

## Pensions Committee

Committee Room 2, 5<sup>th</sup> Floor, Fife House, North Street,  
Glenrothes / Blended Meeting.



Friday, 23 June, 2023 - 10.00 a.m.

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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 28 March, 2023; and 3 – 8
  - (b) Fife Pension Board comments arising from the meeting on 28 March, 2023. 9 – 12
4. **UPDATE ON 2022/23 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2022/23 ISSUED AUDIT REPORTS** – Report by the Service Manager - Audit & Risk Management Services. 13 – 18
5. **COST TRANSPARENCY AND CEM BENCHMARKING** – Report by the Head of Finance 19 – 23
6. **PENSION FUND TRAINING AND DEVELOPMENT** – Report by the Head of Finance 24 – 32
7. **EXTERNAL QUALITY ASSESSMENT (EQA) OF FIFE COUNCIL'S AUDIT SERVICES** – Report by the Service Manager - Audit & Risk Management Services 33 – 34
8. **RISK MANAGEMENT – QUARTERLY REVIEW** – Report by the Head of Finance 35 – 54
9. **PENSIONS COMMITTEE WORK PLAN** - Report by the Head of Finance 55 – 58

### 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 items of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 6 of part 1 of schedule 7a of the Act.

10. **COST TRANSPARENCY** – Report by the Head of Finance 59 – 64
11. **FIFE PENSION FUND INVESTMENT UPDATE** – Report by the Head of Finance 65 – 73

**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.**

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Finance and Corporate Services

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16 June, 2023

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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, 5<sup>th</sup> Floor, Fife House, North Street, Glenrothes.**

**28th March, 2023**

**10.00 a.m. – 12.40 p.m.**

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

Fife Pension Board - Cllr Lynn Ballantyne-Wardlaw, Ian Dawson, Gail Dunn, Robert Graham, Ross Hugh and Colin Paterson.

**ATTENDING:** Elaine Muir, Head of Finance; Laura C Robertson, Finance Operations Manager; Pamela Redpath, Service Manager - Audit and Risk Management Services; Anne Bence, Accountant; Karen Balfour, Lead Officer - Banking and Investment; John Mackie, Team Manager - Transactions Team; Fiona Clark, Pensions Specialist, Financial Services; Helena Couperwhite, Manager - Committee Services and Wendy MacGregor, Committee Office, Legal and Democratic Services.

**ALSO ATTENDING:** Nick Bennett, Engagement Lead, Azets; Albert Chen, Portfolio Manager and Bruce Miller, Chief Investment Officer, Lothian Pension Fund and Clare Scott, Independent Professional Observer.

**APOLOGIES FOR ABSENCE:** Fife Pension Board - Councillor Tom Adams and Vicki Wyse.

Prior to the start of Committee business, the Convener welcomed Councillor David Alexander as a new Committee member, having replaced Councillor Stefan Hoggan-Radu, and thanked Councillor Hoggan-Radu for his contribution to date.

**38. DECLARATIONS OF INTEREST**

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

**39. MINUTE**

The Committee considered:-

- (a) the minute of the meeting of the Pensions Committee of 13th December, 2022.

**Decision**

The Committee agreed to approve the minute of the Pensions Committee meeting of 13th December, 2022; and

- (b)/

## 2023 PEC 19

- (b) the Fife Pension Board comments arising from the meeting on 13th December, 2022.

### **Decision**

The Committee noted:-

- (1) the comments from the Fife Pension Board from the meeting of the Pensions Committee on 26th September, 2022;
- (2) in relation to point 4, that data collected showing the number of paper copies of Pension statements sent out to members and the number of members receiving email copies of Pension Statements via the Pension Portal, would be included as part of the Key Performance Indicators (KPI) and further analysis would be reported to the next meeting of the Committee. The Head of Finance advised that the information would be circulated to members in advance of the next Committee meeting; and
- (3) in relation to point 5, the documentation in relation to Admitted Bodies exit arrangements from Fife Pension Fund , was prepared by Hymans Robertson LLP and that the Finance Operations Manager would confirm with the Actuary, Hymans Robertson, whether a redacted version of this information could be shared with the members of Fife Pension Board.

#### **40. FIFE PENSION BOARD - REVISED CONSTITUTION**

The Committee considered a report by the Executive Director - Finance and Corporate Services providing a revised version of the Fife Pension Board Constitution.

### **Decision**

The Committee agreed to approve the revised Fife Pension Board Constitution detailed at Appendix 1 to the report, subject to changes in legislation.

#### **41. FIFE PENSION FUND BUSINESS PLAN**

The Committee considered a report by the Head of Finance providing the Business Plan 2023-24 for Fife Pension Fund. The document was the first business plan for the fund and was intended as the basis for future plans.

### **Decision**

The Committee:-

- (1) acknowledged the content of the Business Plan;
- (2) approved the Indicative Budget 2023-24 detailed in Appendix 2 of the Business Plan; and
- (3) approved the Business Plan 2023-24.

42./

**42. 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 and an update on other activities undertaken by the Team over the quarter to 31st December 2022.

**Decision**

The Committee:-

- (1) acknowledged the level of quarterly performance relative to the target and to the same quarter of the previous year;
- (2) noted the range of additional activities carried out by the team over the last quarter; and
- (3) welcomed the use of the revised Key Performance Indicators, which would be established in the future, to improve reporting statistics for the performance of the Pensions Administration Team.

**43. ASSET POLICY GROUPS AND BENCHMARKS**

The Committee considered a report by the Head of Finance providing information on the strategic benchmarks used and to make recommendations for revised performance measures that were more closely related to the objectives of the funds and the implementation approach. The topic of strategic benchmarks was considered by the Joint Investment Strategy Panel and this report took account of the recommendations made.

**Decision**

The Committee:-

- (1) approved the introduction of a weighted average policy group benchmark as the strategic benchmark consistent with the policy group structure and investment strategy;
- (2) approved the use of a risk-adjusted benchmark to measure Equities (MSCI ACWI 0.9x);
- (3) approved the use of a risk adjusted benchmark for the Real Assets Policy Group (MSCI ACWI 0.7x);
- (4) approved the revision of benchmarks for non-gilt debt and LDI Investment;
- (5) approved the amendment of the performance reporting and Fund hierarchy information held by Northern Trust to reflect the Policy Group structure; and
- (6) agreed consideration would be given on whether the use of ethical benchmarks would be appropriate due to the complexity and variety available, an update would be provided to Committee at a future date.

**44./**

**44. FIFE PENSION FUND - STATEMENT OF RESPONSIBLE INVESTMENT PRINCIPLES**

The Committee considered a report by the Head of Finance proposing necessary changes to the Statement of Responsible Investment Principles (SRIP). The SRIP had been in existence for approximately 18 months and was still in its infancy. The SRIP was attached to the report at Appendix 1 and was intended to complement the Statement of Investment Principles (SIP) which was a statutory document.

**Decision**

The Committee agreed:-

- (1) to update the Statement of Responsible Investment Principles (SRIP) with the changes highlighted in the SRIP;
- (2) to remove the reference to academic research (Cooper. 2019) described at Paragraph 1.8 on Page 51; and
- (3) that the Head of Finance would circulate a report which had been submitted to the Superannuation Fund and Pensions Committee during 2021 reporting on issues around engagement verses divestment.

The Committee adjourned at 11.28 a.m.

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The Committee reconvened at 11.38 a.m.

**45. AZETS - EXTERNAL AUDIT PLAN FOR FIFE COUNCIL**

The Committee considered a report by the Head of Finance providing details of Azets External Annual Audit Plan for Fife Pension Fund for the financial year 2022/23, setting out the risks highlighted, planned work, audit scope and timing.

**Decision**

The Committee noted the content of the Azets External Annual Audit plan for 2022/23.

**46. UPDATE ON 2022/23 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2022/23 ISSUED AUDIT REPORTS**

The Committee considered a report by the Service Manager, Audit and Risk Management Services providing an update on progress towards delivering the 2022/23 Pension Fund Internal Audit Plan and which included a summary of findings from the Internal Audit Reports finalised since the last meeting of the Pensions Committee on 13th December, 2022.

**Decision/**

**Decision**

The Committee noted the contents of the report, including the update on progress towards delivering the 2022/23 Internal Audit Plan at Appendix A and summary of findings at Appendix B appended to the report.

**47. 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 had been reviewed and updated scores were provided to reflect the internal controls in place.

**Decision**

The Committee:-

- (1) noted the contents of the report;
- (2) noted that risks were reviewed on a regular basis and would be reported on a quarterly basis; and
- (3) requested that where adjustments were made to risk register scores in the Risk Register, that the previous score be included for comparison.

**48. PENSIONS COMMITTEE WORK PROGRAMME**

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:-

- (1) the contents of the agenda planning document; and
- (2) that the work plan would be updated to include a report outlining the new Key Performance Indicators (KPIs) which would be submitted to the Committee for approval in June 2023 prior to the introduction of the new KPIs in September, 2023.

The Committee agreed 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 items 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.

**49. FIFE PENSION FUND INVESTMENT UPDATE**

The Committee considered a report by the Head of Finance providing an overview of the Fund's investments at 31st December, 2022. A verbal update of manager monitoring activity and of investment strategy was provided.

**Decision/**

**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 31st December, 2022 after returning 1.8% over the quarter;
- (3) that the Fund was making steady progress towards its target allocations; and
- (4) that longer term absolute returns were strong and relative returns were above both the asset and liability benchmarks.

**50. ANNUAL REVIEW OF SHARED SERVICES AGREEMENT**

The Committee considered a report by the Head of Finance providing an annual review of the effectiveness of the Terms of Reference for the Joint Investment Strategy Panel (JISP) and an update in relation to the shared service arrangement between the Fife Pension Fund (FPF) and the Lothian Pension Fund (LPF) to give assurance of continued progress and benefits of collaboration.

**Decision**

The Committee:-

- (1) noted the outcome of the annual review of the Terms of Reference of the JISP;
  - (2) acknowledged the benefits of collaborative working with Lothian and Falkirk Pension Funds; and
  - (3) endorsed continued collaborative working.
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## **Fife Local Government Pension Board Meeting (Draft)**

Minute of the hybrid Meeting held on Tuesday 28<sup>th</sup> March, 2023 at 1.15 p.m. Committee Room 2, 5<sup>th</sup> floor, Fife House, Glenrothes.

**PRESENT:** Robert Graham, Union Rep (Chair); Ross Hugh, Union Rep (Secretary); Ian Dawson, Union Rep; Gail Dunn, Fife College Employer Rep; Colin Paterson, Union Rep and Cllr Lynn Ballantyne-Wardlaw, Fife Council Employer Rep.

**ATTENDING:** Clare Scott, Independent Professional Observer (IPO) - (left the meeting at 1.35 p.m.)

**APOLOGIES FOR ABSENCE:** Vicky Wyse, Fife Sports and Leisure Trust (FSLT) Employer Rep and Councillor Tom Adams, Fife Council -Employer Rep.

### **1. Declarations of Interest**

No declarations of interest were declared.

### **2. LGPS Committee Decisions**

The Board agreed that there were no decisions made at the Pensions Committee (28/3/23) that they would wish to request a review.

### **3. Minute of the Pensions Committee 13<sup>th</sup> December, 2022**

The Board noted these were approved, no action or comment from Board.

### **4. Minute of the Pensions Board 13<sup>th</sup> December 2022**

The Board noted that matters arising from the minute would be followed up by Committee, specifically items 4 and items 5.

#### **a) Item 4 –**

- Noted the verbal update that 47% members were registered on the self-serve via website; 38% members had provided an email contact address. Board is keen to encourage the Pensions Committee to continue to improve the member engagement and that the communication with members was an important consideration of member satisfaction and transparency of governance.
- Noted also that Pension Board will write an Annual Report as per the revised constitution.

#### **b) Item 5 –**

- Pensions staff will be seeking to provide a copy of documentation sent to any admitted body wishing to exit the scheme. Either a sample copy or a redacted copy will be circulated to the Board. Requires contact with Hymens Robertson and therefore timescale would be reliant on their response.

### **5. Fife Pension Board – revised Constitution**

The Board noted:-

- a) the revised Constitution was approved and arrangements would be made re administrative/secretariat support. Board welcomed the support; and

b)/

- b) the requirement for an Annual Report from the Board.

## **6. Fife Pension Fund Business Plan and Budget**

The Board:-

- a) noted the Pension Fund Business Plan and Budget had been approved. Board would keep a careful watch on the suggestion that Pension Funds might be invested within “Community Wealth Making” or Health and Social Care as examples cited at Committee. Full and proper risk assessment would be required prior to any strategic allocation. Examples of failed examples of such were in the public domain. However, noted that there was no immediate intention by Committee to allocate funds, although the potential to do so remained;
- b) was supportive of the Committee recognising the resource implications with regards to regulatory requirements and that should an increase staffing be required this would be actioned; and
- c) Dashboard - noted that this was delayed and that no timescale for going live indicated, preparatory work has been done in anticipation.

## **7. Pension Administration - Performance Monitoring**

The Board:-

- a) welcomed the progress being made to recruit staff, complete induction, and training. Also, the consideration re. succession planning and skill sharing within and across Pensions team;
- b) noted McCloud judgement and the impact this has on administration, Board noted complexity and the impact on KPI's where third parties were involved in providing information such as Payroll and other employers involved;
- c) noted due diligence re transfers out requests and that there was low volume and low value in terms of the pension profile of members requesting;
- d) noted re pensions forecasts for health-related retirement were complex and could be time consuming, Board was supportive of the need to review KPI in respect of timescales to reflect this;
- e) noted there are generally no requests for pensions forecast due to redundancy presently;
- f) was looking forward to the outcome of the review of KPI's anticipated 23/24 first quarter data; and
- g) noted the report was approved and ongoing monitoring will remain focussed on KPI's noting the suggested 3 tests – Is it the correct KPI? What is the best way to collect data/report? What does the “number” mean in terms of development or monitoring?

**8./**

## **8. Asset Policy Groups and Benchmarks**

The Board:-

- a) noted and welcomed the discussion on ESG and ethical investments, including environmental impact and outcome of the Paris agreement; and
- b) welcomed the potential for “deep dive” analysis/focus on particular asset groups and environmental/ethical impact could be one such area to consider in the future.

## **9. Fife Pension Fund – statement of responsible investment principles**

The Board:-

- a) welcomed the review of the SRIP and noted the changes made to reflect emerging ESG considerations; and
- b) noted that through the collaboration arrangements Committee benefit from shared knowledge and experience.

## **10. Annual Audit Plan**

The Board noted the audit plan, including the increase in audit fees 12.5%.

## **11. Internal Audit Plan 2022/23**

The Board welcomed:-

- a) the report and positive outcomes, noted reference to training needs analysis and relevance of training; and
- b) the future review of training under pension regulations, code of practice 14. Board very much aware of the need for Committee and Board to maintain training records and noted positively the efforts to match the TNA to the workplan.

## **12. Risk Management**

The Board:-

- a) noted updated risk management and welcomed the use of “yellow highlighting” to indicate measures which had altered; and
- b) welcomed focus on cyber security and the progress made on succession planning re staffing resource and the completion of the revised Constitution for the Board.

## **13. Pensions Committee Work Plan**

The Board:-

- a) noted work plan and arrangements in place to schedule work and reports;
- b) noted work on the review of the KPI's would be brought forward to June to complete the review for September meeting; and
- c) welcomed the work plan and potential to schedule training opportunities in advance to raise awareness and knowledge prior to committee meetings/reports.

14./

#### **14. Pension Fund Investment Update (Private report)**

The Board:-

- a) noted the update and awareness of the RAG status used against the JISP allocations; and
- b) welcomed the potential for “policy group reports” which better reflect the history and would also potentially be subject to deep dive analysis/monitoring.

#### **15. Shared Services (Private Report)**

The Board:-

- a) welcomed the report re shared services and noted the “savings” realised;
- b) noted the positive role of the IPO and the management of conflict of interest with regards to the collaboration visa viz investment advice through Lothian; and
- c) minded to ask for risk assessment, impact assessment re the future merging of the Lothian and Falkirk Pensions Schemes and how this may potentially affect Fife.

23 June 2023

Agenda Item No. 4

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## **Update on 2022/23 Fife Pension Fund Internal Audit Plan and 2022/23 Issued Audit Reports**

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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 2022/23 Pension Fund Internal Audit Plan as well as a summary of findings from the Internal Audit Reports 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 2022/23 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 2022/23 financial year was approved at the Pensions Committee on 26 September 2022.

## 2.0 Update on 2022/23 Audit Plan

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- 2.1 Fife Pension Fund's 2022/23 Internal Audit Plan has been completed. The final update report is included at Appendix A.
- 2.2 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, the Service Manager, Audit and Risk Management Services, prepares a summary of the Pension Fund Audit Reports issued by Audit Services at Appendix B.

### List of Appendices

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- A. Progress Report on the 2022/23 Fife Pension Fund Internal Audit Plan
- B. Summary of Issued Audit Reports

### Report Contact:

Carolyn Ward

Audit Team Manager, Audit and Risk Management Services

Email – [carolyn.ward@fife.gov.uk](mailto:carolyn.ward@fife.gov.uk)

## 2022/23 Fife Pension Fund Internal Audit Plan – Progress Report

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Complete / Pensions Committee Date
2022/23 INTERNAL AUDIT PLAN		Proposed Coverage			Status 23/06/23
Cyber Security	Review of the arrangements in place to ensure that the risk of cyber-crime is being appropriately mitigated.			23/06/23	
Risk Management Arrangements	Review of Fife Pension Fund's risk management arrangements against recognised good practice.			23/06/23	
Follow – Up Review (Training and Resources, Report P5)	Review undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented.			28/03/23	
Post Audit Reviews (PARs)	Completion of the PAR exercise, whereby formal assurances are obtained from management that internal audit recommendations have been implemented.			13/12/22	
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.			Complete	
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.			Complete	

SERVICE, REPORT AND PURPOSE	SUMMARY OF PENSION FUND AUDIT REPORTS
<p><b>1. Fife Pension Fund</b></p> <ul style="list-style-type: none"> <li>• Cyber Security (Report P01/22)</li> </ul>	<p>This audit reviewed the arrangements in place to ensure that the risk of cyber-crime is being appropriately mitigated by Fife Pension Fund.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 3</li> <li>• System Materiality         Grade 5</li> <li>• Overall Risk                   High</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• The quarterly risk review process completed by the Pension Fund Governance group and flows of cyber risk management information, from the Council’s Business Technology Solutions Team to the Pensions Committee have not been formally documented. Additionally, we have been advised that the risk acceptance process, as documented in the Risk Management Manual, is applied on an informal, ad hoc basis.</li> <li>• We have been advised that Fife Council’s information and cyber security policies and procedures are currently under review, however a draft document has been provided. The aim of the review is to move away from one overarching document to multiple policies that are easier to maintain and keep up to date.</li> <li>• Although we have been advised that some monitoring is currently taking place within the Council, procurement for a managed SOC (Security Operations Centre) is currently underway.</li> <li>• Outwith the services provided by Heywood, including data sharing portals which the Pension Fund are required to use, assurances are not received regarding the cyber security controls in place.</li> <li>• The Pension Fund’s BCP was last reviewed in February 2019 and was approved by a previous manager.</li> <li>• While some of the key roles and responsibilities regarding incident response have been documented in the Council’s Cyber Incident Response Plan (CIRP), these are currently being reviewed following the SEPA incident and will have to be considered if a managed SOC is introduced. Additionally, the Pension Fund advised it is not clear who they would report a data breach to within Fife Council or the process for reporting externally if required.</li> <li>• Fife Council’s Service Manager - Solutions &amp; Service Assurance has advised that there</li> </ul>



	<p>are no cyber incident playbooks for the Council / Pension Fund.</p> <ul style="list-style-type: none"> <li>• We have been advised that there has not been testing of the Pension Fund's cyber incident response capability. BTS advised that there has historically not been a lot of testing regarding cyber response within Fife Council. However, formal lessons learned are being put together following the March emergency resilience exercise.</li> <li>• There is not a formal process for disabling Altair accounts following users leaving the Pension Fund or moving elsewhere within the Council.</li> </ul> <p>Satisfactory actions have been agreed to address the 4 recommendations (2 Substantial, 2 Moderate) by 31 December 2023.</p>
<p><b>2. Fife Pension Fund</b></p> <ul style="list-style-type: none"> <li>• Risk Management Arrangements (Report P02/22)</li> </ul>	<p>This audit reviewed Fife Pension Fund's Risk Management Arrangements against recognised good practice.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 3</li> <li>• System Materiality           Grade 5</li> <li>• Overall Risk                    High</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• The Risk Management Manual has not been reviewed in line with its scheduled target review date of March 2022. Some information in the Risk Management Manual requires to be updated to reflect current working practices e.g. reference to the Independent Professional Observer and the frequency of reporting to Pensions Committee.</li> <li>• Whilst Risk Appetite has been articulated at a risk group level, it would assist with corresponding decision making if the appetite was established at an individual risk level.</li> <li>• Where Horizon Scanning methodology is being used to identify new / evolving risks, decisions and actions are not formally recorded.</li> <li>• Whilst a Risk Register has been established for Fife Pension Fund within Pentana, it is not always maintained within the system and, currently, full system functionality is not being exploited e.g. management reporting and risk prioritisation.</li> <li>• Of the 19 risks in the Risk Register, there are 9 where controls have been assessed as partially effective. Corresponding actions, to assist with driving forward improvement in relation to these controls, have in general not been established in Pentana.</li> </ul>

	<ul style="list-style-type: none"> <li>• Fife Council is in the process of enhancing its risk assessment methodology for impact. Whilst Fife Pension Fund is currently utilising an appropriate 5 x 5 Matrix to score each of its risks, the potential benefits of adopting and adapting the new Fife Council matrix should be considered.</li> <li>• Although some high-level risk training has been provided for members of the Pensions Board / Committee and key staff with risk management responsibilities, a training plan has not been developed with clear links to the Training Needs Assessment outcomes that highlight the need for risk management training.</li> </ul> <p>Satisfactory actions have been agreed to address the 7 recommendations (5 Substantial, 2 Moderate) by 31 March 2024.</p>
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23 June 2023

Agenda Item No. 5

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## Cost Transparency & 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 Strategy Panel 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 2021-22

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- 2.1 All bar one of Fife Pension Fund managers provided completed CTI templates. Of the templates provided by the managers all but 8 were provided in time for inclusion in the 2021-22 Annual Report and Accounts with an additional 4 managers providing a revision to their template later in the year. Some managers are only able to provide calendar year information in time for inclusion in the draft annual accounts but provide the full financial year information later in the year which is in time for inclusion in the CEM Benchmarking return. A CTI template has not been provided for the funds managed by LPFI, instead costs are disclosed in the invoice process. However, it is the intention that CTI templates will be provided for these funds moving forward.

- 2.2 The table below summarises the management costs incurred for the previous 3 years.

	2019-20	2020-21	2021-22
	£m	£m	£m
Management Fees	8.212	8.929	10.661
Performance Related Fees	1.387	2.399	1.445
Custody Fees	0.484	0.184	0.115
Transaction Costs	3.566	3.346	4.106
	<b>13.649</b>	<b>14.858</b>	<b>16.327</b>

- 2.3 The Management Fees 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.

- 2.4 To aid transparency, the Fife Pension Fund has traditionally asked the Investment Managers to provide this information at the end of each financial year and disclosed these amounts along with the direct fees to give a total management cost at the end of each financial year. The table below summarises the indirect fees included for the previous 3 years.

	£m
2019-20	6.630
2020-21	8.856
2021-22	10.171

- 2.5 Analysis of the fees would indicate that although there are movements year on year the majority of these are in indirect fees which reflects the implementation of the investment strategy. There are movements in transaction costs, which reflect the investment decisions in the course of the day-to-day management, and 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 9 other LGPS Funds and 8 other funds with total assets ranging from £1.9 billion to £6.5 billion. The median size in the peer group is £3.1 billion compared with Fife Pension Fund assets of £3.4 billion as at 31 March 2022
- 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 2022 of approximately 0.41% of average assets were below the benchmark cost of 0.48%. The difference amounts to costs below benchmark of £2.0m for the year to 31 March 2022.
  - 3.6 CEM concluded that Fife's investment costs were below benchmark primarily due to paying less for private market assets, offsetting the greater expense of investing in more fund of funds vehicles than peers.
  - 3.7 The analysis indicated that Fife Pension Fund had a net total 8-year return of 9.1% which was above the LGPS median of 8.8% per annum, and in the 68<sup>th</sup> percentile of the CEM LGPS fund universe of 30 funds.
  - 3.8 CEM results were reported to the March Joint Investment Strategy Panel where comparison with risk was considered. In the context of risk, Fife's 8-year net return was achieved with a higher level of risk (10.8%) than the median LGPS return which was achieved with an annualised standard deviation of 10.0%.
  - 3.9 Given the aforementioned 8-year return and risk figures (at 3.7 and 3.8) Fife's 8-year return/risk ratio (units of return generated per unit of risk) was 0.84 close to LGPS median 8-year return/risk ratio of 0.88.
  - 3.10 Costs for the year to 31 March 2022 of 0.41% have fallen since 2014/15 from 0.68%. CEM concludes the movement of 0.27% is as a result of changes to asset mix and implementation approach. CEM also report that the median cost of the CEM LGPS universe of 30 funds for the year to 31 March 2022 is 0.83%. These points suggest that the Fund is delivering its investment returns at good value for money relative to the CEM LGPS universe.
  - 3.11 Whilst Cost Transparency and Benchmarking against peer groups is beneficial and helps employers and Pension Committees investigate and understand their respective fees and costs, care should be taken in deriving conclusions from the headline data. CEM states that "being high or low is neither good nor bad". What matters is whether a pension fund is receiving sufficient value for the costs incurred. This is reflected in the long term returns of pension funds, net of costs.
  - 3.12 It worth highlighting that when undertaking the benchmarking exercise CEM do not include Transaction Costs, therefore they are measuring Management and Performance fees along with Oversight, Custody and other costs. The Cost Transparency section of this report includes Transaction Costs.

## 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.

- 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 2021-22 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 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.

## **List of Appendices**

### **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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23 June 2023

Agenda Item No. 6

## Pension Fund Training and Development

Report by: Elaine Muir, Head of Finance

Wards Affected: All

### Purpose

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The purpose of this report is to review performance and progress in respect of implementation of the training policy for members of the Pensions Committee and Fife Pension Board, and to highlight the requirement for all pension committee and board members to undertake the Pension Regulator online learning toolkit.

### Recommendation

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The Committee is asked to:

- 1) Note that a varied training programme has been provided over the last financial year on a range of topics
- 2) Note the requirement for members of Committee and Board to meet the minimum level of 14 hours training ; and
- 3) Agree to undertake the required level of training and provide details of doing so, including the Pension Regulators toolkit.
- 4) Note that options in respect of adherence to the training policy will be considered at a future meeting.

### Resource Implications

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Attendance at industry events and conferences may incur costs, as might invitation of professional advisers and industry experts speaking at internal events. These costs will be funded by the Pension Fund.

### Legal & Risk Implications

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There are risks associated with elected members making decisions without suitable training. Committee and board members are required by the regulator to attend training in line with the Pension Fund's agreed training policy. Training is a Compliance Standard on the Governance Compliance Checklist and will be recorded as partially compliant in the Annual Report.



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

### 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 Background

- 1.1.1 The desirability of pension fund decision making being overseen by persons with relevant skills, knowledge and understanding is referenced and documented in various regulations and guidance including Myner's Principles and The Pensioner Regulator Code 14.
- 1.1.2 To assist with this and to support members a training policy was developed in 2019.
- 1.1.3 Training and development is also a key principle of the Governance Compliance Statement, at this time the fund is partially compliant with this principle. This will be included in the Annual Report and Accounts.

### 1.2 Policy approved 2019

- 1.2.1 A report on the training policy for members of the then Superannuation and Pension Fund Committee and Fife Pension Board was considered and approved at its meeting in May 2019.

The policy stipulated that :

*New members of the Pensions Committee and/or Pension Board will be offered induction training by Scheme Manager when taking up their role. This training will provide an overview of the structure and operation of the Fund.*

*Members of the Pensions Committee and Pension Board will also be required to undertake no less than two days (14 hours ) of training in each financial year. This training obligation will be met through the following:*

- *Internal training events designed specifically for this purpose and to cover a range of pension administration and investment matters.*
- *External events for Funds' stakeholders, such as the annual employer seminar and finance briefing.*
- *Seminars and conferences offered by industry wide bodies, such as the LAPFF, LGC and NAPF.*

- *Seminars and training events offered by the Fund's external professional advisers, investment managers and other service providers.*
- *Online training, including that provided by the Pensions Regulator (e.g. the Pensions Trustee and Public Service Schemes/Toolkits).*
- *Other training deemed appropriate by the Scheme Manager from time to time.*

*In designing a programme of training for the members of the Pensions Committee and the Pension Board the Scheme Manager will have regard to the Pensions Regulator's codes of practice and guidelines, the CIPFA Guidelines on the Principles for Investment Decision Making in the Local Government Pension Scheme and the CIPFA Knowledge and Skills Framework issued from time to time.*

*Members of the Pension Board may be required to attend further specific training which will focus on any regulatory, legislative or other technical updates which they should be aware of in the performance of their compliance role.*

- 1.2.2 Previously the approach to training requirements had been on a flexible basis with the needs of the Committee and Pension board being provided for on a more ad-hoc basis. Training was offered but it was up to the individual if they wished to attend or otherwise.

### **1.3 Update to Policy**

- 1.3.1 During 2020 a Training Needs Assessment (TNA) was carried out to assess the topics to be delivered as part of a training programme. Based on the TNA a revised approach to training was adopted.

### **1.4 Approach Adopted**

- 1.4.1 In view of the new ability to work remotely, the training needs assessment and complex committee reports, a tailored approach to training has been developed.
- 1.4.2 The approach adopted is to provide a series of internal training events to be scheduled in advance of Committee meetings. These sessions will be delivered by both the Fund's external and professional advisers e.g. Lothian Pension Fund, Hymans Robertson, CMS, officers and other external experts.
- 1.4.3 It is intended that the sessions are provided in advance of Committee meeting and will cover more in-depth topics that are being considered at Committee.
- 1.4.4 Dates are scheduled in advance and are scheduled in line with the Committee workplan. Attendance at these events will contribute towards the minimum training requirement of 14 hours.
- 1.4.5 In addition, details of industry wide conferences and events will continue to be shared with members as well as invitations to events organised by the funds external advisers.
- 1.4.6 It has previously been agreed that all members of the new Committee and all members of the Board complete the Pensions Regulator toolkit. This is a mandatory requirement with completion expected within a 6 month time period of the first new Committee date. Individuals are expected to demonstrate completion by sharing the

completion certificate with the Head of Finance. The Toolkit can be accessed from this link [Public Service toolkit online learning | The Pensions Regulator](#)

- 1.4.7 The Scottish Scheme Advisory Board (SAB) recognises the importance of training board members in its Annual Report and is also committed to developing training for board members in the future work programme. This may be an additional opportunity for Pension Board members to increase their hours of relevant training each year.

## 2.0 Training

### 2.1 Training Provided 2022-23

- 2.1.1 In line with the agreed approach, during the last financial year a number of training sessions have been provided to committee and the Board as follows;

Training Date	Topics Covered
23 June 2022, 23 <sup>rd</sup> November and 23 <sup>rd</sup> March 2023	<ul style="list-style-type: none"> <li>• Induction Training</li> </ul>
30 August 2022	<ul style="list-style-type: none"> <li>• Roles and Responsibilities – Pension Committee and Board</li> <li>• Audit and Risk</li> <li>• LGPS Fiduciary Duty</li> <li>• Statement of Investment Principles</li> </ul>
01 December 2022	<ul style="list-style-type: none"> <li>• Funding Strategy Statement and Funding Update</li> <li>• Annual Accounts and Annual Report 2021-22</li> <li>• Walkthrough of Investment Report</li> </ul>
07 March 2023	<ul style="list-style-type: none"> <li>• Cyber Risk Management Audit</li> <li>• Responsible Investment and Climate Change</li> <li>• Strategic Benchmarks</li> </ul>

These were provided using Microsoft Teams with higher attendance than some events in the past and good interactive participation. Where possible sessions were recorded.

- 2.1.2 Training sessions have been scheduled for 2023-24 and will cover areas such as Actuarial Valuation, more in depth consideration of policy groups and investment performance, currency hedging and the upcoming Investment Strategy.
- 2.1.3 Evaluation of each internal training event was carried out using MS Forms and the results shared with the Committee and Board.
- 2.1.4 The evaluations completed by training attendees will help inform how future training sessions are delivered and help shape the content.

- 2.1.5 To date the feedback has been positive with the majority of members agreeing that the session did increase their knowledge and they felt better informed to consider the report at the forthcoming committee meetings. The evaluations highlighted areas for improvement around complex areas where pre-reading materials could be provided, and glossary of terms and acronyms was requested.
- 2.1.6 The use of MS Teams is supported, however, recording of the sessions has been requested, this can be arranged for future sessions. Comments were also received around the length of the sessions being 3 hours and if this could be reduced with more frequent sessions dependent on the topics.

## 2.2 **Recording of Attendance**

- 2.2.1 It is the responsibility of members to record details of attendance at external seminars and events and pass these to Members Services who maintain records of elected members attendance at events. Progress in relation to meeting the training requirements will be reported to the committee each year.
- 2.2.3 Details of attendance at training events in 2022-23 are attached as Appendix 1 and summarised as follows:

<b>Member</b>	<b>Hours Completed</b>	<b>Balance Outstanding</b>	<b>TPR Toolkit (Y/N)</b>
Cllr Alexander (appointed Jan 23 – pro rata 3.5 hrs )	4	+0.5	N
Cllr Davidson	0	14	N
Cllr Dempsey	22.75	+8.25	Y
Cllr Dillion	7.25	6.75	N
Cllr Mowatt	13.25	0.75	Y
Cllr Neal	10.25	3.75	N
Cllr Patrick	4.25	9.75	N
Cllr Pryde	20.25	+6.25	Y
Cllr Tepp	14.25	+0.25	Y
<b>Fife Pension Board</b>			
Cllr Adams	6.25	7.75	N
Cllr Ballantyne- Wardlaw	17.75	+3.75	Y
Ian Dawson	7.25	6.75	N
Gail Dunn (appointed Oct 22- pro-rata 5 hrs)	5.83	+0.83	N

Robert Graham	21.75	+7.75	Y
Ross Hugh	10.25	3.75	N
Colin Paterson	14.5	+0.5	Y
Vicki Wyse	10.25	3.75	N

According to the information shared with Members Services, four members of the Committee and four members of the Board have met the minimum time requirement of 14 hours per annum. It should be noted that this has been prepared based on the information received and it may not include training that has been undertaken but Members Services have not been informed. Members are reminded to prioritise their attendance at training sessions wherever possible and to provide details of training undertaken.

- 2.2.4 It is recognised that some external training dates can clash with other Committee dates. By providing more internally organised training opportunities, cognisance is taken of major meeting dates to avoid clashes and give the best opportunity for attendance. Dates have already been scheduled for the 2023-24 in line with the agreed Committee dates.
- 2.2.5 Including the induction training, a total of 10.25 hours were offered to the Committee and Board as internal events, a further 4 hours could be achieved by completing the TPR toolkit.
- 2.2.6 To date four members of the Committee have advised that they completed the TPR toolkit within the timescales, with three members of the Board advising they have completed the toolkit.
- 2.2.7 Completion of the toolkit is mandatory per the approved training policy, therefore the Committee and Board are not demonstrating full compliance which will be reflected in the Governance Compliance Statement. To date no sanctions have agreed as a result of non-compliance.
- 2.2.8 Non-compliance with the policy is currently being raised with the relevant members to explore whether the approach to training suits members needs. Feedback from this exercise will be considered and options explored. In addition, this report is being shared with each of the group leaders for awareness.
- 2.2.9 One option might be to provide further support in direction of the training to be undertaken. Consideration could also be given to whether it is appropriate that sanctions be introduced. Options could include setting time limits or tolerances. Further, an additional option might be removing the member from Committee and/or Board. These are some of the possibilities that could be explored and brought back for consideration by the Committee at the next review of the policy.

## 3.0 Training Requirements

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- 3.1 Induction training is provided to all new Committee and Board members. Throughout 2022-23, three sessions were delivered.

- 3.2 In order to establish the training requirements of all members, a Training Needs Assessment (TNA) was carried out to assess the needs of the Committee and Board and help prioritise training to increase the level of knowledge and skills across the range of required topics. This will be used to development a training plan for all the Committee and Board.
- 3.3 The TNA highlighted that the majority of respondents had some knowledge of Pensions, however, there were a number of areas highlighted where respondents felt training would be appropriate. These include the Valuation Process, relationships with Employers, Administration and Communication policies, Investment including Responsible Investment. Risk and procurement were also highlighted. Because the outcome of the TNA suggested a wide range of range needs existed, the Training Policy was adapted to incorporate in-house quarterly training sessions dealing with the most pressing topics in the committee cycle and also with a focus on the most significant risk within the Pension Fund risk register. This approach has been rolled out and participation and feedback has been relatively positive.
- 3.4 To compliment training events, an MS Teams site has been set up and all relevant materials have been saved there. Further work is required to develop a knowledge library handbook of key documents for use by the Committee and Board. It is likely that the new TPR single code will contain details of the materials that governing bodies should be familiar with, development of a knowledge library will assist with this requirement.

## 4.0 Committee Attendance

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- 4.1 In addition to monitoring attendance at training events, detail of attendance at Committee meetings is also recorded. This is detailed in the table below:

Member	No of Meetings attended
Cllr Alexander (appointed Jan 23)	1
Cllr Davidson	2
Cllr Dempsey	5
Cllr Dillion	5
Cllr Hoggan-Radu (resigned)	2
Cllr Mowatt	5
Cllr Neal	5
Cllr Patrick	5
Cllr Pryde	5
Cllr Tepp	5

<b>Pension Board</b>	
Cllr Adams	2
Cllr Ballantyne-Wardlaw	5
Ian Dawson	5
Gail Dunn (appointed Oct 22)	3
Robert Graham	5
Ross Hugh	5
Colin Paterson	3
John Wincott (resigned)	1
Vicki Wyse	3

## 5.0 Conclusions

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- 5.1 A training policy was approved by Committee in May 2019 and further refined and updated in 2021.
- 5.2 Training has been provided in line with the approved approach.
- 5.3 The introduction of a new Committee means further Training Needs Analysis will be carried out and that all members must complete the TPR Toolkit within 6 months.
- 5.4 A knowledge library will be developed to compliment training provided.

### Background Reports

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## PENSION COMMITTEE AND BOARD TRAINING RECORD 2022-23

Name	Induction Training	Pensions Regulator Toolkit 7 Modules (3.5hours) To Be Completed by 31st December, 2022	TPR Toolkit Pensions Scams Module (3.5 hours)	Pension Fund Training (3 hours) Tuesday 30th August 2022	LGC Investment Seminar (8hrs presentation + discussion) Thursday 20th or Friday 21st October 2022, 1pm	Baillie Gifford LGPS Seminar Thursday 9th & Friday 10th November 2022	Pension Fund Training (2 hours) Friday 1st December 2022	Pension Committee/ Board Training (3 hours) 7th March, 2023	UNISON Mtgs and Seminar Various Dates	Total Hours
	Duration Attended	Duration	Duration	Duration Attended	Duration Attended	Duration Attended	Duration Attended	Duration Attended	Duration Attended	Duration Attended
<b>Member</b>										
David Alexander	1	0	0	0	0	0	0	3	0	4
Colin Davidson	0	0	0	0	0	0	0	0	0	0
Dave Dempsey	2.25	3.5	3.5	3	8	0	2	3	0	25.25
Sean Dillion	2.25	0	0	0	0	0	2	3	0	7.25
Stefan Hoggan-Radu (resigned)										
Lynn Mowatt	2.25	3.5	3.5	3	0	0	1	3	0	16.25
Sarah Neal	2.25	0	0	3	0	0	2	3	0	10.25
Nicola Patrick	2.25	0	0	0	0	0	2	0	0	4.25
Gordon Pryde	2.25	3.5	3.5	3	0	6	2	3	0	23.25
Jonny Tepp	2.25	3.5	3.5	3	0	0	2	3	0	17.25
<b>Pension Board</b>										
Cllr Tom Adams	2.25	0	0	1	0	0	0	3	0	6.25
Cllr Lynn Ballantyne-Wardlaw	2.25	3.5	0	3	4	0	2	3	0	17.75
Ian Dawson	2.25	0	0	3	0	0	2	0	0	7.25
Gail Dunn	1.3	0	0	0	0	0	1.5	3	0	5.8
Robert Graham	2.25	3.5	0	3	4	4	2	3	0	21.75
Ross Hugh	2.25	0	0	3	0	0	2	3	0	10.25
Colin Paterson	0	3.5	0	0	0	0	2	3	6	14.5
John Wincott (resigned)										
Vicki Wyse	2.25	0	0	3	0	0	2	3	0	10.25



23 June 2023

Agenda Item No. 7

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## External Quality Assessment (EQA) of Fife Council's Audit Services

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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, a report by Aberdeenshire Council's Chief Internal Auditor on the EQA of Fife Council's Audit Services.

### Recommendation(s)

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Members are asked to note the content of the EQA report, which was submitted to Fife Council's Standards, Audit and Risk Committee meeting on 25 May 2023, at Agenda Item No. 4 via this link - [Agenda & Papers for Meeting of Standards Audit & Risk Committee of 25 May 2023 \(fife.gov.uk\)](#).

### Resource Implications

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None.

### Legal & Risk Implications

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There is a risk that the Council's Internal Audit Service may not conform with the Public Sector Internal Audit Standards (PSIAS) as required by relevant legislation.

### Impact Assessment

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An Equality Impact Assessment is not required because the report is not proposing a change or revision to existing policies and practices.

### Consultation

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Fife Council's Chief Executive, Executive Director of Finance and Corporate Services, the Council Executive Team, Head of Finance, Head of Legal and Democratic Services and the Convener / Vice Convener of the Standards, Audit and Risk Committee have been consulted on the content of this report.

## 1.0 Background

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- 1.1 The Public Sector Internal Audit Standards (PSIAS), which came into effect from 1 April 2013, revised from 1 April 2017, apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services.
- 1.2 Professional Standard 1300, Quality Assurance and Improvement Programme (QA&IP) states that “the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity”. In the context of Fife Council, the “chief audit executive” is the Service Manager, Audit and Risk Management Services. To conform with the PSIAS, the QA&IP must enable evaluation of Audit Services’ conformance with the standards in the PSIAS (including the Definition of Internal Auditing and Code of Ethics), include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outside the organisation, and help identify opportunities for improvement.

## 2.0 Peer Review Process

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- 2.1 To assist its members to meet the five-yearly external assessment requirement, the Scottish Local Authorities Chief Internal Auditors’ Group (SLACIAG) established a collaborative system of formal peer reviews. The peer review process not only assists with ensuring that independent assessors, and their teams, have appropriate knowledge and experience of the local government internal audit environment but also removes the financial burden from councils, associated with procuring these services externally.
- 2.2 The allocation of assessors / assessment teams to councils participating in the peer review process was undertaken autonomously, ensuring that, amongst other governing principles, local authorities with perceived / known conflicts of interest could not review one another. At the outset, assessors were required to formally declare any interests so that these could be appropriately addressed during the allocation process.
- 2.3 To support the peer review process, SLACIAG developed a comprehensive External Quality Assessment (EQA) framework, including an EQA Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note (EQA Checklist) and a key Stakeholder Questionnaire proforma.
- 2.4 Fife Council’s Audit Services has just received its second EQA, under the above arrangement, delivered by Aberdeenshire Council’s Chief Internal Auditor. The findings from that exercise, along with the overall conclusion and one recommendation, can be found in the EQA report, submitted to Fife Council’s Standards, Audit and Risk Committee on 25 May 2023, at Agenda Item No. 4 via this link - [Agenda & Papers for Meeting of Standards Audit & Risk Committee of 25 May 2023 \(fife.gov.uk\)](#).

## 3.0 Conclusions

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- 3.1 The overall conclusion from the EQA is that Fife Council’s Internal Audit Service fully conforms with the PSIAS. One area for improvement surrounding the formal assessment of staff skills and competencies relating to Attribute Standard 1200 – Proficiency and Due Professional Care has been agreed with the Service Manager, Audit and Risk Management. The Action Plan can be found on page 16 of the EQA report at Appendix A.

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23 June 2023

Agenda Item No. 8

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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 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**

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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 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 March. Since that time the register has been reviewed by the Pensions Governance Group at its meeting on 04 May 2023. 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

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- 2.1 The following grids provides 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

- 2.2 There are currently 10 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 considered and forms part of team workplans and is discussed quarterly at the Pensions Governance Group as well as being considered by the Pensions Committee.
- 2.3 Comparison of the current scores with the previous quarter demonstrates that following review, the current risk score has increased for two risks, i.e., Failure to process pension payments and lump sums on time and failure of global custodian moving from a score of 4 to 6 and from 4 to 8 respectively, to reflect the current position. The score has reduced for one risk i.e., Committee and Board do not adhere to governance arrangements, from 8 to 4 Overall, there is one risk that has moved from yellow to amber i.e. low to medium.

- 2.4 Since the last report some of the risks have been expanded to reflect the current situation and the status of some areas of work at this time. The risk score has also been updated to reflect these circumstances. Details are as follows:
- **Failure to process pension payments and lump sums on time**  
The internal controls have been updated to reflect that Business Continuity plans for the Pensions Team require to be updated. Although a risk, the likelihood remains at “unlikely” due to the range of other controls in place.
  - **Inability to keep service going due to loss of main office, computer system or staff.**  
The internal controls have been updated to reflect that Business Continuity plans for the Pensions Team require to be updated. Although a risk, the likelihood remains at “unlikely” due to the range of additional controls in place.
  - **Failure of Global Custodian**  
Two of the internal controls associated with this risk are not considered fully effective at this time. The annual review meeting for 2023 with Northern Trust will be used to consider these as well as establishing a process for monitoring and evaluating the credit rating arrangements.
  - **Committee and Board governance arrangements**  
The risk score has improved following the approval of the Pension Board Constitution at the last Committee Meeting.
- 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 and due for completion by 30 September 2023.
  - Development work on controls associated with the maintenance of Altair is also being progressed and forms part of the recommendations included in a recent audit report on Pensions Contributions.
  - Staffing training and provision of training is currently considered as partially effective at this time. This reflects the fact that following a recent recruitment process that newly recruited team members staff will require training for a period of time.
- 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 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 risk 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 May 2023.

- 2.9 Risk Management and Cyber Risk in the Pension Fund have been the subject of two recent audits with the summaries being included within a report on this agenda. The actions identified throughout the audit process have been helpful and will help improve the overall approach to risk management and reporting arrangements for the Pension Fund. Regular updates on progress will be included in this quarterly report.
- 2.10 Developments in relation to the presentation of the risk register are currently being considered. Work is under way to improve the Pentana system where the risk register is held and recorded and it is expected that the developments will help improve the presentation and the automation of reporting for the Pension Fund.
- 2.11 In relation to emerging or potential new risks, it is worth highlighting that this is discussed by Fund Officers quarterly in the Pensions Governance Group meeting. However, the recent audit of risk management has highlighted that this horizon scanning should be formalised and recorded. This recommendation has been agreed and will shortly be documented following these discussions. Equally, if any new or emerging risks are discussed during the committee these will also be captured, recorded and considered.

## 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 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

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Key - Risk Status	
	High
	Medium
	Low
	Insignificant

Key - Effectiveness of Internal Control	
	Not Effective
	Partially Effective
	Fully Effective

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 Pension Fund activities		6	3	4 May 2023
					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	04 May 2023
					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.				
<b>Financial Consequences</b>	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 returns Significant increases in longevity, etc.	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	04 May 2023
					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				
					Full Actuarial Valuation undertaken every 3 years.				
					Ongoing advice from investment consultants etc				
					Regular monitoring of cash flow				
<b>Financial Consequences</b>	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 Pension Fund activities		6	4	04 May 2023
					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	04 May 2023
					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.				
<b>Financial Consequences</b>	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	Fund matures more quickly	Scheme liabilities increase disproportionately as a result of	Elaine Muir	6	Ongoing communication with employers		3	3	04 May 2023
					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.				

collapse of private contractors and other bodies admitted into the Fund.  Employers wishing to cease participation in the scheme		increased longevity, falling bond yields, changing retirement patterns, etc.			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>Financial Consequences</b>	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	04 May 2023
					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	✔			
							✔	✔	
<b>Financial Consequences</b>	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		8	4	04 May 2023
					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>Financial Consequences</b>	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	04 May 2023
					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				
<b>Financial Consequences</b>	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  Not actioned McCloud remedy in time	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		9	2	04 May 2023
					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				
<b>Financial Consequences</b>	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	04 May 2023
					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  Records not updated in time for McCloud remedy and underpin	Poor or non-existent notification of by employers of new starts, amendments, leavers, etc.	Laura C Robertson	9	Robust maintenance and update of Altair		9	3	04 May 2023
					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	04 May 2023
					Strategic Investment advice from Independent Advisors				
					Consultation with Peer Groups				
					Attendance at training events				
<b>Financial Consequences</b>	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	04 May 2023
					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	16 Feb 2023
					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	
Committee and Board do not adhere to governance arrangements in place such as being quorate, Terms of Reference and appropriate Board Constitution  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: • 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	04 May 2023
					Committee Workplan				
					Virtual Meetings				
					Committee dates agreed in advance				
					Pension Board Constitution				

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. <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>				
					Certificates of compliance with Cyber Essentials scheme and ISOs from Software suppliers				
					Cloud Hosting				
					Cyber Essentials Training				
									
<b>Financial Consequences</b>	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	04 May 2023
					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				
<b>Financial Consequences</b>	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	
<b>Inflationary Increases</b>	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	04 May 2023
					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				
<b>Financial Consequences</b>	Moderate								

23 June 2023

Agenda Item No. 9

## **Pensions Committee Workplan**

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.

### **Recommendation(s)**

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The Committee is asked to:-

1. Consider and comment on the agenda planning document.

### **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.

Pension Committee Workplan 2023-24							
Report Title	Report Category	Committee Dates					
		30 Jun-23	14 & 28 Sept-23	30-Oct-23	14-Dec-23	28-Mar-24	30 May & 28 Jun-24
<b>Administration</b>							
Pension Administration Performance Monitoring Report	Administration	x	x		x	x	x
Review of Administration Strategy	Administration						x
Transfer In Criteria	Administration		x				
<b>Funding</b>							
Actuarial Valuation - Preliminary Results, Strategy modelling outcomes	Funding		x				
Actuarial Valuation - Summary of Employer Results	Funding				x		
Actuarial Valuation - Final Valuation Report	Funding					x	
Draft Funding Strategy Statement	Funding				x		
Revised Funding Statement Strategy	Funding					x	
<b>Governance</b>							
Fife Pension Fund Business Plan and Budget	Governance					x	
Fife Pension Fund Annual Report and Accounts - TBC	Governance	x					x
Annual Audit Report by External Audit - TBC	Governance						
Pension Fund Budgetary Control - Projected Outturn	Governance				x		
Update on Fife Pension Fund Business Plan	Governance		x		x	x	x
National Fraud Initiative	Governance				x		
Communication Policy	Governance				x		
Update on Annual Audit Plan and Summary of Reports	Governance					x	
Post Audit Review Report	Governance				x		
Annual Internal Audit Report	Governance	x				x	
Annual Governance Statement	Governance	x					x
Training and Development	Governance						x
Audit Plans (Internal and External)	Governance	x				x	
<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	
Investment Strategy - TBC	Investment						x
CEM Benchmarking and Cost Transparency	Investment					x	
<b>Risk</b>							
Risk Management Update	Risk		x		x	x	x



- 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 2023, September 2023, and May 2024. These meetings have been scheduled to give the flexibility to manage the volume of business over two meetings. The split of agenda items across the meetings has yet to be determined.
- 2.3 A committee meeting has also been scheduled for 30<sup>th</sup> October 2023. This is a contingency arrangement should the annual accounts and audit report not be completed in time for consideration at the meeting on 28<sup>th</sup> September 2023. In this event the meeting on 28<sup>th</sup> September will be cancelled.
- 2.4 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.

## 3.0 Conclusions

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- 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 Update on Fife Pension Fund Business Plan	Quarterly
Bi annual	Fife Pension Fund Budgetary Control	December June (outturn in Accounts)
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 (deferred 2023) March June June June June June June June June June September September  December
Every 3 years	Actuarial Valuation Updates Actuarial Valuation Funding Statement Strategy Investment Strategy Administration Strategy	Sept/Dec 2023 March 2024 Dec 23/ March 2024 June 2024 June 2024
As required	Audit Reports (Internal) Policy Reviews Currency Hedging	