

Pensions Committee

Please note this will be a remote meeting.



Thursday, 1st December, 2022 - 10.00 a.m.

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 26th September, 2022. 3 – 7
 - (b) Fife Pension Board comments arising from the meeting on the 26th September, 2022. 8 – 9
4. **FIFE PENSION BOARD MEMBERSHIP** – The Committee is asked to approve the appointment of Gail Dunn as Employer Representative (Scheduled Body) on Fife Pension Board.
5. **FIFE PENSION FUND BUDGETARY CONTROL** – Report by the Head of Finance. 10 – 13
6. **RISK MANAGEMENT - QUARTERLY REVIEW** – Report by the Head of Finance. 14 – 32
7. **PENSIONS COMMITTEE WORK PLAN** - Report by the Head of Finance. 33 – 36

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.

TRAINING SESSION - Members are asked to note that a training session will be held directly after the Committee meeting on the following topics –

Funding Strategy and Statement and Funding Level – Rob Bilton, Fund Actuary, Hymans Robertson

Annual Accounts and Audit Report – Laura Robertson, Finance Operations Manager

Walk through of Investment Report – Clare Scott - IPO

Lindsay/

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

Fife House
North Street
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Fife, KY7 5LT

24th November, 2022

If telephoning, please ask for:

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Agendas and papers for all Committee meetings can be accessed on
www.fife.gov.uk/committees

THE FIFE COUNCIL - PENSIONS COMMITTEE – REMOTE MEETING

26th September, 2022

10.00 a.m. – 12.30 p.m.

PRESENT: Committee - Councillors Dave Dempsey (Convener), Colin Davidson, Sean Dillon, Stefan Hoggan-Radu, Lynn Mowatt, Sarah Neal, Nicola Patrick, Gordon Pryde and Jonny Tepp.

Fife Pension Board – Councillors Tom Adams and Lynn Ballantyne-Wardlaw, Ian Dawson, Robert Graham, Ross Hugh and Vicki Wyse.

ATTENDING: Elaine Muir, Head of Finance; Laura Robertson, Finance Operations Manager; Pamela Redpath, Service Manager - Audit and Risk Management Services; John Mackie, Team Manager - Transactions Team; Karen Balfour, Lead Officer - Banking and Investment, Financial Services; Lesley Robb, Team Leader – Committee Services and Wendy MacGregor, Committee Officer, Committee Services, Legal and Democratic Services.

ALSO IN ATTENDANCE: Tim Bridle, Audit Manager, Audit Scotland; Albert Chen, Portfolio Manager and Bruce Miller, Chief Investment Officer, Lothian Pension Fund and Clare Scott, Independent Professional Observer.

APOLOGY FOR ABSENCE: Fife Pension Board - Colin Paterson.

13. DECLARATIONS OF INTEREST

No declarations of interest were submitted in terms of Standing Order 7.1.

14. MINUTES

The Committee considered:-

- (a) the minute of the Pensions Committee meeting on 30th June, 2022.

Decision

The Committee:-

- (1) agreed to approve the minute of the meeting of the Pensions Committee of 30th June, 2022; and
- (2) noted a reminder from the Convener, that there was a requirement in the Training Agreement to complete the Pension Toolkit within 6 months of appointment to the Pensions Committee and Fife Pension Board.

(b)/

2022 PEC 7

- (b) the comments from the Fife Pension Board arising from the meeting of the Pensions Committee on 30th June, 2022.

Decision

The Committee noted the comments from the Fife Pension Board from the meeting of the Pensions Committee on 30th June, 2022.

15. CHANGE OF MEMBERSHIP - FIFE PENSION BOARD

The Committee:-

- (1) noted the verbal update provided by the Head of Finance, that John Wincott, Employer Representative member on the Fife Pension Board, had resigned and that nominations would be sought from Scheduled Body Employers to fill the vacancy;
- (2) noted that Robert Graham would act as interim Chairperson of the Fife Pension Board and that Vicki Wyse would continue as Secretary, until permanent positions were appointed by the Fife Pension Board, following the appointment of the Scheduled Body Employer representative and that an update would be provided at the Pensions Committee meeting in December, 2022; and
- (3) acknowledged the valuable contributions from John Wincott during his term as a member of the Fife Pension Board, in both the work of the Committee and Board, and that he would be missed. The Convener on behalf of the Committee, wished John well in his future endeavours.

16. 2022/23 INTERNAL AUDIT PLAN

The Committee considered a report by the Service Manager, Audit and Risk Management, including the Fife Pension Fund's Internal Audit Plan for the 2022/23 financial year.

Decision

The Committee agreed to approve the 2022/23 Internal Audit Plan as detailed in Appendix A to the report.

17. FIFE PENSION FUND ADMINISTRATION STRATEGY

The Committee considered a report by the Head of Finance providing an updated Administration Strategy for Fife Pension Fund, to replace the previous strategy agreed by the Committee in June 2015 which will underpin the upcoming review of Key Performance Indicators (KPIs).

Decision

The Committee agreed to approve the revised Administration Strategy for the Fife Pension Fund.

18./

18. PENSION ADMINISTRATION - PERFORMANCE MONITORING REPORT

The Committee considered a report by the Head of Finance providing monitoring information on the performance of the Pensions Administration Team as well as updating members on other activities undertaken by the Team over the last quarter.

Decision

The Committee:-

- (1) considered and noted the level of quarterly performance relative to the target and to the same quarter of the previous year; and
- (2) noted the range of additional activities carried out by the team over the last quarter.

Councillor Colin Davidson left the meeting during consideration of the above item.

19. PENSION FUND BUDGETARY CONTROL

The Committee considered a report by the Head of Finance providing details of the provisional outturn of the Pension Fund for 2021-22 and the Budget for 2022-23.

Decision

The Committee:-

- (1) noted the provisional outturn for 2021-22;
- (2) agreed the indicative budget for 2022-23; and
- (3) noted that further reports in relation to the financial position of the Fund would be submitted to the Pensions Committee on a bi-annual basis.

20. STATEMENT OF INVESTMENT PRINCIPLES

The Committee considered a report by the Head of Finance introducing the annual review of the Statement of Investment Principles (SIP) for Fife Pension Fund. The revised SIP replaced the previous SIP agreed by the Committee in June 2021. The report also outlined governance arrangements for the implementation of investment strategy and the assurance provided and the format and frequency of reporting to the Committee.

Decision

The Committee agreed to adopt the revised Statement of Investment Principles.

21./

21. 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:-

- (1) considered and noted the contents of the report; and
- (2) noted that the risks would be reviewed on a regular basis and update reports would be submitted to the Pensions Committee on a quarterly basis.

The Committee adjourned at 11.35 a.m.

The Committee reconvened at 11.40 a.m.

22. PENSIONS COMMITTEE WORKPLAN

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.

Decision

The Committee noted the contents of the report and the annual work plan for the Pensions Committee.

23. 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(s) 6 of part 1 of schedule 7a of the Act.

The Committee considered a report providing an overview of the Fund's investments as at 30th June, 2022, including information relating to the performance of the fund and actions taken in implementing the agreed investment strategy.

Decision

The Committee:-

- (1) agreed to approve the proposed revision to the strategic target asset allocation, as detailed in paragraph 2.6 of the report, to increase the Real Assets target to 20% (from 15%) and to reduce the Equities target to 50% (from 55%), consistent with the initial 2021 strategy review conclusions;
- (2)/

2022 PEC 10

- (2) noted the Fund's strategic asset allocation and current allocations relative to target;
 - (3) noted the value of the Fund's assets as at 30th June, 2022 after returning - 6.0% over the quarter;
 - (4) noted that the Fund was making steady progress towards its target allocations; and
 - (5) noted that longer term absolute returns were strong and relative returns were above both the asset and liability benchmarks.
-

DRAFT MINUTE OF FIFE PENSION BOARD MEETING – REMOTE MEETING

26th September 2022

PRESENT: Robert Graham (Interim Chair), Councillors Tom Adams (Post Committee) and Lynn Ballantyne-Wardlaw, Ian Dawson, Ross Hugh, Vicki Wyse, Clare Scott (Independent Professional Observer)

APOLOGIES

FOR ABSENCE: Colin Paterson,

1. MINUTES OF PENSION BOARD MEETING

The minutes of the Pensions Board of 30th June were approved.

2. MATTERS ARISING

There was one action regarding appointment of Chair and Joint Secretary from the Trade Union representatives which was outstanding. Trade Union representatives are still to meet to discuss the positions and as one representative was not present Robert Graham agreed to step in as Interim Chair from the Trade Unions until such time as representatives could meet and confirm the positions as a group.

ACTION – Trade Union members to agree the Chair and Joint Secretary positions.

3. WELCOME

Following agreement to act as Interim Chair for the meeting Robert Graham welcomed everyone to the meeting, apologies for absence were received from Colin Paterson and Councillor Tom Adams, for the first part of the meeting.

4. PENSIONS COMMITTEE PRE-AGENDA MEETING

Following the resignation of John Wincott from the Board, Robert Graham agreed to attend the pre-agenda on behalf of the Board and provided an update on the matters discussed, and in particular on the work on establishing admin support for the Board and also the ongoing work on revising the Pension Board constitution, which John Wincott had been assisting with and would be brought back to a future committee.

The members of the Board wished to express their thanks to John Wincott for his significant work on the Board over a number of years, as an Employer representative for Fife Council and subsequently for Fife College and acting and also in the roles of Chair and Joint Secretary.

5. **PENSIONS COMMITTEE PAPERS**

There was a brief discussion over the agenda and papers and areas were identified and most areas were straightforward however clarification would be sought if the presentation of the reports to the Committee did not provide an explanation.

Key areas for discussion related to:

- Internal Audit Plan
- Ongoing Work on Performance Monitoring
- Quarterly Review of Risk Management
- Welcomed the detail in the pension committee workplan.

MEETING ADJOURNED FOR PENSIONS COMMITTEE

The Pension Board reconvened after the Committee meeting and agreed that there were no decisions taken that needed a formal request for review.

7. **PROVISION OF ADMINISTRATIVE AND OTHER SUPPORT TO THE PENSION BOARD**

The Interim Chair advised this was ongoing and the IPO provided an update on levels of support to other Boards, further discussion required to ensure appropriate levels of support provided.

8. **UPDATE ON BOARD CONSTITUTION**

The Interim Chair provided an update following discussion at the pre-agenda meeting that work has been ongoing between the administering authority officers, the Chair of the Pensions committee and the Chair of the Board at the time and a report and revised constitution would be brought to the next Committee with prior review by the Board.

9. **AOB**

There were no other items of business raised at the meeting.

1st December, 2022

Agenda Item No. 5

Fife Pension Fund Budgetary Control

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

The purpose of this report is to provide the committee with details of the projected outturn of the Pension Fund for 2022-23

Recommendation(s)

The committee is asked to:-

- Consider the projected outturn for 2022-23
- Note that further reports in relation to the financial position of the Fund will be brought forward on a bi-annual basis.

Resource Implications

At this time it is projected that the fund will remain cash-flow positive with projected net additions of £4.567m. Fluctuations in market rates and movements in investment valuations have a direct impact on the pension fund. In addition, expenditure greater than income generated will also impact on the fund.

Legal & Risk Implications

There are no direct legal implications arising from this report.

Impact Assessment

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

Consultation

None

1.0 Background

- 1.1 This report presents details of the projected outturn for 2022-23 as at 30 September 2022 and provides commentary on the budget compared to the projected position for the year and an analysis of significant variances.
- 1.2 The report is intended to present the revenue account of the fund, however, it should be noted that in some items of income and expenditure are out with the control and influence of the Pension Fund. Reports outlining details of the revenue account will be presented to this Committee on a bi-annual basis in line with best practice.

2.0 Projected Outturn 2022-23

- 2.1 Appendix 1 details the projected outturn for 2022-23. The significant assumptions made in calculating this projection are detailed below along with commentary on significant variances.
- 2.2 **Contributions received from Employers / Employees**
Contributions received are expected to be £2.147m greater than budgeted. The budgeted figure was estimated based on the contributions received as at the end of June 2022. An estimated pay increase of 2.5% was reflected but this has now been agreed at approximately 5%, resulting in the projected variance on contributions.
- 2.3 **Pension Payments**
Pension payments in the year are expected to slightly higher than budget. The budgeted figure was estimated based on the payments made as at the end of June 2022. Payments vary from month to month and have been increasing slightly over the last three months.
- 2.4 **Transfers to and from other Schemes**
The budget and projection for transfers into and out of other schemes are based on the average value of transfers over the past 5 years.
- 2.5 **Pension Lump Sum Benefits**
Lump sum benefits are unpredictable and therefore difficult to budget for as these are dependent on employee choice. Employees may choose to commute part of their annual pension. Both the budget and the projection are based on an average of the past few years.
- 2.6 **Investment Management Expenses**
These costs have been subdivided into 4 parts: -
 - Management Fees
 - Performance Related Fees
 - Custody Fees
 - Transaction Costs

Management Fees – these fees are calculated based on the value of the fund in each portfolio at the end of each quarter. As the performance of the market is impossible to predict accurately, the projection for these fees is based on the fund

position as at the end of September 2022. There is a projected underspend of £1.742m on Management Fees because of 2 factors, namely the continued implementation of the investment strategy and changes to portfolios resulting in reduced costs. Secondly, the market value of some portfolios reduced at 30th September and some fees are based on the market value resulting in reduced costs.

Performance Related Fees – not all fund managers are subject to performance related fees. Currently only 3 managers are in this category; Partners Group, Janus Henderson and Innisfree. Again, it is impossible to predict market positions with any accuracy, but work has been ongoing with our Investment Managers and current estimates suggest that performance fees will be in line with budget.

Custody Fees – custody fees represent the amount paid to The Northern Trust Company as the Fund’s global custodian. It is expected that these will be in line with the budget set.

Transaction Costs – these costs vary from portfolio to portfolio depending on the type of investments managed. In the main Partners Group and CBRE make up the bulk of these transaction costs and again it is anticipated that these will be in line with budget

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.

2.7 Net Returns on Investment

This heading represents the profit and losses on disposal of investment and changes in the market value of investments. This is dependent largely on the performance of financial markets and it is impossible to predict accurately. For the purposes of this forecast the actual position, net of indirect management expenses, at the end of September 2022 has been used as the projected outturn.

4.0 Conclusions

- 4.1 The provisional outturn for 2022-23 indicates a net increase to the fund of £4.567m from the dealings with members and a net decrease on investments of £81.678m, resulting in a projected net decrease in the value of the Fund of £77.111m.

List of Appendices

1. Appendix 1 – 2022-23 Projected Outturn

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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Fife Pension Fund
2022-23 Projected Outturn

	Note	Budget	Actual to September 2022	Projected Outturn	Variance
		£m	£m	£m	£m
Dealing with members, employers and others directly involved in the fund					
Contributions Received		(112.760)	(50.028)	(114.907)	(2.147)
Additional Contributions from Employers		(2.810)	0.000	(2.810)	0.000
Transfers from Other Schemes		(2.660)	(0.951)	(2.660)	0.000
		(118.230)	(50.979)	(120.377)	(2.147)
Pension Payments		75.500	34.742	76.073	0.573
Lump Sum Benefits		20.340	11.510	20.340	0.000
Refund of Contributions		0.230	(0.565)	0.230	0.000
State Premium Schemes		0.010	0.041	0.010	0.000
Transfers to Other Schemes		4.460	0.413	4.460	0.000
		100.540	46.142	101.113	0.573
Net (additions)/withdrawals from dealings with members		(17.690)	(4.837)	(19.264)	(1.574)
Administrative Costs:-					
Support Service Costs		1.710	0.000	1.710	0.000
Interest Paid on Benefits		0.020	0.012	0.022	0.002
Income Tax on Contributions and Benefits		0.000	0.000	0.000	0.000
Other Administrative Costs		0.010	0.002	0.010	0.000
Oversight and Governance Costs:-					
Actuarial Fees		0.150	0.055	0.150	0.000
External Audit Fees		0.040	(0.013)	0.038	(0.002)
Hermes Equity Ownership Services		0.090	0.000	0.090	0.000
Investment Consultant Fees		0.260	0.145	0.260	0.000
Other Oversight and Governance Costs		0.080	(0.009)	0.080	0.000
Investment Management Expenses:-					
Management Fees		8.650	(0.142)	6.908	(1.742)
Performance Related Fees		0.880	0.000	0.885	0.005
Custody Fees		0.110	0.040	0.176	0.066
Transaction Costs		4.340	1.007	4.367	0.027
Net (additions)/withdrawals including fund management expenses from dealing with members		(1.350)	(3.739)	(4.567)	(3.217)
Returns on investments					
Investment Income		(26.090)	(13.196)	(26.090)	0.000
Taxes on income		0.230	0.000	0.230	0.000
Profit and losses on disposal of investments and changes in the market value of investments	1	(127.100)	107.538	107.538	234.638
Net return on investments		(152.960)	94.342	81.678	234.638
Net (increase)/decrease in the net assets available for benefits during the year		(154.310)	90.603	77.111	231.421
Opening net assets of the scheme at 1 April 2022		3,303.160	3,303.160	3,303.160	
Net increase/(decrease) in the Fund		154.310	(90.603)	(77.111)	(231.421)
Projected Closing net assets of the scheme at 31 March 2023		3,457.470	3,212.557	3,226.049	(231.421)

Note 1

The Profit and losses on disposal of investments and changes in the market value of investments is subdivided as follows:-

	£m
Profit or Loss on the disposal of investments	(22.143)
Changes in Market Value	129.681
	<u>107.538</u>

1st December, 2022

Agenda Item No. 6

Risk Management - Quarterly Review

Report by: Elaine Muir, Head of Finance

Wards Affected: ALL

Purpose

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)

The Committee are asked to:

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

Resource Implications

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

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

Impact Assessment

An EqIA Assessment is not required.

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

- 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 Pentana, 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 September. Since that time the register has been reviewed by the Pensions Governance Group at its meeting on 01 November 2022. This review 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 This report provides an update on the Risk Register since the last Committee.

2.0 Risk Register

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

Target

			1	
4	9	5		

Current

3			1	
		4		
2	5	4		

- 2.2 There are currently 9 risks that have current scores greater than the target. This is due to the internal controls identified not yet fully effective in mitigating against the risk identified. Work is continually ongoing to move to fully effective controls where possible. Progress is reviewed on an ongoing basis, forms part of teams workplans and discussed quarterly at Pensions Governance Group.
- 2.3 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 and due for completion by 31 March 2023.
- 2.4 Development work on controls associated with the maintenance of Altair is also being progressed and form part of the recommendations included in a recent audit report on Pensions Contributions. This work is due for completion by 30 April 2023.
- 2.5 Staffing training and provision of training is also considered ineffective at this time. This is reflecting the current recruitment processes ongoing in the team and that staff will require training for a period.
- 2.6 It should also be noted that in some instance controls are fully effective but external influences and factors can impact on the control lead to a change in the effectiveness.

- 2.7 There are currently 7 risks classed as insignificant, 11 classed as low risks and 1 risk is identified as medium.
- 2.8 The Risk Register provided at Appendix 1 provides full details of the risk, 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 November 2022.
- 2.9 Since the last report, the current risk score has not changed for any risk.

3.0 Conclusions

- 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 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

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 September 2022

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Risk Status	
	High
	Medium
	Low
	Insignificant














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	
Failure to process pension payments and lump sums on time	Retiring members will be paid late which may have implications for their own finances. Reputational risk for the Fund. Financial cost to the fund if interest has to be paid to members.	Non-availability of Altair pension system, ORACLE payroll system key staff or error omission, Availability of information and payment from AVC provider etc.	Laura C Robertson	12	BC plans covering the F& CS Directorate		4	3	01 November 2022
					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				

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	
Failure to collect and account for contributions from employers and employees on time	Adverse audit opinion for failure to collect contributions by 19th of month Potential delays to employers' FRS17, FRS102 and IAS19 year-end accounting reports	Non-availability of Authority Financials system, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. Failure of employer to provide required information.	Laura C Robertson	9	Robust maintenance and update of Altair		3	3	26 Sept 2022
					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.				
					Administration strategy sets out requirements of both employers and Administering Authority				
					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.				
Financial Consequences	Moderate								

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	
Inability to meet liabilities as they fall due	Immediate cash injections would be required from employers or increased contribution rates.	Contributions from employees/employers too low Failure of investment strategy to deliver adequate	Laura C Robertson	12	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.		4	4	01 Nov 2022
					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				

		returns Significant increases in longevity, etc.			groups and is designed to generate sufficient return to continue to pay liabilities as they fall due				
					Full Actuarial Valuation undertaken every 3 years.	✓			
					Ongoing advice from investment consultants etc	✓			
					Regular monitoring of cash flow	✓			
Financial Consequences	Moderate								

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	
Inability to keep service going due to loss of main office, computer system or staff.	Temporary loss of ability to provide service.	Fire, bomb, flood, pandemics, flu epidemic, strike action etc.	Laura C Robertson	12	BC plans covering the F& CS Directorate	✓	6	4	01 Nov 2022
					Robust maintenance and update of Altair				
					Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan	✓			
Reliance on Fife Council corporate systems including O365 MS Teams and Sharepoint									

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	
Loss of funds	Financial loss to the fund	Fraud or misappropriation of funds by an employer, employee, agent or contractor	Elaine Muir	12	Regular monitoring of cash flow		6	3	01 Nov 2022
					Internal and external audit regularly test those 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				
					National Fraud Initiative				
					Internal Policies and Procedures in place.				
									
Financial Consequences	Moderate								

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	
Employers become unable to participate in scheme due collapse of private contractors and other bodies admitted into the Fund.	Fund matures more quickly	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, changing retirement patterns, etc.	Elaine Muir	6	Ongoing communication with employers		3	3	01 Nov 2022
					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.				
Financial Consequences	Major								

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	
Significant rises in employer contributions due to poor/negative investment returns	Poor/negative investment returns leading to increased employer contribution rates.	Poor economic conditions, incorrect investment strategy. Poor performance of investment managers	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		3	3	01 Nov 2022
					Ongoing advice from investment consultants etc				
					Performance monitored on an ongoing quarterly basis				
					Diversified range of investment managers over different asset classes				
					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 bodies have their own set contribution as determined by the risk-based funding strategy and reflective of their own liabilities.				
					Strategic Investment advice from Independent Advisors	✓			
				🔴			✓	✓	
Financial Consequences	Major								

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	
Failure of Global Custodian	Financial loss to the fund. Loss of information.	Financial collapse of global custodian or failure to safeguard assets or records.	Elaine Muir	5	IT contacts are managed and reviewed in line with industry best practice	✓	4	4	01 Nov 2022
					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.	✓			
Financial Consequences	Catastrophic								

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	
Failure of Investment Manager to manage equities and other investments.	Financial loss to the fund	Market sector falls substantially, expertise of fund managers, continuity of skills and expertise	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	01 Nov 2022
					Ongoing advice from investment advisers and consultants and actuaries 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				
Financial Consequences	Major								

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	
Failure to comply with LGPS and other Regulations	Wrong pension payments made or estimates given. New scheme and regulations not fully known therefore staff will be unfamiliar	Lack of technical expertise/staff resources to research regulations IT systems not updated to reflect current legislation, etc	Laura C Robertson	9	Staff training and development and checking of work		6	2	01 Nov 2022
					Ongoing advice from investment consultants etc				
					Internal and external audit regularly test those 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.				
					Administration strategy sets out requirements of both employers and Administering Authority				
Financial Consequences	Moderate								







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	
Failure to hold personal data securely	Data lost or compromised Reputational risk.	Insufficient security of data Inadequate data retention policy, backup and recovery procedures.	Laura C Robertson	6	Data Protection Act procedures adhered to and all staff have completed appropriate mandatory DPA training		3	3	01 November 2022
					Secure communications channels in place				
					System access controlled				
					Altair complies with the appropriate ISO standards require by a hosted system				












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	
Failure to keep pension records up to date and accurate	Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions being paid	Poor or non-existent notification of by employers of new starts, amendments, leavers, etc.	Laura C Robertson	9	Robust maintenance and update of Altair		6	3	01 Nov 2022
					Ongoing communication with employers				
					Verification process in place within Pensions section, ongoing staff training undertaken.				
					iConnect allows verification of records from Employer Payrolls to Altair				
					Member's self-service gives members the opportunity to check and update their own records				
					Administration strategy sets out requirements of both employers and Administering Authority				






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	
Committee and board members have inadequate knowledge and understanding.	Detrimental decisions made in relation to the Pension Fund and management of the fund	Lack of training and continuous professional development.	Elaine Muir	8	Provision of training		6	4	01 Nov 2022
					Strategic Investment advice from Independent Advisors				
					Consultation with Peer Groups				
					Attendance at training events				
Financial Consequences	Major								

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	
Over reliance on key officers	If an officer leaves or falls ill knowledge gap may be difficult to fill.	Specialist nature of work means there are relatively few experts in investments and the LGPS regulations.	Laura C Robertson	16	Sufficient staff cover arrangements		6	3	01 Nov 2022
					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.				









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	
Failure to communicate properly with stakeholders	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	01 Nov 2022
					Regular updates for employers				
					Newsletter for Pension Scheme members				
					Annual Employer Forum				
					Administration strategy sets out requirements of both employers and Administering Authority				

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	
The committee will not have a quorum able to meet and undertake the business scheduled to be considered at the meeting.	Meetings do not go ahead and decision making is delayed to subsequent meetings resulting in delay in implementation of any proposals or policy matters.	Non attendance could be as a result of: <ul style="list-style-type: none"> • Scheduling of meetings • Other commitments of elected members • Adverse weather conditions • Illness • Lack of connectivity for virtual meetings 	Elaine Muir	12	Standing Orders - As required by the Act and Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014		4	4	01 Nov 2022
					Committee Workplan				
					Virtual Meetings				
					Committee dates agreed in advance				
									

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	
As a result of a cyber security attack, there is a risk that data is compromised and not secure and systems do not operate	Data lost or compromised Reputational risk.	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. Attacks could also mean the system cannot be used and as a result a service cannot be provided.	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 including Fife Pension Fund.		12	8	28-Feb-2022
					The strategy sets out the 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 the Council infrastructure. The enhanced requirements for PSN compliance raise the importance of getting security fixes rolled out effectively.				
					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 governance board has effective oversight of ICT for the Council and agrees strategic direction and policies to be applied to ensure ICT remains aligned, effective and secure including the Pension Fund.				
					IT contacts are managed and reviewed in line with industry best practice				
					The Information Governance Working Group includes senior managers from across the Council (including the Head of Finance) and is responsible for ensuring the Council's compliance in matters relating to data protection, information governance and records management. The Group will provide annual reports to the SIRO.				
					Process of gateway reviews which ensures that ICT and digital solutions are secure, sustainable, economical, and compliant to the agreed standards and regulations.				
					Administration access rights are kept to a minimum and audited on a quarterly basis to ensure only those required for a specific active purpose are in place				
					There are established processes for reporting and investigating 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) to actively monitor the 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. https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/pages/2/				
					Certificates of compliance with Cyber Essentials scheme and ISOs from Software suppliers				
					Cloud Hosting				
					Cyber Essentials Training				
									
Financial Consequences	Catastrophic								

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	
Adverse impacts to the fund's investment strategy or portfolios arising from negligence or poor service delivery under the shared services arrangement with Lothian Pension Fund.	Potential impacts identified for this risk include – Poor strategic decisions, poor investment performance of the portfolios, lack of diversity	Poor Performance of mandates Inappropriate Investment Strategy	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	01 Nov 2022
					FCA Regulation of LPFI and LPF Key Persons				
					Strategic Investment advice from Independent Advisors on the JISP, and strategic advice from the fund's actuary				
					Diversified range of investment managers over different asset classes				
					Legal Agreement with LPFI limited and due diligence reviewed by Fund's legal advisers				
					Due diligence document that sets out all Investment Management arrangements with LPFI Limited and documenting the relationship with existing memorandum of understanding.				
					Conflicts of Interest Procedures/management				
					Performance monitored on an ongoing quarterly basis by Independent Advisors				
Financial Consequences	Major								

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	
Inflationary Increases	Potential impacts identified for this risk include – Increase in Benefits payable to members (CPI in Sept) Risk to value of and return on investments	Poor economic conditions, incorrect investment strategy. Increased costs	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		6	4	01 Nov 2022
					Regular monitoring of cash flow				
					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.				
					Strategic Investment advice from Independent Advisors on the JISP, and strategic advice from the fund's actuary				
					Diversified range of investment managers over different asset classes				
									
Financial Consequences	Moderate								

1st December, 2022

Agenda Item No. 7

Pensions Committee Workplan

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

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.

Recommendation(s)

The Committee is asked to:-

- Consider and comment on the agenda planning document.

Resource Implications

There are no resource implications arising from this report.

Legal & Risk Implications

There are no direct legal implications arising from this report.

Impact Assessment

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

Consultation

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 reports available for the two committees being held in December have now been scheduled. In recognition of the dependencies on other meetings, work and input from advisors some items have been deferred to March 2023. The proposed agenda items for future meetings are set out below, based on the usual Committee cycle plus any known additional report requests, items shaded represent changes since the last report.

Pension Committee Workplan 2022/23			
	Committee Dates		
Report Title	13-Dec-22	28-Mar-23	23 & 30 Jun-23
Pension Administration Performance Monitoring Report	x	x	x
Risk Management Update		x	x
Fife Pension Fund- Investment Update	x	x	x
Statement of Investment Principles			x
Statement of Responsible Investment Principles (update)		x	x
Asset Policy Groups & Benchmarks		x	
Annual Review of Shared Services Agreement		x	
Fife Pension Fund Business Plan and Budget		x	
Fife Pension Fund Annual Report and Audited Accounts	x		
Annual Audit Report by External Audit	x		
National Fraud Initiative	x		
Communication Policy	x		
Revised Funding Statement Strategy	x		
Pension Board Constitution	x		
CEM Benchmarking and Cost Transparency		x	
Update on Annual Audit Plan and Summary of Reports			x
Post Audit Review Report			x
Annual Internal Audit Report			x
Annual Governance Statement			x
Training and Development			x
Fife Pension Fund Draft Annual Report and Accounts			x
Audit Plans (Internal and External)		x	

- 2.2 The additional meeting in June 2023 has been scheduled to consider the draft annual report and accounts, again the exact reports that will be considered at across the two meetings is still to be determined.
- 2.3 Targeted training will continue to be scheduled prior to committee meetings to provide more detailed information and training before reports are considered.

3.0 Conclusions

- 3.1 A detailed workplan for the business of the Committee has been prepared and outlines the cyclical nature of reports.

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.

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PENSION COMMITTEE WORKPLAN

Frequency	Agenda Items	Month
Quarterly	Pension Fund Administration Performance Monitoring Report Fife Pension Fund - Investment Update Risk Management Review	Quarterly
Bi annual	Fife Pension Fund Budgetary Control	September December
Annual	Audit Plans (internal and external) CEM Benchmarking and Cost Transparency Business Plan Update on Annual Audit Plan and Summary of Audit Reports issued Post Audit Review Report 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	March March March June June June June June June June June (deferred 2022) June (deferred 2022) September (deferred 2022) September (deferred 2022) December
Every 3 years	Actuarial Valuation Update Actuarial Valuation Funding Statement Strategy Investment Strategy Administration Strategy	December 2023 March 2024 March 2024 June 2024 June 2024
As required	Audit Reports (Internal) Policy Reviews Currency Hedging	