

## Pensions Committee

Committee Room 2, Floor 5, Fife House, North Street,  
Glenrothes – Blended meeting



Monday, 31 March 2025 - 10.00 am

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### AGENDA

Page Nos.

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest(s) in particular items on the agenda and the nature of the interest(s) at this stage.
3. **MINUTES -**
  - (a) minute of the meeting of the Pensions Committee of 13 December 2024 5 – 9
  - (b) minute of the pre-meeting of the Fife Pension Board of 10 December 2024 10 – 14
  - (c) minute of the post-meeting of the Fife Pension Board of 13 December 2024 15 – 18
4. **FIFE PENSION FUND - BUSINESS PLAN UPDATE AND ADMINISTRATION ACTIVITY TO 31 DECEMBER 2024** – Report by the Head of Finance 19 – 43
5. **FIFE PENSION FUND BUSINESS PLAN AND BUDGET 2025-26** – Report by the Head of Finance 44 – 62
6. **AZETS – ANNUAL AUDIT PLAN FIFE PENSION FUND** - Report by the Head of Finance 63 – 98
7. **UPDATE ON 2024/25 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2024/25 ISSUED AUDIT REPORT** – Report by the Service Manager - Audit and Risk Management Services 99 – 102
8. **POST AUDIT REVIEW (PAR) REPORT** – Report by the Service Manager - Audit and Risk Management Services 103 – 108
9. **RISK MANAGEMENT – QUARTERLY REVIEW** – Report by the Head of Finance 109 – 134
10. **PENSIONS COMMITTEE WORKPLAN AND TRAINING PLAN** – Report by the Head of Finance 135 – 140
11. **COST TRANSPARENCY AND CEM BENCHMARKING** – Report by the Head of Finance 141 - 146

## ITEMS LIKELY TO BE CONSIDERED IN PRIVATE

The Committee is asked to resolve, under Section 50(a)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph(s) 6 of part 1 of schedule 7a of the Act.

- |   |                                 |           |
|---|---------------------------------|-----------|
| <b>12. COST TRANSPARENCY AND CEM BENCHMARKING</b>       | – Report by the Head of Finance | 147 – 152 |
| <b>13. ANNUAL REVIEW OF SHARED SERVICES ARRANGEMENT</b> | – Report by the Head of Finance | 153 – 171 |
| <b>14. PENSION FUND - INVESTMENT UPDATE</b>             | – Report by the Head of Finance | 172 – 181 |

**Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.**

Lindsay Thomson  
Head of Legal and Democratic Services  
Finance and Corporate Services

Fife House  
North Street  
Glenrothes  
Fife, KY7 5LT

24 March, 2025

If telephoning, please ask for:  
Wendy MacGregor, Committee Officer, Fife House 06 ( Main Building )  
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## **BLENDED MEETING NOTICE**

This is a formal meeting of the Committee and the required standards of behaviour and discussion are the same as in a face to face meeting. Unless otherwise agreed, Standing Orders will apply to the proceedings and the terms of the Councillors' Code of Conduct will apply in the normal way

For those members who have joined the meeting remotely, if they need to leave the meeting for any reason, they should use the Meeting Chat to advise of this. If a member loses their connection during the meeting, they should make every effort to rejoin the meeting but, if this is not possible, the Committee Officer will note their absence for the remainder of the meeting. If a member must leave the meeting due to a declaration of interest, they should remain out of the meeting until invited back in by the Committee Officer.

If a member wishes to ask a question, speak on any item or move a motion or amendment, they should indicate this by raising their hand at the appropriate time and will then be invited to speak. Those joining remotely should use the "Raise hand" function in Teams.

All decisions taken during this meeting, will be done so by means of a Roll Call vote.

Where items are for noting or where there has been no dissent or contrary view expressed during any debate, either verbally or by the member indicating they wish to speak, the Convener will assume the matter has been agreed.

There will be a short break in proceedings after approximately 90 minutes.

Members joining remotely are reminded to have cameras switched on during meetings and mute microphones when not speaking. During any breaks or adjournments please switch cameras off.



**THE FIFE COUNCIL - PENSIONS COMMITTEE – BLENDED MEETING**

**Committee Room 2, Fife House, North Street, Glenrothes**

**13 December 2024**

**10.00 am – 12.45 pm**

**PRESENT:** **Committee** - Councillors Dave Dempsey (Convener), David Alexander, Naz Anis-Miah, James Calder, Jane Ann Liston, Sarah Neal, Nicola Patrick and Gordon Pryde.

**Fife Pension Board** – Ross Hugh (Chair), Councillors Tom Adam and Lynn Ballantyne-Wardlaw, Robert Graham, Colin Paterson, Thomas Templeman and Vicki Wyse.

**ATTENDING:** Elaine Muir, Head of Finance, Laura Robertson, Pensions Service Manager, John Mackie, Team Manager - Transactions Team, Pamela Redpath, Service Manager – Audit and Risk Management Services, Helena Couperwhite, Services Manager – Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services, Finance and Corporate Services.

**ALSO ATTENDING:** Emanuel Bouquet, Chief Investment Officer and Albert Chen, Portfolio Manager, Lothian Pension Fund; and Clare Scott, Independent Professional Observer.

**APOLOGY FOR ABSENCE:** Councillor Colin Davidson.

**132. DECLARATIONS OF INTEREST**

No declarations of interest were submitted in terms of Standing Order No. 22.

**133. MINUTES**

The committee considered:-

- (a) the minute of the meeting of the Pensions committee of 24 September 2024.

Arising from the minute, in relation to para. 122 (1) - Statement of Investment Principles (SIP) - and inconsistencies between the SIP and Investment Strategy Report, the Pensions Services Manager provided an update, having considered the content of the SIP in comparison with the Investment Strategy report, and advised, in her opinion, that there were no concerns with the overall meaning from each document. It was noted that the documents had different style layouts with the SIP being more technical whereas the Investment Strategy was transparent. The Head of Finance would consider any changes required to the SIP prior to the document being published on the website.

**Decision**

The committee:

- (1) noted the update; and
  - (2) otherwise approved the minute.
- (b) the minute of the pre-meeting of the Fife Pension Board of 23 September 2024.

**Decision**

The committee noted the minute.

- (c) the minute of the post-meeting of the Fife Pension Board of 24 September 2024.

**Decision**

The committee noted the minute.

- (d) the minute of the meeting of the Pensions committee on 30 September 2024.

**Decision**

The committee approved the minute.

- (e) the minute of the pre-meeting of the Fife Pension Board of 25 September 2024.

**Decision**

The committee noted the minute.

- (f) the minute of the post-meeting of the Fife Pension Board of 30 September 2024.

**Decision**

The committee noted the minute.

**134. FIFE PENSION BOARD - REVISED CONSTITUTION**

The committee considered a report by the Executive Director (Finance and Corporate Services) seeking approval of the revised Fife Pension Board Constitution, to remove the distinction between representatives from Admitted and Scheduled employer bodies to allow two representatives from either employer body to submit nominations to fill the vacancy, noting that this would not affect the overall membership of Fife Pension Board. The committee also noted that Fife Pension Board had requested the appointment of a Depute Chair, whose appointment would rotate in alignment with the Pension Board Chair appointment.

**Decision**

The committee:-

- (1) approved the revised Fife Pension Board Constitution detailed at Appendix 1 to the report, including the appointment of a Depute Chair and that authority would be delegated to the Head of Legal and Democratic Services to make any consequential changes that may arise with any supporting documents; and
- (2) noted that further communication would be take place between the Services Manager – Committee Services and Fife Pension Board to consider further amendments that may be required such as production of Standing Orders for the Pension Board and to consider the requirement for Board members to be quorate and present during the Pensions Committee meetings.

**135. GENERAL CODE OF PRACTICE ASSESSMENT**

The committee considered a report by the Head of Finance providing an update on the assessment of compliance with the requirements of the Pension Regulator’s General Code of Practice and an overview of the current position, as well as outlining the next steps in the process.

**Decision**

The committee:-

- (1) noted the contents of the report;
- (2) agreed the assessment completed as the baseline for future assessments;
- (3) noted that all actions would be documented into an action plan and requested the action plan be submitted to a future meeting of the committee when this was available; and
- (4) noted that the compliance requirements would be reviewed on a regular basis and reports brought forward on an annual basis unless there were any exceptions.

**136. PENSION FUND BUDGETARY CONTROL**

The committee considered a report by the Head of Finance providing details of the projected outturn of the Pension Fund for 2024-25.

**Decision**

The committee noted:-

- (1) the projected outturn for 2024-25; and
- (2) that further reports in relation to the financial position of the fund would be brought forward on a bi-annual basis.

**137. FIFE PENSION FUND - BUSINESS PLAN UPDATE AND ADMINISTRATION ACTIVITY TO 30 SEPTEMBER 2024**

The committee considered a report by the Head of Finance providing an update on the activities undertaken by the wider pension team during the second quarter of 2024-25. The report was organised into three sections and provided an update on the development activities identified in the Business Plan, followed by an update on administration activity undertaken. The report concluded with more in-depth consideration of the performance of the Pensions Administration team by detailing agreed key performance indicators.

**Decision**

The committee noted:-

- (1) the progress made on the key Business Plan activities;
- (2) the range of additional activities carried out by the team over the last quarter; and
- (3) the level of quarterly performance relative to the target and to the same quarter of the previous year as detailed in Appendix 1 of the report.

*Councillor James Calder left the meeting during consideration of the above item.*

*The committee adjourned at 11.35 am and reconvened at 11.45 am.*

**138. RISK MANAGEMENT - QUARTERLY REVIEW**

The committee considered a report by the Head of Finance providing a quarterly update on the Risk Register for Fife Pension Fund. The risks associated with the Fund were reviewed and updated scores provided to reflect the internal controls in place.

**Decision**

The committee noted:-

- (1) the contents of the report; and
- (2) that the risks were reviewed on a regular basis and reports would be brought forward on a quarterly basis

**139. PENSIONS COMMITTEE WORKPLAN AND TRAINING PLAN**

The committee considered a report by the Head of Finance providing an overview of the proposed agendas for future meetings of the Pensions Committee and the annual cycle. Also highlighted were the proposed internal training sessions designed to complement committee meetings and allow members more time to explore topics in depth.



**Decision**

The committee noted: -

- (1) the content of the agenda planning document; and
- (2) the scheduled training dates.

**140. FIFE PENSION FUND - INVESTMENT UPDATE**

The committee resolved, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 6 of Part 1 of schedule 7A of the Act.

The committee considered a report by the Head of Finance providing an overview of the Fund's investments at 30 September 2024.

**Decision**

The committee noted:-

- (1) the Fund's strategic asset allocation and current allocations relative to target;
- (2) the value of the Fund's assets as at 30 September 2024;
- (3) the Fund's strategic policy group allocations were within the permitted allocation ranges; and
- (4) that longer term absolute returns were strong and relative returns were above the liability benchmark.

**THE FIFE COUNCIL - FIFE PENSION BOARD - PRE-MEETING**

**10 December 2024**

**3.30 pm - 4.35 pm**

**PRESENT:** Ross Hugh (Chair) (Employee representative – Trade Union), Councillors Tom Adams and Lynn Ballantyne-Wardlaw (Employer representatives – Fife Council), Robert Graham, Colin Paterson and Thomas Templeman (Employee representatives – Trade Unions) and Vicki Wyse (Admitted body employer representative).

**ATTENDING:** Clare Scott, Independent Professional Observer; Lesley Robb, Lead Officer – Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

Prior to the start of business, Ross Hugh welcomed everyone to the meeting, in his new appointment as Chair of the Board, taking over the position from Councillor Lynn Ballantyne-Wardlaw.

**36. DECLARATIONS OF INTEREST**

No declarations or conflicts of interest were submitted.

**37. MINUTES OF THE MEETING OF THE FIFE PENSIONS BOARD PRE MEETING AND POST MEETINGS**

The Board considered the following minutes:-

- (1) pre-meeting of Fife Pension Board of 23 September 2024;
- (2) post-meeting of Fife Pension Board of 24 September 2024;
- (3) pre-meeting of Fife Pension Board of 23 September 2024; and
- (4) post-meeting of Fife Pension Board of 24 September 2024.

**Decision**

The Board:-

- (1) approved the minutes; and
- (2) noted that the Committee Officer had previously issued notes of action for only the Board pre-meetings but would provide notes of action for all pre and post meetings of the Board going forward.

**38. MEMBERSHIP OF FIFE PENSION BOARD AND REVISED CONSTITUTION**

The committee officer provided a verbal update advising the Pensions Services Manager had written to Senior Managers from the Scheduled Body Employers (Police Scotland and Fife College) in a final attempt to fill the vacancy on the Board membership for a Scheduled body representative, but this had been unsuccessful and no nominations for the role had been submitted.

At the Pensions Committee meeting on 13 December 2024, committee will consider a proposal to amend the Constitution at paragraph 3.3, to remove the distinction between one representative from each of the Admitted and Scheduled bodies, to assist in filling the vacancy. Approval of the amendment to the Constitution would not affect the overall membership of Fife Pension Board. Following approval from the Pensions Committee, both Scheduled and Admitted bodies would be contacted to request nominations for the vacancy.

The Board also requested further changes to the Constitution - to include a Depute Chair and for the Board to be quorate during Pensions Committee meetings. The requests had been considered but were not considered necessary at this time and therefore not included in the revised Constitution.

**Decision**

The Board:-

- (1) noted the verbal update provided by the Committee Officer; and
- (2) agreed to raise a request at the Pensions Committee meeting on 13 December 2024, for a further amendment to the Fife Pension Board Constitution to include the appointment of a Depute Chair on the Board, alternating with the Chair as either an employer or employee representative. The Board envisaged the role of the Depute Chair would include, managing Board meetings in the absence of the Chair and would also provide training in the post, prior to the re-appointment of the Chair of the Board in December each year, where the expectation would be that the Depute Chair would be in a good position to become the new Chair of the Board.

**39. OVERVIEW OF AGENDA ITEMS FOR THE PENSIONS COMMITTEE MEETING**

The Board considered the reports on the agenda for the Pensions Committee meeting on 13 December 2024.

**Decision**

The Board noted:-

- (1) the reports on the agenda for the Pensions Committee meeting on 13 December 2024 and agreed no urgent issues were identified requiring further clarification;

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- (2) in relation to Agenda Item No. 5 - The Pensions Regulator General Code of Practice -Assessment of Compliance, the following points were raised –
  - (a) a strong focus on the legal requirement to train Pension Board members to have the necessary knowledge and understanding on legislation but the Pensions Committee was not mentioned. Concerns were raised that expectations on the training requirement and commitment expected for the Board should also apply to the members of the Pensions Committee;
  - (b) training for the Pension Board and Committee had progressed becoming more structured throughout 2024. Assessments for knowledge and understanding of subjects were not in place but would be introduced in the future. The Board suggested consideration could be given to using online resources or assessment tools and queried if the assessments would be provided by Pensions Services officers.
- (3) in relation to Agenda Item No. 7 - Business Plan update and administration activity to 30 September 2024 the following points were raised –
  - (a) Scottish Fire and Rescue staff had transferred from the Fife Pensions Fund to Strathclyde and concerns were raised over the impact this would have on the fund?
  - (b) an estimated value had been provided, what was the actual value?
  - (c) what would the implications be for the Pension Fund if Police Scotland also decided to transfer out?
  - (d) why was Strathclyde selected for the transfer? Could Fife members also have this option to transfer?
  - (e) noted a satisfactory increase in the number of members using the self service, what support would be available for those members unable to use the self service option?

### 40. SCHEME ADVISORY BULLETIN

The Board noted:-

- (1) noted the content of the Bulletin; and
- (2) Clare Scott, Independent Professional Observer would deliver training on a Governance event expected to take place on 26 February 2025, Board members would be invited to attend the event and a link for the event would be sent to Board members in due course.

### 41. KEY ACHIEVEMENTS

The Board considered whether there were any key achievements that could be recorded for inclusion in the Board's next annual report.

**Decision**

The Board considered areas of achievement throughout 2024, for including in the draft Pensions Board Annual Report 2024/25:-

- (1) The Board campaigned for changing the composition of the Employer membership representation on the Constitution, to remove the distinction of one Scheduled body and one Admitted body Employer representative on the Board to two from either of the Scheduled or Admitted body employers;
- (2) The Board raised awareness at a Pensions Committee meeting, encouraging members of the Pension Scheme to consider the option to pay back gaps in National Insurance contributions to avoid any impact on their State Pension entitlement . The Head of Finance raised awareness of the matter with Fife Council as an employer and reached out to other employers in the fund to suggest they may wish to take similar action; and
- (3) The Board acknowledged only two Schemes in Scotland had an Independent Professional Observer (IPO). The Board felt the support from the IPO had been beneficial, assisting with improvements to the scrutiny function of the Board and providing valuable direction during meetings for Board members.

**42. TRAINING UPDATE - MANDATORY TRAINING REQUIREMENT FOR PENSION BOARD MEMBERS**

The Board considered a record of training undertaken by members to date.

**Decision**

The Board:-

- (1) noted the update;
- (2) noted a list of training events including webinars, PLSA events, reading material, would be collated by the Pensions Services Manager and circulated to Pensions Committee and Board members; and
- (3) queried if sanctions could be imposed and what that would involve for any members of the Committee or Board failing to complete the necessary training requirement?

**43. FIFE PENSION BOARD FORWARD WORK PROGRAMME**

The Board noted:-

- (1) the content of the Forward Work Programme which would be updated accordingly;
- (2) that dates for Pensions Committee meetings had been scheduled from August 2025 to March 2027 and requested a list of committee dates be circulated to members prior to meeting appointments being issued; and

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- (3) Clare Scott Independent Professional Observer on Fife Pension Fund was in the final year of contract and that the contract would require to be renewed in 2025, had this been indicated in the Business Plan for continuity?

**THE FIFE COUNCIL - FIFE PENSION BOARD - POST MEETING – BLENDED**

**Committee Room 2, Fife House, North Street, Glenrothes**

**13 December, 2024**

**12.45 pm – 2.05 pm**

**PRESENT:** Ross Hugh (Chair) (Employee representative – Trade Union), Councillors Tom Adams and Lynn Ballantyne-Wardlaw (Employer representatives – Fife Council), Robert Graham, Colin Paterson and Thomas Templeman (Employee representatives – Trade Unions) and Vicki Wyse (Admitted body employer representative).

**ATTENDING:** Clare Scott, Independent Professional Observer and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

**39. DECLARATIONS/CONFLICTS OF INTEREST**

No declarations or conflicts of interest were submitted.

**40. REVIEW OF COMMITTEE DECISIONS/COMMENTS ON REPORTS**

The Fife Pension Board considered the reports submitted to the Pensions Committee meeting and whether a review would be required of any decisions made by the committee as follows:-

**(1) AGENDA ITEM NO. 4 – FIFE PENSION BOARD - REVISED CONSTITUTION**

**Decision**

The Board:-

- (a) noted the draft revised Board Constitution by Legal and Democratic Services and that the Board's request for a further amendment to allow for the appointment of a Depute Chair had not been included. The Board welcomed the Committee decision that the Constitution would be amended accordingly as requested;
- (b) agreed to appoint Councillor Lynn Ballantyne-Wardlaw (employer representative) as Depute Chair of the Board with immediate effect;
- (c) noted that following agreement to amend the Board's Constitution to remove the distinction between Scheduled and Admitted body employers in the fund, both groups of employer bodies would be contacted to seek nominations to fill the vacancy on the Board;
- (d) noted a suggestion at the Pensions Committee, from the Service Manager - Committee Services to collate a set of Standing Orders specific to the Board to assist with the management and governance of meetings. The Board expressed a preference for not having a separate working document of Standing Orders and suggested amendments could be added to the Constitution. Clare/

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Clare Scott, Independent Professional Observer, suggested confirmation be provided of the rationale for the introduction of Standing Orders for the Board rather than including amendments to the Constitution;

- (e) noted a comment from the Convener of the Pensions Committee that the quorum of the Board would not be required during a Pensions Committee meeting as the Board did not have a decision making role. The Board raised concerns that should Board members not be present during a Pensions Committee meeting, they would be unable to make informed decisions should a review of a Pensions committee decision be required. Following a discussion, Board members considered should this situation arise in future, the Board's post meeting may need to be delayed to allow members the opportunity to watch the recording of the Pensions Committee meeting. The Board noted when a confidential report was considered during a Pensions Committee meeting, discussion relating to the report would not be included in the recording of the meeting.
- (f) suggested a meeting as soon as possible with the Service Manager - Committee Services to agree the wording to be included in the Constitution relating to the amendments requested as detailed above.

### (2) AGENDA ITEM NO. 5 – THE PENSIONS REGULATOR GENERAL CODE OF PRACTICE ASSESSMENT OF COMPLIANCE

#### **Decision**

- (a) agreed they were content with the decision made by the committee and a review would not be required; and
- (b) welcomed the production of the action plan and requested that timescales for completion of actions were also included in the action plan.

### (3) AGENDA ITEM NO. 6. PENSION FUND BUDGETARY CONTROL

#### **Decision**

The Board:-

- (a) agreed they were content with the decision made by the committee and a review would not be required; and
- (b) noted that if employer bodies in the Fund indicate interest in exiting the fund, the Pensions Committee and Board members should be made aware of the situation as early as possible.

### (4) AGENDA ITEM NO. 7 - FIFE PENSION FUND - BUSINESS PLAN UPDATE AND ADMINISTRATION ACTIVITY TO 30 SEPTEMBER 2024

#### **Decision**

- (a) agreed they were content with the decision made by the committee and a review would not be required; and



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- (b) noted that where was a statutory deadline, KPI's should also be monitored against this, as may not be compliant with target timescales, such as transfers out;
- (c) agreed that notification of all breaches should be circulated to Pensions Committee and Board members; and
- (d) noted the improvement of scheme members using the self service function and agreed efforts should be made to continue the improvement in use of the service. Providing actual numbers of those not registered on the system would also provide a useful guide, rather than the use of percentages in the report.

### (5) AGENDA ITEM NO. 8 - RISK MANAGEMENT UPDATE

#### **Decision**

The Board:-

- (a) agreed they were content with the decision made by the committee and a review would not be required; and
- (b) noted there were areas where risks seemed to be accepted and action to mitigate against the risks had not been indicated. The Board acknowledged there may be actions documented members were not aware of and this would be monitored though the introduction of the action plan.

*Robert Graham joined the meeting during consideration of the above item.*

### (6) AGENDA ITEM NO. 9 - PENSIONS COMMITTEE WORKPLAN AND TRAINING PLAN

#### **Decision**

The Board welcomed:-

- (a) welcomed further communications on the gender pension gap would be escalated to scheme members by employers in the fund when available; and
- (b) noted the minimum age members of the pension fund could take early retirement would be rising from 55 years to 57 years and requested this was conveyed to members of the fund.

### (7) AGENDA ITEM NO. 10 - FIFE PENSION FUND - INVESTMENT UPDATE (PRIVATE REPORT)

#### **Decision**

The Board:-

- (a) agreed they were content with the decision made by the committee and a review would not be required; and

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- (b) encouraged members to attend the planned workshop to review the content of the report and feed back on areas where information could be presented in a more meaningful manner to Board members.

Following conclusion of the review of decisions on the reports, the Board noted the following Key Achievements for recording in the draft Pension Board Annual Report 2024/25. The Board :-

- recognised the approach by Committee Services in the production of minutes and notes of action from pre and post Board meetings, providing an avenue for the Board's queries and concerns to feed back to officers for clarification and action; and
- acknowledged the positive progression of confidence in Board members in their role, providing input on matters, ability to challenge decisions of the Pensions Committee, encouraging open discussion and requesting clarification on topics and assisting the fund to behave in a certain way and suggesting improvements to operational functions.

31 March 2025

Agenda Item No. 4

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## **Fife Pension Fund – Business Plan update and Administration Activity to 31 December 2024**

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**Report by:** Elaine Muir, Head of Finance

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**Wards Affected:** N/A

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### **Purpose**

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To provide the Committee with an update on the activities undertaken by the wider pension team during the third quarter of 2024-25. The report is organised into 3 sections and provides an update on the development activities identified in the Business Plan, followed by an update on administration activity undertaken. The report concludes with more in-depth consideration of the performance of the Pensions Administration team by providing details of the agreed key performance indicators.

### **Recommendation(s)**

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The committee is asked to:-

- (1) Consider and comment on the progress of key Business Plan activities;
- (2) Note the range of additional activities carried out by the team over the last quarter; and
- (3) Consider the level of quarterly performance relative to the target and to the same quarter of the previous year. (Appendix 1).

### **Resource Implications**

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The business plan for the Fund is delivered by the wider pensions team and overseen by the Head of Finance. It is important to ensure that the team is adequately resourced to deliver the Service and can respond to developments in the future. Managing and monitoring team performance is important in providing an efficient service to both employers and members and can highlight areas for improvement. Workforce planning arrangements are also being enhanced which incorporate a more structured approach to learning and development and succession planning.

### **Legal & Risk Implications**

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Team performance monitoring assists with ensuring compliance with regulatory timescales and KPIs are met.

### **Impact Assessment**

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Not relevant.

## Consultation

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The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

### 1.0 Background

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- 1.1 The Fife Pension Fund – Business Plan 2024-25 was approved by this committee in March 2024. The business plan contained details of development activities that were planned for 2024-25, as well as a high-level summary of the activities to be undertaken each quarter.
- 1.2 Key Performance Indicators (KPIs) relating to the pension administration function are collated within Altair, the pension administration software. KPIs are reported quarterly to the management team and to committee.
- 1.3 The report is designed to provide formal reporting of the administration performance to the management team and the committee.

### 2.0 Business Plan Activity

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2.1 Throughout 2024/25 progress has been in the following areas:

2.2 ***Development Activities***

2.2.1 **McCloud Judgement**

Progress to date

Since the last update all outstanding payroll information has been received from Fife Council and the uploads to Altair have been completed.

The team has been able to complete Stage 1 of the McCloud project (loading membership details to records) and have now progressed to Stage 2 (creating a McCloud CARE tranche in Altair) and work is continuing on this. Once this stage is complete, Stage 3 of the process (creating McCloud rectification data views in Altair) will start.

When Stage 3 is complete, all information required by the Team to run comparison calculations in Altair will have been uploaded to member records.

Since the introduction of the CARE scheme on 1 April 2015, all actual calculations that the Team have completed from that date, and where the member is in McCloud scope, will need to be recalculated to determine if an underpin comparison payment is applicable. The team have identified that there will be approximately 500 recalculations of benefits required for deferred, pensioner and death calculations. To ensure all members in McCloud scope receive as accurate comparison benefits as possible, the Team carried out an exercise of issuing McCloud Membership forms asking members to confirm their public service employment. Upon receipt, the Team determined if the membership stated is already known. If it is, then no action is required, however, where it isn't known the Team needs to decide if the stated membership is relevant, and needs added to the member record.

The return of these completed forms, which has been quite significant, has resulted in an upturn in member record maintenance and administration work for the Team.

## 2.2.2 Pensions Dashboards

Progress to date

Since the last report, the Data Protection Impact Assessment (DPIA) has been completed and submitted to the software suppliers.

This has enabled the completion of an implementation study and timings to be agreed in terms of implementation. These are detailed in the following table:

<b>Deliverable</b>	<b>Responsibility</b>	<b>Milestone Acceptance/Sign off Date</b>	<b>Acceptance Criteria</b>
Kick of call	HPT & Fife	4.11.24	Meeting held
Implementation Study	HPT & FIFE	28.2.25	Signed off study
Pre-staging configuration	HPT	w/c 3.3.25	Environment created
Insights configuration	HPT	w/c 10.3.25	Set up complete
Training and handover	HPT & Fife	w/c 17.3.25	Training Provided
UAT	Fife	24/3/25 to 18/4/25	UAT Completed
Prestaging complete	Fife	25/4/25	Phase 1 completed

The Team has been liaising with representatives of the AVC scheme providers Prudential and Standard Life for clarification of their dashboard connection options. The Team has also been in touch with Clerical Medical to determine the options for the deferred members that have deferred AVCs with them.

## 2.2.3 KPI review

Progress to date

The KPIs detailed, are based on targets/standards previously agreed.

Phase 3 of the review, which was to review the target times, started in the last few weeks. This has involved interrogating the targets and task structures in the Altair system. Doing so has highlighted that the tasks are not set up in such a way to measure performance consistently. For example, the end-to-end process for is being measured and this needs to be restructured to reflect parts of the process that are controllable and can be measured per the Administration Strategy.

Therefore, more work is required to restructure the tasks to be more meaningful and be consistent. On this basis further work is required in task set up which in turn will allow a more appropriate determination of the targets.

The work on KPIs and targets has been sporadic in nature as it is being carried out alongside business as usual and there has not been the opportunity to dedicate appropriate level of resources to this. Owing to other pressures in the team, the work has been paused and is being delayed due to higher priority tasks needing attention. It is proposed that any further development work is delayed until the team structure review has progressed and there are resources available to take this forward.

## 2.2.4 The Pensions Regulator General Code of Practice

Progress to date

Using the General Code of Practice checker a gap analysis was produced and presented to the last Committee. Since then, an action plan has been developed and is attached at Appendix 2.

Actions have been classified as high, medium or low priority dependent on their status within the code.

Since the last meeting the focus has been on moving the regulatory requirements that had partial compliance to full compliance, with an update on actions taken this quarter provided in the following table:-

Chapter	Requirement	Comments and Actions
Board Structure and Activities	<ul style="list-style-type: none"> <li>The governance of a public service pension scheme will need to take into account the differing responsibilities of the scheme manager, pension board and, where appropriate, pension committee.</li> <li>The pension board must have an equal number of employer and member representatives</li> </ul>	<p>Partial compliance is achieved as some governance documentation such as “officer powers” for the Council needs updated to reflect the introduction of the Pensions Service Manager post. – Documentation has been reviewed and changes will be made at the next annual review.</p> <p>Partial compliance is achieved as the Pension Board currently has a vacancy which is being addressed by revising the constitution and applying the agreed appointment process - The constitution was updated and appointment process actioned. Unfortunately, no interest was shown in the vacancy, therefore the appointment process will be carried out again in May 2025.</p>

<p>Risk Management</p>	<ul style="list-style-type: none"> <li>Regarding the pension board, scheme managers of public service pension schemes should: <ul style="list-style-type: none"> <li>- Circulate the register of interests and the other relevant documents to the pension board for ongoing review</li> <li>- Publish these documents (for example, on a scheme's website)</li> </ul> </li> </ul>	<p>Information on conflicts of interest is gathered but not published on the Fund website. This action was expected to be addressed by 28 February 2025.</p> <p>All board members have been advised that conflicts of interest will be published. All forms have been received and a summary of the conflicts of interest has been posted on the website. A process is also underway to establish a Register of Interests.</p>
<p>Information Handling (Transfers Out)</p>	<ul style="list-style-type: none"> <li>The governing body must provide the statement of entitlement within approximately three months of receiving the request, unless this information has been provided in response to a request in the previous 12 months</li> <li>Governing bodies are required to complete transfers within six months. For DB benefits, this is measured from the guarantee date provided in the statement of entitlement.</li> </ul>	<p>There is currently a backlog in the processing of transfers out. Hymans Robertson have been engaged to provide additional administration support, training and review of procedures to help reduce the backlog. It is expected this work to be concluded by end of May 2025.</p> <p>Work is progressing with Hymans but is likely to take longer than anticipated. A progress meeting is due to take place w/c 24<sup>th</sup> March, therefore a verbal update will be provided at Committee.</p>
<p>Regular Reports</p>	<ul style="list-style-type: none"> <li>The governing body must tell TPR about changes to the registrable information as soon as reasonably practicable, at the very latest within five working days of the governing body becoming aware of the change.</li> </ul>	<p>The Fund has never had to advise of changes to registrable information. However, in recognition that this is a regulatory requirement a procedure will be developed and reflected in business continuity plans to ensure</p>

		<p>that should the need arise, the requirement will be met.</p> <p>Business Continuity plans have been updated and a procedure prepared.</p>
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## 2.3 Committee and Board Training Attendance

2.3.1 An integral part of the governance arrangements and compliance with the code of practice is the adoption of the fund's approved training policy. The policy requires all members of both the committee and board to undertake 14 hours of training per annum.

2.3.2 Members of the Committee and Board are asked to submit details of attendance to Legal and Democratic Services. Attendance at events for 2024-25 year to date is summarised in the following tables:

Pension Committee Attendance at Training											
		Cllr. Dempsey (convener)	Cllr Pryde (vice convener)	Cllr Davidson	Cllr Liston	Cllr Alexander	Cllr Neal	Cllr Patrick	Cllr Anis-Miah (joined Oct 23)	Cllr Calder (joined Feb 24)	
Induction Training	2 hours										
TPR Toolkit	5 hours										
TPR Scams	1 hour										
<b>Training in Year</b>											
Internal Training 2 May	3 hours										
Joint Investment Training 28th Aug	1.5 hours										
Internal Training 30th August	3 hours										
Joint Investment Training 30th Oct	1.5 hours										
LGC Investment Seminar	8 hours										
Internal Training 18th Nov	3 hours										
SLGPS Webinar (Gender Pensions Gap)	2 hours										
PLSA Conference London	8 hours										
Internal Training 03 March 2025	3 hours										
PLSA Investment Conference	16.5 hours										
Reading/Webinars	Various										
<b>Total Hours in year</b>		<b>38</b>	<b>15</b>	<b>33</b>	<b>17</b>	<b>7.5</b>	<b>13.5</b>	<b>4.5</b>	<b>14</b>	<b>15</b>	
Total Hours Required in Year (pro-rata as required)		14	14	14	14	14	14	14	14	14	
<b>Balance Outstanding</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6.5</b>	<b>-0.5</b>	<b>-9.5</b>	<b>0</b>	<b>0</b>	



Pension Board Attendance at Training										
		Clir. Adams	Clir Ballantyne-Wardlaw	Robert Graham	Ross Hugh	Colin Paterson	Thomas Templeman	Vicki Wyse	Debbie Fyffe (Unison Substitute)	Gail Dunn (resigned June 2024)
Induction Training	2 hours									
TPR Toolkit	5 hours									
TPR Scams	1 hour									
<b>Additional Training in Year</b>										
Internal Training 2 May	3 hours									
Joint Investment Training 28th Aug	1.5 hours									
Internal Training 30th August	3 hours									
Joint Investment Training 30th Oct	1.5 hours									
LGC Investment Seminar	8 hours									
Internal Training 18th Nov	3 hours									
SLGPS Webinar (Gender Pensions Gap)	2 hours									
PLSA Conference London	8 hours									
LGPS Good Governance Seminar	3.5 hours									
Internal Training 3 March	3 hours									
PLSA Investment Conference	16.5 hours									
Reading/Webinars	Various									
Other Training	Various									
<b>Total Hours in year</b>		<b>29</b>	<b>23</b>	<b>22</b>	<b>27.5</b>	<b>23</b>	<b>19</b>	<b>15.5</b>	<b>28</b>	<b>3</b>
Total Hours Required in Year (pro-rata as required)		14	14	14	14	14	14	14	14	3
<b>Balance Outstanding</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Key</b>										
Not Completed Mandatory Training										
Training Completed / Attended										
Training Partially Completed /Attended										
Not applicable										

2.3.3 Training available to date included:

- CEM Benchmarking and Cost Transparency
- Cash Flow Modelling
- Real Assets
- Responsible Investment
- Equities
- Gender Pensions Gap
- Compliance with General Code of Practice
- Climate Risk Awareness
- Good Governance Scheme Advisory Board
- Investment Reporting

2.3.4 Members are asked to review this for accuracy and provide an update as this will be reported in the Annual Governance statement.

## **2.4 Reporting a Breach to the Regulator**

- 2.4.1 No breaches have been reported to the Regulator during the quarter.
- 2.4.2 There will be a requirement to report a breach to the Pension Regulator for failure to provide McCloud underpin values on the 2025 annual statements. However, the Pension Regulator is aware that LGPS funds are in this situation.

The Scottish Government acknowledges that it will take time for administering authorities to be able to calculate the ABS figures for CARE accounts with underpin protection under the new underpin rules correctly. Amendment Regulation 6 modifies the LGPS ABS rules for 2023/24 and 2024/25 with backdated effect to 1 October 2023. For 2024/25 administering authorities must calculate the ABS figures using the new underpin rules. For any members, or class of members, the authority has discretionary power to calculate the ABS figures ignoring the new underpin rules where it considers it reasonable in all circumstances of the case. This power can be exercised at any point before 31 August 2025. If the authority uses this power, it must notify the member in the ABS.

Given the lateness of receipt of the payroll information to update our member records it has not been possible to run the necessary calculation for McCloud underpin. It is therefore our proposal is to exercise the discretion for all active and deferred members, notify the Pension Regulator that we are doing that and to inform members that the underpin value is not included on the 2025 ABS.

## **3.0 Business as Usual Activity**

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- 3.1 In addition to the development activity the team also continued with activities as follows:

### **3.2 Business as usual**

- 3.2.1 In the quarter, and prior to the statutory deadline date of 6<sup>th</sup> October, the team completed the outstanding queries from the Annual Allowance process. All members who exceeded the Annual Allowance threshold of £60,000.00 were issued with their Pension Savings Statement before the deadline.
- 3.2.2 McCloud processes have been developed as stand-alone procedures to assist with the processing of benefit calculations. There is an on-going process to update existing administration procedures to incorporate McCloud work as business as usual within the procedures. Any new procedures will include the additional work required for the McCloud process.

In-house training for all team members has been carried out to ensure awareness of McCloud requirements, and to check that the new procedures are adequate, pertinent, and easy to follow.

- 3.2.3 The Team received correspondence from internal audit confirming that data had been uploaded to the NFI (National Fraud Initiative) website. Work is on-going with regards to carrying out data matches with the NFI website and Altair and reconciling the death notifications.

### **3.3 Staff Training and Development**

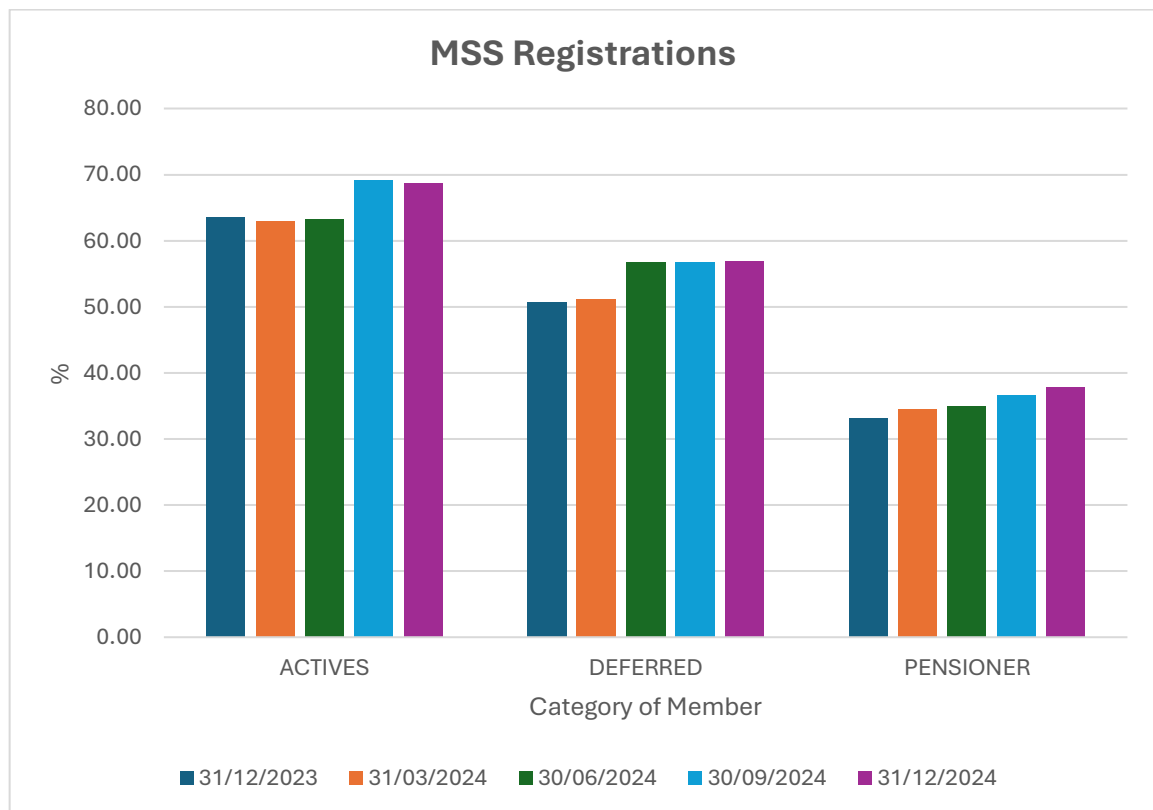
- 3.3.1 Procedures have been updated, and staff training completed, to ensure McCloud calculations are now a part of Business-as-Usual activities. Individuals in the team continue to be developed. 'In-house' training has been continuing in areas identified

in development plans. Areas covered include death benefits, ill health retirements and redundancies and Cash Transfer Sums.

3.3.2 Additionally, with the 2025 Pension Increase update being imminent, training has been on-going to ensure that there is adequate team cover to complete the process

### 3.4 Customer Contact

3.4.1 The Team continues to receive a high number of emails and telephone calls from members, either asking for assistance to register for MSS or querying their MSS accounts once they are registered. Details of the registration to MSS as a % of total number of members are provided below.



The Team also reports an increasing number of more complex queries from members which often require escalation to more senior staff.

## 4.0 Key Performance Indicators

- 4.1 Appendix 1 presents the suite of KPIs using the Power BI dashboard format developed. Currently the full suite of KPIs is included. Summary information is provided detailing quarterly casework and key processes. From Page 4 onwards there is one page per KPI which provides information and comparison to previous quarters and the agreed target.
- 4.2 The Quarter 3 statistics show that over the 10 KPIs reported upon, there was a total of 1263 tasks completed by the Team, 93% of which were within target. This is an improvement on the same quarter of the previous year, which saw 1161 tasks completed by the Team, 88% of which were within target.
- 4.3 Page 5, the processing of refunds, whilst still slightly below the target level of 100%, is 96%. Of the 113 refunds processed, 4 ran over target and in all cases the reason for this was a delay in final checking.

- 4.4 Page 6, in this quarter there were 14 Ill Health estimate cases completed. Of the 14, there were 7 cases that ran over the target time. Of these 7 cases, 3 were 11 days over target, and for all 3 the reason was queries with the assumed pensionable pay figure. Of the other 4 cases over target, one was over by 1 day, two others by 3 days and the fourth by 7 days. In all instances the delay was experienced during the checking process where calculations are reviewed and checked before final processing and payment.
- 4.5 Page 7, there were 3 redundancy estimates processed in this quarter, two out of the three within the Target time resulting in the Target time % being just 67%. The one case that ran over was over by only 3 days and happened because the closing task, which was allocated to a team member who unfortunately went off sick, was not completed until the following week.
- 4.6 Page 12, in the Quarter, the Team completed 145 Death calculations. For additional context, there were two deferred members that died, nine deaths in service and 134 pensioner members died. Of these 145 calculations, 123 were within target with 22 cases running over.
- Of the 22 cases which were over the target time, all were a result of the Team either waiting for, or chasing up, next of kin information/details. Some cases over-ran by as much as 5 months whilst information remained outstanding that would have enabled the tasks to be finalised.
- 4.7 As previously reported it is recognised that performance in respect of transfers is significantly below target, therefore additional support has been purchased from Hymans Robertson to advance this work. This support is not an ongoing solution but is designed to clear the backlog and reduce the number of outstanding cases. Part of the support also includes training of the team to aid succession planning and increasing the number of team members who can work on transfers.

## 5.0 Conclusions

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- 5.1 This report provides members with KPI information, as well as the range of functions and activities carried out by the wider Pension Team in the quarter to 31 December 2024.
- 5.2 Progress against the Fund's business plan has been positive, with areas of work being advanced throughout the quarter.

### List of Appendices

Appendix 1 – Pensions KPI Dashboard

Appendix 2 – GCOP Action Plan

### Report Contact

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Fife Council,  
Fife House, North Street, Glenrothes, Fife, KY7 5LT

Email – [john.mackie@fife.gov.uk](mailto:john.mackie@fife.gov.uk)



Fife Council Pension Fund  
Key Performance Indicators  
Quarterly Report

# Pensions Quarterly Casework Overview

**Year**  
2024-25

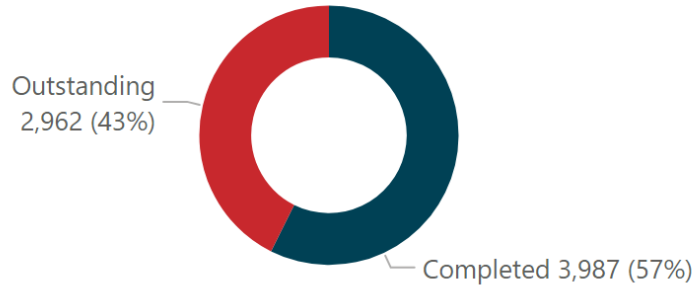
**Quarter**  
Q3

**6,949**  
Total Cases

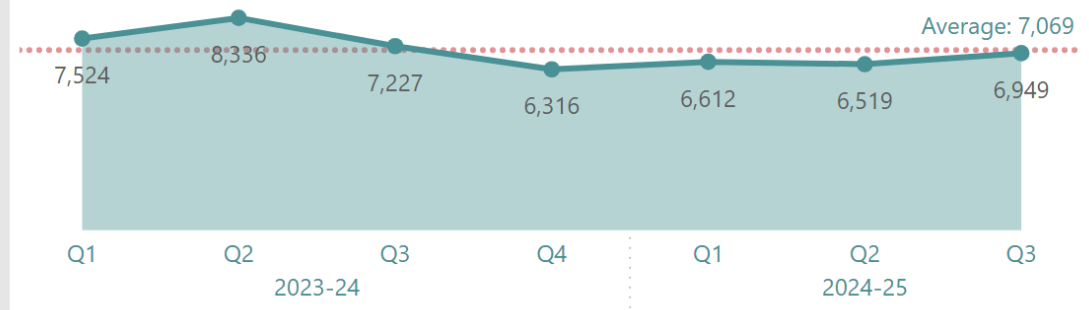
**3,987**  
Completed

**2,962**  
Outstanding

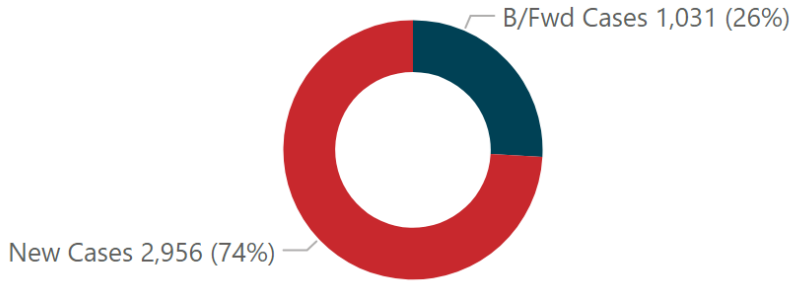
**Total Casework**



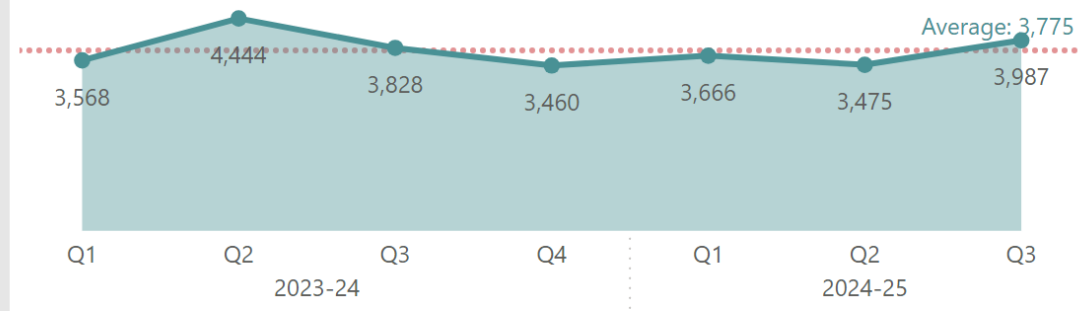
**Total Casework by Period Trend**



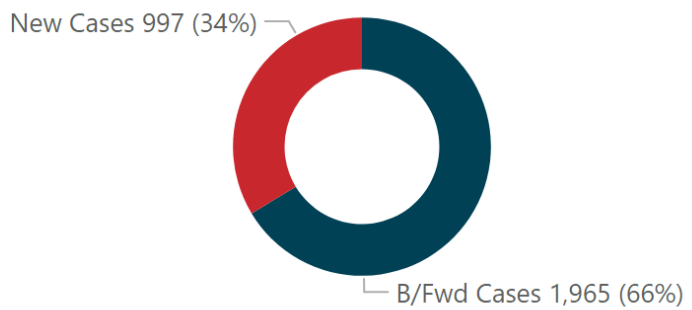
**Completed Casework**



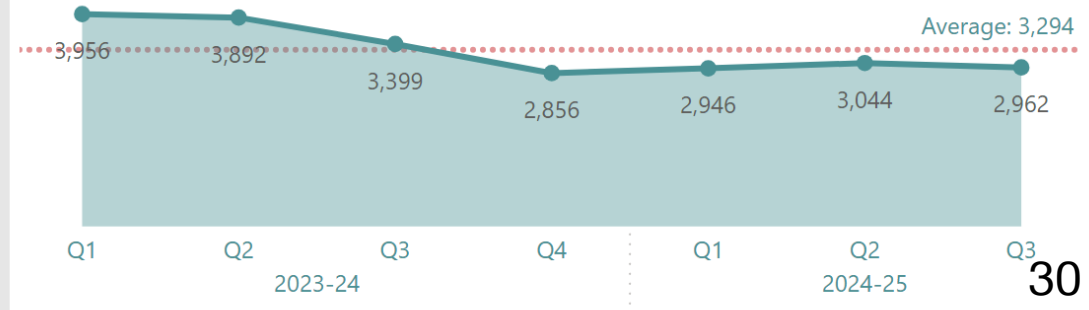
**Completed Casework by Period Trend**



**Outstanding Casework**



**Outstanding Casework by Period Trend**



Year

2024-25

Quarter

Q3

**1263**

Total Completed

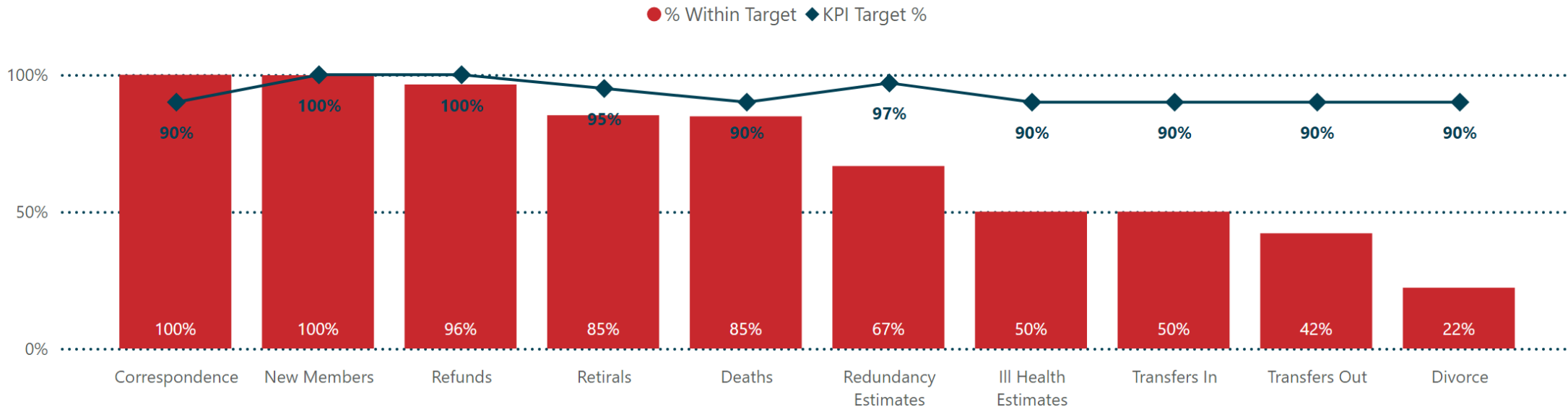
**1178**

Within Target

**93%**

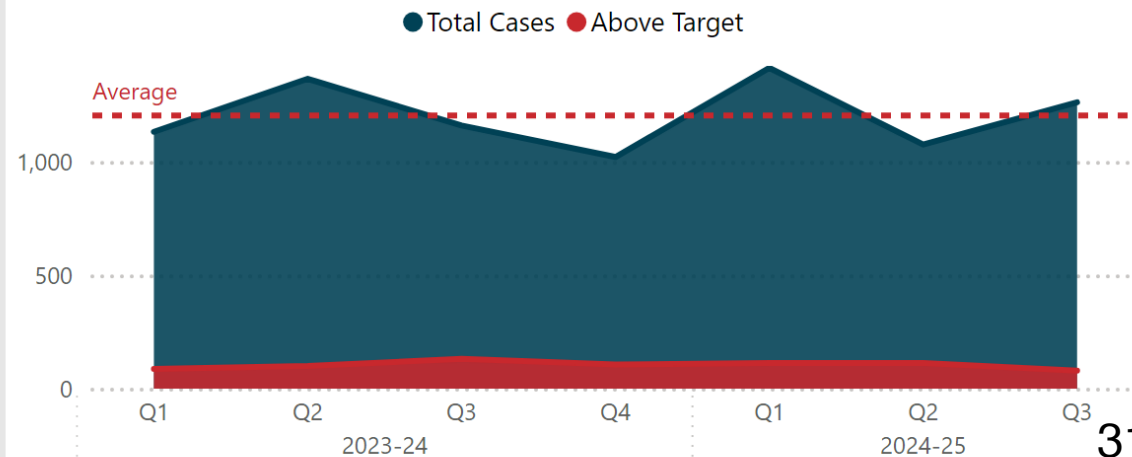
% on Target

## Key Processes Performance v Target



KPI Category	Total Completed	Within Target	Over Target	% on Target
New Members	725	724	1	100%
Retirals	203	173	30	85%
Deaths	145	123	22	85%
Refunds	113	109	4	96%
Correspondence	28	28	0	100%
Transfers Out	19	8	11	42%
Ill Health Estimates	14	7	7	50%
Divorce	9	2	7	22%
Transfers In	4	2	2	50%
Redundancy Estimates	3	2	1	67%
<b>Total</b>	<b>1263</b>	<b>1178</b>	<b>85</b>	<b>93%</b>

## Completed Cases Trend



# New Members KPI

Year

2024-25

Quarter

Q3

**725**

Total Completed

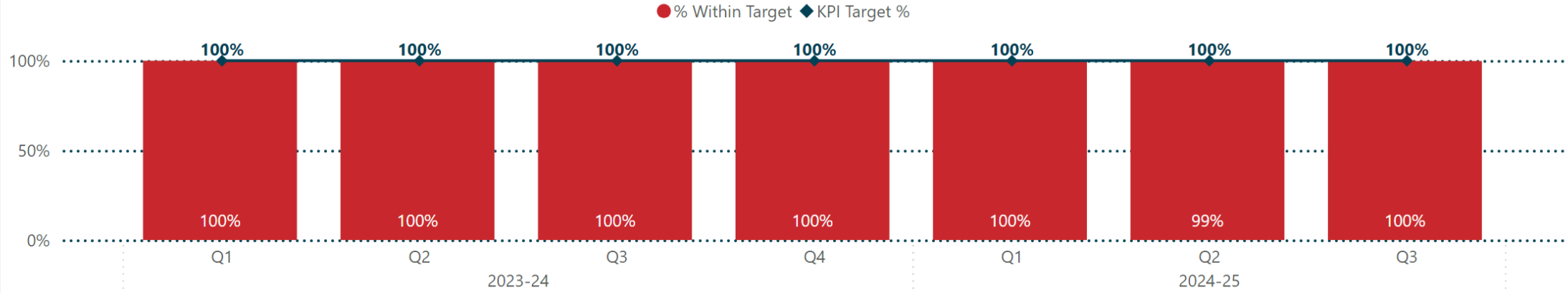
**724**

Within Target

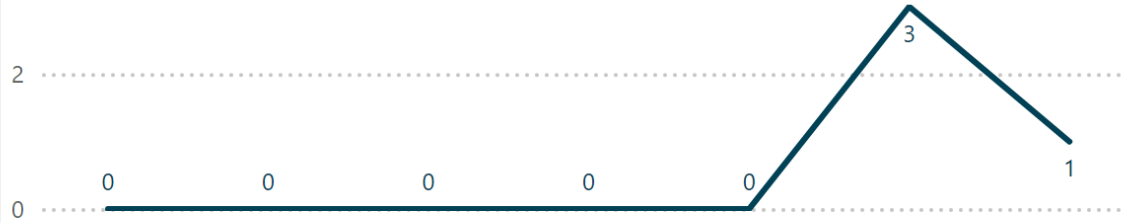
**100%**

% on Target

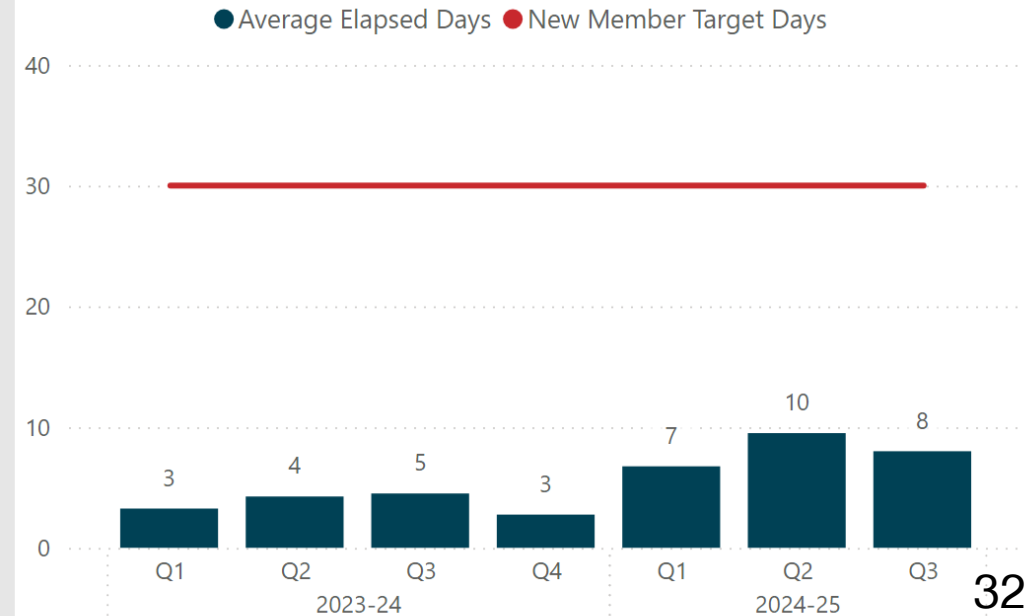
Quarterly Performance v Target



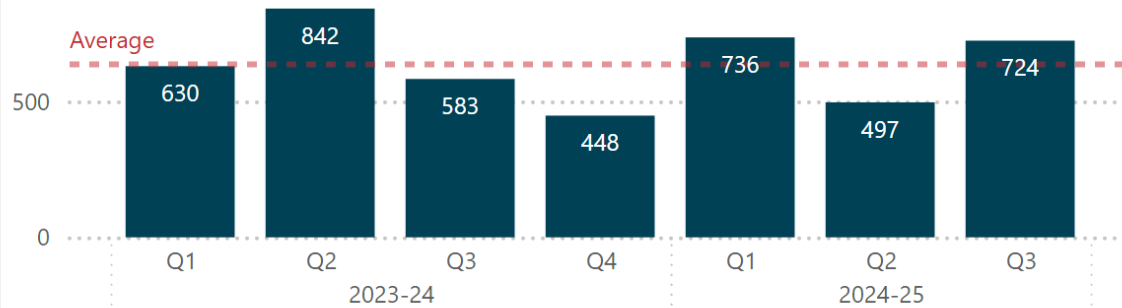
Cases Complete Above Target Trend



Average Elapsed Days per Case v Target



Cases Complete Within Target Trend





Year

2024-25

Quarter

Q3

113

Total Completed

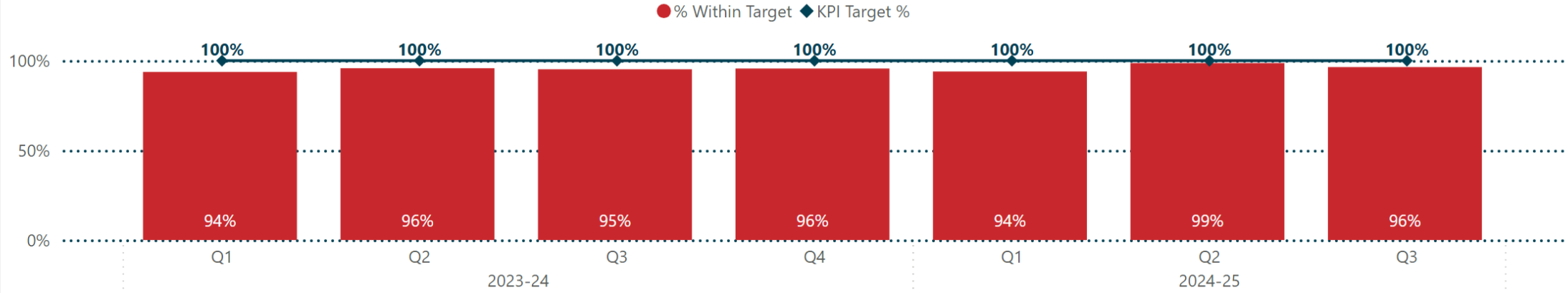
109

Within Target

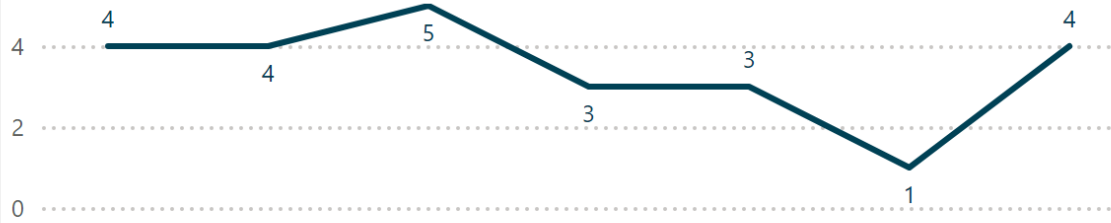
96%

% on Target

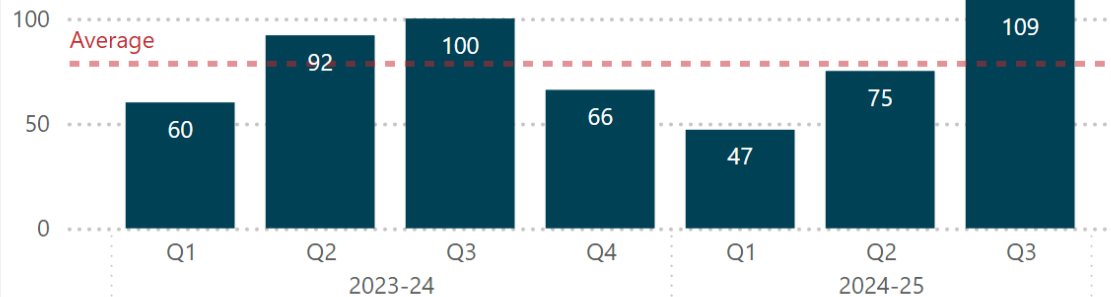
Quarterly Performance v Target



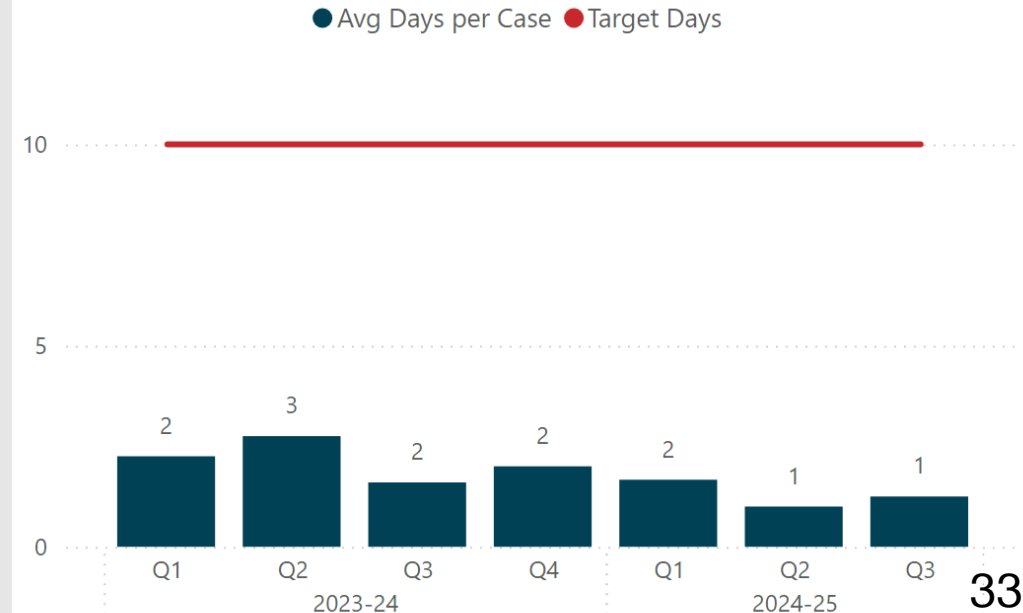
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



# Ill Health KPI

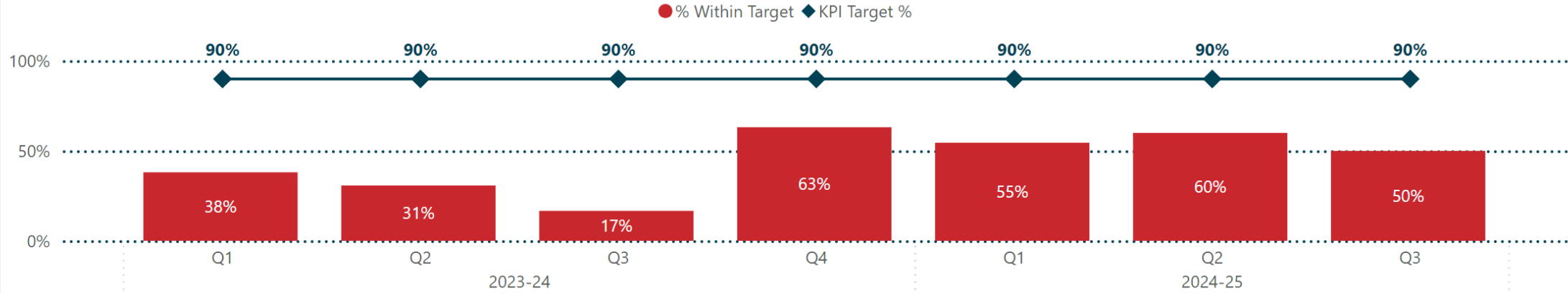
Year

2024-25

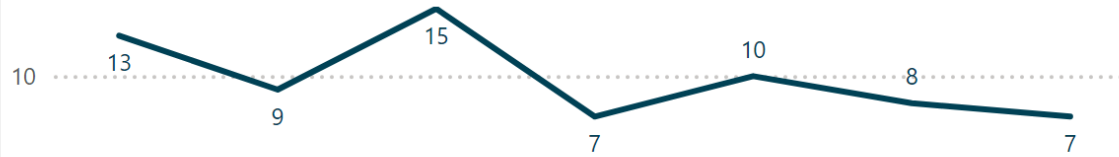
Quarter

Q3

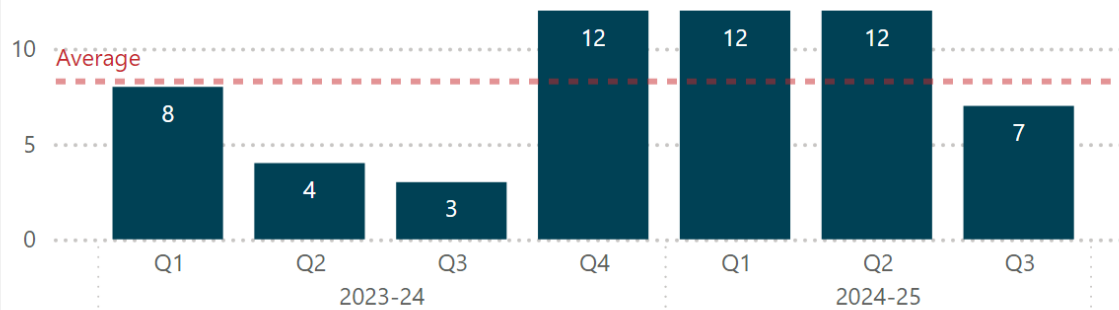
Quarterly Performance v Target



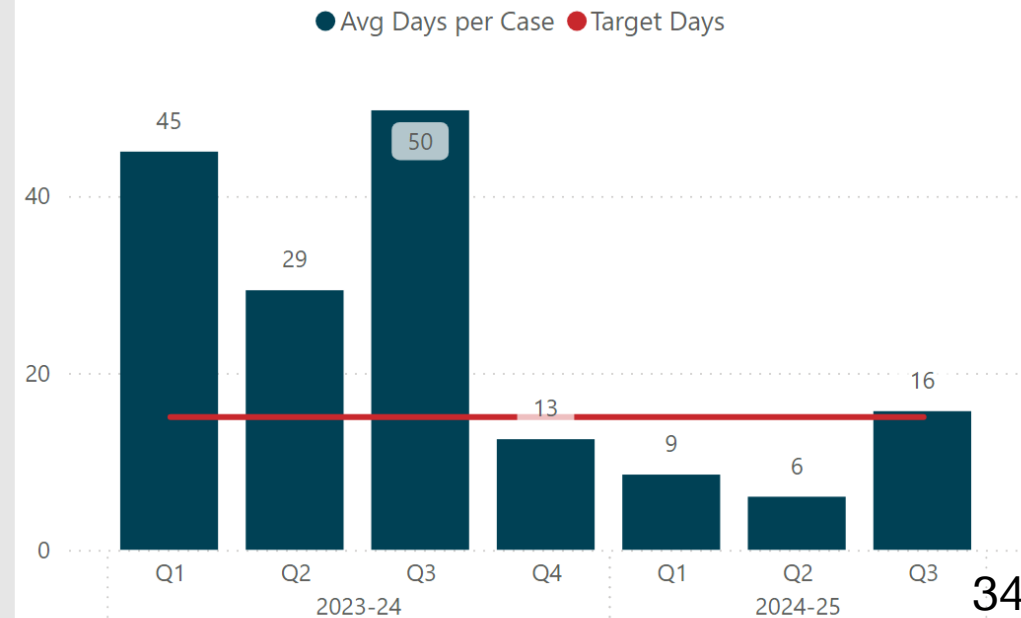
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



14

Total Completed

7

Within Target

50%

% on Target

# Redundancy Estimates KPI

Year

2024-25

Quarter

Q3

3

Total Completed

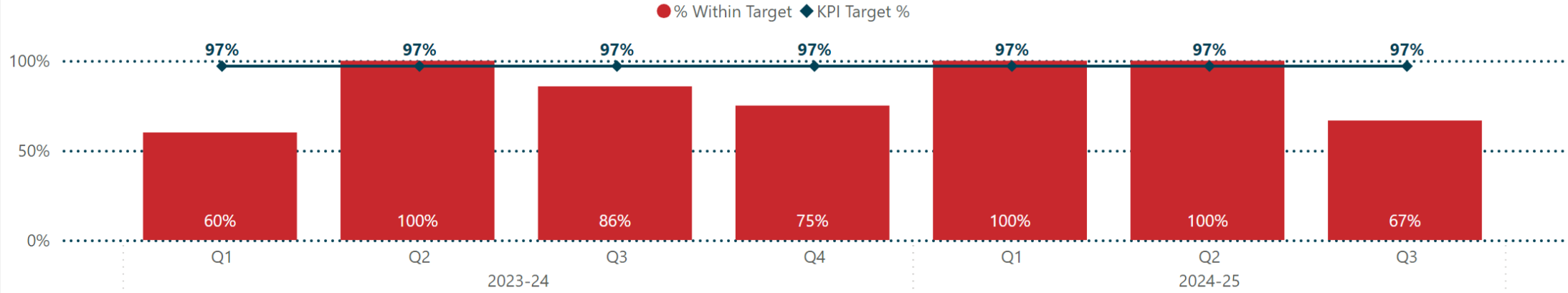
2

Within Target

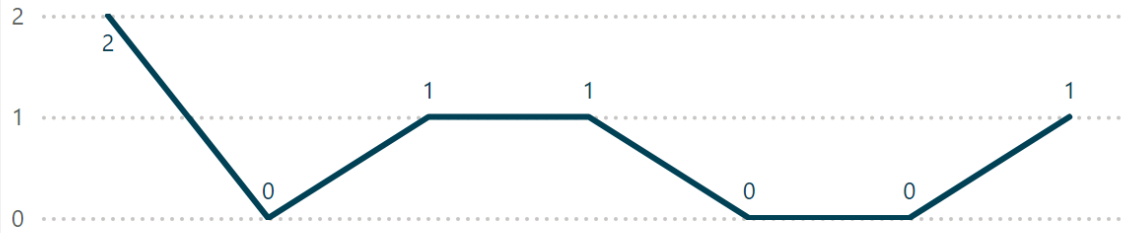
67%

% on Target

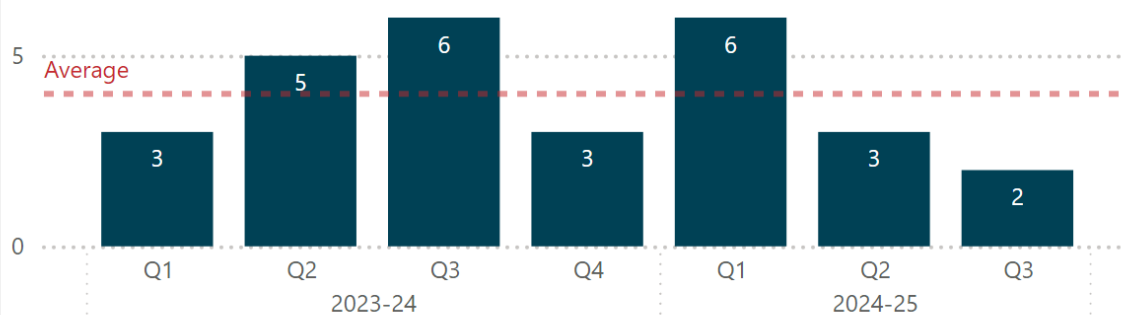
Quarterly Performance v Target



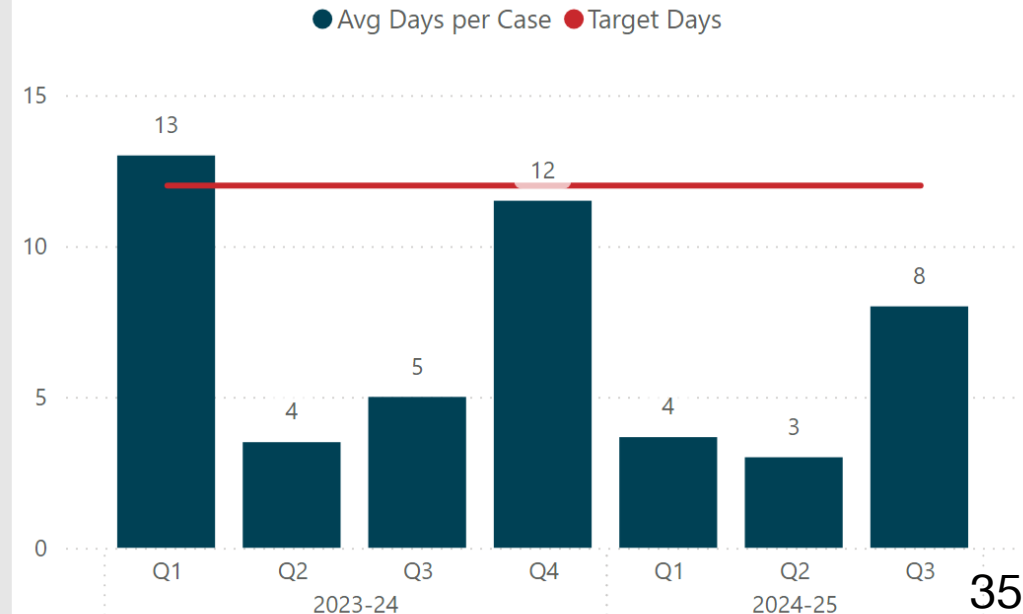
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



# Retirals Estimates KPI

Year

2024-25

Quarter

Q3

203

Total Completed

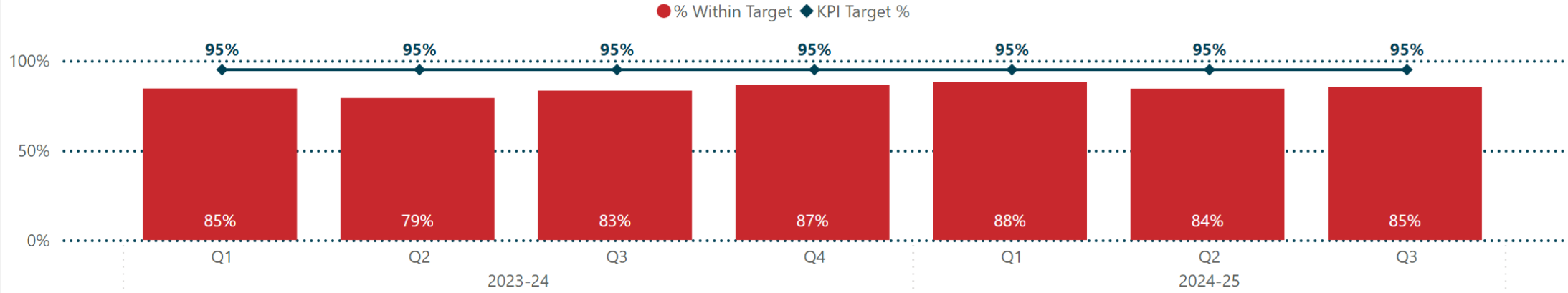
173

Within Target

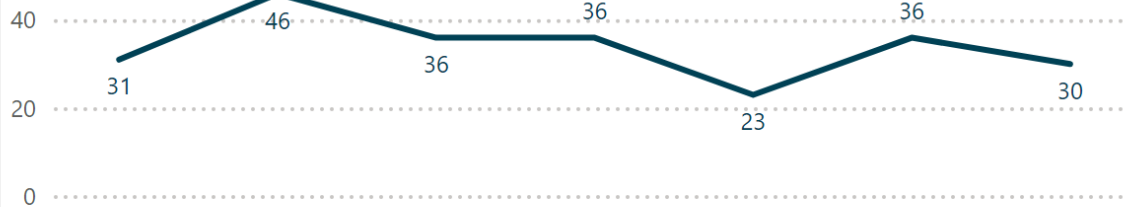
85%

% on Target

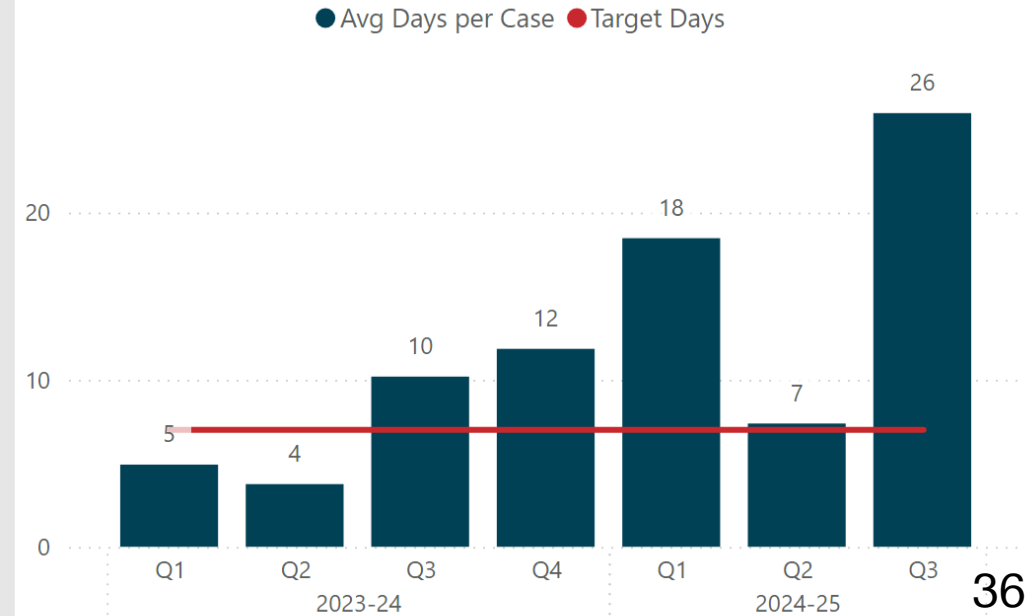
Quarterly Performance v Target



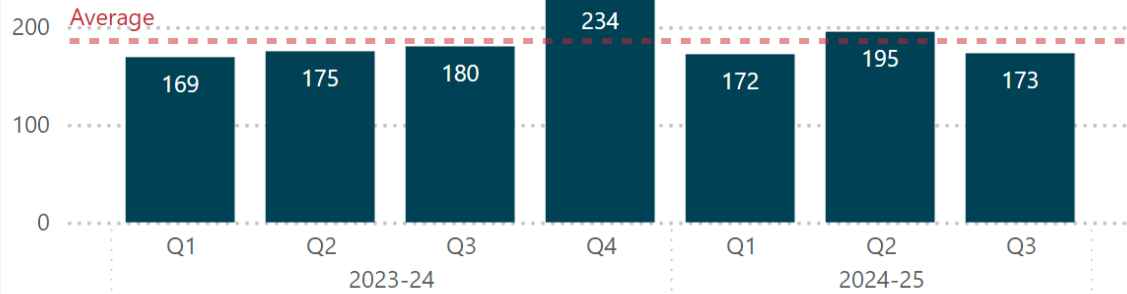
Cases Complete Above Target Trend



Average Elapsed Days per Case v Target



Cases Complete Within Target Trend



# Transfers In KPI

Year

2024-25

Quarter

Q3

4

Total Completed

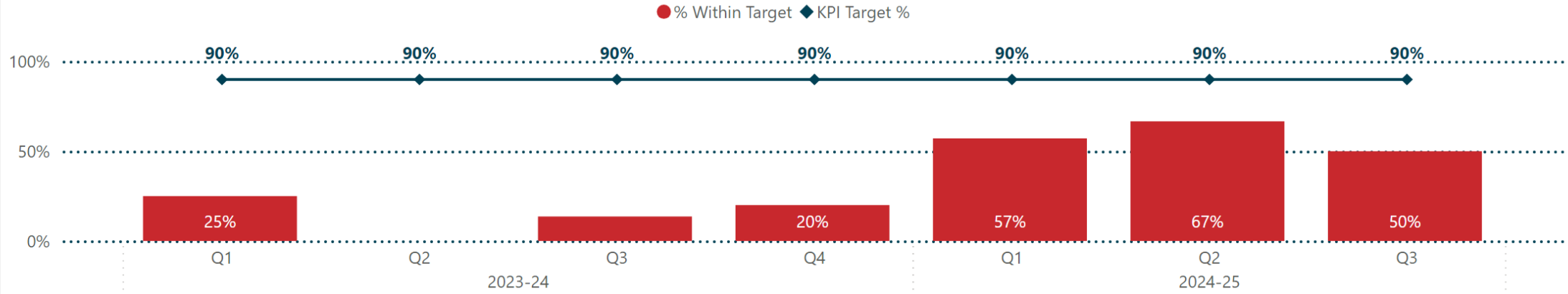
2

Within Target

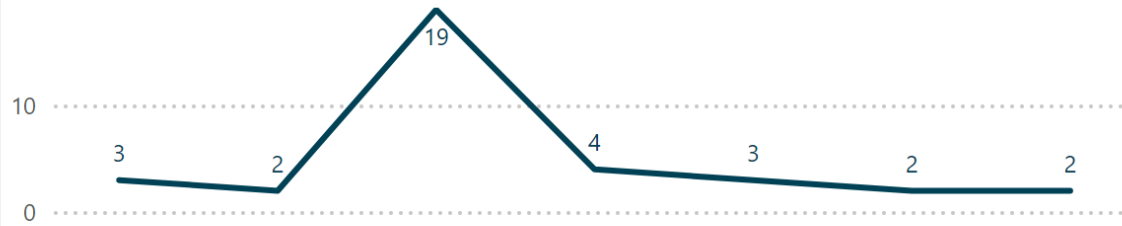
50%

% on Target

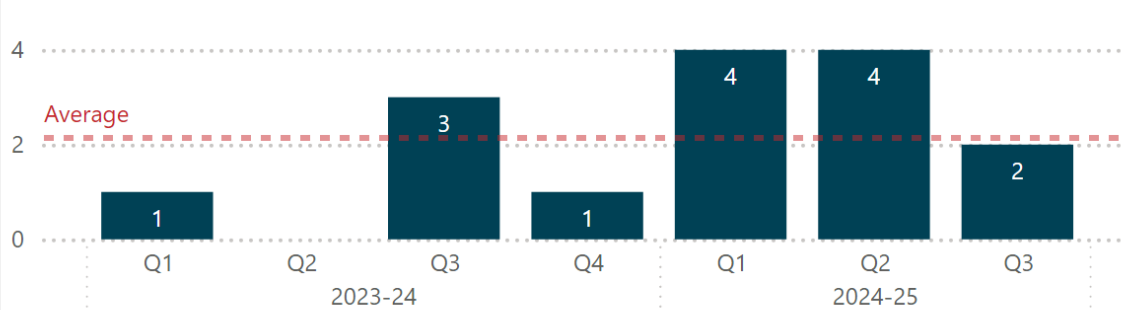
### Quarterly Performance v Target



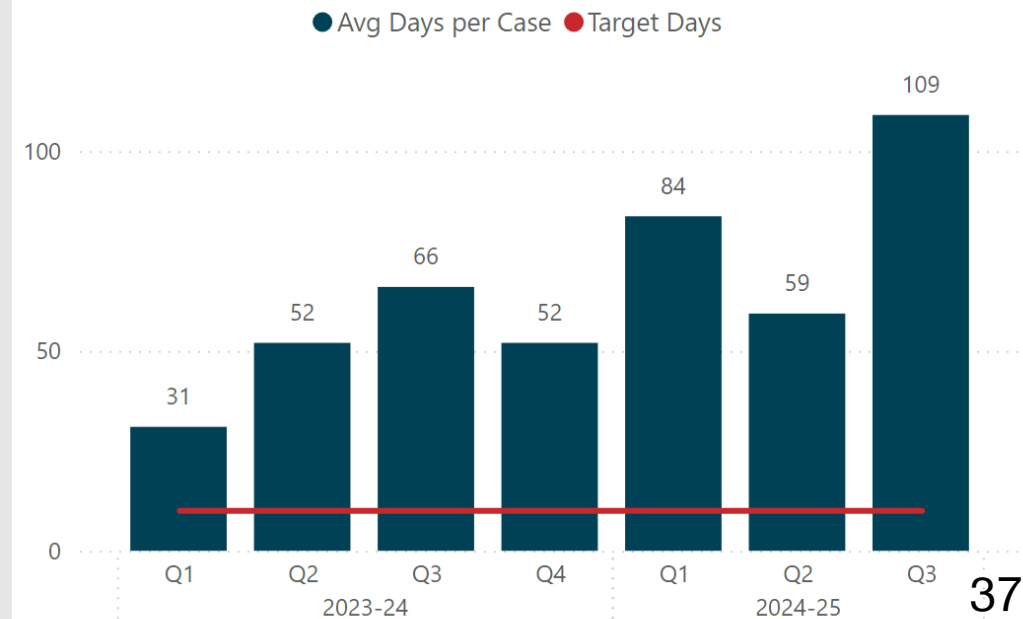
### Cases Complete Above Target Trend



### Cases Complete Within Target Trend



### Average Elapsed Days per Case v Target



# Transfers Out KPI

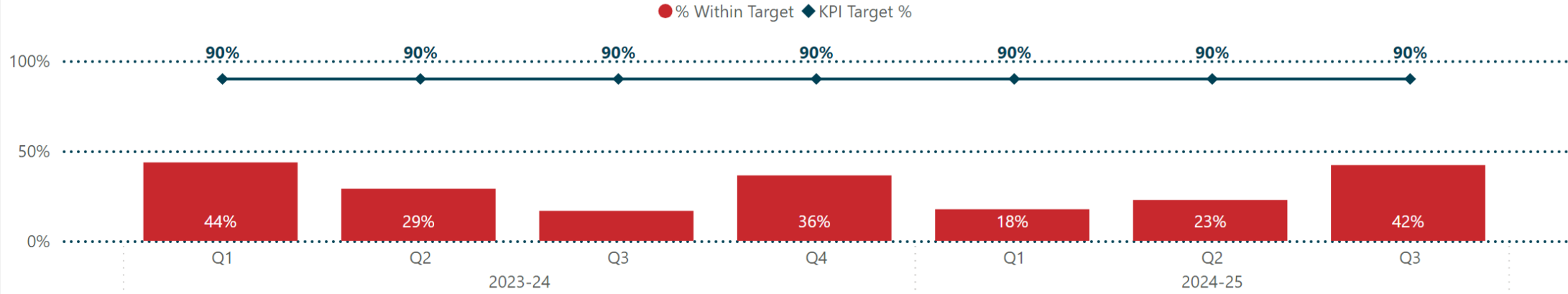
Year

2024-25

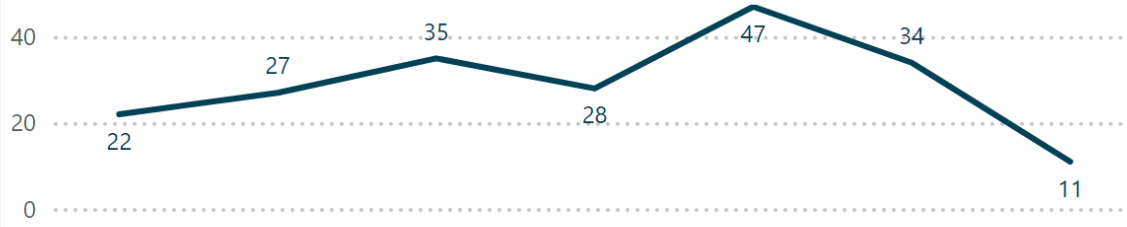
Quarter

Q3

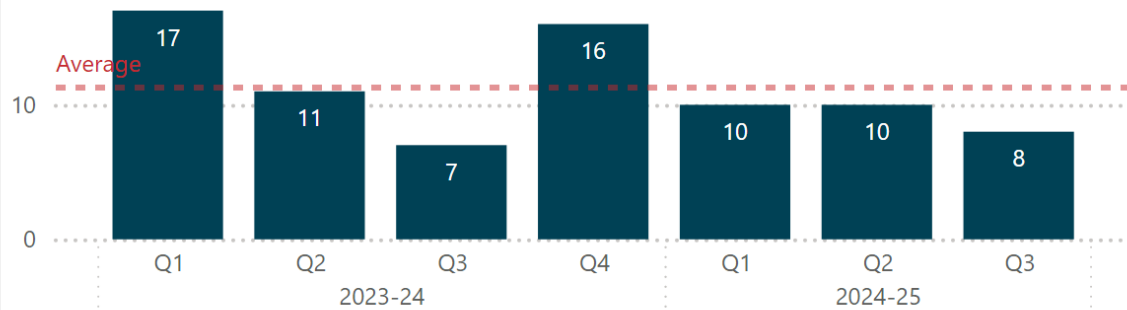
Quarterly Performance v Target



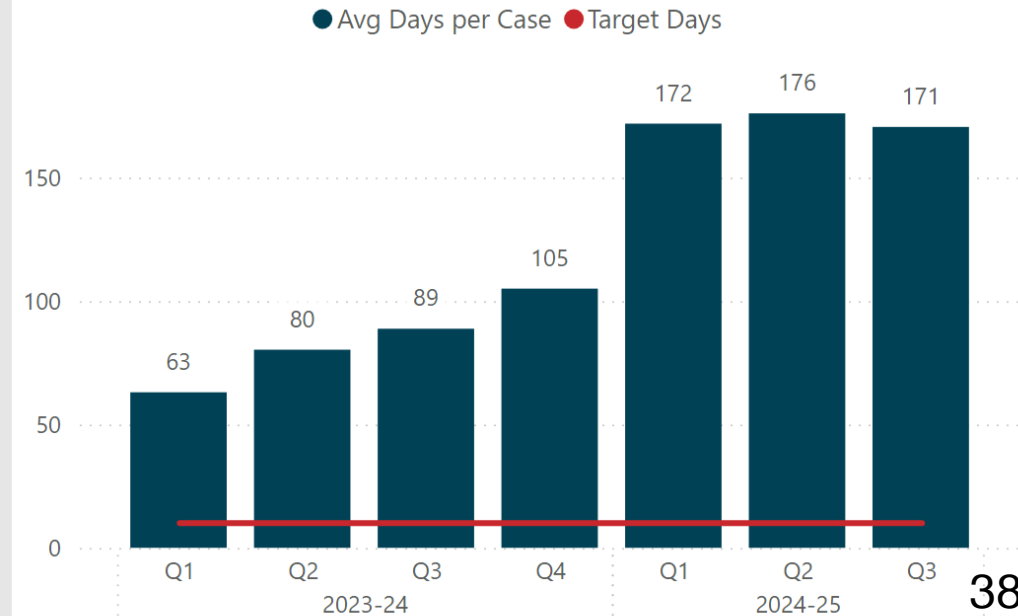
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



19

Total Completed

8

Within Target

42%

% on Target

# Correspondence KPI

Year

2024-25

Quarter

Q3

28

Total Completed

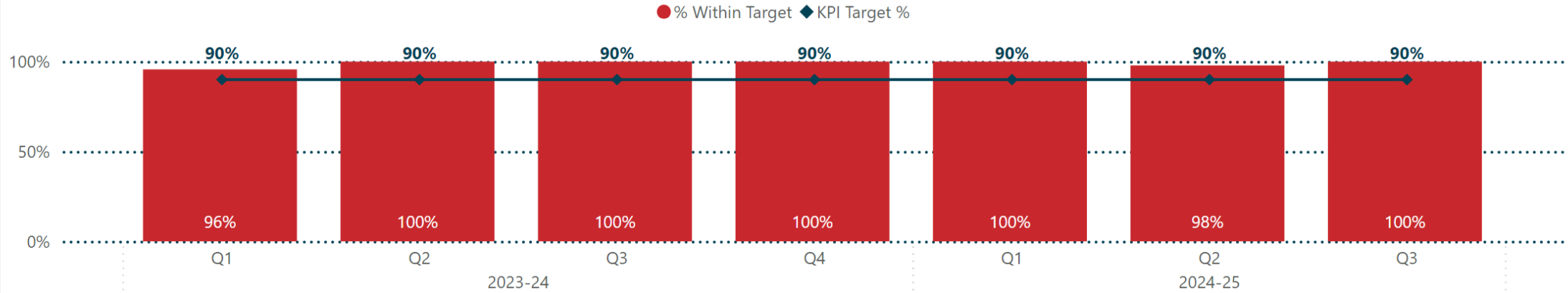
28

Within Target

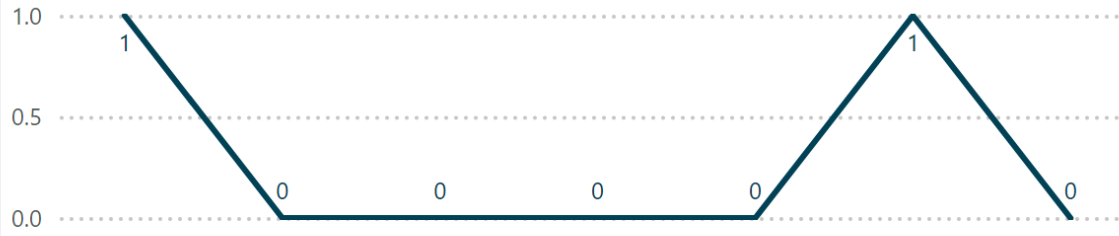
100%

% on Target

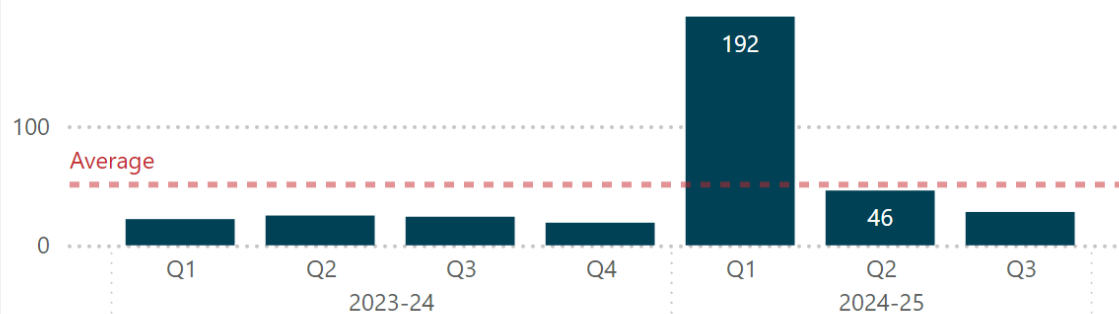
### Quarterly Performance v Target



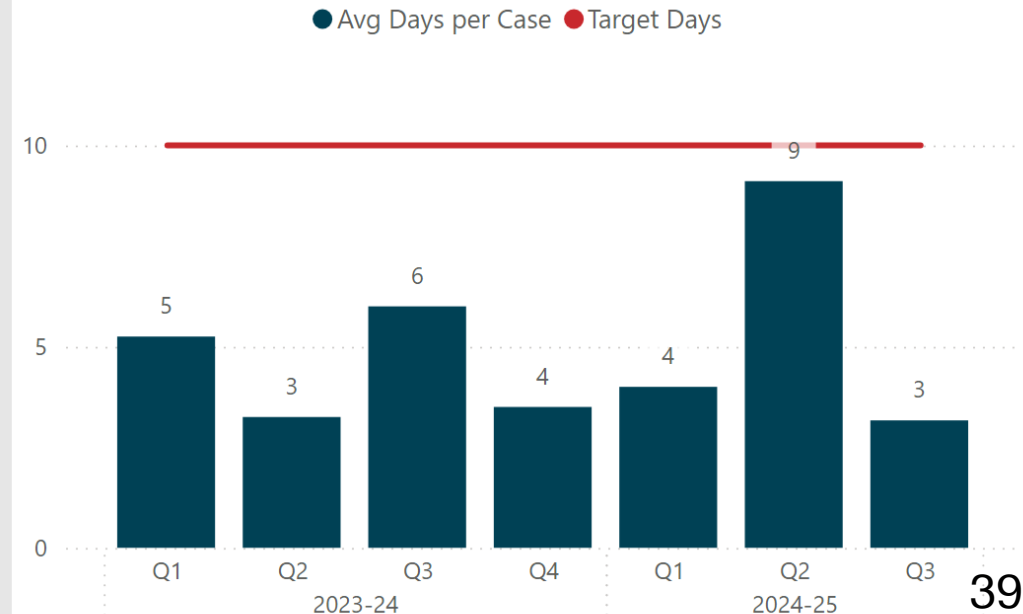
### Cases Complete Above Target Trend



### Cases Complete Within Target Trend



### Average Elapsed Days per Case v Target



# Death Grants KPI

Year

2024-25

Quarter

Q3

145

Total Completed

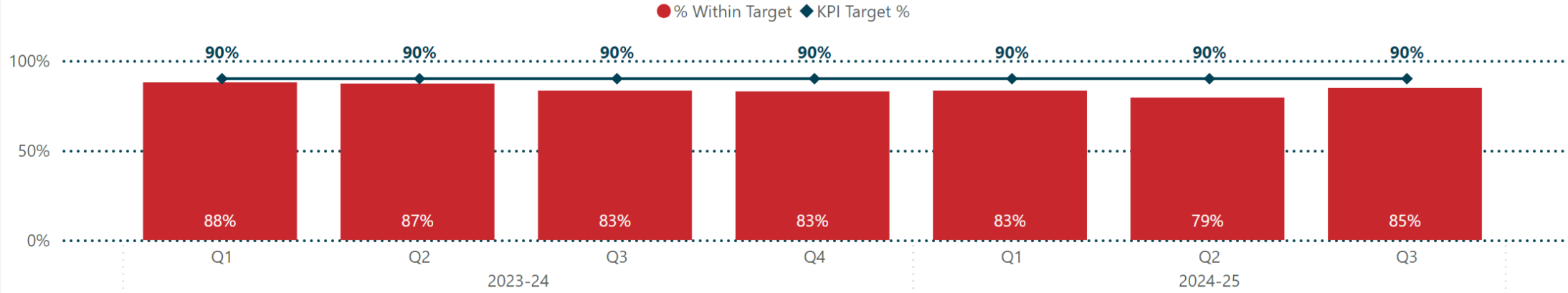
123

Within Target

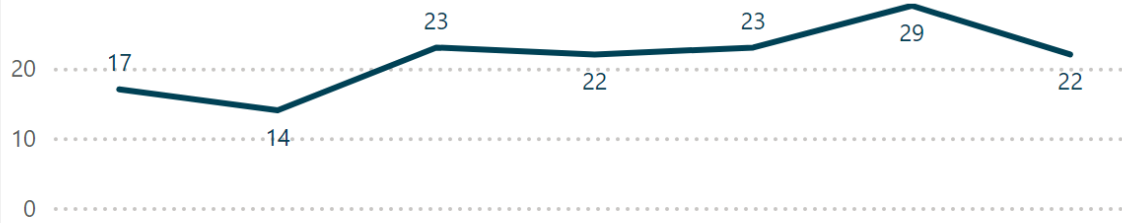
85%

% on Target

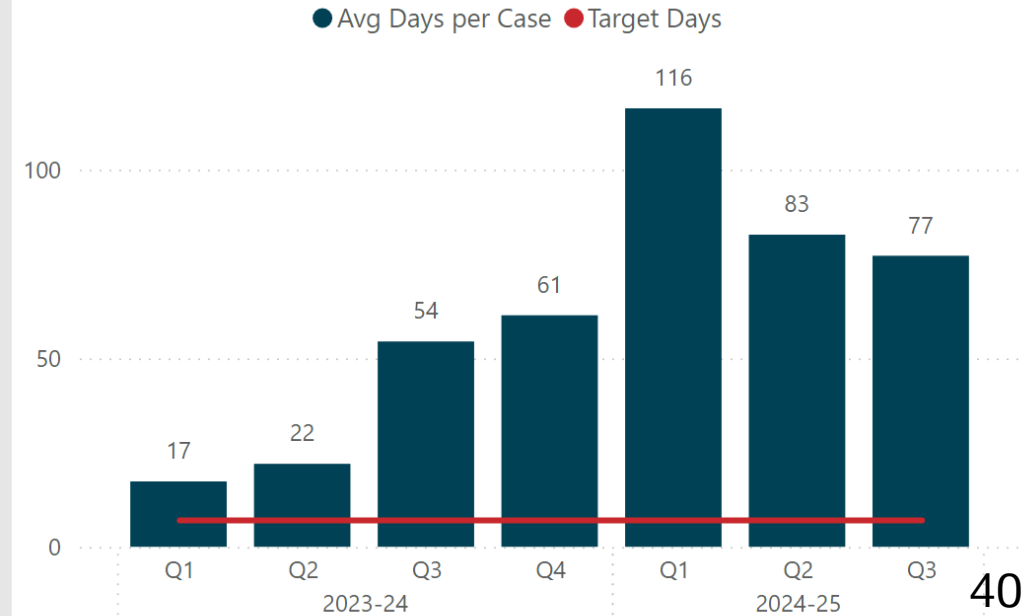
Quarterly Performance v Target



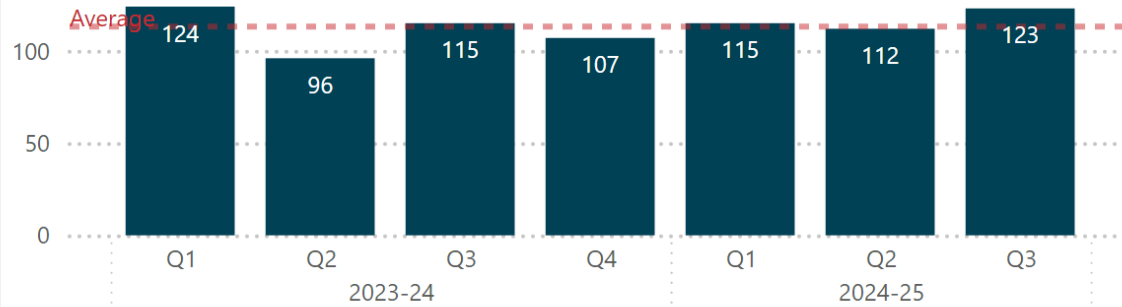
Cases Complete Above Target Trend



Average Elapsed Days per Case v Target



Cases Complete Within Target Trend





# Divorce Settlements KPI

Year

2024-25

Quarter

Q3

9

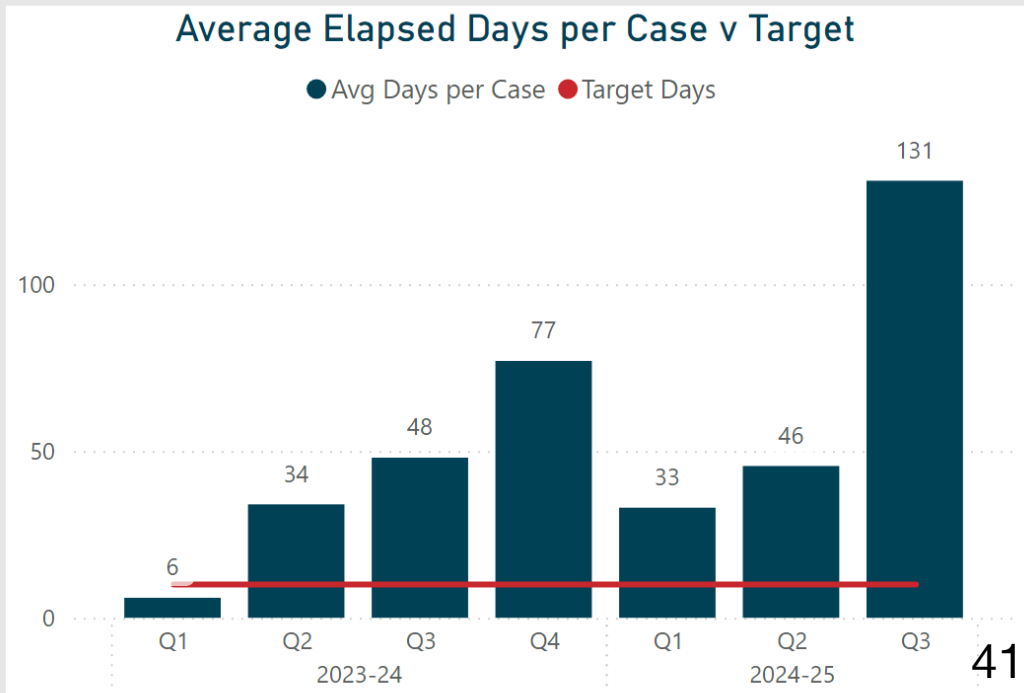
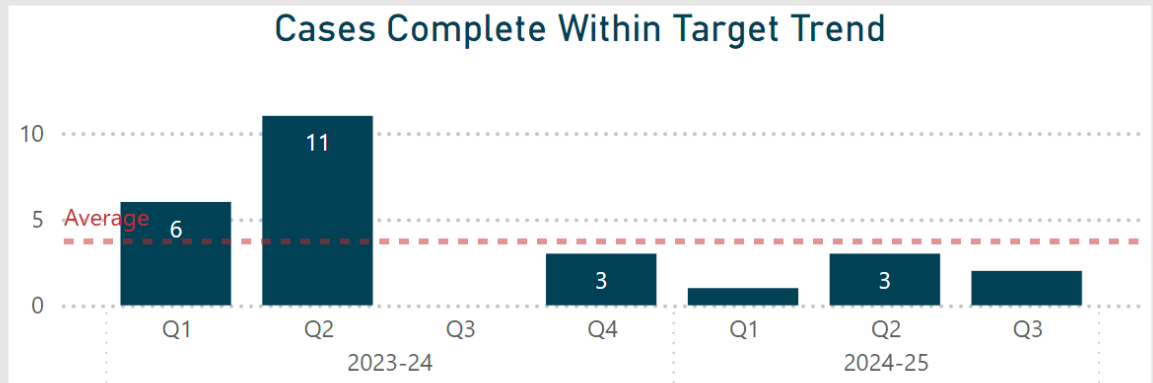
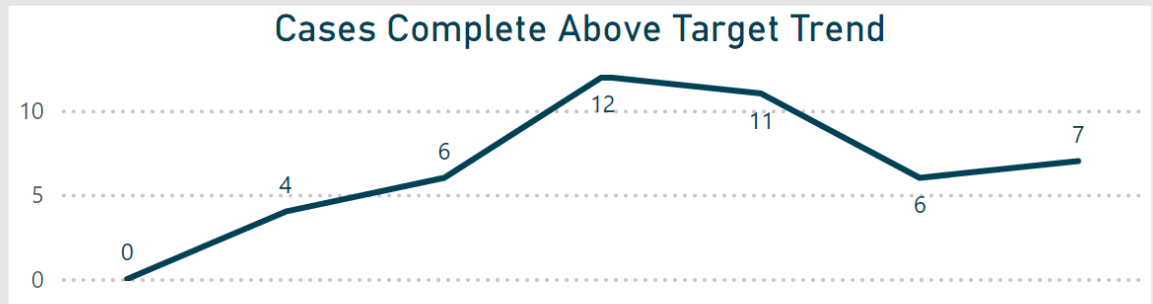
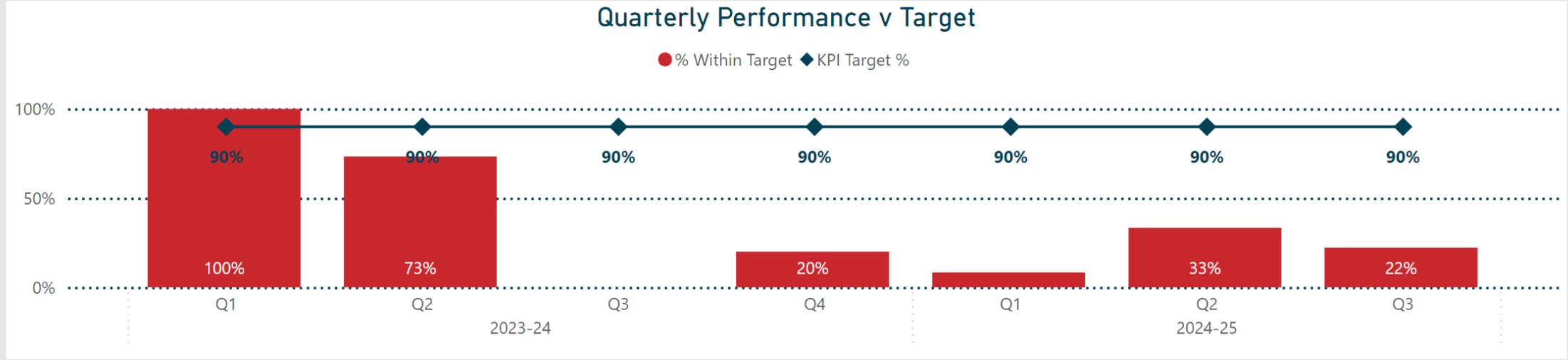
Total Completed

2

Within Target

22%

% on Target



**Fife Pension Fund**

**Governance Compliance Checklist - Action Plan**

Code [TPR general \(single\) code of practice | The Pensions Regulator](#)  
 Assessment File [Fife Pension Fund - LGPS General Code of Practice checker tool v1.5.xlsm](#)

				Responsible	
Chapter (tab)	Action Required	Priority	Officer	Due Date	
Board Structure and Activities	Review of officer powers and scheme of delegation	High	Pensions Service Manager	31/03/2025	
Board Structure and Activities	Role Profiles of Team to be updated	High	Pensions Service Manager	30/06/2025	
Board Structure and Activities	Consitution to be amended	High	Democratic Services Manager	Complete	
Board Structure and Activities	Advise Employers of amendments	High	Pensions Service Manager	Complete	
Board Structure and Activities	Launch appoint process for new board member	High	Democratic Services Manager	Complete	
Board Structure and Activities	Appoint new board member	High	Democratic Services Manager	31/03/2025	
Board Structure and Activities	Review governance documents and assess against code	Medium	Democratic Services Manager	08/11/2025	
Board Structure and Activities	Arrange for Code of Conduct to be included in training plan	Medium	Pensions Service Manager	08/11/2025	
Knowledge and Understanding	Review list of items and documentation to be familiar with	Medium	Pensions Service Manager	31/03/2025	
Knowledge and Understanding	Add to Workplan of PGG to carry out annual review	Medium	Pensions Service Manager	31/03/2025	
Knowledge and Understanding	Knowledge and Skills Assessment to be developed	High	Pensions Service Manager	30/06/2025	
Knowledge and Understanding	Review of Induction Materials to be undertaken	Medium	Pensions Service Manager	31/10/2025	
Knowledge and Understanding	Review Roles and Resposnilbiltes of Board Member include in appointment information	High	Democratic Services Manager	31/03/2025	
Knowledge and Understanding	Training Plan to be developed	High	Pensions Service Manager	30/06/2025	
Advisers and Service Providers	Council Policies to be tested to GCoP. To be discussed with the Service Manager Procurement	Low	Pensions Service Manager	30/11/2025	
Risk Management	Review Controls against TPR Expectations	Medium	Pensions Service Manager	30/09/2025	
Risk Management	Review Risk Mgt arrangements in line with TPR Expectations	Medium	Pensions Service Manager	30/09/2025	
Risk Management	Speak to Lothian re internal controls report. Decide if letter is appropriate	Medium	Pensions Service Manager	31/03/2025	
Risk Management	Seek BC plans from providers	Low	Pensions Service Manager	30/11/2025	
Risk Management	Test BC plan	Low	Pensions Service Manager	30/11/2025	
Risk Management	Add to workplan of PGG to source BC plans	Low	Pensions Team Leader	30/11/2025	
Risk Management	Comparison of controls, risk register and conflicts required	Medium	Pensions Service Manager	30/09/2025	
Risk Management	Circulate Register of interests and publish on website	High	Democratic Services Manager	28/02/2025	
Investment	Reflect Climate Risk in risk management arrangements	Low	Pensions Service Manager	30/11/2025	
Information Handling	Support on Transfers from Hymans	High	Pensions Team Leader	31/05/2025	
Information Handling	Additional training to be provided by Hymans	High	Pensions Team Leader	31/05/2025	
Information Handling	Work with other funds on LGA Calculation Sheets in absence of system upgrade	High	Pensions Specialist	31/05/2025	
Information Handling	Introduce more robust method of reconciliation	Medium	Pensions Team Leader	30/06/2025	
Information Handling	Develop data improvement plan	Medium	Pensions Team Leader	30/09/2025	
IT and Cyber Security Plan	Update workplan to request information	Medium	Pensions Team Leader	30/04/2025	
IT and Cyber Security Plan	Participate in Cyber testing with suppliers	Medium	Pensions Team Leader	31/03/2025	
IT and Cyber Security Plan	Implement Audit Actions	Medium	Pensions Service Manager	30/09/2025	
IT and Cyber Security Plan	Define roles and responsibilities in Cyber recovery plan	Medium	Pensions Service Manager	30/09/2025	
IT and Cyber Security Plan	Review Council procedures against code, assess if additional required	Medium	Pensions Service Manager	30/09/2025	

Contributions	Develop reconciliation process	Medium	Pensions Team Leader	30/06/2025
Information to Members	Reflect McCloud underpin in Annual Benefit Statement	High	Pensions Team Leader	31/03/2025
Public Information	Consider publishing this information	Low	Pensions Service Manager	30/11/2025
Public Information	Review requirement of code	Low	Pensions Service Manager	30/11/2025
Public Information	Consider publishing this information	Low	Pensions Service Manager	30/11/2025
Public Information	Review IDRPs timescales and against TPR Expectations	Medium	Pensions Team Leader/Democratic Services Manager	30/09/2025
Regular Reports	Develop procedure for changing registrable information	High	Pensions Service Manager/Pensions Specialist	30/06/2025
Reporting Breaches	Include reporting breaches in training plan	Medium	Pensions Service Manager	30/11/2025
Reporting Breaches	Develop breaches policy to include other bodies	Medium	Pensions Service Manager	30/11/2025
Board Structure and Activities	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Knowledge and Understanding	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Advisers and Service Providers	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Risk Management	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Scheme Governance	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Investment	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Scheme Administration	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
IT and Cyber Security Plan	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Contributions	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Information to Members	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Information Handling	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Public Information	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Regular Reports	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Reporting Breaches	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Board Structure and Activities	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Knowledge and Understanding	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Advisers and Service Providers	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Risk Management	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Scheme Governance	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Investment	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Scheme Administration	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
IT and Cyber Security Plan	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Contributions	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Information to Members	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Information Handling	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Public Information	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Regular Reports	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Reporting Breaches	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025

**Key:**

**Priority**

High  
Medium  
Low

**Definition**

Relates to "regulatory requirement" and/or to be completed within 6 months  
Relates to "TPR Expectation" and/or to be completed within 9 months  
Relates to "Best Practice" and/or to be completed within 1 year

31 March 2025

Agenda Item No. 5

## **Fife Pension Fund Business Plan and Budget 2025-26**

Report by: Elaine Muir, Head of Finance

Wards Affected: All

### **Purpose**

This report provides details of the Business Plan 2025-26 for Fife Pension Fund. The document is based on the format of last year's business plan with some additional contextual information added.

### **Recommendation(s)**

It is recommended that the committee:-

1. Consider and comment on the Business Plan; and
2. Approve the Business Plan 2025-26, including the Indicative Budget 2025-26 detailed in Appendix 2 of the document, which is subject to change following a structure review. Any change will result in further approval by committee.

### **Resource Implications**

There is no direct resource implications identified at this stage. The Business Plan does include the Budget which, for some items, is based on previous years costs and trend analysis as some items are difficult to predict. In terms of the Administration element of the budget this is based on current staffing levels and will need revised dependent on future changes in staffing requirements or team structure.

### **Legal & Risk Implications**

There are no legal or risk implications rising directly from this report.

### **Impact Assessment**

An EqlA is not required because the report does not propose a change or revision to existing policies and practices.

### **Consultation**

The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

## 1.0 Background

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- 1.1 The preparation of a Business Plan was recommended during an internal audit report as good practice. Having been introduced for the first time in 2023-24, the Business Plan sets out the aims and objectives of the Fund as well as providing details of the resources required and the key activities involved in administration of the fund.
- 1.2 Throughout 2024-25, the quarterly business plan update reports presented to committee have been based on the business plan and have evolved over time to provide a more comprehensive update on the activities being carried out. It is intended that the reporting for 2025-26 is developed further to be more focussed and comment on progress and exceptions as opposed to providing commentary on all processes.

## 2.0 Business Plan

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- 2.1 Producing a business plan is good practice and a way of communicating the day-to-day business of the Fund as well as setting out the proposed improvements and development work being undertaken.
- 2.2 The format of the Business Plan is based on the Pensions Regulator's sample business plan and informs the basis for various reports presented to the Committee throughout the year. This means that reports on the quarterly performance reporting, update on team activity and budget monitoring are consistent with the approved business plan. Further, the annual Business Plan update report forms part of the Annual Reports and Accounts and provides a summary of the activities completed in the year and again will be consistent with and measured against the business plan.
- 2.3 Projected and final outturn information will also be presented to Committee and measured against the indicative budget in line with the reporting framework.
- 2.4 The main priority for 2025-26 within the Business Plan is to undertake a staffing structure review to strengthen the team and increase capacity to progress work in the areas of governance, investment and business improvement. It is fair to say that to date the team can provide a comprehensive service to members and keep business as usual activities ongoing, however, with the increased levels of governance, exposure to digital technologies and increased demand, it is time to review the staffing structure and ensure it is resourced fully when considering the requirements on the fund and fit for purpose for the future.
- 2.5 Reviewing and finalising the staffing structure will create the capacity to deliver on some of the development areas and improvements documented in the Business Plan.
- 2.6 Integrated into the review of the team structure, the Fund will collate and identify expected workload including project work, possible central government initiatives over the next 3 to 5 years and document this alongside business-as-usual work. This will then help support recommendations made on team structure as well as inform future business plans. This will include keeping a watching brief on the UK Government proposals included in their Pensions Review and Fit for the Future consultation, which includes developments on LGPS pools, LGPS local investment and strengthening the governance arrangements as outlined in the Scheme Advisory

Board Good Governance review. Although related to LGPS England and Wales, these could influence developments in Scotland in the coming years.

- 2.7 The indicative budget reflects the revised employers' contribution rates per the valuation agreed in 2024. The budget also reflects the increased level of benefits payable. The Administration budget is reflective of the staff structure currently in place. The Business Plan outlines the intended structure review that will take place throughout 2025-26 which is likely to change the level of resources in the team. This means there is likely to be an increase in cost to the Fund which is yet to be quantified and agreed by Committee.
- 2.8 Given the nature of expenditure and income, some budgets are estimated based on previous years' trends and the budget should be treated as indicative.

## 3.0 Conclusion

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- 3.1 The Business Plan 2025-26 provides a consolidated statement of the development work and day-to-day business of the Pension Fund, and the resources required to deliver that business. The strategy is an important part of the Fund's governance arrangements.

### List of Appendices

Appendix 1 – Business Plan 2025-26

### Background Papers

None

### Report Contact

Laura Robertson  
Pensions Service Manager  
Fife House  
Glenrothes  
KY7 5LT

Email: [laurac.robertson@fife.gov.uk](mailto:laurac.robertson@fife.gov.uk)

# Fife Pension Fund – Business Plan 2025-26

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## Introduction

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Welcome to the Business Plan prepared for Fife Pension Fund (The Fund), which is managed and administered by Fife Council. The Business Plan covers the period 2025-26 and will be formally reviewed and agreed on an annual basis.

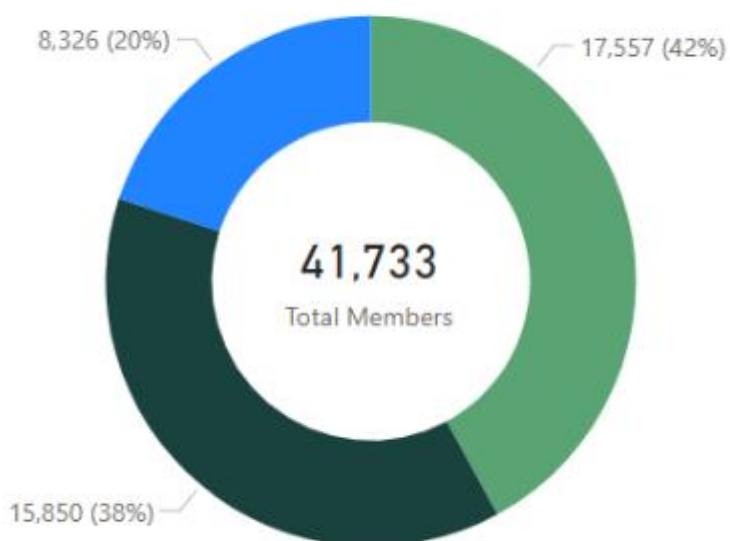
Producing this Business Plan is good practice and a way of communicating the day-to-day business of the Fund as well as setting out the proposed improvements and longer-term areas of work.

The Business Plan sets out the business of the Fund and throughout the year quarterly performance reporting will provide an update on team performance and progress and budget monitoring will link to the plan. Finally, progress on the key deliverables will be included in the Annual Report and Accounts will provide a summary of activities completed in the year and again build on the business plan.

### **Fife Pension Fund**

Fife Pension Fund is a £3.8bn Local Government Pension Scheme (LGPS), which provides death and retirement benefits for local government employees in Fife and employees of other scheduled and admitted bodies who are employers in the Fund.

Total fund membership is approximately **41,500** with around **17,500** active members from **17** scheme employers and around **24,000** retired, survivor and other members.



## Objectives

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The **primary objective** of The Fund is to ensure that there are sufficient funds available to meet all pensions and lump sum liabilities as they fall due.

Overall, the **Fund's objectives** are to generate sufficient long terms returns to pay promised pensions and to make the scheme affordable to employers now and in the future, while minimising the risk of having to increase contribution rates in the future. Key strategies and policy documents which guide the management of the Fund are listed in Appendix 1 and can be found on the website, [Resources | Fife Pension Fund](#)

### Governance and Compliance

Fife Council has statutory responsibility for the administration of the Local Government Pension Scheme (LGPS) in Fife. The main functions of the Administering Authority are the management and investment of the assets of the Fund and the administration of scheme benefits.

The Pensions Committee is supported in this role by key stakeholders and this is illustrated below:



# Pensions Committee

Fife Council as  
Administering  
Authority

Fife Pension  
Board

Pensions  
Governance  
Group

Head of  
Finance and  
Fund Officers

Joint  
Investment  
Forum

Independent  
Professional  
Observer

The Pensions Committee's principal aim is to carry out the functions of Fife Council as the Scheme Manager and Administering Authority for the Fife Pension Fund in accordance with the LGPS regulations and any other relevant legislation.

The Committee delegates several functions to the Head of Finance and Fund Officers.

In its role as the Administering Authority, Fife Council owes fiduciary duties to the employers and members of the Fife Pension Fund and must not compromise this with its own interests. Consequently, this fiduciary duty is a delegated responsibility of the Pensions Committee, and its members must not compromise this with their own individual interests.

In addition to the Pensions Committee, Fife Pension Board is in place to assist in:

- securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the Scheme and by the Pensions Regulator; and
- ensuring the effective and efficient governance and administration of the Fife Pension Fund.

The Committee and the Board are supported by an Independent Professional Observer (IPO) who was appointed to assist both groups in discharging their responsibility to the Pension Fund.

The Pensions Governance Group (PGG) is an officers' group chaired by the Head of Finance and is responsible for, amongst other things, ensuring the roles and responsibilities are allocated and documented in line with the Pensions Regulator General Code of Practice and that governance issues are identified, discussed and actioned.

Fife Pension Fund works in collaboration with City of Edinburgh council for the provision of investment advice from its arms-length organisation LPFI limited. Officers from Fife Pension Fund participate in the Joint Investment Forum (JIF), which is a forum of independent advisers, advisers from LPFI Limited and Fund officers. The JIF meets on a quarterly basis.

## **Governance**

In respect of Governance arrangements for the Fund, the following activities are undertaken:

- Setting the agenda, reporting and presenting to the Pensions Committee and Fife Pension Board
- Managing risks and internal controls
- Maintaining complete and accurate records to ensure benefits are paid correctly.
- Implementing and monitoring the achievement of other areas of governance such as the Training Policy, Risk Management Policy, Breaches Policy and The Pension Regulator's General Code of Practice and managing conflicts of interest
- Procurement of and payment for advisers and other services
- Assisting internal and external audit in their role
- Replying to Freedom of Information requests in adherence with statutory time limits
- Review of Control Reports
- Publishing scheme information
- Reporting breaches of the law
- Cash Flow monitoring.

## **Funding**

There are several activities undertaken in respect of funding. These are as follows:

- Agreeing the funding strategy with the actuary and consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments
- Arranging actuarial data required by the Government Actuary Department ("GAD")

## **Investment and Risk**

The investment objectives of the Fund are to achieve a return on fund assets which is sufficient over the long term to meet the funding objectives.

The Investment Strategy is fundamentally reviewed every 3 years and sets out the strategic allocation to various types of investments.

The implementation of the strategy is delegated to the Head of Finance. The Head of Finance operates within the parameters agreed by the Committee and a shared service agreement.

## **Member Experience and Engagement**

The Pensions Administration team provides a service to employers, scheme members and their beneficiaries as well as processing monthly pensioner payroll.

Providing a service to members includes a variety of activities, examples are as follows:

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund, within statutory timescales.
- Calculating and notifying entitlement to retirement, leaving and death benefits
- Processing transfers into and out of the Fund

- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits.
- Providing information to solicitors in respect of divorce proceedings
- Maintaining accurate scheme member records
- Maintaining the Fund's Internal Dispute Resolution Procedure
- Maintaining and updating the pensions software system
- Providing guidance on changes in processes following legislation updates
- Providing information on progress against key performance indicators
- Extracting and forwarding data to the Fund actuary to track membership changes for employer mergers and TUPE transfers
- Paying pension benefits

The Fund engages and communicates with members and employers by

- Providing information to employers and members via newsletters
- Maintaining the Fund's website
- Providing new employers with information about their Fund responsibilities
- Providing ongoing training and technical updates to employers
- Running an Annual Employers Forum

## **Workforce Planning**

The Pensions functions are managed by the Head of Finance, who is now supported by a Pensions Service Manager and two teams, the Pension Administration Team and the Investment Team, a staffing structure is provided at Appendix 2.

It is important to ensure that these Teams are adequately resourced to deliver the Service and are prepared for the future.

A key priority for the coming year is to undertake a team structure review with a view to adequately resourcing the Fund taking into consideration increased requirements around governance, investment and business improvement. The review will focus on any gaps in resources and how these can be addressed. The review involves reviewing the role profiles of the team. The review has started, and Hymans Robertson have been engaged to assist officers explore the issues and options.

The review will also focus on identifying training and development needs, succession planning arrangements, as well as promoting a positive culture, good leadership and supporting employee development and wellbeing.

The review will focus on the medium-term, whereby, there will collation and identification of expected workload, including Business as Usual, possible central government initiatives and any known project work over the next 3 to 5 years. Doing this work will help inform the changes required to the team structure of the Fund.

At present the investment activities are provided by the Finance Operations Team, therefore there is no direct management line arrangements in place for this team. These team members also work on other areas within the Council such as Treasury Management and Capital Planning and Monitoring. This means there is no dedicated resources for Investment and accounting work.

All staff in the Pensions Administration team are dedicated resources to the Fund, although do undertake some employer related tasks on behalf of Fife Council.

The Pensions Service is also supported by other Services in the Council such as Audit and Risk Management, Legal and Democratic Services, Procurement and Business Technology Solutions.

The costs of the Finance Operations team and other support services are charged to the Fund through the Central Support Service Allocation process.

## Development Activities

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Several areas of work will need to be advanced during 2025-26, which are outlined as follows,

- **Team Structure Review**

As outlined in the Workforce planning section a key area of work is the team structure review.

The current level of resource is sufficient to manage the business-as-usual activities of a pension administration service. However, there is a significant amount of work associated with governance of the Fund, risk management arrangements, investment activity and responsible investment. To date this has been absorbed by existing team members and whilst this work is progressing, there is limited scope to develop further and ensure there is a more proactive approach.

In addition, there is a need to respond to and manage increasing expectations from legislation, stakeholders, employers, members, Committee and Board. This coupled with the need to drive forward business improvements and digital enhancements is creating pressure on the existing team.

There is a need to effectively resource systems development to ensure digital enhancements can be made for the benefits of members and streamlining processes.

To help establish the current “as is” position in respect of the administration service being provided, the Fund will participate in CEM administration benchmarking which will provide information of costs, and the current member experience compared to our peers.

- **Improvement Agenda**

Following on from this, there will be a focus on continuous improvement of processes and developing a digital strategy for the team.

Initial contact and discussions are ongoing with advisers such as Hymans Robertson to map out the various items the Fund should be considering over the next few years e.g. climate risk, valuation, training, cash flow modelling. This will be used to help inform future iterations of the business plans and training plans for the committee and board.

Alongside this the Fund will also be considering where there can be improvements and how we can maximise the use of technology, automation and digital technologies. It is intended that a digital strategy will be drafted once resources are in place to develop this.

- **LGPS Landscape**

The evolving situation within LGPS in England and Wales, in respect the Fit for the Future Consultation, which focuses on pooling arrangements, local investment and implementation of the Good Governance review, will be kept under review, alongside potential developments within the Scottish LGPS.

This is a key element of the team structure review to ensure that there are resources in place to respond to any changes.

- **Procurement**

Fife will be participating in a joint procurement arrangement with our partner funds for renewing our Custody and Performance measurement arrangements. Details of the expected timelines have been presented, and it's expected the procurement process will take place over the early part of the year, concluding in July 2025.

A procurement exercise will also be required for the Independent Professional Observer which is due to take place over the summer months.

- **McCloud Judgement**

Work will continue during 2025 on the McCloud judgement. This will include updating of all in-scope pension records, correction of errors and calculations required to determine if members are impacted by the judgement. Updates to software will be carried out. Communications with members and employers will also continue to be issued. Dialogue and participation user groups with other funds and software suppliers is ongoing.

- **Pensions Dashboards**

Pensions Dashboards are digital services such as apps or websites, which savers will be able to use to see their pension information one place. A saver will use the dashboard to search records of all pension schemes to confirm whether they are a member. Dashboards aim to help members plan for their retirement.

A revised staging timeline means that all Schemes in scope will need to be connected by **31 October 2026**. The Pension Dashboard Programme (PDP) has confirmed the staging date for public service pension schemes is **30 September 2025**.

To achieve this deadline, preparation, cleansing of data and working with software suppliers is being advanced during 2025.

A communication plan will be developed for updating members on this development.

- **Responsible Investment**

It is widely recognised that climate change presents a financial risk to the global economy. The Taskforce for Climate Related Finance Disclosure (TCFD) was created to improve and increase reporting of climate-related financial information.

The Government consulted on their proposals for the Governance and Reporting of climate risks. The proposals apply to LGPS in England and Wales and followed the TCFD framework which would require Administering Authorities to consider and report on four key areas of governance, strategy, risk management and metrics and targets. The aim of the framework being to help the LGPS demonstrate how the

consideration of climate risks and opportunities are integrated into the decision-making process.

Although, no commitment has been in Scotland to date, it is expected that given the increased focus on climate change, there will be similar requirements. To some extent this is recognised in the updated Statement of Responsible Investment Principles (SRIP) for the Fund. Working with our partners the SRIP will be kept under review as well as further research and agreement on the reporting and disclosure requirements. Where appropriate training will be provided by the relevant advisers to the Committee and Board to gain an understanding of the requirements.

Any further development work is contingent on the team structure review being implemented.

- **tPR General Code of Practice**

The Pension Regulator General Code of Practice came into effect from 27 March 2024. This code brought together 10 of the 15 codes of practice into one single code consisting of 51 modules across 5 sections. There are two additional areas of compliance added to the code, these being Cyber Controls and Scams. An action plan has been developed which will facilitate the move from non-compliance to partial or full compliance where appropriate. This will continue to be monitored quarterly.

- **Training and Knowledge Assessment**

To address some actions associated with the general code and outstanding audit points, work is required on the training policy for both the Committee and the Board. This will involve the introduction of knowledge assessments as the code requires that there is a level of understanding in place to help make informed decisions. Further work is required on introduction of a training manual and knowledge library.

Any further development work is contingent on the team structure review being implemented.

- **KPIs**

Developments will continue in the collection and presentation of KPI data to both elected members and management. The use of Power BI has been implemented, and the focus will now turn to updating and improving the way tasks are captured and organised in the system. It has been some time since tasks were set up in the Altair system and work done to date has highlighted that the set-up needs revised. Further work is also required in setting targets to reflect the task set up. To date the work has been carried out alongside business-as-usual work, therefore at times must be paused. Therefore, it is recognised that dedicated resources are required to take this work forward.

- **Continuous Improvement of Processes**

Some areas of improvement work are continuing and have been carried forward from 2023-24 as these are taking longer than envisaged. These and other areas are noted below:

- Implementation of Engage and a move away from Members Self-Serve platform.

- Working with the BMIU to improve and enhance processes and maximising the use of digital technologies.
- **Implementation** of revised Pension and HMRC regulations
- Review of **Mandatory/Voluntary Scheme Pays**
- Continued Review of **Governance Documentation**

## Key Activities Planner

Detailed team workplans for carrying out activities associated with both Pensions Administration and Investment are prepared on an annual basis and contribute to the workplan of the Pensions Governance Group.

A high-level summary of these activities for the coming financial year is detailed as follows:

2025 26	Quarter 1 (Apr to June)	Quarter 2 (July to Sept)	Quarter 3 (Oct to Dec)	Quarter 4 (Jan March)
<b>Actuarial</b>	IAS19/FRS102 reports for year end processes.  Plan of activities		Employer Forum	Triennial Valuation
<b>Administration</b>	Annual Pension Increase  Year-end processing  HMRC reporting and returns.  McCloud Judgement  Pension Dashboard preparation  Migration to Engage from MSS  Transfer out process improvements and training.  Annual promotion of MSS to non-registered members			HMRC reporting and returns.  McCloud Judgement  Pension Dashboard Preparation  Structure Review

<b>Audit</b>	Update on Internal Annual Audit plan Internal Annual Audit Report	External Audit process and report		External Audit Plan
<b>Governance</b>		Quarterly Risk Review Review of Administration Strategy Review of Governance Documentation tPR General Code of Practice Gap Analysis Actions	Quarterly Risk Review Annual Review of Communications Policy tPR General Code of Practice Gap Analysis Review and actions	Quarterly Risk Review Preparation of Indicative budget Preparation of Business Plan



<b>Skills and Training</b>				
<b>Investment</b>	Joint Investment Forum Qtrly Fund Managers meetings Transition Activity Private Markets investment activity	Joint Investment Forum Qtrly Fund Managers meetings Transition Activity Private Markets Investment Activity CEM Benchmarking		Joint Investment Forum Qtrly Fund Managers meetings Transition Activity Responsible investment research Private Market Investment Activity
<b>Pensions Committee Meetings</b>	20 June 2025 30 June 2025	23 Sept 2025 30 Sept 2025	18 Dec 2025	24 March 2026

Here is the plan for 2026-27 which is less detailed at this stage.

2026 27	Quarter 1 (April to June)	Quarter 2 (July to Sept)	Quarter 3 (Oct to Dec)	Quarter 4 (Jan to Feb)
<b>Actuarial</b>	IAS19/FRS102 reports for year-end processes. Triennial Valuation	Triennial Valuation	Triennial Valuation	Triennial Valuation
<b>Administration</b>	Annual Pension Increase HMRC reporting and returns. Year End Processing	Issue Annual Benefit Statements HMRC Reporting and returns.	HMRC reporting and returns. Annual Allowance deadline	HMRC reporting and returns.

<b>Audit</b>	Update on Internal Annual Audit plan Internal Annual Audit Report	External Audit process and report		
<b>Governance</b>		Quarterly Risk Review Annual Review of Administration Strategy	Quarterly Risk Review Annual Review of Communications Policy	Quarterly Risk Review Preparation of Indicative budget Preparation of Business Plan
<b>Skills and Training</b>	Committee and Board training	Committee and Board training	Committee and Board training	Committee and Board training
<b>Investment</b>	Joint Investment Forum Qtrly Fund Managers meetings Transition Activity Private Markets investment activity	Joint Investment Forum Qtrly Fund Managers meetings Private Markets investment activity CEM Benchmarking Investment Strategy	Joint Investment Forum Qtrly Fund Managers meetings Private Market investment activity CEM Benchmarking Investment Strategy	Joint Investment Forum Qtrly Fund Managers meetings Private Market investment activity Investment Strategy

## Indicative Budget 2025-26

The indicative budget for 2025-26 is detailed at Appendix 3 of the plan.

The budget has been set using previous years trends of expenditure which have been adjusted to reflect the revised employers' contribution rates, estimated levels of pay awards and estimated levels of pension increases.

Some items are traditionally difficult to predict with any certainty such as Transfers to and from other schemes, Investment Management Expenses and Net Returns on Investment.

Administrative Costs cover the costs of the Administration Team and the Investment Team. This is based on the current agreed staffing levels. Oversight and Governance costs include the costs of external advisers.

The budget is routinely monitored and reported to Committee on a biannual basis.

The budget reflects the current structure and operating model of the team and therefore is subject to change.

There are some movements in the budgets compared to last year:

- Net additions from dealing with members has reduced compared to last year because the expected benefits have increased to reflect updated actual cost of pension payments compared to the budget last year and the pension increase of 1.7%.
- Administration Costs – these have increased to reflect the revised staffing levels to include Pensions Service Manager, Support Assistants and estimated pay awards and increments. The Central Support costs are also increased to reflect estimated pay awards. Additional costs for licensing, implementation and software for both Pensions Dashboard and the migration to MSS Engage have also been included.
- Investment Income budget has been increased to reflect the actual income generated over the last few years as there has been an increased level of investments in Real Assets which resulted in increased distributions.

## Conclusions

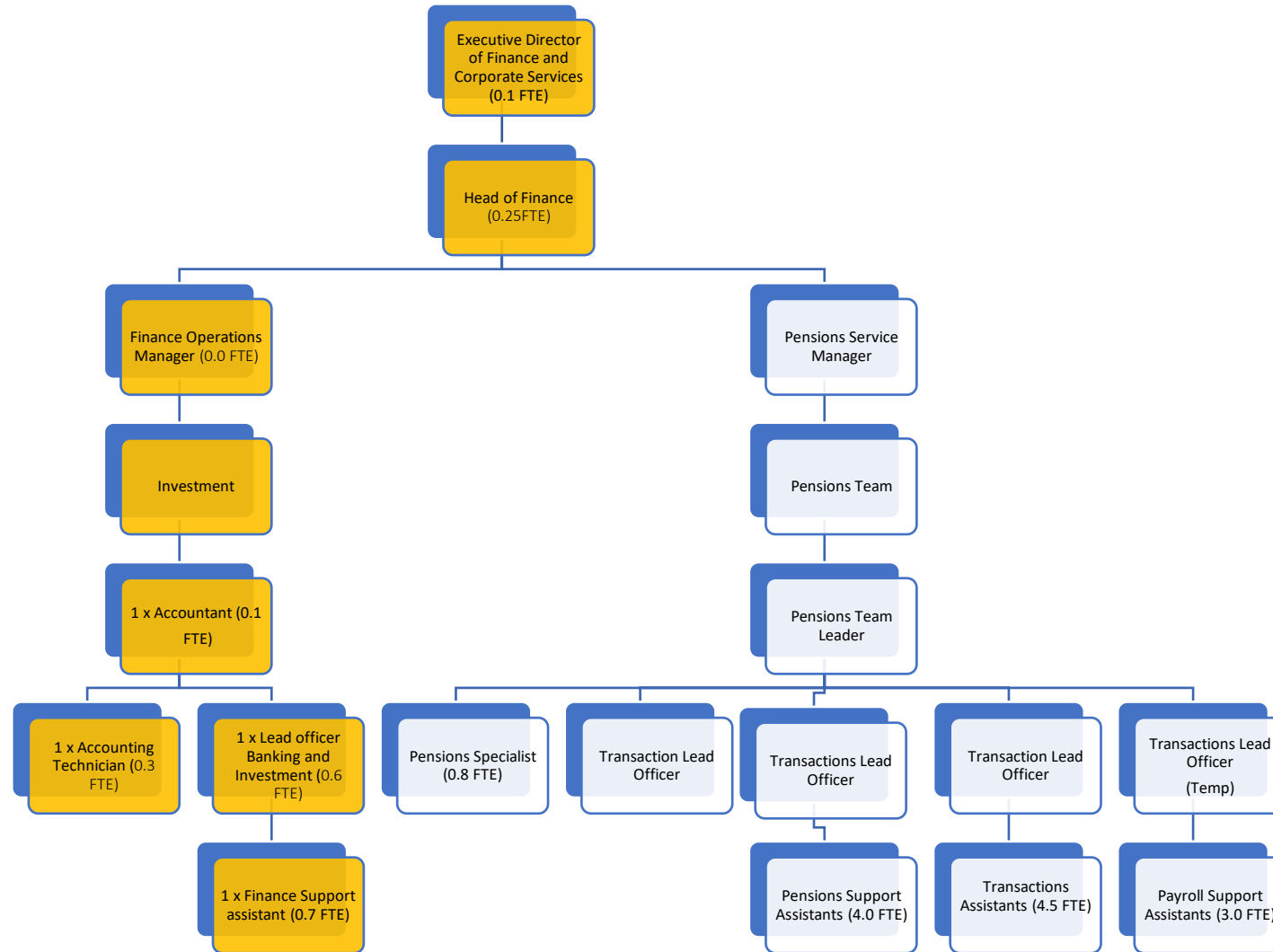
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This Business Plan is designed to set out the day-to-day business and development work being undertaken by the Fife Pension Fund.

The plan sets out the high-level activities and is supported by workplans used by the Teams and governance arrangements that are in place.

## Governance of the Fund

- Statement of Investment Principles
- Discretions Policy
- Risk Register
- Annual Report and Accounts
- Funding Strategy Statement
- Communication Policy
- Administration Strategy
- Training Policy
- Breaches of the Law



Those shaded are currently part of the wider Finance Team, therefore there is no line management arrangements in place within the Pensions Team.

## Fife Pension Fund Indicative Budget 2025-26

2024-25 Budget		Note	2025-26 Budget
£m			£m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(123.410)	Contributions Received		(124.300)
(2.010)	Additional Contributions from Employers		(1.530)
(2.160)	Transfers from Other Schemes		(2.180)
(127.580)			(128.010)
93.050	Pension Payments		96.870
20.600	Lump Sum Benefits		21.800
0.250	Refund of Contributions		0.270
3.960	Transfers to Other Schemes		4.080
117.860			123.020
<b>(9.720)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>(4.990)</b>
2.160	Administrative Costs	1	2.660
0.600	Oversight and Governance Costs	1	0.670
	Investment Management Expenses: -		
12.020	Management Fees		11.800
0.910	Performance Related Fees		0.910
0.170	Custody Fees		0.190
2.100	Transaction Costs		1.750
<b>8.240</b>	<b>Net (additions)/withdrawals including fund management expenses from dealing with members</b>		<b>12.990</b>
	<b>Returns on investments</b>		
(48.000)	Investment Income		(68.960)
0.260	Taxes on income		0.310
(123.100)	Profit and losses on disposal of investments and changes in the market value of investments		(131.700)
<b>(170.840)</b>	<b>Net return on investments</b>		<b>(200.350)</b>
<b>(162.600)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(187.360)</b>
(3,531.319)	Opening net assets of the scheme at 1 April 2024		(3,693.919)
(162.600)	Net increase/(decrease) in the Fund		(187.360)
<b>(3,693.919)</b>	<b>Closing net assets of the scheme at 31 March 2025</b>		<b>(3,881.279)</b>

**Note 1**

These are deemed the controllable elements of this budget

31 March 2025

Agenda Item No. 6

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## Azets – Annual Audit Plan Fife Pension Fund

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**Report by:** Elaine Muir, Head of Finance

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**Wards Affected:** All

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### Purpose

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The attached report provides members with details of Azets External Annual Audit Plan for Fife Pension Fund for the financial year 2024/25 and sets out the risks highlighted, planned work, audit scope and timing.

### Recommendation(s)

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The committee is asked to:-

- (1) Note the content of the Azets External Annual Audit plan for 2024/25.

### Resource Implications

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This report does not have any direct resource implications beyond the audit fee detailed in the plan.

### Legal & Risk Implications

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The audit plan highlights the area of risk covered by the audit work and the details of quality control established to provide assurance of compliance with regulatory and legal requirements.

### Impact Assessment

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An IIA checklist is not required as this report does not recommend changes to Council policy and does not require a decision.

### Consultation

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Council officers have had the opportunity to review and comment on the audit plan for accuracy and have responded to this effect.

## **Report Contact**

Elaine Muir

Head of Finance, Fife Council

Email:- [elaine.muir@fife.gov.uk](mailto:elaine.muir@fife.gov.uk)



# Fife Pension Fund

**External Audit Annual Plan**

**Year ended 31 March 2025**

March 2025



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# Introduction

## Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Fife Pension Fund (“the Fund”) for the year ended 31 March 2025.

The main elements of the audit include:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An audit opinion on other statutory information published with the financial statements in the annual report and accounts, including the Management Commentary, Annual Governance Statement, and the Governance Compliance Statement.
- Consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.
- Provision of an Independent Auditor’s Report expressing our opinions on the different elements of the annual report and accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

## Responsibilities of the auditor and the Fund

The [Code of Audit Practice](#) outlines the responsibilities of external auditors appointed by the Accounts Commission for Scotland and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

Fife Council is the administering authority for the Fife Pension Fund. The Council delegates this responsibility to the Pensions Committee. The Pensions Committee has a primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing a set of annual report and accounts that are in accordance with proper accounting practices. The Pensions Committee is also responsible for complying with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

[Appendix 2](#) provides further details of our respective responsibilities.

## Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Fund through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Fund promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

If there are any elements of this audit plan to which you do not agree or you would like to discuss, please let us know as soon as possible.

Any comments you may have on the service we provide, the quality of our work, and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

This plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

## Openness and transparency

This report will be published on Audit Scotland's website <http://www.audit-scotland.gov.uk/>

# Audit scope and general approach

## Risk-based approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an independent auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Fund, including their environment, the financial reporting framework and its system of internal control
- Review the design and implementation of key internal controls
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing (ISAs (UK)) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

## Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Pensions Committee.

## Partnership working

We coordinate our work with Audit Scotland, internal audit and other external auditors, recognising the increasing integration of service delivery and partnership working within the public sector.

Our Audit Scotland appointments include Fife Council and Lothian Pension Fund. Where practicable and appropriate we will share knowledge to generate efficiencies in the delivery of our audits.

### **Audit Scotland**

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may also be required to provide information to Audit Scotland to support the national performance audits and we may review the Fund's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which the Fund use the national performance reports as a means to help improve performance at the local level.

### **Internal audit**

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the Fund is used as efficiently and effectively as possible.

### **Assurance protocols**

Audit Scotland produces protocols to provide an agreed framework for auditors to seek and provide assurances in specific areas. Assurance protocols are in place for the Local Government Pension Scheme. We may utilise these protocols to gain assurance in respect of the calculation of pension contributions from auditors of employing bodies.

## Delivering the audit

### Hybrid audit approach

We adopt a hybrid approach to our audit which combines on-site visits with remote working; learning from the better practices developed during the pandemic.

### Secure sharing of information

We use a cloud-based file sharing service 'Inflo' that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

### Regular contact

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

### Signing annual report and accounts

Audit Scotland recommends the electronic signing of the annual report and accounts and uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts, which can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high-quality PDF version of the accounts.

## Materiality

We apply the concept of materiality in planning and performing the audit, and in evaluating the effect of misstatements within the financial statements identified during the audit.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

**Planning Materiality:** We have set our materiality at 1.5% of net assets based on the audited financial statements for 2023/24, resulting in £54.8million for the Fund.

**Performance Materiality:** Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £41.1million.

**Specific Materiality:** We have set specific materiality level for dealings with members at 5% of gross expenditure based on the audited financial statements for 2023/24, resulting in £7.5million for the Fund. We have set performance materiality at 75% of our dealings with members materiality, resulting in £5.625million.

**Reporting threshold:** We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £2.74million for our main materiality and £0.375million for our dealings with members materiality.

## Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to the Pensions Committee.

## Specialised skill or knowledge required to complete the audit

Our audit team will consult internally with our Technology Risk team in assessing the information technology general controls (ITGC).

## Going concern

In most public sector entities (including pension funds), the financial reporting framework envisages that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For many public sector entities, the financial sustainability of the entity is more likely to be of significant public interest than the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the Fund.

### Management responsibility

Management is required to make and document an assessment of whether the Fund is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management is also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

### Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Fund's ability to continue as a going concern that need to be disclosed in the financial statements.



In assessing going concern, we also consider Practice Note 10 (PN10), which focus on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

## Prevention and detection of fraud or error

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular, we require to be notified of all frauds which:

- involve the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control and;
- are over £5,000.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

## Anti-money laundering

We require to be notified on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

## Correspondence

People or organisations write to Audit Scotland because they have concerns about an issue within a public body that falls under the remit of the Auditor General or the Accounts Commission. An issue of concern may be something such as a breakdown in financial management or governance arrangements.

The key factor in determining whether Audit Scotland examines an issue is the relevance of the issue to Audit Scotland's role and functions. Audit Scotland and appointed auditors will make this judgement using their professional and technical knowledge.

## National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2024/25 no such risks have been specified. Nevertheless, the arrangements for responding to climate change continues to be an area of particular focus.

## Climate change

In 2022/23 we were required to gather information on the Fund's response to climate change. Audit Scotland has reviewed the auditor returns assessing climate change

and will share the findings from the review with auditors to provide helpful background information for 2024/25 annual audit work.

In addition, Audit Scotland will:

- publish a Good Practice Note on disclosures related to climate change following a review of public bodies' 2022/23 and 2023/24 annual accounts; and
- provide guidance to auditors on auditing climate change disclosures within the 2024/25 annual accounts of public bodies.

## Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 2](#) provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2024/25 is outlined in the '[wider scope of public audit](#)' section of this plan.

## Best Value

The administering authority (Fife Council) has responsibility for ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a statutory duty to make arrangements to secure Best Value, which are subject to audit.

As pension funds are not local authorities or separate bodies that fall within section 106 of the Local Government (Scotland) Act 1973, the statutory responsibility for securing Best Value for pension funds lies with the administering local authority, Fife Council.

Therefore, consideration of the arrangements the Pension Fund has put in place to secure Best Value will be carried out as part of the Fife Council audit. Any matters relating to the Pension Fund will be reported in our Annual Audit Report.

## Reporting our findings

At the conclusion of the audit we will issue:

- an independent auditor's report setting out our formal audit opinions within the annual report and accounts, and

- an annual audit report describing our audit findings, conclusions on key audit risks, judgements on the pace and depth of improvement on the wider scope areas, and any recommendations.

### Definitions

We will use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



# Financial statements - significant audit risks

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

## Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls	Audit approach
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals.</li> <li>• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals.</li> <li>• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been</li> </ul>

Management override of controls	Audit approach
<p>transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p>	<p>undertaken in line with the Fund's journals policy.</p> <ul style="list-style-type: none"> <li>• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud.</li> <li>• Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

Fraud in revenue and expenditure recognition (rebutted)	Audit approach
<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Income recognised in the Fund’s accounts relates to contributions received from member bodies, transfers in from other pension funds and dividend and interest income from investments.</p> <p>We do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate income of this nature and therefore have rebutted this risk.</p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Expenditure recognised in the Fund’s accounts relates to benefits payable, payments to and on account of leavers and management expenses. We have assessed that both expenditure streams are expected to be material expenditure streams.</p> <p>We will review our assessment during the fieldwork stage of our audit.</p>	<p>Whilst we have rebutted the risk of fraud in income and expenditure recognition, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Fund’s systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems.</li> <li>• Evaluating the Fund’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code.</li> <li>• Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.</li> </ul>

<b>Fraud in revenue and expenditure recognition (rebutted)</b>	<b>Audit approach</b>
<p><b>Inherent risk of material misstatement (based on rebutted risk):</b></p> <ul style="list-style-type: none"> <li>• <b>Revenue (occurrence/completeness): Low</b></li> <li>• <b>Non-pay expenditure (occurrence/completeness): Low</b></li> </ul>	

Investments valuations of level 2 and 3 investments (key accounting estimate)	Audit approach
<p>The Fund held investments of £3.664billion as at 31 March 2024, of which 47% (£1.738 billion) were classified as level 2 or level 3 financial instruments. These level 2 and 3 financial instruments are generally gilts and investment in infrastructure, which are more subjective in their valuation. Valuations of such investments are not based on unadjusted quoted prices in active markets, rather estimation produced by Investment Managers commissioned by management as experts.</p> <p>Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. Investments of this nature are complex, difficult to value and include a significant degree of judgement from the investment manager. The material nature of this balance means that any error in judgement could result in a material valuation error.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Investments (valuation/existence): High</b></li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the investment managers and the scope of their work.</li> <li>• Evaluating the competence, capabilities and objectivity of the investment managers.</li> <li>• Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied.</li> <li>• Testing the information used by the investment managers to ensure it is complete and consistent with our understanding.</li> <li>• Ensuring that investments existence is confirmed by third party documentation.</li> <li>• Ensuring that the year-end valuations have been reflected correctly in the ledger and that accounting treatment within the financial statements is correct.</li> </ul>



Disclosure of present value of retirement obligations (key accounting estimate)	Audit approach
<p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 26 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the Fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities.</p> <p>There is a risk that the data and assumptions used by management’s expert are not appropriate in producing their estimate of the pension obligations, which results in an increased risk of material misstatement of this disclosure.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Retirement obligations (valuation): High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Reviewing the controls in place to ensure that the data provided to the actuary is complete and accurate.</li> <li>• Considering the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.</li> <li>• Agreeing the disclosures in the financial statements to information provided by the actuary.</li> </ul>

## Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

# Wider scope of public audit

## Introduction

The Code of Audit Practice frames a significant part of our responsibilities in terms of four wider scope audit areas:

- Financial management
- Financial sustainability
- Vision, leadership and governance
- Use of resources to improve outcomes.

## Our audit approach to the wider scope audit areas

Appointed auditors are required to consider the wider scope areas when:

- Identifying significant audit risks at the planning stage of the audit
- Reaching conclusions on those risks
- Making recommendations for improvement
- Where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Audit Practice requires us to structure our commentary under the four areas identified above. [Appendix 2](#) provides further detail on the definition, scope and audit considerations under each wider scope area.

Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon our understanding of the Fund's key priorities and risks along with discussions with management and review of minutes and key strategy documents.

## Wider scope significant risks

At this stage, we have not identified any significant risks in relation to the wider scope areas. Audit planning however is a continuous process, and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.

## Other wider scope work

In formulating our audit plan, we identified areas of possible significant risk in relation to all wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist:

### **Financial management**

- Whether the quality of the financial performance information presented to the Pensions Committee allows appropriate scrutiny of the Fund's performance and supports effective decision making.
- Whether any transfers in /out have a significant impact on the cashflows of the Fund.

### **Financial sustainability**

- How the Fund is planning to meet the cost of future pensions over the long-term through the value of its investments.

### **Vision, leadership and governance**

- Whether the Fund can demonstrate that any changes to the governance arrangements are appropriate and operating effectively.
- The governance compliance statement is complete, details accordingly areas of non-compliance and has appropriate plans in place to address those areas.
- Whether requirements outlined in Pension Regulations have been met to allow the transfer of The Scottish Fire and Rescue Service (a scheduled body) out to Strathclyde Pension Fund during the year.

### **Use of resources to improve outcomes**

- Whether the Fund can evidence the achievement of value for money in the use of resources, including its investment and pension administration performance.

# Audit team and logistics

## Audit management team

Our audit management team will be as follows:

Role	Name	Email
Engagement Lead	Karen Jones	Karen.Jones@azets.co.uk
Engagement Manager	Adrian Kolodziej	Adrian.Kolodziej@azets.co.uk
Engagement Senior	Thomas McCormick	Thomas.McCormick@azets.co.uk

## Timetable

Audit work/ output	Target month/s	Pensions Committee	Deadline
Planning and risk assessments		N/A	N/A
Reporting of External Audit Plan to Pensions Committee	March	31 March 2025	31 March 2025
Interim audit	March	N/A	N/A
Receipt of draft accounts and commencement audit fieldwork	July - September	N/A	N/A
Independent Auditor's Report	September	30 September 2025	30 September 2025
Annual Report to the Pensions Committee and the Controller of Audit	September	30 September 2025	30 September 2025

## Our expectations and requirements

For us to be able to complete our work in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines agreed with us. These should be complete including all notes, the Management Commentary, Annual Governance Statement, and the Governance Compliance Statement.
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed in advance to ensure clarity over our expectations.
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing.
- Ensuring staff are available and on site (as agreed) during the period of the audit.
- Prompt and sufficient responses to audit queries.

The audit process is underpinned by effective project management to co-ordinate and apply our resources efficiently to meet your deadlines. It is essential that the audit team and the finance team work closely together to achieve the above timetable.

# Audit Fee

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit.

Audit fees are reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2024/25 audits) have been developed recognising the difficult financial environment and the challenges facing public services, and public audit's role in helping meet them. Alongside this the audit profession continues to experience significant pressures, operating in a competitive environment around staff retention and recruitment, as well as facing increased demands on audit quality and regulatory oversight. Consideration has been given, in setting the audit fees in 2024/25, to striking a balance between audit delivery, audit quality, staff wellbeing, managing risk, delivering efficiencies and cost savings and providing effective scrutiny, challenge, assurance and support.

The fee increase, for all fee-paying public bodies, has been limited to 1.9% in 2024/25.

The audit fee assumes that the body has:

- well-functioning controls
- an effective internal audit service
- an average risk profile
- sound governance arrangements in place and these operated effectively throughout the year
- prepared accurate unaudited financial statements which meet the agreed timetable for audit
- prepared comprehensive working papers to support the accounts

As auditors we negotiate the fee with the Fund during the planning process. The auditor remuneration element of the audit fee may be varied to reflect the circumstances and local risks within the body.

For 2024/25, we propose setting the audit fee above the expected fee level to reflect the following area of work:

	Fee
Changes to auditing standards have increased the complexity and volume of audit work required to carry out audits in line with these standards, partly as a response to questions over the sufficiency of audit in light of corporate failings. Auditing standards (ISA 315) relating to risk assessment have substantially changed the approach auditors take to risk assessment and the resultant audit procedures. The fee for the above work has not been included in the expected fee levels, hence we propose the following additional fee.	£3,860

### Total fee table

Fee element	2024/25	2023/24
Auditor remuneration (expected fee level)	£62,680	£60,340
Audit remuneration (above expected fee level for risk areas noted above)	£3,860	£3,600
Pooled costs	£1,580	£2,200
Contribution to PABV costs	-	-
Audit support costs	-	-
Sectoral cap adjustment	(£18,830)	(£17,770)
<b>Total fee</b>	<b>£49,290</b>	<b>48,370</b>

We will take account of the risk exposure of the Fund and the management assurances in place. We assume receipt of the draft working papers at the outset of our final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant work not within our planned audit activity.

# Independence, objectivity and other services provided

## Auditor Independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

## Other services

No other services were provided by Azets to the Fund.



# Appendices



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## Appendix 1: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Fund and the needs of the users.

When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2025 is calculated as follows.

## Materiality

	£million
<b>Overall materiality for the financial statements</b>	54.800
<b>Performance materiality (75% of materiality)</b>	41.100
<b>Trivial threshold (5% of materiality)</b>	2.740

<b>Materiality</b>	<p>Our initial assessment is based on approximately 1.5% of the Fund’s net assets as at 31 March 2024. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance.</p> <p>The financial statements are considered to be materially misstated where total errors exceed this value.</p>
<b>Performance materiality</b>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<b>Trivial misstatements</b>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>Individual errors above this threshold are communicated to those charged with governance.</p>

## Special materiality for dealings with members

	£million
<b>Dealings with members materiality</b>	7.500
<b>Performance materiality (75% of materiality)</b>	5.625
<b>Trivial threshold (5% of materiality)</b>	0.375

### Materiality

We apply lower materiality for dealings with members, based on the fact these transactions are significant to the Fund’s activities and it would not be appropriate to use the assets-based materiality to audit them. Our initial assessment is based on approximately 5% of the Fund’s 2023/24 gross expenditure as disclosed in the 2023/24 audited financial statements. We consider this to be the principal consideration for the users of the financial statements when assessing the Fund’s dealings with members.

We also consider materiality qualitatively. This includes areas where users are more sensitive to any error. As such we consider Related Parties disclosures as material by nature.

For Related Party transactions, in line with the standards we will consider the significance of the transaction with regard to both the Fund and the counter party, the smaller of which will drive materiality considerations on a transaction-by-transaction basis.

## Appendix 2: Responsibilities of the Auditor and the Fund

### The Accounts Commission, Controller of Audit and Audit Scotland

The Accounts Commission is an independent public body. Its members are appointed by Scottish Ministers and are responsible for holding local government to account.

Under statute, the Accounts Commission appoints a Controller of Audit to consider the results of the audit of accounts, including the wider-scope responsibilities and Best Value auditing. The Controller of Audit makes reports to the Accounts Commission on matters arising from the accounts and on Best Value and acts independently of the Accounts Commission when reporting to it.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

### Auditor responsibilities

#### Code of Audit Practice

The Code of Audit Practice (the [2021 Code](#)) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

#### Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Pensions Committee and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

## Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

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### Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

#### Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

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### Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

#### Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

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## Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.



### Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

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## Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.



### Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

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## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland](#)

## Fund responsibilities

Fife Council is the administering authority for the Fife Pension Fund. The Council delegates this responsibility to the Pensions Committee. The Pensions Committee has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

Area	Fund responsibilities
<b>Corporate governance</b>	<p>The Fund is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
<b>Financial statements and related reports</b>	<p>The Fund has responsibility for:</p> <ul style="list-style-type: none"> <li>preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures;</li> <li>ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and</li> <li>preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) in accordance with prescribed requirements.</li> </ul> <p>Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p>



Area	Fund responsibilities
	<p>The Fund is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Fund is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p><b>Standards of conduct for prevention and detection of fraud and error</b></p>	<p>The Fund is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Financial position</b></p>	<p>The Fund is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• such financial monitoring and reporting arrangements as may be specified;</li> <li>• compliance with statutory financial requirements and achievement of financial targets;</li> <li>• balances and reserves, including strategies about levels and their future use;</li> <li>• plans to deal with uncertainty in the medium and long term; and</li> <li>• the impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Best Value</b></p>	<p>The administering authority (Fife Council) has responsibility for ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a statutory duty to make arrangements to secure Best Value, which are subject to audit.</p>

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31 March 2025

Agenda Item No. 7

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## **Update on 2024/25 Fife Pension Fund Internal Audit Plan and 2024/25 Issued Audit Report**

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**Report by:** Pamela Redpath, Service Manager, Audit and Risk Management Services

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**Wards Affected:** All

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### **Purpose**

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To submit to Members of the Pensions Committee an update on progress towards delivering the 2024/25 Pension Fund Internal Audit Plan as well as a summary of findings from the Internal Audit Report finalised since the last meeting of the Pensions Committee.

### **Recommendation(s)**

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Members are asked to note the contents of this report, including the update on progress towards delivering the 2024/25 Internal Audit Plan at Appendix A and summary of findings at Appendix B.

### **Resource Implications**

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None.

### **Legal & Risk Implications**

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Without suitable internal controls, there is an increased risk that the Fife Pension Fund will not achieve its objectives.

### **Impact Assessment**

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An EqIA has not been completed and is not necessary as the report does not propose a change or revision to existing policies and practices.

### **Consultation**

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Audit Services has consulted all subjects of the audit reports.

## 1.0 Background

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- 1.1 The Fife Pension Fund's Internal Audit Plan for the 2024/25 financial year was approved by the Pensions Committee on 30 September 2024 and work has been progressing since then to ensure its delivery.

## 2.0 Update on 2024/25 Audit Plan

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- 2.1 A summary of progress towards delivering the approved 2024/25 Pension Fund Internal Audit Plan is included at Appendix A.
- 2.2 One Internal Audit Report from the plan, Follow-up Review of Governance, Oversight and Scrutiny, has been finalised since the last meeting of the Pensions Committee. To enable the Pensions Committee to form an opinion on the effectiveness of the internal control environment, to provide assurance where internal controls are working well and to highlight areas for concern, this has been summarised at Appendix B.
- 2.3 The Post Audit Reviews PAR exercise from the Internal Audit Plan has also been finalised and being reported to Pensions Committee today.

### List of Appendices

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- A. Progress Report on the 2024/25 Fife Pension Fund Internal Audit Plan
- B. Summary of Issued Audit Report(s)

#### Report Contact:

Shona Slayford

Audit Team Manager, Audit and Risk Management Services

Email – [shona.slayford@fife.gov.uk](mailto:shona.slayford@fife.gov.uk)

## 2024/25 Fife Pension Fund Internal Audit Plan – Progress Report

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Complete / Pensions Committee Date
2024/25 INTERNAL AUDIT PLAN		Proposed Coverage			Status 10/03/25
Stakeholder Communication	Review to assess Fife Pension Fund’s communication strategy, channels and materials to ensure efficient, effective and timely communication with key stakeholders, including employers and scheme members.			Reviewing	
Business Continuity Planning	Review to assess the adequacy of the business continuity arrangements in place to ensure that critical services/ functions can continue to be provided for Fife Pension Fund in the event of a major incident, including those resulting in loss of office, system and staff.			Fieldwork	
Follow - Up Review on Governance / Oversight and Scrutiny Report P03/23	Review undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented.			10/03/25	
Post Audit Reviews (PARs)	Completion of the PAR exercise, whereby formal assurances are obtained from management that internal audit recommendations have been implemented.			10/03/25	
Advice and Guidance	Provision of ad hoc support to assist services in respect of specific queries and contribute to the delivery of improvements in the Fife Pension Fund’s framework of governance, risk management and control.			Ongoing	
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.			Ongoing	

SERVICE, REPORT AND PURPOSE	SUMMARY OF PENSION FUND AUDIT REPORT(S)
<p><b>1. Fife Pension Fund</b></p> <p>Follow-up Review of Governance, Oversight and Scrutiny (Report P01/24)</p>	<p>The Fife Pension Fund 2024/25 Internal Audit Plan contains an allocation of days for Audit Services to carry out a risk-based, formal follow-up review. This allocation is used to assess, through the consideration of evidence, the extent to which recommendations previously agreed with management have been implemented.</p> <p>A follow-up review of Report P03-23, Fife Pension Fund - Governance, Oversight and Scrutiny, issued on 07 June 2024, was undertaken. The follow-up was carried out in conformance with the Public Sector Internal Audit Standards (PSIAS).</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 2</li> <li>• System Materiality           Grade 5</li> <li>• Overall Risk                    Medium</li> </ul> <p><u>Findings:</u></p> <p>A summary of progress towards implementation of the three recommendations previously agreed with management is as follows:</p> <ul style="list-style-type: none"> <li>• Recommendation 2 is fully implemented.</li> <li>• Recommendations 1 and 3 are partially implemented; but not yet reached their revised implementation date.</li> </ul> <p>Satisfactory actions have been agreed to address the outstanding areas of the recommendations (1 Substantial and 1 Moderate) by 30 June 2025.</p>

31 March 2025

Agenda Item No. 8

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## Post Audit Review (PAR) Report

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**Report by:** Pamela Redpath, Service Manager - Audit and Risk Management Services

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**Wards Affected:** All

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### Purpose

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To submit to members of the Pensions Committee an update on progress towards implementing internal audit recommendations previously reported to and agreed by Management.

### Recommendation(s)

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Members are asked to note the contents of this report and the progress that has been made in implementing recommendations.

### Resource Implications

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N/A

### Legal & Risk Implications

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Non-implementation of recommendations could lead to control failures resulting in potential financial and/or non-financial losses.

### Impact Assessment

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An EqIA has not been completed and is not necessary as the report does not propose a change or revision to existing policies and practices.

### Consultation

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Audit Services has consulted with all subjects of the reports.

## 1.0 Background

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- 1.1 Standard 2500 of the Public Sector Internal Audit Standards (PSIAS) entitled Monitoring Progress states “the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management”. In practice this requirement is discharged by the Service Manager, Audit and Risk Management Services, ensuring that there are effective processes in place to capture assurances that audit recommendations have been implemented in full or, if this is not the case, that senior management are aware of the consequences and have accepted the risk.
- 1.2 The Internal Audit Plan submitted to the Pensions Committee annually contains an allocation of days for internal audit staff to carry out a formal follow-up review. That allocation is used to formally assess and report on the extent to which recommendations previously agreed with management have been implemented.
- 1.3 It is not feasible within existing resources for Audit Services to carry out formal follow-up reviews of all areas previously audited. Therefore, to ensure compliance with the PSIAS, assurances are also sought from management via this PAR exercise. These PARs require management to provide an update of the action taken in respect of recommendations previously made. Ideagen, Fife Council’s performance and risk management system, is used for this purpose. Based on these updates and taking cognisance of the potential risk if the actions previously agreed have not been implemented, a formal follow-up review may be subsequently undertaken by Audit Services and reported to Committee in line with paragraph 1.2 above.
- 1.4 Updates on recommendations with original / revised implementation dates preceding this date have been included in this exercise. The last PAR report was submitted to the Pensions Committee on 28 March 2024.

## 2.0 Assessment

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- 2.1 Attached at Appendix 1 is a schedule summarising the work undertaken. The schedule also provides information surrounding report issue date, importance levels for each recommendation and commentary as to the current position of the implementation of the recommendations, where these have not been fully implemented.
- 2.2 Of the 18 recommendations referred to in Appendix 1, 10 (55.56%) have been fully implemented, 1 (5.55%) has been partially implemented and 7 (38.89%) have not yet been implemented. Assurances have been provided to Audit Services by management that the 1 partially implemented recommendation and 7 outstanding recommendations will be addressed in line with the revised timescales for completion, which have been specified in the table at Appendix 1. None of the outstanding recommendations have been assessed as critical.
- 2.3 Audit Services will continue to monitor progress towards implementation of all outstanding internal audit recommendations, reporting back to Pensions Committee as appropriate.



## 3.0 Conclusions

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- 3.1 The PAR process ensures a structured approach to obtaining management assurances surrounding actions taken in respect of recommendations previously made.
- 3.2 Delays in the implementation of recommendations have occurred for a number of reasons, including work pressures. Revised implementation dates have been agreed with management as appropriate and the outstanding actions will be monitored until they are fully implemented.

### List of Appendices

Appendix 1 - Summary of Progress on the Implementation of Internal Audit Recommendations (Internal Audit Reports issued since 29 March 2021).

### Report Contact

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**Appendix 1 - Results of Post Audit Reviews – Internal Audit Reports Issued since 29 March 2021.**

Audit	Report Number	Date Issued	Total Number of Recommendations	Fully Implemented	Partly Implemented	Not Implemented		No Longer Applicable	Current Position
						Moderate	Substantial		
<b>Internal Audit</b>									
Compliance with Regulations and Guidance	P6	29/03/21	6	6	0	0	0	0	All recommendations have now been implemented.
Training and Resources Follow-up to Report P5	P01/22	08/03/23	1	0	1	0	0	0	<p>This recommendation has been partially implemented. A Training Needs Assessment (TNA) has been carried out, however, a training plan with clear links to the TNA still needs to be developed.</p> <p>The original due date for this was 30 September 23, but it has been extended to 30 June 25. An overarching training plan linked to the Committee Workplan was implemented and is continuing in the current year. There has been a significant amount of turnover of both committee and board members, therefore a knowledge assessment is now being considered to give a better insight into the level of knowledge and training needs.</p>
Risk Management Arrangements	P02/22	02/06/23	7	2	0	2	3	0	<p>Recommendations 4 and 5 have been fully implemented.</p> <p>Recommendation 2, originally due for implementation by 31 March 2024, has now been extended to 30 June 2025.</p>

**Appendix 1 - Results of Post Audit Reviews – Internal Audit Reports Issued since 29 March 2021.**

Audit	Report Number	Date Issued	Total Number of Recommendations	Fully Implemented	Partly Implemented	Not Implemented		No Longer Applicable	Current Position
						Moderate	Substantial		
<b>Internal Audit</b>									
									The remaining 4 recommendations originally due for implementation ranging from 30 September 23 to 31 December 23 have all been extended to 30 June 25, again, to allow work on the valuation, investment strategy and structure review to progress. Focus will turn to addressing the outstanding risk management actions thereafter.
Cyber Security Follow Up	P01/23	06/06/2024	4	2	0	1	1	0	<p>Recommendation 2 &amp; 3 have been fully implemented.</p> <p>Recommendation 1 was split into 6 parts for the original Cyber Security audit, when the follow up was undertaken 3 parts were implemented and 3 parts were outstanding. Of the 3 outstanding parts, 2 parts have now been fully implemented and the BTS part which was originally due to be implemented by 31 July 2024 has now been extended until 30 June 2025. The managed Security Operations Centre (SOC) is in place and monitoring for data incidents. Team training is underway, completing Microsoft Data Loss Prevention (DLP) training by the end of March. Professional services are being provided by the company Infotection to assist with DLP</p>

**Appendix 1 - Results of Post Audit Reviews – Internal Audit Reports Issued since 29 March 2021.**

Audit	Report Number	Date Issued	Total Number of Recommendations	Fully Implemented	Partly Implemented	Not Implemented		No Longer Applicable	Current Position
						Moderate	Substantial		
<b>Internal Audit</b>									
									<p>implementation on Microsoft Purview product giving additional coverage. This is planned for May 2025.</p> <p>Recommendation 4, originally due for implementation by 31 December 2024, has now been extended to 30 June 2025. The risk management manual hasn't been progressed fully, this action will be picked up in the risk management arrangements audit above.</p>
Investment Strategy Implementation	P02/23	07/06/24	0	0	0	0	0	0	This report had no recommendations.
Governance, Oversight and Scrutiny	P03/23	07/06/24	N/A	N/A	N/A	N/A	N/A	N/A	A separate formal Follow Up Report on P03/23 has been completed and is presented as a summary to this meeting.
<b>Total</b>			<b>18</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>0</b>	

31 March 2025

Agenda Item No. 9

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## **Risk Management - Quarterly Review**

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**Report by:** Elaine Muir, Head of Finance

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**Wards Affected:** ALL

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### **Purpose**

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The purpose of this report is to provide a quarterly update on the Risk Register for Fife Pension Fund. The risks associated with the Fund have been reviewed and updated scores provided to reflect the internal controls in place.

### **Recommendation(s)**

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The committee is asked to:-

1. Review and consider the contents of this report;and
2. Note that the risks are reviewed on a regular basis and reports will be brought forward on a quarterly basis.

### **Resource Implications**

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There are no direct resource implications as a result of this report, however, should there be ineffective internal controls in place, some of the risks identified could have a significant financial impact on the Pension Fund, highlighting the need for ongoing monitoring and being risk aware.

### **Legal & Risk Implications**

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It is recognised that effective risk management is an essential element of good governance of the Local Government Pension Scheme.

### **Impact Assessment**

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An EqIA Assessment is not required.

### **Consultation**

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The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at committee meetings.

# 1.0 Background

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- 1.1 As reported previously, a fund specific risk register has been developed in accordance with the Pensions Regulator’s Code of Practice. The risk register covers investment, governance and administration risk. It is held as a separate risk register on Ideagen, Fife Council’s risk management system and is reviewed on a quarterly basis by the Pensions Governance Group, which is an officers group chaired by the Head of Finance.
- 1.2 The risk register forms a key part of the risk management strategy for Fund. It provides a structured and focussed approach to managing risks.
- 1.3 An updated risk register was presented to committee in December 2025. Since that time the register has been considered by the Pensions Governance Group at its meeting on 03 February and again by the Pensions Service Manager following completion of the committee reports. These reviews included an assessment of risks and the effectiveness of associated internal controls, as well as considering any additional risks to be added and any additional context.
- 1.4 The recent internal audit on Oversight, Governance and Scrutiny, highlighted that although risks were reviewed, Ideagen was not always updated to document that review. Action has been agreed to rectify this. A number of risks were due for review and were updated in January and February 2025. A process has also been put in place to update Ideagen at the time of the review. This recommendation has now been fully implemented.
- 1.5 This report provides an update on the Risk Register since the last Committee. Since the last committee a review of the format of the reporting has been started, however, that has highlighted that the options around reports from the system are limited. Any enhancements or summaries would require manual intervention. Additional resources will be required to enable more extensive development work to be progressed. This forms part of the team structure review as outlined in the Business Plan report.

# 2.0 Risk Register

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- 2.1 The following grids provide a summary of the target risk scores compared to the current risk scores and the risk scores for last quarter for the risks associated with the Pension Fund.

Target	Previous Quarter	Current

The vertical access represents the likelihood of the risk occurring with the horizontal access representing the impact. The scores are calculated using the following matrix:

**Risk Matrix:**

Likelihood	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	Low	Medium	High	High	High
Likely (4)	Low	Medium	Medium	High	High
Possible (3)	Insignificant	Low	Medium	Medium	High
Unlikely (2)	Insignificant	Low	Low	Medium	Medium
Remote (1)	Insignificant	Insignificant	Insignificant	Low	Low

**Key:**

Insignificant	Low	Medium	High
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2.2 There are currently 9 risks that have current scores greater than the target. This is due to some internal controls identified not being fully effective in mitigating against the risk identified. Work is continually ongoing to take action to move to fully effective controls where possible. Progress is reviewed on an ongoing basis through a number of processes. Risk management is discussed quarterly at the Pensions Governance Group as well as being considered by the Pensions Committee.

2.3 Throughout the last quarter there have been some changes to the effectiveness of internal controls:

- In recognition of an increased level of staff absence in the Administration team, controls associated with Sufficient Staff cover arrangements have been moved to partially effective on risks PEN001 and PEN002. The risk score has not changed as the business continuity arrangements were put in place and priority was given to actual calculations for deaths and retirements. These were dealt with across the team.
- There has been a change to the internal controls for PEN008, Failure of the Global Custodian. This has changed because the annual contract review meeting with Northern Trust is overdue. Monthly meetings with the relationship team are in place where discussion will take place re organising the annual review.
- The assessment spreadsheet for the General Code of Practice has been moved to fully effective on PEN012. Again, the overall score remains the same as there are still a number of controls deemed partially effective. These controls predominately relate to staff training and checking processes, reflecting that staff training is carried out on an ongoing basis. Other controls relate to relationship with the main employer and information from Oracle, to address these, liaison meetings with the Council's payroll team are in place.

- 2.4 Since the last committee, the outstanding information in respect of the McCloud remedy has been received from the employer. This is recorded in PEN014 which relates to Failure to keep pension records up to date and accurate. Even although the information has been received and the records are being updated, work is ongoing in respect of the remedy, therefore the risk score remains the same.
- 2.5 Some risks continue to have internal controls which are not considered fully effective at this time. This reflects the current processes in place and actions are currently ongoing to ensure these controls become fully effective. These include;
- Internal controls associated with processing of pension payments and lump sums and losses to the fund involve updating of documented procedures for both administration and investment activities. This work is ongoing.
  - Staffing training and provision of training is currently considered as partially effective at this time. This reflects that training on different processes is carried out on an ongoing basis.
- 2.6 It should also be noted that in some instances controls are fully effective but external influences and factors can impact on the control and lead to a change in the effectiveness.
- 2.7 Taking account of the controls in place, there are currently 7 risks classed as insignificant, 8 classed as low risks and 4 risks are identified as medium.
- 2.8 The Risk Register provided at Appendix 1 provides full details of each of the risks, the associated impact, the risk factors, and the controls in place to mitigate against the risk. The current risk score reflects the position as at March 2025.
- 2.9 The report focusses on the risk and internal control. Steps are being taken to improve the reporting and discussion has taken place to explore opportunities for development using Ideagen as the source of information. Different formats have been investigated including the use of heatmaps and summary information, however, developing the report in this way would require an amount of manual intervention.
- 2.10 Dialogue will continue the Council's Risk Management team to explore opportunities to improve the reporting. However, the focus will be on ensuring risks continue to be recorded, monitored and reviewed. Enhancements to reporting will be advanced when there are resources in place.

## **3.0 Conclusions**

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- 3.1 The Risk Register sets out the original, target and current risk scores for all risks identified. This is reviewed on a regular basis and scores updated to reflect the effectiveness of internal controls.
- 3.2 Regular reporting will continue to be provided to committee, recognising changes in scores and any new risks identified. Additional information has been added to the risk register to provide further clarification.



## List of Appendices

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1. Pension Fund Risk Register

### Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

- LGPS Risk Management Policy, Superannuation Fund and Pensions Sub-Committee and Fife Pension Board May 2019
- Risk Management Review Superannuation Fund and Pensions Committee and Fife Pension Board September 2021
- Risk Management Quarterly Update Pensions Committee March 2023

### Report Contact

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## Fife Pension Fund Risk Register






Generated on: 20 March 2025




















Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN001	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Non-availability of Altair pension system.</li> <li>• ORACLE payroll system key staff or error omission.</li> <li>• Lack of availability of information and payment from AVC provider etc.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• We do not process pension payments and lump sums on time.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>• Retiring members being paid late which may have implications for their own finances.</li> <li>• Reputational risk for the Fund.</li> <li>• Financial cost to the fund if interest has to be paid to members.</li> </ul>	<ul style="list-style-type: none"> <li>• Retiring members will be paid late which may have implications for their own finances.</li> <li>• Reputational risk for the Fund. Financial cost to the fund if interest has to be paid to members.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-availability of Altair pension system,</li> <li>• ORACLE payroll system key staff or error omission,</li> <li>• Availability of information and payment from AVC provider etc.</li> </ul>	Laura C Robertson	12	BC plans covering the F&CS Directorate regularly updated. 	6	3	13 Feb 2025
						Robust maintenance and update of Altair 			
						Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan 			
						Sufficient staff cover arrangements 			
						Staff training and development and checking of work 			
						Robust maintenance and update of ORACLE. 			
						Hosted contractual arrangement for ORACLE including Disaster Recovery Plan and Business Continuity Plan 			
						Comprehensive documented procedures and guides 			
						Information and Funds received from AVC providers received on a timeous basis 			
									
<b>Current Impacts</b>									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN002	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Non-availability of Authority Financials system</li> <li>• No key staff</li> <li>• Errors and/or omissions</li> <li>• Failure of employers' financial systems</li> <li>• Failure to communicate with employers effectively</li> <li>• Failure of employer to provide required information.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• We fail to collect and account for contributions from employers and employees on time</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>• Adverse audit opinion for failure to collect contributions by 19th of month.</li> <li>• Potential delays to employers' FRS17, FRS102 and IAS19 year-end accounting reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Adverse audit opinion for failure to collect contributions by 19th of month</li> <li>Potential delays to employers' FRS17,FRS102 and IAS19 year-end accounting reports</li> </ul>	<ul style="list-style-type: none"> <li>• Non-availability of Authority Financials system, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively.</li> <li>• Failure of employer to provide required information.</li> </ul>	Laura C Robertson	9	Robust maintenance and update of Altair 	3	3	24-Jul-2024
						Sufficient staff cover arrangements 			
						Staff training and development and checking of work 			
						Ongoing communication with employers 			
						Regular monitoring of cash flow 			
						Robust maintenance and update of ORACLE. 			
						Comprehensive documented procedures and guides 			
						Maintenance and monitoring of spreadsheets ensuring contributions are paid within 19 days of pay day. 			
						Budgetary control reports are prepared which estimate the costs and income based on trends of previous years. These provide indicative information to monitor financial management of the fund. 			
<b>Current Impacts</b>	Financial Consequences								

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN003	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Contributions from employees/employers being too low</li> <li>Failure of investment strategy to deliver adequate returns</li> <li>Significant increases in longevity, etc.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We are unable to meet liabilities as they fall due.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Immediate cash injections being required from employers or increased contribution rates.</li> </ul>	<ul style="list-style-type: none"> <li>Immediate cash injections would be required from employers or increased contribution rates.</li> </ul>	<ul style="list-style-type: none"> <li>Contributions from employees/employers too low</li> <li>Failure of investment strategy to deliver adequate returns</li> <li>Significant increases in longevity, etc.</li> </ul>	Laura C Robertson	12	<p>Funding Strategy Statement identifies how employers liabilities are best met going forward and contributions are updated in line with funding strategy which is based on a risk approach. Admitted have their own set contribution as determined by the risk based funding strategy and reflective of their own liabilities.</p> <p>Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due</p> <p>Full Actuarial Valuation undertaken every 3 years.</p> <p>Ongoing advice from investment consultants etc</p> <p>Regular monitoring of cash flow</p>		4	4	24-Jul-2024
										
										
										
										
<b>Current Impacts</b>										








Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN004	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Fire</li> <li>• Bomb</li> <li>• Flood</li> <li>• Pandemics</li> <li>• flu epidemic</li> <li>• strike action etc.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• We are unable to keep service going due to loss of main office, computer system or staff.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>• Temporary loss of ability to provide service.</li> </ul>	<ul style="list-style-type: none"> <li>• Temporary loss of ability to provide service.</li> </ul>	<ul style="list-style-type: none"> <li>• Fire</li> <li>• Bomb</li> <li>• Flood</li> <li>• Pandemics</li> <li>• Flu epidemic</li> <li>• Strike action etc.</li> </ul>	Laura C Robertso n	12	BC plans covering the F&CS Directorate regularly updated. 	6	4	13 Feb 2025
						Robust maintenance and update of Altair 			
									
<b>Current Impacts</b>									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN005	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Fraud or misappropriation of funds by an employer, employee, agent or contractor</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• We lose funds through Fraud or Misappropriation.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>• Financial loss to the fund.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial loss to the fund</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud or misappropriation of funds by an employer, employee, agent or contractor</li> </ul>	Elaine Muir	12	Regular monitoring of cash flow		6	3	20 March 2025
						Internal and external audit regularly test that appropriate controls are in place and working effectively				
						Regulatory control reports from investment managers, custodian, etc are also reviewed by audit.				
						Due diligence is carried out when a new Fund Manager is appointed.				
						Reliance is also placed on Financial Conduct Authority registration				
						Performance monitored on an ongoing quarterly basis				
						Newsletter for Pension Scheme members				
						Annual Employer Forum				
						Internal Policies and Procedures in place.				
						National Fraud Initiative				
										
<b>Current Impacts</b>	Financial Consequence - loss to the fund									



















Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN006	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Scheme liabilities increase disproportionately as a result of increased longevity</li> <li>Falling bond yields</li> <li>Changing retirement patterns, etc.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>Employers become unable to participate in scheme due collapse of private contractors and other bodies admitted into the Fund.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Fund maturing more quickly.</li> </ul>	<ul style="list-style-type: none"> <li>Fund matures more quickly</li> </ul>	<p>Scheme liabilities increase disproportionately as a result of:</p> <ul style="list-style-type: none"> <li>increased longevity</li> <li>falling bond yields</li> <li>changing retirement patterns, etc.</li> </ul>	Elaine Muir	6	Ongoing communication with employers	3	3	24-Jul-2024
						Funding Strategy Statement identifies how employers liabilities are best met going forward and contributions are updated in line with funding strategy which is based on a risk approach. Admitted have their own set contribution as determined by the risk based funding strategy and reflective of their own liabilities.			
						Full Actuarial Valuation undertaken every 3 years.			
						Due diligence is carried out when a new Fund Manager is appointed.			
						Employer Covenant issued by Actuary following actuarial assessment to allow admitted bodies access to the Fund.			
						Maintenance and monitoring of spreadsheets ensuring contributions are paid within 19 days of pay day.			
<b>Current Impacts</b>	Financial Consequences								










Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN007	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Poor economic conditions.</li> <li>Incorrect investment strategy.</li> <li>Poor performance of investment managers.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>There are significant rises in employer contributions due to poor/negative investment returns.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Poor/negative investment returns leading to increased employer contribution rates.</li> </ul>	<ul style="list-style-type: none"> <li>Poor/negative investment returns leading to increased employer contribution rates.</li> </ul>	<ul style="list-style-type: none"> <li>Poor economic conditions, incorrect investment strategy. Poor performance of investment managers</li> </ul>	Elaine Muir	16	<p>Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due</p> <p>Ongoing advice from investment consultants etc</p> <p>Performance monitored on an ongoing quarterly basis</p> <p>Diversified range of investment managers over different asset classes</p> <p>Strategic Investment advice from Independent Advisors</p>	3	3	24-Jul-2024
						✓			
						✓			
						✓			
						✓			
					✓				
							✓	✓	
<b>Current Impacts</b>	Financial consequences								








Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN008	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>The financial collapse of the global custodian.</li> <li>Failure to safeguard assets or records.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>There is a failure of Global Custodian.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Financial loss to the fund.</li> <li>Loss of information.</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss to the fund. Loss of information.</li> </ul>	<ul style="list-style-type: none"> <li>Financial collapse of global custodian or failure to safeguard assets or records.</li> </ul>	Elaine Muir	5	IT contacts are managed and reviewed in line with industry best practice.		8	4	06 Jan 2025
						Performance monitored on an ongoing quarterly basis				
						Legal agreement with Custodian				
						Credit Rating monitored on an ongoing basis				
						Regulated by Financial Services Authority				
						Assets not on Custodian balance sheet				
						Annual review meeting which takes place to discuss and ensure contractual obligations have been fulfilled.				
<b>Current Impacts</b>	Financial Consequences									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN009	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>The Market sector falling substantially.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>The Investment Manager fails to manage equities and other investments.</li> <li>Council's management of the contract with Investment manager.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Financial loss to the fund.</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss to the fund</li> </ul>	<ul style="list-style-type: none"> <li>Market sector falls substantially</li> </ul>	Elaine Muir	4	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due		3	3	24-Jul-2024
						Ongoing advice from investment consultants etc				
						Due diligence is carried out when a new Fund Manager is appointed.				
						Performance monitored on an ongoing quarterly basis				
						Diversified range of investment managers over different asset classes				
						Strategic Investment advice from Independent Advisors				
<b>Current Impacts</b>	Financial Consequences									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN012	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Lack of technical expertise/staff resources to research regulations</li> <li>IT systems not updated to reflect current legislation, etc</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We fail to comply with LGPS and other Regulations.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Wrong pension payments are made, or estimates given.</li> <li>New scheme and regulations are not fully known therefore staff will be unfamiliar.</li> </ul>	<ul style="list-style-type: none"> <li>Wrong pension payments made or estimates given.</li> <li>New scheme and regulations not fully known therefore staff will be unfamiliar</li> </ul>	<ul style="list-style-type: none"> <li>Lack of technical expertise/staff resources to research regulations</li> <li>IT systems not updated to reflect current legislation, etc</li> </ul>	Laura C Robertson	9	Staff training and development and checking of work		9	2	13 Feb 2025
						Ongoing communication with employers				
						Ongoing advice from investment consultants etc				
						Internal and external audit regularly test that appropriate controls are in place and working effectively				
						Regulatory control reports from investment managers, custodian, etc are also reviewed by audit.				
						Due diligence is carried out when a new Fund Manager is appointed.				
						Verification process in place within Pensions section, ongoing staff training undertaken.				
						Provision of training				
						Strategic Investment advice from Independent Advisors				
						Consultation with Peer Groups				
						In the short term advice can be sought				
						Altair configured based on processes which are aligned to legislation ensuring compliance				
						iConnect allows verification of records from ORACLE to Altair				
						Working in collaboration with other funds on investment matters. Relationships formed with professional advisors, other funds and networks. These relationships allow the team to keep up to date with developments and changes to legislation and regulation as well as discussing and agreeing best practice.				
assessment spreadsheet tool to assess compliance with the Pension Regulators General Code of Practice										
										
<b>Current Impacts</b>	Financial Consequences as a result of incorrect decision making									








Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN013	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Insufficient security of data Inadequate data retention policy</li> <li>Backup and recovery</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We fail to hold personal data securely.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Data lost.</li> <li>Reputational damage.</li> </ul>	<ul style="list-style-type: none"> <li>Data lost or compromised Reputational risk.</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient security of data Inadequate data retention policy, backup and recovery procedures.</li> </ul>	Laura C Robertson	6	Data Protection Act procedures adhered to and all staff have completed appropriate mandatory DPA training	3	3	24-Jul-2024
						Secure communications channels in place			
						System access controlled			
						Altair complies with the appropriate ISO standards require by a hosted system			
<b>Current Impacts</b>									






Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN014	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Poor or non-existent notification of by employers of new starts</li> <li>Amendments</li> <li>Leavers, etc.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We fail to keep pension records up to date and accurate.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Incorrect records leading to incorrect estimates being issued.</li> <li>Potentially incorrect pensions being paid.</li> </ul>	<ul style="list-style-type: none"> <li>Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions being paid</li> </ul>	<ul style="list-style-type: none"> <li>Poor or non-existent notification of by employers of new starts, amendments, leavers, etc.</li> </ul>	Laura C Robertson	9	Robust maintenance and update of Altair		9	3	13 Feb 2025
						Ongoing communication with employers				
						Verification process in place within Pensions section, ongoing staff training undertaken.				
						Robust maintenance and update of ORACLE.				
						iConnect allows verification of records from ORACLE to Altair				
						Members self-service gives members the opportunity to check and update their own records				
										
<b>Current Impacts</b>										














Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN015	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Lack of training.</li> <li>continuous professional development.</li> <li>Turnover of members</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>Committee and board members have inadequate knowledge and understanding.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Detrimental decisions made in relation to the Pension Fund and management of the fund.</li> </ul>	<ul style="list-style-type: none"> <li>Detrimental decisions made in relation to the Pension Fund and management of the fund</li> </ul>	<ul style="list-style-type: none"> <li>Lack of training and continuous professional development.</li> </ul>	Elaine Muir	8	Provision of training 	9	4	06 Jan 2025
						Strategic Investment advice from Independent Advisors 			
						Consultation with Peer Groups 			
						Attendance at events/webinars 			
									
<b>Current Impacts</b>	Financial Consequences								





Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN016	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>The specialist nature of work, there are relatively few experts in investments and the LGPS regulations.</li> <li>Staff illness</li> <li>Staff turnover</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We over rely on key officers.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>a knowledge gap.</li> <li>difficulty recruiting staff.</li> </ul>	<ul style="list-style-type: none"> <li>If an officer leaves or falls ill knowledge gap may be difficult to fill.</li> </ul>	<ul style="list-style-type: none"> <li>Specialist nature of work means there are relatively few experts in investments and the LGPS regulations.</li> </ul>	Laura C Robertso n	16	Sufficient staff cover arrangements	6	3	13 Feb 2025
						Staff training and development and checking of work			
						Ongoing advice from investment consultants etc			
						Consultation with Peer Groups			
						Key officers transfer specialist knowledge to colleagues			
						In the short term advice can be sought			
						Working in collaboration with other funds on investment matters. Relationships formed with professional advisors, other funds and networks. These relationships allow the team to keep up to date with developments and changes to legislation and regulation as well as discussing and agreeing best practice.			
<b>Current Impacts</b>									











Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN017	As a result of: • Lack of clear communication of policy and actions particularly with employers and scheme members. There is a risk that: • We fail to communicate properly with stakeholders. Which could result in: • Scheme members not aware of their rights resulting in bad decisions • Employers not aware of regulations, procedures, etc.	Scheme members not aware of their rights resulting in bad decisions Employers not aware of regulations, procedures, etc.	Lack of clear communication of policy and actions particularly with employers and scheme members	Laura C Robertson	8	Pensions website		2	2	24-Jul-2024
						Regular updates for employers				
						Newsletter for Pension Scheme members				
						Annual Employer Forum				
										
Current Impacts										

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN018	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Non attendance due to:</li> <li>• Scheduling of meetings</li> <li>• Other commitments of elected members</li> <li>• Adverse weather conditions</li> <li>• Illness</li> <li>• Lack of connectivity for virtual meetings</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• The committee will not have a quorum able to meet and undertake the business scheduled to be considered at the meeting.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>• Meetings not going ahead and decision making is delayed to subsequent meetings resulting in delay in implementation of any proposals or policy matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings do not go ahead and decision making is delayed to subsequent meetings resulting in delay in implementation of any proposals or policy matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Non attendance could be as a result of:</li> <li>• Scheduling of meetings</li> <li>• Other commitments of elected members</li> <li>• Adverse weather conditions</li> <li>• Illness</li> <li>• Lack of connectivity for virtual meetings</li> </ul>	Elaine Muir	12	Standing Orders - As required by the Act and Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 	12	4	17 March 2025
						Committee Workplan 			
									
<b>Current Impacts</b>									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN019	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>a cyber security attack.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>data is compromised and not secure and systems do not operate.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>fraud.</li> <li>sharing of personal details.</li> <li>theft of personal details.</li> <li>Scams.</li> <li>not being able to provide service as systems compromised.</li> </ul>	<ul style="list-style-type: none"> <li>Members may not be paid.</li> <li>Members could have personal details stolen and used for criminal offences.</li> <li>Fraud of pension fund from use of personal details.</li> <li>Reputational risk for the fund.</li> </ul>	<ul style="list-style-type: none"> <li>Cyber security attack could compromise the system and the data held in the system resulting in security breaches, noncompliance with legislation, potential fraud and criminal offences.</li> <li>Attacks could also mean the system cannot be used and as a result a service cannot be provided.</li> </ul>	Elaine Muir	20	Maintenance of an ICT Strategy that correctly identifies and addresses the key challenges to delivering the information and technology required to support the delivery of services by Fife Council. 	12	6	06 Jan 2025
						Ensuring adequate provision is made for identified critical systems including, where necessary, secondary processing location in the case of the primary one failing and associated recovery procedures. 			
						Corporate board has effective oversight of ICT for Fife Council and agrees strategic direction and policies to be applied to ensure ICT remains aligned, effective and secure. 			
						IT contacts are managed and reviewed in line with industry best practice. 			
						Process of gateway reviews which ensures that ICT and digital solutions are secure, sustainable, economical and compliant to the agreed standards and regulations. 			
						There are established processes for reporting and investing all forms of security and Major incidents and lessons are learned from the outcomes. 			
						All significant proposed changes to the network, hardware and software are reviewed for potential impact on the infrastructure and to ensure there are contingency rollback options identified before they can go ahead. 			
						Tools are in place (including SCOM, Solarwinds) actively monitor Fife Council's infrastructure with the intention of fixing issues before they become faults. Also improves understanding of where faults are so that they can be resolved quickly. 			
						Implement the Scottish Cyber Resilience Public Sector Action Plan. This sets out the key actions that the Scottish Government, public bodies and key partners will take to further enhance cyber resilience in Scotland's public sector. <a href="https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/pages/2/">https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/pages/2/</a> 			
						The strategy sets out our approach to keeping software up to date balancing the benefits of security fixes and minor upgrades against the risks of the patches impacting adversely on other elements of our infrastructure. The enhanced requirements for PSN compliance raises the importance of getting security fixes rolled out effectively. 			
The Information Governance Working Group includes senior managers from across Fife Council and is responsible for ensuring Fife Council's compliance in matters relating to data protection, information governance and records management. The Group will provide annual reports to the SIRO. The approach ensures that senior management across all Directorates have appropriate visibility of, and involvement in, IRM strategy development and decision making. 									
Certificates of compliance with Cyber Essentials scheme and ISOs from Software suppliers 									
Cloud Hosting 									

						Cyber Essentials Training				
										
<b>Current Impacts</b>	Financial Consequence									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN020	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>the Fund entering into investment management agreements with Lothian Pension Fund as a fund manager.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>there is a conflict of interest in terms of the shared services agreement and arrangements in place for investment advice</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>reduced level of independence in advice being given.</li> </ul>	<p>Potential impacts identified for this risk include:-</p> <ul style="list-style-type: none"> <li>decisions not made on independent advice</li> <li>poor investment decisions</li> <li>reduced level of returns</li> <li>lack of diversified investments</li> </ul>	<ul style="list-style-type: none"> <li>Market conditions</li> <li>Performance of mandates</li> <li>Lack of Investment Strategy</li> </ul>	Elaine Muir	9	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due		2	2	08-Oct-2024
						Regulated by Financial Services Authority				
						Strategic Investment advice from Independent Advisors				
						Diversified range of investment managers over different asset classes				
						Agreement sets out information outlining how LPFI limited will undertake portfolios management.				
						Document that sets are all Investment Management arrangements with LPFI Limited and documenting the relationship with existing memorandum of understanding.				
						Outlines the objectives, investment style, policies, monitoring and ESG arrangements for the mandate. This is reviewed by the independent advisers on an annual basis or more frequently if requested.				
						Performance monitored on an ongoing quarterly basis by Independent Advisors				
<b>Current Impacts</b>										

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN021	Inflationary Increase			Elaine Muir	16	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due		9	4	06 Jan 2025
						Regular monitoring of cash flow				
						Strategic Investment advice from Independent Advisors				
						Budgetary control reports are prepared which estimate the costs and income based on trends of previous years. These provide indicative information to monitor financial management of the fund.				
						Diversified range of investment managers over different asset classes				
										
<b>Current Impacts</b>										

31 March 2025

Agenda Item No. 10

## **Pensions Committee Workplan and Training Plan**

Report by: Elaine Muir, Head of Finance

Wards Affected: All

### **Purpose**

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The purpose of this report is to provide the committee with an overview of the proposed agendas for future meetings of the Pensions Committee and the annual cycle. The report also highlights the proposed internal training sessions designed to complement committee meetings and allow members more time to explore topics in depth.

### **Recommendation(s)**

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The committee is asked to: -

1. Consider and comment on the agenda planning document; and
2. Note the scheduled training dates.

### **Resource Implications**

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There are no resource implications arising from this report.

### **Legal & Risk Implications**

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There are no direct legal implications arising from this report.

### **Impact Assessment**

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An EqIA checklist is not required because the report does not propose a change or revision to existing policies and practices.

### **Consultation**

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None

## 1.0 Background

- 1.1 In order for the Committee and Pension Board to gain an overview of the content of future meetings, as well as an awareness of the cyclical nature of items, a committee workplan is submitted to each meeting.
- 1.2 There will, of course be specific matters and papers which need to be brought to the attention of Committee in addition to those set out in the workplan. These will be added to the work programme as soon as they become apparent.
- 1.3 The workplan is attached as Appendix 1.

## 2.0 Workplan

- 2.1 The proposed agenda items for future meetings are set out below, based on the usual committee cycle plus any known additional report requests.

**Table 1: Pension Committee Workplan 2025-26**

Report Title	Report Category	Committee Dates			
		20 Jun & 30 June 25	23 Sep & 30 Sep 25	18 Dec 25	24 Mar 26
<b>Administration</b>					
Review of Administration Strategy	Administration		x		
<b>Governance</b>					
Fife Pension Fund Business Plan and Budget	Governance				x
Fife Pension Fund Annual Report and Accounts	Governance	x	x		
Annual Audit Report by External Audit	Governance		x		
Update on Fife Pension Fund Business Plan (incl Admin Performance)	Governance	x	x	x	x
Pension Fund Budgetary Control - Projected Outturn	Governance	x		x	
National Fraud Initiative	Governance	x			
Communication Policy	Governance		x		
Update on Annual Internal Audit Plan and Issued Audit Reports	Governance	x			x
Annual Internal Audit Report	Governance	x			
Annual Governance Statement	Governance	x			
Training and Development	Governance	x			
Audit Plans (Internal and External)	Governance	?	x		x
General Code of Practice Compliance	Governance			x	



Report Title	Report Category	Committee Dates			
		20 Jun & 30 June 25	23 Sep & 30 Sep 25	18 Dec 25	24 Mar 26
<b>Investment</b>					
Fife Pension Fund- Investment Update	Investment	x	x	x	x
Statement of Investment Principles	Investment	x			
Statement of Responsible Investment Principles (update)	Investment	x			
Annual Review of Shared Services Agreement	Investment				x
CEM Benchmarking and Cost Transparency	Investment				x
<b>Risk</b>					
Risk Management Update	Risk	x	x	x	x

It should be noted that the Investment Update is still scheduled as a quarterly report. The proposed frequency of this report is mentioned in another report on this agenda. Once agreement has been reached the workplan will be updated.

Moving to a revised reporting frequency may mean more progress type report are submitted throughout the year.

- 2.2 In recognition of the need to balance the volume of business alongside the statutory deadlines for consideration of the annual report and accounts, additional meetings have been scheduled in June and September 2025. The meetings have been scheduled to give the flexibility to manage the volume of business over two meetings if required. The split of agenda items across the meetings has yet to be determined.
- 2.3 It should be noted that, the workplan is kept under review and if specific items require reporting to committee, provision will be made to do so.

### 3.0 Training Plan

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- 3.1 Targeted training will continue to be scheduled prior to committee meetings to provide more detailed information and training before reports are considered. This is consistent with the agreed Training Policy.
- 3.2 The table below outlines some of the topics likely to be scheduled over the year forming an outline training plan. Availability of trainers and content of committee reports will be considered to assess the best timing for the sessions Provisional training dates have been agreed and scheduled in members calendars.
- 3.3 Expanding the list of topics and preparing a fuller training plan will address actions required for both compliance General Code of Practice and outstanding audit points which relate to developing and maintaining a training plan for members.

**Table 2: Training Topics to be covered**

Topics to be covered
<b>Administration</b>
Pension Dashboards follow up
<b>Governance</b>
Fife Council Councillors Code of Conduct
Overview of Shared Service Agreement
Annual Report Guidance
<b>Investment</b>
Investment Policy Groups Deep Dive - Various
Responsible Investment incl Engagement - Hermes
Foreign Exchange Transactions
Independent Advisers
Currency Hedging
Developments in England and Wales re pooling
Asset Classes and Benchmarking
<b>Risk</b>
Risk Management Arrangements
<b>General</b>
Meet the Advisers - TBC

- 3.4 The table includes joint training sessions arranged with the partner funds, which have yet to be scheduled. The training programme does need to be populated with more definite dates and topics. This will be advanced in the second quarter of 2025 as a training plan is developed in line with the audit actions and General Code of Practice actions.
- 3.5 Development of the training policy may also have an influence on the development of the training plan moving forward.

## 4.0 Conclusions

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- 4.1 A detailed workplan for the business of the committee has been prepared and outlines the cyclical nature of reports.
- 4.2 Provisional training dates have been scheduled, and the scheduling of the training plan will be developed over the coming months.

## **List of Appendices**

1. Committee Workplan

## **Background Papers**

No background papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973.

## **Report Contact**

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PENSION COMMITTEE WORKPLAN

Frequency	Agenda Items
<b>Quarterly</b>	Fife Pension Fund - Investment Update - to be considered Risk Management Review Update on Fife Pension Fund Business Plan incl Administration Performance
<b>Bi annual</b>	Fife Pension Fund Budgetary Control
<b>Annual</b>	Audit Plans (internal and external) CEM Benchmarking and Cost Transparency Business Plan Internal Audit Post Audit Review Report Update on Internal Audit Plan and Summary of Audit Reports issued. Draft Annual Report and Accounts Annual Internal Audit Report Annual Governance statement Training and Development Statement of Investment Principles Statement of Responsible Investment Principles Annual Audit Report and Accounts Annual Review of Shared Service Arrangement National Fraud Initiative General Code of Practice Compliance
<b>Every 3 years</b>	Actuarial Valuation Updates Actuarial Valuation Results Funding Statement Strategy Investment Strategy Administration Strategy Communication Policy
<b>As required</b>	Audit Reports (Internal) Policy Reviews Currency Hedging

31 March 2025

Agenda Item No. 11

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## Cost Transparency and CEM Benchmarking

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Report by: Elaine Muir, Head of Finance

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Wards Affected: All

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### Purpose

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The purpose of this report is to provide an annual update in respect of Cost Transparency for Fife Pension Fund, detailing the disclosure in the Annual Report and Accounts and participation in the Cost Transparency Initiative (CTI). The report also provides details of the Fund's results from the annual CEM Benchmarking.

### Recommendation(s)

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The committee is asked to: -

1. Consider the contents of the report.

### Resource Implications

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None.

### Legal & Risk Implications

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Although there are no legal or risk implications from the content of this report, there is a risk that if costs are not reported on a transparent basis that the Fund is incurring additional expenditure it is not fully aware of.

### Impact Assessment

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An EqIA checklist is not required because the report does not propose a change or revision to existing policies and practices.

### Consultation

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Consultation on the content of this report has taken place with the Joint Investment Forum and CEM Benchmarking.

The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

## 1.0 Background

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- 1.1 The Local Government Pension Scheme (LGPS), Scheme Advisory Board (Board / SAB) was set up under the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations. The purpose of the Board is to seek to encourage best practice, increase transparency and coordinate technical and standards issues as well as liaise with ministerial bodies and relevant sector regulators. The Board is keen that the LGPS is seen as a value led and innovative scheme and the increasing move toward investment fee transparency and consistency across pension funds / asset owners' forms part of this goal.
- 1.2 Cost transparency is also part of the revised CIPFA accounting standards issued for inclusion in LGPS and administering authorities' statutory annual report and accounts as well as being included in the government's criteria for pooling investments.
- 1.3 Investment costs are a complex area which pension committees and officers need to be familiar with. The LGPS Code of Transparency (set up by SAB) helps LGPS clients gather cost information in a consistent format. It should be noted that cost information must always be viewed in context of risk and return, and these factors should form part of any overall value for money assessment.

## 2.0 Fife Pension Fund Management Costs 2023-24

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- 2.1 Fife Pension Fund managers provided completed CTI templates, and the final audited accounts amended to reflect the information. The information in the table below differs from that disclosed in the annual accounts as some CTI templates are received after transactions for the accounts are complete, the difference for 2023-24 being £600k. The table represents the most up to date information held, including, both CTI templates and revised templates received after the year end process.
- 2.2 The table below summarises the management costs incurred for the previous 3 years.

	2021-22	2022-23	2023-24
	£m	£m	£m
Management Fees	10.661	11.433	11.850
Performance Related Fees	1.445	0.612	0.555
Custody Fees	0.115	0.175	0.187
Transaction Costs	4.106	1.932	1.586
	<b>16.327</b>	<b>14.152</b>	<b>14.178</b>

- 2.3 The management costs detailed above include both direct and indirect fees.

Direct fees are those invoiced to the Fife Pension Fund from the fund managers and are in most cases linked to the value of the assets held by that manager. In that respect it would be reasonable for these fees to vary as the value of the fund varies. The most volatile element relates to transaction costs. These are incurred in two ways, firstly, a fund manager will trade in markets to invest money flowing into or out of a fund, secondly, they will implement investment decisions in the course of the day-to-day management to achieve the fund's objectives.

Indirect fees are those which are paid by the fund managers as part of the day-to-day trading arrangements and are included within the “(Profit) and losses on disposal of investments and changes in the market value of investments” figure in the pension fund accounts.

Where appropriate, fees incurred by the Pension Fund are agreed with fund managers when signing up to new mandates and these are documented in Investment Management Agreements.

A breakdown of costs per policy group is provided at Appendix 1.

- 2.4 The information in the appendix highlights there has been a reduction in management costs. This is further evidenced by the findings of the CEM benchmarking exercise.
- 2.5 The analysis that the Real Assets are more expensive in fees than other policy groups, this is because of the nature of the investment often involves complex projects such as utilities and airports which require more extensive management and oversight, this leads to higher operational costs. Other factors include increased regulatory requirements which then involves specialised expertise and compliance. Real Assets are usually capital intensive with upfront investment and the need for ongoing maintenance which also increases costs.
- 2.6 This demonstrates that costs can vary dependent on the type of investments funds have, the transactions undertaken and how these perform in the market.
- 2.7 The fund has experienced a reduction in cost by working collaboratively with partner funds. This has been achieved by entering into a shared services agreement which has afforded access to different implementation styles such as in-house investment capability. In addition, there is access to real assets investment opportunities at a reduced cost compared to fund of fund arrangements. The collaboration has also facilitated the challenge and negotiation of revised fee levels given the economies of scale. To date the fund has secured estimated benefits of £9.6m. This is demonstrated in the Annual Review of Shared Services Agreement report on this agenda.
- 2.8 Analysis of the fees would indicate that although there are movements year on year the majority of these are either in transaction costs, which reflect the investment decisions in the course of the day-to-day management, or performance fees resulting from managers exceeding their benchmark returns. This analysis reinforces the view that cost information, while always a factor, must be viewed within the context of risk and return and should only form part of any overall value for money assessment.

### **3.0 Investment Cost Benchmarking Analysis**

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- 3.1 The benchmarking analysis undertaken by CEM aims to provide comprehensive, like-for-like comparisons with similar funds. Investment costs are compared with other pension funds and other asset owners, inside and outside the LGPS. As well as costs, CEM also compare investment performance, asset mix, risk and funding to produce a report about how Fife Pension Fund compares with others and why the investment outcomes compare as they do.

- 3.2 The results for Fife are compared with 5 other LGPS Funds and 38 other funds with total assets ranging from £1.5 billion to £4.4 billion. The median size in the peer group is £2.9 billion compared with Fife Pension Fund assets of £3.7 billion as at 31 March 2024.
- 3.3 Benchmarking is undertaken to help identify areas where improvements can be made to deliver better value for money. The process should facilitate:
- Comparison between costs and performance
  - The provision of evidence to support decision making relating to the sustainability and capability of the investment.
  - Sharing of information and ideas with peers; and a review of performance trends over time.
- 3.4 CEM calculates a benchmark cost for Fife Pension Fund, which reflects the fund's asset class mix, relative to the asset class costs of the peer group funds.
- 3.5 Fife Pension Fund's actual costs to 31 March 2024 of approximately 0.32% of average assets were below the benchmark cost of 0.59%. Costs fell from 0.48% in 2019-20 to 0.32% in 2023-24.
- 3.6 CEM concluded that Fife had both a lower cost implementation style and paid less than our peers for similar assets.
- 3.7 The analysis indicated that Fife Pension Fund had a net total 5-year return of 6.6% which was equal to the LGPS median of 6.6% per annum. The 5-year benchmark return was 5.4% which was below the LGPS median of 6.3%.
- 3.8 CEM concludes that the Fife Pension Fund strategic asset allocation suggests that it takes less risk relative to the LGPS peer group.
- 3.9 In terms of value added, the analysis indicated the 5-year net value added was 1.2% compared to the LGPS median of 0.4%. The cumulative 5-year net value added has increased the funding of Fife Pension Fund by £178 million. The 5-year performance indicates that Fife Pension Fund has added value at a lower cost.
- 3.10 CEM do not provide an overall conclusion from the benchmarking exercise, rather it is an independent assessment of value for money. The assessment provides narrative about the fund and how it compares with others. There are no definitive conclusions as the costs incurred depends on the mix of assets, the implementation styles adopted, risk appetite and choices made.
- 3.11 Over the years the process and collection of CTI templates and data for the CEM benchmarking has improved and become more refined. Work will continue to improve the process which includes working with other Scottish LGPS funds to share best practice on data collection.



## 4.0 Conclusions

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- 4.1 Cost Transparency is an important part of the management of Local Government Pension Funds in order that relevant data is disclosed and both employers and Pension Committees understand their respective fees and costs. Costs can vary depending on the different types of investment the fund has and how these perform in the market.
- 4.2 Fife Pension Fund has for many years sought information from its investment managers about both the direct and indirect costs associated with its investments and has included these in its Annual Report and Accounts.
- 4.3 Fife Pension Fund investment managers provided their 2023-24 information via the CTI templates.
- 4.4 Analysis of the previous 3 years management costs indicates that although these vary year on year, these variations are due in the main to the day-to-day management of investment decisions or performance of the fund managers.
- 4.5 Over the 3 years there is a reduction in the level management costs as a % of the overall fund value. The fund has been working on a collaborative basis with partner funds which has given access to lower cost implementation styles such as in house fund management as well as real assets investment opportunities. The fund has also benefitted from reduced costs by fee reductions due to economies of scale. This is further evidenced in the CEM benchmarking exercise and demonstrated in the Annual Review of the Shared Services Agreement report.
- 4.6 Benchmarking is also undertaken on an annual basis to provide like for like comparisons with similar funds, raising awareness of costs and allowing a review of performance trends over time. Participation in the benchmarking exercise has demonstrated that the fund has both a lower cost implementation style and paid less than our peers for similar assets

### List of Appendices

Appendix 1 – Fife Pension Fund - Investment Management Fees

### Background Papers

No background papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973.

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**FIFE PENSION FUND  
INVESTMENT MANAGEMENT FEES**

Appendix 1

<b>2021-22</b>	<b>Fund Value</b>	<b>Mgt Fees</b>	<b>Perf Related Fees</b>	<b>Custody Fees</b>	<b>Transaction Costs</b>	<b>Total</b>	<b>% of Fund Value</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Equities	1,507.274	2.529	-	-	0.649	<b>3.179</b>	0.21%
Real Assets	517.989	5.131	1.405	-	2.042	<b>8.577</b>	1.66%
Credit	311.308	0.642	0.041	-	0.048	<b>0.731</b>	0.23%
Sovereign Bonds	590.875	0.182	-	-	(0.093)	<b>0.089</b>	0.02%
Others	430.808	2.176	-	-	1.379	<b>3.556</b>	0.83%
Global Custodian	-	-	-	0.115	0.081	<b>0.196</b>	-
Cash	175.574	-	-	-	-	-	-
<b>Total</b>	<b>3,533.827</b>	<b>10.661</b>	<b>1.445</b>	<b>0.115</b>	<b>4.106</b>	<b>16.327</b>	0.46%

<b>2022-23</b>	<b>Fund Value</b>	<b>Mgt Fees</b>	<b>Perf Related Fees</b>	<b>Custody Fees</b>	<b>Transaction Costs</b>	<b>Total</b>	<b>% of Fund Value</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Equities	1,700.291	1.688	-	-	0.119	<b>1.807</b>	0.11%
Real Assets	657.407	8.939	0.528	-	1.646	<b>11.113</b>	1.69%
Credit	295.178	0.489	0.084	-	0.121	<b>0.695</b>	0.24%
Sovereign Bonds	584.039	0.106	-	-	(0.072)	<b>0.035</b>	0.01%
Others	0.002	0.211	-	-	(0.001)	<b>0.210</b>	8847.86%
Global Custodian	-	-	-	0.175	0.118	<b>0.293</b>	-
Cash	188.602	-	-	-	-	-	-
<b>Total</b>	<b>3,425.519</b>	<b>11.433</b>	<b>0.612</b>	<b>0.175</b>	<b>1.932</b>	<b>14.152</b>	0.41%

<b>2023-24</b>	<b>Fund Value</b>	<b>Mgt Fees</b>	<b>Perf Related Fees</b>	<b>Custody Fees</b>	<b>Transaction Costs</b>	<b>Total</b>	<b>% of Fund Value</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Equities	1,801.687	1.961	-	-	0.381	<b>2.341</b>	0.13%
Real Assets	778.880	9.017	(0.131)	-	1.144	<b>10.029</b>	1.29%
Credit	385.202	0.783	0.686	-	0.136	<b>1.605</b>	0.42%
Sovereign Bonds	609.671	0.090	-	-	(0.112)	<b>(0.022)</b>	0.00%
Others	-	-	-	-	-	-	0.00%
Global Custodian	-	-	-	0.187	0.038	<b>0.224</b>	-
Cash	88.707	-	-	-	-	-	-
<b>Total</b>	<b>3,664.147</b>	<b>11.850</b>	<b>0.555</b>	<b>0.187</b>	<b>1.586</b>	<b>14.178</b>	0.39%