceptions	5	-	-	5	-
25/26: GDPR	Needs Improvement	4	-	-	4	-
25/26: McCloud Post-Implementation	Satisfactory with Exceptions	1	-	-	1	-
25/26: Data Quality Review	Not Rated - Gap Summary shared with the management			NA		
	Grand Total	22	2	-	10	10

Appendix A: Limitations and responsibilities

Appendix B: Opinion types

Appendix C: Basis of our classifications

Appendix D: Conformance with code of ethics and Internal Audit standards

Appendix E: Independence

Appendices

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Appendix A: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

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

Future periods

Our assessment of controls relating to Tayside Pension Fund for the year ended 31st March 2026 and over the contract extension period till 30th June 2026. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

Responsibilities of management and internal auditors

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

We endeavor to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

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Appendix B: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.









Type of opinion	Indication of when this type of opinion may be given
Substantial assurance	<ul style="list-style-type: none"> A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and None of the individual assignment reports have an overall report classification of either high or critical risk.
Reasonable assurance / moderate assurance	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and None of the individual assignment reports have an overall classification of critical risk.
Limited assurance	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
No assurance	<ul style="list-style-type: none"> High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

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Appendix C: Basis of our classifications

Report classifications

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

Individual Finding Rating	Points Allocated	Report Classification	Points Range
 Critical	40 points per finding	 Unsatisfactory	40 points and over
 High	10 points per finding	 Needs Improvement	16–39 points
 Medium	3 points per finding	 Satisfactory with Exceptions	7–15 points
 Low	1 point per finding	 Satisfactory	6 points or less

Appendix C: Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
 Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences ; or • Critical impact on the reputation or brand of the organization which could threaten its future viability.
 High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact ; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organization.
 Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organization.
 Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organization's operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organization.
 Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix D : Conformance with the code of ethics and internal audit standards

Code of Ethics and Internal Audit Standards

We have a firm wide internal audit methodology which is aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. This is designed to standardize the approach to conducting internal audit engagements. All our work is documented in our dedicated internal audit software which sets out the procedures to be performed to achieve compliance with the standards. The inbuilt workflow functionality ensures that work is adequately documented and reviewed before results are shared. This is further supported by relevant training, supervision and review of the work performed by those with adequate experience and skill in the relevant areas. We also review a random selection of engagements to ensure they comply with the firm's requirements and have appropriately followed the internal audit methodology.

We can confirm that our work has been performed in accordance with this methodology.

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Appendix A: Limitations and
Opinion types responsibilities

Appendix B:

Appendix C: Basis of our
classifications

Appendix D: Conformance with
code of ethics and Internal Audit
standards

Appendix E: Independence

Appendix E: Independence

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

Thank you

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This document has been prepared only for Tayside Pension Fund and solely for the purpose and on the terms agreed with Tayside Pension Fund in our agreement dated 1st April 2026. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 29 JUNE 2026

REPORT ON: STATEMENT OF INVESTMENT PRINCIPLES REVIEW

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 162-2026

1 PURPOSE OF REPORT

This report reviews Statement of Investment Principles for Tayside Pension Fund.

2 RECOMMENDATIONS

The Sub-Committee is asked to note the information within the report, noting the changes to benchmark in Appendix C effective from 1 December 2025; and to approve the Statements of Investment Principles contained in Appendix 1.

3 FINANCIAL IMPLICATIONS

There are no financial implications arising from the agreed recommendations in this report

4 INTRODUCTION

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 required administering authorities to prepare, maintain and publish a written Statement of Investment Principles (SIP). This written statement has been approved by the Pension Sub-Committee annually since 2000 for Tayside Pension Fund.

These regulations have been replaced by the Local Government Pension Scheme Management and Investment of Funds (Scotland) Regulations 2010 and further amended by the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2016. The requirements for a Statement of Investment Principles are broadly similar, but Regulation 12 (3) now requires funds to state the extent to which they comply with guidance given by the Scottish Ministers.

The Scottish Ministers guidance refers to the six revised principles on investment decision making contained within CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles" (December 2009). A revised Statement of Investment Principles (Article IV of the minutes of the Superannuation Sub-Committee of the Policy and Resources Committee meeting of the 15 November 2010, Report No 676-2010 refers) review application in accordance with the Myners Principles, with a further revision (Article II of the minutes of the Superannuation Sub-Committee of the Policy and Resources Committee meeting of 27 February 2012, Report No 104-2012 refers).

5 POLICY IMPLICATIONS

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

6 CONSULTATION

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

7 **BACKGROUND PAPERS**

None

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

24 JUNE 2026



STATEMENT OF INVESTMENT PRINCIPLES

JUNE 2026

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1 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
- 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).

2 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 City Governance 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.

3 INVESTMENT ROLES AND RESPONSIBILITIES

The full remit of the Sub-Committee is shown at Appendix A.

4 INVESTMENT OBJECTIVES 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.

5 INVESTMENT STRUCTURE, STRATEGY & OBJECTIVES

The Fund's investment policy will be directed to achieving and maintaining a fully funded scheme in keeping with actuarial valuation and where practical, maintain 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 (Appendix D) 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 latest actuarial valuation of the Fund is shown in Appendix B.

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 will comply with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

6 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.

The asset allocation, structure, manager mix and investment objectives are detailed in appendix C. These objectives and targets have been set to ensure a prudent and balanced investment exposure, which helps control the level of investment risk. Appendix C details the current strategy.

The performance of these managers is monitored on a quarterly basis.

7 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.

8 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 performance 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 was approved on 26 June 2023 (Article IV of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee & Pension Board of 26 June 2023, report no 195-2023 refers). This is subject to annual review, and the risk register is reviewed and updated on a quarterly basis.

9 EXPECTED RETURN

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

The Benchmark and performance target 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.

10 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 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 the Manager.

11 **ADVISERS**

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

12 **PERFORMANCE MEASUREMENT**

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

13 **CUSTODIAN**

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

14 **AUDITORS**

External Auditors - Audit Scotland
Internal Auditors – Pricewaterhouse Coopers

15 **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. Review of Approach to Socially Responsible Investing (Article V of the Minute of the Joint Meeting of the Pension Sub-Committee of the Policy and Resources Committee and The Pension Board of 4th June 2018, Report No 194-2018 refers) shows the current Policy on Environmental, Social and Corporate Governance.

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 requirement would 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.

16 **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.

17 **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.

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

19 **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**1. 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 these returns the Fund 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.

2. 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.
- Ensure appropriate additional voluntary contributions arrangements are in place.
- Ensure adequate audit arrangements are in place.
- Prepare, maintain and publish the following:
 - Governance Compliance Statement.
 - Funding Strategy Statement.
 - Statement of Investment Principles.
 - Environmental, Social and Corporate Governance Policy.
 - Administration Strategy
 - Communications Policy
 - Treasury Policy and Strategy

3. Tayside Pension Fund Pension Board is responsible for:

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

4. The Executive Director of Corporate Services is responsible for:

- governance of the Fund
- implementation of Committee decisions
- committee training

5. 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.

6. 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.

7. **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 (if authorised)
 - cash management
 - performance measurement

8. **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.

APPENDIX B**TAYSIDE MAIN FUND - SUMMARY OF ACTUARIAL VALUATION AS AT 31 MARCH 2023**

	<u>£bn</u>	<u>£bn</u>
<u>Assets</u>		4.34
<u>Past Service Liabilities</u>		
Active Members	1.71	
Deferred Pensioners	0.54	
Pensioners	<u>1.67</u>	
Value of Scheme Liabilities		<u>3.93</u>
Surplus		<u>0.41</u>
Funding Level (excluding 10% volatility reserve)		<u>110%</u>
	<u>Employers Contributions</u>	
	<u>(% of Payroll)</u>	
Primary Future Service Funding Rate	22.5	
Monetary Adjustment	6.8	
Total		<u>15.7</u>

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APPENDIX C

Tayside Pension Fund - Target Future Asset Allocation		
Asset Class	Current Allocation*	Target Allocation
Equities	69%	65%
Fixed Income	13%	13%
Property	12%	12%
Local and Alternative Opportunities	7%	10%

Note: *Current asset allocation as at 31 March 2026. Totals may not sum due to rounding.

Benchmarks (effective from December 2025)

EQUITIES	FIXED INCOME	PROPERTY	OPPORTUNISTIC
4%: FTSE All Share	15%: SONIA + 5.3%	100%: IPD All Balanced Property Funds Weighted Average Index	100%: 6% p.a. absolute return
26%: MSCI ACWI GD	35%: iBoxx Sterling non-gilt index + 0.5%		
31%: MSCI ACWI ND			
39%: Solactive L&G ESG Global Markets Index	36%: ML Sterling Non-Gilts Index		
	14%: FTSE Index-Linked Over 5yr Index		

Revised benchmarks for individual mandates are developed as required:

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)	18%	100% MSCI AC World GD Index	+ 2% pa (gross of fees)
Baillie Gifford UK	UK Equities (active)	3%	100% FTSE All Share Index	+ 1.5% pa (gross of fees)
LGIM	Global Equities (passive)	27%	100% 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%	
Northern Trust	Securities Lending	Circa 70%	N/A	0.026% pa

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APPENDIX D

STATEMENT OF INVESTMENT BELIEFS

This Statement has been designed to support the Fund in underpinning the investment decision-making process for the future, and act as a reference point for understanding why investment decisions have been, and are, made. This Statement should be viewed in conjunction with the Fund's Statement of Investment Principles, Funding Strategy Statement and Environmental, Social and Governance ("ESG") Policy.

- **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 determine an appropriate investment strategy to meet the level of return required. The Fund thus believe 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 appreciate 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 believe that clearly defined investment objectives is key in providing focus in implementing their 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 long term sustainable returns, and in this, the Fund may justifiably hold some investments over many years in the beliefs that longer term investments have historically proven to generate more wealth than short term investments; and that 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 comfortable, and as a result, the Sub-Committee are comfortable holding an allocation to these less liquid assets as part of a suitably diverse investment portfolio.

Whilst the Fund monitor and manage short 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 believe 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 believe 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 acknowledge that in order to achieve the required 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 be not be unnecessary, 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 believe 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 believe that equities will drive total Fund performance and are therefore comfortable holding a material allocation to equities to help drive growth to meet benefit payments.

Active investment management can add value after fees and other costs

Tayside Pension Fund believe that, in certain asset classes, such as equities, carefully selected investment managers can add value, after fees and other costs, through active management. Because of this belief, the majority of the Fund's assets are actively managed. The Fund acknowledge that consistent outperformance is difficult to achieve and therefore dedicate time and effort in selecting and monitoring the performance of their 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 believe 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 evaluate 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 believe that managers should invest responsibly, incorporating all environmental, social and governance (ESG) factors which could not only have material financial effect on the Fund in terms of fund and its reputation. To ensure incorporation of ESG into investment decision making, the Fund require that 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 expect 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 their 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,
- Sustainability and the Environment.

The Fund use 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 is 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.

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 29 JUNE 2026

REPORT ON: TAYSIDE PENSION FUND ANNUAL GOVERNANCE AND GOVERNANCE COMPLIANCE STATEMENTS FOR THE YEAR TO 31 MARCH 2026

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 164-2026

1. PURPOSE OF REPORT

To present the Annual Governance Statement and Governance Compliance Statement for approval and inclusion into the unaudited Annual Accounts for the year ended 31 March 2026. This report sets out the governance arrangements of Tayside Pension Fund and the extent to which it complies with regulations.

2. RECOMMENDATIONS

It is recommended that the Committee:

- (i) approves the Annual Governance and Governance Compliance Statements which are included as an Appendix to this report;
- (ii) instructs the Executive Director of Corporate Services to include the Annual Governance Statement and Governance Compliance Statement in the Annual Accounts for the year to 31 March 2026.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the agreement of this report.

4. BACKGROUND

- 4.1 The governance structure is the framework through which the Fund is directed and controlled. The structure is set out in the Governance Compliance Statement, which the Fund is required to prepare, maintain and publish under the Local Government Pension Scheme Regulations (Scotland) 2014.

The relevant statutory provisions regarding the preparation of the Annual Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations 2014 which require an annual review of the effectiveness of a local authority's system of internal control. The findings of that review are to be considered by elected members, and following that review, members must approve an Annual Governance Statement.

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 SERVICE**

DATE: 10 JUNE 2026



ANNUAL GOVERNANCE STATEMENT & GOVERNANCE COMPLIANCE STATEMENT

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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 35 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:

- GDPR Review
- McCloud Post Implementation Review
- Data Quality (Data Gap) Review

The Head of Internal Audit must be 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 has received a Moderate Assurance opinion. Across three of the reviews, there were two high, seven medium-risk and one low-risk findings. The fourth review was "Not Rated" as this was a data gap analysis / advisory review. PwC inform that governance, risk management and control in relation to the internal audit reviews performed requires improvement. Across the reviews undertaken, a number of high and medium risk rated weaknesses have been identified and, these are considered material to the overall framework. However, certain discrete elements of the system of internal control remain effective and unaffected.

PWC concluded that improvements are required in the areas identified to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

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.

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:-

- an effective Council Committee structure.
- a Council website that is maintained and developed.
- a Council intranet system for sharing information internally.

- the Our People Strategy 2022-27.
- integrated Impact Assessments ensures that all likely impacts of reports have been considered and provide details of any mitigation action required to overcome negative impacts.
- a Digital Strategy to guide investment in ICT.
- the OneDundee intranet site which provides access to corporate information and policies to employees who do not have day-to-day access to IT facilities.
- a social media policy which empowers service areas to harness these powerful communications channels while mitigating the potential risks.
- a Corporate Integrity Group.
- service plans for all service areas. Regular performance reports in relation to the service plans are reported to relevant Committees.
- a performance management framework.
- a Senior Officer Resilience Group.
- participation in the National Fraud Initiative strategy for sharing and cross-matching data with regular reports to Committee.
- a Risk Management Policy and Strategy, Corporate and Service Risk Registers.
- a Corporate Governance Assurance Statement Group.
- a Strategic Information Governance Group.
- a full suite of financial strategies and plans.
- a Risk and Assurance Board.

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 action plans as appropriate.

The effectiveness of the governance framework is reviewed annually by senior officers. The 2025/26 review of governance arrangements against the Local Code of Corporate Governance has identified the Council as being 99% 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 completion of a 78-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; Partnerships; and Information Governance. This again indicated a high level of compliance, with an overall score above 97% for 2025/2026.

The Council's Internal Audit service provides independent and objective assurance on the adequacy and effectiveness of Council's governance, risk management and control processes. The service operates in accordance with the Global Internal Audit Standards as applicable to the UK public sector and reports functionally to the Scrutiny and Audit Committee.

The Chief Internal Auditor provides an annual conclusion encompassing the Council's governance, risk management and control, drawing on audit work undertaken during the year. This conclusion informs the annual review of governance and supports the assurance provided in this Statement.

The Council has undertaken a comprehensive self-assessment of its internal audit arrangements against the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (2025) and concludes that it generally conforms with the requirements of the Code, with robust governance, oversight and organisational arrangements in place to support effective internal audit. Internal audit operates under a formally approved mandate and charter aligned to regulatory requirements. There are clear reporting lines to the Sub Committee of the City Governance Committee and Pension Board, which provides effective oversight through approval of audit plans, monitoring of performance, and review of the Chief Internal Auditor's annual conclusion and Global Internal Audit (UK Public Sector) conformance assessment. Arrangements are in place to safeguard independence,

including unrestricted access to information and direct engagement with elected members, supported by appropriately qualified leadership and defined quality assurance processes, including external review.

Overall, the Council is satisfied that internal audit is operating effectively and continues to provide independent and objective assurance on governance, risk management and internal control, in line with the principles of the Global Internal Audit Standards as applicable in UK Local Authorities, which include the Code.

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).

Continuous Improvement Agenda

The following are service improvements specific to Tayside Pension Fund achieved during 2025/26:

Business Area	Item	Description	Status / Information
Finance & Governance	Review of structure, roles and resources / Business Resilience	Recommendation of audits to review as a result of increasing number of new additional legislative and governance requirements	Hymans Robertson was commissioned by Tayside Pension Fund to review its staffing structure and identify where improvements could be made to enable the Fund to meet its operational requirements more efficiently and effectively. Recommendations are in the process of being implemented, prioritising recruitment of key posts.
	GDPR	Review of the design of key controls in respect of GDPR regulations	Internal audit concluded. Recommendations will be addressed in year.
Administration	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.	Internal audit concluded. Recommendations will be addressed in year.
	Member data	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.	Internal audit concluded. Recommendations will be addressed in year.

The following are service improvements specific to Tayside Pension Fund planned for 2026/27:

Business Area	Item	Description	Status / Information
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Finance & Governance	Employer Covenant	Employer engagement following outcome of review undertaken 2019/20 with aim of implementing recommendations.	Delayed from previous year as a result of resource constraints.
	Admission Agreements	Standardisation of admission agreements	Delayed from previous year and will coincide with covenant exercise
	Procurement	Exercises relating to the following: <ul style="list-style-type: none"> • Actuary • Investment advisor 	Scheduled
	Risk Management & Regulatory Compliance	Assessment in line with TPR General Code	In progress
Administration	Pensions dashboard	Access to tool to enquire about missed pension pots and benefit values	Connected October 2025, awaiting wider rollout

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Pension Board meetings:
https://www.dundee.gov.uk/minutes/meetings?in_cc=35&in_dat=2

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 2023 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 2025/2026. It is proposed over 2026/2027 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance governance arrangements.

**Greg Colgan
Chief Executive,
Dundee City Council**

**Baillie William Sawers
Chair of Pension Sub-Committee
Tayside Pension Fund**

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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 over 43 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 City Governance 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: <http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx>

3. Terms of Delegation - The terms, structure and operational procedures of delegation are set out in the report to Dundee City Council’s City Governance Committee on 9th February 2015. The report is available at: <http://www.dundee.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.dundee.gov.uk/service-area/corporate-services/democratic-and-legal-services/minutesmeetings-and-reports>

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.

Governance Compliance Statement 2024/25 The Local Government Pension Scheme (Scotland) Regulations 2018 require each Administering Authority to publish a Governance Compliance Statement that sets out how their governance arrangements comply with best practice issued by the Scottish Ministers. The table below details the self-assessment of the Fund’s compliance with these principles and highlights any actions required to implement improvements.

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GOVERNANCE COMPLIANCE STATEMENT

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Structure			
<p>The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</p>	<p>Principal responsibility for the administration of benefits and strategic management of fund assets rests with the Pension Sub-Committee of the City Governance Committee of Dundee City Council as the scheme manager for Tayside Pension fund. Report 447-2014 Review of Governance Arrangements – Tayside Pension Fund states:</p> <p><i>Tayside Pension Fund is administered by Dundee City Council as the administering authority with responsibility for the management of pension investment delegated to the Tayside Pension Sub-Committee with day-to-day operational matters further delegated in the main to the Director of Corporate Services.</i></p> <p>The responsibilities to be discharged by the Committee include:</p> <ul style="list-style-type: none"> • Preparing, maintaining and publishing the Governance Compliance Statement. • Ensuring that the Scheme Manager complies with the Local Government Pension Scheme (Scotland) Regulations and all other legislation governing the administration of the Fund. • Preparing, maintaining and publishing the Funding Strategy Statement. • Preparing, maintaining and publishing the Pensions Administration Strategy. • Ensuring the Fund is valued as required and receiving and considering reports on each valuation. • Ensuring appropriate arrangements for the administration of benefits are in place. • Setting the admissions policy. • Preparing, maintaining and publishing the Communication Policy Statement. • Ensuring appropriate AVC arrangements are in place. • Preparing, maintaining and publishing the Statement of Investment Principles. - Setting the investment objectives and policy and the strategic asset allocation in the light of the Fund's liabilities. • Appointing, dismissing and assessing the performance of investment managers and custodians. • Preparing, maintaining and publishing the Corporate Governance Policy • Ensuring appropriate arrangements for the Local Pension Board are in place and maintaining and publishing information about the Pensions Board. • Approving the Business Plan. • Ensuring that an effective system of internal financial control is maintained. • Receiving and agreeing the Annual Report and Accounts. 	<p>Yes</p>	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<ul style="list-style-type: none"> Ensuring that contributions received are in accordance with the Schedule of Rates and Adjustments. <p>The Committee reviews the role and responsibilities of service providers to the Fund. The actions of the Committee are reviewed and scrutinised by the Local Pension Board.</p>		
	<p>Dundee City Council, as Scheme Manager, has established a Local Pension Board. Report 447-2014 Review of Governance Arrangements – Tayside Pension Fund states:</p> <p><i>Dundee City Council as Scheme Manager is required to establish a Pension Board separate from the Tayside Pension Fund Investment Sub-Committee that acts as the Scheme Manager.</i></p> <p><i>The Pension Board is the body responsible for assisting the Scheme Manager in relation to securing compliance with the 2014 Regulations and other legislation relating to the governance and administration of the Scheme and the requirements of the Pensions Regulator.</i> <i>The Pension Board may consider any matter concerning pensions it deems relevant to the activities of a Pensions Committee including the following (in relation to their remit and role defined in the 2014 regulations):</i></p> <ul style="list-style-type: none"> <i>Reports produced for the Pensions Sub-Committee</i> <i>Requisition reports from the scheme managers on any aspect of the fund</i> <i>Monitor investments and the investment principles/strategy/guidance</i> <i>The fund annual report</i> <i>External voting and engagement provisions</i> <i>Fund administrative performance</i> <i>Actuarial reports and valuations</i> <i>Funding policy</i> <i>Any other matters that the Pension Board deem appropriate</i> 		
<p>That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee</p>	<p>Membership of the Pension Sub-Committee comprises of six councillors from Dundee City Council with voting rights.</p> <p>Membership of the Pension Board will consist of equal numbers of trade union representatives and employer representatives, drawn from councils and scheduled or admitted bodies in membership of the fund. Pension Board representatives must not also participate in or act as members of the Pensions Sub-Committee. Local Authority employer representatives will normally be Elected Members serving as part of the Council.</p>	<p>Yes</p>	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
established to underpin the work of the main committee.	<p>There are 4 employer representatives appointed by the respective employer organisations as follows:</p> <p>Councils 2 (1 x Angus Council, 1 x Perth & Kinross Council)</p> <p>Scheduled & Admitted bodies 2</p> <p>There are 4 trade union representatives appointed from the following trade unions:</p> <p>GMB 1 Unite /UCATT 2</p> <p>UNISON 1</p> <p>Advisors to the Pension Board may attend meetings of the Pension Board in a non-voting capacity.</p>		
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<p>Meetings of the Pension Sub-Committee and Pension Board are joint and concurrent with administered by Dundee City Council as the administering authority. Report 447-2014 Review of Governance Arrangements – Tayside Pension Fund states:</p> <p><i>While the statutory roles and function of the Pensions Sub-Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pensions Sub-Committee chairing the concurrent meeting. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.</i></p>	Yes	
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	All members of the Pension Sub-Committee are members of the Dundee City Council City Governance Committee.	Yes	
	The membership of the Committee and Local Pension Board is independent of one another, as provided for in the Regulations, as it is believed that separate membership is preferable for the discharge of their statutory duties.		
	The Scheme of Delegations to the Fund's Officers		

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<p>The Council's Scheme of Delegations authorises the Chief Executive, Corporate Directors and Officers authorised by them to exercise the powers and carry out the duties arising from the functions for which they are responsible.</p> <p>The authorised Officers are the Executive Director of Corporate Services, The Head of Corporate Finance and the Senior Financial Services Manager.</p> <p style="text-align: center;">Procurement Procedures</p> <p>Procurement of works, goods or services on behalf of the Fund is required to comply with guidelines provided by Dundee City Council as scheme manager and in line with national frameworks.</p> <p style="text-align: center;">The Fund's Officers</p> <p>The main duties of the Officers are set out below. The Officers will:</p> <ul style="list-style-type: none"> • Advise the Committee and Local Pension Board on all matters which they need to be aware of in order to discharge their responsibilities in relation to the administration and investment of the Fund. • Prepare the Budget and Service Plan. • Maintain the system of internal financial control. • Prepare the Annual Report and Accounts. • Manage the triennial and interim actuarial valuations. • Manage the preparation of the Funding Strategy Statement. • Manage the preparation of the Governance Compliance Statement. • Manage the preparation of the Communication Policy Statement. • Manage the preparation of the Pensions Administration Strategy. • Ensure that the Pensions Service adheres to best practice. <p>In relation to the investment of the Fund, the Officers will:</p> <ul style="list-style-type: none"> • Review the content of the Statement of Investment Principles. • Review the content of the Environmental, Social and Corporate Governance Policy. • Monitor developments that may affect the approach to the investment of the Fund. • Monitor the investment management structure and arrangements in order to verify that the investment policy of the Committee is being implemented. • Monitor the investment managers in order to maintain an awareness of their investment views and strategies and to verify that the strategies being implemented are in accordance with investment mandates. 		

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<ul style="list-style-type: none"> • Maintain records that monitor the investment performance of investment managers and the Fund. • Maintain a record of the Fund's assets. • Monitor the security and efficiency of the custodians in order to verify that the assets are secure, the custodians' records of the Fund's assets agree with in house records and managers' records and the custodians' actions are in accordance with the agreements. • Manage cash flow, allocate money between investment managers in order to ensure that the Fund does not become over or under invested and invest the residual cash balances. <p>In relation to the administration of benefits, the Officers will:</p> <ul style="list-style-type: none"> • Monitor developments that may affect the administration of benefits. • Promote membership of the Fund. • Manage the admissions policy. • Collect and reconcile the employer and employee contributions. • Pay pension benefits. • Maintain records in relation to the entire membership. • Devise and implement training, consultation and communication strategies for the employers. • Devise and implement consultation and communication strategies for the members. • Manage the AVC arrangements. 		
Representation			
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <p>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>ii) scheme members (including deferred and pensioner scheme members);</p>	<p>The Pension Sub-Committee includes 6 councillors from Dundee Council. The Pension Board has 2 employer representatives of employing authorities and 2 of admitted employers.</p> <p>The Pensions Board has 4 Trade Union representatives who represent all scheme members (including deferred and pensioner scheme members) as required by regulation.</p>	<p>Yes</p> <p>Yes</p>	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
<p>iii) where appropriate, independent professional observers; and</p> <p>iv) expert advisors (on an ad-hoc basis).</p>	<p>The External Investment Advisor, Isio Ltd, attend annual Committee meetings. The Actuary, Barnett Waddingham, attends Committee meetings as required.</p>	<p>Partial</p> <p>Partial</p>	<p>There has been no request to appoint further independent observers or advisors</p>
<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights</p>	<p>All members of the Committee are treated equally in terms of access to papers, meetings and training. They are given full opportunity to participate and contribute to the decision-making process as appropriate and required.</p> <p>All members of the Local Pension Board are treated equally in terms of access to papers and meetings, training and are given full opportunity to participate in their decision-making process.</p>	<p>Yes</p>	
Selection and Role of Lay Members			
<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>	<p>Members are made aware of the full details of status, role and function prior to selection and appointment. This area is also covered in their training program.</p> <p>Local authority members are subject to the code of conduct of their respective council. The trade union and employer representatives are required to agree to accept the same code of conduct applicable to their role and duties to Tayside Pension Fund.</p>	<p>Yes</p>	
<p>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda related to specific matters on the agenda</p>	<p>Declaration of interests is a standard procedure at the start of all Pension Sub-Committee and Pension Board meetings. This is stated at the start of each agenda, and any declarations are noted in the minutes.</p>	<p>Yes</p>	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Voting			
<p>The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p>All Pension Sub-Committee members have voting rights. This is detailed in the Tayside Pension Funds Statement of Investment Principles.</p> <p>Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will have the final casting vote which will be reported to the Scheme Manager.</p>	Yes	
Training / Facility Time / Expenses			
<p>That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>	<p>All new members of the Pension Sub-Committee are offered training by officers. Further training is offered periodically, generally from investment consultants, investment managers of the fund and actuaries. In addition, if other training opportunities are identified, including attendance at conferences and seminars, these are offered to members, as appropriate.</p> <p>Costs and expenses incurred are met by the Pension Fund.</p> <p>The Scheme Manager recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.</p> <p>The Scheme Manager is using the following to promote:</p> <ul style="list-style-type: none"> • CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills • CIPFA Pensions Panel Framework for Elected Members and Non-Executives in the Public Sector to use as the basis of the Training Policies and Programmes. • CIPFA Pensions Panel Technical Knowledge and Skills Framework for Local Pension Boards <p>Training programmes are undertaken that reflect specific needs, and which include the appropriate requirements of the Pensions Regulator's Codes of Practice.</p> <p>Costs and expenses incurred are met by the Pension Fund.</p>	Yes	<p>Continuous training programme in line with needs. New Committee & board members will undergo training accordingly</p>
<p>That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory</p>	<p>Training requirement is applicable to all members of the Pension Sub-Committee and Board.</p>	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
panels or any other form of secondary forum.			
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Training programmes are undertaken to reflect specific needs, and which include the appropriate requirements of the Pensions Regulator’s Codes of Practice. The training programme is reviewed regularly and members of the Sub-Committee and Pension Board assess their individual requirements.	Yes	
Meetings (Frequency/Quorum)			
That an administering authority’s main committee or committees meet at least quarterly.	The Pension Sub-Committee and Pension Board have a regular quarterly joint meeting at which it considers investment and administration matters. Additional meetings are called should any aspect of the Fund require. Both the Pension Sub-Committee and Pension board require 3 members apiece to be quorate. If the Pension Board fail to achieve required membership, the Pension Sub-Committee meeting will continue.	Yes	
That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	The Pension Sub-Committee and Board meet jointly on a quarterly basis.	Yes	
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Employer Forum for scheduled and admitted bodies is held annually, including presentations on topical subjects.	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Access			
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Subject to the management of any conflict of interest, all members are treated equally in terms of access to committee papers, documents and advice.	Yes	
Scope			
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	The agendas include reports on training, admission agreements, policies on discretions, pensions administration, regulatory changes, budget monitoring, local performance indicators, the service plan, internal and external audit, valuation issues, the funding level, the asset value and asset allocation, proposals to develop the investment management structure, investment performance at Fund and manager level.	Yes	
Publicity			
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Governance Policy Statement was approved in May 2009, following consultation with all employers. The governance arrangements may be viewed on the Fund's website at: http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx	Yes	Governance Policy Statement and Governance Compliance Statement are available on the Council website.

23rd June, 2026

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

Dear Colleague

You are requested to attend a JOINT MEETING of the **PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD** to be held remotely on Monday, 29th June, 2026, at 12 noon.

Members of the Press or Public wishing to join the meeting should/ contact Committee Services by telephone (01382) 434205 or by email at committee.services@dundeecity.gov.uk by no later than 12 noon on Friday, 26th June, 2026.

Yours faithfully

GREGORY COLGAN

Chief Executive

AGENDA OF BUSINESS

1 DECLARATION OF INTEREST

2 APOLOGIES

3 MINUTE OF PREVIOUS MEETING - Page 1

(Minute of the meeting of the Pension Investment Sub-Committee of 23rd March, 2026, copy attached).

4 TAYSIDE PENSION FUNDS RISK REGISTER - Page 5

(Report No 158-2026 by the Executive Director of Corporate Services, copy attached).

5 TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – GDPR, MCLOUD AND DATA QUALITY - Page 21

(Report No 159-2026 by the Executive Director of Corporate Services, copy attached).

6 TAYSIDE PENSION FUND INTERNAL AUDIT ANNUAL REPORT 2025/26

(Report No 160-2026 by the Executive Director of Corporate Services, to follow).

**7 PENSION ADMINISTRATION PERFORMANCE -UPDATE TO 31ST MARCH, 2026
- Page 119**

(Report No 161-2026 by the Executive Director of Corporate Services, copy attached).

8 STATEMENT OF INVESTMENT PRINCIPLES REVIEW

(Report No 162-2026 by the Executive Director of Corporate Services, to follow).

9 FUNDING STRATEGY STATEMENT - Page 129

(Report No 163-2026 by the Executive Director of Corporate Services, copy attached).

**10 TAYSIDE PENSION FUND ANNUAL GOVERNANCE AND GOVERNANCE COMPLIANCE
STATEMENTS**

(Report No 164-2026 by the Executive Director of Corporate Services, to follow).

11 TAYSIDE PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024/25

(Report No 165-2026 by the Executive Director of Corporate Services, to follow).

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

12 TAYSIDE PENSION FUNDS

13 OPPORTUNISTIC MANDATE UPDATE

14 FUND MANAGER PRESENTATION

VI PENSION ADMINISTRATION PERFORMANCE – UPDATE TO 31ST DECEMBER, 2025

There was submitted Report No 77-2026 by the Executive Director of Corporate Services providing information on the recent quarter's operational performance in relation to Pension Administration and other general developments in this area over the above period.

The Sub-Committee and Board noted the contents of the report.

VII TAYSIDE PENSION FUND – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2025/2026

There was submitted Report No 78-2026 by the Executive Director of Corporate Services providing a summary of the responsibilities and approach of Audit Scotland in respect of Tayside Pension Fund for 2025/2026.

The Sub-Committee and Board:-

- (i) noted the contents of the report by Audit Scotland (as at Appendix A of the report); and
- (ii) agreed to provide Audit Scotland with confirmation of any instances of actual, suspected or alleged fraud, as a requirement of the revised International Standard on Accounting (ISA) 240.

VIII TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – RISK MANAGEMENT FRAMEWORK REVIEW

There was submitted Report No 79-2026 by the Executive Director of Corporate Services submitting the audit report prepared by the Fund's Internal Auditor, PricewaterhouseCoopers (PwC).

The Sub-Committee and Board:-

- (i) noted the content of the report on the audit review undertaken; and
- (ii) approved the management response.

IX TREASURY POLICY STATEMENT 2026/2027

There was submitted Report No 80-2026 by the Executive Director of Corporate Services revising the Fund's Treasury Policy Statement following Isio's review of compliance with the Pension Regulators Revised Code.

The Sub-Committee and Board approved the policies and procedures laid out in the Treasury Policy Statement 2026/2027, noting that the policy must be reviewed annually, and that there were no changes.

X TREASURY MANAGEMENT STRATEGY 2026/2027

There was submitted Report No 81-2026 by the Executive Director of Corporate Services reviewing the Treasury Management Strategy for Tayside Pension Fund.

The Sub-Committee and Board approved the Treasury Management Strategy 2026/2027, noting that the strategy must be reviewed annually, and that there were no changes.

XI PENSION ADMINISTRATION STRATEGY

There was submitted Report No 82-2026 by the Executive Director of Corporate Services setting out the Fund's policy in respect of the standards required of both the Fund and the participating employers to ensure that statutory obligations were met and to demonstrate effective and efficient service delivery.

The strategy contained a variety of performance measures against which the Fund and participating employers were assessed, with performance reported to the Committee.

The Sub-Committee and Board approved the strategy contained within, noting that there were no changes.

XII TAYSIDE PENSION FUND COMMUNICATION POLICY

There was submitted Report No 83-2026 by the Executive Director of Corporate Services presenting a Communications Policy as required by the Local Government Pension Scheme (Scotland) Regulations 2014.

The Sub-Committee and Board approved the Communications Policy which had been reviewed and updated in conjunction with the Fund's Administration Strategy, noting that the Communications Policy must be reviewed annually, and that there were no changes.

XIII TAYSIDE PENSION FUND BUSINESS PLAN 2026/2027

There was submitted Report No 84-2026 by the Executive Director of Corporate Services introducing the annual business plan for the Tayside Pension Fund.

The Sub-Committee and Board:-

- (i) noted the information within the report; and
- (ii) approved the 2026/2027 Business Plan which applied to the administration and management of the Tayside Pension Fund, noting that there were no major changes to the plan.

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

XIV TAYSIDE PENSION FUNDS

(a) INVESTMENT MONITORING REPORT – QUARTER TO 31ST DECEMBER, 2025

There was submitted Report No 85-2026 by the Executive Director of Corporate Services reviewing the investment performance of the Fund's investment managers for the quarter to 31st December, 2025. The report and associated appendix compared investment performance of the Fund with the Fund's specific benchmarks which consisted of various stock and security market indices.

The Sub-Committee and Board noted the information contained herein with regard to the performance of the Tayside Pension Fund and their fund managers.

(b) SECURITIES LENDING 6 MONTH ACTIVITY TO 31ST DECEMBER, 2025

There was submitted Report No 86-2026 by the Executive Director of Corporate Services presenting an update on Securities Lending activity for the period ended 31st December, 2025.

The Sub-Committee and Board noted the contents of the report.

(c) QUARTERLY FUNDING UPDATE AS AT 31ST DECEMBER, 2025

There was submitted Report No 87-2026 by the Executive Director of Corporate Services reviewing the current funding level of the Fund as assessed by Barnett Waddingham, the Fund Actuary.

The Sub-Committee and Board noted the report by Barnett Waddingham.

XV OPPORTUNISTIC MANDATE UPDATE

A verbal progress report was provided by David O'Hara from Isio.

The Sub-Committee and Board noted that recommendations would be submitted to the June meeting.

XVI ANNUAL PERFORMANCE REVIEW TO 31ST DECEMBER, 2025

There was submitted Report No 88-2026 by the Executive Director of Corporate Services considering the Isio report on the Annual Review of Investment Performance 2025 completed in March 2026.

The Sub-Committee and Board noted the content of the Isio report as at Appendix A of the report.

XVI PRESENTATION

David Barber and Tom Record of Fidelity gave a short presentation to the Sub-Committee and Board.

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

Willie SAWERS, Convener.

ITEM No ...4.....

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 29 JUNE 2026

REPORT ON: TAYSIDE PENSION FUND RISK REGISTER

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 158-2026

1 PURPOSE OF REPORT

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

2 RECOMMENDATIONS

The Sub-Committee is asked to:

- approve the Quarterly Risk Register noting that since the last review five risks have considered to have changed;
- note further details of the latest assessments are detailed in the final column of attached appendix;
- note that a review of the current risk register is underway and the outcome of this will be reported to members in due course.

3 FINANCIAL IMPLICATIONS

There are no financial implications arising from the agreed recommendations in this report.

4 INTRODUCTION

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

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

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

The current risk register has been updated and the outcome of this assessment including both their inherent and current risk assessment together with the specific control measures that are in place to manage these risks and level of risk appetite is included an appendix A.

It is noted that the existing risk register has in place for some time and a wider review of the register is currently being undertaken. This review will aim to remove any existing risks that may be considered as being duplicated with other areas and to ensure that it only includes the most relevant and focused strategic risks for Sub-Committee. This review will also ensure any emerging or new significant risks are captured, and a review of the existing risk appetite will also be completed. The outcome of this review will be reported to members in due course.

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

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

7 BACKGROUND PAPERS

None.

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

22 JUNE 2026



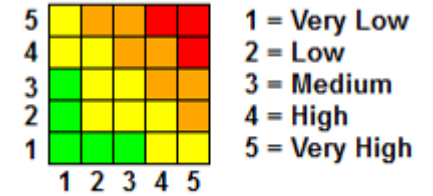
Quarterly Risk Report

Report Type: Tayside Pensions Fund Risks Report

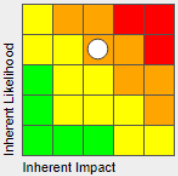
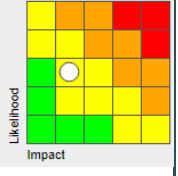
Report Author: Executive Director of Corporate Services

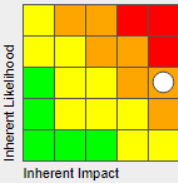
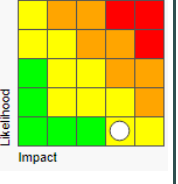
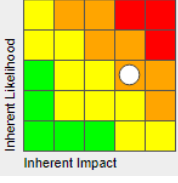
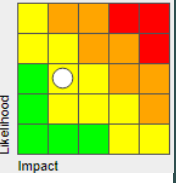
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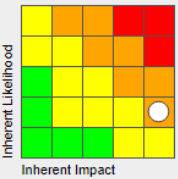
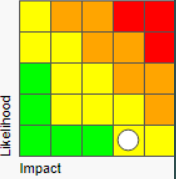
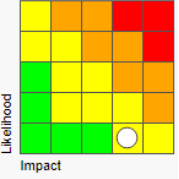
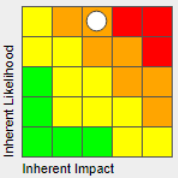
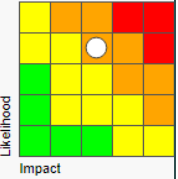
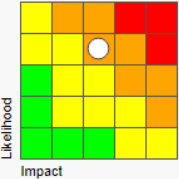
Pentana Risk Matrix

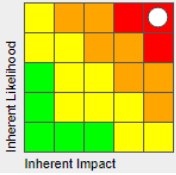
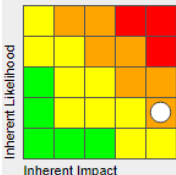


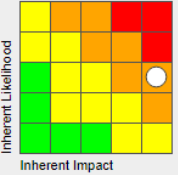
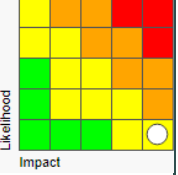
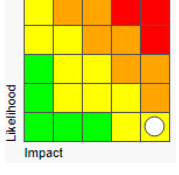
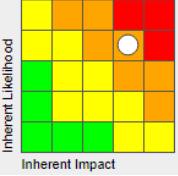
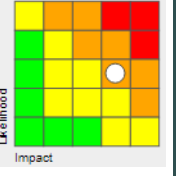
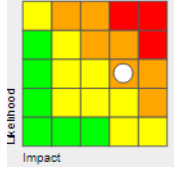
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Pension Administration (Risk appetite - minimalist)</p> <p>1.Failure to process pension payments and lump sums on time</p>	<ul style="list-style-type: none"> Non-availability of pension / payroll systems Resource unavailable Failure to gain relevant information from employers to enable processing 	<ul style="list-style-type: none"> Processing delays Processing errors Retiring members will be paid late Reputational risk for the Fund Breach of statutory requirements 	<ul style="list-style-type: none"> Financial implications for members. Loss of stakeholder confidence. Financial cost to the fund if interest has to be paid to members. Regulatory action 		<ul style="list-style-type: none"> Regular update & maintenance of Altair & Resourcelink Standardised processes & independent review of calculations Staff cover arrangements Task prioritisation 		 <p>No change</p>

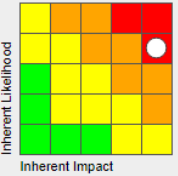
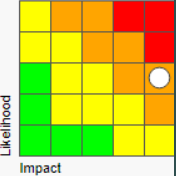
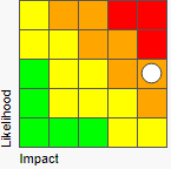
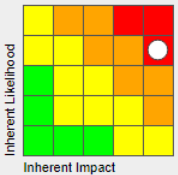
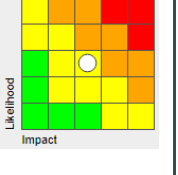
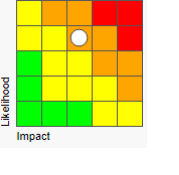
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Funding - Employer related (Risk appetite - cautious)</p> <p>2.Failure to collect and account for contributions from employers and employees on time</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Requirement for report of regulatory breach & subsequent action if required • Potential delays to employers' IAS19 / FRS17 year-end accounting reports • Loss of stakeholder confidence • Recovery / legal action required • Opportunity cost of lost investment income 	 <p>Inherent Risk matrix: Likelihood (Y-axis) vs Inherent Impact (X-axis). The white dot is positioned in the top-right quadrant, indicating high likelihood and high impact.</p>	<ul style="list-style-type: none"> • Robust maintenance and update of Resourcelink and Authority Financials systems • Staff cover arrangements • Staff training and sample checking of work by supervisors • Ongoing employer communication to ensure they understand responsibilities to pay by required monthly deadline. • Contribution tracker system • Introduction of employer contribution payment flexibility within financial year (subject to prior agreement) 	 <p>Residual Risk matrix: Likelihood (Y-axis) vs Impact (X-axis). The white dot is positioned in the middle-right area, indicating medium likelihood and medium impact.</p>	<p>No change</p>

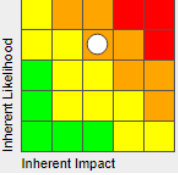
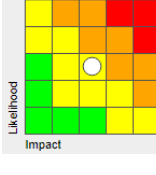
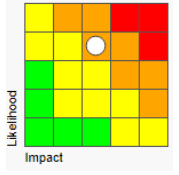
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Funding - Liquidity (Risk appetite - averse)</p> <p>3. Insufficient funds to meet liabilities as they fall due</p>	<ul style="list-style-type: none"> Contribution levels are inadequate 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). 	<ul style="list-style-type: none"> Rise in employer contribution rate required Unplanned asset sales required to meet Revision of Funding and Investment strategies required 	<ul style="list-style-type: none"> 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 		<ul style="list-style-type: none"> Funding Strategy Statement Investment Strategy Ongoing advice from investment consultants, etc. Suitable policies & strategies in place to prevent Regular monitoring of asset / liability valuations Triennial actuarial valuations 		<p>No change</p>
<p>Operational (Risk appetite - minimalist)</p> <p>4. Inability to maintain service due to loss of main office, computer system or staff</p>	<ul style="list-style-type: none"> Fire, bomb, flood, etc. Staff unable to access office (i.e. public health restrictions) IT system / network outage 	<ul style="list-style-type: none"> Temporary loss of service provision. Delayed payments & processing Retiring staff will be paid late Reputational risk for the Fund Breach of statutory requirements 	<ul style="list-style-type: none"> Financial implications for members. Loss of stakeholder confidence. Financial cost to the fund if interest has to be paid to members. Regulatory action 		<ul style="list-style-type: none"> DCC business continuity plan including testing Contractual agreement with system provider Daily back up and contingent procedures Back-up data located off-site 100% staff remote working capabilities 		<p>No change</p>

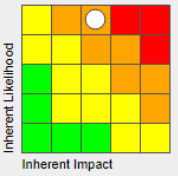
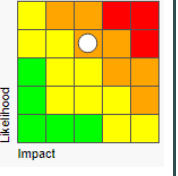
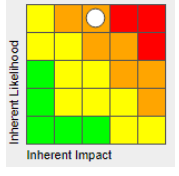
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Operational (Risk appetite - minimalist)</p> <p>5.Loss of funds through fraud or misappropriation</p>	<ul style="list-style-type: none"> Fraud or misappropriation of funds by staff/employer/ 3rd party service provider 	<ul style="list-style-type: none"> Financial loss to the fund Reputational risk for the Fund Adverse audit opinion Breach of statutory requirements Enforcement action 	<ul style="list-style-type: none"> Requirement for report to regulator & subsequent action if required Criminal investigation Loss of stakeholder confidence Recovery / legal action required 		<ul style="list-style-type: none"> Internal and external audit regularly test that appropriate controls are in place and working effectively. Regulatory control reports from investment managers, custodian, etc are also reviewed by audit. Due diligence carried out when a new manager is appointed. Reliance also placed on Financial Conduct Authority registration & requirements. 		 <p>No Change</p>
<p>Funding - Employer related (Risk appetite - cautious)</p> <p>6.Employers unable to participate in scheme</p>	<ul style="list-style-type: none"> Employer liabilities increase disproportionately as a result of changed member profiling 	<ul style="list-style-type: none"> Employers unable to maintain contributions Employers exit from fund Employer cannot meet 	<ul style="list-style-type: none"> Inability to meet overall strategic objectives Financial loss to fund, triggering asset sales to meet pension payments 		<ul style="list-style-type: none"> Full Actuarial Valuation undertaken every 3 years (employers advised of liability) 		 <p>No Change</p>

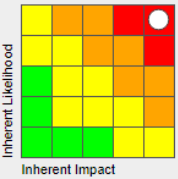
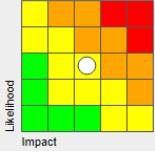
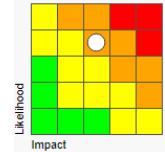
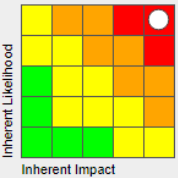
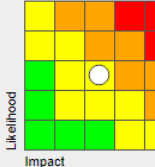
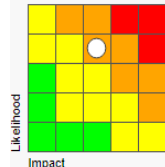
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	<ul style="list-style-type: none"> Employer liabilities increase disproportionately as a result of external factors (i.e. change in bond yields) Reduced asset values in relation to liabilities due to external factors 	liabilities on exit	<ul style="list-style-type: none"> Fund profile changed as a result of employer exit Insolvency of employer Recovery of liabilities in liquidation 		<ul style="list-style-type: none"> Funding Strategy enables exit at minimum risk. Independent covenant and financial settlement assessment on affordability Employer contribution payment flexibility within financial year (subject to prior agreement) Employer / fund communications policy and relationship management 		
<p>Funding - Investment (Risk appetite - open)</p> <p>7. Significant rises in employer contributions due to poor/negative investment returns</p>	<ul style="list-style-type: none"> Poor economic conditions Inappropriate investment strategy Poor selection / performance of investment managers 	<ul style="list-style-type: none"> Financial impact as a result of poor/negative investment returns Revision of investment strategy required Dismissal of investment managers 	<ul style="list-style-type: none"> Inability to meet overall strategic objectives Reduced funding level Increased contributions required Transaction costs on change of strategy or investment manager 		<ul style="list-style-type: none"> Performance & funding levels monitored on an ongoing quarterly basis Investment & Funding strategies reviewed and assessed independently Diversified range of investment 		<p>No change</p>

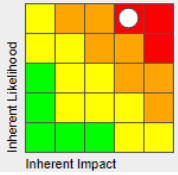
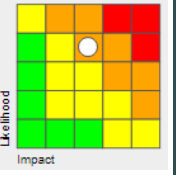
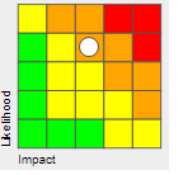
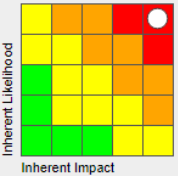
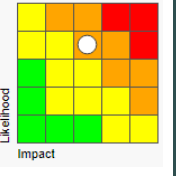
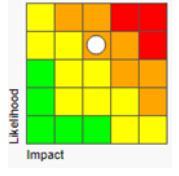
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
					managers over different asset classes <ul style="list-style-type: none"> 10% asset shock reserve 		
Operational (Risk appetite - minimalist) 8.Failure of global custodian	<ul style="list-style-type: none"> Financial collapse of global custodian or failure to safeguard assets or records 	<ul style="list-style-type: none"> Financial loss to the fund. Loss of information required for statutory and accounting purpose 	<ul style="list-style-type: none"> Inability to meet overall strategic objectives Severe service disruption because of recovery action Statutory breaches 		<ul style="list-style-type: none"> Legal agreement with custodian. Credit rating monitored on an ongoing basis. Regulated by Financial Conduct Authority. Assets not on custodian balance sheet. 		 No Change
Funding - Investment (Risk appetite - open) 9.Failure of Investment Manager	<ul style="list-style-type: none"> Substantial decline of global financial market Economic factors impacting on asset class Under performance of investment manager 	<ul style="list-style-type: none"> Financial loss to the fund Reduced asset returns Investment outflows from investment manager portfolio Termination of mandate with investment manager 	<ul style="list-style-type: none"> Inability to meet overall strategic objectives Reduced funding level Increased employer contribution levels Required appointment of alternative investment manager Transaction costs associated with change 		<ul style="list-style-type: none"> Performance monitored on an ongoing quarterly basis. Diversified range of asset classes. Advice provided by Investment Consultant. 		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Funding - Investment (Risk appetite - open)</p> <p>10. Equity Risk</p>	<ul style="list-style-type: none"> Market sector falls substantially because of global economic factors 	<ul style="list-style-type: none"> Financial loss to the fund 	<ul style="list-style-type: none"> Inability to meet overall strategic objectives Reduced funding level Increased employer contribution levels 		<ul style="list-style-type: none"> Performance monitored on an ongoing quarterly basis. Investment strategy with diversified range of asset classes and long-term investment objectives. Advice provided by Investment Consultant. Fund officers remain in close communications with investment managers 10% volatility reserve 		 <p>No Change</p>
<p>Governance (Risk appetite - minimalist)</p> <p>11. Failure to comply with changes to LGPS regulations and other new regulations / legislation</p> <p>Specifically:</p> <ul style="list-style-type: none"> McCloud Pensions Dashboard 	<ul style="list-style-type: none"> Significant changes to scheme & regulations which staff are unfamiliar with Failure in readiness for changes Lack of technical expertise / training 	<ul style="list-style-type: none"> Incorrect calculations Delays in processing Statutory breaches Reputational risk 	<ul style="list-style-type: none"> Financial implications for members. Loss of stakeholder confidence. Financial cost to the fund if interest must be paid to members. Regulatory action 		<ul style="list-style-type: none"> Verification process in place within Pensions section Staff training Audited key processes reviewed prior to significant changes Recruitment exercises as required 		 <p>Increased likelihood</p>

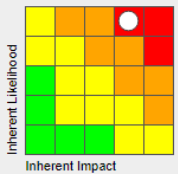
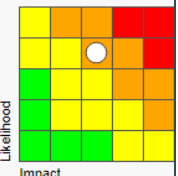
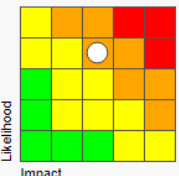
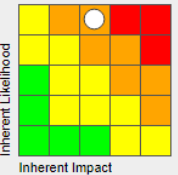
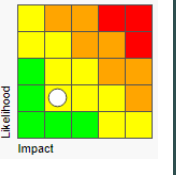
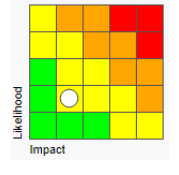
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	<ul style="list-style-type: none"> Inadequate procedures / process Lack of resources Error in interpreting requirements IT systems not updated to reflect changed requirements 				<ul style="list-style-type: none"> Robust system maintenance & upgrade Specialist advice used as required to ensure correct interpretation Performance monitoring Project management for implementation of key changes / exercises 		
<p>Governance (Risk appetite - minimalist)</p> <p>12.Failure to comply with governance best practice</p> <p>Specifically:</p> <ul style="list-style-type: none"> TPR New Code of Practice TPR Good Governance project outcomes 	<ul style="list-style-type: none"> Failure to implement requirements Inadequate processes / procedures Inadequate training as to changed requirements 	<ul style="list-style-type: none"> Breach of statutory requirements Sub-standard service to members and employers Reputational risk for the Fund 	<ul style="list-style-type: none"> Regulatory action Loss of stakeholder confidence 		<ul style="list-style-type: none"> Staff training Audited key processes reviewed prior to significant changes Specialist review and advice 		 <p>Increased likelihood</p>

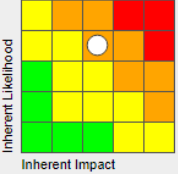
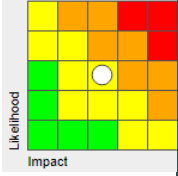
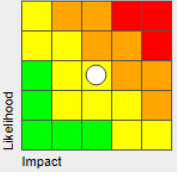
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Pension Administration (Risk appetite - minimalist)</p> <p>13.Failure to provide quality service to members</p>	<ul style="list-style-type: none"> Inadequate administration & communication policies Lack of resources Lack of staff skills / knowledge Lack of training Ineffective processes & procedures Poor communication documentation Unanticipated workloads 	<ul style="list-style-type: none"> Reputational risk for the Fund Processing delays & errors Late payments Sub-optimal decision making Reputational risk for the Fund 	<ul style="list-style-type: none"> Financial implications to members Loss of stakeholder confidence 		<ul style="list-style-type: none"> Key policies reviewed and updated annually or sooner if required Recruitment exercises as required in keeping with statutory requirements Ongoing staff training and support Key processes audited and reviewed annually Communication / documentation reviewed regularly and updated Weekly work allocation to prioritise and avoid bottlenecks 		 <p>Increased likelihood</p>

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Operational (Risk appetite - minimalist)</p> <p>14.Failure to hold personal data securely</p>	<ul style="list-style-type: none"> Insufficient system abilities re security of data Sub-standard retention processes & procedures Inadequate data retention policy, backup and recovery procedures Change of retention requirements 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Financial impact to members Loss of stakeholder confidence. Financial cost to the fund if interest has to be paid to members. Regulatory action 		<ul style="list-style-type: none"> Data security system settings & controls Data retention policy & processes / back up & recovery procedures 		 <p>Increased likelihood</p>
<p>Operational (Risk appetite - minimalist)</p> <p>15.Cybercrime</p>	<ul style="list-style-type: none"> Inadequate system abilities re security of data Inadequate controls and security protocol 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Financial impact to members Loss of stakeholder confidence. Financial cost to the fund if interest has to be paid to members. Regulatory action 		<ul style="list-style-type: none"> Data security system settings & controls Data back-up & recovery procedures Technical & Security Controls Cyber Security Protection and Penetration Testing Cyber Incident Response Plan Corporate Emergency & 		 <p>Increased likelihood</p>

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<p>Pension Administration (Risk appetite - minimalist)</p> <p>16.Failure to keep pension records up-to-date and accurate</p>	<ul style="list-style-type: none"> Non-availability of pension / payroll systems Resource unavailable New staff undertaking duties Increased workload Failure to gain relevant information from employers to enable processing 	<ul style="list-style-type: none"> Processing delays Processing errors Retiring members will be paid late Reputational risk for the Fund Breach of statutory requirements 	<ul style="list-style-type: none"> Financial implications for members Loss of stakeholder confidence Financial cost to the fund if interest has to be paid to members Regulatory action 		<p>Business Continuity Plans</p> <ul style="list-style-type: none"> System contingency / recovery prioritised Service prioritisation / allocation Staff training Scheduled communications / updates from employers 		 <p>No Change</p>
<p>Governance (Risk appetite - minimalist)</p> <p>17.Lack of expertise on Pension Committee, Pension Board or amongst officers</p>	<ul style="list-style-type: none"> Lack of training & continuous professional development Loss of key staff and management Lack of succession planning within the structure 	<ul style="list-style-type: none"> Detrimental decision making Reputational risk for the Fund Breach of statutory requirements Failure to meet objectives Failure to meet deadlines Additional pressure on existing staff 	<ul style="list-style-type: none"> Financial loss Inability to meet overall strategic objectives Increase in employer contribution requirements Regulatory action Loss of stakeholder confidence 		<ul style="list-style-type: none"> Key policies and governance arrangements independently audited and reviewed Key officer meets Markets in Financial Instruments Directive (MIFIID) professional investor requirements Training & support 		 <p>No change</p>

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
					<ul style="list-style-type: none"> External specialist advice TPF structure and resource review now completed and in the process of being implemented 		
<p>Governance (Risk appetite - minimalist)</p> <p>18. Over reliance on key officers</p>	<ul style="list-style-type: none"> Loss of key individuals Inability to recruit individuals with specialist skills & experience Inadequate governance arrangements Lack of specialist advisors to support 	<ul style="list-style-type: none"> Detrimental decision making Reputational risk for the Fund Breach of statutory requirements Failure to meet objectives 	<ul style="list-style-type: none"> Financial loss Inability to meet overall strategic objectives Increase in employer contribution requirements Regulatory action Loss of stakeholder confidence 		<ul style="list-style-type: none"> Key policies and governance arrangements independently audited and reviewed Knowledge & experience of staff External specialist advice Peer support from other LGPS 		<p>No Change</p>
<p>Governance (Risk appetite - minimalist)</p> <p>19. Failure to communicate adequately with stakeholders</p>	<ul style="list-style-type: none"> Inadequate communication policy Inadequate processes & protocols with employers and scheme members 	<ul style="list-style-type: none"> Scheme members not aware of their rights Employers not aware of regulations, procedures, etc. Reputational risk 	<ul style="list-style-type: none"> Sub-optimal decision making resulting to financial detriment of members Errors in members calculations Loss of stakeholder confidence Regulatory action 		<ul style="list-style-type: none"> Communications policy Standard documentation & communications Website information Standard key processes & protocols 		<p>No Change</p>

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
		<ul style="list-style-type: none"> Breach of statutory requirements 			<ul style="list-style-type: none"> Employer communications (e mails / info sessions / documentation / guidance) Adequately trained staff 		
<p>Funding - Employer related (Risk appetite - cautious)</p> <p>20. Employer Covenant Risk</p>	<ul style="list-style-type: none"> Change in employer actuarial profile which has resulted in significant increase in liability Unsuitable guarantee / financial health of employer 	<ul style="list-style-type: none"> Employers unable to financially provide for exit liability 	<ul style="list-style-type: none"> Inability to meet overall strategic objectives Financial impact on overall funding level Remaining employers required to accommodate the shortfall via increased contribution 		<ul style="list-style-type: none"> Government or local authority guarantees, bonds or securities over assets Independent covenant review and financial assessments to identify Funding strategy to enable exit at minimal risk to remaining employers Affordable payment schedule independently assessed 		 <p>No Change</p>
<p>Governance (Risk appetite - minimalist)</p> <p>21. Risks in relation to use of 3rd party service providers</p>	<ul style="list-style-type: none"> Inadequate policy Poor due diligence and selection processes 	<ul style="list-style-type: none"> Poor decision making Failure of supplier adhering to 	<ul style="list-style-type: none"> Financial detriment to the fund Loss of stakeholder confidence 		<ul style="list-style-type: none"> Procurement policy Contracts database Documented contract 		

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	<ul style="list-style-type: none"> Poor contract management 	<ul style="list-style-type: none"> contractual agreement Reputational risk 			<ul style="list-style-type: none"> management protocol Use of national frameworks 		No change
<p>Funding - ESG (Risk appetite - cautious)</p> <p>22.Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)</p>	<ul style="list-style-type: none"> Inadequate policy & practices Failing to understand incoming requirements Failing to plan and implement changes required Lack of knowledge & skills 	<ul style="list-style-type: none"> Poor decision making Non-compliant actions being taken Statutory breach Reputational risk 	<ul style="list-style-type: none"> Failing to meet strategic objectives Regulatory action Loss of stakeholder confidence 		<ul style="list-style-type: none"> Regularly reviewed policies, processes and reporting Project plans to meet changing requirements Specialist advice as required Training 		 <p>No Change</p>

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE
& PENSION BOARD – 29 JUNE 2026

REPORT ON: TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – GDPR, MCCLOUD AND
DATA QUALITY

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 159-2026

1 PURPOSE OF REPORT

To submit the Audit Reports prepared by the Fund's Internal Auditor, PricewaterhouseCoopers (PwC).

2 RECOMMENDATIONS

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

3 FINANCIAL IMPLICATIONS

There are no financial implications arising from the agreed recommendations in this report.

4 MAIN TEXT

4.1 Internal Audit Report – GDPR Review (Appendix A)

4.2 The report presents the findings of the recent audit review of GDPR arrangements within the Tayside Pension Fund. The audit examined the adequacy and effectiveness of the Fund's governance, policies, and controls in ensuring compliance with data protection legislation, with a particular focus on data handling, security arrangements, record management, and oversight mechanisms. The objective was to obtain assurance that appropriate processes are in place to manage personal data securely and in line with statutory requirements.

The audit concluded that while key controls are in place and operating in most areas, opportunities exist to strengthen arrangements further. The recommendations set out in the report have been agreed by management, who have provided action plans to address the issues identified within agreed timescales.

4.3 Internal Audit Report – McCloud Review (Appendix B)

The report presents the findings of the McCloud Post-Implementation Review undertaken in respect of Tayside Pension Fund. The review assessed the effectiveness of the arrangements put in place to implement the McCloud remedy, including governance and oversight, data management, calculation processes, member communication, and compliance with relevant legislation and guidance. The objective was to provide assurance that the remedy has been implemented appropriately and that associated risks are being effectively managed.

The review concluded that, while the implementation framework is broadly sound, there are opportunities to strengthen controls and supporting processes in a number of areas. The recommendations detailed in the report have been agreed by management, with action plans in place to address the issues identified within agreed timescales.

4.4 Internal Audit Report – Data Quality (Appendix C)

The purpose of this report is to present the findings of the data quality (data gap) review undertaken in respect of Tayside Pension Fund. The review examined the completeness, accuracy and reliability of

member data held by the Fund, with particular focus on the identification and management of data gaps, controls over data input and maintenance, and compliance with regulatory expectations. The objective was to provide assurance that data is fit for purpose to support benefit administration, statutory reporting and ongoing regulatory requirements.

The review concluded that, although a framework exists to manage data quality, further work is required to address identified data gaps and strengthen supporting controls. The recommendations set out in the report have been agreed by management, with action plans established to deliver improvement within defined timescales.

5 **POLICY IMPLICATIONS**

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

6 **CONSULTATIONS**

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

7 **BACKGROUND PAPERS**

None

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

22 JUNE 2026



Internal audit report 2025/26

GDPR Review

Tayside Pension Fund (TPF)

Final Report



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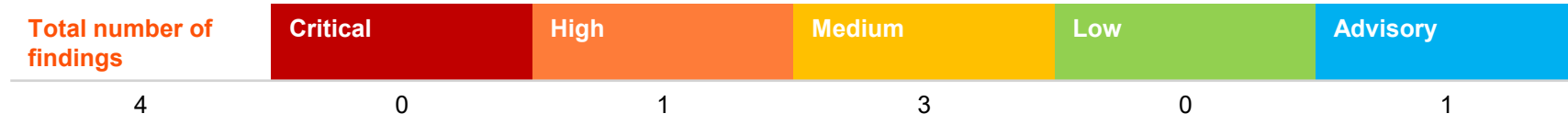
Executive Summary

Report classification



High risk

Refer to Appendix A for the basis of classification



Background

Tayside Pension Fund (TPF), administered by Dundee City Council as part of the Local Government Pension Scheme in Scotland, manages the pension arrangements of over 56,900 members across 41 employers. While TPF oversees its own operational activities, it relies on Dundee City Council for wider data protection governance, including policies, breach management and legal support. TPF's internal data protection function is small, with a single staff member undertaking data protection management responsibilities and escalating matters to the Council's Data Protection Officer, whose duties are currently being covered by the Council's legal team. While this audit focuses on TPF, several findings overlap with Dundee City Council where responsibilities and controls fall under the Council's remit rather than the Fund's.

The objective of this audit was to provide an independent assessment of TPF's key data protection risks and to review the design and operation of controls in place to support compliance with UK GDPR requirements, including governance arrangements, oversight provided by Dundee City Council, and the Fund's handling of core data protection processes (*refer to Appendix B for the detailed terms of reference extract and scope areas*). Please find an overview of our observations aligned to each objective below:

- **Governance and Oversight:** Data protection responsibilities currently sit with the IT Systems and Process Analyst, and quarterly reporting on data protection risks is in place, although the information provided is high level.
- **Policy Requirements:** The Information Governance Policy provides a high-level framework for data protection, but TPF lacks dedicated procedures for key areas such as breaches and data subject rights.
- **Record of Processing Activity (RoPA):** No Article 30-compliant RoPA was available. Management indicated that some processing information was embedded in the privacy notice; however, this is not sufficiently detailed or aligned to UK GDPR requirements (e.g., data categories, retention, recipients, transfers, etc.) .
- **Data Subject Access Requests (DSARs):** Data subject rights requests are low in volume and have been completed within statutory timelines, although the DSAR process is not formally documented and relies on local knowledge. Some rights, such as rectification, are effectively managed through the member portal, which helps maintain data accuracy and reduce manual processing.
- **Breach Notification Procedures:** A breach reporting and investigation workflow is in place and supported by regular team awareness, with evidence of lessons learned following a recent larger incident. However, there is no written breach procedure specific to TPF. From discussions with management following the recent breach, we understand that communication with affected individuals is carried out, and this approach aligns with ICO expectations
- **Staff Training:** Mandatory GDPR training is in place with improving completion rates, although role-specific training and a structured awareness programme do not currently exist, with ongoing awareness instead maintained through informal mechanisms such as team meetings and ad-hoc communications.

Executive Summary

Overall conclusions

The internal audit of Tayside Pension Fund observed a baseline standard of data privacy controls, with evidence that the data protection team focuses its available capacity on areas of greatest regulatory exposure, such as responding to individual rights requests and managing personal data breaches. Core compliance activities, including DSAR handling and breach reporting, are operating effectively in practice, with low volumes of requests processed within statutory timelines and all breaches appropriately escalated to the ICO within required deadlines.

There is, however, a need for more documentation and structure to strengthen TPF's overall control environment. The absence of an Article 30 Record of Processing Activities, the lack of Fund-specific procedures for DSARs and breaches, and insufficient management information restrict TPF's ability to demonstrate accountability and provide consistent oversight of key compliance indicators. Current training and awareness measures, administered through Dundee City Council, provide a baseline understanding but do not extend to annual refreshers, role-based learning or embedding a privacy culture.

Strengthening documentation, governance, reporting structures and role-based capability would support TPF in maturing its data protection framework and enhance its ability to evidence compliance with UK GDPR requirements. TPF has already demonstrated a willingness to engage constructively with improvement actions, and with modest enhancements to processes and oversight, TPF will be well positioned to further embed a strong but proportionate privacy control environment.

Summary of findings:

- **Absence of a Record of Processing Activities (RoPA) (High)** - TPF were not aware of a Record of Processing Activities (RoPA) at Dundee City Council and no RoPA was provided, indicating that the Council, as data controller, does not currently demonstrate the Article 30 accountability requirement to maintain a structured and centrally governed record of its personal data processing activities.
- **Opportunity to uplift Data Protection Procedures (Medium)** - TPF has an opportunity to uplift its procedures by formally documenting processes for data breaches and data subject rights requests, as current reliance on staff knowledge may create gaps if key individuals leave or new staff join.
- **Training and cultural awareness measures require strengthening (Medium)** - TPF currently relies on Dundee City Council's GDPR e-learning module, which is completed every two to three years, and does not provide role-based training or regular privacy awareness activities. As a result, staff may not receive sufficiently frequent or tailored guidance to maintain up-to-date knowledge, strengthen specialist capability or reinforce a strong privacy culture.
- **Insufficient management information (Medium)** - Management information reporting within TPF is insufficient, with quarterly updates lacking key performance indicators (KPIs) or key risk indicators (KRIs) needed to track data protection compliance activities such as policy reviews, training completion and DSAR timeliness. In addition, TPF does not have formal data protection governance forums with Dundee City Council, resulting in inconsistent oversight and limited visibility of shared responsibilities and risks.

We also identified the following areas of good practice:

- Data protection risks are reported regularly to the relevant committee, providing ongoing oversight and ensuring that emerging issues are escalated and monitored as part of routine governance.
- Data subject access requests are effectively managed due to consistently low volumes, with all requests logged, tracked and completed within the statutory 30-day timeframe.
- All personal data breaches have been notified to the ICO within the required 72-hour period, with follow-up actions incorporating lessons learned, and communications to affected individuals issued through appropriate channels such as email, post and phone in a manner aligned with ICO expectations.
- Certain data subject rights, such as rectification, are handled directly through the member portal, enhancing data accuracy controls and reducing the need for manual administrative processing.

Findings

1 Absence of a Record of Processing Activities (RoPA)

Operating effectiveness

Finding Rating:
High

Finding

During our review, Tayside reported that they were not aware of whether Dundee City Council maintains a Record of Processing Activities (RoPA). As Dundee City Council is the Data Controller, it is responsible for ensuring that a RoPA exists and is appropriately governed. Based on the information provided and discussions held, no RoPA was provided to demonstrate that a centrally maintained record is in place or accessible to relevant stakeholders, including the Tayside team.

Management noted that some high-level information about personal data processing appears within the Council's external privacy notice. This does not meet the requirements of Article 30 of the UK GDPR, or the expectations set out by the ICO. The accountability principle requires organisations to maintain a detailed internal record of processing activities under their responsibility that can be provided to the regulator on request.

A compliant RoPA must include, for each processing activity, the purpose of the processing, the categories of data subjects and personal data, the categories of recipients including processors and third parties, details of international transfers and associated safeguards, the retention periods that apply and a description of the technical and organisational measures used to protect the data. The ICO expects organisations to maintain this in a structured and standalone format, typically a spreadsheet or software solution, to support transparency and enable oversight of data protection risks.

RoPAs are commonly administered centrally by the Data Protection Officer. However, some organisations adopt a distributed model in which business areas or service lines have Data Champions that maintain their own domain specific entries. For example, Tayside could be asked by Dundee City Council to maintain the RoPA applicable to its processing activities, provided that the Council's DPO retains full visibility and governance oversight of the complete organisational RoPA.

Potential Implication

The absence of a documented and centrally governed Record of Processing Activities (RoPA) at Dundee City Council limits the Council's ability to demonstrate compliance with Article 30 of the UK GDPR. As TPF undertakes processing on behalf of Dundee City Council, the lack of an organisational RoPA also prevents TPF from having clarity on how its processing activities fit into the wider data protection framework. Without a RoPA for TPF to contribute to or reference, there is an increased risk that processing activities are not fully understood, appropriately documented or aligned with the Council's lawful bases, purposes and retention requirements. This creates operational uncertainty for Tayside, increases the risk of inconsistent practices across service areas and may hinder the Council's ability to respond effectively to data subject rights requests, incidents, and regulatory enquiries.

Findings

1 Absence of a Record of Processing Activities (RoPA)

Operating effectiveness

Finding Rating:
High

PwC Recommendations

1. Identify and document all processing activities carried out on behalf of Dundee City Council, ensuring these can be incorporated into the central RoPA once established. The ICO provides a [template](#) designed for this purpose, and following this structured approach will support the creation of a comprehensive RoPA.
2. Once developed, ownership of the RoPA should be formally assigned to an appropriate role, with a clear maintenance process to ensure that it is reviewed and updated regularly, ideally at least annually or whenever business processes or systems change.

Management Actions

The team will perform the following and get them formally approved by senior management:
The Dundee City Council Data Protection Policy 2019 makes reference to the Register of Processing and this has been located. Some further work is planned to refresh and consolidate existing data mapping activity into a fully compliant, centrally maintained RoPA .

Responsible person/title:
Roger Mennie - Head of Legal and Democratic Services

Due Date
31st March 2027

Findings

2 Opportunity to uplift Data Protection Procedures

Operating effectiveness

Finding Rating:
Medium

Finding

Dundee City Council's Information Governance Policy covers data protection requirements at a high level. However, TPF does not have any Fund-specific operational guidance that translates these wider Council requirements into clear internal steps for the team. While the Council's policy references subject access requests and incident management, these references remain generic in nature and do not describe the processes and practical steps followed within TPF itself.

In addition, where TPF relies on legitimate interests as a lawful basis for processing, there is currently no documented Legitimate Interest Assessment (LIA) to demonstrate that the requirements of UK GDPR Article 6(1)(f) have been met. ICO guidance indicates that organisations should evidence the purpose test, the necessity test, and the balancing test to ensure that individuals' rights and freedoms have been appropriately considered. The absence of a formal LIA creates a gap in demonstrating compliance with lawful basis requirements and increases the risk of challenges from data subjects or the regulator.

TPF relies on staff knowledge and experience to manage activities such as data subject access requests, data breach handling, and decisions related to lawful basis assessments, including legitimate interests. Although management confirmed that these processes are well understood within the team, they are not formally documented. This creates an opportunity for TPF to uplift its procedures by documenting these key processes to ensure consistency and operational resilience, as reliance on informal knowledge may lead to gaps if key individuals leave or if new staff join the organisation.

Potential Implication

The absence of written procedures means that TPF may be exposed to operational continuity risks, particularly in situations where key staff are unavailable or where new staff require onboarding. Documented procedures would help ensure clarity on roles, responsibilities, escalation points and statutory timescales, and would support greater consistency in the way rights requests and incidents are handled.

Findings

2 Opportunity to uplift Data Protection Procedures

Operating effectiveness

Finding Rating:
Medium

PwC Recommendations

1. TPF should develop a set of written internal procedures that set out, how TPF manages DSARs, data breaches, DPIAs and other key data protection activities. In addition, these procedures should be simultaneously reviewed alongside Dundee City Council's Info Gov Policy to ensure alignment and consistency with the Council's overarching framework.
2. TPF should then assign clear ownership for maintaining the procedures, and ensure the procedures are approved through the appropriate governance channels. TPF should also implement a regular review cycle to ensure the procedures remain accurate and up-to-date.

Management Actions

The team will perform the following and get them formally approved by senior management: While formal documented procedures for subject access requests, breach management and lawful basis assessments are not currently in place, established processes are operating effectively in practice and are supported by appropriate tracking mechanisms. Notwithstanding this, we recognise the benefit of formalising these arrangements to enhance consistency, resilience and auditability, and will take this forward on a proportionate basis.

Responsible person/title:
Roger Mennie - Head of Legal and Democratic Services

Due Date
31st March 2027

Findings

3 Training and cultural awareness measures require strengthening

Operating effectiveness

Finding Rating:
Medium

Finding

Current training arrangements for TPF rely on Dundee City Council's formal GDPR e-learning module, which is completed on a two-to-three-year cycle. While we recognise that responsibility for administering this training sits with the Council rather than the Fund, it is considered good practice for staff who handle personal data to refresh their understanding annually. Refreshed annual content could include revised content or questions banks to ensure training is engaging, relevant and improving employees-based knowledge over time. More frequent training helps ensure that key principles remain current in staff thinking and reduces the risk of outdated knowledge influencing day-to-day decisions.

There is currently no role-based data protection training available for staff who hold enhanced responsibilities. In particular, the Data Protection Lead would benefit from structured development focused on the practical requirements of the role. This may include formalised, role-specific training modules or access to an external qualification to support capability building and ensure ongoing confidence in fulfilling statutory and organisational obligations.

A recommended route for external professional development is the suite of qualifications offered by the International Association of Privacy Professionals (IAPP), which are widely recognised across the industry:

- CIPP/E: Provides a comprehensive understanding of European data protection legislation, including the UK GDPR and associated regulatory frameworks. It is considered the leading foundational qualification for privacy professionals in Europe.
- CIPT: Focuses on the integration of privacy into technology and system development. It supports the practical application of privacy engineering principles and techniques to reduce risk throughout the software and systems development lifecycle.
- CIPM: Designed for professionals responsible for operationalising privacy within business functions such as HR, marketing, finance and customer services. It equips practitioners to establish, manage and monitor a privacy programme, reducing organisational risk arising from inappropriate handling of personal data.

Together, these qualifications provide a structured and credible foundation for developing and sustaining privacy expertise within TPF.

We also noted that TPF does not currently run additional privacy awareness campaigns to reinforce core responsibilities throughout the year. Regular reminders can support a positive privacy culture and reduce the likelihood of human error. Simple interventions such as periodic emails, posters, short awareness messages would help maintain visibility of privacy principles between formal training cycles.

Findings

3 Training and cultural awareness measures require strengthening

Operating effectiveness

Finding Rating:
Medium

Potential Implication

A training programme that is infrequent, generic and not supplemented by ongoing awareness activity risks becoming a tick-box exercise rather than an engaging and meaningful mechanism for building capability. Without annual refresher training, role-specific development or regular prompts that reinforce privacy expectations, staff may not retain the depth of understanding required to manage data protection obligations confidently. This risk increases further where individuals take on data protection responsibilities such as handling rights requests, maintaining records of processing or supporting breach escalation without adequate preparation, heightening the likelihood of procedural errors, inconsistent data handling and gaps in regulatory compliance.

In addition, the regulatory landscape is evolving rapidly, with emerging frameworks such as the EU AI Act, the UK's Data (Use and Access) Act 2025 (DUAA), and the future EU Digital Omnibus set to introduce new or expanded requirements relating to transparency, risk management, accountability and automated decision-making. Without a training programme that is proactively updated to reflect these developments, the Council may be unable to equip staff with the knowledge needed to respond to changing obligations. This increases the risk of policies and operational practices becoming outdated, resulting in non-compliance, misalignment between process and regulatory expectations, and reduced organisational readiness for forthcoming regulatory change.

PwC Recommendations

1. TPF should work with Dundee City Council to explore the feasibility of implementing annual refresher training for all staff who process personal data, ensuring a more consistent and timely reinforcement of GDPR obligations.
2. TPF should also introduce role-based development for individuals with enhanced responsibilities, particularly the Data Protection Lead, which may include more detailed internal training or support to pursue an external accreditation.
3. In addition, TPF should introduce periodic privacy awareness initiatives such as short communications, posters, or scheduled reminders during team meetings. These measures will help ensure that training becomes a more engaging and continuous learning experience, strengthen staff confidence in managing compliance activities, and contribute to a more effective privacy culture across the TPF.

Findings

3 Training and cultural awareness measures require strengthening

Operating effectiveness

Finding Rating:
Medium

Management Actions

The team will perform the following and get them formally approved by senior management: We note the recommendation in relation to annual refresher training. While current training arrangements across the Council operate on a longer cycle, we will consider, in conjunction with relevant services, whether there are proportionate opportunities to enhance awareness through targeted or role-specific interventions. GDPR is discussed as a standing agenda item at the fortnightly team meeting to maintain staff awareness of the importance.

Responsible person/title:
Amanda Smith - Team Leader

Due Date
31st March 2027

Findings

4 Insufficient management information

Operating effectiveness

Finding Rating:
Medium

Finding

The management information currently produced by TPF is limited in scope. Quarterly reporting to senior management is in place; however, the content focuses primarily on high-level matters and does not include structured Key Performance Indicators (KPIs) or Key Risk Indicators (KRIs) that would allow TPF to monitor the effectiveness of its data protection compliance activities over time. Areas such as policy update cycles, training completion rates, Record of Processing Activities maintenance, DPIA completion and review, and the timeliness of data subject rights responses are not routinely captured or presented in management reports. Introducing more defined indicators would support clearer oversight, improved trend analysis, and more informed decision-making (e.g., when allocating resources).

We also observed that TPF does not have formal governance forums in place with Dundee City Council in relation to data protection. Interaction with the Council's Information Governance and Legal teams currently occurs on an informal, as-needed basis, and while these touchpoints are helpful, the absence of a structured forum means that data protection risks and progress on compliance activities are not reviewed through a consistent process. Establishing a defined governance structure with the Council would help ensure clearer accountability, provide greater transparency over shared responsibilities.

Potential Implication

Without structured management information and formal governance arrangements, senior management may not have sufficient visibility of TPF's data protection risks. The lack of regular KPI monitoring limits TPF's ability to identify trends, track improvements or intervene early where performance is declining. Informal governance arrangements may also lead to inconsistency in decision-making and reduce TPF's ability to evidence compliance with the UK GDPR accountability principle.

PwC Recommendations

1. TPF should enhance their current quarterly management information pack to include clear data protection KPIs, covering areas such as policy reviews, training compliance, ROPA updates, DPIA completion and data subject rights performance.
2. TPF should also establish a formal governance forum, supported by a defined agenda, clear responsibilities and appropriate record-keeping, to provide senior management with regular oversight of data protection matters.

Findings

4 Insufficient management information

Operating effectiveness



Finding Rating:
Medium

Management Actions

The team will perform the following and get them formally approved by senior management:
As part of the ongoing structure review, a dedicated role is currently being progressed which will include responsibility for strengthening data protection governance, coordination and oversight across the Tayside Pension Fund which will address the management information recommendation.

Responsible person/title:
Amanda Smith - Team Leader

Due Date
31st March 2027

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Appendices

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A) Basis of Classifications (1/2)

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

A) Basis of Classifications (2/2)

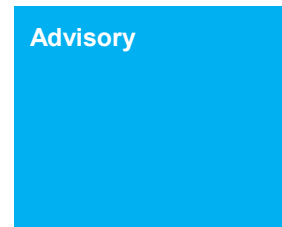
Individual finding ratings



Low

A finding that could have a:

- **Minor** impact on the organisation's operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or







Advisory

Minor impact on the reputation of the organisation

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

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

Findings rating	Points	Report classification	Points
Critical	40 points per finding	 Low risk	6 points or less
High	10 points per finding	 Medium risk	7 – 15 points
Medium	3 points per finding	 High risk	16 – 39 points
Low	1 point per finding	 Critical risk	40 points and over

B) Terms of reference extract: Audit scope and approach (1/2)

Scope

Our scope will consist of the following:

Scope Area	Objectives and areas of review	Risks
Governance and Oversight	Governance mechanisms have been defined establishing clear roles and responsibilities and effective reporting arrangements to Senior Management and the Board.	Poor governance can lead to non-compliance, data breaches, and reputational damage.
Policy Requirements	A policy is approved detailing requirements for data collection, processing, storage, and sharing, ensuring alignment with applicable regularity standards i.e., UK GDPR and DPA.	The absence of policy requirements can result in non-compliance, leading to legal penalties, loss of stakeholder trust, and data breaches.
Record of Processing Activity (RoPA)	A system is in place to ensure the record of processing activities is complete, accurate, and regularly maintained, reflecting actual data processing practices.	Inadequate maintenance of processing activities can lead to discrepancies, and diminished trust from data subjects and stakeholders.
Data Subject Access Requests (DSARs)	Procedures are established for the compliant handling of data subject access requests, including identity verification and mechanisms to track and report requests.	Inefficient data access handling can result in compliance failures, legal issues, and a loss of trust.
Breach Notification Procedures	An incident response plan and breach notification procedures are in place ensuring timely communication with relevant parties and the integration of lessons learned.	Inadequate incident response can lead to fines, loss of customer trust, and missed opportunities to prevent future incidents.
Staff Training	A training program is in place that delivers role-specific education to all employees ensuring effective awareness of data privacy practices across the organisation.	Insufficient training can result in a lack of data privacy awareness, leading to non-compliance and increased risk of breaches.

B) Terms of reference extract: Audit scope and approach (2/2)

Limitations of scope

This audit will focus on assessing the processes in place for ensuring there is sufficient oversight of key service providers, specifically the scope is limited to the objectives noted above. We will not perform the following.

- An end to end regulatory compliance assessment.
- Confirm that all artefacts are compliant with regulatory requirements.
- Verify that incidents have been adequately classified.
- Any other area not specifically included within the internal audit scope section.

Any observations we may report are limited to those identified through the course of our work and are not intended to represent an exhaustive list of all potential issues or considerations. Our work is not designed to ensure compliance with all laws and regulations. Fraud, error, or non compliance with laws and regulations may occur and not be detected. Furthermore, the scope of our work does not constitute assurance over compliance with any laws and regulations.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the in-scope areas via discussions with key personnel, review of documentation.
- Identify the key risks of the process.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

C) Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Internal control

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

Future periods

Our assessment of controls is at January 2026 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

Responsibilities of management and internal auditors

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

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

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

Thank you

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This document has been prepared only for Tayside Pension Fund and solely for the purpose and on the terms agreed with Tayside Pension Fund in our agreement dated 20 January 2025. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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Tayside Pension Fund (TPF)

McCloud Post-Implementation Review

Final Report

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1 Executive Summary (Pages 3-5)

2 Findings (Pages 6-8)

3 Appendices (Pages 9-15)

Appendix A: Basis of Classifications

Appendix B: Terms of reference extract: Audit scope and approach


Appendix C: Limitations and Responsibilities

Contents

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Executive Summary

Report classification



Satisfactory with exceptions
Refer to Appendix A for the basis of classification

	Critical	High	Medium	Low	Advisory
Audit identified	-	1	-	-	-

Background and Scope

This review was conducted in accordance with the extension of the FY26 internal audit plan approved by the Pensions Committee and was intended to provide independent assurance over the design effectiveness of controls supporting McCloud post-implementation within the Tayside Pension Fund (“TPF” / “the Fund”).

The McCloud remedy was introduced to address age discrimination identified in public sector pension schemes following the McCloud judgment. For Local Government Pension Scheme (LGPS) funds, this requires pension administration processes to identify eligible members, assess whether underpin protection applies, calculate any relevant McCloud underpin position, and ensure that member records, calculations and communications are updated appropriately.

Given the complexity of the remedy, the Fund’s control framework is expected to ensure that McCloud-related processing is supported by clear system guidance, accurate member and employer data, appropriate calculation methodology, effective Quality Assurance (QA), defined escalation routes, staff training, and member communications aligned to regulatory expectations. Effective controls are therefore important to reduce the risk of incorrect member outcomes, delayed processing, inconsistent treatment of cases, or inaccurate communications.

This audit assessed the design of controls supporting McCloud Business as Usual (BAU) processing across key areas, including eligibility identification, data validation, calculation methodology, calculation review and approval, manual processing, issue and exception management, training, governance, supplier interaction with Heywood / Altair, and member communications. The objective was to determine whether TPF has designed appropriate arrangements to support accurate, consistent and controlled McCloud processing within BAU pension administration.

Conclusion

Overall, TPF has established a proportionate control design framework over McCloud BAU processing, with key activities evidenced through walkthroughs and supporting examples across eligibility assessment, data review, calculation processing, review, communications, exception handling and escalation. This review identified one High-rated finding, relating to enhancements required to strengthen the McCloud BAU documentation and governance framework. The finding does not indicate the absence of key controls, as TPF evidenced control design through walkthroughs, workflow examples, guidance, training material, communication templates and case examples. Rather, it reflects the need to more fully align the BAU McCloud Process Notes and related manual processing guidance with the control activities evidenced during the review, to support consistency, auditability and sustainability as McCloud activity continues to move into BAU.

Executive Summary

Headlines

The internal audit of Tayside Pension Fund's McCloud BAU control framework identified that key McCloud processing activities have been designed and evidenced through walkthroughs and supporting examples. Core activities — including eligibility assessment, data review, calculation processing, review, communications, exception handling and escalation — were evidenced as part of the control design assessment; however, enhancements are required to strengthen formal BAU documentation, clarify governance arrangements and improve the consistency and auditability of the control design.

As part of our audit, we reviewed the McCloud BAU control framework and associated control environment. The finding identified indicates that while TPF has established key practical controls, the BAU McCloud Process Notes and related manual processing guidance do not yet fully reflect the end-to-end control design. Enhancements are therefore required to align documented procedures with the control activities evidenced during the review, including clearer documentation of processing steps, roles and responsibilities, calculation review controls, communication issue controls, error and escalation handling, training arrangements, governance oversight and future document review arrangements.

Summary of findings:

- **McCloud BAU Control Framework Documentation** (*High*): The McCloud BAU control framework includes key control activities evidenced through walkthroughs, Altair workflow examples, Heywood guidance, training material, communication templates, training records and case examples. However, these activities are not consistently captured within the BAU McCloud Process Notes and related manual processing guidance, resulting in a gap between the control activities evidenced during the review and the procedures formally documented for BAU operation. This includes documentation gaps across the end-to-end BAU processing flow, roles and responsibilities, calculation QA and review, manual intervention controls, communication selection and issue, errors / warnings / escalation handling, training governance, senior management oversight and future document review arrangements.

Executive Summary

Areas of Good Practice

We also identified the following areas of good practice during our review:

1. Completion of McCloud Data Readiness and Cleansing Activity Prior to BAU Processing

TPF undertook data readiness and cleansing activity to support the transition of McCloud processing into BAU. This included review of data interface uploads, data validity outputs and service history exceptions, with issues investigated and progressed as part of preparation for BAU processing. This helped establish a stronger data foundation for McCloud processing.

2. Practical Validation of McCloud Processing Prior to BAU Transition

TPF performed practical checks of McCloud processing outputs in the test and live environments as part of implementation assurance. Testing identified examples of TPF reviewing McCloud tranche, rectification and calculation outputs before the process was embedded into BAU. This supported the design and implementation of McCloud processing controls.

3. Active Employer Engagement to Resolve Member Data Queries

TPF demonstrated active engagement with employers where additional or clarified information was required for McCloud processing. Examples reviewed showed queries being raised in relation to service history, part-time additional hours and other member data points, with cases progressed once responses were received. This supports the completeness and accuracy of member data used in McCloud calculations.

4. Delivery of Detailed McCloud Training and Knowledge Sharing

TPF delivered McCloud training and knowledge-sharing activity to support staff involved in McCloud processing. This included structured training sessions, practical demonstrations and supporting materials covering key McCloud processing areas. This helped build staff understanding of McCloud requirements and supported the transition of processing responsibilities into BAU.

5. Evidence of Case-Level Review within the BAU Process

Walkthroughs and case examples demonstrated that case-level review activities are incorporated within the McCloud BAU process. Examples reviewed included independent checking of calculation outputs, review of service history information and challenge of incomplete employer data before cases were progressed. This supports the design of review controls within the BAU process.

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1 McCloud BAU Control Framework Documentation

Control Design

Findings

Overall, TPF has established a proportionate control design framework to support McCloud BAU processing. Key control activities were evidenced through walkthroughs and supporting examples across eligibility assessment, data review, calculation processing, review, communications, exception handling and escalation. The review identified one key theme, relating to opportunities to further strengthen the formal McCloud BAU documentation and governance framework. The finding does not indicate the absence of key controls. Rather, it reflects a gap between the control activities evidenced during the review and the procedures formally documented within the BAU McCloud Process Notes and related manual processing guidance. Addressing this will support improved consistency, auditability and sustainability as McCloud processing continues to be embedded into BAU.

Our review specifically noted the documentation gaps as follows:

- **End-to-end BAU processing flow is not fully captured**, as the BAU McCloud Process Notes document elements of the process but do not describe the complete flow from source data review through to calculation, review and communication / payment issue. This includes the expected checks over employer data, service history, pensionable pay, additional hours, service gaps, career breaks, McCloud tranche / rectification processing and transfer calculation review.
- **Roles and responsibilities across the BAU McCloud process are not fully captured**, although these are understood in practice. This includes roles of the BAU processing team and other teams involved in calculation preparation, checking, approval, escalation, communication issue, retrospective calculations, training oversight and maintenance of process documentation.
- **Calculation QA, review and manual intervention controls are not fully defined**, although calculation review and segregation of duties were identified through walkthrough and Altair task examples. The written procedures do not fully set out when calculations require Senior Pension Assistant review, how preparer / checker responsibilities are assigned, how segregation of duties is maintained, and what review / approval steps are required before calculation outputs, transfer values or payment instructions are released. The retrospective / manual processing notes also do not fully capture when manual or non-standard actions require review or approval, or how independence of review is maintained.
- **McCloud communication selection and issue controls are not fully embedded within the BAU Process Notes**, although TPF provided separate McCloud paragraph guidance for scenario-based wording. The BAU notes do not fully cross-reference this guidance or describe how staff should select the relevant template / paragraph, check member communication preference / Pension Portal status where relevant, apply review where required, and confirm issue through the appropriate route.

Finding rating

Impact

Highly significant

Likelihood

Probable

Rating

High

1

McCloud BAU Control Framework Documentation

Control Design

Findings (Continued)

- **McCloud errors, warnings, exceptions and escalation steps are not fully set out in the BAU notes**, although TPF explained the escalation route to a Senior Pension Assistant, the TPF IT Team and Heywood where a system-related issue is suspected. The BAU notes refer staff to a separate errors / warnings document, but do not clearly explain how that document should be used, which errors / warnings require escalation, when matters should be escalated to the TPF IT Team / Heywood, or what should be recorded in the Altair task when an error, warning or exception is identified.
- **Training arrangements are not yet comprehensively documented**, although training materials and a training log were available. The training record is not yet comprehensive, and the documentation does not fully define refresher training expectations, new starter training arrangements or how training completion is monitored as McCloud becomes embedded into BAU.
- **Governance and oversight arrangements have not been fully formalised**, although McCloud matters are discussed through management and team routes. The documentation does not define the formal senior management governance route for McCloud as a BAU subject matter, including oversight of the BAU processing lifecycle, operational progress, key risks, regulatory / guidance updates, action ownership and management review.
- **Document ownership, approval and future review arrangements are not clearly defined**, as the BAU Process Notes do not identify document ownership, formal approval for BAU use, review frequency, or a documented process for assessing and incorporating future regulatory, statutory, tax or guidance updates into BAU procedures. Given the complexity of McCloud calculations, case types and regulatory dependencies, defined ownership and update arrangements are expected to ensure the guidance remains current and consistently applied. As this is the first version of the document, the absence of version history or a change log has not been treated as a gap.

Overall, TPF has designed key practical controls to support McCloud BAU processing. The finding therefore relates to strengthening the formal documentation framework so that the control design is clearly evidenced, repeatable and sustainable as McCloud activity continues to move into BAU.

Implications

While TPF has evidenced key McCloud BAU controls through walkthroughs and supporting examples, incomplete and not yet formally approved BAU documentation may reduce consistency, auditability and sustainability over time. Reliance on staff knowledge, walkthrough explanations and individual workflow notes may increase the risk that McCloud processing, calculation review, manual interventions, communications, exception handling, escalation and governance activities are applied inconsistently, particularly as responsibilities move further into BAU or where new staff become involved.

A more complete and formally governed BAU documentation framework would help ensure that roles, review points, control steps, escalation routes and update responsibilities are clearly understood, consistently applied and capable of audit.

1 McCloud BAU Control Framework Documentation

Control Design

Recommendations

TPF should update the BAU McCloud Process Notes and related manual processing guidance to reflect the control activities evidenced during the review and support consistent application across the McCloud BAU process. This should include:

1. **Documenting the end-to-end BAU process**, from source data review through to calculation, review, communication and payment issue, including key checks over employer data, service history, pensionable pay, additional hours, service gaps, career breaks, McCloud tranche / rectification processing and transfer calculations.
2. **Defining roles and responsibilities** for the BAU processing team and other teams involved in McCloud activities, including calculation preparation, checking, approval, escalation, communications, retrospective calculations, training oversight and maintenance of process documentation.
3. **Formalising calculation QA and manual intervention controls**, including Senior Pension Assistant review triggers, preparer / checker responsibilities, segregation of duties, approval steps before release of calculation outputs, transfer values or payment instructions, and review of manual or non-standard actions.
4. **Embedding communication control steps within the BAU Process Notes**, including cross-reference to the McCloud paragraph guidance, template selection, member communication preference / Pension Portal checks where relevant, review requirements and confirmation of issue through the appropriate route.
5. **Clarifying error, warning, exception and escalation procedures**, including use of the separate errors / warnings guidance, escalation triggers to a Senior Pension Assistant, the TPF IT Team or Heywood, and expected Altair task notes where issues are identified.
6. **Enhancing training governance**, including completion records, refresher training triggers, new starter requirements and monitoring of McCloud training completion as part of BAU.
7. **Formalising senior management oversight of McCloud**, including review of BAU processing progress, key risks, regulatory / guidance updates, action ownership and management reporting.
8. **Establishing document ownership, approval and review arrangements**, including document owner, formal approval for BAU use, review frequency, and a documented process for assessing and incorporating future regulatory, statutory, tax or guidance updates into BAU procedures. As this is the first version, version control and change-log arrangements should apply to future updates.

Management Actions

Management acknowledges this gap, and resource is currently being reviewed in the staffing structure to assist.

Responsible person/title:
Amanda Smith,
Corporate Finance, Pensions Team Leader

Due Date
31st March 2027

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Appendices

- Appendix A:** Basis of our classifications
- Appendix B:** Terms of reference extract - Audit scope and approach
- Appendix C:** Limitations and Responsibilities

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A) Basis of Classifications





Individual finding ratings

Likelihood \ Impact	Critical	Highly Significant	Major	Moderate	Minor	Insignificant
Highly likely	Critical	Critical	High	High	Medium	Medium
Likely	Critical	High	High	Medium	Medium	Low
Probable	High	High	Medium	Medium	Low	Low
Possible	High	Medium	Medium	Low	Low	Low
Unlikely	Medium	Medium	Low	Low	Low	Not reportable
Not expected	Medium	Low	Low	Low	Not reportable	Not reportable

Report classifications

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

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

Report classification	Points
 Satisfactory	6 points or less
 Satisfactory with exceptions	7 – 15 points
 Needs improvement	16 – 30 points
 Unsatisfactory	31 points and over

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B) Terms of reference extract: Audit scope and approach (1/4)

Background

This review is being conducted in accordance with the extension of the FY26 internal audit plan approved by the Pensions Committee and will provide assurance over the effectiveness of controls supporting the post-implementation of the McCloud remedy within Tayside Pension Fund (“TPF” / “the Fund”).

TPF is a Local Government Pension Scheme (LGPS) administering authority in Scotland, providing defined benefit (DB) pensions to eligible employees of participating employers in the Tayside region. The Fund is overseen by the Pension Fund Committee, supported by a Pension Board, with responsibility for governance, administration, and regulatory compliance. Day-to-day delivery is supported by internal teams and key third-party providers, including administrators, actuaries, and system vendors.

The McCloud remedy addresses age discrimination arising from transitional protections in public sector pension reforms. It requires schemes to identify affected members, recalculate benefits for the remedy period (2015–2022), and issue revised communications. Implementation is a complex, data-driven programme with dependencies across member data, system configuration, calculation processes, and third-party delivery.

Robust governance, data controls, system implementation, and third-party oversight are therefore critical to ensure the remedy is delivered accurately, in line with regulatory requirements and timelines, and without adverse impact to members.

Audit objective

The objective of this audit is to assess controls across the end-to-end McCloud post-implementation process at Tayside Pension Fund, including member identification, data management, calculation governance, system processing, third-party delivery, and member communications.

An estimated **15 audit days** have been allocated for this review. The work will be primarily desk-based, supported by targeted discussions and walkthroughs with key stakeholders, with relevant documentation and evidence provided by the Fund.

B) Terms of reference extract: Audit scope and approach (2/4)

We will review the design effectiveness of key controls in place over McCloud post-implementation. The processes, risks and related control objectives included in this review are:

Audit Scope Area	Control Objectives	Key Risks
Member Identification & Data Integrity	<ul style="list-style-type: none"> • McCloud-eligible members are identified using approved logic, with the final population subject to validation and sign-off prior to operational reliance. • Key McCloud data (including employer payroll inputs, service history, and membership status) is subject to reconciliation to pension records, with processes in place to investigate and resolve variances. • Data issues are tracked through a defined process, with mechanisms in place to monitor and resolve items, including identification of any material outstanding issues. 	<ul style="list-style-type: none"> • Member identification logic is not adequately defined or consistently applied, resulting in risk of incorrect population. • Controls over key data are not adequately designed, resulting in risk of inaccurate inputs. • Data issues are not effectively tracked or resolved, resulting in risk to member outcomes
Calculation Governance & Quality Assurance (QA) and Output Validation	<ul style="list-style-type: none"> • McCloud calculation methodology is defined and applied in line with approved logic and system configuration. • QA controls are in place over calculation outputs, including review, exception handling, and resolution prior to operational use • Manual adjustments or exceptions are subject to logging, review, and approval controls. 	<ul style="list-style-type: none"> • Calculation methodology is not adequately defined or consistently applied, resulting in risk of errors in outputs. • QA controls are not adequately designed or effectively operating, resulting in risk of errors not being identified. • Controls over manual adjustments are not effective, resulting in risk of inappropriate changes.

B) Terms of reference extract: Audit scope and approach (3/4)

Audit Scope Area	Control Objectives	Key Risks
Systems Processing & Data Integration	<ul style="list-style-type: none"> System configurations supporting McCloud processing are aligned to approved requirements. System processing of McCloud cases is supported by controls to identify, track, and resolve defects or processing errors. Data transfers between employer payroll and pension systems are subject to controls to ensure completeness and accuracy. 	<ul style="list-style-type: none"> System configurations are not aligned to approved requirements, resulting in risk of processing errors. Processing controls are not adequately designed to identify defects, resulting in risk of unresolved issues. Interface controls are not adequately designed, resulting in risk of incomplete or inaccurate data transfers.
Third-Party Delivery & Operational Capability	<ul style="list-style-type: none"> Roles and responsibilities between the Fund and third parties (administrator, actuary, system providers) are clearly defined. Staff involved in McCloud processing are supported by training and guidance to perform their roles. Third-party delivery is subject to performance monitoring, with processes to identify, escalate, and resolve issues. 	<ul style="list-style-type: none"> Roles and responsibilities are not clearly defined, resulting in risk of control gaps. Training and guidance are not adequate, resulting in risk of inconsistent execution. Third-party performance is not effectively monitored, resulting in risk of delays or errors.
Member Communications & Regulatory Compliance	<ul style="list-style-type: none"> McCloud member communications (including Remediable Service Statements and benefit updates) are generated using approved outputs and are subject to review and approval prior to issuance. Processes are in place to ensure communications are issued to the correct member population in line with regulatory requirements and timelines. Compliance with McCloud regulatory requirements, including statutory guidance and associated tax considerations, is subject to monitoring processes. 	<ul style="list-style-type: none"> Controls over member communications are not adequately designed, resulting in risk of inaccurate outputs. Processes for issuing communications are not effective, resulting in risk of incorrect or delayed issuance. Compliance monitoring is not effective, resulting in risk of regulatory non-compliance.

B) Terms of reference extract: Audit scope and approach (4/4)

Limitations of Scope

This audit is limited to the scope outlined above and will rely on information and evidence provided by Fund management and relevant third parties and will not independently re-perform or validate all underlying source data. The following areas are out of scope:

- Re-performance of McCloud benefit calculations, including validation of underpin calculations or individual member outcomes.
- Actuarial methodology assurance, including validation of assumptions, models, or technical judgements.
- Detailed validation of underlying data at member level, including eligibility, full verification of historical pay, service, or membership records.
- Execution of data remediation activities, including cleansing or reconstruction of incomplete or inconsistent data.
- Detailed tax validation, including independent review of annual allowance or other tax calculations arising from McCloud processing.
- Broader IT general controls or full system lifecycle reviews, beyond McCloud-specific configurations and processing.
- Independent assurance over third-party internal control environments, beyond assessing the Fund's oversight arrangements.
- Legal interpretation of regulations or scheme rules, including formal assessment of advice obtained by the Fund.
- Verification of the accuracy of individual member communications or statements issued, including Remediable Service Statements or benefit outputs.
- Forward-looking assurance over the ongoing success of the McCloud programme, including guarantees over timelines or absence of future errors.

Audit approach

At the outset of the review, we will engage with key stakeholders to obtain an understanding of TPF's McCloud post-implementation framework, including governance arrangements, key third-party dependencies, and how risks are managed in practice. Our approach will include the following activities:

- Conduct walkthroughs with relevant personnel to understand McCloud processes, controls, and responsibilities across TPF and key third parties.
- Review relevant documentation and management information to assess the design of controls supporting member identification, data management, calculation processes, system configuration, and governance.
- Evaluate the design effectiveness of key controls to determine whether they are appropriately structured to mitigate identified risks.
- Discuss findings with management to validate observations, understand root causes, and agree practical actions.
- Prepare a draft and final report summarising findings, good practices, and recommendations.

C) Limitations and responsibilities

Limitations inherent to the internal auditor's work

This internal audit has been conducted subject to the inherent limitations associated with internal audit work and internal control systems more generally.

Internal control systems, no matter how well designed, are subject to inherent limitations. These include, but are not limited to, the risk of human error, poor judgement in decision-making, deliberate circumvention of controls by employees or third parties, management override of controls, and the occurrence of unforeseeable circumstances. Accordingly, internal audit procedures cannot provide absolute assurance that all control weaknesses, errors, fraud, or other irregularities will be detected.

Our work has been planned and performed to obtain reasonable, but not absolute, assurance that the key controls within scope are designed effectively to mitigate the relevant risks.

Future periods

Our assessment of controls is for the post-implementation phase of McCloud effective 1st Nov'25 i.e., the BAU phase. The evaluation of the design effectiveness of controls during this period should not be relied upon as evidence that the control design will remain appropriate in future periods.

This is because:

- The design of controls may become inadequate due to changes in the operating environment, regulation, legal requirements, or business activities; and
- The extent to which procedures remain aligned to the control design may change over time.

Responsibilities of management and internal auditors

Management is responsible for establishing and maintaining effective systems of risk management, internal control, and governance, including controls designed to prevent and detect errors, irregularities, and fraud. Internal audit does not relieve management of these responsibilities, nor should it be considered a substitute for management's own control activities.

Internal audit plans and performs its work with the objective of having a reasonable expectation of identifying significant control weaknesses and, where identified, undertaking additional procedures directed towards understanding the potential impact. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud or other irregularities will be detected.

Accordingly, reliance should not be placed solely on the work of internal audit to identify all instances of fraud, defalcation, or other irregularities that may exist.

Thank you

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Data Quality Review

Tayside Pension Fund

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- 2 Findings from data quality review *(Pages 6-10)*

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Appendix 4: Important Notes *(Pages 27-32)*

Appendix 5: Terms of Reference (ToR) *(Pages 33-36)*

Distribution list

For action:

Stuart Norrie (Senior Banking & Investment Officer)

Amanda Smith (Pension Team Leader, Operations)

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Purpose, scope and approach

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Background and purpose

Background

Ensuring high-quality data is fundamental to the effective management, governance, and administration of the pension scheme. Accurate, complete, and consistent data form the foundation upon which all key pension processes depend, - from calculating and paying member benefits to meeting statutory and regulatory reporting obligations. Reliable data enables administrators and trustees to deliver timely and correct benefits, maintain compliance with legislation, and make well-informed strategic decisions regarding funding, investment, and risk management.

Purpose

This report is addressed to and for the attention of the Dundee City Council in their role of administering the Scheme. It sets out the results of internal audit's Data Gap Analyser ('DGA') for the member data provided for the Scheme.

The purpose of our work is to assess whether the data is sufficiently complete and internally consistent to support future Scheme activity. Our work focuses on data quality and explainability; it is not a legal verification of benefit entitlements. We have relied on the data provided to us and have not verified it against original source documents.

As PwC does not hold the Scheme's benefit specification, we have not performed checks to compare the data with the benefit specification and have not undertaken recalculations of member benefits to verify that benefits have been calculated correctly under the Scheme rules.

This report summarises:

- the data received and populations covered (deferred, pensioners and dependant members);
- the tests performed and results at a headline level;
- the key data issues identified (prioritised by risk), including where an interpretation is not evidenced by the data and is therefore recorded as a limitation / assumption; and
- recommended next steps to address the most material gaps.

Data received and populations

PwC received the membership data extract(s) on 30 April 2026. Our review was performed on the membership data extract(s) provided for the purpose of this exercise, covering 11944 records for deferred members, 17415 records for pensioner members and 3011 records for dependant members.

Approach to review and navigating our findings

How to read the findings

The tables within this report summarise the data gaps identified for deferred, pensioner and dependant records. The purpose is not only identifying gaps, but also understanding their potential impact on benefit payments to the members and the recommended next steps.

Risk categorisation

We have categorised the gaps identified as follows:

- **Critical Observations** - Gaps that could materially impact on the benefits the member is receiving and / or the valuation of their benefits.
- **Medium Risk Observations** - Gaps that could materially impact on the valuation of benefits today and which we expect will be resolved on future member events and / or where reasonable assumptions could be made.
- **Low Risk Observations** - Gaps that are expected to have low or no impact on benefits and are likely due to data not being fully recorded.

Each issue identified in the following section includes an estimate of the number of records affected and suggested next steps to resolve these issues. Where the data does not have a clear interpretation (for example, where the time period of a tranche cannot be determined from the extract alone), we record this explicitly as a limitation / assumption.

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Findings from data quality review

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Output of the review

Conclusions from data quality review

Based on the data extracts provided, the Scheme data is generally in good shape given the limited number of tests with failures that are classified as critical gaps. The critical gaps are mostly related to inconsistencies between pension tranches and members' service dates for deferred and pensioner members, inconsistencies in retirement type for pensioners and a number of duplicate entries in the dependant member data. We have also identified a number of non-critical areas where data quality can be improved. Recommended data cleansing actions include:

- File reviews for small populations, including where the pension tranching and service dates are inconsistent.
- Tracing to determine whether members are still alive, particularly the older deferred members who have yet to retire and the older pensioner and dependant members.
- A write out to and targeted tracing of pensioner members to request spouse information where it is missing.
- Sample review of the largest populations to validate the tranching of pension benefits, inconsistencies in retirement types and the duplicate dependant members.

Next steps

- Management to review the data observations and key assumptions / limitations set out in this report, and consider whether there are any obvious explanations for the failed tests.
- Management should consider whether any data improvement work or sample checking is required.
- Management should report back to the Pensions Committee on work performed and the results this – addressing the findings of this report.

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Deferred population – data gap summary

Set out below is a summary of the analysis carried out for the deferred member population, with issues categorised by risk rating. 'No. of records impacted' reflects the number of field-level test failures identified (members may contribute multiple failures).

The numbers in the report reflect the number of records with issues. There may be multiple issues on the same record and are therefore counted more than once in the aggregated numbers.

Risk rating	No. of tests with failures	No. of records impacted (aggregate)	Comments	Next steps
Critical Risk Material impact	5	90	The critical issues identified relate to inconsistencies between the pension tranches and members' service dates. In addition, 20 deferred members were over age 75 at the date of the data extract.	We recommend a file review for the inconsistent pension tranches and a tracing exercise is carried out to identify whether the pension for the older deferred members should be in payment.
Medium Risk Less material impact	14	522	The medium risk data gaps relate to missing personal details and inconsistent membership data e.g. Date of Joining or Leaving the Company and Scheme and transfers-in data. We have also identified one duplicate record.	We recommend a tracing exercise or file reviews are carried out to resolve these issues.
Low Risk No / low impact	1	49	The low-risk data gap relates to a number of members with trivial pensions (<£10 p.a.).	The admin team may wish to review the files for these members. We expect these to be resolved as members retire.

Pensioner population – data gap summary

Set out below is a summary of the analysis carried out for the pensioner member population, with issues categorised by risk rating. 'No. of records impacted' reflects the number of field-level test failures identified (members may contribute multiple failures).

The numbers in the report reflect the number of records with issues. There may be multiple issues on the same record and are therefore counted more than once in the aggregated numbers.

Risk rating	No. of tests with failures	No. of records impacted (aggregate)	Comments	Next steps
Critical Risk Material impact	12	4827	Most of the critical issues relate to inconsistencies between the pension tranches and members' service dates, in particular the GMP pension tranches. We also identified some missing / invalid postcodes and transfers-in data.	We recommend file reviews for the largest populations impacted and a tracing exercise for members with missing / invalid postcodes.
Medium Risk Less material impact	6	4524	The medium risk issues mainly relate to dates of retirement being inconsistent with Date of Leaving, the implied retirement age being outside the expected range of 50-75 and inconsistencies in retirement types. We have also identified a small number of members above age 100 or who have trivial pensions (<£10 p.a.)	We recommend that a sample file review is undertaken to confirm the members' benefit entitlement and a tracing exercise to confirm the older pensioners are still alive.
Low Risk No / low impact	15	13091	These include missing details of members' marital status, spouse details (and pensions), rounding errors in GMP tranches and inconsistencies in membership dates.	These are likely to be non-critical data points from an operational and financial perspective. We recommend the headline findings are reviewed and rectification plans only implemented where deemed necessary.

*See Appendix 4 for further details on how we have interpreted the retirement types for pensioners.

Dependant population – data gap summary

Set out below is a summary of the analysis carried out for the dependant member population, with issues categorised by risk rating. 'No. of records impacted' reflects the number of field-level test failures identified (members may contribute multiple failures).

The numbers in the report reflect the number of records with issues. There may be multiple issues on the same record and are therefore counted more than once in the aggregated numbers.

Risk rating	No. of tests with failures	No. of records impacted (aggregate)	Comments	Next steps
Critical Risk Material impact	5	601	Most of the critical issues relate to duplicated Member IDs. The remaining issues relate to missing / invalid postcodes and inconsistencies in the sum of the pension tranches.	We recommend a sample file review of the duplicate Member ID records and member tracing to confirm members with missing / invalid postcodes are still alive.
Medium Risk Less material impact	3	40	Most of the medium risk issues relate to the age of dependant members being outside the range we expect e.g. 18 to 100 for spouse dependants and <23 for child dependants.	We recommend member tracing to confirm that the older members are still alive and that the child dependants remain eligible to receive a dependant pension.
Low Risk No / low impact	3	158	These include missing details relating to the original member.	These are likely to be non-critical data points from an operational and financial perspective. No recommended actions.

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Appendices - Further details on failed tests

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Appendix 1 – Critical Risk Observations

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Critical Risk Observations

Deferreds

Test No.	Observation point	No. records impacted	Description	Additional Comments
Def 1	Total Revalued pre 2015 Deferred Pension (£ p.a.) (Blank)	4	Details held on file for Total Revalued pre 2015 Deferred Pension is blank where such benefit is expected based on service dates.	- Given the relatively small number of members impacted, we would typically resolve this population via file reviews.
Def 2	Total Revalued pre 2015 Deferred Pension (£ p.a.)	43	Details held on file for Total Revalued pre 2015 Deferred Pension is included where such benefit is not expected based on service dates.	
Def 3	Total Revalued post 2015 Deferred Pension (£ p.a.) (Blank)	9	Details held on file for Total Revalued post 2015 Deferred Pension is blank where such benefit is expected based on service dates.	
Def 4	Total Revalued Pension	14	The Total Revalued Deferred Pension does not match the sum of the Total Revalued pre and post 2015 Deferred Pensions in the data.	
Def 5	Date of Birth (reasonable)	20	Records where the member's age in the dataset is older than 75 while still being a deferred member.	- We recommend that the member are traced, with existence tracing used to confirm that they are still alive, if not already in progress.

Critical Risk Observations

Pensioners

Test No.	Observation point	No. records impacted	Description	Additional Comments
Pen 1	Postcodes	168	Records where postcode is not populated. We note that this may be as a result of the member being overseas and so not having a UK postcode recorded.	- We recommend that the members are traced, with existence tracing used to confirm that they are still alive.
Pen 2	Postcodes	124	Records where postcode is not contained within the most recent version of the ONS Postcode Directory.	
Pen 3	Pre 2015 Pension	234	Details held on file for pre 2015 Pension Amount (£ p.a.) at valuation date is included where such benefit is not expected based on service dates.	- For pension tranches where a small number of members are impacted, we would typically resolve this population via file reviews. - Where a larger number of members are impacted, you may wish to instead consider reviewing a sample of files for this population.
Pen 4	Pre 2015 Pension (Blank)	13	Details held on file for Pre 2015 Pension Amount (£ p.a.) at valuation date is blank where such benefit is expected based on service dates.	
Pen 5	Post 2015 Pension (Blank)	10	Details held on file for Post 2015 Pension Amount (£ p.a.) at valuation date is blank where such benefit is expected based on service dates.	
Pen 6	Pre 88 GMP	1233	Details held on file for Pre 88 GMP Pension Amount (£ p.a.) is included where such benefit is not expected based on service dates. We note that 922 of these members have a transfer in, while 311 do not.	
Pen 7	Pre 88 GMP (Blank)	659	Details held on file for Pre 88 GMP Pension Amount (£ p.a.) is blank where such benefit is expected based on service dates.	

**See Appendix 4 for further details on how we have interpreted the stated retirement types and the assumed normal retirement ages for members*

Critical Risk Observations

Pensioners

Test No.	Observation point	No. records impacted	Description	Additional Comments
Pen 8	Post 88 GMP	1012	Details held on file for Post 88 GMP Pension Amount (£ p.a.) is included where such benefit is not expected based on service dates. We note that 980 of these members have a transfer in, while 32 do not.	- For pension tranches where a small number of members are impacted, we would typically resolve this population via file reviews.
Pen 9	Post 88 GMP (Blank)	1120	Details held on file for Post 88 GMP Pension Amount (£ p.a.) at valuation date is blank where such benefit is expected based on service dates.	- Where a larger number of members are impacted, you may wish to instead consider reviewing a sample of files for this population.
Pen 10	Total Pension at valuation date	65	Total Pension at valuation date does not match the sum of the Pre and Post 2015 Pension Amounts.	
Pen 11	Transfer-in values	188	<ul style="list-style-type: none"> There are 11 records with a date for a transfer-in but no transfer value amount. The remaining 177 records have a date for a transfer-in but with a trivial transfer value (<£2 p.a.). 	- Given the relatively small number of members impacted, we would typically resolve this population via file reviews.
Pen 12	Current AVC Pension	1	Record where the Current AVC Pension is lower than the Initial AVC Pension	- We recommend that a file review is undertaken to confirm the members' benefit entitlement.

Critical Risk Observations

Dependants

Test No.	Observation point	No. records impacted	Description	Additional Comments
Dep 1	Member ID	549	Records with duplicated Member IDs. Within these records there are 259 unique Member IDs and 290 duplicates. We have noted that this is the case where the original members have multiple periods of service. For example, dependant member 1067391 has two sets of duplicate records (4 in total), which are linked to two Original Member IDs 7166316855, 7166316857 respectively, who appear to be the same individual based on their personal details.	<ul style="list-style-type: none"> - We recommend a sample file review of the duplicate Member ID records with similar pension amounts and member details, to understand the reason for these duplicate records.
Dep 2	Postcodes	35	Records where postcode is not populated. We note that this may be as a result of the member being overseas and so not having a UK postcode recorded.	<ul style="list-style-type: none"> - We recommend that the members are traced, with existence tracing used to confirm that they are still alive.
Dep 3	Postcodes	15	Records where postcode is not contained within the most recent version of the ONS Postcode Directory.	
Dep 4	Total Pension at valuation date	1	Records where the Total Pension at the valuation date is not populated.	<ul style="list-style-type: none"> - Given the relatively small number of members impacted, we would typically resolve this population via file reviews.
Dep 5	Total Pension at valuation date (consistency)	1	Records where the Total Pension at the valuation date does not match the sum of the pre and post 2015 pension.	

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Appendix 2 - Medium Risk Observations

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Medium Risk Observations

Deferreds

Test No.	Observation point	No. records impacted	Description	Additional Comments
Def 6	Date of Joining Company	3	Records where the Date of Joining Company has not been populated.	<ul style="list-style-type: none"> - Where a small number of members are impacted, we would typically resolve this population via file reviews. - Where a larger number of members are impacted, you may wish to instead consider reviewing a sample of files for this population.
Def 7	Date of Joining Company (reasonable)	10	Records where the Date of Joining Company and the member's age at this date is not sensible i.e. the member is not between age 16 and 65.	
Def 8	Date of Joining Company (consistency)	2	Records where the Date of Joining Company is not consistent with other date entries i.e. the Date of Joining Company is not between the Date of Birth and the Date of Leaving Scheme.	
Def 9	Date of Joining Scheme (reasonable)	9	Records where the Date of Joining Scheme and the member's age at this date is not sensible i.e. the member is not between age 16 and 65.	
Def 10	Date of Joining Scheme (consistency)	1	Records where the Date of Joining Scheme is not consistent with other date entries i.e. the Date of Joining Scheme is not between the Date of Birth and the Date of Leaving Scheme.	
Def 11	Date of Leaving Scheme	39	Records where the Date of Leaving Scheme is not populated. We note that the majority of these relate to members with Pension Credits, except for 2 members.	
Def 12	Date of Leaving Scheme (consistency)	5	Records where the Date of Leaving Scheme is not consistent with other date entries i.e. the Date of Leaving Scheme is not after the Date of Birth, the Date of Joining Company and the Date of Joining Scheme.	
Def 13	Member contributions	74	Records where the member contributions are not populated.	

Medium Risk Observations

Deferreds

Test No.	Observation point	No. records impacted	Description	Additional Comments
Def 14	Transfer-in value	15	4 members have a date input for a transfer-in but no transfer-in amount. 9 members have a date input and a trivial transfer-in amount (<£2).	- Due to the small number of members impacted we would typically resolve this population via file reviews.
Def 15	Transfer-in date (consistency)	1	There is 1 member whose transfer in date is prior to the date they joined the Scheme	
Def 16	Duplicates	2	There are 2 records which have identical Date of Birth, Date of Joining Scheme, Date of Leaving Scheme, and initial pension amounts.	
Def 17	Postcodes	147	Records where there is no postcode populated. We note that this may be as a result of the member being overseas and so not having a UK postcode recorded.	- We expect that these will be resolved when the member retires
Def 18	Postcodes	135	Records where the postcode is not contained within the most recent version of the ONS Postcode Directory.	
Def 19	Marital Status*	79	Records where there is no marital status populated.	

*See Appendix 4 for further details on how we have interpreted the stated marital statuses for members

Medium Risk Observations

Pensioners

Test No.	Observation point	No. records impacted	Description	Additional Comments
Pen 13	Date of Birth (reasonable)	5	There are 5 members above age 100 at the Date of Data extract.	- We recommend that the members are traced, with existence tracing used to confirm that they are still alive.
Pen 14	Date of Retirement (reasonable)	584	Records where the Date of Retirement is not sensible i.e. the member's age is not between 50 and 75, excluding members who retired early due to ill health. We note that the majority of these members have no disclosed retirement types.	- We recommend that a file review is undertaken to confirm the members' benefit entitlement.
Pen 15	Date of Retirement (consistency)	29	Records where the Date of Retirement is not consistent with other date entries i.e. Date of Retirement is not after the Date of Birth, Date of Joining Company, Date of Joining Scheme and Date of Leaving Company.	
Pen 16	Trivial Total Pension	24	Records where the Total Pension is trivial (<£10 p.a.) and we would have expected it to be fully commuted at retirement rather than put into payment	
Pen 17	Retirement type	2583	Members where there is no retirement type input e.g. normal, late, early etc.	
Pen 18	Retirement type (consistency)	1299	Members whose retirement types are not consistent with their dates of retirement in the data provided.*	- Due to the large number of members impacted, you may wish to consider reviewing a sample of files for this population, to confirm the members' benefit entitlement.

*See Appendix 4 for further details on how we have interpreted the retirement types for members

Medium Risk Observations

Dependants

Test No.	Observation point	No. records impacted	Description	Additional Comments
Dep 6	Date of Birth (reasonable)	35	Records where the Date of Birth and the resulting age at the Date of Data is not sensible i.e. the member is between 18 and 100 if not a child dependant member, and below the child age threshold of 23 if a child dependant member.	- We recommend member tracing to confirm that the older members are still alive and that the child dependants remain eligible to receive a dependant pension.
Dep 7	Date of Death (consistency)	1	There is 1 dependant member where the original member's Date of Death is before the Date of Leaving Scheme.	- Due to the small number of members impacted we would typically resolve this population via file reviews.
Dep 8	Trivial Total Pension	4	Records where the Total Pension is trivial (<£5 p.a.) and we would have expected it to be fully commuted at retirement of original member rather than put into payment.	- We recommend that a file review is undertaken to confirm the members' benefit entitlement.

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Appendix 3 - Low Risk Observations

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Low Risk Observations

Deferreds

Test No.	Observation point	No. records impacted	Description	Additional Comments
Def 20	Trivial total pension	49	Records where the Total Pension is trivial (<£10 p.a.) and we would have expected it to be fully commuted at retirement rather than put into payment.	- We recommend that a file review is undertaken to confirm the members' benefit entitlement.

Low Risk Observations

Pensioners

Test No.	Observation point	No. records impacted	Description	Additional Comments
Pen 19	Pre 88 GMP at current date rounding	1	Pre 88 GMP records which are not rounded to the statutory 52p.	- Due to the small number of members impacted we would typically resolve this population via file reviews.
Pen 20	Post 88 GMP at current date rounding	1	Post 88 GMP records which are not rounded to the statutory 52p.	
Pen 21	Marital Status*	43	Records where the marital status is not populated.	- We recommend a member write out exercise to improve the quality of data held.
Pen 22	Spouse - Date of Birth	4765	<ul style="list-style-type: none"> 2252 records where the Spouse Date of Birth is not populated, excluding single and widowed members and members with no marital status. 2513 records where the Spouse Date of Birth is populated despite the member not being married 	
Pen 23	Spouse - Date of Birth (consistency)	2743	Records where the implied age at the Date of Data is greater than 100, less than 18 or more than 10 years younger than the member. This includes one Spouse Date of Birth which is in the future.	
Pen 24	Total contingent spouse pension at current date	2502	<ul style="list-style-type: none"> There is 1 record which has a negative CSP figure. There are 2501 records where CSP is nil. 	
Pen 25	Contingent spouse Pre 2015 pension amounts	2701	Records where the Pre 2015 CSP is not populated.	

*See Appendix 4 for further details on how we have interpreted the stated marital statuses for members

Low Risk Observations

Pensioners

Test No.	Observation point	No. records impacted	Description	Additional Comments
Pen 26	Initial AVC Pension	1	Record where the member has a Current AVC Pension but no Initial AVC Pension.	- We recommend that a file review is undertaken to confirm the members' benefit entitlement.
Pen 27	Date of Joining Company	2	Records where the Date of Joining Company is not populated.	
Pen 28	Date of Joining Company (reasonable)	134	Records where the member's age at the Date of Joining Company is either below 16 or above 65.	
Pen 29	Date of Joining Company (consistency)	41	Records where the Date of Joining Company is not consistent with other date entries e.g. Date of Joining Company is later than Date of Leaving Scheme.	
Pen 30	Date of Joining Scheme (reasonable)	116	Records where the member's age at the Date of Joining Scheme is either below 16 or above 65.	
Pen 31	Date of Joining Scheme (consistency)	33	Records where the Date of Joining Scheme is not consistent with other date entries e.g. Date of Joining Scheme is later than Date of Leaving Scheme.	
Pen 32	Date of Leaving Scheme	5	Records where the Date of Leaving Scheme is not populated.	
Pen 33	Total Tax Free Cash Sum is valid	3	Records where the amount of the Total Tax Free Cash Sum less than £0	

Low Risk Observations

Dependants

Test No.	Observation point	No. records impacted	Description	Additional Comments
Dep 9	Original member details missing	76	Records where the original member ID, gender and Date of Birth are not populated	- Not expected to be required.
Dep 10	Original member Date of Leaving Scheme	81	Records where the original member Date of Leaving Scheme is not populated	
Dep 11	Post 88 GMP at current date rounding	1	Post 88 GMP records which are not rounded to the statutory 52p.	- Due to the small number of members impacted we would typically resolve this population via file reviews.

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Appendix 4 – Important Notes

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Assumptions made

Where we have had to assume how a data item should be interpreted, we set this out below. If any of these are not correct then please let us know and we can update our results as needed.

Key Assumptions.

- The normal retirement date for the member is their state pension date set out in the data provided (we have not sought to verify these) subject to a minimum normal retirement age of 65.
- We have assumed that pension tranches with references to pre 2014 / 2015 relate to pensionable service before 1 April 2015 and pension tranches with references to post 2014 / 2015 relates to pensionable service after 1 April 2015.
- Child age threshold is assumed to be 23.

Retirement types in data	PwC interpretation
N	Normal retirement
E	Early retirement
R	Early retirement
I	Ill health retirement
P	Early retirement
H	Early retirement
L	Late retirement
V	Early retirement
O	Early retirement
W	Early retirement

Marital statuses in data	PwC interpretation
M	Married
S	Single
P	Partner
D	Divorced
C	Common Law
W	Widow/Widower

Dependant benefit types	PwC interpretation
W	Widow/Widower
N	Nominated
C	Child
P	Partner

Data received

Our work was based on the datasets received for the purpose of this exercise. We have not verified these inputs against original source documents except where stated.

Data sources and information used:

The following data files were received from Tayside Pension Fund on 30 April 2026:

- Spreadsheet titled, “Deferred Data Audit Info 20260428” for the deferred members
- Spreadsheet titled, “Dependant Data Audit Info 20260430” for the dependants
- Spreadsheet titled, “Pensioner Data Audit Info 20260430” for the pensioners

Summary of data checks performed (1 of 2)

This report has been prepared for, and is addressed to, the Scheme.

During our testing we have run the following tests on the data files provided. Unless stated otherwise, these tests have been ran for deferreds, pensioners and dependants.

The numbers in the report reflect the number of records with issues. There may be multiple issues on the same record and are therefore counted more than once in the aggregated numbers.

- Check that member ID is populated and unique
- Check that postcode is populated and valid
- Check that sex is populated and valid
- Check that marital status is populated (pensioner and deferred only)
- Check that total pre and post commutation pension and cash taken is populated and valid (pensioner only)
- Check that Date of Birth is populated and reasonable
- Check that Date of Joining Company is populated, valid and reasonable (pensioner and deferred only)
- Check that Date of Joining Scheme is populated, valid and reasonable (pensioner and deferred only)
- Check that Date of Leaving Scheme is populated, valid and reasonable (pensioner and deferred only)
- Check that Date of Retirement is populated, valid and reasonable (pensioner only)
- Check that state pension date is populated (pensioner only)
- Check that Date of Death is populated and valid (dependant only)
- Check that retirement type is populated and valid (pensioner only)
- Check that Initial AVC Pension and Current AVC Pension are populated, valid and consistent (pensioner only)
- Check that TV-in value and TV-in date are populated (deferred and pensioner only)
- Check that member contributions is populated (deferred only)

Summary of data checks performed (2 of 2)

This report has been prepared for, and is addressed to, the Scheme.

During our testing we have run the following tests on the data files provided. Unless stated otherwise, these tests have been ran for deferreds, pensioners and dependants.

- Check that the tranches at the valuation date are populated and valid (deferred and pensioner only)
- Check that the total pension at the valuation date is consistent with the tranches
- Check that spouse DoB is populated and valid (pensioner only)
- Check that total CSP at the valuation date is populated (pensioner only)
- Check that the CSP tranche is populated where a member's tranche is and vice versa (pensioner only)
- Check that the CSP tranche is valid (pensioner only)
- Check that final pensionable salary is populated (deferred only)
- Check that original member ID is populated (dependant only)
- Check that original member DoB is populated and valid (dependant only)
- Check that original member Date of Leaving Scheme is populated and valid (dependant only)
- Check if there are duplicates in the dataset
- Check that there are no categories containing an unreasonable number of repeated entries
- Check that the GMP tranches rounds to the statutory 52p if it is a GMP tranche (pensioner and dependant only)

Additional notes

Data not provided and therefore not tested:

Deferreds

- Adjustments or special benefits that have been made at or after Date of Leaving Scheme (for example, divorce debit, discretionary deferred increases, redundancy/ill health etc)
- Members' pension split into the relevant tranches at Date of Leaving
- Details on the guaranteed minimum pension (GMP) to be paid
- Details on contingent spouse data
- Members' normal retirement date
- Member AVC information

Pensioners

- Final pensionable salaries
- Members' pension split into the relevant tranches at Date of Leaving and Date of Retirement
- Details of any insured benefits, including details of the benefits insured vs full Scheme benefits, ability to restructure the insurance policy(ies), when the policy(ies) was taken out and if the policy(ies) are in the Trustee's name
- Adjustments or special benefits that have been made at or after retirement (for example, LEA, anti-franking step-up, divorce debit, discretionary increases in payment, redundancy/ill health etc)
- Consistency between the member's pension tranches at different accrual rates and the amount of CSP in each tranche

Dependants

- Original member service dates
- Original member pension split into the relevant tranches at Date of Death
- Original member AVC information

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Appendix 5 – Terms of Reference (ToR)

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Background

Ensuring high-quality data is fundamental to the effective management, governance, and administration of the pension scheme. Accurate, complete, and consistent data form the foundation upon which all key pension processes depend, - from calculating and paying member benefits to meeting statutory and regulatory reporting obligations. Reliable data enables administrators and trustees to deliver timely and correct benefits, maintain compliance with legislation, and make well-informed strategic decisions regarding funding, investment, and risk management.

Identifying and addressing data deficiencies at an early stage is essential to achieving operational efficiency and reducing the likelihood of costly errors or delays. Proactive data management, including regular audits, validation checks, and data cleansing exercises, supports smoother scheme administration and enhances the member experience by ensuring communications and benefits are accurate. In the long term, maintaining robust data standards helps preserve the integrity, transparency, and sustainability of the pension scheme, instilling confidence among members, employers, and regulators alike.

Audit objective

The objective of this review is to conduct a comprehensive data gap analysis of the Tayside Pension Fund ("the Scheme", or "TPF")'s data, assessing its internal consistency, completeness, and accuracy. This review is therefore essential to safeguard member interests and facilitate seamless execution of future scheme activities.

An estimated 15 audit days have been allocated for this work, on the basis that it will be primarily desk based, supported by targeted virtual or in person discussions and walkthroughs with key stakeholders, and that relevant documentation and evidence will be readily accessible.

Audit scope and approach

Scope

Our scope will consist of the following services in relation to review of the TPF's membership data quality for members:

- Obtain a copy of membership data and undertaking a data gap analysis on the Pension Scheme's data for internal consistency, completeness and accuracy for future scheme activity.
- A report to the Trustee setting out our results.

We will be using our Data Gap Analyser (DGA), an Alteryx workflow that applies approximately 800 tests to the data to assess internal consistency, completeness, and integrity, as well as to identify any potential outliers. In addition, the results will be uploaded to a Power BI dashboard, which enables interactive exploration and analysis of the findings.

These services are dependant on the following assumptions:

- The data provided is of sufficient quality to complete the data gap analysis, with no known material concerns.
- Where assumptions are required on the data to resolve any gaps, we would agree these with TPF Management and document them accordingly.
- We would also note the following additional points:
- We would not have any liability in respect of errors that are contained within the data provided to us.
- We would not be rectifying any benefits as part of this service if there are any errors found based on our DGA test outcome.
- We would not be responsible for arranging payments to members in respect of arrears, nor for managing any associated tax consequences associated with the arrears payments.

Limitations of scope and audit approach

Limitations of Scope

The scope of our review is intentionally focused and subject to the following limitations:

- No validation of source systems: Our work is limited to reviewing the membership data extract provided to us. We will not verify the completeness or accuracy of underlying source systems, data feeds, or historical data entry processes.
- No assessment of controls: The review does not include an evaluation of the Pension Scheme's data governance framework, operational controls, or IT controls relating to the capture, maintenance or transmission of member data.
- No reconciliation to actuarial or payroll records: We will not independently reconcile the membership data to actuarial records, payroll systems, AVC providers or third-party administrators beyond what is required for internal consistency checks.
- Internal consistency testing only: Our Data Gap Analyser (DGA) applies c.800 rules to assess internal consistency, completeness, integrity, and potential outliers. These tests do not confirm the real-world accuracy or validity of member attributes (e.g., correct dates of birth, correct salaries, correct benefit classifications).
- No judgement on benefit entitlements: The review will not assess whether individual member benefits have been calculated correctly or whether benefit entitlements comply with scheme rules or legislative requirements.
- No confirmation of data materiality or financial impact: While we will highlight gaps and anomalies, we will not quantify the financial or operational impact of any issues identified.
- Reliance on provided data: Our conclusions will rely on the accuracy and completeness of the data extract supplied. We will not independently verify whether all relevant members or fields have been included.
- Point-in-time review: The analysis reflects data quality at the point of extraction only and does not provide assurance over on going data maintenance processes or improvements.

Audit approach

Our audit approach is as follows:

- Our advice will take the form of a written report, verbal discussions, attendance at meetings and updated data files.
- We will be performing a substantive audit focused on the completeness and consistency of the data. Exceptions will be discussed with management to understand whether they were caused by control failures. Recommendations will be provided to management to investigate the root causes and implement remedial actions where necessary.

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This document has been prepared only for Tayside Pension Fund (the “Scheme”) and solely for the purpose and on the terms agreed with the Scheme in our terms of reference dated 31 March 2026. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 29 JUNE 2026

REPORT ON: PENSION ADMINISTRATION PERFORMANCE – UPDATE TO 31 MARCH 2026

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 161-2026

1. PURPOSE OF REPORT

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

2. RECOMMENDATIONS

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

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the agreement of this report.

4. BACKGROUND

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

5. SERVICE SUMMARY

• Summary of Statutory Performance Requirements

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

	Received ⁽¹⁾			Completed ⁽²⁾			Statute Days ⁽³⁾	Average Days to Complete ⁽⁴⁾	Cases Completed Out with Statute ⁽⁵⁾
	Q3	Q4	% Change	Q3	Q4	% Change			
Starter	405	1491	268%	492	1,485	202%	60	1	0
Estimate	167	209	25%	151	183	21%	60	50	38
Options	517	501	-3%	440	507	15%	60	47	73
Actual	317	306	-3%	324	291	-10%	60	19	0
TV In	34	60	76%	27	35	30%	60	32	1
TV Out	134	214	60%	211	215	2%	90	25	1
Deferred	280	325	16%	327	306	-6%	60	23	11
Death	155	227	46%	155	234	51%	60	12	1
Death Grant	20	49	145%	27	25	-7%	60	38	1
Dependant	55	94	71%	60	66	10%	60	24	1
Divorce	8	13	63%	14	9	-36%	90	33	0
Total	2,092	3,489	67%	2,228	3,356	51%			127

Key:

Q3 denotes October to December 2025.

Q4 denotes January to March 2026.

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

The following provides further detail on statutory task data:

Overall Caseload:

There was an increase in both cases received and cases completed during this quarter. Ongoing staff absences, combined with the need for key team members to support the McCloud rectification work have continued to impact overall work capacity.

Despite these challenges, the team has prioritised workloads, resulting in a 51% increase in cases completed over the quarter. The number of cases completed outside of statutory timeframes has remained consistent with the previous quarter and will continue to be monitored to identify opportunities for improvement.

Prioritised Tasks:

- **Issue of Pension Options & Pensions Brought into Payment**
 - Pension options received this quarter decreased slightly by 3%, however, cases completed increased by 15%. Options completed out with statute increased by 34% due to ongoing staff absence.
 - Actual retirement cases received also saw a decrease of 3%, along with a decrease in completed cases by 10%. No cases were completed out with statute whilst the average days to complete remain low.
- **Processing of Death Benefits, Payments of Death Grants, and Dependant Pensions**
 - Case volumes increased in this quarter across all categories, with death cases received rising by 46%, death grant cases by 145%, and dependant cases by 71%.
 - Completed case volumes also rose, with deaths increasing by 51% and dependant cases increased by 10%. However, death grant cases decreased by 7%. Average days to complete remain low but 3 cases across the areas were completed out with statute.

Other Statutory Tasks:

- **New Member Processing:** There was an increase in both completed and received cases in the quarter. The workflow system in operation continues to keep the average processing days low.
- **Estimates:** There was a 25% increase in cases received and 21% in cases completed. There was a decrease in out of statute case to 38 as the team continue to prioritise cases due to ongoing staff absence.
- **Deferred Member Processing:** The numbers of cases received in the quarter increased by 16% with a decrease in completed by 6%. Some cases remain complex and require engagement with employers to obtain information to calculate member benefits.
- **Outbound Benefit Transfers:** There was an increase by 60% of case numbers received and cases completed increased by 2%.
- **Inbound Benefit Transfers:** The number of cases completed in this quarter increased by 30%, but the number of cases received increased by 76%.
- **Divorces:** There was an increase of 67% of case numbers received and cases completed decreased by 36%.

5.1 Other Pension Operations

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

	Received ⁽¹⁾			Completed ⁽²⁾			Days to complete ⁽³⁾		
	Q3	Q4	% Change	Q3	Q4	% Change	Q3	Q4	% Change
Amendment to Account	3,386	388	-89%	1,758	1,636	-7%	164	301	84%
Certificates	235	111	-53%	97	592	510%	25	130	429%
Other Admin Tasks	2,331	924	-60%	1,920	1,925	1%	37	83	125%
Other pensions processing	851	1,430	68%	891	1,490	67%	166	258	55%

Q3 denotes October to December 2025

Q4 denotes January to March 2026

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

Staff training and recruitment continues to have an impact on the case numbers in this area. The team are working through a backlog of older tasks whilst prioritising the key areas.

5.2 Employer Contributions

For the period January-March covering the payroll periods of December-February we received 1 late payment, this was received the following day.

5.3 Member Self Service Update/Pension Portal

The new Pensions Portal was launched in October 2025. Since launching 7,865 members have registered for the new system which totals 13% of membership and an increase of 2% from the last quarter.

Since the initial communication to members to advise of the new system we continue to promote this as members contact us. A further communication is planned to members when their Annual Benefit Statement is issued later in the year.

5.4 I-Connect Update

There were 36 Employers who have submitted monthly uploads through the I-Connect system during the period. We are still working with 2 of our employers on issues with the data being received.

All employers have been advised that we expect all uploads to be completed on I-Connect and this will be reviewed in accordance with the administration strategy and escalated if required.

5.5 Call Centre

During the quarter, 2,848 calls were received, this is an increase of 490 calls compared to the previous period. The total time spent on calls was 534 hours.

The level of time required to manage calls continues to place a significant demand on resources and is being addressed as part of the structure review.

5.6 Compliance

National Fraud Initiative: 5 overpayments remain outstanding which amount to £13,918.37.

No cases have been identified as fraud to date. The team continue to liaise with the Dundee City Council Fraud and Legal teams in an attempt to recover the overpayments.

5.7 Recruitment

- The successful candidate for the vacant Clerical Assistant post started on the 28 January 2026
- Due to long term staff absence, a temporary acting up opportunity for 2 Senior Pension Assistants to assist with Team Leader duties was internally advertised and put in place from 16 February 2026.
- To fill maternity leave of a Pension Assistant, an internal recruitment was undertaken for acting up, this was advertised and filled on the 9 March 2026.
- Due to an Assistant IT/Systems Process Analysis leaving on the 9 March 2026, recruitment will be undertaken for the vacant post in the next quarter.

5.8 Queries & Complaints

4,271 emails were received into the generic mailbox in the quarter up to the 31 March 2026, equating to approximately 68 emails per working day. This area continues to be a significant resource requirement for the team and is being addressed as part of the structure review.

- Complaints to Prudential: None
- Complaints to Standard Life: None
- GDPR: One
- Complaints: None

5.9 Staff Training

- In House Training

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

- External Training

External Training on aggregations was delivered by Heywood and Hymans Robertson separately, with four team members attending at least one of the sessions. Training material was also provided by Hymans Robertson which can be utilised by the team when required.

Hymans Robertson plan to deliver further training sessions, covering a range of topics identified as learning priorities across all Scottish funds. These sessions will provide a valuable resource to support ongoing staff development.

5.10 Resource and Structure Review

The review of the Fund's staffing structure and resources is progressing following the outcomes of the evaluation conducted by Hymans Robertson. The aim is to ensure that the Tayside Pension Fund's operating model is aligned with current and emerging operational, governance, and regulatory requirements.

Senior Management, in collaboration with Human Resources, are currently considering the proposed structure and reviewing associated job descriptions.

Planning for a phased implementation is underway, and further updates will be provided in future reports.

5.11 September CPI Rate Announced

On 26 February 2026, HM Treasury (HMT) published a written statement confirming the rates of annual revaluation, earnings and pension increase due from April 2026.

- public service pensions will increase on 6 April 2026 by 3.8%, in line with the Consumer Prices Index for the year up to September 2025
- revaluation of 3.8% plus any local addition will be used in April 2026 to revalue CARE accounts in public service pension schemes that use prices as the measure of revaluation

On 27 February 2026, the SPPA published Circular 2026/03. SPPA confirms in the circular:

- deferred pensions and pensions in payment will increase by 3.8 per cent from 6 April 2026
- the in-service revaluation for the CARE scheme in respect of 2025/26 will be 3.8 per cent.

5.12 SPPA contributions guidance

On the 27 February 2026, the SPPA published the Tiered Contribution Guidance for 2026/27. This was issued to all scheme employer payroll departments to allow them to carry out their review and amendments for April 2026.

5.13 McCloud

Key staff continue to reconcile employer data to ensure member records are fully updated, enabling completion of underpin checks.

All employer data has now been received. A small number of employers have outstanding queries, which are being actively progressed to resolution.

Along with business-as-usual case work, which introduces additional complexity into member calculations, progress has continued on retrospective work. During this quarter:

- A further 26 McCloud underpin assessments were completed for transfer out cases involving Club transfers.
- 4 members were issued with conversion options following retrospective McCloud calculations that resulted in an underpin.
- Retirement benefits for 3 members were recalculated to incorporate the McCloud underpin.

The following table summarises the total retrospective work undertaken for McCloud to date:

	Completed cases to date
Options	4
Retirement	3
Transfer Out	34
Total	41

5.14 Pension Dashboard

Phase 1 testing of the Dashboard has continued by the Money and Pensions Service alongside the Pensions Dashboard Programme, this was focusing on low volume testing to ensure the service is

operating broadly as expected. This phase is also aimed at identifying any critical or severe pain points that require resolution. Phase 1 is nearing completion.

Phase 2 will involve high-volume testing and is expected to commence once key findings from Phase 1 have been reviewed and addressed.

5.15 Consultation update - draft LGPS (Scotland) (Amendment) Regulations 2026

On 4 February 2026, the Scottish Public Pensions Agency (SPPA), emailed Scottish administering authorities with an update on the consultation on the draft LGPS (Scotland) (Amendment) Regulations 2026. In the email, the SPPA confirmed it will pause the proposed amendments in light of feedback received.

Following the Scottish Parliamentary elections in May 2026, SPPA plans to run a further consultation. This will include proposals in respect of the 2028 changes to the normal minimum pension age, and to update the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, which were last updated in 2011. It is understood that the paused amendments and the new proposals will be brought together in a single, comprehensive Scottish statutory instrument later in 2026.

5.16 HMRC Finance Act 2026 – Key Updates

The Finance Act 2026 received Royal Assent on 18 March 2026 and introduces two key changes relevant to LGPS administering authorities.

- Abolition of the Lifetime Allowance (LTA)

The Act amends paragraph 134 of Schedule 9 to the Finance Act 2024, which provides HM Treasury with powers to make regulations linked to the abolition of the Lifetime Allowance (LTA).

Under the previous legislation, this power was due to expire on 5 April 2026, with any regulations only able to take effect within the tax year in which they were made. The Finance Act 2026:

- Extends this power until 30 June 2026
- Allows any regulations made to apply retrospectively to the 2024/25 tax year

This extension is intended to support further technical updates, as referenced by HMRC. HMRC has also published a tax information and impact note providing additional detail.

- Inheritance Tax (IHT)

The Act also amends the Inheritance Tax Act 1984. For deaths occurring after 5 April 2027, most unused pension benefits will be included within a member's estate for IHT purposes.

Several technical amendments were introduced to ensure the legislation operates effectively, without changing the overall policy intent. Further guidance on processes is expected from HMRC.

Key points include:

- Non-UK pensions held by individuals who are not long-term UK residents will remain outside the scope of UK IHT
- Death in service benefits will continue to be exempt from IHT (there is no requirement for the member to have been active immediately before death)
- IHT will not apply to:
 - Excluded benefits, such as death in service payments
 - Payments made to exempt beneficiaries (e.g. spouses or civil partners)

Additional clarifications include:

- Updated withholding rules (up to 50% for 15 months) to support smoother administration
- Provisions enabling administrators to pay tax directly, ensuring no tax is deducted from IHT-exempt benefits
- Extension of existing IHT exemptions to include notional pension property
- Future information-sharing requirements will be introduced under Finance Act 2004 powers

Tax treatment updates:

- No income tax will be charged on death benefits where the amount equals the IHT due (including some rare existing scenarios)
- Any refunded IHT will be treated as pension income where tax relief had previously been claimed

Further detail is available in the Finance (No. 2) Bill publications from the UK Parliament.

REGULATIONS

Details of regulatory matters are contained in Appendix 1.

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.

CONSULTATIONS

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

BACKGROUND PAPERS

None

PAUL THOMSON

EXECUTIVE DIRECTOR OF CORPORATE SERVICES

Date 22 June 2026

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REGULATORY COMMUNICATIONS**Website Updates****LGPS website for funds in Scotland**

- [LGPS Regulations and Guidance](#)

HMRC

- [Newsletter 177 — January 2026 - GOV.UK](#)
- [Newsletter 178 — February 2026 - GOV.UK](#)
- [Pensions schemes newsletter 179 — March 2026 - GOV.UK](#)

Pension Dashboards

- [Proposed approach to collaborating with industry to deliver private sector dashboards | News | UK Pensions Dashboards Programme](#)
- [Preparing data for dashboards: what you need to do | Blogs | UK Pensions Dashboards Programme](#)
- [Making the MoneyHelper Pensions Dashboard accessible | Blogs | UK Pensions Dashboards Programme](#)
- [Progress update webinar: December 2025 | Events and webinars | UK Pensions Dashboards Programme](#)
- [Homepage | UK Pensions Dashboards Programme](#)
- [Understanding the 3 pension status categories on the MoneyHelper Pensions Dashboard | Blogs | UK Pensions Dashboards Programme](#)

The Pension Regulator (TPR)

- [Avoid and report pension scams](#)
- [Fraud Strategy 2026 to 2029 - GOV.UK](#)
- [Reporting cyber crime and fraud or phishing attempts - Report Fraud](#)
- [Steps to stay scam safe](#)
- [TPR urges vigilance after rise in impersonation fraud against pension savers](#)

Scheme Advisory Board**Scotland Updates**

- [LGPSAB | Local Government Pension Scheme Advisory Board](#)

England & Wales updates

- [LGPS Scheme Advisory Board - Home](#)

The Pension Administration Standards Association (PASA)

- [PRESS RELEASE – PASA publishes Part 2 of Digital Administration Guidance: Planning the Digital Transformation Journey – The Pensions Administration Standards Association](#)
- [PRESS RELEASE – PASA publishes Part 3 of Digital Administration Guidance: Delivering Effective Digital Transformation – The Pensions Administration Standards Association](#)
- [Dashboards-Toolkit-Webinar-QA-FINAL-1.pdf](#)

The Pension Ombudsman

- [Operating Model Review 2025/26 - Off to a flying start... | The Pensions Ombudsman](#)

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REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE
& PENSION BOARD – 29 JUNE 2026

REPORT ON: FUNDING STRATEGY STATEMENT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 163-2026

1 PURPOSE OF REPORT

This report reviews the Funding Strategy Statement for Tayside Pension Fund.

2 RECOMMENDATION

The Funding Strategy Statement is required to be reviewed annually, and the Sub-Committee is asked to approve, noting that no changes are required since the previous version issued in June 2025.

Members are also asked to note that a more detailed review will take place later this year, further information is set out under 5 – 2026 Actuarial Valuation below.

3 FINANCIAL IMPLICATIONS

There are no financial implications arising from the agreed recommendations in this report.

4 INTRODUCTION

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 the 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".

The initial Funding Strategy Statement (Article III of the Minute of Meeting of the Superannuation Sub-Committee of the Policy and Resources Committee of 1 March 2006, Report No 57-2006 refers) states that the pension regulations require the Fund Actuary to have regard to it as part of the process for the actuarial valuation of the Fund. The previous Funding Strategy Statement (Article VIII of the Minute of Meeting of the Pension Sub-Committee of the City Governance Committee and Pension Board of 23 June 2025, Report No 167-2025 refers) took account of the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2025 that came into force on 1st April 2025 regarding exit credits for exiting employers.

5 2026 ACTUARIAL VALUATION

The 31 March 2026 actuarial valuation of the Tayside Pension Fund will be carried out later this year and is to be completed by 31 March 2027.

As part of the 2026 actuarial valuation, the Funding Strategy Statement will be reviewed and updated with input from the Fund Actuary and the Tayside Pension Fund's participating bodies.

In line with the recommendation from the Scottish Public Pensions Agency (SPPA), the Funding Strategy Statement will be prepared in line with the guidance issued jointly by the Scheme Advisory Board (England & Wales), CIPFA and the Ministry of Housing, Communities and Local Government that was adopted by LGPS funds in England & Wales as part of the 2025 actuarial valuations.

6 POLICY IMPLICATIONS

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

7 CONSULTATIONS

All participating bodies have been consulted in the drafting of the Funding Strategy Statement. The Chief Executive and Head of Democratic & Legal Services have also been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

22 JUNE 2026

APPENDIX 1



FUNDING STRATEGY STATEMENT

JUNE 2026

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1 OVERVIEW

- 1.1 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).
- 1.2 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.

2 PURPOSES OF THE STATEMENT

- 2.1 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 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.

3 CONSULTATION

- 3.1 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.
- 3.2 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)
- 3.3 The Fund Actuary, Barnett Waddingham, has also been consulted on the contents of this Statement.

4 PURPOSE AND AIMS OF THE FUND

Purpose of the Fund

- 4.1 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

- 4.2 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 constant as possible and at reasonable cost to the Scheme Employers and to the taxpayers.***
- 4.3 The Administering Authority recognises that the requirement to keep employer contribution rates as 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 are not set at a level that gives rise to additional costs (e.g. deferring costs to the future) 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).
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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.

- 4.8 The Administering Authority recognises the need to ensure that the Fund has, always, 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 daily to ensure that all cash requirements can be met.

The third aim is to manage employers' liabilities effectively.

- 4.9 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.

- 4.10 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.

5 RESPONSIBILITIES OF THE KEY PARTIES

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

Administering Authority

5.2 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.

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

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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.

- 5.10 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.

- 5.11 The Administering Authority monitors the investment performance and the financial and funding position of the Fund on a quarterly basis.
- 5.12 The Statement of Investment Principles and Funding Strategy Statement will be formally reviewed annually unless circumstances dictate earlier amendment.

Individual Employers

- 5.13 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

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

The first key responsibility is to prepare valuations.

- 5.15 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.
- 5.16 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 individual benefit-related matters together with any ad-hoc requirements agreed with the administering authority.

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

6 SOLVENCY

- 6.1 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.

- 6.2 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.
- 6.3 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.
- 6.4 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.
- 6.5 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.

7 FUNDING STRATEGY

Valuation Methods

- 7.1 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.
- 7.2 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

- 7.3 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.
- 7.4 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

- 7.5 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 2023 was 3.15% p.a.

Future pension increases

- 7.6 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 0.35% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2023 was 2.7% p.a.

Future pay inflation

- 7.7 As some of the benefits are linked to pay levels at retirement, it is necessary to assume 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 2023 was CPI plus 1% p.a.

Future investment returns/discount rate

- 7.8 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.
- 7.9 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 2023 valuation was 4.3% p.a.
- 7.10 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.
- 7.11 The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.
- 7.12 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

- 7.13 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

- 7.14 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.
- 7.15 Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

Pooling of employers

- 7.16 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.

- 7.17 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.
- 7.18 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

- 7.19 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.
- 7.20 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.

- 7.21 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 15%. This basis is less volatile than a gilts-cessation basis and should lead to more stable cessation liabilities while 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).
- 7.22 Any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:
- (i) Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.

- (ii) The level of risk that an employer has borne will be considered when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
 - (iii) Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund.
 - (iv) The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example, if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.
 - (v) Under the Regulations, the administering authority has the discretion to consider any other relevant factors in the calculation of any exit credit payable, and they will seek legal advice where appropriate.
- 7.23 If an employer (other than a transferee¹ 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.
- 7.24 In recent years the Administering Authority has adopted a policy of requiring admission bodies (other than transferee¹ 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.
- 7.25 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.
- 7.26 The position is different for transferee¹ 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.
- 7.27 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

- 7.28 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

- 7.29 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

¹ a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer

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

- 7.30 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.
- 7.31 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.
- 7.32 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.

8 IDENTIFICATION OF RISKS AND COUNTER MEASURES

- 8.1 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)

- 8.2 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.
- 8.3 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 transferee¹ admitted bodies.

Regulatory & Legislative

- 8.4 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

- 8.5 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)

- 8.6 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.
- 8.7 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

- 8.8 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

- 8.9 The Administering Authority recognises that utilisation of a 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

- 8.10 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

- 8.11 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

- 8.12 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.

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

- 9.1 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.

- 9.2 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.
- 9.3 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 2017 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.
- 9.4 The Administering Authority will continue to monitor the suitability of the investment policy in the light of the Fund's developing liabilities and finances.
- 9.5 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.

10 FUTURE MONITORING

- 10.1 The Administering Authority plans to review formally this Statement as part of the triennial valuation process unless circumstances arise which require earlier action.
- 10.2 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.

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