

City Chambers  
DUNDEE  
DD1 3BY

19th June, 2025

Dear Colleague

I refer to the agenda of business issued in relation to the **MEETING** of the **PENSION SUB-COMMITTEE of the CITY GOVERNANCE COMMITTEE AND THE PENSION BOARD** to be held on Monday, 23rd June, 2025 and now enclose the undernoted item of business which was not received at the time of issue.

Yours faithfully

GREGORY COLGAN

Chief Executive

**AGENDA OF BUSINESS**

**11 TAYSIDE PENSION FUND UNAUDITED 2024/2025 ACCOUNTS - Page 1**

(Report No 172-2025 by the Executive Director of Corporate Services, copy attached).

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ITEM No ...11.....
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**REPORT TO:** PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 JUNE 2025

**REPORT ON:** TAYSIDE PENSION FUND UNAUDITED 2024/2025 ACCOUNTS

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

**REPORT NO:** 172-2025

## 1 PURPOSE OF REPORT

To provide some additional commentary on the unaudited Annual Accounts 2024/25 which are being submitted to the Committee along with this report.

## 2 RECOMMENDATIONS

It is recommended that the Committee:

- notes the contents of this covering report
- notes the unaudited Annual Accounts which have been submitted along with this report in Appendix A
- instructs the Executive Director of Corporate Services to arrange for the unaudited Accounts to be signed as necessary
- instructs the Executive Director of Corporate Services to submit the Annual Accounts to the Fund's external auditor

## 3 FINANCIAL IMPLICATIONS

None.

## 4 MAIN TEXT

- 4.1 The relevant statutory provisions regarding the preparation of the Fund's Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations 2014. Section 8 of these regulations requires that "... all the accounts of the local authority are made up and balanced as soon as practicable after the year end of each financial year and that sufficient copies of an abstract of the said accounts for each financial year are prepared ... and submitted to the authority and submitted to the appointed Auditor not later than 30 June in the next financial year...".
- 4.2 As in previous years the Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code). There are no significant changes included within the 2024/2025 Code, that impact upon the Fund's Accounts.
- 4.3 Tayside Pension Fund net assets was £5.566bn as at 31 March 2025, this reflected an increase of £72.4m or 1.32% on the equivalent value at 31 March 2024.
- 4.4 Copies of the enclosed Annual Accounts will now be sent to the Fund's appointed external auditor (Rachel Browne, Audit Director, Audit Scotland) to commence the audit of the Accounts. The outcome of the audit will be reported back to the Pension Sub-committee and Pension Board once completed.

## 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 are in agreement with the contents.

**7 BACKGROUND PAPERS**

None

**PAUL THOMSON**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**18 JUNE 2025**

Unaudited

# Annual Report and Accounts

## 2024/25



# Tayside

## Pension Fund

*Administered by Dundee City Council*

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## ABOUT THE FUND

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

As at 31 March 2025, Tayside Pension Fund had investment assets of c.£5.6 billion, and a membership of over 58,900 across 40 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

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

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





### **Foreword by the Executive Director of Corporate Services**

The aim of the Annual Report of Tayside Pension Fund is to provide relevant information on the investments and financial statements of the Fund. It should also inform our members, employers and other interested stakeholders more about the Fund's activities and performance throughout the financial year, and having taken on my role as the Fund's responsible officer in March, following the departure of Robert Emmott, I am pleased to introduce the Annual Report and Financial Statements for 2024/25 which shows the Fund maintaining stability, following an extremely challenging year across both the global environment and its effects on financial markets, as well as dealing with the implications of changing regulations and governance requirements.

The financial year ending 31 March 2025 has been marked by a complex and evolving global economic environment, presenting both challenges and opportunities for long-term investors like the Fund. As stewards of our members' retirement security, we have navigated this period with a focus on resilience, prudence, and adaptability. With this in mind, in the autumn we worked with our advisors to review our investment strategy to ensure that the fund remains on a stable footing, with diversification, stability and long-term value creation. Following approval of this revised strategy, we are now in the process of implementing the recommendations made and undergoing a number of asset transitions.

The implementation of the McCloud remedy and the development of pensions dashboards have significantly reshaped our administrative operations over the past year. Gaining the required extensive data, and the essential reconciliations and system upgrades required by McCloud has required close collaboration with scheme employers and system providers. Whilst this would be a challenge in itself, the simultaneous preparation for pensions dashboards onboarding has demanded robust data readiness, improved member record accuracy, and enhanced digital infrastructure to ensure real-time access to pension information. These initiatives, while resource-intensive, have strengthened our commitment to transparency, compliance, and member engagement.

I would like to take this opportunity to extend my sincere thanks to the Fund officers, staff, and employers for their continued dedication and hard work. Their commitment is instrumental in maintaining the strength and stability of the Fund. It has been a pleasure to work alongside them, as well as with the Sub-Committee and Board, as we continue to deliver high-quality services to both our members and employers in the year ahead.

**Paul Thomson**  
**Executive Director of Corporate Services**

## Management Commentary



### Report by the Chair of the Pension Sub-Committee

As the administering authority for the Tayside Pension Fund, Dundee City Council has delegated responsibility for all matters relating to the Fund's investment strategy and governance to its Pension Sub-Committee. This Sub-Committee comprises six elected members of Dundee City Council, and it is both their duty and mine, as Chair, to ensure that the Fund fulfils its primary objective: to provide pension benefits to members upon retirement. We are also committed to ensuring full compliance with the Local Government Pension Scheme (LGPS) Regulations and all other applicable legislation.

The past year has been characterised by persistent global economic uncertainty, evolving monetary policy, and an unprecedented level of geopolitical risk. These factors have contributed to sustained market volatility across asset classes.

Against this challenging backdrop, the Fund's value recorded a modest increase. However, Fund performance for the year fell short of expectations, ending 1.95% below benchmark. While bond portfolios delivered relative resilience, most other asset classes underperformed, which also impacted longer-term performance figures.

In response to the shifting economic landscape, the Pension Sub-Committee welcomed the review of the Fund's investment strategy. This review supported a continued reduction in equity exposure in favour of assets more closely aligned with inflation protection, particularly through an increased allocation to alternative investments. Looking ahead, we anticipate the recruitment and appointment of a dedicated Alternatives Manager. This role will oversee a portfolio of opportunistic investments with a strong emphasis on environmental, social, and local impact, further reinforcing the Fund's commitment to responsible investment.

On the administrative front, the Fund has continued to experience growth in membership and associated caseloads, placing pressure on resources. Despite these challenges, the Pension Administration team has implemented process improvements that have led to enhanced performance. This progress is especially commendable given the additional demands of implementing the McCloud Remedy (addressing age discrimination in public sector pensions) and preparing for the introduction of Pension Dashboards.

On behalf of the Sub-Committee, I would like to extend our appreciation to the Fund's staff and participating employers for their dedication and hard work. The scale and complexity of these initiatives require significant effort behind the scenes, and their successful delivery is a testament to the professionalism and commitment of all involved.

As we look to the year ahead, I remain committed to my role and, together with my colleagues on the Sub-Committee and Pension Board, will continue to provide strong governance and strategic oversight. I would like to close by offering my sincere thanks to all officers and staff for their continued dedication to the Tayside Pension Fund.

**Bailie Willie Sawers**  
**Chair of Pension Sub-Committee**

## Management Commentary



### Report by the Chair of the Pension Board

The Pensions Board plays a vital role in ensuring compliance with the legislative framework governing the Local Government Pension Scheme (LGPS), as well as with the standards set by The Pensions Regulator. Representing both employers and scheme members, the Board contributes meaningfully to the effective governance and oversight of the Tayside Pension Fund.

Since my appointment to the Board in 2022, I have worked collaboratively with fellow members to strengthen scrutiny, provide constructive oversight, and support the strategic direction of the Fund. Over the past year, the Board has continued to fulfil its core responsibilities, ensuring compliance with relevant legislation and regulation while playing a key role in reinforcing governance and promoting the best interests of all stakeholders.

Board members have actively participated in Pension Committee meetings and have been fully engaged in discussions. The fact that the Board has not found it necessary to refer any Committee decisions for review is, in my view, a positive reflection of the effectiveness of the Fund's governance and administration. The Board has also contributed to the recent investment strategy review, which led to adjustments in asset allocation and benchmarks in response to ongoing global volatility and heightened geopolitical risk.

The increasing demands on fund administration have presented significant challenges over the past year. Meeting the enhanced compliance requirements of The Pensions Regulator's Single Code of Practice, addressing the rectification of cases affected by age discrimination (as mandated by the McCloud judgment), and preparing for the Fund's staging date for the Pensions Dashboard have all placed considerable pressure on administrative resources. These responsibilities have been managed alongside a continued rise in caseloads, underscoring the resilience and dedication of the Fund's staff.

I would like to formally acknowledge and commend the efforts of the Fund's staff and Officers for their commitment to maintaining compliance and embedding best practice into their processes. I also extend my appreciation to my colleagues on the Board and Sub-Committee for their ongoing dedication to the sound governance of the Fund. The Board welcomes the opportunity to review the resources required to meet these additional responsibilities and ensure continued stability and compliance.

The Board remains acutely aware of the challenges facing the LGPS and is committed to working proactively with the Pension Sub-Committee and Fund Officers to uphold high standards of governance and ensure best practice wherever possible.

As the role of Chair rotates annually, I would like to take this opportunity, on behalf of the Board, to express our sincere thanks to the Officers and staff of the Fund, as well as our employers for their commitment to the membership. We look forward to continuing our collaborative work in the year ahead.

**Councillor Bill Duff (Angus Council)**  
**Chair of Tayside Pension Board**

## MANAGEMENT COMMENTARY

### Introduction

The Annual Report has been prepared in accordance with the Code of Practice on Local Authority Accounting for the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003. It is intended to keep members, employers and other interested stakeholders informed about the administration and performance of the Local Government Pension Scheme (LGPS) Fund that Dundee City Council is responsible for administering. Since the repatriation of Tayside Transport Fund back to the main fund on 30<sup>th</sup> June 2017, the funds have been managed as one entity.

### Purpose and Aims

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

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

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

### Policies, Strategies & Objectives

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

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

- Annual Governance & Governance Compliance Statement
- Treasury Management Policy & Strategy
- Administration Strategy
- Communications Policy

Further information can be found at our website:

<https://www.taysidepensionfund.org/resources>

### 2024/2025 Events and Activities

#### Investment

Following the appointment and funding of the new mandates Partners Group (Direct Private Markets), Apollo (Multi-asset Credit), and LGIM (Buy & Maintain), the new portfolios commenced operation in the at the start of the financial year.

The Fund undertook an Investment Strategy review with the assistance of investment advisors, Isio Ltd. This was approved at the December meeting of the Pension Sub-Committee and Pension Board. The outcome of this was a rebalancing exercise carried out in March and a change to investment benchmarks, which become effective at the start of the new financial year.

### Changes to Regulation / Legislation

SI2024-243	The Guaranteed Minimum Pensions Increase Order 2024
SI2024-372	The Pension Increase Review Order 2024
SI2024-249	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2024
SI2024-290	The Public Service Pensions Revaluation Order 2024
SI2024-284	The Social Security Revaluation of Earnings Factors Order 2024

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

### Consultations

- Draft Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024  
The consultation sought the views of on the draft Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024 ('the Regulations'). The Regulations propose changes to exit credits.
- Consultation: Draft Local Government Pension Scheme (Remediable Service) (Amendment) (Scotland) Regulations 2024  
The consultation sought the views on the draft Local Government Pension Scheme (Remediable Service) (Amendment) (Scotland) Regulations 2024 ('the Amendment Regulations').

### I.T. Developments

- I-Connect

The team have continued during this year to engage with employers on the use of the system. Some employers have been experiencing issues and plans have been put into to try and enable them to have fully operational use from April 2025.

- Member Self Service

All new joiners into the fund are now provided automatically with MSS registration instructions from their first communication, along with details on the right to opt out receiving communications in this format if they wished to do so. The system is utilised by members once registered to update personal details, receive communication from the fund and project calculations. At the 31<sup>st</sup> March 2025, 18,032 individual users were registered.

Heywood who are the system providers have advised that the Member Self Service portal will be replaced by a new system named Engage and Member Self Service will no longer be available from January 2026.

- Contact Centre

Since the call centre launch in 2022, the team effectively manage the high call volumes that are received. A total of 11,544 calls were received in 2024/25 with team receiving an average of 44 calls per day.

- Altair Database Server upgrade

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

## Management Commentary

### Training, Development and Communication

- Pension Sub-Committee, Board, and Officer training offered throughout 2024/25:

	Topic	Key Areas
Governance	Governance of LGPS in Scotland	LGPS regulation and oversight
		Role of Scheme advisory board
		Role of administering authority
		Role of LGPS Pension Boards
		Fiduciary Duty
		LGPS conflicts of interest
	An introduction to The Pensions Regulator	Role of The Pensions Regulator
		Codes of Practice
		Monitoring performance on key processes
		Reporting breaches
	Good Governance Review E&W	(2021) Good Governance recommendations
		Good Governance and fund structure
		Key fund strategies and statements
		Knowledge and skills
		How do we implement Good Governance
	LGPS Focus	Assessing current landscape of the LGPS
		Update on the latest LGPS issues
	Review of the operating model	Governance Structure Insights
		Separation from Council
		Challenges in Recruitment
Investment		Future-Proofing Initiatives
	Collaboration	Case for collaboration
		Climate infrastructure and regional investing
		Investing in Natural Capital
		Climate scenarios
		Creating value and generating positive social outcomes
		Opportunities of UK investment and infrastructure
		Development of a Scottish Energy Transition Portfolio
		Improving the sustainability of Scottish LGPS
	Economic Overview	Global economic landscape
		Geopolitical threats & possible impact of US election
	Income and growth. Supporting the short and long-term goals of the LGPS	Investment opportunities
		Credit risk sharing
		Diversification benefits
		Growth potential in equity markets
	Investing in agriculture	Need for strategic adaptability
		Diversification, Sustainability and Profitability

## Management Commentary

	Different way to generate absolute returns	Macroeconomic Trends and Long Term Performance
		Understanding the New Market Regime
		Alternative Strategies
	Future investment strategies and emerging trends	Investment Flexibility
		Investment in Sustainability
		Blue Bonds
		Role of Fixed Income
		Climate and Water Nexus
	Housing market	Investment options
		Balancing social impact with returns
		ESG opportunities in housing
ESG	ESG in Multi Asset Credit Portfolios	Challenges of carbon transition
		Issues of invisible carbon emissions
		Trade off in returns for socially responsible investing
		Shift from high carbon assets
		Influencing cost of capital
	Climate change	Issues of financial risk assessments
		Scenario based modelling
		Climate risk management
		Transitioning
		Market behaviours
Administration	Latest issues in administration	Risk Metrics
		McCloud Remedy
		Pensions Dashboard
		Single TPR Code
		Cost Cap Valuation

- Staff Training

The following training was provided to staff:

Topic	Provider	Training Method
McCloud	Hymans Robertson	MS Teams
- Qualifying criteria, calculations, and complex cases		
- System Updates	Heywood	Online seminar
GDPR	Dundee City Council	E-Learning
Pension Dashboard	TPR, PDP	MS Teams
System Updates	Heywood	Online seminar
I-Connect	In-house	In person & MS Teams
Member Self Service	In-house	In person & MS Teams
Insights	In-house	In person & MS Teams
Heywood – TEC Modules	In-house	In person
Planning & Delivering a Presentation	Quest	In person



## Management Commentary

- Employer / Members Sessions

The following sessions were held online over the year:

	Topic
Employers	Meetings were held through the year with various employers on subjects covering, I Connect, VER, Certificate of Protections and McCloud
DCC, Angus & PKC	In person and Teams meetings held on the new ill health guidance and processes
Members	Ad hoc MS Teams sessions and in person meetings as and when required to fully meet the needs of the members. Sessions were held on such topics as annual allowance, retirement, and transfers queries.

### Working Arrangements

Staff work within the hybrid working arrangement with 2 days a week in the office and 3 days at home. This allows effective service delivery to members and employers with the option of in person meetings in Dundee House or to utilise Microsoft Teams for online appointments.

Priorities remain in line with the relevant guidance. We continue to offer support for areas of service disruption and financial challenges, offering flexible arrangements in-keeping with the circumstances and legislation.

### Fund Update

#### Membership

The Local Government Pension Scheme is voluntary and is open to all employees of the Scheduled and Admitted Bodies. A list of Tayside Pension Fund's scheduled and admitted bodies can be found on page 86 with membership totals shown below:

	<u>31 March 2024</u>	<u>31 March 2025</u>
Contributing Members	18,765	19,232
Pensioners	18,645	19,497
Deferred Pensioners	11,774	11,758
Undecided or Frozen	7,721	8,449
	<u>56,905</u>	<u>58,936</u>

#### Membership Funding

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

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

Paying due regard to the Fund's Funding Strategy whilst maintaining consistency of rate, solvency of the Fund, and long-term cost efficiency; as at 31<sup>st</sup> March 2023, the Fund's actuary, Barnett Waddingham recommended that the common employer contribution for active employers be reduced to 15.7% of payroll cost for the period of 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2027.



## Management Commentary

### Performance

- Fund Investment

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

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

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

In the year to 31 March 2025, the Fund ended 1.95% behind benchmark, with underperformance across all portfolios except the bond portfolios. Markets experienced mixed performance amid global economic uncertainty. UK equities showed resilience, supported by sector strength, while bond and gilt markets remained volatile due to shifting monetary policy and geopolitical risks. The UK property sector began a cautious recovery, and inflation moved closer to target, though core pressures persisted and interest rates held steady.

Over the year, the fund marginally rose from £5.494bn to £5.566bn by 31 March 2025. Performance has been impacted, and only 10-year performance and beyond remains above benchmark. Full economic brief and individual portfolio performance is detailed further within the Investment Section of the report.

- Administration

Pension administration continues to endure challenges with rising task volumes and ongoing changes to regulations, which increase training requirements to maintain and enhance the knowledge and skillset within the team. The team continue to work closely with employers to provide support and address operational needs.

In compliance with The Pensions Regulator's Code of Practice, procedures and documentation are in place for logging and reporting breaches. Breaches are logged internally and if assessed to be material they are required to be reported to the Regulator. During the financial year, there was one material breaches encountered due to McCloud underpin information not being included in the Annual Benefit Statements, this breach was resolved when the regulations were updated retrospectively.

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

### Risk Management

- Risk Management Policy & Strategy

The current Risk Management Policy & Strategy has been in place since June 2022, although reviewed annually. The purpose of the Policy and Strategy is to effectively mitigate risks which may otherwise impact on achievement of the Fund's objectives, by implementing comprehensive risk management arrangements. These arrangements include, among others: development and maintenance of comprehensive risk registers; setting out of responsibilities for the management and escalation of risks; and responsibility for regular review and updating of Policy and Strategy.

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

## Management Commentary

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

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

- Failure to process pension payments and lump sums on time
- Failure to collect and account for contributions from employers and employees on time
- Insufficient funds to meet liabilities as they fall due
- Inability to maintain service due to loss of main office, computer system or staff
- Loss of funds through fraud or misappropriation
- Employers unable to participate in scheme
- Significant rises in employer contributions due to poor/negative investment returns
- Failure of global custodian
- Failure of Investment Manager
- Equity Risk
- Failure to comply with changes to LGPS regulations and other new regulations / legislation. Specifically:
  - GMP
  - McCloud
  - Pensions Dashboard
- Failure to comply with governance best practice. Specifically:
  - TPR New Draft Code of Practice
  - TPR Good Governance project outcomes
- Failure to provide quality service to members
- Failure to hold personal data securely
- Cybercrime
- Failure to keep pension records up-to-date and accurate
- Lack of expertise on Pension Committee, Pension Board or amongst officers
- Over reliance on key officers
- Failure to communicate adequately with stakeholders
- Employer Covenant Risk
- Risks in relation to use of 3rd party service providers
- Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)

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

### Future Outlook

Looking ahead, the global economy faces a complex and evolving landscape. While inflation is projected to ease gradually, the trajectory of interest rates remains uncertain. Key risks to the outlook include increasing trade fragmentation, shifts in policy direction, and potential volatility in financial markets. Despite these challenges, there are still meaningful opportunities for growth, particularly if geopolitical tensions subside and structural reforms are pursued to enhance productivity and stimulate investment. Whilst the Fund remain long term investors, adverse market conditions pose additional investment challenges.

The implementation of new legislation and requirements continues to pose significant administrative challenges. While laws have been enacted, the delay in guidance issued adds to delays and added pressure on performance.

Despite these challenges, the Fund remains committed to maintaining its strong financial position. It will continue to collaborate closely with portfolio managers and professional advisors to navigate the evolving landscape. In parallel, support for Fund Officers remains a priority to ensure the effective and efficient management of the Fund, safeguarding the interests of members and supporting participating employers.

## Management Commentary

### 2024/25 Accounts

A summary of the main statements is provided below:

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

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

Tayside Pension Fund accounts show contributions received of £122.991m. This has decreased by £0.773m during the year to 31 March 2025. Benefits payable were £177.919m, which increased by £24.384m since the previous year. Contributions decreased in the scheme during 2024/25 mainly due to reduction in employer contributions rates from 17.0% to 15.7%. Benefits payable also increased due to increased pensioner membership and pension increase being applied.

Net Asset Statement – showing the type and value of all net assets at the end of the financial year. Tayside Pension Fund's net assets increased to £5.566bn from £5.494bn in 2024.

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

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**Paul Thomson**  
Executive Director of Corporate  
Services  
Dundee City Council

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**Gregory Colgan**  
Chief Executive  
Dundee City Council

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

## Management Commentary

### TAYSIDE PENSION FUND STATISTICS

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

<b>Membership</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Number of Employers	45	43	42	41	40
Active Members	19,181	18,816	18,912	18,765	19,232
Deferred Members	10,485	10,865	11,427	11,774	11,758
Undecided / Frozen	5,238	6,139	7,235	7,721	8,449
Pensioners	16,937	17,526	18,008	18,645	19,497
<b>Total Membership</b>	<b>51,841</b>	<b>53,346</b>	<b>55,582</b>	<b>56,905</b>	<b>58,936</b>

<b>Member Transactions</b>	<b>2020/21</b> £000	<b>2021/22</b> £000	<b>2022/23</b> £000	<b>2023/24</b> £000	<b>2024/25</b> £000
Employer Contributions	76,211	81,241	84,524	91,564	89,674
Employee Contributions	27,091	28,363	30,210	32,200	33,317
Transfers In	3,635	6,221	3,954	8,008	7,344
Lump Sums Paid	(23,026)	(26,132)	(27,481)	(35,073)	(46,747)
Pension Paid	(96,061)	(99,574)	(105,447)	(118,462)	(131,172)
Transfer Out	(12,503)	(5,757)	(5,076)	(4,676)	(45,066)
Administration costs	(1,655)	(1,968)	(1,867)	(2,339)	(2,205)
<b>Net withdrawals</b>	<b>(26,308)</b>	<b>(17,606)</b>	<b>(21,183)</b>	<b>(28,778)</b>	<b>(94,855)</b>

<b>Net Asset Movements</b>	<b>2020/21</b> £000	<b>2021/22</b> £000	<b>2022/23</b> £000	<b>2023/24</b> £000	<b>2024/25</b> £000
Opening Net Assets	3,672,321	4,849,572	5,095,976	4,834,052	5,493,525
Investment Income	71,033	79,440	84,205	82,981	74,138
Management Costs	(10,411)	(10,494)	(9,934)	(10,422)	(11,074)
Member Transactions	(26,308)	(17,606)	(21,183)	(28,778)	(94,855)
Change in Market Value	1,142,937	195,064	(315,012)	615,692	104,195
<b>Closing Net Assets</b>	<b>4,849,572</b>	<b>5,095,976</b>	<b>4,834,052</b>	<b>5,493,525</b>	<b>5,565,929</b>

<b>Cashflow Forecast</b>	<b>2025/26</b> £000	<b>2026/27</b> £000	<b>2027/28</b> £000	<b>2028/29</b> £000	<b>2029/30</b> £000
Pension Income	130,184	135,396	140,817	146,457	152,322
Pension Expenditure	(180,877)	(192,413)	(204,695)	(217,772)	(231,695)
Net Pension Cashflow	(50,693)	(57,017)	(63,878)	(71,315)	(79,373)
Net Investment Income	71,350	75,453	79,791	84,379	89,231
	<b>2030/31</b> £000	<b>2031/32</b> £000	<b>2032/33</b> £000	<b>2033/34</b> £000	<b>2034/35</b> £000
Pension Income	158,424	164,771	171,372	178,240	185,383
Pension Expenditure	(246,520)	(262,304)	(279,112)	(297,009)	(316,066)
Net Pension Cashflow	(88,096)	(97,533)	(107,740)	(118,769)	(130,683)
Net Investment Income	94,362	99,788	105,525	111,593	118,010

## THE MANAGEMENT OF TAYSIDE PENSION FUND

### Pension Sub-Committee

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

The table below show the membership of the Pension Sub-Committee to 31<sup>st</sup> March 2025:

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

All committee members are members of Tayside Pension Fund.

### Local Pension Board

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

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

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

The table below show the membership of the Pension Board as at 31st March 2025:

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

\* appointed on 17 March 2025.

\*\* stood down as Chairperson on 17 March 2025.

The Pension Sub-Committee and Pension Board must undergo continuous regular training which can be delivered locally or nationally (as a minimum attending full induction sessions and completing The Pensions Regulator's Essential Public Service Modules within their Trustee Toolkit). The Pension Sub-Committee and Pension Board hold

joint meetings on a quarterly basis, and each member of the Pension Sub-Committee and Pension Board is required to declare any financial and non-financial interests they have in the items of business for consideration at each meeting, identifying the relevant agenda item and the nature of their interest. The meetings have continued to be held virtually throughout the financial year. Full details of the scheme's governance structure are contained in the scheme's Governance Compliance Statement.

### **Tayside Pension Fund Officers**

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

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

\* resigned on 31 March 2025.

\*\* appointed as Executive Director of Corporate Services on 1 April 2025.

### **Scheme Advisory Board**

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

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

### **Fund Managers**

Baillie Gifford & Co  
Fidelity Pension Management  
Legal & General Investment Management  
Schroder Property Investment Management  
Apollo Global Management  
Partners Group

### **Investment Advisor**

#### **Actuary**

#### **Custodian**

#### **System Provider**

#### **Banker**

#### **Auditors**

#### **Corporate Governance Advisor**

#### **Performance Measurement**

#### **Legal**

#### **Covenant Advisor**

ISIO Services Ltd  
Barnett Waddingham  
Northern Trust  
Aquila Heywood Ltd  
Royal Bank of Scotland  
Audit Scotland (external), PwC (internal)  
Pension & Investment Research Consultants Ltd (PIRC)  
Northern Trust  
CMS Cameron McKenna Nabarro Olswang LLP  
PwC

## ANNUAL GOVERNANCE STATEMENT

Dundee City Council is the administering authority and scheme manager of Tayside Pension Fund, a local government pension fund covering the three local authorities in the former Tayside area, and 38 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:

- Outsourcing / Third Party Management arrangements
- Investment Strategy

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 Reasonable Assurance opinion. Across the reviews, there were four medium-risk and five low-risk findings. PwC inform that governance, risk management and control in relation the internal audit reviews performed is generally satisfactory, and whilst a limited number of medium risk rated weaknesses may have been identified, generally only low risk rated weaknesses have been found in individual reviews. They conclude that some improvements are required in those 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.

### Review of Effectiveness

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

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. The 2024/25 review of governance arrangements against the Local Code of Corporate Governance has identified the Council as being 99% (2023/24: 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 the completion of a 74-point checklist covering eight key governance areas of Service Planning and Performance Management; Internal Control Environment; Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management; and Partnerships; and Information Governance. This continues to score a high level of compliance, with an overall score above 93% for 2024/2025 (2023/2024: 92%).

Over and above the Internal Audit Service delivered by PwC, the Council's Internal Audit Service also operates in accordance with the Public Sector Internal Audit Standards and reports functionally to the Scrutiny Committee. Conformance with the PSIAS should be confirmed independently, through the completion of a formal External Quality Assurance (EQA) process. The independent review was due to be undertaken in 2023 but has been subject to delay of the reviewer. Conformance with PSIAS, with the exception of updating the EQA within 5 years has been confirmed by the self-assessment prepared by the Service as part of the review. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. The overall audit opinion, based on the above, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2025.

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 2024/25:

Business Area	Item	Description	Status / Information
Finance & Governance	Investment Strategy	Review of the design and operating effectiveness of key controls in that lead to advising on and setting the investment strategy.	Complete
	General Code	Review of TPR General Code Compliance	Complete
	Investment Strategy	Following the outcome of the 2023 actuarial valuation, a review of the Fund's investment strategy will take place in 2024/25, with any	Complete

Investment		recommendations actioned when market conditions favour.	
	Portfolio Review	Review of specific portfolios within the Fund following annual performance review.	Complete

The following are service improvements specific to Tayside Pension Fund planned for 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	Delayed from previous year. Independent specialists to be engaged.
	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"> <li>• Actuary</li> <li>• Investment advisor</li> </ul>	Scheduled
	Risk Management & Regulatory Compliance	Assessment in line with TPR General Code	Scheduled
	GDPR	Review of the design of key controls in respect of GDPR regulations	Scheduled
Administration	Pensions dashboard	Access to tool to enquire about missed pension pots and benefit values	Scheduled
	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.	Scheduled
	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.	Scheduled

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Pension Board meetings:

[https://www.dundeeecity.gov.uk/minutes/meetings?in\\_cc=35&in\\_dat=2](https://www.dundeeecity.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 2024/2025. It is proposed over 2025/2026 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance governance arrangements.

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**Gregory Colgan**

Chief Executive  
Dundee City Council

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**Bailie Willie Sawers**

Chair of Pension Sub-Committee  
Tayside Pension Fund

## 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 38 other large and small employers.

The main functions are:

- management and investment of scheme funds; and
- administration of scheme benefits

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

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

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

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

### 2. Delegation

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

### 3. Terms of Delegation

The terms, structure and operational procedures of delegation are set out in the report to Dundee City Council's Policy & Resources Committee on 9<sup>th</sup> 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/minutes/meetings?in\\_cc=35&in\\_dat=2](https://www.dundee.gov.uk/minutes/meetings?in_cc=35&in_dat=2)

### 5. Representation

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

### 6. Compliance

The following demonstrates the assessment to the extent that the Fund is in compliance with guidance given by Scottish Ministers, it is noted there is one area where it is considered only partial compliance has been made and further details are contained within the full Governance Compliance Statement which is available at: <https://taysidepensionfund.org/resources/>

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**Gregory Colgan**  
Chief Executive  
Dundee City Council

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**Bailie Willie Sawers**  
Chair of Pension sub-committee  
Tayside Pension Fund

## RISK POLICY & STRATEGY

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

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

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

Full details can be found on the Tayside Pension Fund Website. Please see link below:

<https://www.taysidepensionfund.org/resources/risk-management-policy-and-strategy-june-2023/>

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Administering Authority's Responsibilities

The Authority is required to:

- Make arrangement for the proper administration of the financial affairs of the Pension Fund in its charge and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Executive Director of Corporate Services.
- Manage its affairs to secure economic, efficient, and effective use of its resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far, as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

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**Bailie Willie Sawers**  
Chair of Pension sub-committee  
Tayside Pension Fund

### **The Executive Director of Corporate Service's Responsibilities**

The Executive Director of Corporate Services is responsible for the preparation of the Pension Fund statement of accounts which, in terms of CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), is required to present a true and fair view of the financial position of the Pension Funds at the accounting date and their income and expenditure for the year (ended 31 March 2025).

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

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

The Executive Director of Corporate Services has also:

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

### **Statement of Accounts**

The Statement of Accounts presents a true and fair view of the financial position of the Pension Funds as at 31 March 2025, and their income and expenditure for the year ending 31 March 2025.

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**Paul Thomson CPFA**  
Executive Director of Corporate Services  
Dundee City Council



**INDEPENDENT AUDITOR'S REPORT**

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

**Rachel Browne CPFA**  
**Audit Director**  
**Audit Scotland**  
**102 Westport**  
**Edinburgh**  
**EH3 9DN**

## TAYSIDE PENSION FUND - FUND ACCOUNT

2023/24 £000			2024/25 £000
		Note	
	<b>Dealings with Members, Employers and other directly involved in the fund</b>		
91,564	Employers' contributions	5	89,674
32,200	Employees' contributions	5	33,317
8,008	Transfers in from other pension funds	7	7,344
<u>131,772</u>			<u>130,335</u>
(153,535)	Benefits	6	(177,919)
(4,676)	Payments to and on account of leavers	8	(45,066)
<u>(158,211)</u>			<u>(222,985)</u>
<u>(26,439)</u>	Net Withdrawals from dealings with members		<u>(92,650)</u>
(2,339)	Administration Expenses	21	(2,205)
<u>(28,778)</u>	<b>Net Withdrawals from dealings with Members including Administration Expenses</b>		<u>(94,855)</u>
	<b>Returns on Investments</b>		
82,981	Investment Income	9	74,138
615,692	Change in Market Value of Investments	10a	104,195
(10,422)	Investment Management Expenses	22	(11,074)
<u>688,251</u>	<b>Net Returns on Investments</b>		<u>167,259</u>
<u>659,473</u>	<b>Net increase/(decrease) in Fund during the year</b>		<u>72,404</u>
<u>4,834,052</u>	<b>Opening Net Assets of the scheme</b>		<u>5,493,525</u>
<u><u>5,493,525</u></u>	<b>Closing Net Assets of the scheme</b>		<u><u>5,565,929</u></u>

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

## TAYSIDE PENSION FUND NET ASSETS STATEMENT

2023/24 £000		Note	2024/25 £000
	<b>Investment Assets</b>	10	
264,751	Bonds		264,061
2,377,732	Equities		2,199,093
340,263	Fixed Income funds		348,445
1,569,650	Equity funds		1,492,764
-	Diversified Alternatives		258,876
100,000	Multi Asset Credit		108,066
485,213	Pooled Property Investments		580,866
1,398	Derivatives		1,471
18,291	Other Investment Assets		16,568
322,002	Cash Deposits		393,073
5,479,300			5,663,283
(5,423)	Investment Liabilities	10	(108,340)
<b>5,473,877</b>	<b>Total Net Investments</b>	<b>10</b>	<b>5,554,943</b>
25,533	Current Assets	18	16,990
5,499,410			5,571,933
(5,885)	Current Liabilities	19	(6,004)
<b>5,493,525</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>5,565,929</b>

**Paul Thomson CPFA**  
 Executive Director of Corporate Services  
 Dundee City Council  
 23 June 2025

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

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

## NOTES TO TAYSIDE PENSION FUND FINANCIAL STATEMENTS

### 1 - The Local Government Pension Scheme

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

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

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

Tayside Pension Fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises most Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 37 other bodies. Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement.

### 2 - Basis of Preparation of the Financial Statements

The financial statements summarise the Fund's transactions for the 2023/24 financial year and its position as at the 31 March 2025. The accounts have been prepared on a going concern basis, and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. In addition, consideration has been given to the Local Government Pension Scheme Fund Accounts - example accounts and disclosure checklist published by the Chartered Institute of Public Finance Accountants (CIPFA).

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

### 3 - Statement of Accounting Policies

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

#### Investments

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

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

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

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

#### Income and Expenditure

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

### **Investment Income**

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

### **Cash and Cash Equivalents**

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

### **Contributions**

Contributions represent the amounts received from organisations participating in the Fund, these may be from the administering authority, and other scheduled bodies or admitted bodies. Such amounts relate both to their own employer contributions and to those of their pensionable employees. Employee and employer's contributions due as at 31 March 2025 have been accrued. In accordance with Funding Strategy Statement, employers have the option to prepay their pension contributions which will generate a saving based on an actuarial calculation. Three employers elected to make an upfront payment of their 2024/25 employer contributions in April 2024 with a balancing payment in April 2025.

### **Foreign Currency**

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

### **Investment Management Expenses**

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

### **Administrative Overheads and Expenses**

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

### **Acquisition Cost**

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

### **Additional Voluntary Contributions**

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

### **Transfers to and from other Schemes**

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

## **Taxation**

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

## **VAT**

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

## **Derivatives**

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

## **Financial Assets**

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

## **Financial Liabilities**

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

## **Fair Value Measurement**

The Fund measures its financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

## **Actuarial present value of promised retirement benefits**

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

#### 4 - Related Party Transactions and Balances

All employer member bodies are by nature related parties of the Fund. Tayside Pension Fund is administered by Dundee City Council, consequently there is a strong relationship between the Council and Pension Fund. Note 5 outlines the pension contributions paid by the Council, as administering authority, to the Fund in relation to 2024/25.

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

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

Employer	Employer type	Transactions 2023/24 £000	Balances due 31 March 2024 £000	Transactions 2024/25 £000	Balances due 31 March 2025 £000
Dundee City Council	Administering	35,877	3,596	34,900	3,726
Angus Council	Scheduled	21,155	1,735	20,642	1,721
Care Inspectorate	Admitted	6,801	597	6,833	405
Dundee and Angus College	Scheduled	2,462	53	2,790	-
Leisure and Culture Dundee	Admitted	2,563	-	2,407	-
Perth and Kinross Council	Scheduled	29,098	2,697	29,337	2,709
Scottish Social Services Council	Admitted	2,647	202	2,585	76
Tayside Contracts	Scheduled	8,361	3	8,124	354
Tayside Police Civilians	Scheduled	5,022	-	5,056	-
University of Abertay Dundee	Admitted	1,841	60	1,936	-

#### 5 – Contributions Receivable

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

	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
<b>2024/25</b>				
Member contributions	9,217	18,485	5,615	33,317
Employer contributions	23,764	48,481	14,213	86,458
Strain on Fund	207	2,859	150	3,216
<b>Total</b>	<b>33,188</b>	<b>69,825</b>	<b>19,978</b>	<b>122,991</b>

	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
<b>2023/24</b>				
Member contributions	9,043	17,727	5,430	32,200
Employer contributions	25,189	50,112	14,614	89,915
Strain on Fund	2	1,441	206	1,649
<b>Total</b>	<b>34,234</b>	<b>69,280</b>	<b>20,250</b>	<b>123,764</b>

## 6 – Benefits Payable

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

	Total Benefits Payable (incl. Lump Sums)		Lump sums (Retirement and Death Benefits)	
	2023/24	2024/25	2023/24	2024/25
	£000	£000	£000	£000
Administering Authority	52,584	61,276	11,299	15,994
Other Scheduled Bodies	77,848	89,843	18,534	23,983
Admitted Bodies	23,103	26,800	5,240	6,770
	<b>153,535</b>	<b>177,919</b>	<b>35,073</b>	<b>46,747</b>

## 7 – Transfers In from other Pension Funds

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

	Transfer Values Received	
	2023/24	2024/25
	£000	£000
Administering Authority	940	1,792
Other Scheduled Bodies	3,551	3,162
Admitted Bodies	3,517	2,390
	<b>8,008</b>	<b>7,344</b>



## 8 – Payments to and on Account of Leavers

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

	Transfer Values Paid		Refunds	
	2023/24	2024/25	2023/24	2024/25
	£000	£000	£000	£000
Administering Authority	1,796	1,602	92	24
Other Scheduled Bodies	2,076	42,473*	187	77
Admitted Bodies	434	841	91	49
	<b>4,306</b>	<b>44,916</b>	<b>370</b>	<b>150</b>

\* On 31<sup>st</sup> January 2025, Scottish Fire and Rescue Service bulk transferred members to Strathclyde Pension Fund as they consolidated all their LGPS members into one administering fund. The bulk transfer value was £39.268m.

## 9 - Investment Income

	2023/24	2024/25
	£000	£000
Bonds	20,670	12,581
Dividends from Equities	40,065	39,422
Income from Pooled Investment Vehicles	17,654	16,971
Interest on Custody Cash Deposits	4,078	4,569
Securities Lending	317	143
Interest on Cessation Debt	54	47
Interest on Internal Cash Deposits	893	981
	<b>83,731</b>	<b>74,714</b>
Withholding Tax	(750)	(576)
	<b>82,981</b>	<b>74,138</b>

## 10 – Investments

Market Value as at	31 March 2024	31 March 2025
<b>Investment Assets</b>	£000	£000
Bonds	264,751	264,061
Equities	2,377,732	2,199,093
Fixed Income Funds	340,263	348,445
Equity Funds	1,569,650	1,492,764
Diversified Alternatives	-	258,876
Multi-Asset	100,000	108,066
Pooled Property Investments	485,213	580,866
Derivative contracts	1,398	1,471
Cash deposits	322,002	393,073
Investment Income due	11,985	12,650
Amounts receivable for sales	6,306	3,353
Other Investment assets	-	565
<b>Total Investment Assets</b>	<b>5,479,300</b>	<b>5,663,283</b>

**Investment Liabilities**

Derivative contacts`	(782)	(976)
Amounts payable for purchases	(3,817)	(107,364)
Other Investment liabilities	(824)	-
<b>Total Investment Liabilities</b>	<b>(5,423)</b>	<b>(108,340)</b>

**Net Investment Assets**

<b>5,473,877</b>	<b>5,554,943</b>
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**10a Reconciliation of Movements in Investments and Derivatives**

	Market value at 31/03/24	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value at 31/03/25
	£000	£000	£000	£000	£000
Bonds	264,751	130,897	(129,452)	(2,135)	264,061
Equities	2,377,732	771,168	(962,135)	12,328	2,199,093
Pooled Investments	2,009,914	12,821	(152,225)	78,765	1,949,275
Pooled Property Investments	485,212	115,760	(28,240)	8,134	580,866
Diversified Alternatives	-	250,000	-	8,876	258,876
	5,137,609	1,280,646	(1,272,052)	105,968	5,252,171
Derivative Contracts -					
Futures	824	80,301	(75,996)	(5,691)	(562)
Options	-	-	-	-	-
Currency Forwards	(208)	3,272	(3,534)	1,527	1,057
	5,138,225	1,364,219	(1,351,582)	101,804	5,252,666
Other Investment Balances	(824)			2,812	562
Cash Deposits	322,002			(264)	393,073
Amounts receivable for sales	6,306			10	3,353
Investment income due	11,985			-	12,650
Spot FX contracts	-			(145)	3
Amounts payable for purchases	(3,817)			(22)	(107,364)
<b>Net Financial Assets</b>	<b>5,473,877</b>			<b>104,195</b>	<b>5,554,943</b>

Purchases and sales of derivatives are recognised as follows: Futures – on close out or expiry the variation margins are recognised as cash receipts or payments, depending on whether there is a gain or loss. Options – premiums paid and received are reported as payments or receipts together with any close out costs or proceeds arising from early termination. Forward currency contracts settlements are reported as gross receipts and payments. All payments or receipts under swap contract are reported in the reconciliation tables above, together with any close out costs or proceeds arising on early termination.

### 10b Investments Analysed by Fund Manager

The Fund's investment assets are under the management of five external fund managers. At 31 March 2025, the market value of these investment assets was £5,554.9m (2024 £5,473.9m), managed as follows:

Fund Manager	Mandate	2024		2025	
		£000	%	£000	%
Schroders Property	Property	514,560	9.4	689,511	12.4
Fidelity	Global Equity	1,271,643	23.2	1,192,451	21.4
Baillie Gifford	Global Equity	710,675	13.0	692,980	12.5
Goldman Sachs	Bond	53	0.1	-	-
Fidelity	Bond	375,893	6.9	375,990	6.8
Baillie Gifford	UK Equity	434,001	7.9	366,528	6.6
Legal & General	Passive Equity	1,518,857	27.7	1,444,319	26.0
GSAM Broad Street	Infrastructure	7,910	0.1	3,266	0.1
Northern Trust	Securities Lending	11	-	39	-
Baillie Gifford	Equity (Positive Change)	50,794	0.9	48,449	0.9
The Partners Fund	Private Markets	250,131	4.6	387,034	7.0
LGIM Buy and Maintain	Bond	239,303	4.4	246,309	4.4
Apollo Total Return Fund	Multi-asset	100,046	1.8	108,067	1.9
<b>Net Investment Assets</b>		<b>5,473,877</b>	<b>100.0</b>	<b>5,554,943</b>	<b>100.0</b>

The following investments represent more than 5% of the net assets of the scheme as at 31 March 2025:

	Market value as at 31/03/2024 £000	% of total fund	Market value as at 31/03/2025 £000	% of total fund
LGIM All World Equity Index (OFC)	1,122,324	20.5	661,447	11.9
LGIM Future World Index (OFC)	396,533	7.2	783,168	14.1
	<u>1,518,857</u>		<u>1,444,315</u>	

### 11 - Analysis of Derivatives

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

**Objectives and policies for holding derivatives** Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment managers. **Futures** - The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements. Outstanding exchange traded futures contracts are as follows –

**Futures**

Type	Expires	Economic exposure £000	Market Value as at 31/03/2024 £000	Economic exposure £000	Market Value as at 31/03/2025 £000
<b>Assets</b>					
UK Fixed Income Futures	Less than one year	78,753	1,328	-	-
Overseas Fixed Income Futures	Less than one year	16,868	40	12,385	298
<b>Total assets</b>			<b>1,368</b>		<b>298</b>
<b>Liabilities</b>					
UK Fixed Income Futures	Less than one year	-	-	64,366	(377)
Overseas Fixed Income Futures	Less than one year	(44,843)	(544)	(63,486)	(483)
<b>Total liabilities</b>			<b>(544)</b>		<b>(860)</b>
<b>Net futures</b>			<b>824</b>		<b>(562)</b>

**Open Forward Currency Contracts**

Forward foreign currency - A significant proportion of the fund's quoted equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the fund hedges its foreign currency exposure. Open forward currency contracts are as follows –

Settlements	Currency bought	Local Value £000	Currency sold	Local Value £000	Asset value £000	Liability value £000
One to six months	GBP	37,779	EUR	(45,174)	-	(116)
One to six months	GBP	30,793	USD	(38,478)	1,161	-
One to six months	EUR	1,961	GBP	(1,642)	3	-
Up to one month	EUR	2,218	GBP	(1,848)	8	-
Up to one month	GBP	51	EUR	(61)	-	-
<b>Open forward currency contracts at 31 March 2025</b>					<b>1,172</b>	<b>(116)</b>
<b>Net forward currency contracts at 31 March 2025</b>						<b>1,056</b>

Prior year comparative:	Asset value	Liability value
Open forward currency contracts at 31 March 2024	30	(238)
Net forward currency contracts at 31 March 2024		<b>(208)</b>

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

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

## 12 - Fair Value

### Basis of Valuation

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

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

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

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

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

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

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 1</b>			
Quoted equities	The published bid market price on the final day of the accounting period.	Not required.	Not required.
Quoted fixed income bonds and unit trusts	Quoted market value based on current yields	Not required	Not required
Futures and UK bond options'	Published exchange price at the year-end	Not required	Not required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Amounts receivable From investment sales	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
<b>Level 2</b>			
Gilts, TIPS (Treasury Inflation Protected Securities)	Fixed income securities are priced based on evaluated prices provided by	Evaluated price feeds.	Not required.

	independent pricing services.		
Pooled investments – equities, fixed income, and managed property funds	Closing bid price where bid and offer price are published Closing single price where single price published.	NAV – based pricing set on a forward pricing basis.	Not required.
Forward foreign exchange derivatives	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Level 3			
Directly held property / Affordable Housing	Valued at year end by external valuer DM Hall / Allsop in accordance with the Royal Institute of Chartered Surveyors' Red Book Global Valuation Standards (introduced with effect from 31 January 2020).	<ul style="list-style-type: none"> <li>• Existing lease terms</li> <li>• Nature of tenancies</li> <li>• Covenant strength</li> <li>• Vacancy levels</li> <li>• Estimated rental growth</li> <li>• Discount rate</li> </ul>	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Private Equity / Infrastructure / Private Debt	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	<ul style="list-style-type: none"> <li>• EBITDA multiple</li> <li>• Revenue multiple</li> <li>• Discount for lack of marketability</li> <li>• Control Premium</li> </ul>	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts.

### Fair Value Hierarchy

Market Value as at 31/03/2025	Quoted market price	Using observable inputs	With significant observable inputs	Total
	Level 1 £000	Level 2 £000	Level 3 £000	£000
<u>Financial assets at fair value through profit and loss -</u>				
Bonds	259,384	4,662	15	264,061
Equities	2,199,085	-	8	2,199,093
Pooled Funds	102,136	1,739,073	366,942	2,208,151
Pooled Property Investments	101,090	219,509	260,267	580,866
Derivative contracts	278	1,193	-	1,471
Cash deposits	366,675	26,398	-	393,073
Investment Income due	12,434	186	30	12,650
Amounts receivable for sales	-	3,353	-	3,353
Other Investment assets	582	(17)	-	565
<u>Non-financial assets at fair value through profit and loss -</u>				
Property	-	-	-	-

Financial liabilities at a fair value through profit and loss -

Payable for investment purchases	-	(107,364)	-	(107,364)
Derivative Liabilities	(860)	(116)	-	(976)

<b>Net financial assets</b>	<b>3,040,804</b>	<b>1,886,877</b>	<b>627,262</b>	<b>5,554,943</b>
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Market Value as at 31/03/2024	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000

Financial assets at fair value through profit and loss -

Bonds	-	264,751	-	264,751
Equities	2,377,724	-	8	2,377,732
Pooled Funds	150,794	1,859,120	-	2,009,914
Pooled Property Investments	-	480,291	4,922	485,213
Derivative contracts	1,368	30	-	1,398
Cash deposits	315,633	6,369	-	322,002
Investment Income due	7,305	4,679	-	11,984
Amounts receivable for sales	-	6,306	-	6,306
Other Investment assets	-	-	-	-

Non-financial assets at fair value through profit and loss -

Property	-	-	-	-
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Financial liabilities at a fair value through profit and loss -

Payable for investment purchases	-	(3,817)	-	(3,817)
Other investment liabilities	(829)	5	-	(824)
Derivative Liabilities	(538)	(244)	-	(782)

<b>Net financial assets</b>	<b>2,851,457</b>	<b>2,617,490</b>	<b>4,930</b>	<b>5,473,877</b>
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	Market Value as at 31/03/2024 £000	Transfers in/out of Level 3 £000	Purchases £000	Sales £000	Unrealised gains (losses) £000	Realised gains (losses) £000	Market Value as at 31/03/2025 £000
UK Property Funds	4,922	265,942	15,815	(28,224)	969	873	260,297
Overseas	8	-	-	-	-	-	8
Equities							
Diversified	-	-	250,000	-	8,876	-	258,876
Alternatives							
Multi-asset	-	100,000	-	-	8,066	-	108,066
UK quoted	-	-	-	-	15	-	15
<b>Total</b>	<b>4,930</b>	<b>365,942</b>	<b>265,815</b>	<b>(28,224)</b>	<b>17,926</b>	<b>873</b>	<b>627,262</b>

Having analysed historical data and current market trends, and consulted with independent investment advisors (Isio), Tayside Pension Fund has determined that the valuation methods are likely to be accurate to within the following ranges and has set out the below consequent potential impact on the closing value of the investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value as at 31/03/2025  £000	Value on Increase  £000	Value on Decrease  £000
UK property Funds	13%	260,297	294,102	226,432
Overseas Equities	21%	8	9	6
Diversified Alternatives	18%	258,876	305,473	212,278
Multi-asset	9%	108,066	117,793	98,341
UK quoted	12.5%	15	17	13
<b>Total</b>		<b>627,262</b>	<b>717,394</b>	<b>537,070</b>

### 13a Classification of Financial Instruments

Market Value as at 31/03/2024				Market Value as at 31/03/2025		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			<b>Financial assets</b>			
264,751	-	-	Bonds	264,061	-	-
2,377,732	-	-	Equities	2,119,093	-	-
2,009,914	-	-	Pooled investments	1,949,275	-	-
485,213	-	-	Pooled property investments	580,866	-	-



## Financial Statements

-	-	- Private equity / infrastructure	-	-	-
-	-	- Diversified Alternatives	258,876	-	-
1,398	-	- Derivative contracts	1,471	-	-
10,969	311,032	- Cash	26,509	366,564	-
-	11,985	- Other investment balances	565	12,650	-
-	6,306	- Debtors	-	3,353	-
<b>5,149,977</b>	<b>329,323</b>	-	<b>5,280,716</b>	<b>382,567</b>	-

<b>Financial liabilities</b>					
(782)	-	- Derivative contracts	(976)	-	-
-	-	(824) Other Investment balances	-	-	-
-	-	(3,817) Creditors	-	-	(107,364)
<b>(782)</b>	<b>-</b>	<b>(4,641)</b>	<b>(976)</b>	<b>-</b>	<b>(107,364)</b>
<b>5,149,195</b>	<b>329,323</b>	<b>(4,641)</b>	<b>5,279,740</b>	<b>382,567</b>	<b>(107,364)</b>
<b>5,473,877</b>			<b>5,554,943</b>		
<b>Grand Total</b>					

**13b Net Gains and Losses on Financial Instruments**

Market Value as at 31/03/2024			Market Value as at 31/03/2025		
£000	<b>Financial Assets</b>		£000		
603,263	Fair value through profit and loss		105,968		
1,947	Loans and receivables		2,823		
	<b>Financial Liabilities</b>				
13,865	Fair value through profit and loss		(4,164)		
(3,383)	Loans and receivables		(432)		
<b>615,692</b>			<b>104,195</b>		

**14 - Stock Lending**

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2025 was £64.5m (2024 £73.1m). These assets continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets. Stock lending commissions are remitted to the Fund via the custodian. During the period, the stock is on loan, the voting rights of the loaned stock pass to the borrower.

**15 - Additional Voluntary Contributions (AVCs)**

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

Net Asset Value	31 March 2024	31 March 2025
	£000	£000
Prudential	12,621	14,595
Standard Life	3,477	3,217
Contributions Received	2023/24	2024/25
	£000	£000

Prudential  
Standard Life

3,816  
201

4,926  
327

## 16 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2025, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £3,572.3m (2024 £3,981.0m) of which £3,522.5m (2024 £3,921.8m) is a vested obligation and £49.8m (2024 £59.2m) is a non-vested obligation. This figure is used for statutory accounting purposes by Tayside Pension Fund and complies with the requirements of IAS26. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting of contributions payable to the Fund.

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

As noted above, the liabilities above are calculated on an IAS19 basis and therefore will differ from the results of the 2023 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions Used	2023/24	2024/25
	%	%
Inflation / pension increase rate	2.90	2.95
Salary increase rate	3.90	3.95
Discount rate	4.85	5.75

## 17 – Current Assets

	2023/24	2024/25
	£000	£000
Contributions Due from Employers	9,984	10,386
Cash and bank	13,260	6,125
Pending sales ledger income	215	64
Employer cessation valuation	1,769	-
Miscellaneous debtors	305	415
	<u>25,533</u>	<u>16,990</u>

## 18 – Current Liabilities

	2023/24	2024/25
	£000	£000
Unpaid benefits	3,346	3,651
Custodian fees	81	53
Cash and bank	39	28
Investment Manager Fees	2,161	2,102
Consultancy fees	30	25
Pending purchase ledger payments	1	-
HMRC	140	66
Audit Services	79	42
Miscellaneous creditors	8	37
	<u>5,885</u>	<u>6,004</u>

## 19 - Audit Fee & Other Services

The Fund have been subject to separate external and internal audits to that of the Council. The Fund incurred an external audit fee of £32,790 for the financial year. (2024 £32,180). During 2024/25 financial year the Fund received no other services from Audit Scotland. The Fund also incurred internal audit fees of £42,379 from PwC (2024 £100,996)

**20 – Management Expenses**

	2023/24	2024/25
	£000	£000
Administrative costs	2,238	2,097
Investment management expenses	10,422	11,074
Oversight and governance costs	101	108
	<u>12,761</u>	<u>13,279</u>

**21 – Investment Expenses**

	2023/24	2024/25
	£000	£000
Management fees	9,431	9,911
Custody fees	103	77
Performance monitoring service	25	28
Investment consultancy	159	101
Commission recapture	(2)	(2)
Transaction costs	706	959
	<u>10,422</u>	<u>11,074</u>
Investment Management fees as a percentage of Net Financial Assets	0.19%	0.20%

	Management fees	Transaction costs	Total
	£000	£000	£000
Bonds	937	-	937
Equities	6,950	958	7,908
Pooled investments	244	-	244
Property	1,713	-	1,713
Alternatives	23	-	23
Securities Lending	43	-	43
	<u>9,910</u>	<u>958</u>	<u>10,868</u>
Custody fees			105
Consultancy fees			101
Total			<u>11,074</u>

**22 – Nature and Extent of Risks arising from Financial Instruments**

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

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

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

## Market Risk

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

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

## Other Price Risk

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

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

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

### Other price risk – sensitivity analysis

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

	Potential Market Movement
	+/- per annum
<b>Equities</b>	
UK	20.5%
Emerging Markets	28.0%
Global	21.0%
<b>Bonds</b>	
UK Index-Linked Gilts	12.5%
UK Gilts	13.5%
UK Corporate	12.5%
Multi-asset Credit	9.0%
Other	9.0%
<b>Property</b>	13.0%
<b>Alternatives</b>	18.0%
<b>Cash</b>	2.0%

Source: ISIO

Potential price changes are determined based on the historical volatility of asset class returns and expected future returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the

assets and are based on the investment adviser's 10-year capital market assumptions for asset class volatilities as at 31 March 2025. If the market price of the Fund's investments increases/decreases in line with the above, the change in the net assets available to pay benefits in the market price could be as follows:

			Potential change in year in the net assets available to pay benefits	
	Value £	% Change	Favourable Market Movement £	Unfavourable Market Movement £
<b>Equities</b>				
UK	436,448,369	20.5%	525,920,284	346,976,453
Emerging Markets	-	28.0%	-	-
Global	3,255,408,206	21.0%	3,939,043,930	2,571,772,483
<b>Bonds</b>				
UK Index-Linked Gilts	102,135,973	12.5%	114,902,969	89,368,976
UK Gilts	323,868	13.5%	367,591	280,146
UK Corporate	107,409,195	12.5%	120,835,344	93,983,045
Multi-asset Credit	108,066,470	9.0%	117,792,452	98,340,488
Other	402,075,773	9.0%	438,262,592	365,888,953
<b>Property</b>	580,866,039	13.0%	656,378,624	505,353,454
<b>Alternatives</b>	258,876,000	18.0%	305,473,680	212,278,320
<b>Cash</b>	303,332,493	2.0%	309,399,143	297,265,843

Source: ISIO/Northern Trust

### Interest rate sensitivity analysis

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

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

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

The Fund's direct exposure to interest rate movement as at 31 March 2025 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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

Asset Type	Carrying amount as at 31 March 2025 (£)	Potential change in year in the net assets available to pay benefits £	
		100bps	-100bps
Fixed Interest Securities	618,437,032	(13,875,752)	13,875,752
Index-Linked Securities	102,135,973	(18,486,611)	18,486,611
Cash	393,072,495	-	-
Total change in assets available	1,113,645,500	(32,362,363)	32,362,363

Source: Northern Trust

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. A 1% increase in interest rates may potentially increase the interest rate income received on cash and cash equivalents by £3,930,725 and vice versa.

### Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund does not have a currency hedging programme but individual investment managers may hedge some currencies from time to time on a tactical basis. As any hedging could be temporary, the analysis below does not allow for any currencies that are hedged at 31 March 2025. The Fund is invested in equities and bonds that are denominated in currencies other than GBP. The following table summarises the Fund's currency exposure at 31 March 2025:

Currency exposure – asset type	Asset value (£)
	31 March 2025
Overseas quoted securities	1,762,644,427
Overseas unit trusts	1,492,763,779
Overseas public sector bonds (quoted)	5,773,891
Overseas corporate bonds (quoted)	150,177,072
<b>Total Overseas assets</b>	<b>3,411,359,169</b>

Source: Northern Trust

### Credit risk

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

The Fund has an Annual Treasury Strategy which sets out the approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The cash holding under its treasury management arrangements at 31 March 2025, including current account cash, was £6.157m (2024: £13.288m). This was held with the following institutions -

	Credit Rating	Balance as at 31 March 2024 £'000	Balance as at 31 March 2025 £'000
Money Market Funds -			
Federated	AAAmf	4,070	-
LGIM	AAAmf	9,190	6,125
Current account -			
Royal Bank of Scotland	F1	28	32

### Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund has

immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash.

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

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

The items in the net assets statement as at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows -

#### Actuarial present value of promised retirement benefits (note 16)

##### Uncertainties

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

Effect if actual results differ from assumptions	£000	£000
Present value of total obligation	3,572,278	
<b>Sensitivity to</b>	<b>+0.1%</b>	<b>-0.1%</b>
Discount rate	3,521,000	3,624,791
Long term salary increases	3,577,435	3,567,153
Pension increases and deferred revaluation	3,621,026	3,524,697
<b>Sensitivity to</b>	<b>+1 year</b>	<b>-1 year</b>
Life expectancy assumptions	3,720,746	3,430,407

#### Financial Assets and Liabilities measured at fair value

##### Uncertainties

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

### 24 - Contingent Liabilities

Contingent Liabilities reflect possible liabilities facing the Fund where the potential amount is unable to be estimated, and/or it is still not deemed probable that an obligatory event has arisen. There are a number of judgements from recent pensions litigation which may have some impact on the valuation of scheme liabilities. These include the following –

**McCloud.** Benefits accrued by certain members between 2015 and 2022 may increase following the McCloud case, which ruled that transitional protections introduced in 2015 for older members were discriminatory. Barnett Waddingham made an allowance in the 2023 actuarial valuation for the cost of these potential improvements, based on the guidance issued by the Scottish Public Pensions Agency on 28 April 2023.

**GMP Equalisation.** Remediation adjustments are in the final phase (phase 3). It is assumed that all increases on GMPs for members reaching State Pension age after 6 April 2016 will be paid for by LGPS employers in the Fund.

**Goodwin case** refers to a tribunal outcome that changed the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005. The impact of this is likely to be very small for the Fund and therefore no allowance was made for this in the 2023 valuation.

Virgin Media / section 37 legal ruling. The Virgin Media judgment confirmed that amendments to pension scheme rules affecting section 9(2B) rights are void unless accompanied by a valid actuarial certificate confirming that the scheme continued to meet the statutory contracting-out requirements. While the case specifically concerned a private sector scheme, its implications for public service pension schemes are still under consideration.

HM Treasury is currently assessing the potential impact of the ruling on public service schemes, including the Local Government Pension Scheme (LGPS). However, it is understood that HM Treasury does not consider the judgment to have directly addressed whether actuarial certification is required for amendments made to public service schemes, which are typically enacted through legislation.

The general position in public law is that legislation remains valid unless and until it is repealed, revoked, or declared void by a competent court. As such, amendments made to public service pension schemes via statutory instruments are presumed to remain in force.

Tayside Pension Fund continues to monitor developments and awaits further guidance from HM Treasury and as a result does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

## **25 – Post Balance Sheet Event**

The unaudited Statement of Accounts was issued by the Executive Director of Corporate Services on 23 June 2025. Events taking place after this date are not reflected in the financial statements or disclosure notes. There have been no material events since the date of the Net Asset Statement which have required any adjustments to these accounts.



## FUNDING

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

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

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

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

The 2023 actuarial valuation was undertaken as at 31<sup>st</sup> March 2023 and the outcome of this valuation sets the employer's rate of contributions for the 3 years from 1<sup>st</sup> April 2024. The outcome of the 2023 actuarial valuation states that the common contribution rate for active employers for financial years 2024/25, 2025/26 and 2026/27 will reduce to 15.7%, with exception of Travel Dundee where a fixed 40% employer contribution is applicable, or employers who have closed the scheme to new members. Their contribution rate will be set individually by the Fund's actuaries based upon their specific profile.

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

<https://www.taysidepensionfund.org/resources/funding-strategy-statement-march-2024/>

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# Tayside Pension Fund

Actuary's Statement as at 31 March 2025

**Barnett Waddingham LLP**

23 May 2025

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## Introduction

The last full triennial valuation of the Tayside Pension Fund ("the Fund") was carried out as at 31 March 2023 as required by Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 27 March 2024.

## Asset value and funding level

On 31 March 2023, the smoothed value of assets used for valuation purposes, and which included a 10% volatility reserve deduction was £4,340m which represented 110% of the liabilities of the Fund valued on an ongoing basis.

## Contribution rates

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

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

The 2023 valuation certified an average primary rate of 22.5% p.a. of pensionable pay. Each employer body participating in the Fund must pay a contribution rate consisting of the employer's individual primary rate and a secondary rate reflecting the employer's particular circumstances and funding position within the Fund.

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

## Assumptions

The assumptions used to value the liabilities on 31 March 2023 are summarised below:

### Assumptions as of 31 March 2023

Discount rate	4.3% p.a.
Salary increases	3.7% p.a.
Pension increases	2.7% p.a.
Post-retirement mortality (member) – base table	Male/Female 105% / 115% of the S3PA_H tables
Allowance for improvement in life expectancy	CMI 2022 Model with a long-term rate of improvement of 1.25% p.a., a smoothing parameter of 7.0, an initial addition to improvements of 0.0% p.a. and weighting parameters of 0%, 0% and 25% for 2020-2022 respectively.
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

Allowance for cash commutation	Members will commute pension at retirement to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
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## Updated position

### Assets

Returns over the year to 31 March 2025 have been lower than expected. As at 31 March 2025, in market value terms, the Fund assets were more than they were projected to be based on the previous valuation.

### Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2025, the real discount rate calculated using the same methodology as at 31 March 2023 but updated for changes in market conditions is lower than at the 2023 valuation. This has increased the liabilities.

The value of liabilities will have further increased since the 2023 triennial valuation due to interest accrued over the period as well as actual inflation being higher than previously anticipated. Accrued benefits increased by 1.7% in line with the 2025 pension increase order, which is lower than the pension increase assumption at the previous valuation, reducing how much the value of liabilities increased by. However, over the whole period since 31 March 2023 pension increases have been higher than expected.

### Overall position

On balance, we estimate that at 31 March 2025 there is sufficient volatility reserve to maintain the funding level at the previous valuation level of 110% using assumptions consistent with those adopted at the 2023 valuation.

Overall, the funding position is broadly comparable to the previous valuation and the surplus position would be sufficient to maintain contribution rates at current levels.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

**Graeme Muir FFA**  
**Partner, Barnett Waddingham LLP**

## STATEMENT OF INVESTMENT PRINCIPLES & INVESTMENT BELIEFS

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

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

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

## STATEMENT OF INVESTMENT BELIEFS

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

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

The statement is reviewed annually to ensure that it remains both in-line with the documents noted above and with the Fund's overall objectives. These are set out in the Fund's Funding Strategy Statement and, are as noted below:

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

The full documents can be found on the Tayside Pension Fund website. Please find link below:

[Statement of Investment Principles Review March 2024 | Tayside Pension Fund](#)

### INVESTMENT STRATEGY

The Fund's investment objective is to support the funding strategy by adopting a suitable investment strategy and structure, incorporating the appropriate balance of returns for the accepted level of risk. The current funding strategy requires the Fund to hold the following diversified portfolio and achieve the required returns. The 2023 valuation stipulated a required absolute return of 4.3% p.a. (CPI + 1.6%.) from the current blend and weighting of asset classes in order to achieve the key investment objective of maintaining the ability to meet current and future pension liabilities through effective long-term investment, whilst acting prudently where possible to protect its funding level and maintaining stable and affordable employer contribution rates (currently 15.7% from 1 April 2024).

Following the outcome of valuation, a review of investment strategy was undertaken and the following strategy was approved on 9<sup>th</sup> December 2024, with amended benchmarks asset benchmarks becoming effective 1<sup>st</sup> April 2025

Tayside Pension Fund – Liability benchmark		
4.3%p.a. or CPI + 1.6 (based on CPI 2.7% at 31/3/23)		
Tayside Pension Fund - Target Asset Allocation return		
Asset Class	Allocation	Required Nominal Return p.a.
Equities	65%	7.5%
Gilts	13%	1.9%
Bonds		2.6%
Property	12%	6.3%
Local and Alternative Opportunities	10%	5.05% overall, with individual returns appropriate to level of risk.

Asset Allocation as at 31 March 2025 was as follows:

Asset Class	Asset Distribution 31 March 2024		Asset Distribution 31 March 2025	
	Fund Actual %	Target Allocation %	Fund Actual %	Target Allocation %
Equities	72.8	65.0	67.4	65.0
Bonds, Gilts	13.1	13.0	13.1	13.0
Property	9.4	12.0	12.4	12.0
Alternatives	4.7	10.0	7.1	10.0
Total	100.0	100.0	100.0	100.0

Benchmarks 1/4/24 to 31/3/25			
Tayside Main Fund - Strategic Benchmark for Investment Return			
7.9%p.a. or CPI + 5.2% (based on CPI 2.7% at 31/3/23)			
EQUITIES	FIXED INCOME	PROPERTY	ALTERNATIVES
15.0%: FTSE All Share	15%: SONIA + 5.3%	100%: IPD All Balanced Property Funds Weighted Average Index	100%: 6% p.a. absolute return
19.3%: MSCI ACWI GD	35%: iBoxx Sterling non-gilt index + 0.5%		
31.4%: MSCI ACWI ND			



7.3%: FTSE AW North America	36%: ML Sterling Non-Gilts Index
2.8%: FTSE Developed Europe (Ex UK)	
1.4%: FTSE Japan	
11.7%: FTSE All World	
0.6%: FTSE Developed Asia Pacific Ex Japan	14%: FTSE Index-Linked Over 5yr Index
1.2%: FTSE AW Emerging Markets	
9.3%: Solactive L&G ESG Global Markets Index	

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

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

Revised benchmarks effective 1/4/25			
Tayside Main Fund - Strategic Benchmark for Investment Return			
7.9%p.a. or CPI + 5.2% (based on CPI 2.7% at 31/3/23)			
EQUITIES	FIXED INCOME	PROPERTY	ALTERNATIVES
11%: FTSE All Share	15%: SONIA + 5.3%	100%: IPD All Balanced Property	100%: 6% p.a. absolute return
19%: MSCI ACWI GD	35%: iBoxx Sterling non-gilt index + 0.5%		

31%: MSCI ACWI ND		Funds Weighted Average Index	
18%: FTSE All World	36%: ML Sterling Non-Gilts Index		
21%: Solactive L&G ESG Global Markets Index	14%: FTSE Index-Linked Over 5yr Index		

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

## INVESTMENT PERFORMANCE

### Market Commentary

#### Global Economic Overview

The global economy in the year to 31 March 2025 navigated a complex and shifting landscape marked by persistent inflationary pressures, geopolitical tensions, and evolving monetary policy responses, which resulted in extreme market volatility. While growth remained resilient in many regions, the outlook became increasingly cautious as the year progressed.

Global economic growth remained subdued, with the International Monetary Fund (IMF) and S&P Global both revising down their forecasts for 2025 amid growing uncertainty. Inflation, while easing from its post-pandemic highs, remained above target in many advanced economies. Central banks, including the US Federal Reserve and the European Central Bank, maintained elevated interest rates for much of the period, citing sticky core inflation and resilient labour markets.

Consumer confidence showed signs of recovery in early 2024, particularly in the US, but remained below long-term averages globally. Whilst retail sales growth was steady in the US, it lagged in the eurozone, reflecting the regional economic disparities.

**Economic Growth and Inflation Trends** - Global GDP growth moderated slightly, with the Organisation for Economic Cooperation and Development (OECD) reporting a slowdown from 3.2% in 2024 to a projected 3.1% in 2025. This slowdown was driven by a combination of tighter financial conditions, weaker trade flows, and subdued investment sentiment. Inflation, while easing from its post-pandemic peaks, remained above central bank targets in many economies. Services inflation, in particular, proved sticky, with a median rate of 3.6% across OECD countries.

**Monetary Policy and Interest Rates** - Central banks adopted a more subtle approach to monetary policy. While some, such as the European Central Bank (ECB), began cautiously cutting interest rates in early 2025 to support slowing economies, others maintained a wait-and-see stance amid lingering inflation concerns. The ECB reduced its key rate by 25 basis points in March 2025, while Mexico implemented a more aggressive 50 basis point cut.

In contrast, countries like Brazil and Russia continued to raise rates to combat inflation, highlighting the divergence in global monetary policy paths.

**Geopolitical and Trade Uncertainty** - Geopolitical instability and rising trade protectionism were dominant themes. The escalation of trade tensions, particularly involving major economies, contributed to a more fragmented global trading environment. This uncertainty weighed heavily on business and consumer confidence.

**Financial Markets** - Financial markets experienced heightened volatility, particularly in response to shifting interest rate expectations and geopolitical developments. Equities saw mixed performance, with developed markets generally underperforming amid weaker earnings outlooks and cautious investor sentiment. Bond markets, meanwhile, reflected the evolving interest rate landscape, with yields fluctuating in response to central bank signals.

**Global Outlook** - Looking ahead, the global economy faces a delicate balancing act. While inflation is expected to gradually moderate, the path of interest rates remains uncertain. Risks to the outlook include further trade fragmentation, further policy changes, and potential financial market disruptions. Nonetheless, opportunities still remain for growth, particularly if geopolitical tensions ease and structural reforms are implemented to boost productivity and investment.

#### UK Economic Overview

UK GDP growth was effectively flat over the period, with some forecasts suggesting a technical recession during the summer of 2024. The primary drag on activity stemmed from the lagged effects of tight financial conditions, which weighed on housing, corporate margins, and consumer spending. Inflation fell from an average of 7.3% in 2023 to around 2.6% in 2024, though core and services inflation remained stubbornly high.

The Bank of England (BoE) maintained a restrictive monetary policy stance throughout most of the year, resisting early calls for rate cuts. Although inflation was easing, the BoE signalled that monetary policy would need to remain tight until inflation expectations were firmly anchored.

**UK Outlook** - The UK economy is expected to recover modestly through the remainder of 2025, following a period of weak growth and persistent inflation. While headline inflation is forecast to ease gradually, core inflation and wage pressures remain elevated, complicating the Bank of England's path to rate cuts.

Growth is likely to be supported by rising household disposable incomes and increased government spending. However, external risk, such as global trade tensions and financial market volatility, continue to weigh on exports and business confidence.

The Bank of England is expected to adopt a cautious, gradual approach to monetary easing, with small rate cuts anticipated throughout the year. Labour market resilience and fiscal policy will be key factors influencing the pace of recovery.

### Global Equities Summary

Global economic growth slowed during the year, with S&P Global revising its 2025 GDP growth forecast downward from 2.5% to 2.2%. This deceleration was attributed to a combination of tighter financial conditions, persistent inflationary pressures, and escalating geopolitical tensions, particularly surrounding global trade.

Global equity markets experienced a mixed performance over the period. After a strong start in early 2024, momentum faded in the second half due to macroeconomic headwinds and geopolitical uncertainty.

- **Developed Markets:** Equities in the US and Europe were largely driven by sectoral performance, with gains in technology and healthcare offset by weakness in cyclical sectors such as industrials and consumer discretionary.
- **Emerging Markets:** Performance was more volatile, with capital outflows and currency pressures weighing on returns, particularly in regions sensitive to US dollar strength and global trade dynamics.
- **Volatility:** Market volatility increased in response to shifting interest rate expectations and geopolitical developments, particularly in the final quarter of the financial year.

Despite these challenges, equity markets remained supported by resilient corporate earnings in select sectors and optimism around technological innovation, particularly in artificial intelligence and green energy.

**Global Equities Outlook** - A key development following the financial year end was the introduction of sweeping reciprocal tariffs by the United States in April 2025, which triggered immediate and widespread market reactions. These tariffs, ranging from 10% to 50%, targeted a broad range of imports and prompted retaliatory measures from major trading partners, including China and the European Union.

The announcement of tariffs on 2 April 2025 led to a sharp sell-off in global equity markets. The S&P 500, for instance, fell by over 10% within two trading days. European and Asian markets mirrored this decline, reflecting investor concerns over the potential for a prolonged trade war and its implications for global supply chains and corporate earnings.

Although markets partially rebounded following a temporary suspension of the higher tariff rates, volatility remained elevated. Investor sentiment was further dampened by declining business optimism and weaker corporate earnings guidance, particularly in export-oriented sectors.

Technology and Industrials were among the hardest hit, given their exposure to global trade flows and supply chain disruptions. Energy and Utilities showed relative resilience, supported by stable commodity prices and defensive investor positioning. Emerging Markets underperformed developed markets, largely due to capital outflows and currency pressures stemming from risk aversion and tighter global liquidity conditions.

Looking ahead, the outlook for global equities remains uncertain. While some central banks have begun easing monetary policy to support growth, the persistence of trade tensions and policy unpredictability continues to weigh on investor confidence. Equity markets are expected to remain sensitive to geopolitical developments and macroeconomic data, with a cautious tone prevailing among institutional investors.

### UK Equities Summary

The UK equity market demonstrated resilience during a year shaped by global economic uncertainty, persistent inflation, and shifting monetary policy. While global trade tensions and geopolitical risks weighed on investor sentiment, the UK's large-cap equities benefited from sectoral composition and defensive positioning.

#### UK Market Performance:

- **FTSE 100:** The index posted a gain of approximately 8.5% over the 12 months, reflecting strong performance in value-oriented and defensive sectors such as consumer staples, healthcare, and energy.
- **Sector Trends:** Technology stocks underperformed globally, but UK equities benefited from strength in traditional sectors. Companies like Unilever and other defensives saw increased investor interest amid market volatility.
- **Policy and Fiscal Developments:** The UK government's Spring Statement included £8.4 billion in spending cuts to meet fiscal targets, which had a measured impact on market sentiment. However, the Office for Budget Responsibility projected modest GDP growth of 1% for 2025, supporting a cautiously optimistic outlook.

**UK Equities Outlook** - The outlook for UK equities in the remainder of 2025 is cautiously optimistic, underpinned by attractive valuations, resilient corporate fundamentals, and improving investor sentiment.

#### Global Fixed Income Summary

Bond markets were extremely sensitive to evolving monetary policy expectations and geopolitical developments throughout the year:

- **Interest Rate Volatility** - Central banks in major economies, including the US Federal Reserve and the European Central Bank, maintained restrictive policy stances for most of the year. This led to elevated yields across sovereign bond markets, particularly in the US and Europe.
- **Yield Curve Movements** - The US Treasury yield curve remained inverted for much of the year, reflecting market expectations of future rate cuts amid slowing growth. However, the timing of such cuts remained uncertain, contributing to volatility in long-duration bonds.
- **Credit Spreads** - Credit spreads widened modestly in the second half of the year, reflecting increased risk aversion and concerns over corporate earnings. Investment-grade bonds remained relatively resilient, while high-yield debt experienced more pronounced volatility.
- **Geopolitical Impact** - Although the most dramatic tariff announcements occurred just after the reporting period, the anticipation of trade disruptions in early 2025 led to a spike in bond yields in late March, as investors reassessed inflation and growth risks.

#### Regional Bond Performance:

- **USA:** Treasury yields remained elevated, with the 10-year yield fluctuating between 4.0% and 4.5% during the year. Market participants closely monitored Federal Reserve communications for signs of a pivot toward easing.
- **Eurozone:** Bond yields in the euro area were influenced by both ECB policy and regional economic divergence. Southern European sovereigns saw modest spread widening amid fiscal concerns.
- **Emerging Markets:** EM bond markets faced headwinds from a strong US dollar and capital outflows. Countries with high external debt burdens experienced increased borrowing costs, though some relief came from stabilising commodity prices.

**Global Fixed Income Outlook** - Following 31 March 2025, global bond markets are expected to remain volatile but cautiously optimistic. Central banks are likely to begin easing interest rates later in the year, provided inflation continues to decline. However, persistent core inflation and geopolitical risks may delay or limit rate cuts.

Yields are expected to stay elevated but stable, with sovereign bonds trading in a narrow range. Investment-grade credit remains resilient, while high-yield and emerging market debt face ongoing risks from slower growth and capital flow volatility. Key risks include inflation resurging, fiscal pressures, and geopolitical tensions. Opportunities may arise in short-duration bonds, inflation-linked securities, and select emerging markets.

#### UK Fixed Income

The UK gilt market experienced significant volatility over the year, reflecting both domestic and global uncertainties:

- **Yields and Curve Dynamics:** UK gilt yields fluctuated near multi-year highs, particularly in early 2025, as markets digested the Spring Statement, persistent inflation, and global trade tensions. The 10-year gilt yield hovered around 4%, with the curve showing signs of flattening as short-term rates remained elevated.
- **Inflation-Linked Bonds:** Short-dated index-linked gilts (ILBs) outperformed their longer-dated counterparts, benefiting from elevated short-term inflation expectations and investor demand for inflation protection.

- **Credit and Supply Pressures:** The UK government faced increased borrowing needs, with gilt issuance projected to reach £310 billion—levels not seen since the COVID-19 pandemic. This surge in supply placed upward pressure on yields, particularly in the long end of the curve.
- **Investor Sentiment:** Market participants remained cautious, with concerns over fiscal sustainability, political uncertainty ahead of the general election, and the potential for renewed volatility in global markets.

**UK Fixed Income Outlook** - As of 31 March 2025, the outlook for UK bonds remained delicately balanced. While inflation was trending lower, the BoE had yet to initiate a rate-cutting cycle. Fiscal policy remained a wildcard, with potential pre-election stimulus measures adding to uncertainty. Investors continued to demand a premium for holding longer-dated gilts, reflecting both inflation risk and elevated issuance expectations.

### UK Property Summary

The UK property market experienced a year of cautious recovery amid a challenging global economic backdrop. While inflationary pressures and high interest rates persisted for much of the period, signs of stabilisation emerged in early 2025, supported by improving consumer sentiment and a modest economic rebound.

In the UK, inflation fell closer to the Bank of England's target, though core inflation and wage growth remained sticky. The Bank held interest rates steady through most of the year, contributing to subdued mortgage activity and cautious buyer behaviour.

#### Residential Property Market:

- **House Prices:** UK house prices showed modest annual growth, with Nationwide reporting a 3.9% rise and Halifax recording a 2.9% increase. Regional disparities were notable, with Scotland outperforming and London lagging.
- **First-Time Buyers:** Activity was buoyed by a rush to complete purchases ahead of the 1 April 2025 reduction in the stamp duty threshold for first-time buyers. This group accounted for a record 54% of mortgaged purchases, temporarily boosting transaction volumes.
- **Market Dynamics:** Demand for houses outpaced that for flats, with concerns over service charges and building safety continuing to weigh on the latter. Despite affordability advantages, flat sales remained sluggish.

#### Commercial Property Market:

The commercial real estate sector showed early signs of recovery after a difficult 2024. Falling inflation and expectations of lower interest rates improved investor sentiment. Capital values appeared to have reached a trough, with a projected 15% increase in investment activity anticipated for 2025.

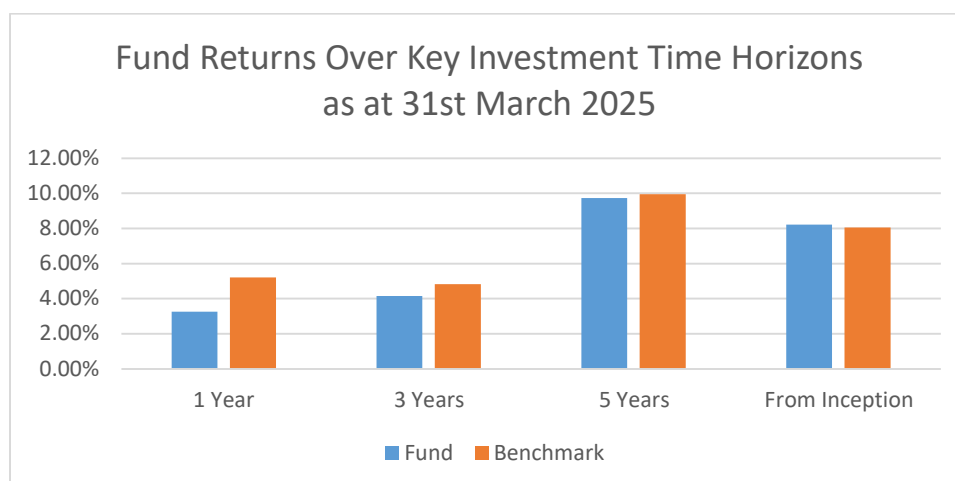
**UK Property Outlook** - Looking ahead, the UK property market is expected to benefit from a more stable economic environment, lower borrowing costs, and supportive fiscal measures. However, structural challenges, such as planning constraints and affordability, remain key considerations for long-term growth.

## FUND PERFORMANCE

### Performance Commentary

In the year to 31 March 2025, the Fund achieved positive return of 3.25%, whilst the benchmark return was 5.20%. The Fund value increased from £5.481bn to £5.560bn at end of March 2025. The following graph details the performance of the fund across all periods:





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

**Baillie Gifford Global Equities** – was behind benchmark with a negative return of -2.52% versus 5.33% for the benchmark.

This is primarily a bottom-up, active investment strategy, which seeks to invest in companies that it believes enjoy sustainable competitive advantages in their industries and which will grow earnings faster than the market average, based on their belief that share prices ultimately follow earnings. Their investment aim is to generate above average long-term performance by picking the best growth stocks available globally.

The portfolio had another challenging year. Whilst 3 out of 4 quarters achieved positive returns, the portfolio has failed to outperform benchmark in each quarter. Although markets have endured high volatility, growth style investors have found the environment even more challenging, and stock selection effect has been a key detractor for this portfolio over the period.

The Fund has referred this strategy to undergo assessment by specialist advisors in relation to its ability to achieve objectives in the future.

**Baillie Gifford UK Equities** - was significantly behind benchmark with a positive return of 6.87% versus 10.46% for the benchmark.

This portfolio typically favours companies that have strong balance sheets and lower than average debt, with the belief that such companies recover from the current crisis relatively strong and be well-placed to take advantage of the opportunities that always await after a severe market dislocation. Their very long-term investment philosophy focusses on long-term business fundamentals.

This was another challenging year for this portfolio, which is evidenced by only one quarter of outperformance in the year. Whilst the UK market has trailed others, it achieved positive return over the period, unlike the portfolio which lagged as a consequence of stock selection.

The Fund has referred this strategy to undergo assessment by specialist advisors in relation to its ability to achieve objectives in the future.

**Baillie Gifford Positive Change** - was behind benchmark with a negative return of -4.62% versus 5.33% for the benchmark.

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

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

The portfolio underperformed in all but one of the quarters in the period and like the other Baillie Gifford strategies, this has been referred for assessment by specialist advisors in relation to its ability to achieve objectives in the future.

**Fidelity Global Equity** – was behind benchmark with a return of 2.47% versus 4.87% for the benchmark.

This portfolio has a value style biased approach designed to deliver strong returns over the long term, with stock selection driven by potential for absolute share price appreciation. It has a stylistic balance across three differing investment methodologies to aim to deliver returns even in a low growth environment.

The portfolio has had an extremely challenging year, although achieving positive return for the period, it failed to outperform the index in any of the quarters. Key detractors were the underweight position in the IT sector and in the US regional allocation. The portfolio has also undergone a change in management in the period who are still in the process of settling in.

**Legal & General Investment Management Passive Equity** – was behind benchmark with a return of 4.92% versus 5.38% for the benchmark.

Although a passive mandate, there is also a 25% weighting to the Future World Global Index Fund which has increased weighting of index dominating technology stocks. This coupled with the impact of foreign taxation has resulted in deviation from index tracking.

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

**Fidelity Bond** – The portfolio was ahead of benchmark with a return of 0.65% versus -1.30% for the benchmark. The portfolio continues to take a relatively defensive position, outperforming benchmark in all reported time periods.

**LGIM Buy and Maintain** – The portfolio was ahead of benchmark with a return of 2.93% versus 2.36% for the benchmark. This mandate has been operational for the year, of which in 3 of the quarters it outperformed benchmark, with only marginal underperformance in the last quarter. The strategy of this portfolio is to purchase bonds at a desired yield and hold to maturity.

**Apollo Total Return** – The portfolio was ahead of benchmark with a return of 8.93% versus 5.09% for the benchmark. This mandate has been operational for the year, of which in all quarters outperformed benchmark. The strategy of this portfolio to invest across a wide range of global credit markets, such as corporate bonds, loans, and emerging market debt. It focuses on credit spreads rather than interest rates, aiming to deliver consistent returns with lower volatility and downside risk.

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

**Schroders Property** – The portfolio was behind benchmark with a return of 4.90% versus 6.43% for the benchmark.

The portfolio retains an overweight relative to benchmark in industrials and alternatives (including student accommodation, social housing, and healthcare) and underweight to the traditional retail sector and central London offices. The selection of funds with a high industrial concentration and low retail exposure has again benefited the portfolio over the year as the strongest drivers of performance, however strategic disinvestment out of balanced property funds to achieve a more inflation-focused portfolio as desired by revised objectives has been a detractor as these investments have rotated. The portfolio performance remains ahead of benchmark in all other time horizons.

**GSAM – Broad Street Real Estate Credit Partners III** – The portfolio was behind benchmark with a return of 10.10% versus 11.64% for the benchmark. This fund is in the final stages awaiting closing distributions.

**Partners Fund** – This mandate has been operational for less than a year. From inception to the end of the period it has underperformed benchmark with a return of 4.82% versus 5.95% for the benchmark. This portfolio focuses on private market investments across multiple asset classes, including private equity, private credit, infrastructure, and real estate.

## Portfolio Transitions

Following procurement exercises undertaken in the previous year, the transitions to LGIM Buy and Maintain Bond Fund and Apollo Total Return were actioned in the first quarter of the financial year, with the transition to Partners group following in the second quarter.

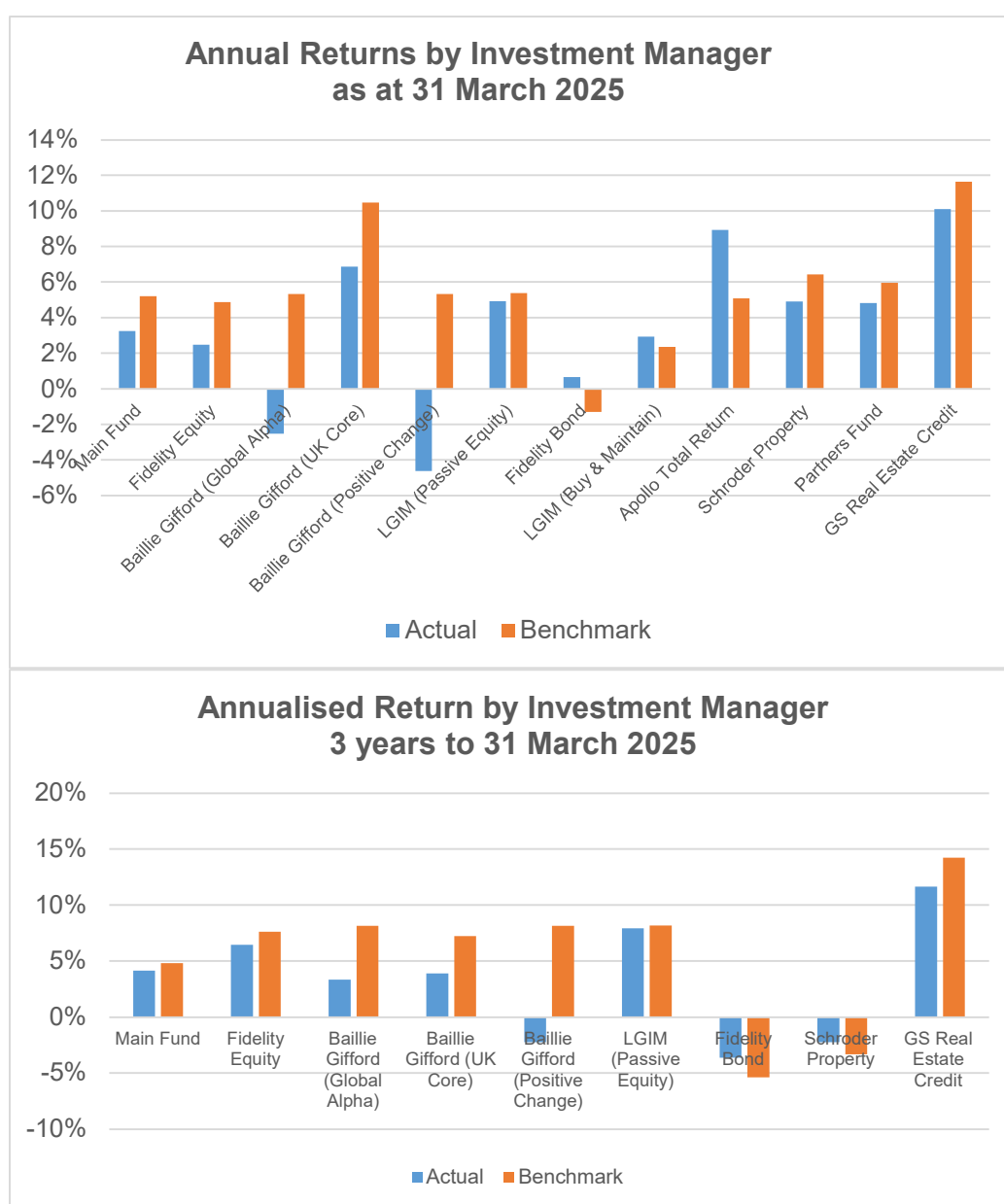


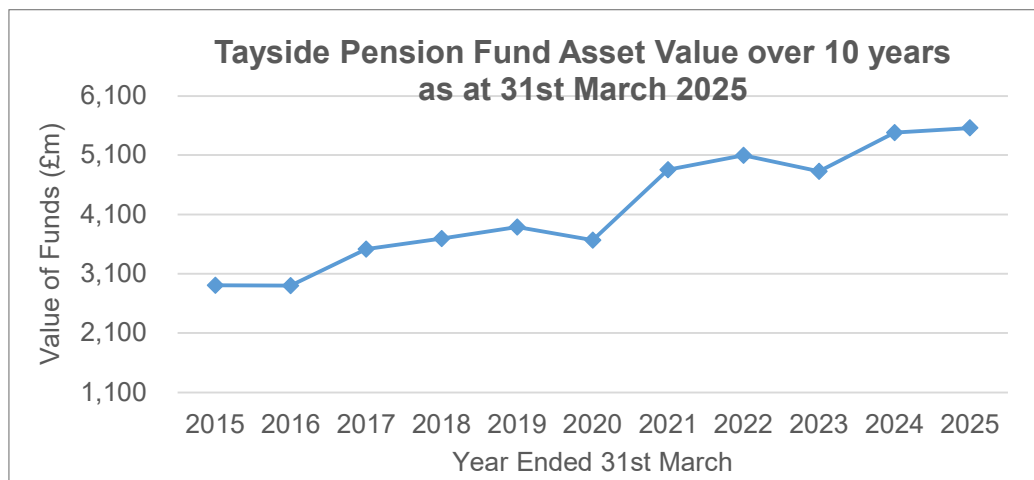
Following an Investment Strategy Review undertaken earlier in the financial year, there was a portfolio exercise undertaken in March to rebalance the fund towards strategic target allocation. The outcome of the exercise is summarised as follows:

Portfolio	Value
Baillie Gifford UK Core	-£50m
Fidelity Equity	-£25m
LGIM (passive)	-£25m
Partners Fund	£100m

### Performance Measurement

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





## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

### RESPONSIBLE INVESTING

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

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

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

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

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

### POLICY ON ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The fund believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios through time. The current policy is available on the website:

[ESG Policy](#)

## CLIMATE FOCUS

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

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

### Core Elements of Recommended Climate-Related Financial Disclosures



#### Governance

The organization's governance around climate-related risks and opportunities

#### Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

#### Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

#### Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

### Governance

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

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

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

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

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

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

## Strategy

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

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

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

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

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

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

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

The primary objective of the Fund is to pay pensions, and the principal strategy document is the Funding Strategy Statement. It describes the funding objective as: to ensure that sufficient funds are available to pay all members' pensions now and in the future.

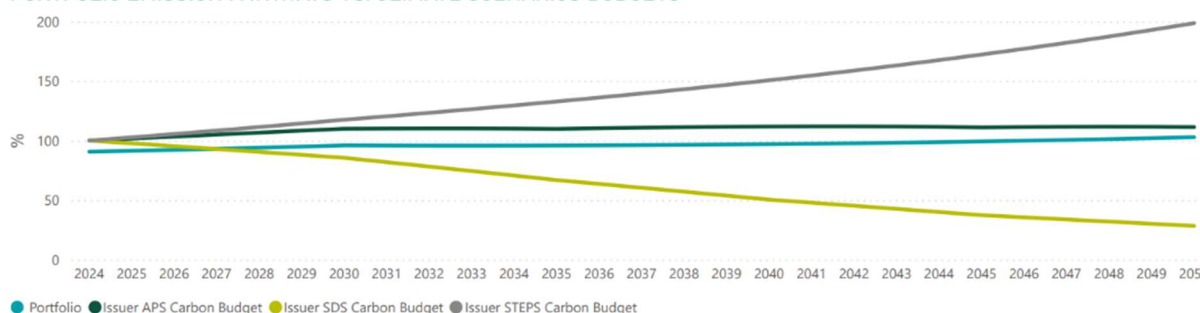
The basis for strategy and financial planning is the triennial actuarial valuation of the Fund. As part of the 2023 valuation and modelling process, the Fund's actuary will complete an analysis of the impact of climate risk on the Fund's liabilities, assets, and operating costs.

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

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

The scenario alignment analysis Tayside Pension Fund use is provided by the Fund's custodians and compares current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS) and the Current Policies Scenario (CPS). Performance is shown as the percentage of assigned budget used by the portfolio. See below for information available as at 31 December 2024

### PORTFOLIO EMISSION PATHWAYS VS. CLIMATE SCENARIOS BUDGETS



**Risk**

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

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

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

Cause of risk:

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

Impact:

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

Consequences:

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

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

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

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

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

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

**Metrics & Targets**

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

Tayside Pension Fund have engaged with their custodians to provide carbon footprint data and analysis. For all listed equities and bond portfolios, this exercise has enabled the identification of the top 10 assets responsible for contributing to the carbon footprint of that portfolio as shown below as at 31 December 2024. Portfolio managers also provide this information on a quarterly basis. The Fund is committed to repeating this exercise on a bi-annual basis and investigating the inclusion of other asset classes in addition to listed equities and bonds.

Top 10 Positions by Weight			
Rank	Issuer	% Portfolio	Carbon Risk Rating
1	Microsoft Corporation	4.04%	83.00
2	Amazon.com, Inc.	2.80%	71.00
3	NVIDIA Corporation	2.79%	95.00
4	Alphabet Inc.	2.21%	88.00
5	Meta Platforms, Inc.	1.90%	79.00
6	Apple Inc.	1.75%	71.00
7	Taiwan Semiconductor Manufacturing Co., Ltd.	1.59%	67.00
8	Mastercard Incorporated	1.19%	77.00
9	Astrazeneca Plc.	1.14%	89.00
10	JP Morgan Chase & Co.	1.13%	65.00

Top 10 Positions by Carbon Risk Rating			
Rank	Issuer	% Portfolio	Carbon Risk Rating
1	Enphase Energy, Inc.	0.00%	100.00
2	First Solar, Inc.	0.01%	100.00
3	Kingspan Group Plc.	0.00%	100.00
4	Orsted A/S	0.04%	100.00
5	Vestas Wind Systems	0.01%	100.00
6	Dell Technologies, Inc.	0.01%	99.00
7	NVIDIA Corporation	2.79%	95.00
8	Elevance Health, Inc	0.44%	92.00
9	Moodys Corporation	0.22%	92.00
10	CVS Health Corporation	0.03%	91.00

Top 10 Carbon Intensity (Scope 1+2)			
Rank	Issuer	% Portfolio	Carbon Intensity
1	ACWA Power Co.	0.01%	21,451.25
2	NTPC Limited	0.01%	15,639.64
3	Ultratech Cement Ltd.	0.01%	8,223.94
4	Vistra Corp.	0.02%	5,326.30
5	Grasim Industries Limited	0.00%	4,836.17
6	Evergy Inc.	0.00%	4,710.32
7	Gulf Energy Development Public Company Limited	0.00%	3,900.40
8	CLP Holdings Limited	0.00%	3,451.03
9	China Shenhua Energy Company Limited	0.01%	3,447.83
10	PPL Corporation	0.01%	3,432.94

Bottom 10 Carbon Intensity (Scope 1+2)		
Issuer	% Portfolio	Carbon Intensity
Royal Pharma Plc	0.15%	0.00
Transunion	0.01%	0.01
Macquarie Ltd	0.02%	0.02
Brookfield Corporation	0.08%	0.03
DNB Bank ASA	0.18%	0.03
Wheaton Precious Metals Corp	0.01%	0.03

Annaly Capital Management, Inc	0.00%	0.03
NASDAQ Inc	0.02%	0.03
Franco-Nevada Corporation	0.01%	0.04
Nu Holdings Ltd	0.22%	0.04

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

Tayside Pension Fund have considered Scopes 1,2 and 3 in its analysis. The quality of the information is as follows:

### DATA QUALITY

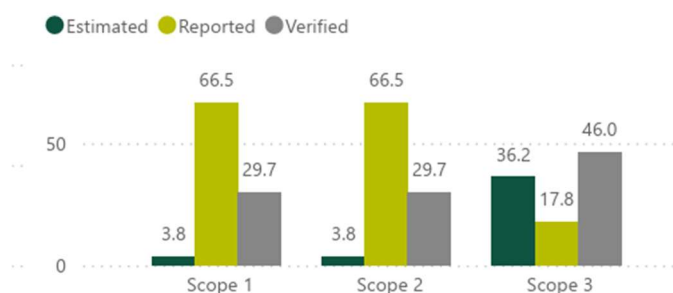


Chart values are shown in percentage (%) format  
Percentages may not total 100 due to rounding

Summary findings of this analysis by mandate as at 31 December 2024 are as follows:

### CARBON EMISSIONS

	Coverage %		Total Carbon Emissions (tCO <sub>2</sub> e)				
	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Portfolio	85.1	92.1	126,439.1	25,537.9	3,131,788.1	151,976.9	3,283,765.0
Benchmark	99.2	99.8	659,022.5	113,997.2	5,344,384.8	773,019.6	6,117,404.5

	Coverage %		Carbon Intensity (tCO <sub>2</sub> e) / GBP Revenue				
	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Portfolio	85.1	92.1	85.5	17.3	2,118.3	102.8	2,221.1
Benchmark	99.2	99.8	236.8	41.0	1,920.4	277.8	2,198.1



Coverage %		Carbon Footprint (tCO <sub>2</sub> e) / GBP Invested				
Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
85.1	92.1	29.3	5.9	726.7	35.3	761.9
99.2	99.8	152.9	26.5	1,240.1	179.4	1,419.4

Coverage %		Weighted Average Carbon Intensity (tCO <sub>2</sub> e) / GBP Revenue				
Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
90.2	95.0	84.9	18.5	1,442.1	103.4	1,545.5
99.2	99.8	112.4	24.7	1,259.8	137.0	1,396.9

## CARBON METRICS BY MANAGER

### TOTAL CARBON EMISSIONS (tCO<sub>2</sub>e)

Manager	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Apollo Multi Credit	1.2	41.9	44.0	1,905.8	343.6	21,446.0	2,249.4	23,695.4
Baillie Gifford Global Eq	15.7	100.0	100.0	30,518.1	3,075.0	282,385.3	33,593.1	315,978.4
Baillie Gifford Positive	1.1	97.1	99.5	78.4	134.5	10,325.0	212.9	10,537.9
Baillie Gifford UK Eq	9.8	95.0	98.1	12,629.1	2,808.5	483,835.9	15,437.5	499,273.4
Fidelity Bond Fund	7.1	52.0	42.0	1,807.7	324.1	84,174.8	2,131.9	86,306.7
Fidelity Equity Fund	27.5	96.1	97.6	27,589.5	8,768.0	1,365,282.5	36,357.6	1,401,640.0
LGIM Buy and Maintain	4.8	67.0	63.9	6,636.5	1,192.4	124,574.8	7,828.9	132,403.7
LGIM Passive Equity	32.8	97.3	98.5	45,274.0	8,891.6	759,763.8	54,165.6	813,929.4

### CARBON FOOTPRINT (tCO<sub>2</sub>e) / GBP Invested

Manager	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Apollo Multi Credit	1.2	41.9	44.0	77.4	14.0	870.8	91.3	962.2
Baillie Gifford Global Eq	15.7	100.0	100.0	41.4	4.2	383.4	45.6	429.0
Baillie Gifford Positive	1.1	97.1	99.5	1.5	2.6	200.3	4.1	204.5
Baillie Gifford UK Eq	9.8	95.0	98.1	28.2	6.3	1,079.4	34.4	1,113.9
Fidelity Bond Fund	7.1	52.0	42.0	12.9	2.3	600.1	15.2	615.3
Fidelity Equity Fund	27.5	96.1	97.6	22.0	7.0	1,088.3	29.0	1,117.3
LGIM Buy and Maintain	4.8	67.0	63.9	46.0	8.3	864.1	54.3	918.5
LGIM Passive Equity	32.8	97.3	98.5	30.0	5.9	503.2	35.9	539.1

### CARBON INTENSITY (tCO<sub>2</sub>e) / GBP Revenue

Manager	Coverage %							
	% of Portfolio	Number	Weight	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
Apollo Multi Credit	1.2	41.9	44.0	157.6	28.4	1,774.1	186.1	1,960.1
Baillie Gifford Global Eq	15.7	100.0	100.0	168.5	17.0	1,558.7	185.4	1,744.2
Baillie Gifford Positive	1.1	97.1	99.5	10.6	18.2	1,397.6	28.8	1,426.4
Baillie Gifford UK Eq	9.8	95.0	98.1	49.9	11.1	1,911.6	61.0	1,972.6
Fidelity Bond Fund	7.1	52.0	42.0	33.5	6.0	1,558.9	39.5	1,598.4
Fidelity Equity Fund	27.5	96.1	97.6	57.5	18.3	2,843.6	75.7	2,919.4
LGIM Buy and Maintain	4.8	67.0	63.9	118.0	21.2	2,215.1	139.2	2,354.3
LGIM Passive Equity	32.8	97.3	98.5	104.2	20.5	1,749.3	124.7	1,874.0

WEIGHTED AVERAGE CARBON INTENSITY (tCO<sub>2</sub>e) / GBP Revenue

Manager	Coverage %			Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
	% of Portfolio	Number	Weight					
Apollo Multi Credit	1.2	47.3	49.3	178.4	22.9	1,731.1	201.3	1,932.5
Baillie Gifford Global Eq	15.7	100.0	100.0	111.7	19.6	1,013.7	131.3	1,145.0
Baillie Gifford Positive	1.1	97.1	99.5	11.9	21.5	1,207.4	33.4	1,240.8
Baillie Gifford UK Eq	9.8	98.3	99.7	57.3	13.6	2,282.0	70.9	2,353.0
Fidelity Bond Fund	7.1	71.3	56.9	20.3	11.6	1,406.1	31.9	1,438.0
Fidelity Equity Fund	27.5	98.1	99.3	79.4	17.8	1,671.8	97.2	1,769.0
LGIM Buy and Maintain	4.8	78.5	77.8	121.8	25.4	1,813.2	147.2	1,960.4
LGIM Passive Equity	32.8	99.8	99.9	88.9	19.9	1,183.7	108.9	1,292.6

## CARBON RISK RATING SUMMARY

## RISK DISTRIBUTION %

● Portfolio ● Benchmark



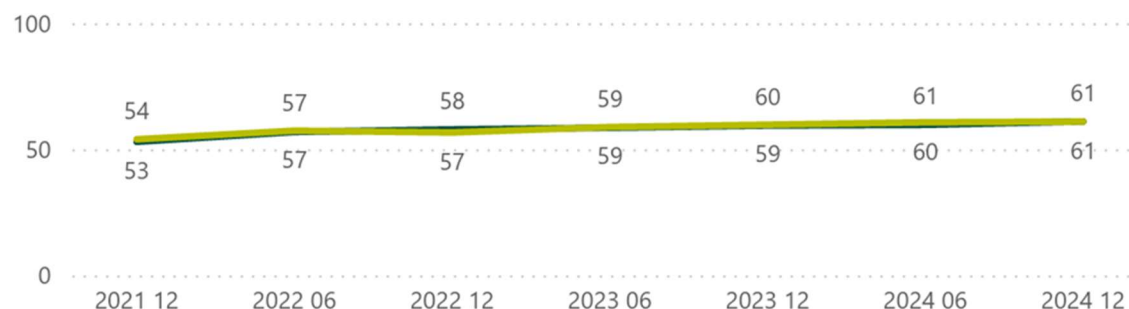
- Recommended Disclosure C - Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.

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

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

## CARBON RISK RATING

— Portfolio — Benchmark



### SCHEME MEMBERSHIP AND BENEFITS

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

Membership up to 31 <sup>st</sup> March 2009	Membership from 1 <sup>st</sup> April 2009 to 31 <sup>st</sup> March 2015	Membership from 1 <sup>st</sup> April 2015
Annual Pension = (Service years / days x Final Pay) / 80	Annual Pension = (Service years / days x Final Pay) / 60	Annual Pension = Annual Pensionable Pay / 49
Automatic tax-free cash lump sum = 3 x Annual Pension	No automatic tax-free cash lump sum, but pension conversion available	No automatic tax-free cash lump sum, but pension conversion available
<ul style="list-style-type: none"> <li>• Annual revaluation and pensions increase in line with CPI inflation</li> <li>• Partners' and dependents' pensions</li> <li>• Ill health protection</li> <li>• Death in service protection</li> </ul>		

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

#### Scheme Membership

The following table summarises the scheme membership.

Status	Total at 31/3/2024	Total at 31/3/2025
Active	18,765	19,232
Deferred / Undecided/ Frozen	19,495	20,207
Pensioners (Inc. dependents)	18,645	19,497
Total	56,905	58,936

### PENSION ADMINISTRATION STRATEGY

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

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

The Pension Administration Strategy of the Fund details the standards required of both the Fund and the participating employers to ensure that these statutory obligations are met and to demonstrate effective and efficient service delivery. The strategy contains a variety of performance measures against which the Fund and participating employers are assessed, with performance reported to the Committee. The Pension Administration Strategy was approved by the Pension Sub-Committee on 17<sup>th</sup> March 2025 and was provided to the employer for reference before being published on our website. The full document available for view on our website:

[100-2025 Administration Strategy 170325](#)

## COMMUNICATIONS POLICY

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

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

The Communications Policy was approved by the Pension Sub-Committee on 17<sup>th</sup> March 2025 and subsequently published to the Fund website. The document can also be viewed at: [101-2025 Communication Policy 170325](#)

## SCHEME DISCRETIONS POLICY

The Local Government Pension Scheme (LGPS) in Scotland was amended from 1 April 2015 so that benefits accruing for service after 31 March 2015 accrue on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis. As a result of these changes, all LGPS schemes in Scotland were required to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the CARE Scheme.

To provide full clarity of scheme discretions available across all relevant pension regulations, a Discretions Policy was developed and approved by the Pensions Sub-Committee on 8<sup>th</sup> March 2021. This policy will be reviewed following regulatory or policy changes approved. The document can be viewed at [scheme-discretions-policy-march-2021.pdf](#)

### ADMINISTRATION EVENTS & PERFORMANCE

Case volumes have continued to rise throughout 2024/25. Managing resources has remained a challenge due to ongoing recruitment efforts, and continuous training within the team. Progress on the Pensions Dashboard has been advancing well toward the upcoming staging date in October 2025. Meanwhile, the implementation of age discrimination legislation (McCloud) has been a primary focus for some team members which are being relied upon to manage the complexity of the affected cases and collaborating with employers to provide the required data.

The Member Self-Service Portal (MSS) usage continues to increase. The key functions being used by members are to amend their personal details and undertake simple benefit calculations and projections. The system is also a key tool for the administration team, enabling the electronic issue of Annual Benefit Statements and other documents to those members who have registered. Correspondence in paper format remains available for members who elect this option.

The employer portal (I-Connect) usage has continued to progress, most employers are using the system through the year. Support has been provided to some employers who are having issues to try and ensure full operational use by April 2025.

#### Performance

The following provides summary of task volumes over the year to 31<sup>st</sup> March 2025 in comparison to the previous year:

<b>Pensions Brought into Payment</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Total</b>	<b>Last Year</b>	<b>% Change</b>
Redundancy/Efficiency	17	10	25	16	68	41	66%
Ill Health	22	22	17	27	88	70	26%
Deferred	107	129	151	129	516	395	31%
Flexible	12	12	15	15	54	61	-11%
Voluntary	96	122	122	109	449	414	8%
Voluntary (Age 65+)	42	51	59	47	199	162	23%
<b>Grand Total</b>	<b>296</b>	<b>346</b>	<b>389</b>	<b>343</b>	<b>1,374</b>	<b>1,143</b>	<b>20%</b>

<b>Estimates Received</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Total</b>	<b>Last Year</b>	<b>% Change</b>
General	253	273	199	144	869	590	47%
VER (Bulk)	2,056	0	137	3,511	5,704	2,135	167%
<b>Grand Total</b>	<b>2,309</b>	<b>273</b>	<b>336</b>	<b>3,655</b>	<b>6,573</b>	<b>2,725</b>	<b>141%</b>

Case volumes for estimates can fluctuate depending on the needs of the members and employers, as the software does not accommodate more complex cases (e.g. members with AVCs or a scheme debit), which will always require pensions specialists to undertake calculations.

<b>Other Pension Events</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Total</b>	<b>Last Year</b>	<b>% Change</b>
Deaths	177	170	160	233	740	739	0%
Dependant Pensions	65	64	70	62	261	256	2%
<b>Grand Total</b>	<b>242</b>	<b>234</b>	<b>230</b>	<b>295</b>	<b>1,001</b>	<b>995</b>	<b>1%</b>

Tasks Measured	Case Volume 2023/24	Average Days to Process	Case Volume 2024/25	Average Days to Process
Clerical Tasks	5,291	138.53	5,690	63.76
Death Grant	130	69.57	151	43.14
Divorce	57	65.11	62	60.84
Estimates	2,725	17.72	6,573	9.68
Misc Payroll	3,035	36.88	3,149	62.94
Retirements	1,143	18.46	1,374	18.46

Case volume of tasks continued to increase in 2024/25 from the previous year, however in most areas there has been an improvement in average days to process, despite the increased volumes.

Key Performance Indicators	Target
Benefits statements issued by 31 August 2024	100%
Contributions received within statutory deadline	98%
Monthly pensioner payrolls paid on time	100%
Pensions increase processed with April pension	100%
P60 documents issued in March	100%

Complaints and disputes received during 2024/25	Received	Upheld	Rejected
Formal recorded complaints received	2	2	0
Formal disputes received (stage 1)	13	4	9
Formal disputes received (stage 2)	3	0	3
Pension Ombudsman cases received	0	0	0

The above table shows the number of formal complaints and formal disputes received during the year. A formal dispute is where a member is appealing against a decision made by the administering authority or their employing authority.

#### 2024/25 Events

- Payment of contributions by scheme employers**

The Pensions Act 1995 requires employers to make payment of the employee and employer contributions by the 22nd of the month following deduction from the employee's wage/salary and as such this is recorded and monitored monthly.

The Internal control measure of the 19<sup>th</sup> of month following deduction is also maintained, and during the period there were 9 instances of payment after the 19<sup>th</sup> recorded. These employers were contacted in relation to the late payments, and apart from 1 employer this issue was quickly addressed. Communication is ongoing with this employer.

- Annual Benefit Statements**

Annual Benefit statements were published in August 2024 on the Member Self Service (MSS) portal to allow members to view information as they require. Emails were issued to all registered members to advise the statement was available for viewing.

Prior to publication, all active and deferred members who were not already ready registered for MSS were issued with activation keys and portal instructions to register. However, paper copies remain available on request and 8.5% of members opted for this.

## • Annual & Lifetime Allowances

Annual allowance statements are issued annually, prior to the 6th of October. The annual allowance threshold increased to £60,000 in 2024, and 14 members received statements notifying them of excess.

The UK Government introduced legislation to abolish the lifetime allowance, and this came into effect from the 6<sup>th</sup> of April 2024. It has however introduced two new lump sum limits to restrict the amount of tax-free cash an individual can take over their lifetime.

As with the lifetime allowance, most LGPS members will not be affected by the new lump sum limits below:

Limit	Lump sums included	Lump sum allowance (LSA)
£268,275	Pension commencement lump sums (PCLS) and uncrystallised funds pension lump sums (UFPLS)	Lump sum and death benefit allowance (LSDBA)
£1,073,100	PCLS, UFPLS, serious ill health lump sums (SIHLS), authorised lump sum death benefits	

The change in the new lump sum limits has meant that member retirement forms have been amended to ensure the necessary checks are being taken prior to the payment of member benefits.

## • National Fraud Initiative

Tayside Pension Fund continues to participate in the counter-fraud initiative led by Audit Scotland. This exercise is biennial and provides additional checks to be conducted against pensioner records. All staff involved receive tailored training from Dundee City Council Counter Fraud Team prior to them undertaking this exercise. For all identified cases, a process of review and action is set to rectify overpayments made.

The 2024/25 reports issued were reviewed, with 6 overpayments totalling £14,031.25 identified. Letters have been issued to the respective banks to try and recover the overpayments along with a request to the fraud section to establish if any information is available for next of kin details.

## • McCloud & Sargeant (age discrimination remedy)

### • Annual Benefit Statements

The Scottish Public Pensions Agency (SPPA) published Circular 7/2024 on 31 July 2024. The circular was provided to notify that Scottish Ministers are preparing to consult on regulations to remove the requirement to include McCloud Remedy underpin information on the 2024 Annual Benefits Statements which were required to be issued to members by 31 August 2024.

As the legislation was being written, Administering Authorities were required to include McCloud Remedy underpin information for qualifying active members in Annual Benefit Statements. However, it was recognised that significant steps were needed to accurately update members' records to include the underpin information, including the collection, validation and testing of data from employers, updates to IT systems, and amendments to individual records. All these steps will need to be undertaken before Annual Benefit Statements can reflect a member's underpin rights.

Administering authorities were given the discretion to provide this information for members if they have access to the necessary information. These amendments were backdated to 1 October 2023, so that Annual Benefit Statement provided by administrators before the regulations were laid are included within the change.

The SPPA also sought views on whether to extend this to the 2025 ABS. If Ministers decide to take this approach, authorities will not be required to include the estimated underpin information for eligible members if they are not confident that they possess the necessary information in full. Where this decision is taken, underpin information for that member would not need to be included until the 2026 ABS. The SPPA are proposing that any administering authorities planning to exercise this discretion makes this decision by 31 July 2025 and inform affected members of this decision via their ABS for 2025.



- Calculating interest on payments resulting from McCloud

The circular also covered part 3 of the LGPS (Remediable Service) (Scotland) Regulations where it set out which past cases must be recalculated by administering authorities, where additional payments are due as a result of the recalculation, regulation 14 of those regulations sets out the special interest rules to apply.

The SPPA propose to make changes consistent with the provisions in the LGPS in England and Wales, which provide that interest is calculated from “the earliest date from which the administering authority would have been able to make the payment.” The 2023 regulations do not currently explicitly provide the date from which the interest is to be calculated.

In addition, in respect of recalculating top-up payments to trivial commutation payments, pension commencement lump sums, transfer payments and death grants, the 2023 regulations will provide that interest is calculated from the date the authority paid the original lump sum.

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

There has been an extension of 12-month time limit granted on the 24 October 2024. The Cabinet Office has emailed public sector pension scheme stakeholders about the 12-month time limit for Club transfers. Paragraph 4.1 of the Club memorandum provides that individuals must elect to proceed with a Club transfer within 12 months of becoming eligible to join their current scheme. However, a transfer can take place after the 12-month time limit if there are exceptional circumstances that have prevented the member from making an election within 12 months, and both the sending and receiving schemes agree. The email from Cabinet Office stated: “It has long been our policy that, if both schemes agree, that the time limit can be extended if there are exceptional circumstances to justify it. The purpose of this email is to advise that, in its capacity as secretariat to the Club, the Cabinet Office's view is that complying with the 2015 Remedy can be considered as 'exceptional circumstances' for the purposes of extending the 12-month time limit.” If administering authorities need to extend the 12-month time limit due to the above exceptional circumstance, an agreement for extension will be required with the receiving scheme.

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

On the 12 December 2024, the Scottish Government laid the LGPS (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024 (the ‘Amendment Regulations’), which will amend the underpin rules. These regulations come into force on 6 February 2025. The Scottish Public Pensions Agency (SPPA) consulted on the Amendment Regulations between 2 September 2024 and 28 October 2024.

## • Pension Dashboards

On 5 September 2024, The Pensions Regulator (TPR) published:

- Pensions Dashboards Compliance and Enforcement Policy
- response to the consultation on the policy
- updated breach of law guidance.

The policy outlines TPR’s approach to ensuring occupational pension schemes comply with their dashboard legal duties. It sets out:

- the principles that will drive TPR’s approach
- key risk areas TPR will focus on
- what TPR expects schemes to do to comply
- how TPR will monitor compliance
- TPR’s approach to non-compliance.

The policy also includes scenarios of non-compliance and how TPR may respond to each one. In particular, the updated breach of law guidance contains an example of how TPR will approach non-alignment of illustration dates between main scheme benefits and additional voluntary contributions (AVCs).

Compliance during the user testing period:

TPR expects schemes to connect to the dashboard's ecosystem in line with the timeline set out in DWP’s guidance on connection: the stage timetable. The timeline has been designed to reduce delivery risk to industry, but it will also



ensure that the system can be thoroughly assessed to ensure the successful launch of dashboards. Once schemes and pension providers are connected to the ecosystem the following requirements will apply:

- to remain connected
- to receive 'Find' requests
- to undertake matching, and
- to return 'View' data TPR expects schemes and providers to take prompt and effective actions to investigate and correct any issues identified during the user testing stage

An initial Microsoft Teams meeting took place in March with Heywood who are providing the ISP (Integrated Service Provider) for Tayside Pension Fund to connect to the Pension Dashboard. At the call, Heywood advised the timeline for testing and connection, with testing confirmed to start in April 2025. There is staged connection dates set by the DWP and for Local Government Pension Scheme's the deadline is October 2025.

#### • **Tiered Contributions Rate Guidance**

Under the Local Government Pension Scheme (Scotland) Regulations 2014, the earnings ranges used to determine annual contributions rates are to be increased each year by any increase applied to pension under the Pensions (Increase) Act 1971. In March 2024, the SPPA amended the guidance to reflect the above and a copy of this guidance was forwarded to all scheme employers. This guidance came into effect from 1 April 2024.

#### • **Employer Communications**

Employer sessions were held via MS Teams and in person, the topics covered were:

- I Connect
- Ill-Health Retirement
- McCloud Remedy Update and Employer Requirements
- VER
- Certificate of Protections

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

##### **I-Connect**

I-Connect is a cloud-based system that manages the flow of employee information from the payroll system to the fund's pension administration system. The software enables employers to provide employee information in a secure method. The monthly data uploads inform the Fund of any changes to members details, new joiners, and leaver forms, removing the burden of cumbersome employer year end reporting. This system was rolled out to all scheme employers during 2021/22.

36 of the scheme employers submitted monthly uploads through the I-Connect system during the year, and work continues with those employers on issues with the data received, with an aim to have these resolved, and all remaining employers using the system regularly from April 2025.

##### **Member Self Service**

The member portal (MSS – Member Self Service) was introduced in 2021. The MSS portal is now used to issue members with documents, letters and calculation summaries including new joiner communications, estimates and retirement details. With the implementation of the Insights reporting module it can identify the reporting of individual users and by the end of 2024/25, there were a total 18,032 users registered. This is an increase of over 16% from previous year.

Heywood have advised that the Member Self Service portal will be replaced by a new system named Engage and Member Self Service will no longer be available from January 2026, with existing membership being migrated.

- **Contact Centre**

The telephone contact centre launched in January 2022, with all incoming calls automatically routed to the call centre. In the year up to 31/03/2025 the numbers of calls received via the call centre was 11,554. This call volume is similar to the previous year.

- **Website**

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

- **Meetings, User Groups and Forums**

Representatives attended quarterly meetings of the Joint Scottish Liaison Group (SPLG) and Investment & Governance Groups, along with representation from the Local Government Association and the Scottish Public Pensions Agency. Representatives of the Fund also attended and participated in webinars as members of the Computerised Local Authority Superannuation System (CLASS) Group whose membership is made up of all 11 Scottish Funds and 80 English and Welsh Funds. Participation in specialist user groups for I-Connect and Insights were also attended. During 2024/25 numerous sessions were held with employers both in person and via MS Teams.

- **Payment of Pensions**

Tayside Pension Fund continues to operate two monthly payrolls to retiring members. The main payroll is on the 20th of each month, with the legacy payroll on the last working day of each month. During 2024/2025 all monthly pension payroll payments were made on their due date.

- **CARE Scheme Revaluation**

The Local Government Pension Scheme (Scotland) Regulations 2015 require that pension accounts built up from 1 April 2015 are revalued at the end of each scheme year. The Order published provided for a 6.7% revaluation with effect from 1 April 2024.

- **Pension Increase**

Pensions in payment and those in deferment are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September. The Order provided for a 6.7% increase with effect from 6 April 2024. The increase was applied to member benefits with effect from 8<sup>th</sup> April 2024.

- **Tiered Contributions Rate Guidance**

Under the Local Government Pension Scheme (Scotland) Regulations 2014 the earnings ranges used to determine annual contributions rates are to be increased each year by any increase applied to pension under the Pensions (Increase) Act 1971. In March 2024, the SPPA amended the guidance to reflect the above and this became effective from 1 April 2024.

- **Staffing 2024/25**

Throughout the year, the team experienced several staffing changes and began a review on resource and structure. Following the retirement of the Pension Administration Manager in April, interim arrangements have been put in place to maintain continuity while the review is undertaken. In-house training is delivered by the more experienced staff and there is an inevitable impact on performance.

Recruitment throughout the year included a new Clerical Assistant in May and again in November, along with three internal acting-up promotions to Senior Pension Assistant roles from June. Recruitment for additional roles, including a Pension Assistant and an Assistant IT/Systems Process Analyst was also completed.

## • Consultations

### Exit Credits

The Scottish Public Pensions Agency ran a short technical consultation on the draft Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024. The consultation ran from 9 May 2024 to 30 May 2024. The draft regulations propose:

- introducing a discretionary power for administering authorities to determine the amount of exit credit payable to an employer leaving the LGPS (aligning with the approach in LGPS England and Wales)
- implementing a six-month deadline from the exit date to pay exit credits (or such longer time as the authority and employer may agree).

The regulations are intended to also cover employers who left between 1 June 2018 and the date the regulations come into force (proposed to be 29 June 2024) where the exit credit has yet to be paid. A working group of the Scottish Scheme Advisory Board is considering whether any guidance is needed for administering authorities on the factors to consider when exercising the discretion, to ensure a degree of consistency. The consultation documents, including response, are available on the Scheme consultations page of the LGPS and Regulations Guidance website.

### Draft Regulations

- On 2 September 2024, the Scottish Public Pensions Agency (SPPA) launched a consultation on the draft LGPS (Remediable Service) (Amendment) (Scotland) Regulations 2024. The draft regulations aim to implement the proposals set out in SPPA Circular 2024/05. The regulations also propose further minor technical amendments.

## Legislation Update

During 2024/25 the following legislation came into effect:

Instrument	Title	Topic	Link
SI2024- 243	The Guaranteed Minimum Pensions Increase Order 2024	Increases value of GMPs within system 3% increase applied.	<a href="#">The Guaranteed Minimum Pensions Increase Order 2024</a>
SI2024- 372	The Pension Increase Review Order 2024	Pensions in payment and deferment is indexed annually based on the annual change in Consumer Price Index (CPI) as at the previous September. 6.7% increase was applied.	<a href="#">The Pensions Increase (Review) (No. 2) Order 2024</a>
SI2024- 249	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Fund Payments) Regulations 2024	For employer action – relates to national insurance thresholds	<a href="#">The Social Security (Contributions) (Limits and Thresholds, National Insurance Funds Payments, and Extension of Veterans Relief) Regulations 2024</a>
SI2024- 290	The Public Service Pensions Revaluation Order 2024	Order provided for a 6.7% increase to be applied to CARE benefits	<a href="#">The Public Service Pensions Revaluation Order 2024</a>
SI2024- 284	The Social Security Revaluation of Earnings Factors Order 2024	For employer action – relates to level of national insurance contributions being in line with earnings in relation to GMP	<a href="#">The Social Security Revaluation of Earnings Factors Order 2024</a>

Circular 5/2024	McCloud Remedy	Changes to a) remove the requirement to include McCloud Remedy Underpin Information in 2024 Annual Benefit Statements and b) clarify remedy interest calculations	<a href="#">202405.pdf</a>
Circular 1/2025	PI Review and revaluation order	Notification of the increase to pensions with effect from 07/04/2025 and of the annual revaluation rate to be applied to CARE pensions. Rate to be applied is 1.7%	<a href="#">202501.pdf</a>
Circular 2/2025	Tiered contributions rate guidance for 2025	For employer action – relates to employee contribution rates to be applied w.e.f. 01/04/2025	<a href="#">202502.pdf</a>

## SCHEDULED AND ADMITTED BODIES

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

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

The employers with active members as at 31 March 2025 were as follows:

### Scheduled Bodies (11)

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

### Admitted Bodies (29)

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

## CONTACT INFORMATION

### Key Documents Online

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

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

### Contact Details

Enquiries regarding investments, individual benefits, contributions or pensions in payment or requests for further information should be addressed to:

Tracey Russell, Service Manager – Financial Services  
Dundee City Council, Floor 1, 50 North Lindsay Street, Dundee DD1 1NZ

### Other Contacts

#### **The Pensions Ombudsman**

10 South Colonnade

Canary Wharf

E14 4PU

<https://www.pensions-ombudsman.org.uk/>

The Pensions Ombudsman is an independent organisation set up by law to investigate complaints about pension administration and has the remit to consider complaints about personal and occupational pension schemes.

#### **The Pensions Advisory Service has now been incorporated into Money Helper**

120 Holborn

London

EC1N 2TD

<https://www.moneyhelper.org.uk/en>

Moneyhelper, (previously The Pensions Advisory Service (TPAS)), provide independent and impartial information and guidance about pension, free of charge to members of the public. They deal with all pension matters covering workplace, personal and stakeholders' scheme and also the State Scheme.

#### **The Pension Tracing Service**

The Pension Service 9

Mail Handling Site A

Wolverhampton

WV98 1LU

<https://www.gov.uk/find-pension-contact-details>

This is a register of all workplace pension schemes who provide assistance to individuals searching for the contact details of any previous pension rights.

**The Pensions Regulator**

Napier House

Trafalgar Place

Brighton

BN1 4DW

<http://www.thepensionsregulator.gov.uk/>

The Pensions Regulator is the public body that protects workplace pensions in the UK. They collaborate with employers and scheme administrators so that people can save safely for their retirement. They ensure that employers meet their ongoing automatic enrolment duties and provide effective regulation for defined benefit schemes and looks to promote good trusteeship through improving governance and administration.

City Chambers  
DUNDEE  
DD1 3BY

13th June, 2025

**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 CITY GOVERNANCE COMMITTEE** and **PENSION BOARD** to be held remotely on Monday, 23rd June, 2025, 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](mailto:committee.services@dundeecity.gov.uk) by no later than 12 noon on Friday, 20th June, 2025.

Yours faithfully

GREGORY COLGAN

Chief Executive

#### **AGENDA OF BUSINESS**

- 1 APOLOGIES**
- 2 DECLARATION OF INTEREST**
- 3 MINUTE OF PREVIOUS MEETING - Page 1**

(Minute of the meeting of the Pension Investment Sub-Committee of 17th March, 2025, copy attached).

- 4 TAYSIDE PENSION FUNDS RISK REGISTER - Page 7**

(Report No 163-2025 by the Executive Director of Corporate Services, copy attached).

- 5 TAYSIDE PENSION FUND INTERNAL AUDIT ANNUAL REPORT 2024/25 - Page 23**

(Report No 164-2025 by the Executive Director of Corporate Services, copy attached).

- 6 PENSION ADMINISTRATION PERFORMANCE - Page 45**

(Report No 165-2025 by the Executive Director of Corporate Services, copy attached).



**7 STATEMENT OF INVESTMENT PRINCIPLES REVIEW - Page 55**

(Report No 166-2025 by the Executive Director of Corporate Services, copy attached).

**8 FUNDING STRATEGY STATEMENT - Page 69**

(Report No 167-2025 by the Executive Director of Corporate Services, copy attached).

**9 TAYSIDE PENSION FUND INTERNAL AUDIT REPORT – INVESTMENT STRATEGY REVIEW - Page 87**

(Report No 169-2025 by the Executive Director of Corporate Services, copy attached).

**10 TAYSIDE PENSION FUND ANNUAL GOVERNANCE AND GOVERNANCE COMPLIANCE STATEMENTS - Page 111**

(Report No 171-2025 by the Executive Director of Corporate Services, copy enclosed).

**11 TAYSIDE PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024/25**

(Report No 172-2025 by the Executive Director of Corporate Services, copy 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 FUND**

**13 SOCIALLY RESPONSIBLE INVESTMENT - ANNUAL REPORT**

**14 ASSET ALLOCATION – OPPORTUNISTIC MANDATE UPDATE**

**15 PORTFOLIO REVIEW – ADVISORS OUTCOME AND RECOMMENDATION**

**16 FUND MANAGER PRESENTATION**

**ITEM No ...3.....**

At a JOINT MEETING of the **PENSION SUB-COMMITTEE** of the **CITY GOVERNANCE COMMITTEE AND THE PENSION BOARD** held remotely on 17th March, 2025.

Present:-

PENSION SUB-COMMITTEE

BAILIES

Willie SAWERS

COUNCILLORS

Ken LYNN

Steven ROME

Dorothy McHUGH

PENSION BOARD

Bill DUFF

George RAMSAY

Arthur NICOLL

Stewart DONALDSON

Kenny DICK

Bailie Willie SAWERS, Convener in the Chair.

## **I DECLARATION OF INTEREST AND APOLOGIES**

No declarations of interest were made.

The Sub-Committee and Board noted apologies had been received from Bailie Kevin Keenan.

## **II MINUTE OF PREVIOUS MEETING**

The minute of meeting of 9th December, 2024 was submitted and approved.

## **III APPOINTMENT OF CHAIRPERSON OF PENSION BOARD**

There was submitted Agenda Note AN13-2025 advising the Sub-Committee and Board that in accordance with the Public Service Pensions Act 2013, the Sub-Committee were asked to seek nominations for the post of Chair of the Pension Board for the period of 12 months. The post of Chair of the Pension Board was subject to annual change.

The Sub-Committee and Board agreed that George Ramsay be Chair of the Pension Board for this period.

## **IV TAYSIDE PENSION FUNDS RISK REGISTER**

There was submitted Report No 93-2025 by the Executive Director of Corporate Services seeking approval for the Quarterly Risk Register for Tayside Pension Fund.

The Sub-Committee and Board:-

- (i) approved the Quarterly Risk Register for Tayside Pension Fund, noting that the undernoted changes for the previous quarter:-

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

Item 7 - Funding Investment. The risk that employer contributions would rise significantly due to poor/negative investment returns was considered to have reduced reflecting the recent performance

on Fund's investments. Since the previous actuarial valuation was undertaken as at March 2023 quarterly results had shown positive trends although this would continue to be monitored closely ahead of the next actuarial valuation at March 2026. The likelihood had reduced from medium (3) to low (2) resulting in a revised overall risk scoring of 10 (previously 15).

## **V PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 30TH DECEMBER, 2024**

There was submitted Report No 94-2025 by the Executive Director of Corporate Services providing information on the recent quarter's operational performance in relation to Pension Administration and other general developments in this area over the above period.

The Sub-Committee and Board:-

- (i) noted the content of the report.

## **VI TAYSIDE PENSION FUND – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2024/2025**

There was submitted Report No 95-2025 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 2024/2025.

The Sub-Committee and Board:-

- (i) noted the content of the report by Audit Scotland at Appendix A to 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.

## **VII INTERNAL AUDIT RISK ASSESSMENT AND AUDIT PLAN 2025/2026**

There was submitted Report No 96-2025 by the Executive Director of Corporate Services setting out the risk assessment undertaken by Pricewaterhouse Coopers (PwC) and details their internal audit plans for Tayside Pension Fund for 2025/2026.

The Sub-Committee and Board:-

- (i) agreed to review and approve the Internal Audit plan by Pricewaterhouse Coopers (PwC) as detailed in Appendix A to the report and noted that the outcome of these audits would be reported to the Sub-Committee at a future date.

## **VIII TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – THIRD PARTY MANAGEMENT REVIEW**

There was submitted Report No 97-2025 by the Executive Director of Corporate Services submitting audit reports prepared by the Fund's Internal Auditor, Pricewaterhouse Coopers (PwC).

The Sub-Committee and Board:-

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

## **IX TREASURY POLICY STATEMENT 2025/2026**

There was submitted Report No 98-2025 by the Executive Director of Corporate Services revising the Fund's Treasury Policy Statement which was intended to govern all treasury activities carried out by Tayside Pension Fund.

The Sub-Committee and Board:-

- (i) approved the policies and procedures laid out in the appended Treasury Policy Statement 2025/2026, noting that the Treasury Policy Statement must be reviewed annually, and that there were no changes.

#### **X TREASURY MANAGEMENT STRATEGY 2025/2026**

There was submitted Report No 99-2025 by the Executive Director of Corporate Services reviewing the Treasury Management Strategy for Tayside Pension Fund.

The Sub-Committee and Board:-

- (i) agreed to review the Treasury Management Strategy for Tayside Pension Fund.

#### **XI PENSION ADMINISTRATION STRATEGY**

There was submitted Report No 100-2025 by the Executive Director of Corporate 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 Sub-Committee and Board.

The Sub-Committee and Board:-

- (i) agreed to approve the strategy contained within, noting that there were no changes.

#### **XII TAYSIDE PENSION FUND COMMUNICATION POLICY**

There was submitted Report No 101-2025 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:-

- (i) 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 THE PENSIONS REGULATOR - GENERAL CODE UPDATE**

There was submitted Agenda Note AN14-2025 advising the Sub-Committee and Board that the External Auditors Annual Report on the Tayside Pension Fund Accounts 2023/24 had previously considered by the Pension Sub-Committee and Board (Article VI of the Minute of the Meeting of Pension Sub-Committee and Pension Board 23rd September, 2024, report 273-2024 refers). The action plan to this report noted the Pension Regulators General Code of Practice was introduced on 28th March 2024 and it was agreed a review of the code requirements would be undertaken during the year. It was confirmed that ISIO had been commissioned to undertake this review on behalf of the Fund. This review was underway and the outcome would be presented to the Sub-Committee and Board in a report at a later date.

The Sub-Committee and Board:-

- (i) agreed to note this item.

#### **XIV TAYSIDE PENSION FUND BUSINESS PLAN 2025/2026**

There was submitted Report No 102-2025 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 approved the 2025/2026 Business Plan which applied to the administration and management of the Tayside Pension Fund.

**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.**

## **XV TAYSIDE PENSION FUND**

### **(a) TAYSIDE PENSION FUND PERFORMANCE SUMMARY**

There was submitted Report No 103-2025 by the Executive Director of Corporate Services reviewing investment performance of the Fund's investment managers for the quarter to 31st December, 2024. The report compared investment performance of the Fund with the Fund's specific benchmarks which consist of various stock and security market indices.

The Sub-Committee and Board:-

- (i) noted the information contained therein with regard to the performance of the Tayside Main Fund and their Fund Managers.
- (b) SUMMARIES OF INVESTMENTS AND TRANSACTIONS SUMMARIES OF INVESTMENTS AND TRANSACTIONS 1ST OCTOBER, 2024 – 31ST DECEMBER, 2024

There was submitted Report No 104-2025 by the Executive Director of Corporate Services reviewing the investment activities of Tayside Pension Fund's five Fund Managers for the quarter to 31st December, 2024 and summarising the transactions of each Fund Manager and showing the market values of the Pension Fund.

The Sub-Committee and Board:-

- (i) noted the information contained therein with regard to the performance of the Tayside Main Fund and their Fund Managers.
- (c) SECURITIES LENDING 6 MONTH ACTIVITY TO 31ST DECEMBER, 2024

There was submitted Report No 105-2025 by the Executive Director of Corporate Services presenting an update on Securities Lending activity for the period ended 31st December, 2024.

The Sub-Committee and Board:-

- (i) noted the content of the report.
- (d) QUARTERLY FUNDING UPDATE AS AT 31ST DECEMBER, 2024

There was submitted Report No 106-2025 by the Executive Director of Corporate Services reviewing the current funding level of the Fund as assessed by the Fund Actuary.

The Sub-Committee and Board:-

- (i) noted the report by the Fund Actuary.

**XVI INVESTMENT STRATEGY IMPLEMENTATION UPDATE**

A verbal update was given to the Sub-Committee and Board on the Investment Strategy Implementation Update by the Fund's Investment Consultant.

The Sub-Committee and Board:-

- (i) noted the content of the update.

**XVII ANNUAL PERFORMANCE REVIEW TO 31ST DECEMBER, 2024**

There was submitted Report No 107-2025 by the Executive Director of Corporate Services, considering the Isio report "Annual Review of Investment Performance 2024" which had been completed in February 2025.

The Sub-Committee and Board:-

- (i) noted the content of the Isio report (Appendix 1 to the report).

**XVIII PRESENTATION**

Joe Moroney and Maria Vanegas from Apollo gave a short presentation to the Sub-Committee and Board.

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

Willie SAWERS, Chair.

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**REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 JUNE 2025**

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

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

**REPORT NO: 163-2025**

**1 PURPOSE OF REPORT**

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

**2 RECOMMENDATIONS**

The Sub-Committee is asked to approve the Quarterly Risk Register for Tayside Pension Fund, noting no change from previous quarterly report.

**3 FINANCIAL IMPLICATIONS**

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

**4 INTRODUCTION**

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

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

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

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

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

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

All risks and controls have been reviewed and rescored accordingly.

**5 POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has



not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

**6 CONSULTATIONS**

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

**7 BACKGROUND PAPERS**

None.

**PAUL THOMSON**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**17 JUNE 2025**



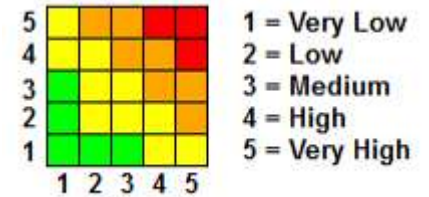
### Quarterly Risk Report

**Report Type:** Tayside Pensions Fund Risks Report

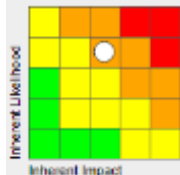
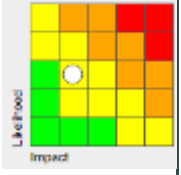
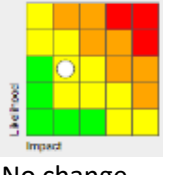
**Report Author:** Executive Director of Corporate Services

**Generated on:** 5 May 2025

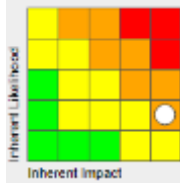

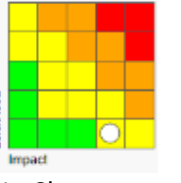
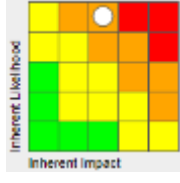
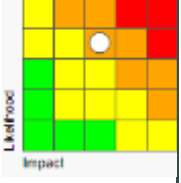
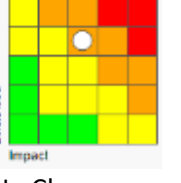
### Pentana Risk Matrix

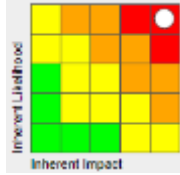



Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<b>Pension Administration</b> (Risk appetite - minimalist)  1.Failure to process pension payments and lump sums on time	<ul style="list-style-type: none"> <li>Non-availability of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

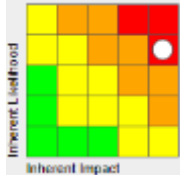
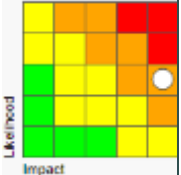
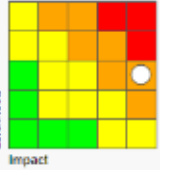
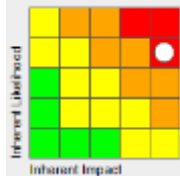
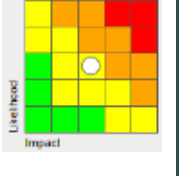
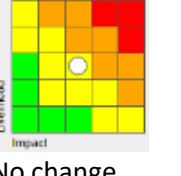
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<b>Funding - Employer related</b> (Risk appetite - cautious)  2.Failure to collect and account for contributions from employers and employees on time	<ul style="list-style-type: none"> <li>Non-availability of financial system (Fund and employer)</li> <li>Resource unavailable</li> <li>New staff undertaking duties</li> <li>Failure to communicate with employers effectively</li> <li>Failure of employer to provide required information</li> <li>Failure of employer to make financial settlement</li> </ul>	<ul style="list-style-type: none"> <li>Adverse audit opinion</li> <li>Breach of statutory requirements</li> <li>Knock on effect on reporting requirements</li> <li>Financial impact as insufficient cashflow to meet monthly pension payments without unplanned sale of assets</li> </ul>	<ul style="list-style-type: none"> <li>Requirement for report of regulatory breach &amp; subsequent action if required</li> <li>Potential delays to employers' FRS17 year-end accounting reports</li> <li>Loss of stakeholder confidence</li> <li>Recovery / legal action required</li> <li>Opportunity cost of lost investment income</li> </ul>		<ul style="list-style-type: none"> <li>Robust maintenance and update of Resourcelink and Authority Financials systems</li> <li>Sufficient staff cover arrangements</li> <li>Staff training and checking of work.</li> <li>Ongoing employer communication to ensure they understand responsibilities to pay by the 19th of the month.</li> <li>Contribution tracker system</li> <li>Introduction of employer contribution payment flexibility within financial year (subject to agreement)</li> </ul>		 No change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<b>Funding - Liquidity</b> (Risk appetite - averse)  3. Insufficient funds to meet liabilities as they fall due	<ul style="list-style-type: none"> <li>Contribution levels are inadequate</li> <li>Contributions</li> <li>Investment strategy fails to deliver adequate returns</li> <li>Significant changes in member profile (i.e. rapid maturing of fund liabilities)</li> <li>Significant increases in actuarial assumptions (i.e. longevity).</li> </ul>	<ul style="list-style-type: none"> <li>Rise in employer contribution rate required</li> <li>Unplanned asset sales required to meet</li> <li>Revision of Funding and Investment strategies required</li> </ul>	<ul style="list-style-type: none"> <li>Inability to meet overall strategic objectives</li> <li>Immediate cash injections would be required from employers by means of contributions</li> <li>Reduced funding levels</li> <li>Lost investment income from unplanned asset sales</li> <li>Transaction costs associated with changing strategies</li> </ul>		<ul style="list-style-type: none"> <li>Funding Strategy Statement</li> <li>Investment Strategy</li> <li>Ongoing advice from investment consultants, etc.</li> <li>Suitable policies &amp; strategies in place to prevent</li> <li>Regular monitoring of asset / liability valuations</li> <li>Triennial actuarial valuations</li> </ul>		No change
<b>Operational</b> (Risk appetite - minimalist)  4. Inability to maintain service due to loss of main office, computer system or staff	<ul style="list-style-type: none"> <li>Fire, bomb, flood, etc.</li> <li>Staff unable to access office (i.e. public health restrictions)</li> <li>IT system / network outage</li> </ul>	<ul style="list-style-type: none"> <li>Temporary loss of service provision.</li> <li>Delayed payments &amp; processing</li> <li>Retiring staff will be paid late</li> <li>Reputational risk for the Fund</li> <li>Breach of statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Financial implications for members.</li> <li>Loss of stakeholder confidence.</li> <li>Financial cost to the fund if interest has to be paid to members.</li> <li>Regulatory action</li> </ul>		<ul style="list-style-type: none"> <li>DCC business continuity plan (top priority)</li> <li>Contractual agreement with system provider</li> <li>Daily back up and contingent procedures</li> <li>Back-up server located in different building</li> <li>100% staff remote working capabilities</li> </ul>		No change

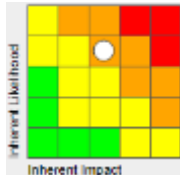
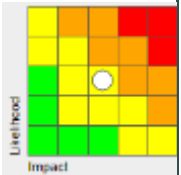
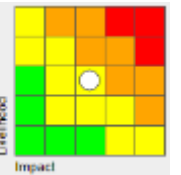
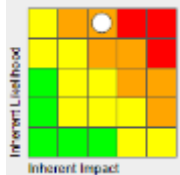
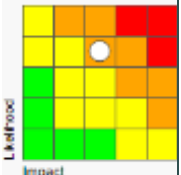
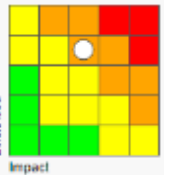
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<b>Operational</b> (Risk appetite - minimalist)  5.Loss of funds through fraud or misappropriation	<ul style="list-style-type: none"> <li>Fraud or misappropriation of funds by staff/employer/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

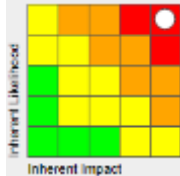
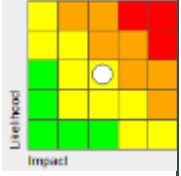
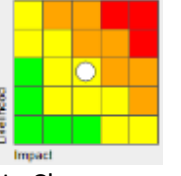
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	<ul style="list-style-type: none"> <li>Employer liabilities increase disproportionately as a result of external factors (i.e. change in bond yields)</li> <li>Reduced asset values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

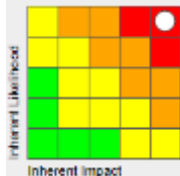
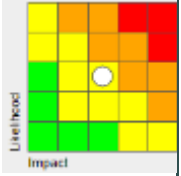
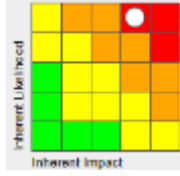
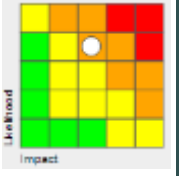
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
					different asset classes • 10% asset shock reserve		
<b>Operational</b> (Risk appetite - minimalist)  8.Failure of global custodian	<ul style="list-style-type: none"> <li>Financial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

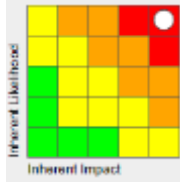

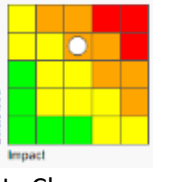
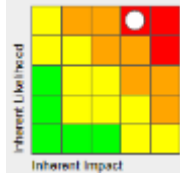
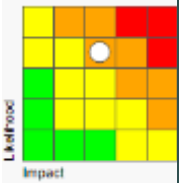
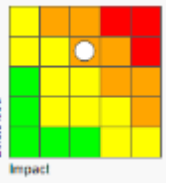
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
<b>Funding - Investment</b> (Risk appetite - open)  10.Equity Risk	<ul style="list-style-type: none"> <li>Market sector falls substantially as a result of global economic factors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

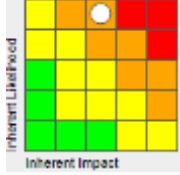
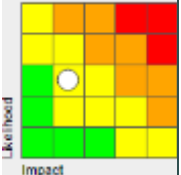
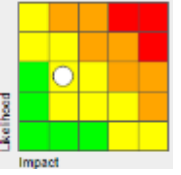
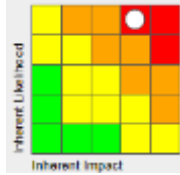
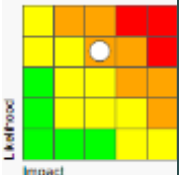
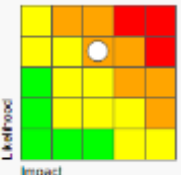


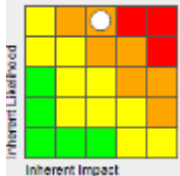
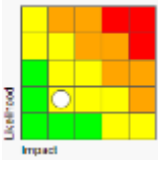
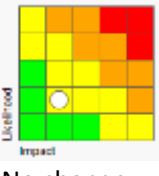
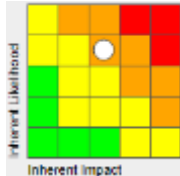
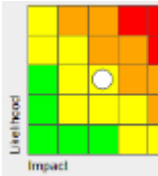
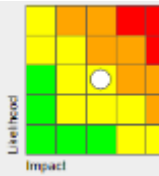
Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	<ul style="list-style-type: none"> <li>Inadequate procedures / process</li> <li>Lack of resources</li> <li>Error in interpreting requirements</li> <li>IT systems not updated to reflect changed requirements</li> </ul>				<ul style="list-style-type: none"> <li>Robust system maintenance &amp; upgrade</li> <li>Specialist advice used as required to ensure correct interpretation</li> <li>Performance monitoring</li> <li>Project management for implementation of key changes / exercises</li> </ul>		
<b>Governance</b> (Risk appetite - minimalist)  12.Failure to comply with governance best practice  Specifically: <ul style="list-style-type: none"> <li>TPR New Draft Code of Practice</li> <li>TPR Good Governance project outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Failure to implement requirements</li> <li>Inadequate processes / procedures</li> <li>Inadequate training as to changed requirements</li> </ul>	<ul style="list-style-type: none"> <li>Breach of statutory requirements</li> <li>Sub-standard service to members and employers</li> <li>Reputational risk for the Fund</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory action</li> <li>Loss of stakeholder confidence</li> </ul>		<ul style="list-style-type: none"> <li>Staff training</li> <li>Audited key processes reviewed prior to significant changes</li> <li>Specialist review and advice</li> </ul>		 No Change
<b>Pension Administration</b> (Risk appetite - minimalist)  13.Failure to provide quality service to members	<ul style="list-style-type: none"> <li>Inadequate administration &amp; communication policies</li> <li>Lack of resources</li> </ul>	<ul style="list-style-type: none"> <li>Reputational risk for the Fund</li> <li>Processing delays &amp; errors</li> <li>Late payments</li> </ul>	<ul style="list-style-type: none"> <li>Financial implications to members</li> <li>Loss of stakeholder confidence</li> </ul>		<ul style="list-style-type: none"> <li>Key policies reviewed and updated annually or sooner if required</li> <li>Recruitment exercises as required in</li> </ul>		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	<ul style="list-style-type: none"> <li>Lack of staff skills / knowledge</li> <li>Lack of training</li> <li>Ineffective processes &amp; procedures</li> <li>Poor communication documentation</li> <li>Unanticipated workloads</li> </ul>	<ul style="list-style-type: none"> <li>Sub-optimal decision making</li> <li>Reputational risk for the Fund</li> </ul>			<ul style="list-style-type: none"> <li>keeping with statutory requirements</li> <li>Ongoing staff training and support</li> <li>Key processes audited and reviewed annually</li> <li>Communication / documentation reviewed regularly and updated</li> <li>Weekly work allocation to prioritise and avoid bottlenecks</li> </ul>		
<b>Operational</b> (Risk appetite - minimalist)  14.Failure to hold personal data securely	<ul style="list-style-type: none"> <li>Insufficient system abilities re security of data</li> <li>Sub-standard retention processes &amp; procedures</li> <li>Inadequate data retention policy, backup and recovery procedures</li> <li>Change of retention requirements</li> </ul>	<ul style="list-style-type: none"> <li>Data lost or compromised</li> <li>Incorrect member records</li> <li>Processing delays &amp; errors</li> <li>Retiring staff will be paid late</li> <li>Reputational risk for the Fund</li> <li>Breach of statutory</li> </ul>	<ul style="list-style-type: none"> <li>Financial impact to members</li> <li>Loss of stakeholder confidence.</li> <li>Financial cost to the fund if interest has to be paid to members.</li> <li>Regulatory action</li> </ul>		<ul style="list-style-type: none"> <li>Data security system settings &amp; controls</li> <li>Data retention policy &amp; processes / back up &amp; recovery procedures</li> </ul>		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
		requirements					
<b>Operational</b> (Risk appetite - minimalist)  15.Cybercrime	<ul style="list-style-type: none"> <li>Inadequate system abilities re security of data</li> <li>Inadequate controls and security protocol</li> </ul>	<ul style="list-style-type: none"> <li>Data lost or compromised</li> <li>Incorrect member records</li> <li>Processing delays &amp; errors</li> <li>Retiring staff will be paid late</li> <li>Reputational risk for the Fund</li> <li>Breach of statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Financial impact to members</li> <li>Loss of stakeholder confidence.</li> <li>Financial cost to the fund if interest has to be paid to members.</li> <li>Regulatory action</li> </ul>		<ul style="list-style-type: none"> <li>Data security system settings &amp; controls</li> <li>Data back-up &amp; recovery procedures</li> </ul>		No Change
<b>Pension Administration</b> (Risk appetite - minimalist)  16.Failure to keep pension records up-to-date and accurate	<ul style="list-style-type: none"> <li>Non-availability of pension / payroll systems</li> <li>Resource unavailable</li> <li>New staff undertaking duties</li> <li>Increased workload</li> <li>Failure to gain relevant information</li> </ul>	<ul style="list-style-type: none"> <li>Processing delays</li> <li>Processing errors</li> <li>Retiring members will be paid late</li> <li>Reputational risk for the Fund</li> <li>Breach of statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Financial implications for members</li> <li>Loss of stakeholder confidence</li> <li>Financial cost to the fund if interest has to be paid to members</li> <li>Regulatory action</li> </ul>		<ul style="list-style-type: none"> <li>System contingency / recovery prioritised</li> <li>Service prioritisation / allocation</li> <li>Staff training</li> <li>Scheduled communications / updates from employers</li> </ul>		No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	from employers to enable processing						
<b>Governance</b> (Risk appetite - minimalist)  17.Lack of expertise on Pension Committee, Pension Board or amongst officers	<ul style="list-style-type: none"> <li>Lack of training &amp; continuous professional development</li> <li>Loss of key individuals</li> </ul>	<ul style="list-style-type: none"> <li>Detrimental decision making</li> <li>Reputational risk for the Fund</li> <li>Breach of statutory requirements</li> <li>Failure to meet objectives</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss</li> <li>Inability to meet overall strategic objectives</li> <li>Increase in employer contribution requirements</li> <li>Regulatory action</li> <li>Loss of stakeholder confidence</li> </ul>		<ul style="list-style-type: none"> <li>Key policies and governance arrangements independently audited and reviewed</li> <li>Key officer meets Markets in Financial Instruments Directive (MIFIID) professional investor requirements</li> <li>Training &amp; support</li> <li>External specialist advice</li> </ul>		 No Change
<b>Governance</b> (Risk appetite - minimalist)  18.Over reliance on key officers	<ul style="list-style-type: none"> <li>Loss of key individuals</li> <li>Inability to recruit individuals with specialist skills &amp; experience</li> <li>Inadequate governance arrangements</li> <li>Lack of specialist</li> </ul>	<ul style="list-style-type: none"> <li>Detrimental decision making</li> <li>Reputational risk for the Fund</li> <li>Breach of statutory requirements</li> <li>Failure to meet objectives</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss</li> <li>Inability to meet overall strategic objectives</li> <li>Increase in employer contribution requirements</li> <li>Regulatory action</li> <li>Loss of stakeholder confidence</li> </ul>		<ul style="list-style-type: none"> <li>Key policies and governance arrangements independently audited and reviewed</li> <li>Knowledge &amp; experience of staff</li> <li>External specialist advice</li> </ul>		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
	advisors to support				<ul style="list-style-type: none"> <li>Peer support from other LGPS</li> </ul>		
<b>Governance</b> (Risk appetite - minimalist)  19. Failure to communicate adequately with stakeholders	<ul style="list-style-type: none"> <li>Inadequate communication policy</li> <li>Inadequate processes &amp; protocols with employers and scheme members</li> </ul>	<ul style="list-style-type: none"> <li>Scheme members not aware of their rights</li> <li>Employers not aware of regulations, procedures, etc.</li> <li>Reputational risk</li> <li>Breach of statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Sub-optimal decision making resulting to financial detriment of members</li> <li>Errors in members calculations</li> <li>Loss of stakeholder confidence</li> <li>Regulatory action</li> </ul>		<ul style="list-style-type: none"> <li>Communications policy</li> <li>Standard documentation &amp; communications</li> <li>Website information</li> <li>Standard key processes &amp; protocols</li> <li>Employer communications (e mails / info sessions / documentation / guidance)</li> <li>Adequately trained staff</li> </ul>		 No Change
<b>Funding - Employer related</b> (Risk appetite - cautious)  20. Employer Covenant Risk	<ul style="list-style-type: none"> <li>Change in employer actuarial profile which has resulted in significant increase in liability</li> <li>Unsuitable guarantee / financial health of employer</li> </ul>	<ul style="list-style-type: none"> <li>Employers unable to financially provide for exit liability</li> </ul>	<ul style="list-style-type: none"> <li>Inability to meet overall strategic objectives</li> <li>Financial impact on overall funding level</li> <li>Remaining employers required to accommodate the shortfall via increased contribution</li> </ul>		<ul style="list-style-type: none"> <li>Government or local authority guarantees, bonds or securities over assets</li> <li>Independent covenant review and financial assessments to identify</li> <li>Funding strategy to enable exit at minimal risk to</li> </ul>		 No Change

Risk Type & Title	Causes	Impact	Consequence	Inherent Risk	Controls	Residual Risk (Previous Quarter)	Residual Risk (Current)
					remaining employers <ul style="list-style-type: none"> <li>Affordable payment schedule independently assessed</li> </ul>		
<b>Governance</b> (Risk appetite - minimalist)  21.Risks in relation to use of 3 <sup>rd</sup> party service providers	<ul style="list-style-type: none"> <li>Inadequate policy</li> <li>Poor due diligence and selection processes</li> <li>Poor contract management</li> </ul>	<ul style="list-style-type: none"> <li>Poor decision making</li> <li>Failure of supplier adhering to contractual agreement</li> <li>Reputational risk</li> </ul>	<ul style="list-style-type: none"> <li>Financial detriment to the fund</li> <li>Loss of stakeholder confidence</li> </ul>		<ul style="list-style-type: none"> <li>Procurement policy</li> <li>Contracts database</li> <li>Documented contract management protocol</li> <li>Use of national frameworks</li> </ul>		 No change
<b>Funding - ESG</b> (Risk appetite - cautious)  22.Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)	<ul style="list-style-type: none"> <li>Inadequate policy &amp; practices</li> <li>Failing to understand incoming requirements</li> <li>Failing to plan and implement changes required</li> <li>Lack of knowledge &amp; skills</li> </ul>	<ul style="list-style-type: none"> <li>Poor decision making</li> <li>Non-compliant actions being taken</li> <li>Statutory breach</li> <li>Reputational risk</li> </ul>	<ul style="list-style-type: none"> <li>Failing to meet strategic objectives</li> <li>Regulatory action</li> <li>Loss of stakeholder confidence</li> </ul>		<ul style="list-style-type: none"> <li>Regularly reviewed policies, processes and reporting</li> <li>Project plans to meet changing requirements</li> <li>Specialist advice as required</li> <li>Training</li> </ul>		 No Change

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**REPORT TO:** PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE  
& PENSION BOARD – 23 JUNE 2025

**REPORT ON:** TAYSIDE PENSION FUND INTERNAL ANNUAL AUDIT REPORT 2024/25

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

**REPORT NO:** 164-2025

**1 PURPOSE OF REPORT**

To submit to the Sub-Committee the Annual Audit Report for 2024/25 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**

None.

**4 SUMMARY OF REPORT**

The report contained in Appendix A outlines the internal audit work undertaken in the year to 31<sup>st</sup> March 2025 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 Reasonable Assurance opinion. Across the reviews, there were four medium-risk and five low-risk findings. PwC inform that governance, risk management and control in relation the internal audit reviews performed is generally satisfactory, and whilst a limited number of medium risk rated weaknesses may have been identified, generally only low risk rated weaknesses have been found in individual reviews. They conclude that some improvements are required in those 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**

**17 JUNE 2025**



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# Internal audit annual report

2024/25

Tayside Pension Fund

June 2025



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# Contents

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<b>Summary of findings</b>	<b>3</b>
<b>Internal audit work conducted</b>	<b>4</b>
<b>Follow up work conducted</b>	<b>5</b>
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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 2025.

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 47 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 two 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:**

### Reasonable assurance

Governance, risk management and control in relation to the two internal audit reviews performed is generally satisfactory. A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual reviews.

Some 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:

- Two 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 summarised as follows:

- For the two 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 one 'Satisfactory with exceptions' report for the Investment Strategy & Objectives Review and one 'Satisfactory' rated report for the Third Party Management review. This resulted in four medium and five low risk rated findings across these internal audit reviews completed in the period.

## 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 organisations 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 two internal audit reviews. This resulted in the identification of four medium and five 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 organisation's investment strategy and objectives setting processes and third party management processes. Key findings (medium rated) raised in the year include the following:

### Investments strategy and objectives setting review

**Formalise the Investment Strategy Process:** There is a clear opportunity to enhance the governance and transparency of the Fund's investment strategy by developing a formal, documented process for its setting, implementation, and monitoring. Areas where further clarity and structure could add value include: Defining roles and responsibilities to support accountability and collaboration; Introducing procedural guidance to ensure consistency and alignment with strategic objectives; and Documenting review and challenge mechanisms by TPF to reinforce oversight and continuous improvement.

**Formalise Investment Manager Oversight Framework:** While quarterly meetings with investment managers are reported to take place, there is an opportunity to enhance consistency and effectiveness by developing a formal oversight framework. Introducing a structured and documented approach would help: Clarify expectations around review frequency and engagement; Define assessment criteria to support objective evaluation of manager performance; and Strengthen governance through clear escalation procedures and relationship management protocols.

**Establish a Formal Asset Transition Framework:** Asset transitions are currently managed by third-party providers such as Northern Trust or LGIM, and while these transitions are being executed, there is an opportunity to strengthen internal oversight by developing a formal, documented framework. Introducing a structured process would help: Clarify roles and responsibilities across all parties involved; Outline procedures for planning, execution, sign-off, and reporting; and Enhance oversight and risk management during high-impact transition events.

### Third party management review

**Absence of formal policy for outsourcing and third-party management:** TPF does not have a comprehensive and documented policy for managing third-party relationships throughout their lifecycle, which is essential for effective governance and compliance. There is also no training in place for staff. Although established practices, such as utilizing the Norfolk Framework for supplier recruitment, are in place, there is no overarching policy which governs the third party management process.

**Follow up:** During the year TPF Management has undertaken follow up work on previously agreed actions. Out of 24 actions being monitored, 14 actions have been closed 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.

## Results of individual assignments

Review	Report classification	Number of findings			
		Critical	High	Medium	Low
Investment Strategy & Objectives Review	Satisfactory with Exceptions	-	-	3	2
Third party management review	Satisfactory	-	-	1	3
Risk Management framework	N/A - Review deferred to next year	-	-	-	-
Total number of findings raised		-	-	4	5

## Comparison of planned and actual activity

Audit unit	Budgeted days	Actual days
Investment Strategy & Objectives Review	18	18
Third party management review	10	10
Risk Management framework	10	-
<b>Sub total</b>	<b>38</b>	<b>28</b>
Annual Audit Plan and Reporting, Contract Management, Attendance at Pension Sub-Committee, Contingency	9	9
<b>Total days</b>	<b>47</b>	<b>37</b>

# Follow up work conducted

## Introduction

The table below summarises 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: Contributions Monitoring	Satisfactory with Exceptions	4	4	-	-	-
22/23: Business Resilience	Satisfactory with Exceptions	3	2	-	-	1
23/24: Pensions Administration	Satisfactory with Exceptions	5	5	-	-	-
23/24: Liquidity	Satisfactory	3	3	-	-	-
24/25: Investment Strategy & Objectives Review	Satisfactory with Exceptions	5	-	-	5	-
24/25: Third party management	Satisfactory	4	-	-	4	-
Total:		24	14	-	9	1

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Appendix A: Limitations and responsibilities

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Appendix B: Opinion types

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Appendix C: Basis of our classifications

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

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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 2025. 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.

The specific time period for each individual internal audit is recorded within the [Executive Summary](#) section of this report.

## Responsibilities of management and internal auditors

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

# 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
<b>Substantial assurance</b>	<ul style="list-style-type: none"> <li>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</li> <li>None of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>
<b>Reasonable assurance / moderate assurance</b>	<ul style="list-style-type: none"> <li>Medium risk rated weaknesses identified in individual assignments that are <b>not significant in aggregate</b> to the system of internal control; and/or</li> <li>High risk rated weaknesses identified in individual assignments that are <b>isolated</b> to specific systems or processes; and</li> <li>None of the individual assignment reports have an overall classification of critical risk.</li> </ul>
<b>Limited assurance</b>	<ul style="list-style-type: none"> <li>Medium risk rated weaknesses identified in individual assignments that are <b>significant in aggregate but discrete parts</b> of the system of internal control remain unaffected; and/or</li> <li>High risk rated weaknesses identified in individual assignments that are <b>significant in aggregate but discrete parts</b> of the system of internal control remain unaffected; and/or</li> <li>Critical risk rated weaknesses identified in individual assignments that are <b>not pervasive</b> to the system of internal control; and</li> <li>A <b>minority</b> of the individual assignment reports may have an overall report classification of either high or critical risk.</li> </ul>
<b>No assurance</b>	<ul style="list-style-type: none"> <li>High risk rated weaknesses identified in individual assignments that <b>in aggregate are pervasive</b> to the system of internal control; and/or</li> <li>Critical risk rated weaknesses identified in individual assignments that are <b>pervasive</b> to the system of internal control; and/or</li> <li><b>More than a minority</b> of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>
<b>Disclaimer opinion</b>	<ul style="list-style-type: none"> <li>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"> <li>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</li> <li>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.</li> </ul> </li> </ul>

# 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
 <b>Critical</b>	40 points per finding	 <b>Unsatisfactory</b>	40 points and over
 <b>High</b>	10 points per finding	 <b>Needs Improvement</b>	16–39 points
 <b>Medium</b>	3 points per finding	 <b>Satisfactory with Exceptions</b>	7–15 points
 <b>Low</b>	1 point per finding	 <b>Satisfactory</b>	6 points or less



# Appendix C: Basis of our classifications

## Individual finding ratings

Finding rating	Assessment rationale
 <b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences ; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
 <b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact ; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
 <b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
 <b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
 <b>Advisory</b>	<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 standardise 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.

# 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 organisation we are independent from Tayside Pension Fund.

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# 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.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to public sector internal audit standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure.

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**REPORT TO:** PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 JUNE 2025

**REPORT ON:** PENSION ADMINISTRATION PERFORMANCE – UPDATE TO 31 MARCH 2025

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

**REPORT NO:** 165-2025

## 1. PURPOSE OF REPORT

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

## 2. RECOMMENDATIONS

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

## 3. FINANCIAL IMPLICATIONS

There are no direct financial implications.

## 4. BACKGROUND

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

## 5. SERVICE SUMMARY

### • Summary of Statutory Performance Requirements

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

	Received <sup>(1)</sup>			Completed <sup>(2)</sup>					
	Q3	Q4	% Change	Q3	Q4	% Change	Statute Days <sup>(3)</sup>	Days to Complete Q4 <sup>(4)</sup>	Cases Out with Statute at end of Q4 <sup>(5)</sup>
Starter	735	1530	108%	711	1558	119%	60	8	-
Estimate	144	195	35%	199	144	-28%	60	46	1
Options	449	506	13%	620	470	-24%	60	34	2
Actual	424	323	-24%	389	343	-12%	60	18	-
TV In	36	25	-31%	39	32	-18%	60	16	-
TV Out	139	120	-14%	200	132	-34%	90	56	-
Deferred	341	169	-50%	237	199	-16%	60	64	20
Death	159	224	41%	160	233	46%	60	11	-
Death Grant	44	34	-23%	41	46	12%	60	43	-
Dependant	72	66	-8%	70	62	-11%	60	23	-
Divorce	18	11	-39%	12	13	8%	90	40	-
<b>Total</b>	<b>2,561</b>	<b>3,203</b>	<b>25%</b>	<b>2,678</b>	<b>3,232</b>	<b>21%</b>			

Key:

Q3 denotes October to December 2024 period.

Q4 denotes January to March 2025 period.

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

The following provides further detail on statutory task data:

#### Overall Caseload:

Caseloads have increased this quarter in both the amount received and completed. In some areas the average days have increased due to key staff assisting with the McCloud rectification data with the updating of member records with the required information.

#### Prioritised Tasks:

- **Issue of Pension Options & Pensions Brought into Payment**
  - These areas continue to be a key focus for the team to ensure members benefits are paid as promptly as possible and the average days for these remain within statute.
- **Processing of Death Benefits, Payments of Death Grants, and Dependant Pensions**
  - Deaths received and completed in this quarter increased in both areas, however there was a small decrease in dependant benefits processed.

#### Other Statutory Tasks:

- **New Member Processing:** There was an increase of over 100% in the number of new starts processed on the system but the workflow system in operation continues to keep the average processing days low.
- **Estimates:** There was an increase in cases received this quarter along with a decrease in the average days from the last quarter to 46 days.
- **Deferred Member Processing:** There was a decrease in the percentage of cases received and completed this period. Some cases continue to be complex in this area as the team communicate with the employers for information to calculate the member benefits.
- **Outbound Benefit Transfers:** The number of cases completed in the quarter decreased by 34%, along with a decrease of 14% of cases received.
- **Inbound Benefit Transfers:** The number of cases completed and received in this quarter dropped.
- **Divorces:** There was a decrease of 39% in case received and cases completed increased by 8%

#### 5.1 Other Pension Operations

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

	Received <sup>(1)</sup>			Completed <sup>(2)</sup>			Days to complete <sup>(3)</sup>		
	Q3	Q4	% Change	Q3	Q4	% Change	Q3	Q4	% Change
Amendment to Account	834	1731	108%	637	762	20%	69	9	-87%
Certificates	68	85	25%	101	83	-18%	42	20	-52%

Other Admin Tasks	911	1627	79%	1003	1702	70%	52	38	-27%
Other pensions processing	902	846	-6%	888	527	-41%	285	246	-14%

Q3 denotes October to December 2024 period.

Q4 denotes January to March 2025 period.

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

Staff training continues in the clerical team with the new team member. This along with the resignation in one post and the successful recruitment within the team to a new post for another Clerical Assistant this has an impact on this area of work, although we are seeing some improvement from the last quarter.

## 5.2 Employer Contributions

For the period January-March covering the payroll periods of December-February we received 4 Late payments and 8 late submissions of the monthly employer returns to the fund. Employers were contacted regarding the late payment of contributions, and these were received after prompting.

Communication is ongoing with Dovetail regarding outstanding contributions and as the employer was placed into administration at the end of March. Management are in discussions with the administrators regarding outstanding monies due. More details on the progress will follow in the next report.

### Employers and Member Online Portals:

## 5.3 Member Self Service Update

On 31<sup>st</sup> March 2025 we had 18,032 members registered for the Member Self Service Portal, this is an increase of 327 users from the last period.

Discussions are still ongoing with Heywood regarding the migration over to the new Engage system later this year due to the removal of the Member Self System from January 2026. Updates will be provided as this progresses.

## 5.4 I-Connect Update

36 Employers submitted monthly uploads through the I-Connect system during the period. We are continuing to work with the larger employers on issues with the data being received and aim to have all employers using the system regularly from their submissions in April 2025.

## 5.5 Call Centre

The number of calls received to the call centre increase this quarter to 2,935, this was an increase of 454 call from the last quarter. The total hours spent on incoming calls was 532 hours and continues to be a major resource within the team. There was no apparent cause for this increase.

## 5.6 Compliance

National Fraud Initiative: Staff who were to be involved in the 2024/25 exercise received training by Dundee City Council fraud section prior to the release of the reports.

All reports have now been reviewed and 6 overpayments totalling £14,031.25 have been identified. Letters have been issued to the respective banks to try and recover the overpayments along with a request to the fraud section to establish if any information is available for next of kin details.



## 5.7 Recruitment

- Interviews for a Pension Assistant and Assistant IT/Systems Process Analysis took place in February and the successful candidates will take up these posts in the next quarter.
- Recruitment for a vacant clerical post was advertised with interviews scheduled to be held in May.
- The review into resources and structure is ongoing and further updates will be provided as this progresses.

## 5.8 Queries & Complaints

- 4,745 emails were received into the generic mailbox in the quarter up to 31<sup>st</sup> March 2025, this equated to approximately 74 emails per working day. Emails continue to be a significant work allocation and is an area which is being reviewed as part of the resourcing exercise.
- Complaints to Prudential: None
- GDPR: None
- Complaints: None

## 5.9 Staff Training

- In House Training

Inhouse training continues to be undertaken in the team, with peer-to-peer training being provided by experience staff. This will be reviewed in the wider resource review.

- External Training

Hymans Robertson provided 3 training sessions over a 3-day period on McCloud. Each session lasted approximately 1.5 hours each and covered the areas of qualifying criteria, calculations and complex cases.

## 5.10 Employers meetings

Employer meetings took place in the quarter on subjects covering ill health, IConnect, McCloud, Voluntary Early Retirement Scheme, end of year processes and payments changing to the Civica system.

## 5.11 Fire Scotland Transfer

The bulk transfer of Fire Scotland members to Strathclyde Pension Fund was completed with all data sent in January 2025.

## 5.12 September CPI Rate Announced

On 11 February 2025, HM Treasury (HMT) published a written statement confirming the rates of annual revaluation, earnings and pension increase due from April 2025.

- deferred pensions and pensions in payment will increase by 1.7 per cent from 7 April 2025
- the in-service revaluation for the CARE scheme for 2024/25 will be 1.7 per cent.

## 5.13 SPPA contributions guidance

The SPPA released version 19 of the Tiered Contribution Guidance on 5<sup>th</sup> March 2025, which includes the average contribution rates table for 2025/26. This has been issued to all scheme employer payroll departments to allow them to carry out their review and amendments for April 2025.

## 5.14 LGPS (Scotland) (Amendment) Regulations 2025

On 21 February 2025, Scottish Ministers laid the LGPS (Scotland) (Amendment) Regulations 2025. These regulations come into force on 2 April 2025, with most provisions being backdated with effect

from 1 June 2018. The changes are not material changes to basic scheme information, therefore, the disclosure requirement under regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulation 2013 does not apply.

The key points of the regulations:

- Discretion on exit credits: administering authorities will have discretion to determine the amount of exit credits payable to exiting employers. When exercising the discretion, authorities must consider the factors specified in new regulation 61(2F) of the LGPS (Scotland) Regulations 2018. This applies to all exit credits, except those paid before 2 April 2025.
- Time limit to pay exit credits: authorities will be required to pay exit credits within six months of the exit date or such longer period as the authority and exiting employer may agree. This also applies to all credits, except those paid before 2 April 2025. For exit dates before 2 April 2025 where the six-month deadline has expired or is about to expire, we assume that the authority and exiting employer will need to agree a new deadline.
- Minor technical amendments: minor technical amendments are made regarding indicative valuations, which were introduced on 28 March 2024 under the LGPS (Scotland) (Amendment) Regulations 2024. These amendments are backdated to 28 March 2024.

### **5.15 Normal Minimum Pension Age 2028 increase**

The UK Government has announced the Normal Minimum Pension Age, outlined in the Finance Act 2004, will increase from age 55 to 57 on 6 April 2028. This does not apply if a member retires early due to ill health.

Transitional Protection may be offered to certain members from this increase if they joined the Local Government Pension Scheme (LGPS) in Scotland before 4 November 2021. Members may also be protected if they transferred a previous pension into the LGPS if certain conditions are met.

The Scottish Government have not yet confirmed if it will allow members who qualify for protection to take their pension before age 57, from 6 April 2028. Updates will be provided when the Scottish Government change the scheme rules to take account the increase to the normal minimum pension age.

### **5.16 McCloud**

#### **2024/25 Annual Benefit Statements**

Under the amended McCloud regulations, administering authorities may determine on the requirement to extend 'the McCloud implementation phase', which includes providing the statutory underpin on the 2024/25 Annual Benefit Statements. The flexibility to extend the McCloud implementation phase can be applied to individual members or to a class of member where it is believed it is reasonable, in the circumstances.

The flexibility granted will give administering authorities more time to work with employers to obtain relevant data, check qualifying criteria and update records which will then allow the adjustment of any qualifying underpins to be calculated and applied to member benefits.

While it was not intended that the flexibility should apply across all members, due to the practicalities of ensuring statutory underpins are correctly displayed on Annual Benefits Statements, the decision has been made to apply the discretion to extend the McCloud implementation phase to all classes of members, as permitted by the Scheme Regulations. This means the McCloud remedy data will not appear in the 2024/25 Annual Benefit Statements.

In June 2024 the Scottish Government issued statutory guidance on the implementation of the McCloud Remedy that gave a hierarchy to the roll out of the remedy, specifying the highest to lowest priority groups of members. The guidance can be found at: <https://lgpslibrary.org/assets/gas/scot/McCloudSG.pdf>

The decision to extend the McCloud implementation phase for all classes of members was not taken lightly and was based after careful consideration of the following issues:

- When the pension scheme transitioned to a CARE (Career Average Revalued Earnings) scheme in 2015, management decided to stop updating member records with changes in working hours and breaks in service. As a result, the team now need to contact every employer's payroll department to collect this historical information. This data must be recorded in the pension system in order to carry out the McCloud rectification process.
- Initial contact with employers began in 2022. However, progress has been slow due to the significant resources required from employers. Additionally, once data is received, it must be verified and entered into our system. In many cases, the complexity of the information means that updates must be made manually. This process is still ongoing, with some employers yet to provide the necessary data, and others having numerous outstanding queries that are awaiting resolution.
- Once the data is entered, the fund must prioritise certain groups of members, following SPPA guidance. For example, deceased and pensioner members are prioritised over those who only receive an Annual Benefit Statement.
- Further complicating matters, GAD guidance for specific cases such as divorces was only issued in April 2025. There are also no automated calculations available for Councillors who may be eligible for the McCloud Remedy. As a result, manual calculations would be required in order to include McCloud-related data in the 2024/25 Annual Benefit Statements.

### **5.17 Pension Dashboard**

The kick off call took place in March with Heywood who are providing the ISP (Integrated Service Provider) for Tayside Pension Fund to connect to the Pension Dashboard. At the call Heywood advised the timeline for testing and connection, with testing confirmed to start in April. There is staged connection dates set by the DWP and for Local Government Pension Scheme's the deadline is October 2025.

## **6. REGULATIONS**

Details of regulatory matters are contained in Appendix 1.

## **7. 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.

## **8. CONSULTATIONS**

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

**9. BACKGROUND PAPERS**

None

**PAUL THOMSON**

**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**17 June 2025**

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

[LGPS Regulations and Guidance](#)

**HMRC**

- [Pensions schemes newsletter 166 — January 2025 - GOV.UK](#)
- [Pensions schemes newsletter 167 — March 2025 - GOV.UK](#)
- [Pensions schemes newsletter 168 — March 2025 - GOV.UK](#)

**Pension Dashboards**

- TPR publishes updated dashboards guidance  
[Preparing to connect: checklist | The Pensions Regulator](#)
- [LGPC Bulletin 262 March 2025](#)

**The Pension Regulator (TPR)**

[Working together to strengthen our defences against scams | The Pensions Regulator Blog](#)

[Implementing our vision – what you can expect from us this year | The Pensions Regulator Blog](#)

**Scheme Advisory Board**

Scotland Updates

[SAB Bulletin – January 2025 | LGPSAB](#)

[SAB Bulletin – March 2025 | LGPSAB](#)

England & Wales updates

[LGPS Scheme Advisory Board - Home](#)

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**REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 JUNE 2025**

**REPORT ON: STATEMENT OF INVESTMENT PRINCIPLES REVIEW**

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

**REPORT NO: 166-2025**

## **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 April 2025; and to approve the Statements of Investment Principles contained in Appendix 1 which have been revised in keeping with audit recommendations.

## **3 FINANCIAL IMPLICATIONS**

There are no financial implications.

## **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**

**17 JUNE 2025**



## **STATEMENT OF INVESTMENT PRINCIPLES**

**JUNE 2025**

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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 BENCHMARK SELECTION & PERFORMANCE MONITORING

To support effective oversight and ensure alignment with the Fund's long-term objectives, the Fund's investment performance is regularly assessed against a range of carefully selected benchmarks. These benchmarks serve as reference points to evaluate the success of the investment strategy and the performance of individual investment managers.

Benchmarks are used to:

- Measure performance: Providing an objective basis for assessing whether the Fund's investments are delivering expected returns.
- Monitor risk: Helping ensure that the level of investment risk remains appropriate relative to the Fund's risk appetite and funding needs.
- Support accountability: Enabling transparent evaluation of investment decisions and manager performance.
- Guide strategic decisions: Informing the review and potential adjustment of the investment strategy over time.

Types of Benchmarks Used:

- Liability Benchmark: The Fund also monitors performance relative to a long-term objective benchmark. For Tayside Pension Fund, this is CPI + 1.6% (set as at 31/3/23), which reflects the return required to meet the Fund's liabilities over time. This is reviewed each triennial valuation.
- Total Fund Benchmark: The overall performance of the Fund is compared against a composite benchmark based on the strategic asset allocation.

- Asset Class Benchmarks: Each investment manager is assessed against a relevant market index (e.g. FTSE All-Share, MSCI World) that reflects the characteristics of their mandate.

Transparency and Review:

- The rationale for benchmark selection is reviewed periodically to ensure continued relevance and alignment with the Fund's objectives.
- Performance against benchmarks is reported regularly to the Sub-Committee and forms a key part of the Fund's governance and oversight framework.

## 9 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.

## 10 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.

## 11 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.

## 12 ADVISERS

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

## 13 PERFORMANCE MEASUREMENT

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

## 14 CUSTODIAN

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

## 15 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 4<sup>th</sup> 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.

## 17 **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.

## 18 **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.

## 19 **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.

## 20 **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**

	<b><u>£bn</u></b>	<b><u>£bn</u></b>
<b><u>Assets</u></b>		4.34
<b><u>Past Service Liabilities</u></b>		
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>
	<b><u>Employers Contributions</u></b>	
	<b><u>(% of Payroll)</u></b>	
Primary Future Service Funding Rate	22.5	
Monetary Adjustment	6.8	
Total	<u>15.7</u>	

## APPENDIX C

TPF Liability Benchmark – CPI + 1.6%		
Tayside Pension Fund - Asset Allocation		
Asset Class	Current Allocation	Target Allocation
Equities	67.4	65%
Fixed Income	13.1	13%
Property	12.4	12%
Local and Alternative Opportunities	7.1	10%

**Benchmarks (effective from April 2025)**

TPF - Strategic Benchmark for Investment Return 7.9%p.a. or CPI + 5.2% (based on CPI 2.7% at 31/3/23)			
EQUITIES	FIXED INCOME	PROPERTY	ALTERNATIVES
11%: FTSE All Share	15%: SONIA + 5.3%	100%: IPD All Balanced Property Funds Weighted Average Index	100%: 6% p.a. absolute return
19%: MSCI ACWI GD	35%: iBoxx Sterling non-gilt index + 0.5%		
31%: MSCI ACWI ND			
18%: FTSE All World	36%: ML Sterling Non- Gilts Index		
21%: Solactive L&G ESG Global Markets 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)	12.5%	100% MSCI AC World GD Index	+ 2% pa (gross of fees)
Baillie Gifford UK	UK Equities (active)	7.5%	100% FTSE All Share Index	+ 1.5% pa (gross of fees)
Baillie Gifford Positive Change	Global Equities (active)	1%	100% MSCI AC World GD Index	+ 2% pa (gross of fees)
LGIM	Global Equities (passive)	27%	46% FTSE All World 54% Solactive L&G ESG Global Markets Index	+/- 0.5% p.a. (for 2 years out of 3)
Apollo	Multi-Asset Credit	2%	SONIA	+5.3% p.a. (net of fees)
LGIM	Buy and Maintain	4.5%	iBoxx Sterling non-gilt index	+0.5% p.a. (net of fees)
Fidelity	Fixed Income (UK)	6.5%	72% ML Sterling Non-Gilts Index 28% FTSE Index-Linked Over 5 Year Index	+ 0.65% pa (gross of fees)
Schroders	Property (UK)	12%	100% IPD All Balanced Property Funds Weighted Average Index	+ 0.75% pa
Partners Group	Diversified Alternatives	5%	6% p.a. absolute return	N/A
GSAM	Real Estate Credit	<1%	UK CPI + 9%	
Northern Trust	Securities Lending	Circa 70%	N/A	0.026% pa

STATEMENT OF INVESTMENT BELIEFS
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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 – 23 JUNE 2025

**REPORT ON:** FUNDING STRATEGY STATEMENT 2025

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

**REPORT NO:** 167-2025

**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 the introduction of alternative treatment of employer exit credits following the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2025 which came into force on 1<sup>st</sup> April 2025.

Members are also asked to note that following update to the actuary's stochastic model regarding assumptions for cessation valuations without guarantor, to allow for the recent increase in market volatility, Barnet Waddingham have confirmed that they have maintained the probability of a deficit arising in the future at 15%.

**3 FINANCIAL IMPLICATIONS**

There are no direct financial costs although the funding strategy does have indirect impact on employers' contribution rates. This strategy is designed to minimise risk of financial impact.

**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 XVI of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 18 March 2024, report no 83-2024 refers) which took account of the triennial valuation of 31 March 2023.

**5 NEW SCOTTISH AMENDMENT REGULATIONS**

The Local Government Pension Scheme (Scotland) (Amendment) Regulations 2025 came into force on 1st April 2025. These regulations outline how a Scottish LGPS Funds must determine the amount of exit credit due to be paid to an exiting employer. However, they do not apply to any historical exit credits that have been paid before 2 April 2025.

Prior to this change, Scottish Funds were obliged to pay out any surplus identified in a cessation valuation in full as an exit credit and was no discretion over the amount payable. From 2 April 2025, funds will be required to exercise discretion over the amount of any exit credit payable to a ceasing employer. Further detail is provided in section 7 of the Funding Strategy Statement.

**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.

**9 BACKGROUND PAPERS**

None

**PAUL THOMSON**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**17 JUNE 2025**

**APPENDIX 1**



## **FUNDING STRATEGY STATEMENT**

**JUNE 2025**



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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 transferee<sup>1</sup> 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 transferee<sup>1</sup> 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 transferee<sup>1</sup> 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

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<sup>1</sup> 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 transferee<sup>1</sup> 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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**REPORT TO:** PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 JUNE 2025

**REPORT ON:** TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – INVESTMENT STRATEGY REVIEW

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

**REPORT NO:** 169-2025

## 1 PURPOSE OF REPORT

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

## 2 RECOMMENDATIONS

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

## 3 FINANCIAL IMPLICATIONS

None.

## 4 MAIN TEXT

- 4.1 The report details the review undertaken that reviewed the key controls and governance in relation to advising and setting the Fund's investment strategy and gives insight into good practice. PwC have provided an overall rating of this area as 'Satisfactory with Exceptions' driven by three medium-rated and two low-rated findings.

The following areas of good practice were identified:

- There is suitable input from multiple parties when making decisions and reviewing the Fund's performance.
- There is strong governance in place in terms of the Sub Committee, the Pensions Board and the regularity of meetings and the Terms of Reference that must be followed.
- There is regular reporting, including independent reporting from the custodian on a regular basis.
- There is good involvement between the Officers and the day to day running of the investments.

Further details are included in Appendix A of this report.

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

## 5 POLICY IMPLICATIONS

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

## 6 CONSULTATIONS

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



**7 BACKGROUND PAPERS**

None

**PAUL THOMSON**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**17 JUNE 2025**

# Internal audit report 2024/25

## Investments Strategy & Objectives Review

Tayside Pension Fund (“TPF”)

May 2025



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Distribution list

For action:  
Stuart Norrie (Senior Banking & Investment Officer)  
Tracey Russell (Service Manager - Financial Services)



# Executive summary

## Report classification



**Satisfactory with exceptions**

## Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	3	2	-
Operating effectiveness	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>2</b>	<b>-</b>

## Background

An effective investment strategy setting process is essential for ensuring that the Fund meets its long-term objectives — namely, paying benefits to members and maintaining stability in employer contributions. As TPF is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations, it must ensure that investment decisions are made prudently, transparently, and in the best financial interests of scheme members. While the investment advisor (Isio) provides strategic recommendations following each valuation, it is vital that TPF retains ownership and oversight of the strategy-setting process. This involves:

- Clearly defining how the Fund's investment objectives are aligned to its funding position and liability profile.
- Documenting the roles and responsibilities of all parties involved, including advisors, officers, and governance bodies.
- Ensuring the strategy-setting process is transparent, repeatable, and robustly challenged, to support sound decision-making and regulatory accountability.

With regards to investment governance, strong governance ensures that the structures, policies, and procedures supporting investment decisions are clear, well-documented, and effective. For TPF, this is not only a matter of good practice but also a regulatory requirement under the LGPS framework and the Pensions Regulator's General Code. Effective governance supports:

- Clear delegation and accountability, so that the right people are making the right decisions at the right time.
- Robust challenge and oversight of external advisors like Isio, ensuring that proposals are properly tested against the Fund's objectives and risk appetite.
- Transparency and defensibility of decisions, providing confidence to stakeholders including employers, members, auditors, and regulators.
- Regularly reviewing performance to ensure alignment with funding objectives.

## Summary

The overall rating of this report is Satisfactory with exceptions, driven by three 'medium' and two 'low' rated findings. The scope of this review and our findings are summarised in the table below. Full details, alongside agreed actions from management are within the body of the report.

# Executive summary

## Summary of findings

Scope		Summary of findings
<b>Investment Strategy Setting</b>	<ul style="list-style-type: none"> <li>TPF would benefit from having a defined framework in place for setting the investment strategy, objectives and asset allocations. This would formalise the strategy setting process after each valuation cycle.</li> <li>TPF have a Statement of Investment Principles (SIP) that they update annually that acts as their strategy document, setting out policies, beliefs and investment arrangements.</li> <li>TPF does have a Risk policy and Strategy and a Funding Strategy Statement (FSS) which sets out the purpose and aims of the Fund which are used by Isio when setting the investment strategy.</li> <li>Appropriate input from TPF, external advisors and wider stakeholders is considered.</li> <li>TPF do not explicitly set the relevant factors but the result of the actuarial valuation will be used to guide Isio's direction of thinking. When reviewing the strategy, Isio do consider the March 2024 Funding Strategy. TPF also communicate their views on ESG and their investment beliefs and the SIP is a publicly available document that Isio can use as a reference for the strategy of the Fund</li> <li>TPF has established clear performance metrics for the investment strategy, including reporting on these. These are primarily on an asset basis rather than versus the liabilities.</li> <li>The investment strategy is reviewed at appropriate intervals but could be better documented.</li> </ul>	<p><b>Finding 3: Formalise the Investment Strategy Process (Medium Priority):</b> There is a clear opportunity to enhance the governance and transparency of the Fund's investment strategy by developing a formal, documented process for its setting, implementation, and monitoring. Areas where further clarity and structure could add value include:</p> <ul style="list-style-type: none"> <li>Defining roles and responsibilities to support accountability and collaboration.</li> <li>Introducing procedural guidance to ensure consistency and alignment with strategic objectives.</li> <li>Documenting review and challenge mechanisms by TPF to reinforce oversight and continuous improvement.</li> </ul> <p>Establishing a clear framework in these areas would help strengthen confidence in the Fund's strategic approach and support more effective decision-making over time.</p> <p><b>Finding 5: Enhance Benchmark Transparency in the SIP (Low):</b> The Fund regularly reports performance against asset benchmarks, which supports ongoing monitoring. This would be further strengthened by incorporating reference to the Fund's liability benchmark (CPI + 1.6%) within regular reporting. Additionally, providing a clearer explanation in the SIP (or supporting documents) of the rationale behind the selection of benchmarks would enhance transparency and stakeholder understanding. Improving clarity in these areas would:</p> <ul style="list-style-type: none"> <li>Support alignment between performance monitoring and long-term funding objectives.</li> <li>Enable early identification of potential underperformance relative to key benchmarks.</li> <li>Facilitate timely and informed decision-making where corrective action may be needed.</li> </ul> <p>These enhancements would contribute to a more robust and transparent performance framework, aligned with the Fund's strategic goals.</p>
<b>Monitoring and oversight</b>	<ul style="list-style-type: none"> <li>There is timely and relevant reporting in place from Fund Managers and the Custodian to TPF which allows the monitoring of the Fund's performance to be monitored at suitable intervals.</li> <li>TPF has in place an appropriate escalation process of issues and information reported to the relevant Committees by TPF Officers on a quarterly basis and ad hoc, if required.</li> </ul>	<p><b>Finding 4: Enhancements required to quarterly reporting (Low)-</b> Whilst there is regular performance reporting, the current Investment performance could use some enhancements to bring together the quantitative data with qualitative oversight and commentary, highlighting key updates and risks to performance on a regular basis.</p>

# Executive summary

## Summary of findings

Scope	Summary of findings
<p><b>Investment Governance</b></p> <ul style="list-style-type: none"> <li>Although TPF would benefit from a formal governance process for setting investment strategy, it is noted that it does use a number of parties and inputs to set the strategy.</li> <li>There is translation of the strategy into internal and legal documentation and in terms of reporting, meeting documents and manager agreements.</li> <li>Roles and responsibilities are clearly defined and documented. There could be better documentation around the approval of the strategy and the relationship between TPF and Fund Managers.</li> <li>The working relationship between TPF and Fund Managers is collaborative. There is a conflicts of interest policy in place to manage risks.</li> <li>There is some process in place for the Committee to monitor breaches however this is largely based on annual reviews carried out both internally and externally of advisors and managers. There could be a clearer, more documented approach to resolution of any issues with Fund Manager delivery/performance.</li> <li>Committee approval of any actions that breach provisions in the AMA's are clearly documented.</li> <li>Committee has sight of all FCA regulatory investment reports and publicly available investment reports before publication, on request.</li> <li>The Governance and Terms of Reference for the Committee are set in regulations and was last published on 28 March 2025. The Committee has sufficient competence to make the investment decisions required and undertakes regular training.</li> <li>Operation of the investment related Committees is effective and roles and responsibilities are clearly defined. Minutes at these meetings are recorded.</li> <li>Investment risks are considered, monitored and recorded.</li> </ul>	<p><b>Finding 2: Formalise Investment Manager Oversight Framework (Medium):</b> While quarterly meetings with investment managers are reported to take place, there is an opportunity to enhance consistency and effectiveness by developing a formal oversight framework.</p> <p>Introducing a structured and documented approach would help:</p> <ul style="list-style-type: none"> <li>Clarify expectations around review frequency and engagement.</li> <li>Define assessment criteria to support objective evaluation of manager performance.</li> <li>Strengthen governance through clear escalation procedures and relationship management protocols.</li> </ul> <p>Establishing this framework would promote a more consistent and transparent oversight process, helping to proactively identify and address any emerging issues while reinforcing accountability and alignment with the Fund's objectives.</p> <p><b>Finding 1: Establish a Formal Asset Transition Framework (Medium):</b> Asset transitions are currently managed by third-party providers such as Northern Trust or LGIM, and while these transitions are being executed, there is an opportunity to strengthen internal oversight by developing a formal, documented framework.</p> <p>Introducing a structured process would help:</p> <ul style="list-style-type: none"> <li>Clarify roles and responsibilities across all parties involved.</li> <li>Outline procedures for planning, execution, sign-off, and reporting.</li> <li>Enhance oversight and risk management during high-impact transition events.</li> </ul>

## Areas of good practice

The following areas of good practice were identified:

- There is suitable input from multiple parties when making decisions and reviewing the Fund's performance.
- There is strong governance in place in terms of the Sub Committee, the Pensions Board and the regularity of meetings and the Terms of Reference that must be followed.
- There is regular reporting, including independent reporting from the custodian on a regular basis.
- There is good involvement between the Officers and the day to day running of the investments.

# Current year findings

## 1 Framework for asset transition process Control Design

### Finding rating

Impact	5
Likelihood	iii
Rating	Medium

### Finding and root cause

TPF does not have a formalised documented process that sets out how asset transitions and implementation are carried out with roles, responsibilities, processes and documentation required. We were informed that rebalancing activity and implementation of strategies is done through the custodian, Northern Trust, or by appointing an external transition manager, e.g LGIM. Whilst this limits, to some extent, the risk of the transition as it is carried out by a Third Party, asset transition activity is a very high risk activity and requires careful planning, execution and reporting on key factors such as timings, costs and out of market exposures

The Fund should have a clear framework setting out how transition activity is carried out which would include a clear process for carrying out transitions including:

- Checklists;
- Roles;
- Responsibilities;
- Required documentation;
- Sign off procedures; and
- Risks and mitigations.
- Details of pre and post transition reports such as costs, timing and monetary amounts moved.

### Potential implications

There is a risk that, in the absence of formalised documentation setting out the process, roles, responsibilities, and reporting requirements for asset transitions, transitions may be poorly planned or executed. This could lead to unanticipated costs, delays, operational errors, regulatory non-compliance, or excessive out-of-market exposures. While the use of third-party providers (e.g. custodians or transition managers) mitigates some elements of this risk, the Fund retains ultimate accountability and therefore requires a robust governance framework to oversee and manage transition activities effectively.

### Recommendations

Develop a formal transition process document covering roles, responsibilities, processes and documentation required, including details of any pre or post transition reports.

# Current year findings

1

Framework for asset transition process

Control Design

Management action plan		
A documented framework will be developed and used for the next transition.		Responsible person/title: .....
		Service Manager - Financial Services .....
		Target date: .....
		September 2025

Finding rating	
Impact	5
Likelihood	iii
Rating	Medium



# Current year findings

## 2 Investment manager oversight framework Control Design

### Finding rating

Impact	4
Likelihood	iii
Rating	Medium

### Finding and root cause

TPF would benefit from a formalised framework or documentation that governs its engagement and oversight of investment managers. Although Officers reportedly meets with these managers quarterly, there is no documented structure for their oversight. With clear guidelines, TPF can ensure consistency in manager review and engagement, avoiding unmanaged risks and breaches of agreement.

The Fund should have a clear policy outlining their oversight of managers and how relationships are managed:

- How often each manager is reviewed and detail what is involved in these reviews to ensure comprehensive assessments and accountability versus manager agreements
- The relationships and point of contacts with the managers
- There should be a clear escalation protocol for issues identified during reviews or emerging outside the regular review cycle. This ensures swift and effective resolution of any concerns.

### Potential implications

The absence of a formal oversight framework increases the risk of misalignment between the managers' activities, management agreements and the Fund's strategic objectives.

### Recommendations

Develop a formal policy for investment manager oversight covering manager review process, expectations and timelines, clear escalation routes and schedule of meetings.

### Management action plan

Policy for oversight and review will be developed and implemented.

Responsible person/title:

Service Manager - Financial  
Services

Target date:

December 2025

# Current year findings

## 3 Opportunity to Formalise and Document the Investment Strategy Setting Process

Control Design

### Finding rating

Impact	5
Likelihood	iii
Rating	Medium

### Finding and root cause

The current approach to setting the Fund's investment strategy—led by the investment advisor, Isio, following each valuation—provides a foundation for aligning investment objectives, asset allocation, and risk management. However, there is an opportunity to strengthen governance and transparency by formalising and documenting the end-to-end process. Our review identified several areas where enhanced documentation could add value:

- **Procedural Clarity:** There is currently no supporting documentation outlining the specific steps involved in the investment strategy review. Formalising this process could help clarify:
  - The roles and responsibilities of all parties involved;
  - How the Fund's objectives are determined, agreed upon, and communicated; and
  - The information and documentation used to support strategic decisions.
- **Implementation and Monitoring:** The process for implementing the agreed strategy and monitoring its effectiveness over time is not currently documented. Establishing a clear framework would help ensure consistency and accountability in execution and evaluation.
- **Review and Challenge:** There is limited documented evidence of review and challenge by TPF prior to strategy approval. Capturing this oversight formally would reinforce governance and demonstrate robust decision-making.

By addressing these areas, the Fund can enhance transparency, support effective collaboration among stakeholders, and provide greater assurance that the investment strategy is well-considered and aligned with the long-term needs of the scheme.

### Potential implications

Without a formalised and well-documented investment strategy setting process—including clearly defined roles, responsibilities, and procedures for review and challenge—there is a risk that the Fund's strategy may not be fully aligned with its long-term objectives, risk appetite, or funding requirements. This could lead to:

- Inconsistent decision-making due to a lack of structured guidance;
- Reduced accountability among stakeholders;
- Limited challenge of advisor recommendations, potentially weakening governance; and
- Insufficient documentation of the rationale behind strategic decisions.

# Current year findings

3

Opportunity to Formalise and Document the Investment Strategy Setting Process

Control Design

Finding rating

Impact	5
Likelihood	iii
Rating	Medium

Recommendations

1. Management should develop a formal policy that clearly lays out the investment strategy setting process including implementation and monitoring. This policy should include detailed procedural steps, clarify roles and responsibilities (including for management, the Committee and the board) and define what documentation will be used and how.
2. Within the policy, include expectations of evidence that will be saved to support review and challenge from TPF .

Management action plan

Policy for investment strategy setting will be developed and implemented before the next review.	Responsible person/title: ..... Service Manager - Financial Services ..... Target date: ..... March 2026
--	--

# Current year findings

## 4 Enhancements required to quarterly reporting

### Control Design

#### Finding rating

Impact	3
Likelihood	iii
Rating	Low

#### Finding and root cause

Whilst there is ample and regular performance reporting, the current Investment performance monitoring process would benefit from enhancements to bring together the quantitative data with qualitative oversight and commentary, highlighting key updates and risks to performance on a regular basis.

The following items should be considered for inclusion in this performance summary document to bring together a bigger picture of performance which would help to raise the key issues of the Fund:

- Performance of the assets versus the liability and various asset benchmarks, including the liability benchmark;
- Risk metrics of the Fund,e.g Value at Risk versus threshold/limit;
- Allocation of the Fund relative to strategic benchmark, including any allocations that are out of range; and
- Commentary on the underlying managers, highlighting any issues such as key personnel leaving.

#### Potential implications

There is a risk that, in the absence of a comprehensive investment performance summary combining quantitative data with qualitative analysis and commentary, key risks and drivers of underperformance may not be effectively identified or acted upon. This could lead to delayed or suboptimal decision-making by the Trustee Board, missed signals of emerging issues (e.g. manager instability or risk breaches), and inadequate oversight of the Fund's alignment with its strategic and liability benchmarks — ultimately impairing the Fund's ability to meet its long-term objectives.

#### Recommendations

Management should enhance the performance reporting to include the following:

1. Performance of the assets versus the liability and various asset benchmarks, including the liability benchmark
2. Risk metrics of the Fund,e.g Value at Risk versus threshold/limit
3. Allocation of the Fund relative to strategic benchmark, including any allocations that are out of range
4. Commentary on the underlying managers, highlighting any issues such as key personnel leaving.

# Current year findings

**4** Enhancements required to quarterly reporting  
Control Design

Management action plan

A review of performance reporting will be undertaken and improved.

Responsible person/title:

Senior Banking & Investment Officer

Target date:

September 2025

Finding rating

Impact	3
Likelihood	iii
Rating	Low

# Current year findings

## 5 Improvements to benchmark details within the SIP

Control Design

### Finding rating

Impact	3
Likelihood	iii
Rating	Low

### Finding and root cause

While there is reporting on a regular basis on the Fund's performance against asset benchmarks, there is no reference to Fund's liability benchmark of CPI + 1.6% within the regular reporting. Additionally there is not a clear explanation in the SIP (or other documents) around why the Fund is compared against certain benchmarks.

It is important for the Fund to track how it is performing against key benchmarks to ensure that these align or identify any early warning signs that the Fund may be underperforming, so that corrective action can be taken.

### Potential implication

There is a risk that, without regular reporting against the Fund's liability benchmark (CPI + 1.6%), investment performance monitoring may not fully reflect progress toward the Fund's long-term funding objective. This could lead to misinformed decision-making by the Board, insufficient scrutiny of strategic asset allocation effectiveness, and reduced ability to identify and address underperformance relative to the Fund's liabilities. Ultimately, this may increase the risk of a funding shortfall and threaten the ability of the Fund to meet its future benefit obligations.

### Recommendations

1. Introduce reference to the liability benchmark of CPI + 1.6% in performance reports and include reference to this in the SIP.
2. Include in the SIP (or other documentation) the rationale of why the benchmarks are used and how these are reviewed against.

### Management action plan

Benchmark now included in the SIP. Performance reporting will include this detail in the future.

Responsible person/title:

Service Manager - Financial Services

Target date:

September 2025

# Appendices



# Appendix A: Basis of our classifications

## Individual finding ratings

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

Impact rating	Assessment rationale
6	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• Critical impact on operational performance; or</li> <li>• Critical monetary or financial statement impact; or</li> <li>• Critical breach in laws and regulations that could result in material fines or consequences; or</li> <li>• Critical impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
5	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• Significant impact on operational performance; or</li> <li>• Significant monetary or financial statement impact; or</li> <li>• Significant breach in laws and regulations resulting in large fines and consequences; or</li> <li>• Significant impact on the reputation or brand of the organisation.</li> </ul>
4	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• Major impact on operational performance; or</li> <li>• Major monetary or financial statement impact; or</li> <li>• Major breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• Major impact on the reputation or brand of the organisation.</li> </ul>
3	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• Moderate impact on the organisation's operational performance; or</li> <li>• Moderate monetary or financial statement impact; or</li> <li>• Moderate breach in laws and regulations with moderate consequences; or</li> <li>• Moderate impact on the reputation of the organisation.</li> </ul>



# Appendix A: Basis of our classifications

## Individual finding ratings

Impact rating	Assessment rationale
2	A finding that could have a: <ul style="list-style-type: none"> <li>• Minor impact on the organisation's operational performance; or</li> <li>• Minor monetary or financial statement impact; or</li> <li>• Minor breach in laws and regulations with limited consequences; or</li> <li>• Minor impact on the reputation of the organisation.</li> </ul>
1	A finding that could have a: <ul style="list-style-type: none"> <li>• Insignificant impact on the organisation's operational performance; or</li> <li>• Insignificant monetary or financial statement impact; or</li> <li>• Insignificant breach in laws and regulations with little consequence; or</li> <li>• Insignificant impact on the reputation of the organisation.</li> </ul>
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Likelihood

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

# Appendix A: Basis of our classifications





## Finding rating

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

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

## Report classifications

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

Findings rating	Points	Report classification		Points
Critical	40 points per finding		Satisfactory	6 points or less
High	10 points per finding		Satisfactory with exceptions	7 – 15 points
Medium	3 points per finding		Needs improvement	16 – 39 points
Low	1 point per finding		Unsatisfactory	40 points and over

# Appendix B: Terms of reference

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

## Background and audit objectives

An effective investment strategy framework is critical in ensuring that the organisational objectives are achieved over the lifetime of the fund. TPF is administered in line with the Local Government Pension Scheme Regulations. Control weaknesses within the investment strategy and governance framework may lead not only to financial detriment but also regulatory and reputational issues. Inconsistent processes may lead to inefficient or poor decision-making.

The objective of this audit is to perform a review of the key controls and governance that lead to advising on and setting the investment strategy at TPF. Our scope areas are aligned to what we would expect to see at TPF. We will also give insight into good practice we have seen elsewhere on investment decision-making and oversight.

Please find the detailed objectives outlined on the next page.

# Appendix B: Terms of reference

Sub-process	Objectives	Risks
<b>Investment Strategy Setting</b>	<ul style="list-style-type: none"> <li>TPF has a defined framework in place for setting the investment strategy, objectives and asset allocations.</li> <li>Appropriate input from TPF, external advisors and wider stakeholders is considered. This flows through into the Investment Strategy Statement (ISS), Funding Strategy Statement (FSS) and risk appetite statement.</li> <li>TPF considers relevant factors when setting the investment strategy.</li> <li>TPF has established clear performance metrics for the investment strategy, including reporting on these.</li> <li>The investment strategy is adequately documented and reviewed at appropriate intervals.</li> <li>The Investment Strategy Statement (ISS) is kept up to date and publicly available.</li> </ul>	<ul style="list-style-type: none"> <li>An inadequate process could result in an investment strategy that does not align with TPF's beliefs and scheme objectives.</li> <li>Failure to update strategy and objectives means that TPF's investment goals may not be implemented or consider all relevant factors.</li> <li>Decisions taken without an appropriate process or advice may lead to poor investment outcomes.</li> <li>There is a risk of breaching regulations if required documentation such as the ISS is not updated in a timely manner.</li> </ul>
<b>Investment Governance</b>	<ul style="list-style-type: none"> <li>There is a formal governance process in place for setting the investment strategy which includes the review of data / inputs which inform the strategy, and the translation of this into both legal and internal documentation.</li> <li>Roles and responsibilities are clearly defined and documented, in particular the responsibilities for approval of the strategy and the relationship between TPF and Fund Managers.</li> <li>The working relationship between TPF and Fund Managers is collaborative. There is a conflicts of interest policy in place to manage risks.</li> <li>A process is in place for the Committee to monitor breaches of AMA's. There is a clear approach to resolution of any issues with Fund Manager delivery.</li> <li>Committee approval of any actions that breach provisions in the AMA's are clearly documented.</li> <li>Committee has sight of all FCA regulatory investment reports and publicly available investment reports before publication.</li> <li>Committee meetings are conducted in line with Standing Orders and matters reserved for the Committee. The Committee has sufficient competence to make the investment decisions required and undertakes regular training.</li> <li>Operation of the investment related committees is effective and roles and responsibilities are clearly defined. Minutes at these meetings are recorded.</li> <li>Investment risks are considered, monitored and recorded.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of formal governance process may result in inadequate oversight of the strategy and poorly informed decision making.</li> <li>Lack of clearly defined roles could cause the interests of TPF and Fund Managers to become misaligned and accountability to become ambiguous.</li> <li>If the Committee does not operate within their terms of reference (formal or implied), decision making will be less effective.</li> <li>The Committee could become overwhelmed with low priority issues and lose focus on strategic decisions.</li> </ul>

## Appendix B: Terms of reference

Sub-process	Objectives	Risks
<b>Monitoring and oversight</b>	<ul style="list-style-type: none"> <li>There is timely and relevant reporting in place from Fund Managers to TPF which allows the monitoring of Fund Manager's performance against the investment strategy objectives.</li> <li>TPF has in place an appropriate escalation process of issues and information reported to the relevant committees by TPF Officers.</li> <li>There is timely and relevant reporting in place for the Committee to monitor overall scheme performance, risks, costs and compliance with investment guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>A lack of a formal documented investment monitoring framework may lead to inconsistent monitoring processes, resulting in possible lack of identification of risks and financial detriment.</li> <li>Where relevant Management Information (MI) is not reported, TPF will not have sufficient oversight and information needed to make strategic decisions.</li> </ul>

# Appendix C: Limitations and responsibilities

## Limitations inherent to the internal auditor's work

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

### Internal control

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

### Future periods

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

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

## Responsibilities of management and internal auditors

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

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

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

# Thank you

[pwc.co.uk](https://pwc.co.uk)

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.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to public sector internal audit standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure.

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190219-133533-JS-OS

**REPORT TO:** PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 JUNE 2025

**REPORT ON:** TAYSIDE PENSION FUND ANNUAL GOVERNANCE & GOVERNANCE COMPLIANCE STATEMENTS

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

**REPORT NO:** 171-2025

## **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 2025. 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:

- approves the Annual Governance and Governance Compliance Statements which are included as an Appendix to this report.
- instructs the inclusion of the statements in the Annual Accounts for the year to 31 March 2025.

## **3 BACKGROUND**

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.

## **4 FINANCIAL IMPLICATIONS**

There are no financial implications.

## **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**

**17 JUNE 2025**



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**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 38 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:

- Outsourcing / Third Party Management arrangements
- Investment Strategy

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 Reasonable Assurance opinion. Across the reviews, there were four medium-risk and five low-risk findings. PwC inform that governance, risk management and control in relation the internal audit reviews performed is generally satisfactory, and whilst a limited number of medium risk rated weaknesses may have been identified, generally only low risk rated weaknesses have been found in individual reviews. They conclude that some improvements are required in those 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 actions plans as appropriate.

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. The 2024/25 review of governance arrangements against the Local Code of Corporate Governance has identified the Council as being 99% (2023/24: 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 the completion of a 76-point checklist covering eight key governance areas of Service Planning and Performance Management; Internal Control Environment; Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management; and Partnerships; and Information Governance. This continues to score a high level of compliance, with an overall score above 93% for 2024/2025 (2023/2024: 92%).

Over and above the Internal Audit Service delivered by PwC, the Council's Internal Audit Service also operates in accordance with the Public Sector Internal Audit Standards and reports functionally to the Scrutiny Committee. Conformance with the PSIAS should be confirmed independently, through the completion of a formal External Quality Assurance (EQA) process. The independent review was due to be undertaken in 2023 but has been subject to delay of the reviewer. Conformance with PSIAS, with the exception of updating the EQA within 5 years has been confirmed by the self-assessment prepared by the Service as part of the review. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. The overall audit opinion, based on the above, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2025.

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 2024/25:

Business Area	Item	Description	Status / Information
Finance & Governance	Investment Strategy	Review of the design and operating effectiveness of key controls in that lead to advising on and setting the investment strategy.	Complete
	General Code	Review of TPR General Code Compliance	Complete
Investment	Investment Strategy	Following the outcome of the 2023 actuarial valuation, a review of the Fund's investment strategy will take place in 2024/25, with any recommendations actioned when market conditions favour.	Complete
	Portfolio Review	Review of specific portfolios within the Fund following annual performance review.	Complete

The following are service improvements specific to Tayside Pension Fund planned for 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	Delayed from previous year. Independent specialists to be engaged.
	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"> <li>Actuary</li> <li>Investment advisor</li> </ul>	Scheduled
	Risk Management & Regulatory Compliance	Assessment in line with TPR General Code	Scheduled
	GDPR	Review of the design of key controls in respect of GDPR regulations	Scheduled
	Pensions dashboard	Access to tool to enquire about missed pension pots and benefit values	Scheduled
	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.	Scheduled



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.	Scheduled

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Pension Board meetings:

[https://www.dundeecc.gov.uk/minutes/meetings?in\\_cc=35&in\\_dat=2](https://www.dundeecc.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 2024/2025. It is proposed over 2025/2026 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance governance arrangements.

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**Gregory Colgan**  
Chief Executive  
Dundee City Council

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

## **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 9<sup>th</sup> 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/minutes-meetings-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

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Structure			
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>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><b><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></b></p> <p>The responsibilities to be discharged by the Committee include:</p> <ul style="list-style-type: none"> <li>• Preparing, maintaining and publishing the Governance Compliance Statement.</li> <li>• Ensuring that the Scheme Manager complies with the Local Government Pension Scheme (Scotland) Regulations and all other legislation governing the administration of the Fund.</li> <li>• Preparing, maintaining and publishing the Funding Strategy Statement.</li> <li>• Preparing, maintaining and publishing the Pensions Administration Strategy.</li> <li>• Ensuring the Fund is valued as required and receiving and considering reports on each valuation.</li> <li>• Ensuring appropriate arrangements for the administration of benefits are in place.</li> <li>• Setting the admissions policy.</li> <li>• Preparing, maintaining and publishing the Communication Policy Statement.</li> <li>• Ensuring appropriate AVC arrangements are in place.</li> <li>• 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.</li> <li>• Appointing, dismissing and assessing the performance of investment managers and custodians.</li> <li>• Preparing, maintaining and publishing the Corporate Governance Policy</li> <li>• Ensuring appropriate arrangements for the Local Pension Board are in place and maintaining and publishing information about the Pensions Board.</li> <li>• Approving the Business Plan.</li> <li>• Ensuring that an effective system of internal financial control is maintained.</li> <li>• Receiving and agreeing the Annual Report and Accounts.</li> <li>• Ensuring that contributions received are in accordance with the Schedule of Rates and Adjustments.</li> </ul>	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	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>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><b><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></b></p> <p><b><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></b></p> <p><b><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></b></p> <ul style="list-style-type: none"> <li><b><i>Reports produced for the Pensions Sub-Committee</i></b></li> <li><b><i>Requisition reports from the scheme managers on any aspect of the fund</i></b></li> <li><b><i>Monitor investments and the investment principles/strategy/guidance</i></b></li> <li><b><i>The fund annual report</i></b></li> <li><b><i>External voting and engagement provisions</i></b></li> <li><b><i>Fund administrative performance</i></b></li> <li><b><i>Actuarial reports and valuations</i></b></li> <li><b><i>Funding policy</i></b></li> <li><b><i>Any other matters that the Pension Board deem appropriate</i></b></li> </ul>		
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 established to underpin the work of the main committee.	<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>There are 4 employer representatives appointed by the respective employer</p>	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<p>organisations as follows:</p> <p>Councils 2 (1 x Angus Council, 1 x Perth &amp; Kinross Council)</p> <p>Scheduled &amp; 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><b><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></b></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.		
	<p><b>The Scheme of Delegations to the Fund's Officers</b></p> <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>		

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<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;"><b>Procurement Procedures</b></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;"><b>The Fund's Officers</b></p> <p>The main duties of the Officers are set out below. The Officers will:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Prepare the Budget and Service Plan.</li> <li>• Maintain the system of internal financial control.</li> <li>• Prepare the Annual Report and Accounts.</li> <li>• Manage the triennial and interim actuarial valuations.</li> <li>• Manage the preparation of the Funding Strategy Statement.</li> <li>• Manage the preparation of the Governance Compliance Statement.</li> <li>• Manage the preparation of the Communication Policy Statement.</li> <li>• Manage the preparation of the Pensions Administration Strategy.</li> <li>• Ensure that the Pensions Service adheres to best practice.</li> </ul> <p>In relation to the investment of the Fund, the Officers will:</p> <ul style="list-style-type: none"> <li>• Review the content of the Statement of Investment Principles.</li> <li>• Review the content of the Environmental, Social and Corporate Governance Policy.</li> <li>• Monitor developments that may affect the approach to the investment of the Fund.</li> <li>• Monitor the investment management structure and arrangements in order to verify that the investment policy of the Committee is being implemented.</li> <li>• 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.</li> <li>• Maintain records that monitor the investment performance of investment managers and the Fund.</li> <li>• Maintain a record of the Fund's assets.</li> <li>• 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.</li> </ul>		

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<ul style="list-style-type: none"> <li>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.</li> </ul> <p>In relation to the administration of benefits, the Officers will:</p> <ul style="list-style-type: none"> <li>Monitor developments that may affect the administration of benefits.</li> <li>Promote membership of the Fund.</li> <li>Manage the admissions policy.</li> <li>Collect and reconcile the employer and employee contributions.</li> <li>Pay pension benefits.</li> <li>Maintain records in relation to the entire membership.</li> <li>Devise and implement training, consultation and communication strategies for the employers.</li> <li>Devise and implement consultation and communication strategies for the members.</li> <li>Manage the AVC arrangements.</li> </ul>		
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>iii) where appropriate, independent professional observers; and</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>The External Investment Advisor, Isio Ltd, attend annual Committee meetings. The Actuary, Barnett Waddingham, attends Committee meetings as required.</p>	<p>Yes</p> <p>Yes</p> <p>Partial</p>	<p></p> <p></p> <p>There has been no request to appoint further</p>

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
iv) expert advisors (on an ad-hoc basis).		Partial	independent observers or advisors
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>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>	Yes	
Selection and Role of Lay Members			
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>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>	Yes	
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	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.	Yes	
Voting			
The policy of individual administering authorities on voting rights is clear and transparent, including the	All Pension Sub-Committee members have voting rights. This is detailed in the Tayside Pension Funds Statement of Investment Principles.	Yes	



Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
justification for not extending voting rights to each body or group represented on main LGPS committees.	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.		
Training / Facility Time / Expenses			
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>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"> <li>• CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills</li> <li>• 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.</li> <li>• CIPFA Pensions Panel Technical Knowledge and Skills Framework for Local Pension Boards</li> </ul> <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	Continuous training programme in line with needs. New Committee & board members will undergo training accordingly
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Training requirement is applicable to all members of the Pension Sub-Committee and Board.	Yes	
That the administering authority considers the adoption of annual training plans for committee members and maintains a	<p>Training programmes are undertaken to reflect specific needs, and which include the appropriate requirements of the Pensions Regulator's Codes of Practice.</p> <p>The training programme is reviewed regularly and members of the Sub-Committee and Pension Board assess their individual requirements.</p>	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
log of all such training undertaken.			
Meetings (Frequency/Quorum)			
That an administering authority's main committee or committees meet at least quarterly.	<p>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.</p> <p>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.</p>	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	
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	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	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
falls to be considered at meetings of the main committee.			
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: <a href="http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx">http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx</a>	Yes	Governance Policy Statement and Governance Compliance Statement are available on the Council website.