

## Pensions Committee

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



Tuesday 24 September 2024 - 10.00 am

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### AGENDA

Page Nos.

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest(s) in particular items on the agenda and the nature of the interest(s) at this stage.
3. **MINUTES -**
  - (a) minute of the meeting of the Pensions Committee of 28 June 2024; 3 – 8
  - (b) minute of the pre-meeting of the Fife Pension Board of 27 June 2024; and 9 – 11
  - (c) minute of the post-meeting of the Fife Pension Board of 28 June 2024. 12 – 14
4. **STATEMENT OF INVESTMENT PRINCIPLES** – Report by the Head of Finance 15 – 40
5. **FIFE PENSION FUND - STATEMENT OF RESPONSIBLE INVESTMENT PRINCIPLES** – Report by the Head of Finance 41 – 53
6. **FIFE PENSION FUND - BUSINESS PLAN UPDATE AND ADMINISTRATION ACTIVITY TO 30 JUNE 2024** – Report by the Head of Finance 54 – 78
7. **RISK MANAGEMENT - QUARTERLY REVIEW** – Report by the Head of Finance 79 – 103
8. **PENSIONS COMMITTEE WORKPLAN AND TRAINING PLAN** – Report by the Head of Finance 104 – 108

### ITEM LIKELY TO BE CONSIDERED IN PRIVATE

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

9. **PENSION FUND - INVESTMENT UPDATE** – Report by the Head of Finance 109 – 118

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

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

Fife House  
North Street  
Glenrothes  
Fife, KY7 5LT

17 September, 2024

If telephoning, please ask for:  
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[www.fife.gov.uk/committees](http://www.fife.gov.uk/committees)

### **BLENDING MEETING NOTICE**

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

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

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

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

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

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

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

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

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

**28 June 2024**

**2.00 pm – 4.30 pm**

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

**Fife Pension Board** – Councillors Tom Adams and Lynn Ballantyne-Wardlaw (Chair), Gail Dunn, Debbie Fyfe (substituting for Colin Paterson), Robert Graham and Vicki Wyse.

**ATTENDING:** Eileen Rowand, Executive Director, Finance and Corporate Services, Elaine Muir, Head of Finance, Laura Robertson, Finance Operations Manager, John Mackie, Team Manager - Transactions Team, Pensions and Anne Bence, Accountant, Finance and Corporate Services; Pamela Redpath, Service Manager - Audit and Risk Management Services, Shona Slayford, Audit Team Manager, Audit and Risk Management Services; Andy Milne, Service Manager – BTS Technical Hosting Core and Alan Duncan, Security and Compliance Specialist, BTS Service; Lindsay Thomson, Head of Legal and Democratic Services, Helena Couperwhite, Manager - Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

**ALSO ATTENDING:** Emmanuel Bocquet and Albert Chen, Lothian Pension Fund, Karen Jones, Director of Audit and Assurance, Azets Audit Services and Clare Scott, Independent Professional Observer.

**APOLOGIES FOR ABSENCE:** **Committee** - Councillors Naz Anis-Miah, James Calder and Colin Davidson.

**Fife Pension Board** - Ross Hugh, Thomas Templeman and Colin Paterson.

**105. DECLARATIONS OF INTEREST**

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

**Decision**

**106. MINUTES**

The committee considered:-

- (a) the minute of the meeting of the Pensions Committee of 28 March 2024;

**Decision**

The committee agreed to approve the minute.

## 2024 PEC 47

- (b) the minute of the Pre-meeting of the Fife Pension Board of 27 March 2024

Councillor Lynn Ballantyne-Wardlaw, Chair of Fife Pension Board and Councillor Dave Dempsey, Convener of the Pensions Committee acknowledged the departure of Board member Gail Dunn following the conclusion of the committee meeting. Gail was thanked for her contribution and commitment during her time in post and wished well in the future.

### **Decision**

The committee otherwise noted the minute of the pre-meeting of Fife Pension Board.

- (c) Minute of the post-meeting of Fife Pension Board of 28 March 2024

### **Decision**

The committee noted the minute of the post-meeting of Fife Pension Board.

## **107. UPDATE ON 2023/24 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2023/24 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 2023/24 Fife Pension Fund Internal Audit Plan and summary of findings from the Internal Audit Reports finalised since the last meeting of the Pensions Committee.

### **Decision**

The committee noted the contents of the report, including the update on progress towards delivering the 2023/24 Internal Audit Plan detailed at Appendix A and summary of findings at Appendix B to the report.

## **108. 2023/24 INTERNAL AUDIT ANNUAL REPORT**

The committee considered a report by the Service Manager, Audit and Risk Management Services presenting the 2023/24 Annual Internal Audit Report. The report provided an independent annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework and summarised the key activities of Audit Services during the period from which the opinion was derived.

### **Decision**

The committee noted the contents of the report.

## **109. PENSION FUND - ANNUAL GOVERNANCE STATEMENT 2023-24**

The committee considered a report by the Chief Executive seeking approval of the Pension Fund Annual Governance Statement for inclusion in the Pension Fund Annual Report and the annual accounts. The report provided background detail for members on the processes adopted for preparing the Pension Fund Annual Governance Statement.

**Decision**

The committee:-

- (a) noted the contents of the report: and
- (b) agreed to approve the draft Pension Fund Governance Statement attached as an Appendix to the report.

**110. FIFE PENSION FUND - UNAUDITED ANNUAL REPORT AND ACCOUNTS**

The committee considered a report by the Executive Director, Finance and Corporate Services presenting the unaudited Annual Report and Accounts for Fife Pension Fund for the financial year 2023-24.

**Decision**

The committee considered and agreed to approve the unaudited Fife Pension Fund unaudited Annual Report and accounts for the financial year 2023-24.

**111. PENSION FUND PROVISIONAL OUTTURN 2023-24**

The committee considered a report by the Head of Finance providing details of the provisional outturn of the Fife Pension Fund for the period 2023-24.

**Decision**

The committee noted:-

- (a) the provisional outturn for 2023-24; and
- (b) that further reports in relation to the financial position of the Fund would be brought forward on a bi-annual basis.

**112. FIFE PENSION FUND - BUSINESS PLAN UPDATE TO 31 MARCH 2024**

The committee considered a report by the Head of Finance providing an update on the activities undertaken by the wider pension team during the fourth quarter of 2023-24. The report was organised into three sections, providing an update on the development activities identified in the Business Plan followed by the administration activity undertaken. The report concluded with more in-depth consideration of the performance of the Pensions Administration team by providing details of the agreed key performance indicators.

**Decision**

The committee:-

- (a) noted the key Business Plan activities;
- (b) noted the range of additional activities carried out by the team over the last quarter;
- (c) noted the level of quarterly performance relative to the target and to the same quarter of the previous year; and

- (d) agreed the Head of Finance would escalate to senior management, the issue of delayed data from the largest employer (Fife Council), as there was increasing risk that statutory deadlines would not be met for members of the Fund.

*The committee adjourned at 3.30 pm and reconvened at 3.40 pm.*

**113. FIFE PENSION FUND - WHISTLEBLOWING REPORTING BREACHES OF THE LAW AND INTERNAL DISPUTE RESOLUTION PROCEDURE**

The committee considered a report by the Head of Finance providing updated policy documents in respect of the Whistleblowing – Reporting Breaches of the Law Policy and Internal Dispute Resolution Procedures. The documents were intended to replace the previous policies agreed by the committee.

**Decision**

The committee agreed to approve the revised policies on Whistleblowing - Reporting Breaches of Law and Internal Dispute Resolution Procedures.

**114. COST TRANSPARENCY AND CEM BENCHMARKING**

The committee considered a report by the Head of Finance providing 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 provided details of the Fund's results from the annual CEM Benchmarking.

**Decision**

The committee noted the contents of the report.

**115. FIFE PENSION FUND TRAINING AND DEVELOPMENT**

The committee considered a report by the Head of Finance reviewing performance and progress in respect of implementation of the training policy for members of the Pensions Committee and Fife Pension Board and highlighting the requirement for all members of the Pension Committee and Board to undertake the Pension Regulator online learning toolkit.

**Decision**

The committee:-

- (a) noted that a varied training programme had been provided over the last financial year on a range of topics;
- (b) noted the requirement for members of committee and board to meet the minimum level of 14 hours training;
- (c) agreed to undertake the required level of training and provide details that this had been carried out, including the Pension Regulators toolkit;

## 2024 PEC 50

- (d) noted that work had progressed to support members to achieve their training requirements. Compliance would continue to be kept under review and reported on a regular basis; and
- (e) noted concerns that the last two meetings of the committee were only just quorate and agreed that members' attendance at committee was vital to ensure the meeting, which included attendance from external partners, could go ahead.

### 116. 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 provided to reflect the internal controls in place.

#### Decision

The committee noted:-

- (a) the contents of the report;
- (b) that the risks were reviewed on a regular basis and reports would be brought forward on a quarterly basis; and
- (c) consideration would be given to the presentation of the information contained within the report and how this could be improved for members' use.

### 117. NATIONAL FRAUD INITIATIVE

The committee considered a report by the Service Manager, Audit and Risk Management Services advising on progress to date on the mandatory, biennial 2022/23 National Fraud Initiative (NFI) exercise from a pensions perspective, including the voluntary Pensions Mortality Screening exercises.

#### Decision

The committee noted the contents of this report and the progress made to date.

### 118. PENSIONS COMMITTEE WORKPLAN AND TRAINING PLAN

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

#### Decision

The committee noted:-

- (a) the agenda planning document;
- (b) the scheduled training dates; and

## 2024 PEC 51

- (c) that members would be advised of dates for training events on deep dives, including partner funds, once available. The training events were likely to be held in-person.

### 119. FIFE PENSION FUND - INVESTMENT SUMMARY

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

The committee considered a report by the Head of Finance providing an overview of the Fund's investments at 31 March 2024. A verbal update of manager monitoring activity was also provided.

#### **Decision**

The committee noted:-

- (a) the Fund's strategic asset allocation and current allocations relative to target;
- (b) the value of the Fund's assets on 31 March 2024 after returning +3.3% over the quarter;
- (c) that the Fund's strategic policy group allocations were within the permitted allocation ranges; and
- (d) that longer term absolute returns were strong and relative returns were above the liability benchmark.



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

27 June 2024

11.15 am – 12.00 pm

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

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

**APOLOGIES FOR ABSENCE:** Colin Paterson (Employee representative – Trade Union)

**12. DECLARATIONS OF INTEREST**

No declarations or conflicts of interest were noted.

**13. MINUTE**

The Pension Board considered the minute of the pre-meeting of Fife Pension Board on 29 May 2024.

**Decision**

The Board agreed to approve the minute.

**14. APPROACH TO GOVERNANCE ARRANGEMENTS FOR PENSIONS BOARD - UPDATE BY CHAIR**

The Chair, Councillor Lynn Ballantyne-Wardlaw, provided members with a verbal update on the governance arrangements for the Board following a meeting with Committee Services and thanked Committee Services for their continued support and assistance.

The Board noted that governance arrangements provided by Committee Services, would include an agenda planning meeting, agenda packs, issued for the Board pre-meeting (held the day before the Pensions Committee meeting), a minute of the meeting and a post-meeting (held directly after the committee meeting) with an action note detailing comments from the Board following an overview of the committee decisions on reports and whether the Board would require to review any of the decisions.

A discussion followed regarding the Board's preference on whether an action note or a minute of the post-meeting would be required for recording any reviews of committee decisions requested by the Board.

**Decision**

The Board:-

- (1) noted the update provided by the Chair; and
- (2) agreed that a minute of the Board post-meeting would be provided rather than an action note, as this would provide an accurate record of any challenges made by Board members on committee decisions and could be provided to external stakeholders if required.

**15. MEMBERSHIP OF FIFE PENSION BOARD**

The Board considered a verbal update by the Committee Officer on the membership of the Board regarding the vacancy for a Scheduled Body employer representative. Following the Board meeting on 28 March 2024, the Head of Finance had been advised of the Board's request to write to Scheduled Body employers from the Fife Pension Fund, to raise awareness of the importance in filling the vacancy following the resignation of Gail Dunn, Board member.

**Decision**

The Board noted:-

- (1) the verbal update from the Committee Officer; and
- (2) that the Head of Finance had agreed to write to Scheduled Body employers within Fife Pension Fund to raise awareness of the requirement to recruit an employer representative to fill the vacancy on the Board.

**16. FIFE PENSION BOARD ANNUAL REPORT**

The Board considered the final version of the Fife Pension Board Annual Report 2023-24.

**Decision**

The Board agreed to approve the Fife Pension Board Annual Report 2023-24.

**17. OVERVIEW OF AGENDA ITEMS FOR THE PENSIONS COMMITTEE MEETING ON 28 JUNE 2024**

The Board considered the reports on the agenda for the Pensions Committee meeting on 28 June 2024.

**Decision**

The Board noted:-

- (1) the reports on the agenda for the Pensions Committee meeting on 28 June 2024 and agreed no urgent issues were identified requiring further clarification; and

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- (2) the areas of interest for Board members on items on the Pensions Committee agenda that may provoke further questions - the Annual Governance Statement and the McCloud judgement, concerns relating to the implications/risks for members of Fife Pension Fund.

### 18. SCHEME ADVISORY BULLETIN

The Board noted the link to the Scheme Advisory Bulletin website.

### 19. KEY ACHIEVEMENTS

The Board noted there were no key achievements to record at present.

### 20. FIFE PENSION BOARD FORWARD WORK PROGRAMME

The Board considered the content of the forward work programme.

#### **Decision**

The Board:-

- (1) noted the content of the forward work programme;
- (2) agreed in regard to the annual rotation of the Chair of the Board between the employee and employer representatives on the Board, that succession planning would be considered to assist with the transition period for any member of the Board accepting the position as Chair in the future;
- (3) agreed that tailored training for the new Chair person would be beneficial and would assist in an understanding of the role and responsibilities of the position and that shadowing the current Chairperson prior to taking on the position of Board Chair could be advantageous, consideration as to how this can be achieved;
- (4) requested that consideration be given to include Clare Scott, Independent Professional Observer (IPO), in the induction training programme provided for new members of the Pensions Committee and Fife Pension Board by Laura Roberson, Pensions Service Manager. Clare would provide new members with training on the role of the Fife Pension Board and highlight the function of Board members;
- (5) agreed that Clare Scott, IPO would provide an annual training session of the Board's role as a refresher for members of the Board; and
- (6) noted that the Scheme Advisory Board would hold a training event for all Board members across Scotland to meet and that members would be advised of the date in due course.

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

**Committee Room 2, Floor 5, Fife House, North Street, Glenrothes**

**28 June 2024**

**4.40pm - 5.25 pm**

**PRESENT:** Councillors Lynn Ballantyne-Wardlaw (Chair) and Tom Adams (Employer representatives – Fife Council), Debbie Fyfe (substituting for Colin Paterson and Thomas Templeman – Employee representative – Trade Union), Robert Graham (Employee representative – Trade Union) and Vicki Wyse (Admitted Body employer representative).

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

**APOLOGIES FOR ABSENCE:** Ross Hugh, Colin Paterson, Thomas Templeman (Employee representatives – Trade Unions).

Prior to the start of the meeting, the Board agreed, due to the lack of the necessary quorum (2 Employer and 2 Employee representatives), to continue with the meeting and that business would be transacted and ratified at the next Board meeting.

The Board acknowledged the attendance at the meeting of Debbie Fyfe, substitute for Colin Paterson and Thomas Templeman, Unison Union Representatives and agreed that as Debbie had not completed the mandatory Pensions Committee induction training, she was unable to be included in the quorum of the meeting.

The Board Chair raised concerns regarding the lack of attendance at the meeting and enforced that quorum must be achieved at Board pre and post meetings to ensure that any decision(s) transacted by the Board would be actioned timeously. The Chair suggested where possible, Board members should submit apologies for the post-meeting in advance, preferably during the pre-meeting of the Board.

**33. DECLARATIONS/CONFLICTS OF INTEREST**

No declarations or conflicts of interest were submitted.

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

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

- (1) Agenda Item no. 4 – Update on 2023/24 Fife Pension Fund Internal Audit Plan and 2023/24 Issued Audit Reports

**Decision**

The Board agreed they were content with the decision made by the committee and a review would not be required.

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- (2) Agenda Item no. 5 - 2023/24 - Internal Audit Annual Report

### **Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

- (3) Agenda Item No. 6 - Fife Pension Fund - Annual Governance Statement – Report by the Head of Finance

### **Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

- (4) Agenda Item No. 7 - Fife Pension Fund - Unaudited Annual Report and Accounts

### **Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

- (5) Agenda Item No. 8 - Projected Outturn

### **Decision**

The Board noted a point of interest relating to costs charged to the Pension Fund and acknowledged there would be an opportunity for further scrutiny following the overview of the accounts process by Azets, external auditor, with an audit report included in the final accounts for submission to the Pensions committee in September 2024.

- (6) Agenda Item No. 9 - Fife Pension Fund - Business Plan Update To 31 March 2024

### **Decision**

The Board welcomed the action from the Head of Finance to escalate to senior management, the issue of delayed data from the largest employer (Fife Council), as there was increasing risk that statutory deadlines would not be met for members of the Fund and looked forward to receiving an update on the outcome.

- (7) Agenda Item No. 10 - Fife Pension Fund - Whistleblowing Reporting Breaches of The Law and Internal Dispute Resolution Procedure

### **Decision**

The Board:-

- (a) noted that in order to further understand duty to report incidents of whistleblowing to the regulator, further training on this matter would be beneficial for Board members and requested this subject be included as a future training event; and

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- (b) suggested that a commitment statement could be provided for Pensions Committee and Board members to advise whether any whistle blowing incidents or breaches of the law had been reported.

(8) Agenda Item No. 11 - Cost Transparency and CEM Benchmarking

**Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

(9) Agenda Item No. 12. - Fife Pension Fund Training and Development

**Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

(10) Agenda Item No. 13 - Risk Review

**Decision**

The Board:-

- (a) welcomed the report on Risk Review and raised concerns that the information was complex for members of the Committee and Board to understand; and
- (b) requested consideration to include titles on the risks in future reports so these could be easily identified, as well as highlighting any changes from the previous report.

(11) Agenda Item No. 14 - National Fraud Initiative

**Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

(12) Agenda Item No. 15 - Pensions Committee Workplan and Training Plan

**Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

(13) Agenda Item No. 16 – Confidential Report On Fife Pension Fund - Investment Summary

**Decision**

The board agreed they were content with the decision made by the committee and a review would not be required.

24 September 2024

Agenda Item No. 4

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## Statement of Investment Principles

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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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This report introduces the annual review of the Statement of Investment Principles (SIP) for Fife Pension Fund. The document replaces the SIP agreed by the Committee in September 2022. The report also outlines governance arrangements for the implementation of investment strategy and the assurance provided and outlines the format and frequency of reporting to the Committee.

### Recommendation(s)

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It is recommended that the Committee adopt the revised Statement of Investment Principles.

### Resource Implications

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There are no direct resource implications identified at this stage.

### Legal & Risk Implications

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There are no known legal implications. The SIP details how the risks, compliance and governance aspects of the Fund are managed. Such a statement is a requirement of the Local Government Pension Scheme regulations.

The SIP is an important part of the Fund's governance arrangements and provides the framework within which the Executive Director Finance & Corporate Services implements the investment strategy of the fund.

### Impact Assessment

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An EqlA is not required because the report does not propose a change or revision to existing policies and 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 The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 require administering authorities to prepare, maintain and publish a written Statement of Investment Principles.
- 1.2 The Statement of Investment Principles (SIP) must be reviewed, and if necessary revised from time to time and in the case of material change in policy on investment matters within 6 months of the date of that change.

## 2.0 Statement of Investment Principles

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- 2.1 The Statement of Investment Principles (SIP) is reviewed on an annual basis by officers for any required revisions. Any significant amendments are presented to and approved by Committee. When formally reviewing the SIP, the Committee takes advice from officers and advisers of the Joint Investment Forum (JIF). At its meeting in early June 2024, the JIF confirmed its belief that the SIP satisfies Committee's statutory duty and is an accurate reflection of current advice, which includes the agreed long-term investment strategy that was determined after the most recent triennial actuarial valuation exercise.
- 2.2 The SIP describes the Fund's investment strategy as allocations to various asset categories, or Policy Groups. Changes related to the 2024 investment strategy review were considered by Committee in March 2024. The full version was last reviewed by Committee in September 2022.
- 2.3 The amended SIP includes a few minor revisions to reflect name changes to policy groups and Joint Investment Forum (JIF) and additions to the document. These can be found at Appendix 1 and are highlighted using track changes. Once agreed, a clean copy will be published on the Fund's website.
- 2.4 The SIP includes a strategic target allocation for the Fund at Appendix 1 which was agreed at Committee in March 2024.

### **Monitoring and Reporting to Committee**

- 2.5 The SIP is an important part of the Fund's governance arrangements and provides the framework within which the Committee delegates the implementation of the investment strategy, as defined by the policy groups (asset class), to officers with advice from the JIF.
- 2.6 The Committee retains responsibility for decision making in relation to investment strategy, monitoring and scrutiny of the investments and this remains a vital part of the Fund's governance. The implementation of that strategy is delegated to the Executive Director of Finance and Corporate Services, who delegates this role to the Head of Finance. The Head of Finance is a member of the JIF and as such participates in the JIF meetings.



2.7 The monitoring and scrutiny of investments is outlined below, under the headings of Governance arrangements and Investment Outcomes.

### Governance Arrangements

Aspect	Current Assurance (frequency)
Are JIF meetings being held?	<ul style="list-style-type: none"> <li>• JIF meetings are held quarterly.</li> <li>• Minutes of the meeting are issued to the convener of the Committee and the IPO (quarterly)</li> <li>• Update of JIF activity to Committee (annually)</li> <li>• Attended by Head of Finance and Pensions Service Manager</li> </ul>
Is the JIF covering relevant issues?	<ul style="list-style-type: none"> <li>• Visibility of agenda plan for JIF (annually)</li> <li>• Investment manager mandates (including objectives and controls) agreed at JIF (as required)</li> <li>• Traffic light monitoring of investment managers by LPF team with oversight by JIF (quarterly or more frequently as required)</li> <li>• IPO access to JIF (annually)</li> </ul>
Advice and scrutiny by external independent advisers	<ul style="list-style-type: none"> <li>• Minutes of the meeting (with confirmation of attendees) is issued to the convener of the Committee (quarterly)</li> <li>• Advisers attend Committee briefings/training/meetings (at least annually)</li> <li>• Regular tendering of advisers (contracts are 5 years plus one 2-year extension)</li> </ul>
Are delegated officers competent to make decisions	<ul style="list-style-type: none"> <li>• Skill and knowledge are kept up to date.</li> <li>• JIF advisers are questioned and challenged.</li> <li>• Questions and challenges are recorded in minutes of the meetings and issued to the convener of the Committee and the IPO (quarterly)</li> </ul>
All of the above	<p>Internal audit scrutiny - Pensions Fund internal audits:</p> <ul style="list-style-type: none"> <li>- Internal Audit plan – agreed annually.</li> </ul> <p>External assessment of controls</p> <ul style="list-style-type: none"> <li>- Annual Audit – External Audit</li> </ul>

## Investment Outcomes

Aspect	Current Assurance (frequency)
Are investments invested in line with strategy?	Update on implementation of investment strategy with reporting on actual asset allocation to Committee (at least annually)
Funding update	<ul style="list-style-type: none"><li>Actuarial valuation reported to Committee (every 3 years and annual updates from Actuary)</li><li>Monitoring by JIF and internal team (quarterly or more frequent as required)</li></ul>
Investment managers	Traffic light monitoring of investment managers by LPF team with oversight from JIF (quarterly or more frequently as required)
Investment performance	Total fund performance indicators reported to Committee (at least annually) Detailed performance of Fund reported to Committee (annually)
All of the above	Briefings at Committee training sessions (at least annually and specific matters as time allows or as required)

- 2.8 The improvement of quarterly reporting on investment performance has been requested by the Committee to expand on and enhance the information provided. This will be advanced in the coming months.
- 2.9 Any additional reporting will be considered where it is deemed to enhance assurance on governance and/or long-term outcomes.

## 3.0 Measures of success

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- 3.1 Success of the investment strategy will, among other things, be measured by the long-term achievement of the investment and funding objectives of the Fund.

## 4.0 Conclusion

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- 4.1 A Statement of Investment Principles document is a requirement of the Local Government Pension Scheme regulations and is an important part of the Fund's governance arrangements.

### List of Appendices

#### Appendix 1 – Statement of Investment Principles including:

- Appendix A – Investment Strategy
- Appendix B – Mandates and Managers
- Appendix C - Statement of Compliance with UK Stewardship Code
- Appendix D – CIPFA Principles for Investment Decision Making and Disclosure

## **Background Papers**

None

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# Statement of Investment Principles

# Statement of Investment Principles

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# 1. Introduction

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- 1.1 This Statement of Investment Principles (**SIP**) was agreed by the Pensions Committee (**Committee**) of Fife Council (**FC**) on **24 September 2024**. FC is the administering authority for the Fife Pension Fund (**the Fund**).
- 1.2 The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 require administering authorities to prepare, maintain and publish a SIP. The SIP must be reviewed from time to time and revised within six months of any material changes in the Policy.
- 1.3 In preparing this statement, the Committee has taken professional advice from the Joint Investment **Forum (JIF)**, which includes external advisers and members of the Lothian Pension Fund internal investment team who are FCA authorised individuals.
- 1.4 The SIP describes the objectives, policies and principles adopted by the Committee of FC in undertaking the investment of fund monies. The SIP also discloses the extent to which the Fund comply with the six “Myners Principles” of investment practice.
- 1.5 The SIP **has** been devised in conjunction with the Lothian and Falkirk Pension Funds as part of the three Funds’ commitment to work collaboratively in order to achieve the efficiencies that come from scale investing.
- 1.6 The SIP should be read in conjunction with the Statement of Responsible Investment Principles (SRIP), which is subject of a separate report on this agenda. The SRIP explains the Committee’s approach to oversight and monitoring of investment activities from a Responsible Investment (RI) and Stewardship perspective. This covers the Committee’s policy on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments; and the exercise of the rights (including voting rights) attaching to investments.

# 2. Governance

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- 2.1 FC has delegated responsibility for the supervision of the Funds to the Committee, which comprises nine elected members from FC. The Committee is supported by a statutory Pensions Board consisting of four Trade Union and four employer representatives, which is responsible for ensuring that the Fund operates in accordance with the applicable laws and regulations. The Committee and Board are supported by an independent professional observer.
- 2.2 The Committee determines investment strategy based on proper advice from FC’s Executive Director of Finance & Corporate Services. The Executive Director of Finance and Corporate Services delegates this role to the Head of Finance taking advice from the **JIF** and other advisers as required.

- 2.3 Responsibility for implementing the strategy is also delegated to the Executive Director of Finance and Corporate Services who delegates this role to the Head of Finance, taking advice from the JIF and external investment advisers. Day to day management of the Fund's assets is currently undertaken by external investment managers whose activities are governed by Investment Management Agreements and the limits set out in Scheme regulations. Some of the Fund's assets are managed via an Investment Management Agreement with LPFI Ltd – the FCA authorised investment vehicle of Lothian Pension Fund.
- 2.4 The SIP forms part of a governance framework that includes Statutory Regulations, the Pensions Committee, the Pension Board, the Joint Investment Forum, the Funds' Advisers and the Funds' Funding Strategy Statement and Governance Compliance Statement.

## 3. High Level Investment Principles

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The following principles agreed by the Committee are designed to guide the Funds' governance, strategies and alignment with their agents and to support consistency in decision-making over the long term.

### Governance

- 3.1 **Principle 1: Committee believes that their decisions, and those of officers, must give precedence to the fiduciary duty owed to members and employers.** Fiduciary duty is paramount. The Pensions Committee recognises the potential conflicts of interests inherent in a local authority administering a multi-employer pension fund. The objectives of the administering authority, its officials and officers and those of the pension fund are not necessarily the same. The primary objective is to ensure sufficient funding in the long term so that retirement benefits that employers promise to members under scheme rules can be paid when they fall due. (The legal view on fiduciary duty issued by the Scottish Local Government Pension Scheme Advisory Board is available at <https://lgpsab.scot/fiduciary-duty-guidance/>.)
- 3.2 **Principle 2: Committee believes that the Fund should mitigate risk by ensuring alignment of interests wherever possible.** Agency costs are high in the financial services industry – agents are often motivated to act in their own best interests rather than those of the principal (the Fund). Alignment of interests and partnering with similarly aligned organisations will help to reduce risk and address the principal-agency problem to the benefit of the Fund and partners. External resources should, therefore, be used where internal resources cannot be justified or obtained, or where an external perspective provides additional skills or insight into investment matters, and where suitable alignment can be established.
- 3.3 **Principle 3: Committee believes that it should work with like-minded partners to benefit from increased scale and greater resilience.** There are significant economies of scale in the business of managing investments, so working with like-minded partners with similar long-term objectives and liabilities can achieve lower costs and reduce operational risks with increased resilience.
- 3.4 **Principle 4: Committee believes that cost transparency aids decision-making.** The asymmetric structure of incentives in financial markets (upside participation in success without downside participation in failure) encourages strategies that may

benefit agents (external managers and other financial intermediaries) and be detrimental to investor (Fund) returns. Agents often present fees and other charges in a way that obscures rather than illuminates. Full cost transparency should aid decision-making and so benefit Fund **investment** returns.

- 3.5 **Principle 5: Committee believes it should focus on policy setting, including high-level strategic asset allocation which defines risk and return objectives, with appropriate governance structure and oversight.** Implementation of more granular investment decisions (such as the selection/deselection of individual managers and investments) and regular monitoring should be delegated to suitably qualified and experienced individuals with sufficient time and other resources at their disposal. Appropriate delegation, constraints and reporting requirements should be in place. Reporting to Committee should focus on the long-term objectives of the Fund and how delegated decisions have contributed to these.

## Funding

- 3.6 **Principle 6: Given future uncertainties, the funding strategy should be prudent and should reduce risk to employers of another employer defaulting on its pension obligations.** The Funding Strategy Statement expresses the funding objective, which informs the invested strategy options. The ultimate objective is to ensure long-term solvency so that retirement benefits employers promise to members under scheme rules can be paid when they fall due, so full funding should be achieved in a prudent manner to ensure that liquid assets are available at the required time. This is important for members, employers and taxpayers as the scheme is ultimately state backed.
- 3.7 **Principle 7: Committee believes that the Fund should consider requests for different investment strategies from employers with different objectives.** Employers have conflicting desires: on the one hand, they would like to minimise the fluctuations in contributions and on the other hand, they would like to minimise the overall amount of contributions. Employers may have different objectives, so they should be given the opportunity to request a bespoke investment strategy. The Fund should consider such requests, taking account of issues such as employer covenant and implementation costs.

## Investments

- 3.8 **Principle 8: Committee believes that the ability of the Fund to pay pension benefits when they fall due is more important than mark-to-market funding levels.** Committee recognises that there are various ways to measure the value of promised benefits in a defined benefit scheme. Committee believes that where employer circumstances allow, investment strategy should focus on delivering strong (real) returns that grow to cover cashflows over the longer term rather than focusing on protecting the funding level in the short term.
- 3.9 **Principle 9: Committee believes ‘return-seeking’ assets are likely to outperform ‘risk-free’ assets as the investment horizon lengthens, but this is not guaranteed.** Time horizons matter a great deal. The appropriate horizon for investment risk-taking depends on the duration of the liabilities, the profile of projected cash flows and the deficit recovery and contingency plans for the scheme (the sponsor covenant).



- 3.10 **Principle 10: Committee believes in owning a diversified portfolio of assets so that it is not overly exposed to any particular contingency.** Asset diversification can reduce risk where assets are not perfectly correlated. Committee recognises that the future is unpredictable and that real returns from investments are uncertain. Fund returns will be determined primarily by the high-level investment strategy allocation to different policy groups and the timing of material changes. Asset allocation balances diversified risks with the expected additional returns for these risks.
- 3.11 **Principle 11: Committee believes that responsible investment should reduce risk and may improve returns but that mechanistic divestment is inconsistent with the Fund's fiduciary duty to members and employers.** The Local Government Pension Scheme (LGPS) was designed with an important social purpose in mind – the provision of retirement income for individuals. The Fund's fiduciary duty means that the pursuit of financial return is its paramount concern, although it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment. Committee believes that the decisions to invest in, or divest from, a particular company should be made by an investment manager based on a holistic analysis of financially material issues, including environmental, climate change, social and governance issues. Committee agreed to a Statement of Responsible Investment Principles (SRIP) in ~~June 2021~~September 2024 (link to be added) .
- 3.12 **Principle 12: Committee believes it should exercise its ownership rights in a responsible way, constructively engaging with companies to reduce risk.** The Fund's interests are better protected from adverse impacts by collaborating with like-minded investors to have greater influence in engaging with companies, government and regulators. Engagement aims to encourage responsible behaviour by companies in relation to environmental, climate change, social and governance issues.
- 3.13 **Principle 13: Committee believes that monitoring and assessment of investment success should be viewed on a long-term basis.** No asset mix provides a stream of cash flows that perfectly matches the liability payments of the Fund as they fall due, so monitoring activity is complex. The Fund is long term in nature and the success of a given investment strategy is likely to ebb and flow with changing investment environments in an unpredictable way. Investment monitoring is challenging and should be viewed through a long-term lens.
- 3.14 **Principle 14: Committee believes that peer group comparative analysis needs to be treated with care.** No two pension funds are identical, so peer group analysis should be undertaken with care as different funds can hold different investment beliefs, objectives and return and risk appetites.

## 4. Responsible Investment

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4.1 With liabilities extending decades into the future, it is in the Fund's interest to take its responsibilities as institutional asset owners seriously. To this end, the Fund's approach to responsible investment centres on effective stewardship of all assets, with a particular focus on good corporate governance to deliver sustainable investor value.

4.2 The Fund considers a wide range of issues and what financial impact it could have on the assets that it owns. The Fund's investment managers are charged with integrating ESG analysis into their decision-making. Investment managers are selected and

appointed after due consideration of their approach to integrating ESG considerations into their investment process.

4.3 The Fund demonstrate their open and transparent approach to Responsible Investing by publishing a Statement of Responsible Investment Principles (SRIP). This document explains how the Fund practise responsible investment policy group by policy group, and how it is committed to limiting the impact of climate change. The SRIP is published as a standalone document. It represents the Fund's position on Responsible Investment, and it forms part of the Pensions Committee's regular review of Stewardship and Engagement activities.

4.4 Another key strand of the Fund's approach to responsible investment is voting and engagement. For listed equities, the Fund is committed to exercising the right to vote the shares that it owns. It is also committed to engaging with and influencing companies, governments and regulators where appropriate. The Fund does not follow a policy of exclusion or automatic divestment, as such a policy has the potential to transfer ownership rights to investors without responsible investment policies.

4.5 The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting. As long-term investors, the Fund recognises the importance of promoting responsible stewardship and long-term decision making. The Fund seeks to adhere to the principles of the FRC'S UK Stewardship Code and encourages its appointed asset managers to do so.

## 4. Funds' Objectives

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- 4.1 The **primary objective** of the Fund is to ensure that there are sufficient funds available to meet all pension and lump sum liabilities as they fall due **for payment**.
- 4.2 The **funding objectives** for the Fund are documented in the Committee's Funding Strategy Statement, which is reviewed at least triennially. The funding objectives, together with the rates of return being targeted and levels of risk to be tolerated, are central to the Fund's investment strategy and governs the allocation across various policy groups.
- 4.3 The **investment objectives** of the Fund are to achieve a return on Fund assets which is sufficient over the long term to meet the funding objectives as outlined in the Funding Strategy Statement. Investment returns are generated by a combination of income (from dividends, interest and rents) and gains or losses on capital.
- 4.4 In effect, the Fund's objectives are to generate sufficient long term returns to pay promised pensions and to make the scheme affordable to employers now and in the future, while minimising the risk of having to increase contribution rates in the future.
- 4.5 Committee has set investment strategy with reference to the following **policy groups**, which are regarded as the key determinants of risk and return. The policy groups condense the vast array of investment choices into a manageable number of investment groups with broadly similar characteristics:
- **Equities** provide an equitable share in the assets and profits of companies. Income is provided through discretionary share dividends. Equities are listed in the UK or **overseas or** are unlisted (private equity). Equities have historically produced returns above inflation.

- **Other Real Assets** are typically investments in a share of income and capital appreciation of tangible assets, including **property** (land and/or buildings for commercial or residential use), **infrastructure** (assets deemed essential to the orderly functioning of daily life, such as renewable energy generation and transmission assets, water utilities, airports and toll roads) and **timberlands**. Income comes from dividends and rents.
  - **Credit** instruments are issued by a range of non-sovereign borrowers to finance their activities in various sectors of the economy, which means that they carry varying degrees of credit risk. Income is provided through interest, which is typically paid to the lender on a regular basis until the loan capital is repaid, generally at par by the issuer at a pre-determined date. Bonds can pay a fixed, variable or inflation-linked rate of interest. Bonds are listed in the UK or overseas or are unlisted (private debt).
  - **Sovereigns** are bonds, which are debt instruments issued by the sovereign governments (such as UK and US). Typically, these provide interest payments on a regular basis over the life of the loan until capital is repaid at maturity. Some bonds provide interest payments and capital repayment value that is directly linked to price inflation (the Retail Price Index (RPI) in the UK). These are known as Index Linked Gilts and they provide the closest match to the Funds' liabilities, most of which are inflation-linked, albeit to a different measure of price inflation (the Consumer Price Index (CPI)). Some other governments (such as the US) also issue this type of debt, but in different currencies tied to price inflation in their own countries.
  - **Cash** is also a form of investment used to provide instant or short-term liquidity and can be held in both sterling and foreign currencies (including Treasury Bills, Money Market Funds and Secured Investments). Cash generates interest income, but typically a lower rate than bonds and other debt.
- 4.6 As the returns of the above investments are not completely correlated, the Fund expects to achieve diversification and better risk-adjusted returns by investing in assets from each policy group.
- 4.7 In order to maximise the opportunities for collaborative investing, the policy groups set out in 5.5 match those used by the Lothian and Falkirk Pension Funds.

## 5. Fund Strategy

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- 5.1 The Committee's agreed investment strategy (presented in Appendix A) is expressed in terms of allocations to various policy groups. These reference portfolios are expected to generate the required return with a reasonable probability of success. The rate of return being targeted and the level of risk to be tolerated are central to the determination of the investment strategy (or asset mix) for the Fund.
- 5.2 The Committee monitors performance of the Fund relative to benchmarks, including asset benchmarks. Asset benchmarks are not a perfect match for the objectives of the Fund, nor the strategies that it employs. Correct interpretation of the reported data requires a good understanding that where the Fund invests in lower risk Equities than the benchmark, returns are likely to lag a strongly rising market but be better than benchmark when it experiences significant weakness. Real Assets and other private market assets lack good comparators, especially over the short and medium-term

timeframes, and the current benchmark often deviates quite significantly from the slow re-valuation of private market assets. Other policy groups are less difficult to interpret but represent a smaller portion of the total fund.

- 5.3 There may also be demand from individual employers for other investment strategies for their section of the Fund. The Fund will consider such requests, subject to practical implementation of such strategies and, if appropriate, a review of employer contribution rates. It is not practical for the Fund to offer individual employers full flexibility on asset allocation.
- 5.4 The Fund's investment strategy is measured against strategy-specific benchmarks by an independent performance measurement specialist, and these are reported to Committee at least annually with reference to asset market returns as well as liability valuations. The Executive Director of Finance and Corporate Services is responsible for monitoring investments and investment activity, and she delegates this function to the Head of Finance taking advice from the **JIF**, which meets at least quarterly.

## 6. Strategy Implementation

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- 6.1 The Committee delegates implementation of strategy to the Executive Director of Finance and Corporate Services, who delegates the role to the Head of Finance, taking advice from the Joint Investment **Forum (JIF)**. The Head of Finance operates within the parameters agreed by the Committee, investing the Funds' assets in the policy groups within the permitted ranges.
- 6.2 The Head of Finance, advised by the **JIF**, identifies the combination of investment managers and mandates within the policy groups to deliver the objectives of the Fund. The investment managers and mandates are listed in Appendix B. The Fund employs external managers, but also works collaboratively with the Lothian Fund in house investment team, which manages some assets through its FCA authorised vehicle, LPFI, in recognition of the cost and alignment advantages of doing so.
- 6.3 To reduce the risk that the **investment objective is not met, controls are set around policy group allocations and each manager/mandate** These are detailed in formal Investment Management Agreements; and similarly, formal investment objectives and constraints are set for internal mandates where appropriate. The investment managers are responsible for the selection of individual holdings.
- 6.4 The Funds' investment managers and mandates are measured against mandate-specific benchmarks of risk and return by an independent performance measurement specialist. Performance and mandate implementation is monitored by the JIF on a quarterly basis.
- 6.5 The Fund will look to collaborate with other investors to benefit from increased scale and cost sharing arrangements.

## 7. Other Investment Considerations

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### **Realisation of investments**

- 7.1 Most of the Funds' investments are in liquid markets and can be expected to be sold relatively quickly if required. A proportion of the Funds' investments (such as property, private equity, private debt and infrastructure) have less or limited liquidity and would

therefore take longer to be sold. The overall liquidity of the Fund's assets is considered in the light of potential demands for cash.

### **Stock Lending**

- 7.2 The Fund lends a proportion of its investments to maximise income from share ownership. Stock lending is conducted within parameters prescribed in the regulations. Stock lending does not prevent any investments from being sold. Safeguards are in place to reduce risk of financial loss in the event of default. These safeguards include receiving liquid collateral in excess of the value of the loan, an indemnity agreement with the lending agent and regular reviews of the creditworthiness of potential borrowers.

### **Underwriting**

- 7.3 Managers are permitted to underwrite and sub-underwrite stock issues subject to the security being deemed attractive on a medium-term view and subject to the application being limited to an amount the manager would wish to hold over the medium term.

### **Derivatives**

- 7.4 The Committee has approved the use of derivatives, subject to prevailing legislation and control levels outlined in investment manager agreements. A derivative is a security or contract that derives its value from its relationship with another asset. The Fund may make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for efficient portfolio management or to hedge specific risks. For example, forward currency contracts allow the Funds to reduce risk from currency fluctuations and equity futures allow the Funds to reduce risk during major portfolio rebalances/transitions.

### **Voting and Engagement**

- 7.5 The approach to exercising ownership rights attached to investments (including voting rights) is described in the SRIP.

### **Safekeeping of Assets**

- 7.6 The services of a global custodian are employed to ensure the safekeeping of investments.

## **8. Compliance**

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### **Regulations and Investment Limits**

- 8.1 The Fund is compliant with the statutory restrictions set out in the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 and the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2016.
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### **CIPFA Principles for Investment Decision Making**

- 8.2 Regulations require administering authorities to publish the extent to which they comply with guidance issued by Scottish Ministers, which in turn refer to guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Funds' compliance statement is provided in Appendix C.

**Review of SIP**

- 8.3 The Committee reviews this statement annually or more frequently if appropriate. The Committee will consult with such persons as it considers appropriate and take proper advice when revising the statement.

# Appendix A – Investment Strategy (28 March 2024)

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## FIFE PENSION FUND: INVESTMENT STRATEGY

Investment Objectives: generate returns and sufficient cash to pay pensions as they fall due.

Policy Group	Target Weight 2024 -27	Permitted Range
Equities	50%	40% - 60%
Real Assets	20%	10% - 30%
Credit	13%	5% - 25%
Sovereign	15%	5% - 25%
Cash	2%	0% - 15%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# Appendix B - Investment Strategy Implementation ( 31 March 2024)

The investment strategy in Appendix A is implemented by investing in a range of mandates managed by external or potentially internal investment managers. The current mandates and managers for the Fund are presented in the table below:

Policy Group	Mandate	Manager	Actual Allocation
<b>Equities</b>			<b>49.2%</b>
	UK Passive	Blackrock	<b>13.9%</b>
	Global Growth	Baillie Gifford	<b>7.6%</b>
	Global High Dividend	LPFI	<b>3.9%</b>
	Global Low Volatility	LPFI	<b>6.6%</b>
	Global Fundamental Indexation	State Street	<b>17.1%</b>
<b>Real Assets</b>			<b>21.7%</b>
	Property	CBRE	<b>5.9%</b>
	Global Infrastructure	Partners Group/Various	<b>15.8%</b>
<b>Credit</b>			<b>8.9%</b>
	Corporate Bonds	Janus Henderson	<b>2.4%</b>
	Corporate Bonds	Western	<b>2.4%</b>
	Corporate Bonds	Legal and General Investment Management	<b>2.5%</b>
	Private Debt	Various	<b>1.7%</b>
<b>Sovereign</b>			<b>18.5%</b>



	Sovereign Bonds	Legal and General Investment Management	4.4%
	Government Bonds	Janus Henderson	3.6%
	Government Bonds	LPFI	10.5%
<b>Cash</b>			1.6%
	Cash	Various	1.6%

# Appendix C – Stewardship Statement

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The Stewardship Statement seeks to demonstrate how the Fund adheres to the seven principles of good stewardship as set out in the UK Stewardship Code 2012. It is noted that the Stewardship Code was updated and extended in 2020. Although the Fund is not a signatory to the revised Code, due to the resourcing and cost implications, it is supportive of its principles and will work towards extending its stewardship role towards compliance with the new Code.

***Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.***

We acknowledge our role as an asset owner under the UK Stewardship Code and seek to hold to account our fund managers and service providers in respect of their commitments to the Code.

In practice, our policy is to apply the Code through the

- the appointment of Federated Hermes Equity Ownership Services (EOS);
- the work of external investment managers; and
- the work of the internal investment team

We believe that this combination enables us to provide the appropriate standards of stewardship on behalf of the beneficiaries of the Fund through their monitoring of shareholdings, so that we can fulfil our fiduciary responsibilities as long-term shareholders.

EOS has the expertise to undertake corporate engagement on an international basis, and they do this for us. Their aim is to bring about positive long-term change at companies through a focused and value-oriented approach. Engagements undertaken by EOS on our behalf are guided by the EOS [Engagement Policy](#)

Through our engagement of EOS, we keep informed of potential issues of concern at both individual companies and across the market as a whole, which leads to collaborative engagements in which the Fund participates.

The various external investment managers we utilise operate their own stewardship and engagement initiatives in relation to investee companies and provide regular reports on these issues. This information is made available to those responsible for the governance of the Fund.

Where investment management is undertaken by LPFI on behalf of the Fund, environmental, social and governance (ESG) issues are integrated within the LPFI investment decision making process together with direct engagement where feasible with investee companies.

***Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.***

The Fund's efforts to manage potential conflicts of interest can be summarised below:

- We are supported in effectively managing conflicts of interest in relation to our stewardship work by EOS. EOS explains how it manages conflicts of interest on our behalf in its [Conflicts of interest policy \(hermes-investment.com\)](https://hermes-investment.com)

- We also encourage the asset managers employed by the Fund to have effective policies addressing potential conflicts of interest.
- In respect of conflicts of interest within the Fund, Pensions Committee members are required to make declarations of interest prior to Committee meetings.
- Our policy of constructive engagement with companies is consistent with the Funds' fiduciary responsibilities.

***Principle 3: Institutional investors should monitor their investee companies.***

Day-to-day responsibility for monitoring our equity holdings is delegated to EOS and External Fund Managers:

- We expect them to monitor companies, intervene where necessary, and report back regularly on activity.
- Activity will be reported on the Funds' website, including the number of company meetings at which the Fund has voted and how the Fund has voted.

In order to foster a positive working relationship with an individual company and to build trust, EOS may be willing to become an "insider". In such circumstances, the relevant information will not be passed to FC until after it is no longer inside information.

***Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.***

As highlighted above, responsibility for interaction with companies is shared with the bulk of interventions being undertaken by EOS and external managers. In general,

- We expect the approach to engagement on our behalf to be value-orientated and focused on long term sustainable profitability.
- EOS monitors the activity of many of our investee companies and escalate engagement activity directly with them as required.
- Consistent with our fiduciary duty to beneficiaries and to encourage improved conduct in future, we consider participating in shareholder litigation where it appears likely that the Fund will recover losses (net of costs) sustained because of inappropriate actions by company directors.

***Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.***

We seek to work collaboratively with other institutional shareholders to maximise the influence that we can have on individual companies. We do this through:

- the appointment of EOS, whose engagement service pools asset ownership with the aim of protecting and enhancing shareholder value. EOS represents us and other like-minded asset owners globally using its expertise to enhance our effectiveness in communicating with companies, industry bodies, regulators and legislators.
- Our preference is for managers to vote on the Funds' behalf and for responsible stewardship to be integral to the investment decision-making process. We are

comfortable with delegation of voting to External Fund Managers for the funds they manage.

- For all other mandates, EOS votes consistently across the portfolios it covers, and makes voting decisions based on a thorough analysis of publicly available information and always taking account of a company's individual circumstances. EOS informs companies where it has concerns and seeks a resolution prior to taking the decision to vote against management. In this way, it uses our votes as a lever for positive change at companies. Underpinning voting decisions are EOS Corporate Governance policies, which can be found in the following link:

<https://www.hermes-investment.com/uki/about-us/policies-and-disclosures/>

- We are committed to disclosing our historic voting information on our website. This includes the total number of votes cast at which company meetings and whether the votes were cast for or against company management. We will disclose in arrears so that we are transparent and accountable but dialogue with companies in our portfolios is not compromised.

***Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity,***

- We seek to vote on all shares held and have appointed EOS to exercise voting on our behalf in respect of active mandates held. EOS's voting policy is in accordance with their Global Voting Guidelines. The guidelines reference environmental, social and governance factors and aim to harness voting rights as an asset to help achieve positive engagement outcomes.
- The Fund retains the right to direct EOS or a manager in a particular way in respect of any corporate governance issue.

***Principle 7: Institutional investors should report periodically on their stewardship and voting activities.***

We are committed to report on our stewardship and voting activities:

- We are committed to reporting annually on stewardship and voting activity in the Funds' annual report and accounts and quarterly on our website.
- We are committed to also report annually on stewardship and voting activity directly to the Pensions Committee.

# Appendix D – CIPFA Principles for investment decision making and disclosure

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The Chartered Institute of Public Finance and Accountancy (CIPFA) published six Principles for Investment Decision Making and Disclosure in the Local Governance Pension Scheme in the UK in 2012. Details of the principles and the Funds' compliance are described below.

## Principle 1 – Effective decision making

*Administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Those persons or organisations should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.*

- The Fund's Training Policy (Comprising a compulsory training seminar for all new **members trustees** and a requirement to undertake no less than two days (14 hours) of training in each year for all Pensions Committee and Pension Board members) provides the knowledge to enable them to evaluate and challenge the advice they receive. Standards relating to the administration of the Committee's business are strictly up-held. [Training Policy | Fife Pension Fund](#)
- The Fund has appointed an Independent Professional Observer to strengthen governance. The role of the Observer is to provide the Committee and Pensions Board with an impartial, additional source of experience and technical knowledge.
- The Pensions Committee focuses on setting the strategy for the Fund and monitoring performance. The Pension Board also attends Committee meetings and is responsible for assisting the Committee in securing compliance with relevant regulations and other legislation.
- The Committee delegates the day-to-day running of the Fund to the Executive Director of Finance and Corporate Services, who in turn delegates to the Head of Finance and Funds' officers. The Executive Director of Finance and Corporate Services is responsible for the provision of training for Committee to help them to make effective decisions to ensure that they are fully aware of their statutory and fiduciary responsibilities, and to regularly remind them of their stewardship role.
- The Joint Investment **Strategy Panel Forum** advises the Head of Finance on the implementation of the agreed strategies, reviewing structure, funding monitoring, performance and risk and asset allocation. The Joint Investment **Strategy Panel Forum** meets at least quarterly and is made up of experienced investment professionals, including independent advisers.
- The in-house team undertakes day-to-day monitoring of the Fund. The team includes personnel with suitable professional qualifications and experience to provide the necessary skills, knowledge, advice and resources to support the Joint Investment Strategy Panel and the Pensions Committee.
- Conflicts of interest are managed actively. At each Committee meeting, elected members of the Pensions Committee and Pensions Board are asked to highlight conflicts of interest. A Code of Conduct applies to members of the Committee and the

Pension Board. The Fund ensures conflicts of interest are highlighted and managed appropriately.

- Conflicts of interest are also managed in each JISP meeting and dealt with as a standing item at the beginning of each meeting.

## **Principle 2 – Clear Objectives**

*Overall investment objectives should be set out for the fund that take account of the scheme's liabilities, the potential impact on local council tax payers, the strength of the covenant of the participating employers, and the attitude to risk of both the administering authority and the scheme employers, and these should be clearly communicated to advisers and investment managers.*

- The Statement of Investment Principles and the Funding Strategy Statement define the Fund's primary funding objectives.
- Asset-liability modelling is undertaken with the help of external advisers to aid the understanding of risks and the setting of investment strategy.
- Employers' attitude to risk is specifically considered in the setting of strategy, and employers can request a bespoke investment strategy.
- Reviews of investment strategy focus on the split between broad policy groups (equities, gilts, other debt, other real assets and cash).
- Investment Management Agreements set clear benchmarks and risk parameters and include the requirement to comply with the Fund's Statement of Investment Principles.
- Appointments of advisers are reviewed regularly. Investment and actuarial advisers are appointed under separate contract. Procurement of advisers is conducted within European Union procurement regulations.
- The setting of the Funding Strategy includes specific consideration of the desire to maintain stability in employer contribution rates.

## **Principle 3 – Risk and liabilities**

*In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for council tax payers; the strength of the covenant of participating authorities; the risk of their default, and longevity risk.*

- The Fund takes advice from the scheme's actuary regarding the nature of its liabilities. Asset-liability modelling is undertaken periodically to aid the setting of investment strategy, and these exercises specifically take account of covenant strength and longevity risk.
- The Fund will consider requests for such alternative strategies, subject to practical implementation of such strategies and, if appropriate, a review of employer contribution rates. It is not practical for the Fund to offer individual employers full flexibility on asset allocation.
- The Funding objectives for the Fund is expressed in relation to the solvency and employer contribution rates. The Fund regularly assess the covenants of participating employers.

- The Executive Director of Finance and Corporate Services is responsible for ensuring the appropriate controls of the Fund. Controls are subject to internal audit, and results of audits are submitted to the **Standards and Audit Pensions** Committee.
- The Fund maintain a risk register, which is reviewed on a regular basis.

#### **Principle 4 – Performance assessment**

*Arrangements should be in place for the formal measurement of the performance of the investments, investment managers and advisers. Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.*

- The Fund's performance and risk analysis is produced by an independent external provider.
- The internal investment team monitors the external investment managers' performance and risk on a regular basis and reports this to the Joint Investment **Strategy Panel Forum**. The Joint Investment **Strategy Panel Forum** assesses the performance and risk of both internal and external investment managers on a regular basis (typically quarterly).
- The Fund's contracts with its advisers are regularly market tested.
- The Joint Investment **Strategy Panel Forum** assesses its own performance on a regular basis and reports to Committee on its activities, typically annually.
- Training and attendance of members of the Pensions Committee and the Pensions Board are monitored and reported on a regular basis. The composition of the Committee and Pension Board is kept under review.

#### **Principle 5 – Responsible ownership**

*Administering authorities should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.*

*A statement of the authority's policy on responsible ownership should be included in the Statement of Investment Principles.*

*Administering authorities should report periodically to members on the discharge of such responsibilities.*

- The Fund's approach to responsible investment is described in the Statement of Investment Principles and the Statement of Responsible Investment, both of which can be found on the Fund's website.
- Details of the Fund's voting and engagements are available on the Fund's website. The Fund's annual report and accounts includes a summary of the Fund's approach to responsible investment. The full report is available on the website and is sent to members on request.

#### **Principle 6 – Transparency and reporting**

*Administering authorities should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and provide regular communication to members in the form they consider most appropriate.*

- Meetings of the Pensions Committee are open to the public. Members of the public are entitled to make a deputation at Committee meetings. Committee papers are

available on the Fife Council website. The Pension Board joins the Committee at all meetings.

- The Committee's remit covers wider pension scheme issues, other than the management and investment of funds.
- The Fund's policy statements, including the Communications Strategy, Statement of Investment Principles, Statement of Responsible Investment Principles and Funding Strategy Statement are maintained regularly. Stakeholders are consulted on changes. Documents are available on the Fund's website.
- The Fund produces an Annual Report & Accounts. The full report is available on the website and is sent to members on request. The Fund also produces an annual newsletter for members as well as an annual benefit statement. Regular briefings are provided to employers. The Fund's website is updated regularly.

Head of Finance

Fife Council

24 September 2024

## Alternative Formats

This information can be made available in large print, braille, audio CD/tape and Gaelic on request by calling **03451 55 55 00**.

**British Sign Language** – please text (SMS) 07781 480 185

**BT Text Direct** – 18001 01592 55 11 91

### Language Lines

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Arabic	خط هاتف اللغة العربية: 03451 55 55 77
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Bengali	বাংলায় আলাপ করার জন্য টেলিফোন লাইন: 03451 55 55 99
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Cantonese	中文語言熱線電話: 03451 55 55 88
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Polish	Polskojęzyczna linia telefoniczna: 03451 55 55 44
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Urdu	اُردو زبان کے لیے ٹیلیفون نمبر 03451 55 55 66
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24 September 2024

Agenda Item No. 5

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# Fife Pension Fund

## Statement of Responsible Investment Principles

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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 review and propose any necessary changes to the Statement of Responsible Investment Principles (SRIP). The SRIP has been in existence for approximately 3 years. The SRIP is attached at Appendix 1 and is intended to complement the Statement of Investment Principles (SIP) which is a statutory document.

### Recommendation(s)

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It is recommended that the Committee:

1. Agree to update the Statement of Responsible Investment Principles (SRIP) with the changes highlighted in the SRIP .

### Resource Implications

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Continued adoption of this Statement of Responsible Investment Principles will involve resource which is likely to increase over time in order to implement some of the actions contained within it. Whilst the immediate pressure can be contained within existing resource, the volume of work involved will be kept under review as will the need for any additional resource or additional external input. Costs for any future additional resource requirement will be met from the Pension Fund.

### Legal & Risk Implications

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The development and implementation of the Fund's own Statement of Responsible Investment Principles is likely to be an important tool in countering any potential legal action against the fund for failing to adequately monitor ESG risks.

### Impact Assessment

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

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. The Joint Investment Strategy Panel have also been consulted in the preparation of the initial document.

## 1 Background

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- 1.1 Responsible Investment (RI) has become increasingly important to society over the last decade or so. While the Fund's Statement of Investment Principles (SIP) explains its approach to RI in broad terms, there is good reason to expand on those overarching principles in view of the increase in public interest and the growing trend to increase disclosure requirements in this area. The SRIP enhances transparency in this regard.
- 1.2 The policy document in Appendix 1 was approved around 3 years ago and provides a more detailed framework explaining the Fund's commitment and approach to RI and how the fund will work directly and in collaboration to deliver on its RI aspirations.
- 1.3 The SRIP is not currently a statutory document, but there is a possibility it will become mandatory in the future.
- 1.4 The SRIP has been reviewed and updated to reflect an enhanced approach to discussions with managers, as well as, recognising the Taskforce for Climate related Financial Disclosures (TCFD) and the future reporting requirements. All proposed changes to the SRIP are detailed using track changes.

## 2 Statement of Responsible Investment Principles

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- 2.1 The purpose of the SRIP is to document the Fund's approach to RI, with recognition of the risks and opportunities surrounding Climate Change. It contains ambitions and aspirations that should lead to better understanding and management of risk and so improve long term returns.
- 2.2 The main components of the policy statement include:
  - 2.2.1 Whilst recognising that the Fund is not a signatory to the Principles for Responsible Investment (PRI), it supports the six PRI principles.
  - 2.2.2 The Fund's commitment to reporting the carbon intensity of its holdings in future.
  - 2.2.3 The Fund's acknowledgement that the Paris Agreement of the United Nations Framework Convention on Climate Change is critical to halting anthropogenic climate change. This acknowledgement will drive engagement with the managements and Boards of non-Paris aligned equity holdings that are not

aligned by 2025. Going forward, the clear intention is not to provide new capital to companies or projects that are incompatible with the aims of the Paris Agreement.

- 2.3 The document is designed to clarify the Fund’s approach to RI for all stakeholders. Equally important, it will guide investment decision-making by stating what is acceptable and why. It should aid elected members in responding to the many queries they receive on RI-related matters.

### **3 Progress and Future Actions**

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- 3.1 Since approving the SRIP, some progress has been made in the actions identified. Details of our voting and engagement statistics are posted on our website. More detailed information on voting is shared with the Pension Board and Pension Committee. Training was recently provided for Committee and Board members covering the service provided by our voting and engagement specialists and carbon metrics reported in the annual report.
- 3.2 ESG is discussed at the quarterly performance meetings with fund managers and fund managers are requested to present their product-level TCFD reports.
- 3.3 A review of all signatories to the Principles for Responsible Investment (PRI) has been undertaken and confirmed all Fund Managers are signatories.
- 3.4 In line with the intent within the SRIP, no new financing or capital has been made available to companies or projects that are incompatible with aims of the Paris Agreement.
- 3.5 Climate risk was also built into the actuarial valuation process.
- 3.6 The actions that have been advanced have been straight forward in nature and focused on preparation, sharing information and increasing awareness.
- 3.7 However, it is recognised that more in-depth and complex work is required to fully implement the SRIP. Fund officers will work with the partner funds to assess how some of the ambitions are taken forward. The Business Plan for the Fund identifies a key area of work, linked to the SRIP will include research on the reporting requirements for TCFD with a view to assessing and considering the reporting requirements in the Annual Report. TCFD requirement may lead to costs being incurred in the future, yet to be determined.

### **4 Conclusion**

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- 4.1 The report sets out the rationale for the introduction of the proposed SRIP which is attached at Appendix 1. The intention is that the SRIP will complement the Statement of Investment Principles which is a statutory document.

## List of Appendices

Appendix 1 Fife Pension Fund – Statement of Responsible Investment Principles

## Background Papers

[1<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>](https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement)

## Report Contact

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# Statement of Responsible Investment Principles

# 1.0 Introduction

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- 1.1 Fife Pension Fund (the Fund) believes that Responsible Investment (RI) supports the purpose of the Local Government Pension Scheme (LGPS) – the provision of retirement income for individuals. We believe that it should reduce the risk associated with the invested assets that the Fund owns to pay pensions when they are due.
- 1.2 This Statement of Responsible Investment Principles (SRIP) complements the Fund’s broader Statement of Investment Principles (SIP), which is a statutory requirement codified in the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010. The SRIP explains the Fund’s approach to the oversight and monitoring of the Fund’s investment activities from a Responsible Investment (RI) and Stewardship perspective.
- 1.3 RI is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns (according to Principles for Responsible Investment). Stewardship is the responsible allocation and management of capital across the institutional investment community to create sustainable value for beneficiaries, the economy and society.
- 1.4 RI is not the same as Ethical Investment. Ethical investment is an investment approach determined by an investor's specific views, usually based on a set of personal values. These values can take precedence over financial considerations. Fife Pension Fund should not be considered as either an “Ethical” or an “Unethical” investor, but as a responsible steward of capital. The management of ESG issues is a question of identifying and mitigating material financial risks, not a question of ethics.
- 1.5 At Fife Pension Fund, Committee members in their roles as quasi-trustees, executive officers and investment managers are bound by the legal principle of fiduciary duty. Guidance on our fiduciary responsibilities has been provided by the Scottish Scheme Advisory Board (SAB), which has taken legal advice on the matter ([Fiduciary Duty Guidance | LGPSAB](#)). The SAB advises the Scottish Government (the Responsible Authority for the Fund) and Scottish LGPS Funds on policy issues. We review this guidance on an ongoing basis to assess it against any changes to the legal or regulatory framework, and still believe it to be relevant.
- 1.6 Our Pensions Committee (the Committee), comprising nine elected councillors, is responsible for fund oversight and policy setting. In carrying out its obligations, this group of quasi-trustees must take into consideration the views of its main stakeholders, members and employers.
- 1.7 Fife Council is the administering authority for the Fund, but the Fund is not owned by the Council. Pension fund assets, which are earmarked for pension payments over the life of the fund, are ringfenced from ‘Council Money’. There are 20 18 employers and around 38,000 40,000 members, whose pension payments will be funded by these and further employer and member contributions.

- 1.8 At Fife, we are committed to acting as responsible investors by managing the risks associated with ESG factors. Accordingly, we believe that As a responsible investor we should engage with our investee companies and appointed managers, either directly or via their collaborative partners. Where material risks remain following engagement activity, fund managers ultimately retain the ability to divest.
- 1.9 In preparing this statement, the Committee has taken professional advice from the Joint Investment Strategy Panel Forum (JISPJIF), which includes external advisers and members of the Lothian internal investment team who are FCA authorised individuals.
- 1.10 The Fund gratefully acknowledges the assistance of officers from Lothian Pension Fund in compiling and advising on the SRIP.

## 2. Principles for Responsible Investment

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- 2.1 The Principles for Responsible Investment (“PRI”) – previously the United Nations Principles for Responsible Investment – is an international network of asset owners and managers who are committed to the PRI’s six principles and thereby to working collaboratively towards best practice in the sphere of responsible investing.
- 2.2 Whilst Fife Pension Fund is not a signatory to the PRI, due to the resourcing implications for a fund the size of Fife, we will strive to act in accordance with the six principles with a view to contributing to the development of a more sustainable global financial system, as follows:

### **Principle 1**

**We’ll incorporate ESG issues into investment analysis and decision-making processes.**

- 2.3 The implementation of Fife’s investment strategy is delegated by the Pensions Committee to the Executive Director of Finance and Corporate Services, who delegates this role to the Head of Finance. The Head of Finance engages various external investment managers, including LPFI (Lothian Pension Fund’s investment vehicle) to invest the Fund’s assets. It is noted that Lothian Pension Fund are signatories of the PRI and have been so since 2008.
- 2.4 The way ESG issues are incorporated into investment analysis and decision-making processes varies according to not only the asset category, but also the processes of the manager in question.

### *LPFI Internal Equity investment*

LPFI’s investment managers analyse ESG data as part of the stock selection process and, on an ongoing basis, monitor ESG developments at underlying investee companies. Data and rating changes from independent providers trigger stock reviews. New financing will not be provided to companies or projects that are incompatible with aims of the Paris Agreement

### *Other Equity managers*

During the manager appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. Through our collaborative arrangement with LPFI, we monitor the managers' implementation of their approach on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of external managers, and their product level Taskforce for Climate-Related Financial Disclosures (TCFD) where available. Managers are encouraged to join PRI as signatories where they are not already members. Our ambition is to appoint managers who will not provide new financing to companies or projects that are incompatible with the aims of the Paris Agreement.

### *LPFI Internal Sovereign Bond investment*

LPFI's investment managers analyse ESG reports and respond to government and market consultations, either directly or with our collaborative partners.

### *Other Corporate Debt managers*

During the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. Through our collaborative arrangement with LPFI, we monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters and review the PRI transparency reports of external managers and their product-level TCFD reports, where available. Our ambition is to appoint managers who will not provide new financing to companies or projects that are incompatible with the aims of the Paris Agreement.

### *External Property investment:*

In making any new buy recommendations to Fife for consideration, LPFI will explicitly consider the ability of the manager to manage ESG risks during the manager appointment process. Management and monitoring of ESG matters by the manager will be reviewed on a quarterly basis alongside all other investment issues. Where available, LPFI will consider PRI Transparency and GRESB (Global ESG Benchmark for Real Assets) reports and product level TCFD are reviewed and, if they are not, managers are encouraged to articulate their approach to ESG and sustainability. Where appropriate, we will seek improvement to both the management and implementation of that approach. Managers are encouraged to join PRI as signatories where they are not already members.

### *External Real Asset management (infrastructure, timber) managers*

These investments are spread across a range of limited partnership funds which are monitored by LPFI. In making any new buy recommendations to Fife, LPFI will assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. LPFI will monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review PRI transparency and GRESB reports and product level TCFD reports of external managers, where available. Managers are encouraged to join PRI signatories where they are not already members.

## **Principle 2**



**We will be active owners and incorporate ESG issues into our ownership policies and practices.**

2.5 *Voting*

We use a proxy voting agent to vote on all resolutions at AGMs and EGMs where holdings are with an active manager. The agent periodically presents their voting policy to the Pensions Committee to ensure there is good alignment of interests. Where holdings are with a passive manager, we monitor the manager's ESG report to ensure their voting record and policy is attuned to that of the Fund.

2.6 *Shareholder resolutions*

We are prepared to co-file shareholder resolutions where the issue at stake is important and co-filing aligns with the principles of the Fund.

2.7 *Stock lending*

The Fund participates in stock lending, which generates revenue for the Fund and contributes to making investment markets more efficient. With the ambition to vote on 100% of equity holdings at all shareholder meetings, we **will begin to** recall stock on a systematic basis for voting.

2.8 *Corporate engagement*

We engage with our investee companies on material ESG issues. We will use all methods at our disposal, including direct letters, open letters, company calls, company meetings, speaking at shareholder meetings, filing/co-filing of shareholder resolutions and proposing board members. We will do this primarily through working with collaborative partners or an engagement specialist.

2.9 *Government engagement*

We will engage with government officials and regulators to ensure that markets run efficiently, and that rules and regulations proportionally protect the interests of the various market participants. This will be done using all methods at our disposal, including direct letters, open letters, responding to consultations, working collaboratively with government departments and working collaboratively with regulators and quangos. We will do this either directly, through collaborative partners or through an engagement specialist / service providers or alongside them.

2.10 *Manager monitoring*

We actively and regularly monitor the approach of our investment managers to ESG issues, and what portfolio activity has occurred as a result of managing ESG risks.

2.11 *Conflicts of interest*

We will identify and manage conflicts of interests to put the interests of our members and employers first. It's incumbent on all our people to be alert to potential conflicts of interest and act accordingly.

**Principle 3**

**We will seek appropriate disclosure on ESG issues by the entities in which we Invest.**

2.12 *Investee companies*

We encourage the companies, whose shares the Fund owns, to report on relevant ESG metrics. These include the reporting of greenhouse gas emissions in line with the recommendations of the Taskforce for Climate-related Financial Disclosures (“TCFD”). We do this through working with collaborative partners.

#### 2.13 *Investment Managers*

We encourage the Fund’s investment managers to provide transparency by reporting relevant and accessible ESG-related information. This includes their commitments to and alignment with the UK Stewardship Code 2020, the TCFD, the PRI and GRESB, where appropriate. We will do this either directly, or through working with collaborative partners.

### **Principle 4**

**We will promote acceptance and implementation of the Principles within the industry.**

#### 2.14 *Commitment to PRI*

We are transparent about the fact that we are not a signatory to the PRI but attempt to show - through this document - that we are strongly supportive of its aims.

#### 2.15 *Investment Managers*

We endorse the PRI Principles to our managers and encourage them to become full signatories to PRI. Where this is not possible, we encourage our managers to use the six principles to guide their RI approach. We do this either directly, or through working with collaborative partners.

### **Principle 5**

**We will work together to enhance our effectiveness in implementing the Principles.**

#### 2.16 *Collective Approach*

We are committed to working collaboratively to increase the reach, efficiency and effectiveness of RI. We work with a host of like-minded partner funds, service providers and related organisations striving to attain best practice in the industry and to improve industry standards. This includes working with appointed engagement specialists and groups such as the Institutional Investors Group for Climate Change, and Climate Action 100+ and the Scottish Responsible Investment Group

### **Principle 6**

**We will report on our activities and progress towards implementing the Principles.**

#### 2.17 *Annual Reporting*

We will provide details of our responsible investment activities in our Annual Report

#### 2.18 *Pensions Reporting*

We publish voting information on a quarterly basis on our Pension Website, together with a summary of engagement activity. We will also make available to the Pensions Committee and Board, the ESG reports from our investment managers.

### 3. Climate Change & the Taskforce for Climate-Related Financial Disclosures (TCFD)

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3.1 The Fund recognises the importance of the Paris Agreement of the United Nations Framework Convention on Climate Change. The central aim of the agreement is to strengthen the response to the global threat of climate change by:

- keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius;
- strengthening the ability of countries to deal with the impacts of climate change through appropriate financial flows, a new technology framework and an enhanced capacity building framework;
- enhancing transparency of action and support through a more robust transparency framework.

More detail on The Paris Agreement can be found at : <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

3.2 At Fife, we understand that the Paris Agreement is creating change that represents both significant risks to - and opportunities for - the Fund. As such, we are making the following commitments to climate monitoring and action:

- To support the goal of transitioning the real economy to net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius by 2100.
- To begin to measure and report on carbon-equivalent emissions throughout the equity portfolios
- To support the work of Climate Action 100+
- To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy (as has been the case with the Fund investing in several renewables projects)

- To assess the carbon intensity of all assets (supported by external managers and using estimates if necessary) by the deadline for enhanced TCFD reporting for the Scottish LGPS.
- Using data from the Transition Pathway Initiative (TPI), to engage alongside our collaborative partners to encourage companies to adopt business models and strategies that are in line with the aims of the **Paris agreement**. Our ambition is that **by 2025** all holdings covered by TPI will have achieved a **level 4 assessment** and **have a business plan whose carbon performance is in line with the Paris agreement or better by 2025** the highest management quality assessment score, indicating strong governance of their greenhouse gas (GHG) emissions and the risks and opportunities arising from the low-carbon transition and have a plan for alignment.
- ~~Using data from the Transition Pathway Initiative (TPI), our ambition is not to subscribe to new equity and fixed income issuance from companies whose business plans are not aligned with the aims of the Paris agreements at the time of the fundraising.~~

#### **“Deny debt, engage equity”**

While the trading of equities (shares) doesn't affect the capital position of a company, subscribing to new bonds and new equity does provide companies with funding. Within our equity portfolio we engage with our holdings, and that engagement includes using the tools and strategies we have at our disposal to influence companies to commit to align with the goals of the Paris Agreement. In our debt portfolios, we aim to deny funding to those non-aligned companies. We expect this approach to be more effective if achieving necessary change – a real reduction in greenhouse gas emissions – than divestment. Where material risks remain following engagement activity, we retain the ability to divest.

- 3.3 Financial returns from current and future investments will affect our ability to fund future pension payments, and so we have committed to implement processes that adhere to TCFD recommendations as follows:

#### *Governance*

The Pensions Committee will monitor stewardship of the Fund's assets at least annually. This includes considering reporting on RI issues and specific climate related risks and opportunities. The Head of Finance will ensure that training on climate related issues is made available to all members of the Pensions Committee and Pension Board members. The Pensions Committee:

- affirms the Fund's commitment to integrate environmental, social and governance (ESG) considerations, such as carbon efficiency trends into its decision-making;
- delegates to Fund officers with advice from the Joint Investment **Strategy Panel Forum** to ensure that they take ESG issues, including climate change and carbon risk, into account in their investment decision-making;
- affirms the Fund's policy of not divesting solely on the grounds of non-financial factors;

- notes that the Fund will monitor research on the link between ESG factors (including carbon-related factors) and financial performance to inform future investment strategy, such as stock selection criteria for quantitative strategies;
- agrees that the Fund will use its shareholdings in companies that perform poorly on carbon efficiency measures to influence engagement activity.

#### 3.4 *Strategy*

We will work individually and with our collaborative partners to drive for openness and transparency on climate related issues affecting our investments.

#### 3.5 *Risk Management*

We will work both individually and with the internal team at LPFI to help understand and manage the climate risk within the Fund.

#### 3.6 *Monitoring*

We will use monitoring tools with the aim of mitigating risk to Fund assets from trends towards net-zero carbon and more broadly from climate change. The Joint Investment **Strategy Panel Forum** reviews and scrutinises RI issues and specific climate-related risks and opportunities at least annually. The internal investment team at LPFI has access to data services and analytical tools to assist the Fund in monitoring climate risk at as granular a level as possible.

#### 3.7 *Carbon Analysis*

We note that carbon-equivalent foot printing produces a simple metric, which is backward looking and can be misinterpreted. **It can encourage** selective divestment of the shares of high emission companies as some investors 'greenwash' their portfolios. Rather than divesting, we encourage our managers to incorporate an analysis of **carbon output both physical and transition climate risk** into their risk assessment of individual companies and their stocks. In addition, we will actively engage with companies to align their business strategies with the targets of the Paris Agreement. Where analysis of **carbon climate risk** (or any other risk) points to poor financial outcomes, **share divestment by fund managers is, of course, an option** we would expect to divest.

## 4. Conclusion

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- 4.1 It is our belief that we must deliver a valued and sustainable retirement savings product for our existing and future members. We believe that as a provider of responsible capital and working with our partners, the Fund should be an agent for positive change, engaging with companies to help them maintain or adopt best business practices and sustainable business models.

24 September 2024

Agenda Item No. 6

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## **Fife Pension Fund – Business Plan update and Administration Activity to 30 June 2024**

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

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**Wards Affected:** N/A

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### **Purpose**

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

### **Recommendation(s)**

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The Committee is asked to:

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

### **Resource Implications**

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The business plan for the Fund is delivered by the wider pensions team and managed by the Head of Finance. It is important to ensure that the team is adequately resourced to deliver the Service and can respond to developments in the future. Managing and monitoring team performance is important in providing an efficient service to both employers and members and can highlight areas for improvement. Workforce planning arrangements are also being developed which incorporate training and succession planning in order to provide sustainable and effective performance.

### **Legal & Risk Implications**

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

## Impact Assessment

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Not relevant.

## Consultation

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

## 1.0 Background

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

## 2.0 Business Plan Activity

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- 2.1 The business plan includes several planned development activities, a summary on the progress to date is provided below:

### 2.2 *Development Activities*

The areas of development identified were as follows:

#### 2.2.1 **Procurement - Custody Services**

Progress to date

This will be managed as a joint procurement exercise for custody services with partner funds and dialogue is ongoing. It is expected that the procurement process will commence later this year.

#### 2.2.2 **McCloud Judgement**

Progress to date

Sourcing the information (part time hours and breaks) from employers for members that fall within McCloud scope (01.04.2015 to 31.03.2022) is a huge piece of work but it is only the first step in the whole process. Once received the Team start the three-part process of updating Altair.

Part 1 of the process is the most time consuming as it involves matching the employee information received from the employers with Altair records and updating the membership and break screens, as required. Part 2 involves running a programme in Altair that creates the McCloud tranche and Part 3 creates the Rectification data view screen (this screen is where any McCloud underpin value is held in Altair).

The information required for the McCloud project, (Part 1, Part 2 and Part 3) has been completed for 12 employers who no longer have current members but who have legacy members ie. Deferred/pensioner that fall into McCloud scope.

The remaining 21 current employers, of which 8 are managed by Fife Council's payroll team, are at various stages in the project. For the non-Fife Council payrolls (13 employer payrolls), all part time hours and breaks have been uploaded to Altair (Part 1). For Fife Council payrolls, seven of the eight payrolls (all bureau payrolls) have part time hours and breaks loaded to Altair and we are in the process of matching for the single employment employees we have received for Fife Council.

Since the last committee, the delay in sourcing information from Fife Council payroll team was escalated with senior management. As a result, information has been received for different categories of member, with the focus being on those members in single employments.

The next stage is to receive data for members who have multiple posts which is more complex. Priorities have been agreed between the Pension Team and Payroll Team with a focus on those members who are in scope.

A project plan has been developed for the remainder of the project with key milestones identified and deadlines agreed with the Payroll Team.

Alongside the collation of data, the team continue to meet with Heywood's consultants that specialise in updating Altair with McCloud information. These meetings assist the team in understanding mismatches that aren't specifically highlighted in the McCloud user guides. Further, participation in nationwide working groups is also taking place. These meetings are particularly helpful as they allow sharing of best practice and experiences of other Funds updating McCloud information.

### **2.2.3 Pensions Dashboards**

Progress to date

The Department of Work and Pensions (DWP) has laid the Pensions Dashboards (Amendment) Regulations 2023. A revised staging timeline means that all Schemes in scope will need to be connected by 31 October 2026. The Pensions Dashboard Programme (PDP) has confirmed the staging date for public service pension schemes is 30 September 2025.

A draft LGPS Pensions Dashboard connection guide has been published by the Local Government Association. Work has started to develop a project plan based on this guidance. A draft project plan is in place.

Work has started with software suppliers to cleanse data and undertake tracing exercises in preparation for dashboards implementation. Connection testing is scheduled to take place in November and December.



## 2.2.4 Taskforce for Climate Related Financial Disclosures (TCFD)

Progress to date

Continued implementation of SRIP actions including sourcing climate related information during quarterly performance calls with fund managers.

TCFD reporting is still in its infancy and there is more for the Fife Fund to do in this area. It continues to be a medium-term ambition within the business plan.

## 2.2.5 KPI review

Progress to date

The KPI review is an iterative process and has been around for some time. The first phase of the review has focussed on gathering information, reviewing what other funds reporting and setting the targets based on the agreed Administration Strategy.

The second phase has focussed on the developing the presentation of the KPIs using a Power BI dashboard, the results of this are presented at Appendix 1.

The dashboard at Appendix 1 is the full detailed analysis and presents the information for all key processes compared with previous quarters.

Phase 3 of the review will involve reviewing and updating the targets now that a full year's data is available.

Further work to develop other KPIs around customer contact and satisfaction is still to be advanced.

## 2.2.6 The Pensions Regulator General Code of Practice

Progress to date

The process of a gap analysis as started using the General Code of Practice checker purchased from Hymans. From completion of the analysis, an action plan has been developed, highlighting areas that require to be addressed.

## 2.2.7 Review of Governance Documentation

Progress to date

During the last quarter a review of the current Administration Strategy was undertaken to check for accuracy and to establish if any material changes for regulations was required. It was determined that no amendments were needed at this time. The triennial review of the Administration Strategy including consultation with employers will take place in 2025.

## 2.3 Committee and Board Training Attendance

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

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

Pension Committee Attendance at Training										
		Cllr. Dempsey (convener)	Cllr Pryde (vice convener)	Cllr Davidson	Cllr Liston	Cllr Alexander	Cllr Neal	Cllr Patrick	Cllr Anis-Miah (joined Oct 23)	Cllr Calder (joined Feb 24)
Induction Training	2 hours									
TPR Toolkit	5 hours									
TPR Scams	1 hour									
<b>Training in Year</b>										
Internal Training 2 May	3 hours									
Investment Training 28th August	2 hours									
Internal Training 30 August	3 hours									
<b>Total Hours in year</b>		6	6	8	6	3	8	5	3	9
Total Hours Required in Year (pro-rata as required)		14	14	14	14	14	14	14	14	14
<b>Balance Outstanding</b>		-8	-8	-6	-8	-11	-6	-9	-11	-5
Pension Board Attendance at Training										
		Cllr. Adams	Cllr Ballantyne-Wardlaw	Robert Graham	Ross Hugh	Colin Paterson	Vicki Wyse	Thomas Templeman	Debbie Fyffe (Union Substitute)	Gail Dunn (resigned June 2024)
Induction Training	2 hours									
TPR Toolkit	5 hours									
TPR Scams	1 hour									
<b>Additional Training in Year</b>										
Internal Training 2 May	3 hours									
Investment Training 28th August	2 hours									
Internal Training 30 August	3 hours									
Other Training	Various									
<b>Total Hours in year</b>		5	5	5	5	5	8	8	4	3
Total Hours Required in Year (pro-rata as required)		14	14	14	14	14	14	14	14	3
<b>Balance Outstanding</b>		-9	-9	-9	-9	-9	-6	-6	-10	0
<b>Key</b>										
Not Completed Mandatory Training										
Training Completed / Attended										
Training Partially Completed /Attended										
Not applicable										

### 2.3.3 Training available to date included:

- CEM Benchmarking
- Cost Transparency
- Cash Flow Modelling
- Real Assets
- Responsible Investment

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

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

2.4.1 The regulations as currently written require Scottish LGPS funds to include McCloud underpin information in the 2024 Annual Statements. However, given the magnitude of the McCloud project nationwide, the SPPA recognised that this was not achievable but were unable to update the regulations to exclude this requirement before funds started the process of running 2024 statements. The regulations in England & Wales were updated in time to exclude the requirement.

2.4.2 To address this anomaly, the SPPA issued a letter of comfort to all Scottish administering authorities for the 2024 annual benefits statements exercise, but funds were advised to report this as a breach to the Pensions Regulator.

2.4.3 As a result of the 2024 Annual Benefits Statements for Active members not including the McCloud underpin, this has been reported to the Pensions Regulator as a breach of LGPS regulations.

2.4.4 2.4.4 The next stage is that the SPPA are consulting on the draft regulations to modify the requirement to include the underpin on the 2024 statements. SPPA are hoping to have the requirement removed for not only this year, but 2025 as well. It will therefore be 2026 before the McCloud underpin information will need to be detailed within annual statements.

2.4.5 This has been recorded on the breaches log and will be referenced in the 2023-24 Annual Report. There are no further breaches at this time.

## **3.0 Business as Usual Activity**

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

### **3.2 Business as usual**

3.2.1 In this quarter, for all the fund Employers that use i-Connect, the Team have successfully completed all year end processes. This involves ensuring all member records in Altair have scheme contributions loaded for the year 2023-24, and that pay details, Final Salary and CARE pay, are present for all members.

3.2.2 For the three employers who do not use i-Connect, the Team have received and processed the year-end schedules, ensuring that those member records are complete for year-end purposes.

3.2.3 The annual system maintenance has been carried out in this quarter. This involves updating factor tables for calculations within Altair and running the CARE roll-up and CARE revaluation programmes. Any member record validation errors identified when running these programmes have been corrected.

- 3.2.4 The Team have successfully tested and run the annual Pension Increase Award for all pensioner and dependant's records, and all deferred and pension credit members.
- 3.2.5 The annual pensioner Pay Advice slips, and the P60 certificates, have been produced and issued to our pensioner/dependant members.
- 3.2.6 The annual process to calculate and pay additional pension increase on deferred lump sums which came into payment between 10 April 2023 and 8 April 2024, in accordance with the Pensions Increase Act, has been successfully completed within the timescale of 3 months following the pension increase date. A total of 293 additional payments have been processed and paid this year.
- 3.2.7 The bulk calculation of Annual Allowance has been run into the system and members who have reached, or are close to reaching, their Annual Allowance have been identified. Work has started to update Altair, collect additional pay details where necessary and correct any validation errors. It is expected that the Annual Allowance deadline of 6<sup>th</sup> October will be met.
- 3.2.8 Annual Benefit Statements for deferred members have been processed and uploaded to Member Self Service (MSS) accounts ahead of the statutory deadline of 31 August.

As well as the statements, the updated guidance notes for the statements, and the annual newsletter for deferred members has been produced and uploaded to MSS.

An email, with the deferred member newsletter attached, has been sent to all deferred members for where an email address is held notifying them that the statements are available to view on-line. This includes not only those deferred members who have registered for MSS, but also those not yet registered.

For those deferred members not yet registered to Member Self-Service (MSS), letters were also sent to their home addresses to notify them that their annual statement was available to view on-line, and with instructions on how to register for MSS.

The Team have also been testing the Annual Benefits statement programme for active members.

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

- 3.3.1 Following internal promotions, additional in-house training has been required to ensure the team members are trained on their new duties. Processes and procedures continue to be developed and processes and procedures are being updated to ensure knowledge and understanding within the team continues to grow.

## **4.0 Key Performance Indicators**

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- 4.1 As reported in the Business Plan, development work on the presentation of the KPIs has been undertaken and these are now being presented using a new and improved dashboard. The dashboard has been developed and links directly to the Altair system extracting the data updating the relevant charts.
- 4.2 Appendix 1 presents the suite of KPIs and is improved from the previous reported format. As this is the first iteration of presenting the KPIs in this way, all data has

been included. Members are asked to consider the presentation and provide any relevant feedback.

4.3 It is important to note that all the KPIs are still being reported and there are a few additional pages of information. The following paragraphs will provide some background to the information and will provide commentary on performance where appropriate.

4.4 Pages 2 to 5 of the appendix provide some contextual information in respect of the Fund as follows:

<b>Pg No</b>	<b>Title</b>	<b>Comments</b>
2	Fund Membership	<p>This provides information on the demographics of the pension fund showing the age profile of Active, Deferred and pensioner members.</p> <p>This gives an insight into the levels of work that could potentially arise for the team given the high percentage of deferred and active members in the age categories 55 years upwards.</p> <p>This page will be reported annually to Committee.</p>
3	Member Self Service Registrations	<p>This page details the amount of registered and non-registered members by status i.e. Active, Deferred and Pensioner members.</p> <p>This will be developed further as more of a timeline to show the continuous improvement of migrating members to on-line functionality.</p>
4	Pensions Quarterly Casework Overview	<p>This page demonstrates the case work for the relevant quarter shown as both the outstanding tasks and completed tasks. Not all the tasks form part of the KPI suite that is reported on. The vast majority of completed tasks are not part of the KPI suite but are an important and integral part of the pension administration function of maintaining accurate member records.</p> <p>This will be reported quarterly.</p>
5	Key Processes Summary	<p>This page summarises the performance for 10 agreed KPIs for the quarter against the previously approved target as well as the trend in performance over the last year.</p> <p>This summary will be reported quarterly.</p>

- 4.5 From page 6 onwards, there is one page for each KPI which provides information and comparison to previous quarters and the agreed target. Performance information in respect of cases completed within target and average data elapsed per case is also provided in graphical format. The following paragraphs will comment on the performance where appropriate
- 4.6 Page 6, “New Members”, aside from showing that the target is met, shows immediately the number of new starts that are processed quarterly.
- 4.7 Page 7, “Refunds”, shows the Team’s performance in dealing with refund calculations. Although slightly below target, 47 of 50 cases were calculated and checked within the specified target. Of the 3 cases that went over target, 2 were the result of a delay in getting the calculations checked (both went 1 day over the set time) and 1 was the result of the task being closed late (although the payment was made on time).
- 4.8 Page 8, detailing “Ill Health Estimates” shows the number of calculations in this category completed in the quarter. Although still below the set target level, from the graphs since quarter 1 of 2023-24 the changes made in the process, and the amendments that have been made to the task set-up, are having a positive effect.
- 4.9 Page 9, “Redundancy Estimates”, aside from showing that the target is met, shows at-a-glance the number of redundancies estimate calculations that were processed in the quarter.
- 4.10 Page 10, “Retiral Estimates”, although slightly under target, shows that of 195 cases processed, 172 were within target. Delays in this category are often out with anyone’s control and there are several reasons why a task may be delayed. For example, a member querying the reason for their employment being terminated or the team querying pay information etc.
- 4.11 Pages 11 and 12, relate to transfer calculations, both inward and outward calculations. The performance levels for both are below target, however there are mitigating circumstances. As previously advised, transfers were suspended whilst we waited on transfer guidance from the Government Actuary Department (GAD). Revised guidance was received late March however software updates are being developed and provided by Heywood’s reflecting this new guidance.
- Until this is received the LGA (Local Government Association) provided administrators with a spreadsheet that enables the calculation of non-club transfer cases, in effect, manually. This spreadsheet has since been adapted for club transfer cases.
- Team members dealing with transfers have had to familiarise themselves with the spreadsheet, as well as making additional checks for cases that fall within the McCloud remedy period. All these circumstances have influenced the performance in the ability to meet the target set for these indicators.
- 4.12 Page 13, “Correspondence”, the Team deal with the correspondence tasks effectively and efficiently ensuring member queries are promptly dealt with.
- 4.13 Page 14, “Death Grants”, shows the Team performance as slightly below target. Of the 138 cases, 115 were dealt with within the target time. Of the other 23 cases, 11 went over target because of a delay in checking the task, and the remaining 12 because of delays in getting paperwork from next of kin.

- 4.14 Page 15, “Divorce Settlements”, looking into the individual member records, in all cases delays in receiving the required paperwork was the reason the task overran.
- 4.15 As previously reported there is excellent performance across 7 key indicators. However, there are some processes where performance is below the target level for the past year, namely, Ill Health Estimates, Transfers In and Transfers Out. Therefore, it is appropriate to revise the target levels.
- 4.16 Updating the targets in the system requires to take place at the start of a quarter rather than during the period. The targets have not yet been updated in the system as the review has taken place once a full year’s data was in place.
- 4.17 Further, in recognition of the performance in respect of transfer processes, additional support is being purchased from Hymans. This support will clear the backlog of transfer cases as well as provide training to the team on the transfer process. This will improve the team’s knowledge and capacity to deal with transfer cases.
- 4.18 As the work being carried out by Hymans will be done in October, any improvement in performance will be included in Quarter 3 indicators which are not reported to Committee until March 2025. However, performance will be monitored on an ongoing basis until then.

## 5.0 Conclusions

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- 5.1 This report provides members with monitoring information on the Pension Administration Team’s performance and service delivery to employers and members of the Fund in the quarter to 30<sup>th</sup> June 2024.
- 5.2 Progress against the Fund’s business plan has been positive, with a significant amount of work being advanced throughout the quarter.

### List of Appendices

Appendix 1

### Report Contacts

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Fife Council Pension Fund  
Key Performance Indicators  
Quarterly Report

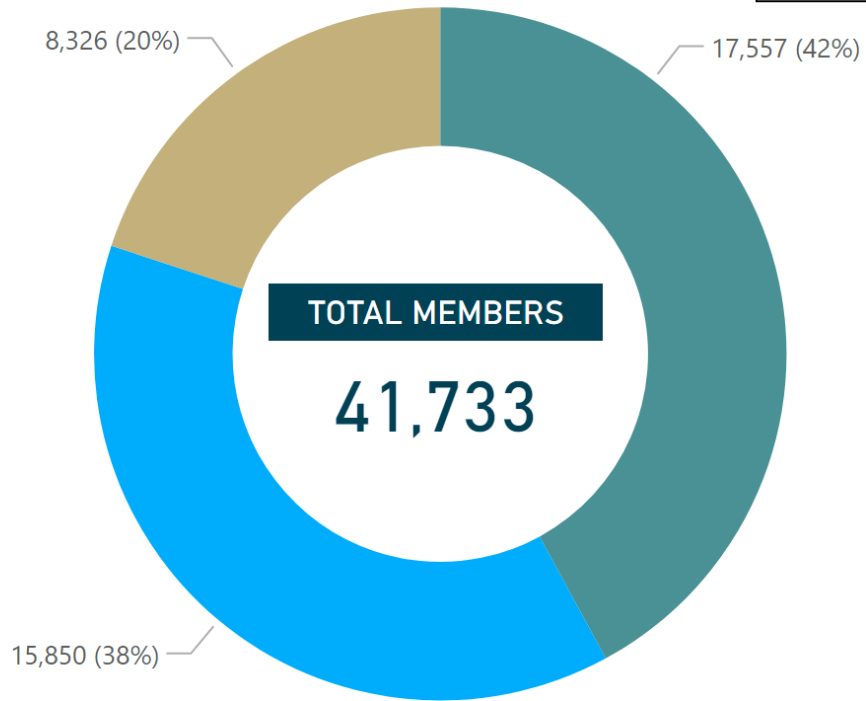


# Fund Membership

## TOTAL FUND MEMBERSHIP

Average Age

56



TOTAL MEMBERS

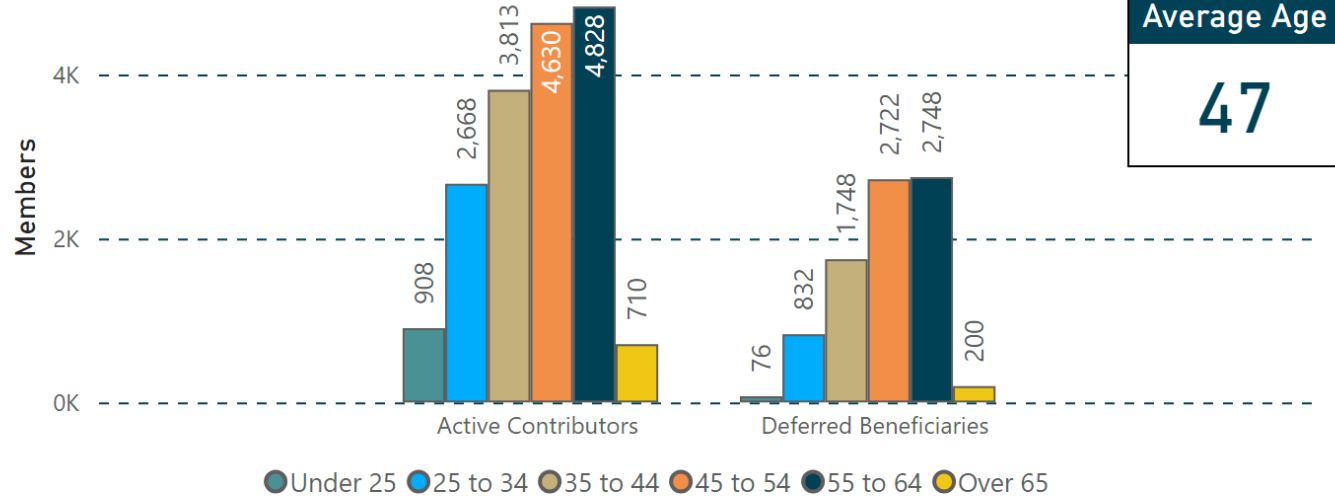
41,733

● Active Contributors ● Pensioners & Dependants ● Deferred Beneficiaries

## ACTIVE & DEFERRED MEMBERS AGE DEMOGRAPHIC

Average Age

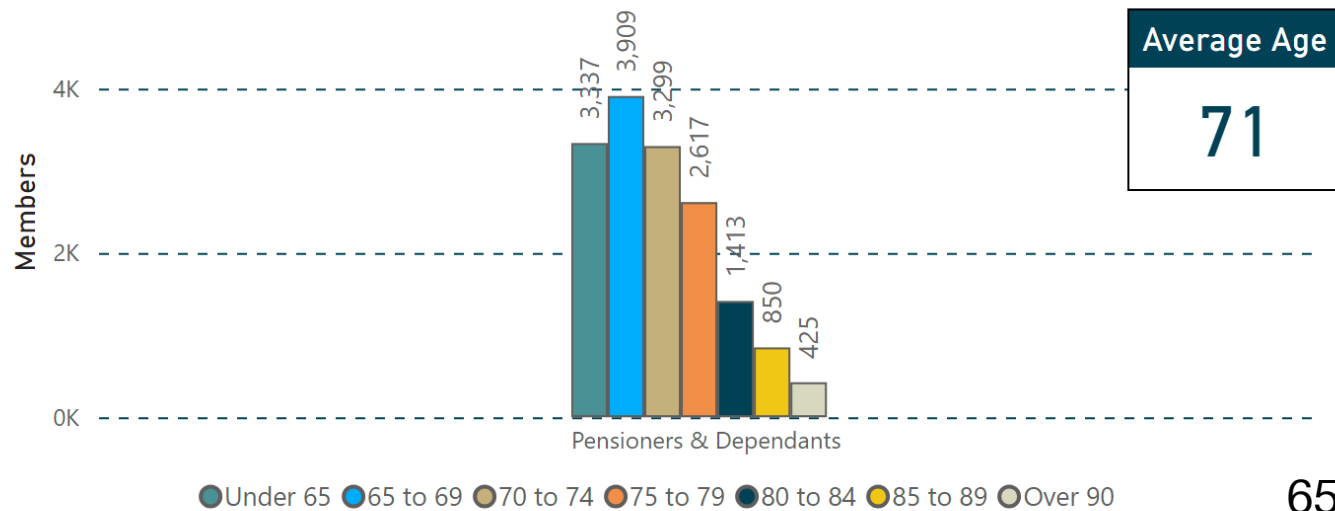
47



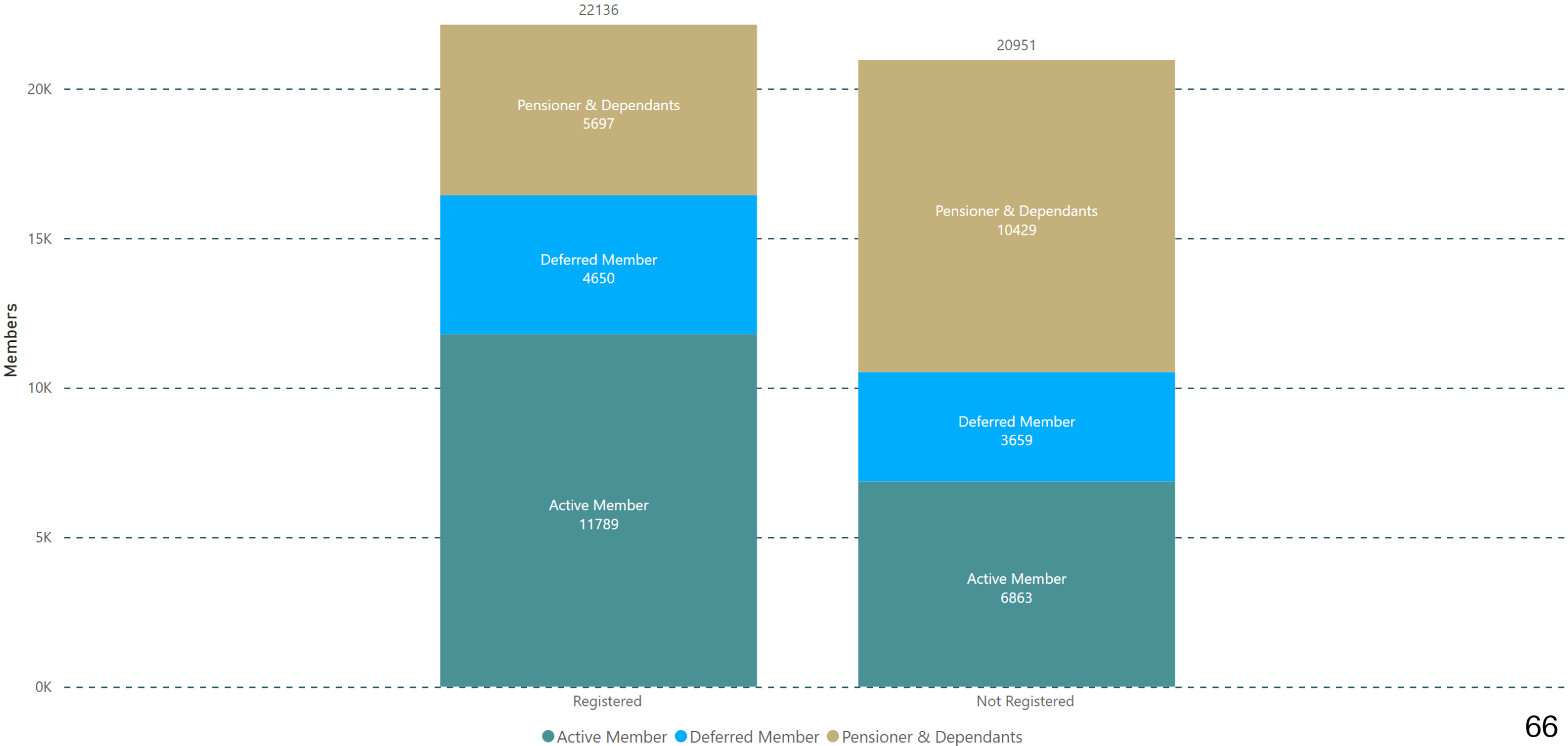
## PENSIONER & DEPENDANT MEMBERS AGE DEMOGRAPHIC

Average Age

71



# Member Self Service Registrations



# Pensions Quarterly Casework Overview

Year

2023-24

Quarter

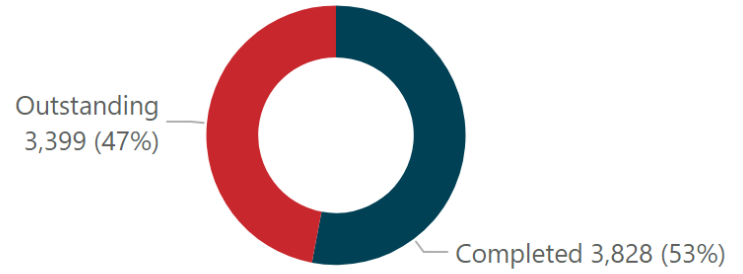
Q3

**7,227**  
Total Cases

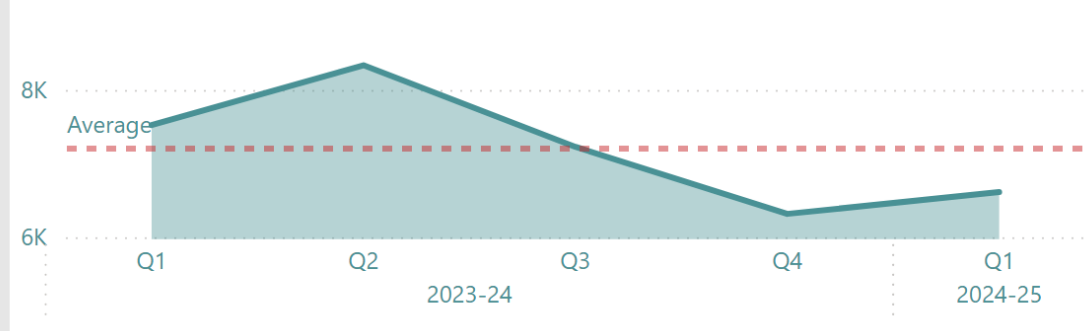
**3,828**  
Completed

**3,399**  
Outstanding

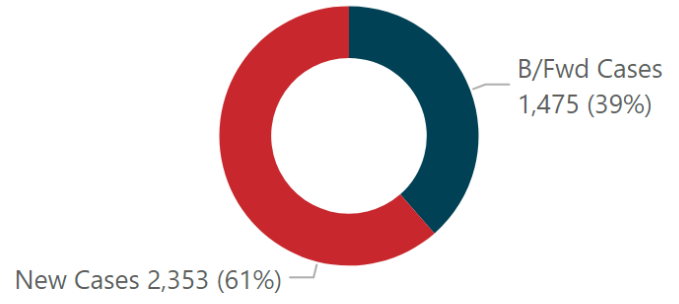
Total Casework



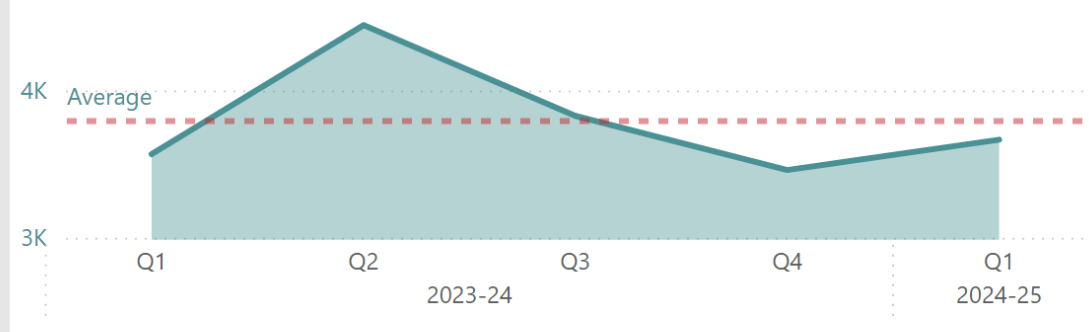
Total Casework by Period Trend



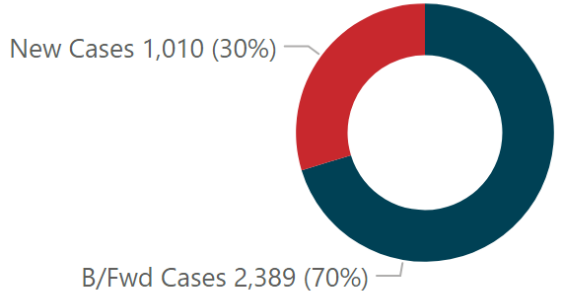
Completed Casework



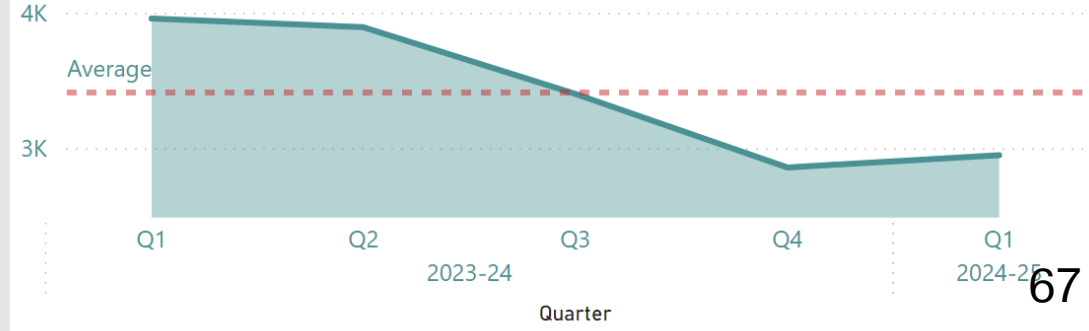
Completed Casework by Period Trend



Outstanding Casework



Outstanding Casework by Period Trend



Year

2023-24

Quarter

Q3

1161

Total Completed

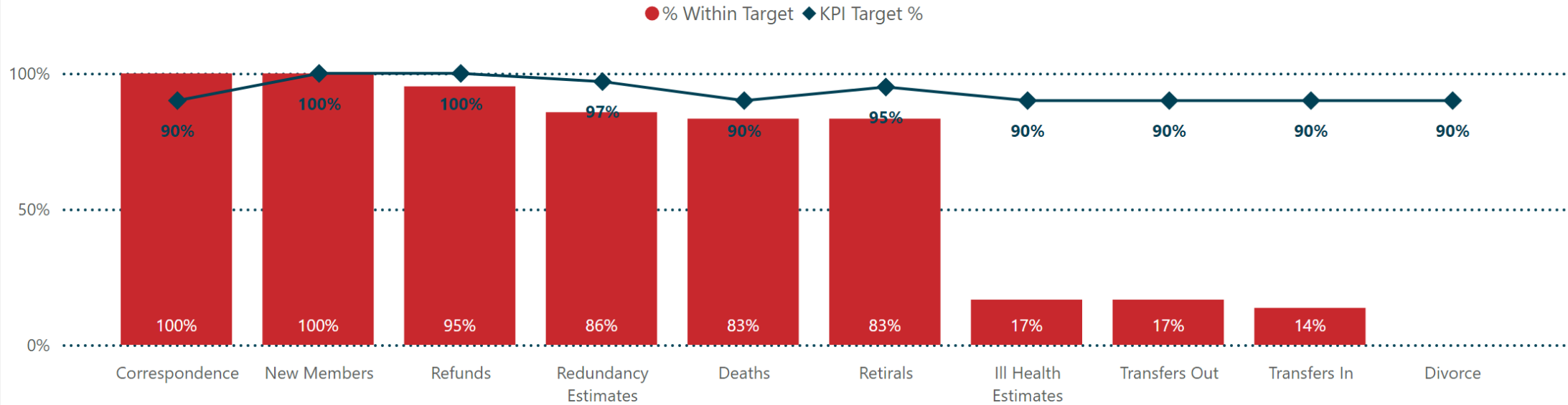
1021

Within Target

88%

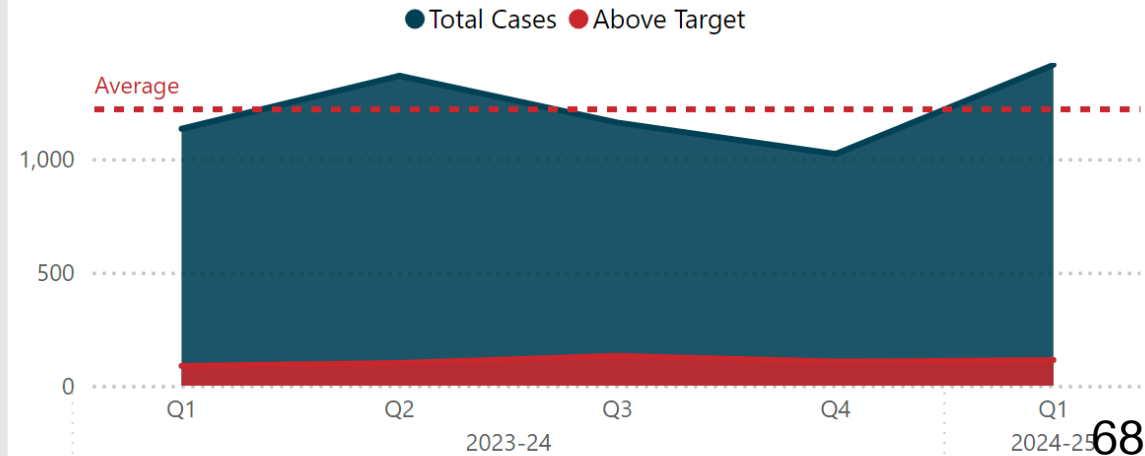
% on Target

## Key Processes Performance v Target



KPI Category	Total Completed	Within Target	Over Target	% on Target
New Members	583	583	0	100%
Retirals	216	180	36	83%
Deaths	138	115	23	83%
Refunds	105	100	5	95%
Transfers Out	42	7	35	17%
Correspondence	24	24	0	100%
Transfers In	22	3	19	14%
Ill Health Estimates	18	3	15	17%
Redundancy Estimates	7	6	1	86%
Divorce	6	0	6	0%
<b>Total</b>	<b>1161</b>	<b>1021</b>	<b>140</b>	<b>88%</b>

## Completed Cases Trend



# New Members KPI

Year

2024-25

Quarter

Q1

**736**

Total Completed

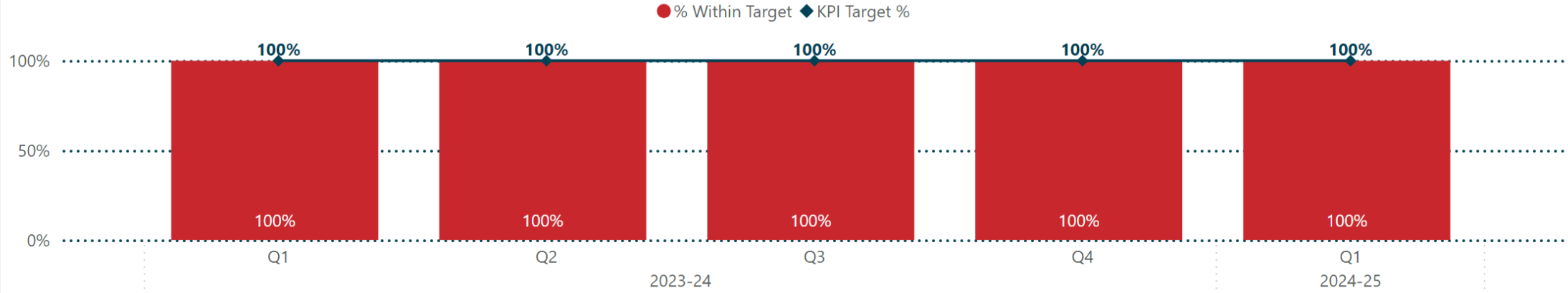
**736**

Within Target

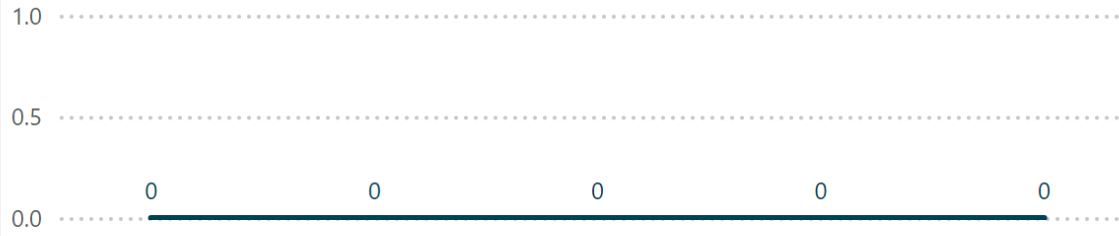
**100%**

% on Target

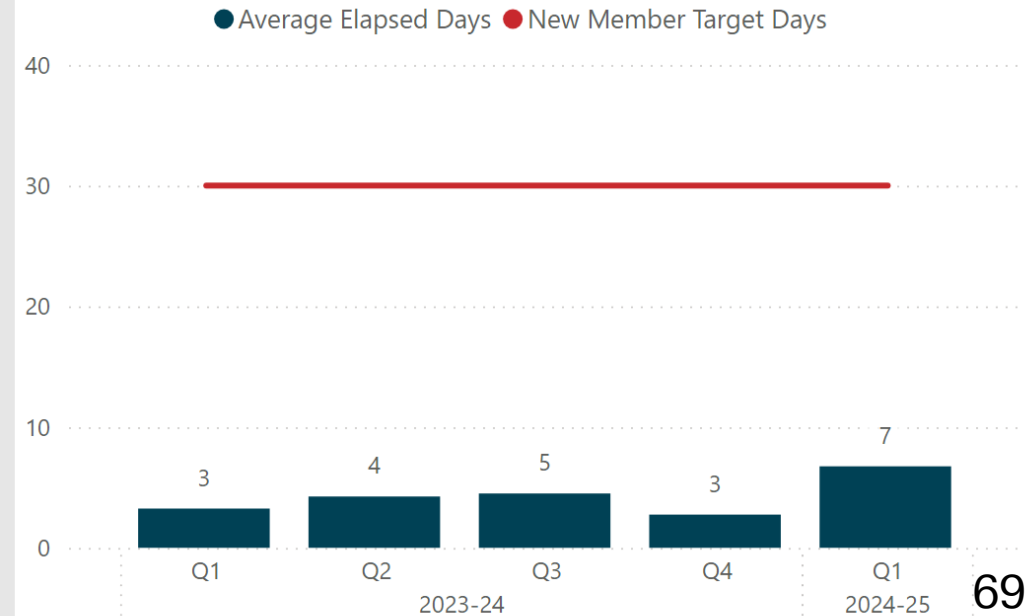
Quarterly Performance v Target



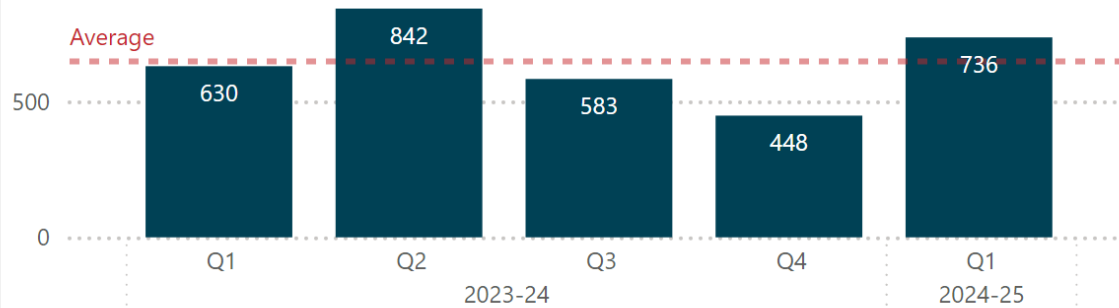
Cases Complete Above Target Trend



Average Elapsed Days per Case v Target



Cases Complete Within Target Trend



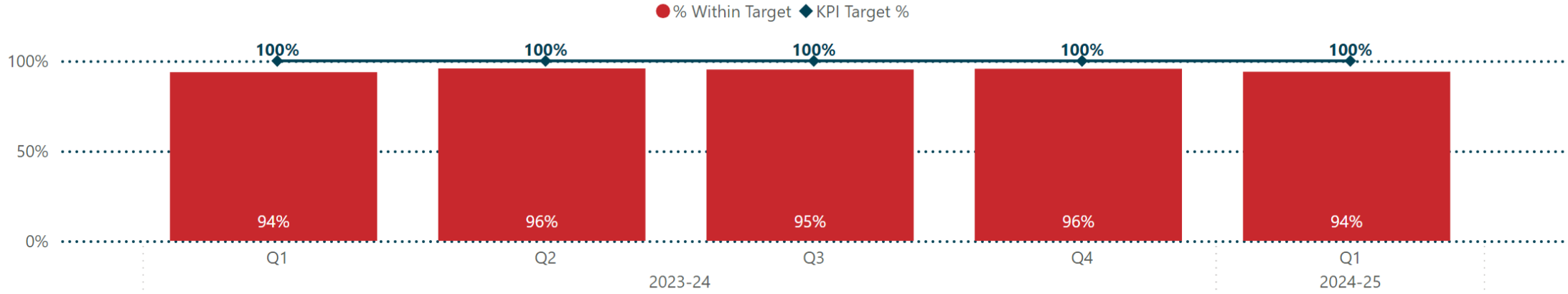
Year

2024-25

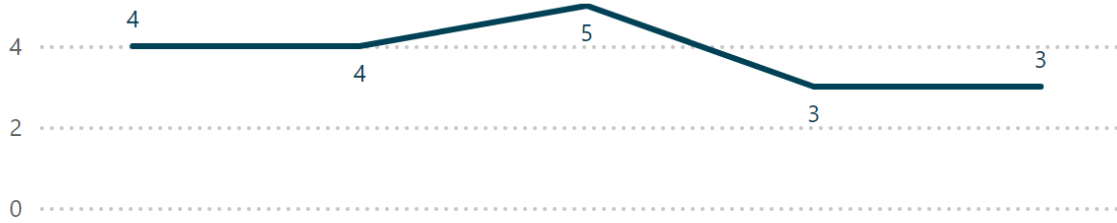
Quarter

Q1

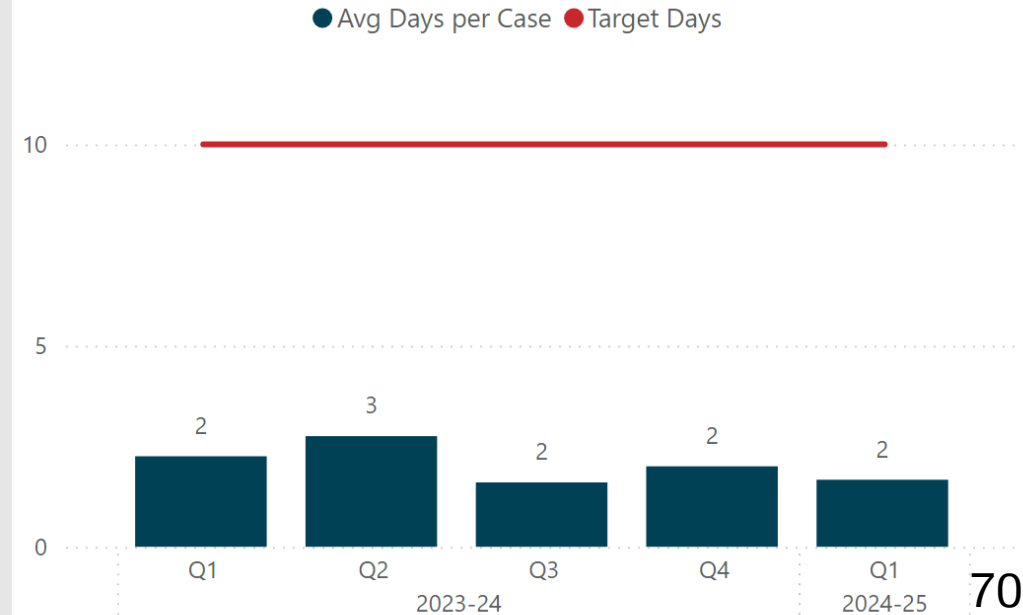
### Quarterly Performance v Target



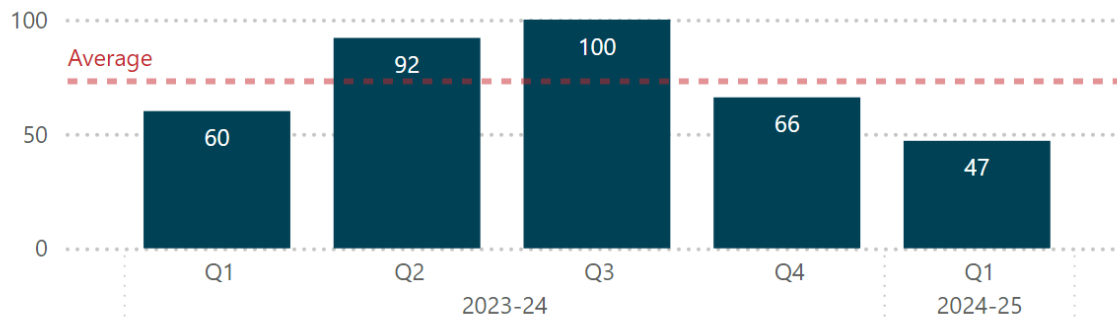
### Cases Complete Above Target Trend



### Average Elapsed Days per Case v Target



### Cases Complete Within Target Trend



50

Total Completed

47

Within Target

94%

% on Target

# Ill Health Estimates KPI

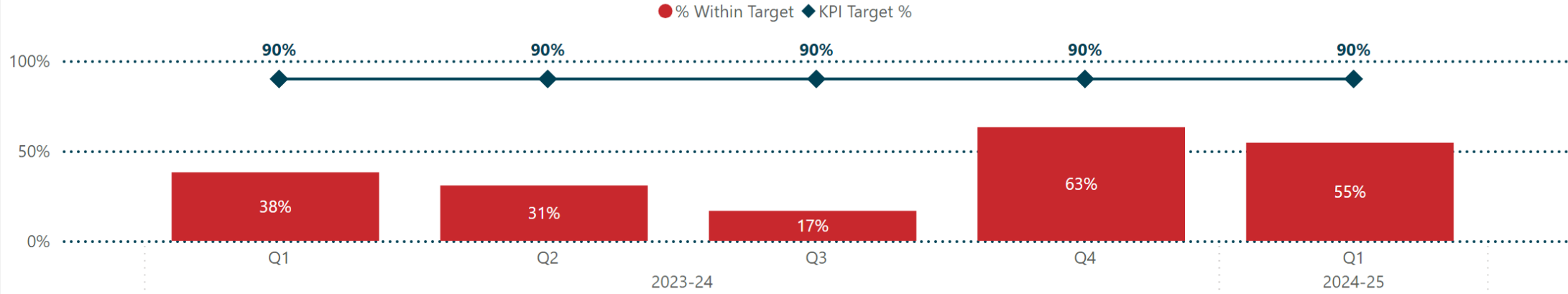
Year

2024-25

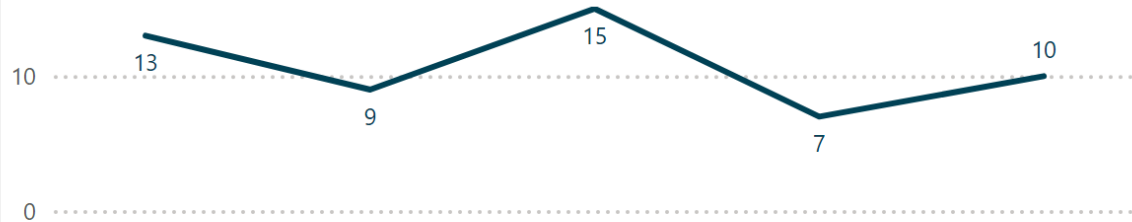
Quarter

Q1

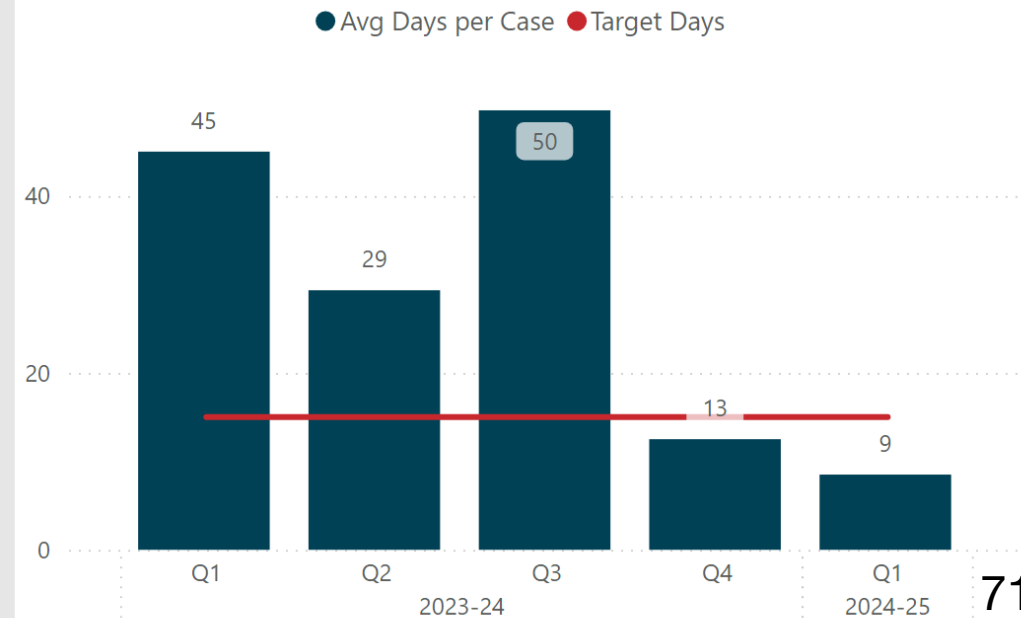
Quarterly Performance v Target



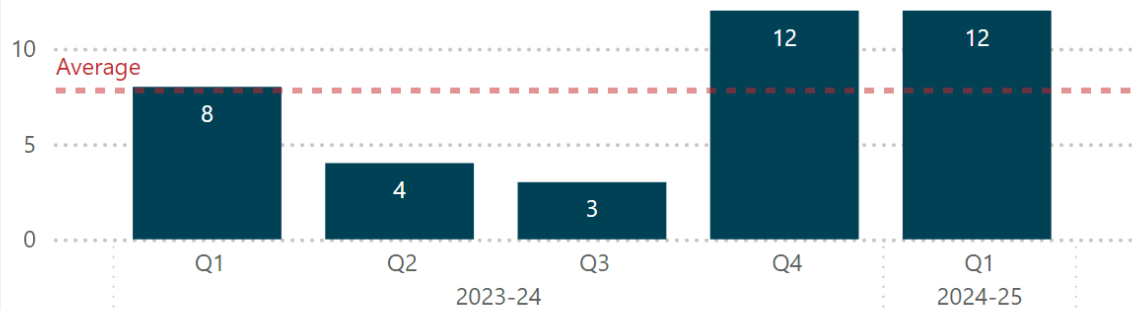
Cases Complete Above Target Trend



Average Elapsed Days per Case v Target



Cases Complete Within Target Trend



22

Total Completed

12

Within Target

55%

% on Target

# Redundancy Estimates KPI

Year

2024-25

Quarter

Q1

6

Total Completed

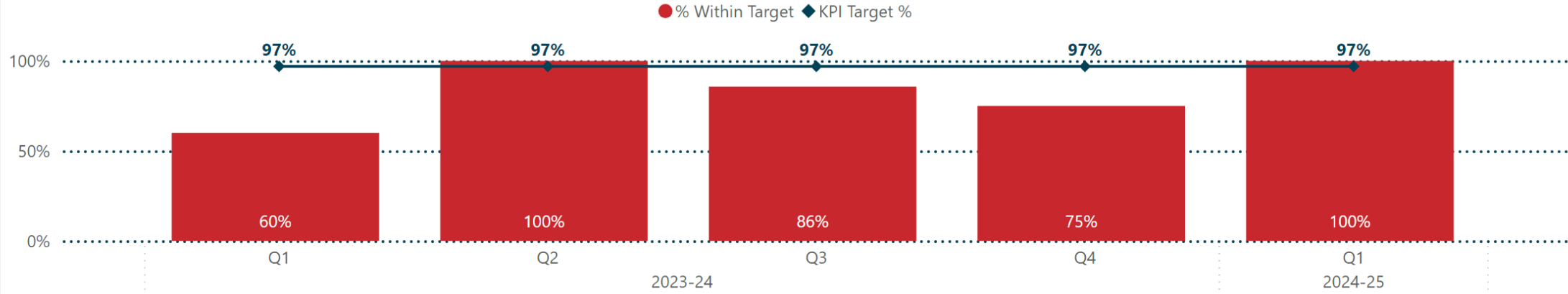
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Within Target

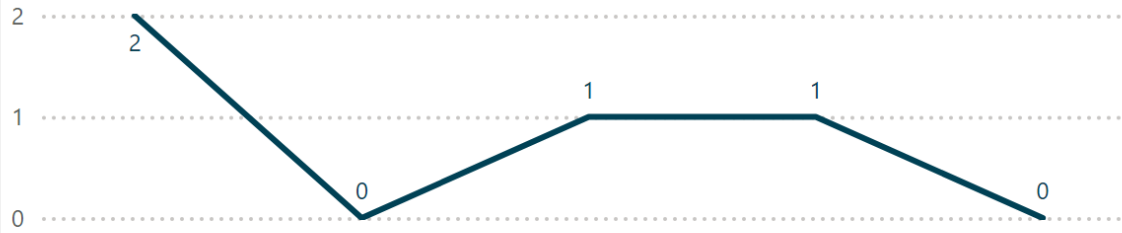
100%

% on Target

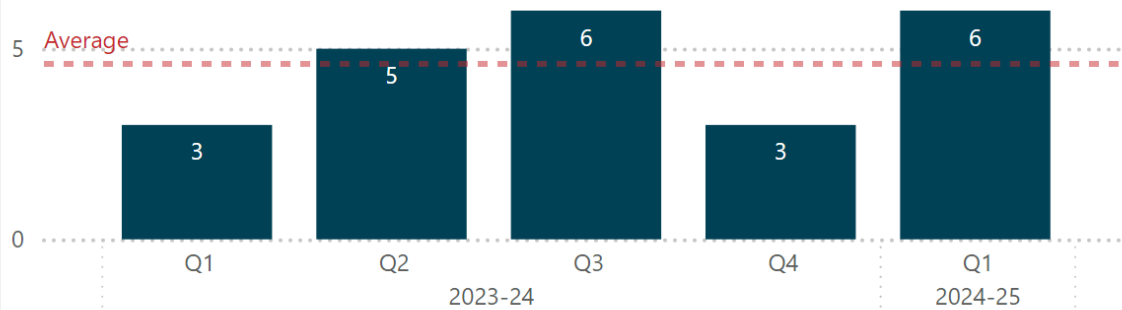
Quarterly Performance v Target



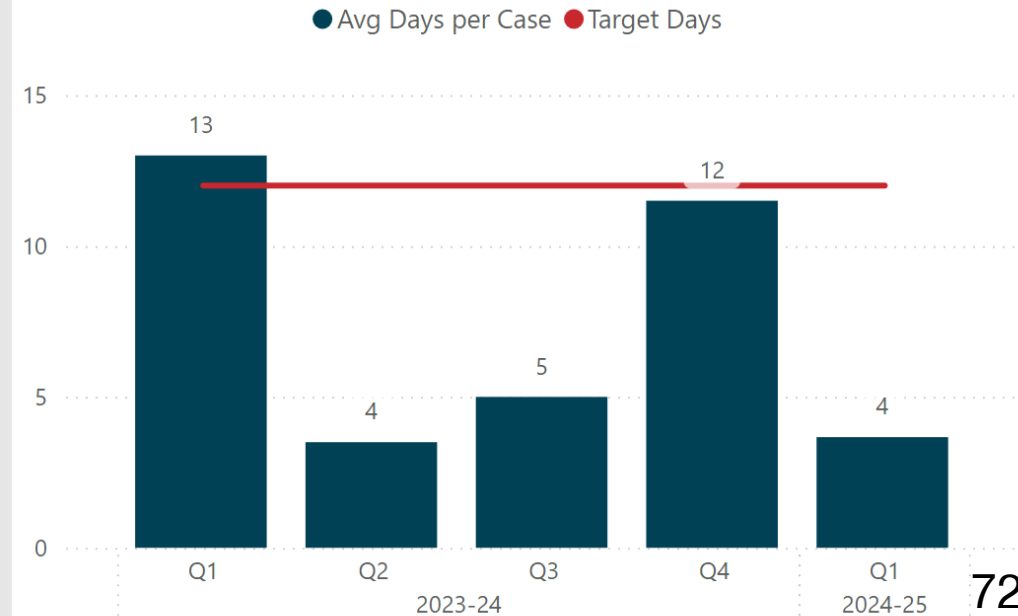
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target





# Retirals Estimates KPI

Year

2024-25

Quarter

Q1

195

Total Completed

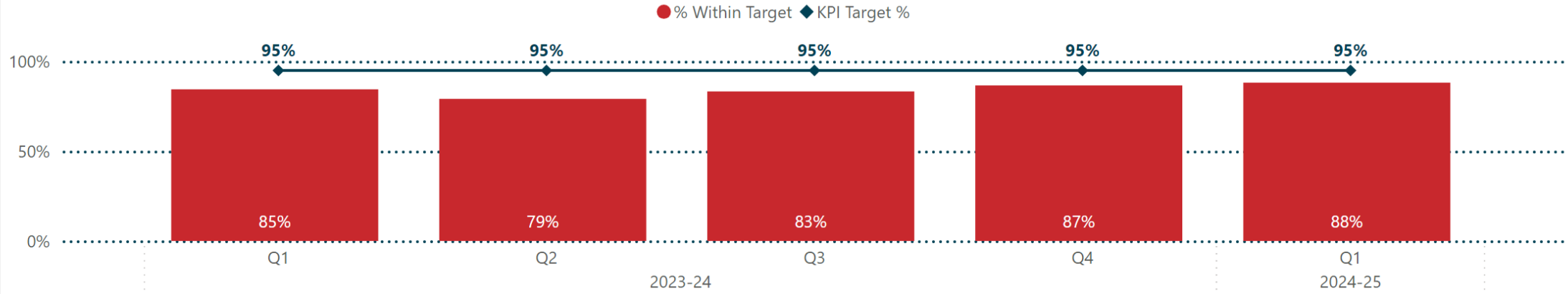
172

Within Target

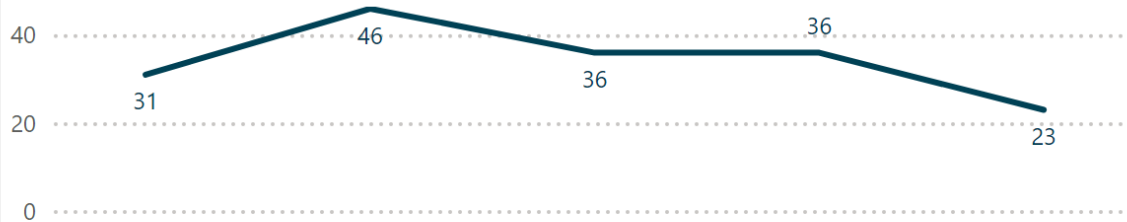
88%

% on Target

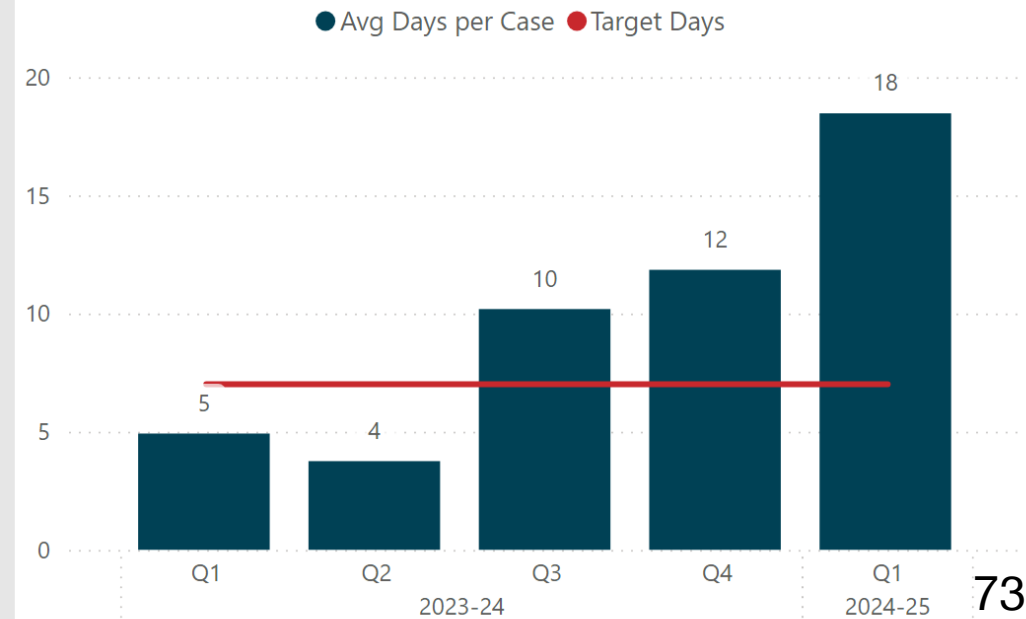
Quarterly Performance v Target



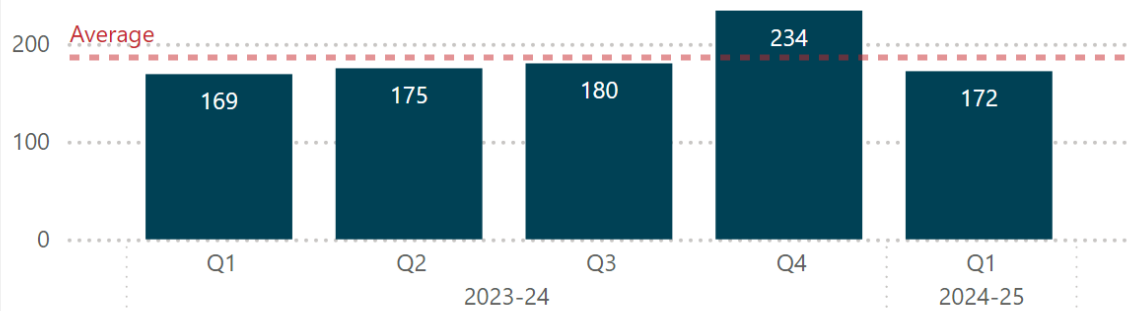
Cases Complete Above Target Trend



Average Elapsed Days per Case v Target



Cases Complete Within Target Trend



# Transfers In KPI

Year

2024-25

Quarter

Q1

7

Total Completed

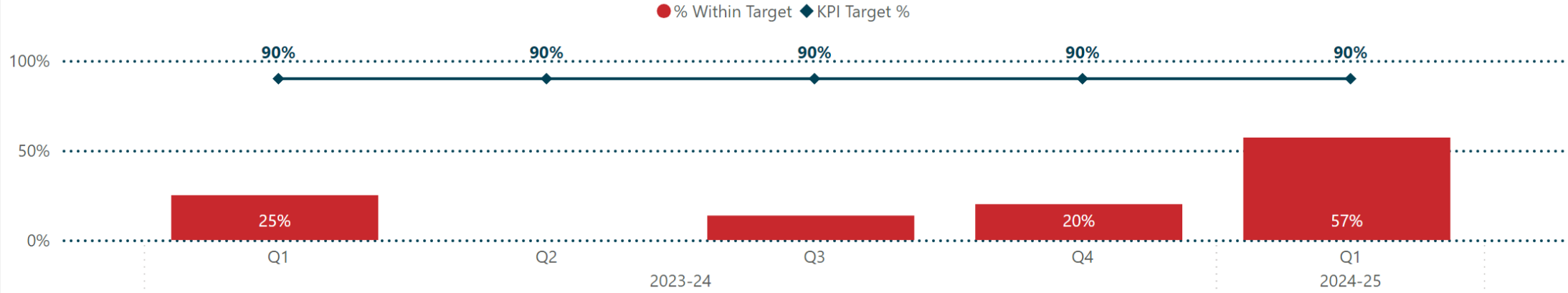
4

Within Target

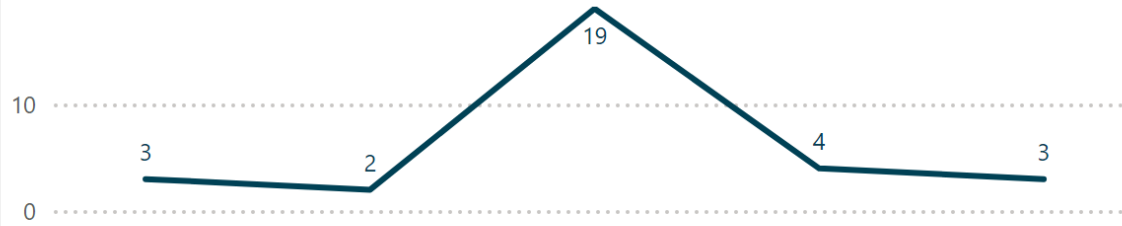
57%

% on Target

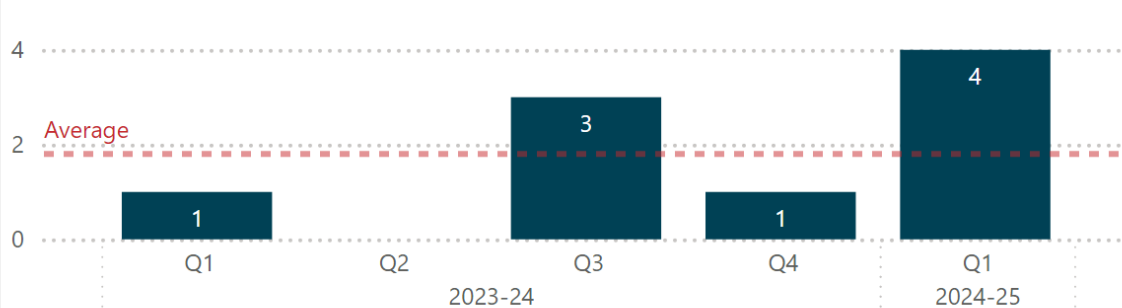
Quarterly Performance v Target



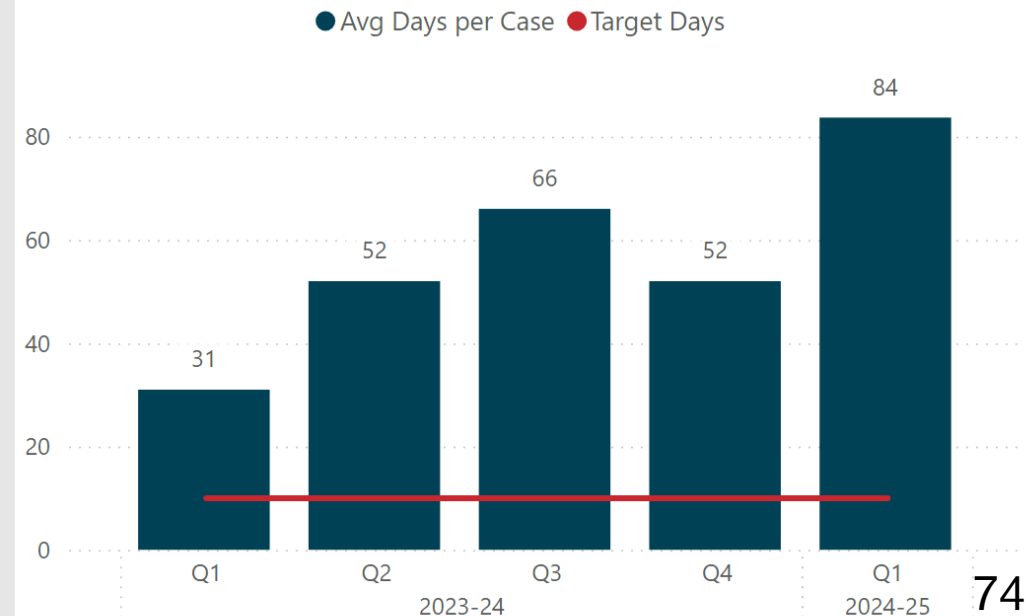
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



# Transfers Out KPI

Year

2024-25

Quarter

Q1

57

Total Completed

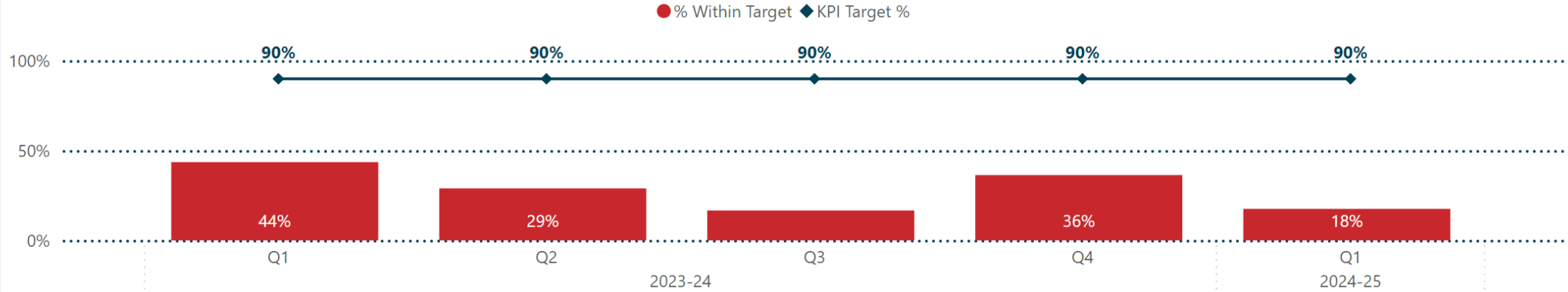
10

Within Target

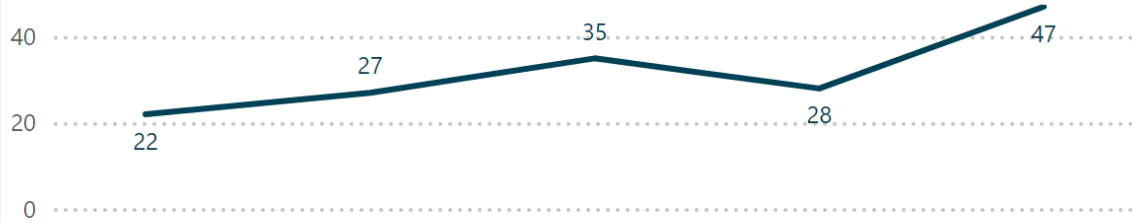
18%

% on Target

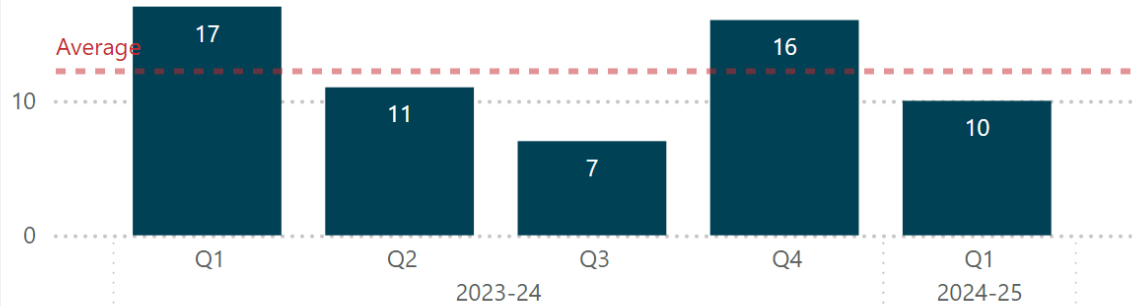
Quarterly Performance v Target



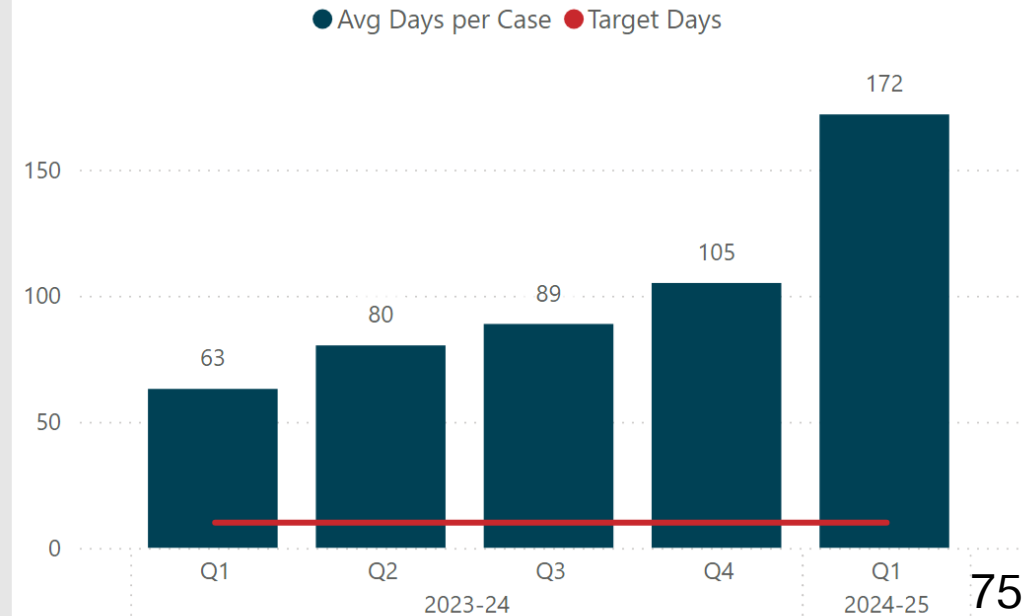
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



# Correspondence KPI

Year

2024-25

Quarter

Q1

192

Total Completed

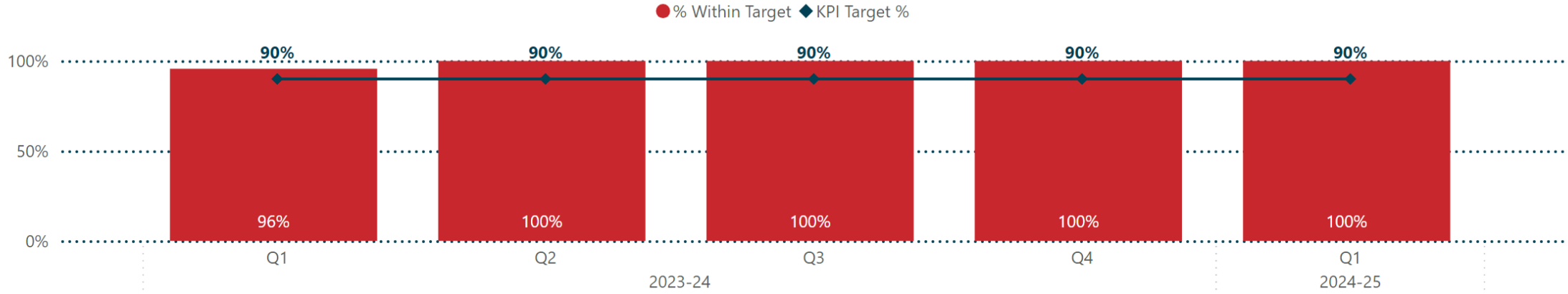
192

Within Target

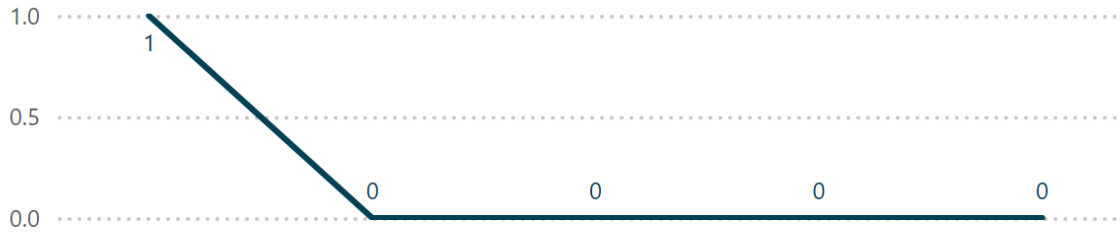
100%

% on Target

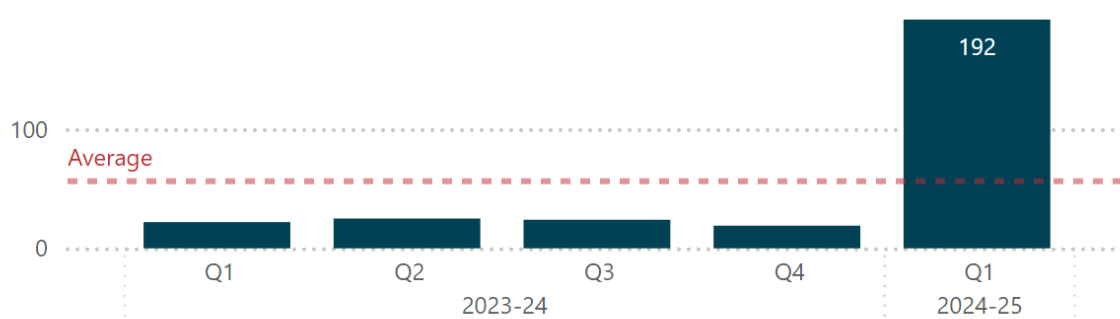
Quarterly Performance v Target



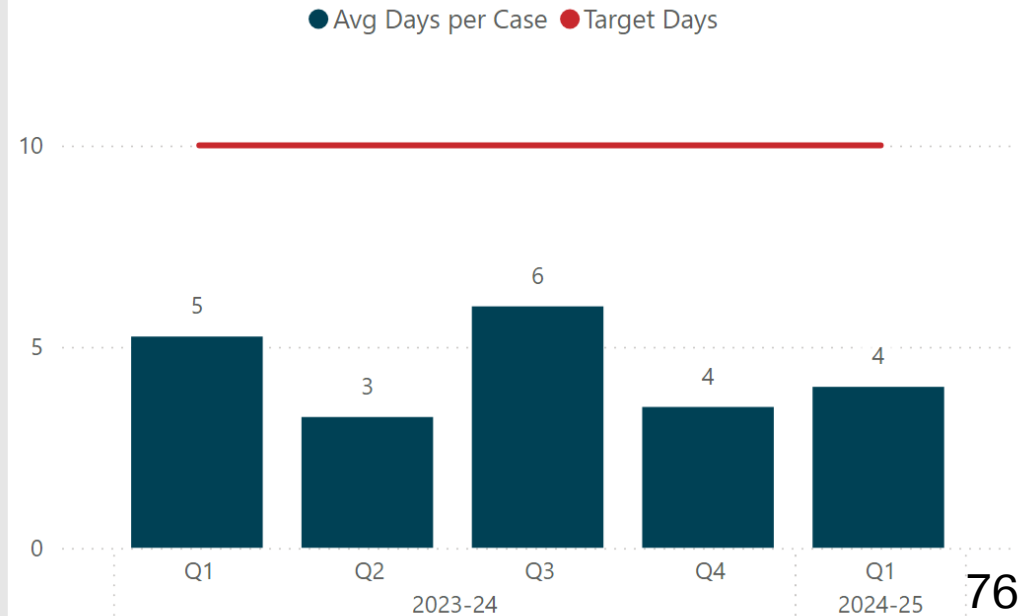
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



# Death Grants KPI

Year

2024-25

Quarter

Q1

138

Total Completed

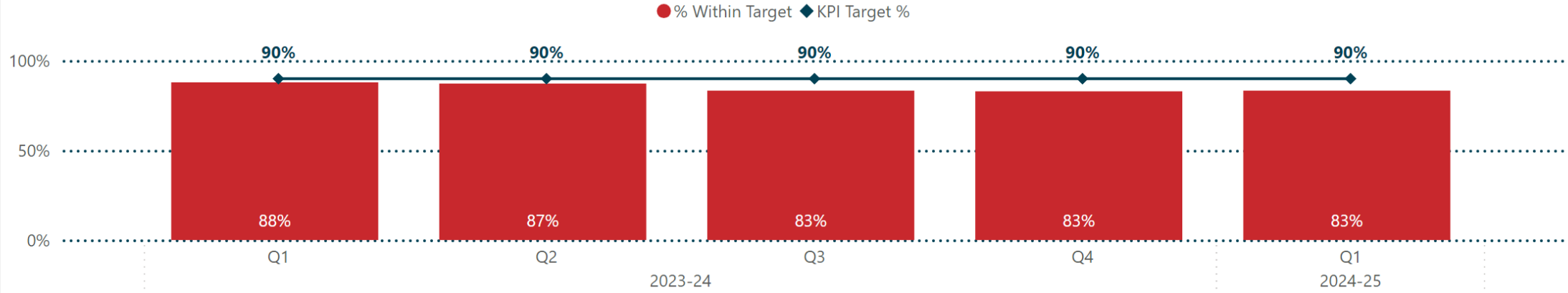
115

Within Target

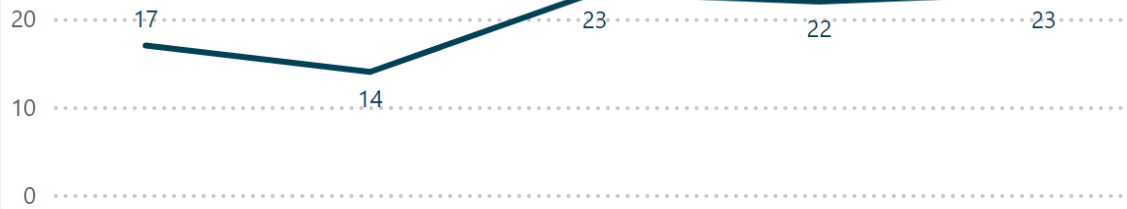
83%

% on Target

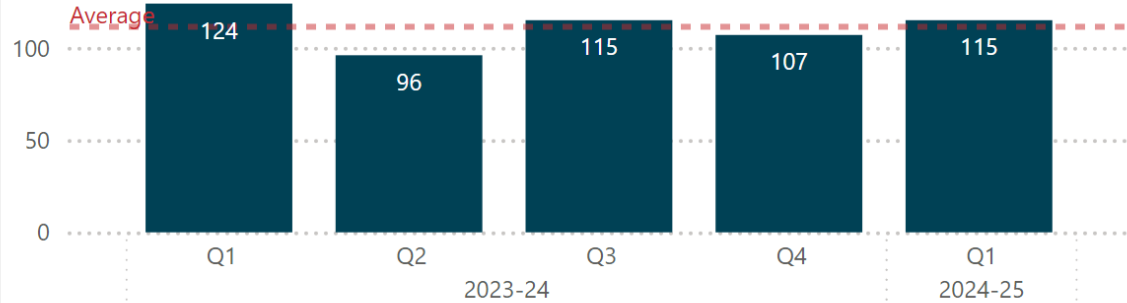
Quarterly Performance v Target



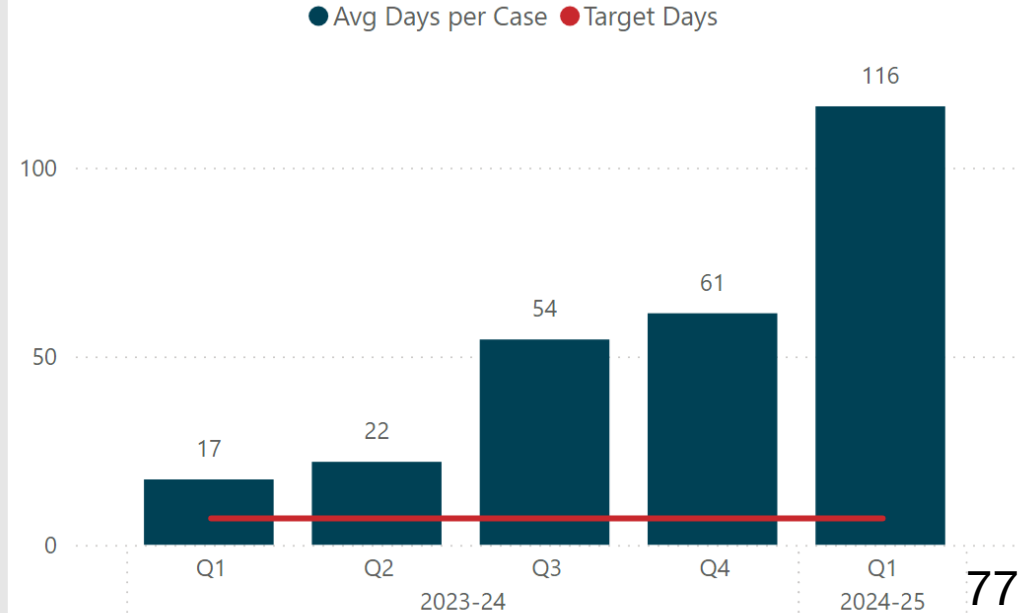
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



# Divorce Settlements KPI

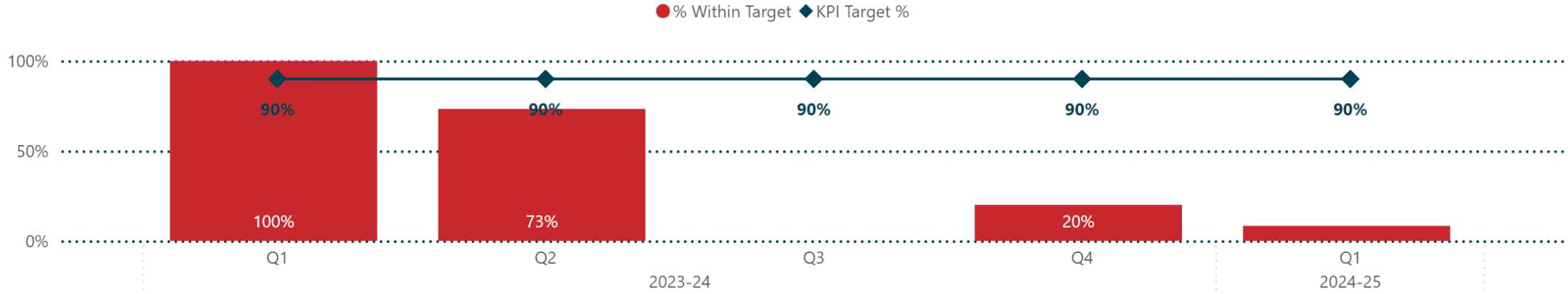
Year

2024-25

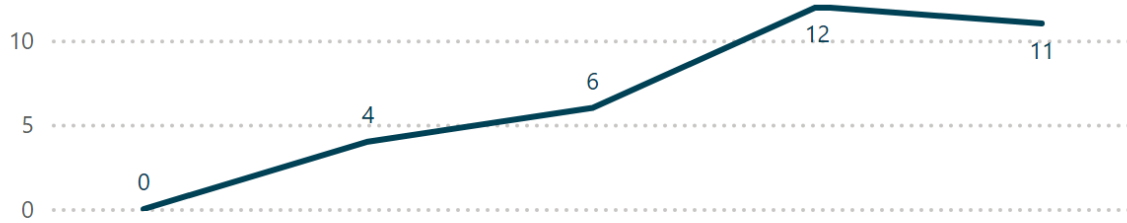
Quarter

Q1

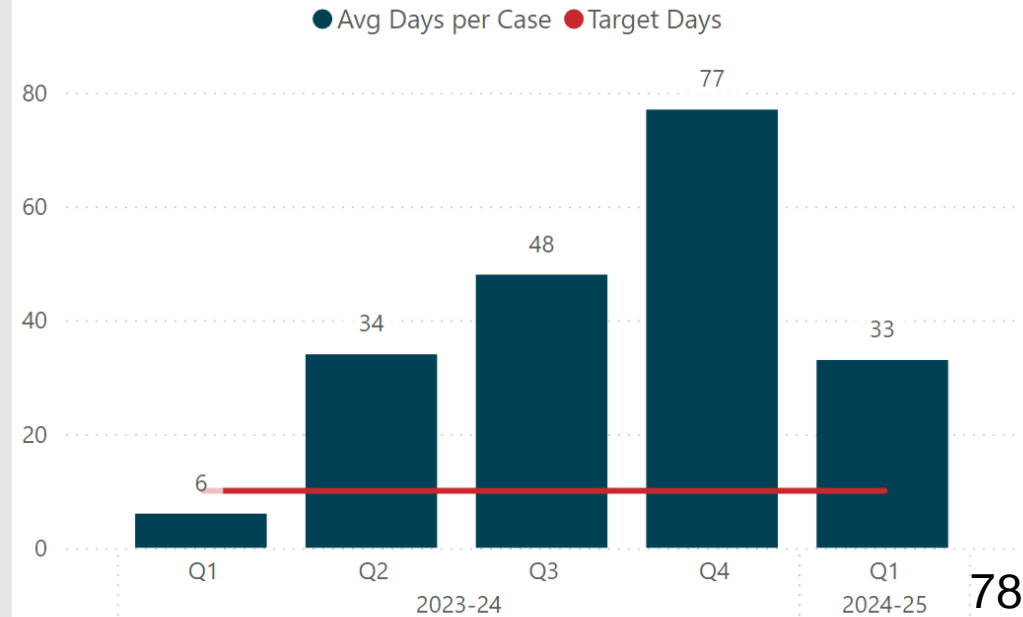
Quarterly Performance v Target



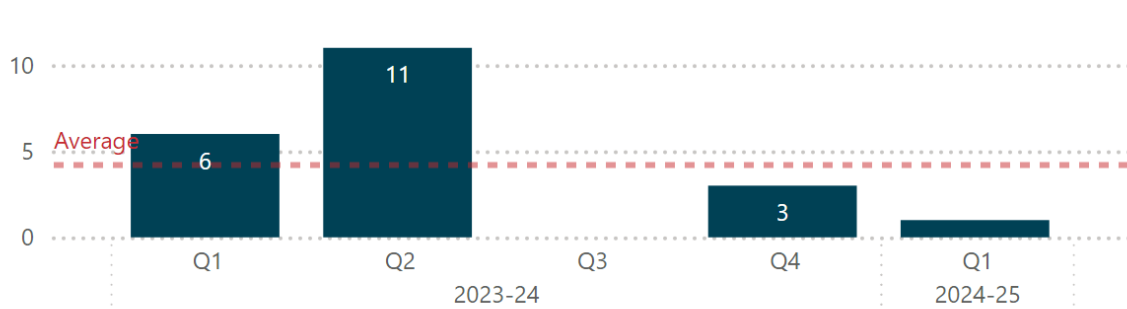
Cases Complete Above Target Trend



Average Elapsed Days per Case v Target



Cases Complete Within Target Trend



12

Total Completed

1

Within Target

8%

% on Target

24 September 2024

Agenda Item No. 7

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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.





is discussed quarterly at the Pensions Governance Group as well as being considered by the Pensions Committee.

- 2.3 As previously reported two risks have moved from being low to medium due to a change in the likelihood moving from “unlikely” to “possible” in the previous quarter. These risks related to “Failure to Comply with LGPS regulations” and “Failure to keep records up to date”. The likelihood has changed to reflect the delays being experienced in receiving data to progress the work required with the McCloud judgement. This means that there is an increased likelihood that records will not be amended in time and regulations will not be complied with.
- 2.4 The situation was escalated and some of the data has been received. Further a structured project plan has been in place to source the remaining data. However, as not all data has been received in relation to members with multiple employments, there remains a risk that records will not be amended in time and regulations will not be complied with. Ongoing dialogue is taking place with employers and a project team is in place within the Pensions team and progress will be monitored in line with the project plan.
- 2.5 Comparison of the current scores with the previous quarter demonstrates that following review and actions taken within the last quarter, the current risk score for risks remains the same.
- 2.6 Some risks continue to have internal controls which are not considered fully effective at this time. This reflects the current processes in place and actions are currently ongoing to ensure these controls become fully effective. These include;
  - Internal controls associated with processing of pension payments and lump sums and losses to the fund involve updating of documented procedures for both administration and investment activities. This work is ongoing.
  - Staffing training and provision of training is currently considered as partially effective at this time. This reflects the fact that following a recent and current recruitment process, newly recruited team members will continue to require training for a period of time.
- 2.7 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.
- 2.8 Taking account of the controls in place, there are currently 7 risks classed as insignificant, 8 classed as low risks and 4 risks are identified as medium.
- 2.9 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 September 2024.
- 2.10 Following the recent audit of Risk Management arrangements for the Pension Fund, some progress has been made in dealing with the actions identified. Dialogue is taking place with the Council’s Risk Management Co-ordinator to help improve the recording of risks in Ideagen and the presentation for reporting in the future. Unfortunately, the development work has stalled due to other workload associated with the annual report and audit process for both Fife Council and the Pension Fund.

- 2.11 The risks have been updated to be measured using the PESTELO model which means assessing the impact and likelihood of the risk against the following categories; Political, Environmental, Social, Technological, Legal, and Organisational. Considering the risk in these terms allows for a more thorough and consistent assessment.
- 2.12 Ideagen has been updated and actions have been assigned to risks where internal controls are ineffective. These actions are designed to help move the controls to fully effective once implemented. Recording all this information in Ideagen, produces a fairly lengthy document as the risk register. Therefore, action will be taken to adapt the standard reporting to enhance it for Committee to reduce the volume and improve the presentation.
- 2.13 The recent audit of Risk Management arrangements for the Pension Fund did make recommendations including the review of the Risk Management Manual and Risk Appetite. As previously a review of the work required was undertaken and this will involve understanding and setting the risk appetite for the Fund. To do so there could be potential involvement of both the Committee and Board in a workshop during a training session. Further dialogue will also take place with the Council's risk team to understand the processes adopted by the Council and how these could be applied to the Fund.

## 3.0 Conclusions

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

### List of Appendices

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1. Pension Fund Risk Register

### Background Papers

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

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

### Report Author

Laura Robertson  
Pensions Service Manager  
Fife House






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## Fife Pension Fund Risk Register





Generated on: 12 September 2024









Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN001	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Non-availability of Altair pension system.</li> <li>• ORACLE payroll system key staff or error omission.</li> <li>• Lack of availability of information and payment from AVC provider etc.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• We do not process pension payments and lump sums on time.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>• Retiring members being paid late which may have implications for their own finances.</li> <li>• Reputational risk for the Fund.</li> <li>• Financial cost to the fund if interest has to be paid to members.</li> </ul>	<ul style="list-style-type: none"> <li>• Retiring members will be paid late which may have implications for their own finances.</li> <li>• Reputational risk for the Fund. Financial cost to the fund if interest has to be paid to members.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-availability of Altair pension system,</li> <li>• ORACLE payroll system key staff or error omission,</li> <li>• Availability of information and payment from AVC provider etc.</li> </ul>	Laura C Robertson	12	BC plans covering the F&CS Directorate regularly updated. 	6	3	29-Jul-2024
						Robust maintenance and update of Altair 			
						Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan 			
						Sufficient staff cover arrangements 			
						Staff training and development and checking of work 			
						Robust maintenance and update of ORACLE. 			
						Hosted contractual arrangement for ORACLE including Disaster Recovery Plan and Business Continuity Plan 			
						Comprehensive documented procedures and guides 			
						Information and Funds received from AVC providers received on a timeous basis 			
<b>Current Impacts</b>									

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

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

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status		Current Risk Score	Target Risk Score	Risk Last Updated
PEN004	<b>As a result of:</b> <ul style="list-style-type: none"> <li>• Fire</li> <li>• Bomb</li> <li>• Flood</li> <li>• Pandemics</li> <li>• flu epidemic</li> <li>• strike action etc.</li> </ul> <b>There is a risk that:</b> <ul style="list-style-type: none"> <li>• We are unable to keep service going due to loss of main office, computer system or staff.</li> </ul> <b>Which could result in:</b> <ul style="list-style-type: none"> <li>• Temporary loss of ability to provide service.</li> </ul>	<ul style="list-style-type: none"> <li>• Temporary loss of ability to provide service.</li> </ul>	<ul style="list-style-type: none"> <li>• Fire</li> <li>• Bomb</li> <li>• Flood</li> <li>• Pandemics</li> <li>• Flu epidemic</li> <li>• Strike action etc.</li> </ul>	Laura C Robertson	12	BC plans covering the F&CS Directorate regularly updated.		6	4	24-Jul-2024
						Robust maintenance and update of Altair				
						Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan				
										
<b>Current Impacts</b>										

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN005	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Fraud or misappropriation of funds by an employer, employee, agent or contractor</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We lose funds through Fraud or Misappropriation.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Financial loss to the fund.</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss to the fund</li> </ul>	<ul style="list-style-type: none"> <li>Fraud or misappropriation of funds by an employer, employee, agent or contractor</li> </ul>	Elaine Muir	12	Regular monitoring of cash flow	6	3	12-Sep-2024	
						Internal and external audit regularly test that appropriate controls are in place and working effectively				✓
						Regulatory control reports from investment managers, custodian, etc are also reviewed by audit.				✓
						Due diligence is carried out when a new Fund Manager is appointed.				✓
						Reliance is also placed on Financial Conduct Authority registration				✓
						Performance monitored on an ongoing quarterly basis				✓
						Newsletter for Pension Scheme members				✓
						Annual Employer Forum				✓
						Internal Policies and Procedures in place.				⚠
						National Fraud Initiative				✓
					⚠	✓				
<b>Current Impacts</b>	Financial Consequence - loss to the fund									



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










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

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN008	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>The financial collapse of the global custodian.</li> <li>Failure to safeguard assets or records.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>There is a failure of Global Custodian.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Financial loss to the fund.</li> <li>Loss of information.</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss to the fund. Loss of information.</li> </ul>	<ul style="list-style-type: none"> <li>Financial collapse of global custodian or failure to safeguard assets or records.</li> </ul>	Elaine Muir	5	IT contacts are managed and reviewed in line with industry best practice.	4	4	28-Jun-2024
						Performance monitored on an ongoing quarterly basis			
						Legal agreement with Custodian			
						Credit Rating monitored on an ongoing basis			
						Regulated by Financial Services Authority			
						Assets not on Custodian balance sheet			
						Annual review meeting which takes place to discuss and ensure contractual obligations have been fulfilled.			
<b>Current Impacts</b>	Financial Consequences								

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

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN012	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Lack of technical expertise/staff resources to research regulations</li> <li>IT systems not updated to reflect current legislation, etc</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We fail to comply with LGPS and other Regulations.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Wrong pension payments are made, or estimates given.</li> <li>New scheme and regulations are not fully known therefore staff will be unfamiliar.</li> </ul>	<ul style="list-style-type: none"> <li>Wrong pension payments made or estimates given.</li> <li>New scheme and regulations not fully known therefore staff will be unfamiliar</li> </ul>	<ul style="list-style-type: none"> <li>Lack of technical expertise/staff resources to research regulations</li> <li>IT systems not updated to reflect current legislation, etc</li> </ul>	Laura C Robertson	9	Staff training and development and checking of work	9	2	29-Jul-2024
						Ongoing communication with employers	Yellow Triangle		
						Ongoing advice from investment consultants etc	Green Checkmark		
						Internal and external audit regularly test that appropriate controls are in place and working effectively	Green Checkmark		
						Regulatory control reports from investment managers, custodian, etc are also reviewed by audit.	Green Checkmark		
						Due diligence is carried out when a new Fund Manager is appointed.	Green Checkmark		
						Verification process in place within Pensions section, ongoing staff training undertaken.	Yellow Triangle		
						Provision of training	Yellow Triangle		
						Strategic Investment advice from Independent Advisors	Green Checkmark		
						Consultation with Peer Groups	Green Checkmark		
						In the short term advice can be sought	Green Checkmark		
						Altair configured based on processes which are aligned to legislation ensuring compliance	Green Checkmark		
						iConnect allows verification of records from ORACLE to Altair	Yellow Triangle		
						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.	Yellow Triangle		
<b>Current Impacts</b>	Financial Consequences as a result of incorrect decision making					Yellow Triangle	9	2	Green Checkmark








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






Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN014	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Poor or non-existent notification of by employers of new starts</li> <li>Amendments</li> <li>Leavers, etc.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We fail to keep pension records up to date and accurate.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Incorrect records leading to incorrect estimates being issued.</li> <li>Potentially incorrect pensions being paid.</li> </ul>	<ul style="list-style-type: none"> <li>Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions being paid</li> </ul>	<ul style="list-style-type: none"> <li>Poor or non-existent notification of by employers of new starts, amendments, leavers, etc.</li> </ul>	Laura C Robertson	9	Robust maintenance and update of Altair 	9	3	29-Jul-2024
						Ongoing communication with employers 			
						Verification process in place within Pensions section, ongoing staff training undertaken. 			
						Robust maintenance and update of ORACLE. 			
						iConnect allows verification of records from ORACLE to Altair 			
						Members self-service gives members the opportunity to check and update their own records 			
									
<b>Current Impacts</b>									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN015	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Lack of training.</li> <li>continuous professional development.</li> <li>Turnover of members</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>Committee and board members have inadequate knowledge and understanding.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>Detrimental decisions made in relation to the Pension Fund and management of the fund.</li> </ul>	<ul style="list-style-type: none"> <li>Detrimental decisions made in relation to the Pension Fund and management of the fund</li> </ul>	<ul style="list-style-type: none"> <li>Lack of training and continuous professional development.</li> </ul>	Elaine Muir	8	Provision of training	9	4	29-Jul-2024
						Strategic Investment advice from Independent Advisors			
						Consultation with Peer Groups			
						Attendance at events/webinars			
<b>Current Impacts</b>	Financial Consequences								







Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN016	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>The specialist nature of work, there are relatively few experts in investments and the LGPS regulations.</li> <li>Staff illness</li> <li>Staff turnover</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>We over rely on key officers.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>a knowledge gap.</li> <li>difficulty recruiting staff.</li> </ul>	<ul style="list-style-type: none"> <li>If an officer leaves or falls ill knowledge gap may be difficult to fill.</li> </ul>	<ul style="list-style-type: none"> <li>Specialist nature of work means there are relatively few experts in investments and the LGPS regulations.</li> </ul>	Laura C Robertson	16	Sufficient staff cover arrangements	6	3	24-Jul-2024
						Staff training and development and checking of work			
						Ongoing advice from investment consultants etc			
						Consultation with Peer Groups			
						Key officers transfer specialist knowledge to colleagues			
						In the short term advice can be sought			
						Working in collaboration with other funds on investment matters. Relationships formed with professional advisors, other funds and networks. These relationships allow the team to keep up to date with developments and changes to legislation and regulation as well as discussing and agreeing best practice.			
<b>Current Impacts</b>									

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

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN018	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Non attendance due to:</li> <li>• Scheduling of meetings</li> <li>• Other commitments of elected members</li> <li>• Adverse weather conditions</li> <li>• Illness</li> <li>• Lack of connectivity for virtual meetings</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• The committee will not have a quorum able to meet and undertake the business scheduled to be considered at the meeting.</li> </ul> <p><b>Which could result in:</b></p> <ul style="list-style-type: none"> <li>• Meetings not going ahead and decision making is delayed to subsequent meetings resulting in delay in implementation of any proposals or policy matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings do not go ahead and decision making is delayed to subsequent meetings resulting in delay in implementation of any proposals or policy matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Non attendance could be as a result of:</li> <li>• Scheduling of meetings</li> <li>• Other commitments of elected members</li> <li>• Adverse weather conditions</li> <li>• Illness</li> <li>• Lack of connectivity for virtual meetings</li> </ul>	Elaine Muir	12	Standing Orders - As required by the Act and Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 	12	4	24-Jul-2024
						Committee Workplan 			
									
<b>Current Impacts</b>									

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN019	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>a cyber security attack.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>data is compromised and not secure and systems do not operate.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>fraud.</li> <li>sharing of personal details.</li> <li>theft of personal details.</li> <li>Scams.</li> <li>not being able to provide service as systems compromised.</li> </ul>	<ul style="list-style-type: none"> <li>Members may not be paid.</li> <li>Members could have personal details stolen and used for criminal offences.</li> <li>Fraud of pension fund from use of personal details.</li> <li>Reputational risk for the fund.</li> </ul>	<ul style="list-style-type: none"> <li>Cyber security attack could compromise the system and the data held in the system resulting in security breaches, noncompliance with legislation, potential fraud and criminal offences.</li> <li>Attacks could also mean the system cannot be used and as a result a service cannot be provided.</li> </ul>	Elaine Muir	20	Maintenance of an ICT Strategy that correctly identifies and addresses the key challenges to delivering the information and technology required to support the delivery of services by Fife Council.	12	6	29-Jul-2024
						Ensuring adequate provision is made for identified critical systems including, where necessary, secondary processing location in the case of the primary one failing and associated recovery procedures.			
						Corporate board has effective oversight of ICT for Fife Council and agrees strategic direction and policies to be applied to ensure ICT remains aligned, effective and secure.			
						IT contacts are managed and reviewed in line with industry best practice.			
						Process of gateway reviews which ensures that ICT and digital solutions are secure, sustainable, economical and compliant to the agreed standards and regulations.			
						There are established processes for reporting and 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) actively monitor Fife Council's infrastructure with the intention of fixing issues before they become faults. Also improves understanding of where faults are so that they can be resolved quickly.			
						Implement the Scottish Cyber Resilience Public Sector Action Plan. This sets out the key actions that the Scottish Government, public bodies and key partners will take to further enhance cyber resilience in Scotland's public sector. <a href="https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/pages/2/">https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/pages/2/</a>			
						The strategy sets out our approach to keeping software up to date balancing the benefits of security fixes and minor upgrades against the risks of the patches impacting adversely on other elements of our infrastructure. The enhanced requirements for PSN compliance raises the importance of getting security fixes rolled out effectively.			
The Information Governance Working Group includes senior managers from across Fife Council and is responsible for ensuring Fife Council's compliance in matters relating to data protection, information governance and records management. The Group will provide annual reports to the SIRO. The approach ensures that senior management across all Directorates have appropriate visibility of, and involvement in, IRM strategy development and decision making.									
Certificates of compliance with Cyber Essentials scheme and ISOs from Software suppliers									
Cloud Hosting									

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

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
PEN020	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>the Fund entering into investment management agreements with Lothian Pension Fund as a fund manager.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>there is a conflict of interest in terms of the shared services agreement and arrangements in place for investment advice</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>reduced level of independence in advice being given.</li> </ul>	<p>Potential impacts identified for this risk include:-</p> <ul style="list-style-type: none"> <li>decisions not made on independent advice</li> <li>poor investment decisions</li> <li>reduced level of returns</li> <li>lack of diversified investments</li> </ul>	<ul style="list-style-type: none"> <li>Market conditions</li> <li>Performance of mandates</li> <li>Lack of Investment Strategy</li> </ul>	Elaine Muir	9	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due	2	2	24-Jul-2024	
						Regulated by Financial Services Authority				✓
						Strategic Investment advice from Independent Advisors				✓
						Diversified range of investment managers over different asset classes				✓
						Agreement sets out information outlining how LPFI limited will undertake portfolios management.				✓
						Document that sets are all Investment Management arrangements with LPFI Limited and documenting the relationship with existing memorandum of understanding.				✓
						Outlines the objectives, investment style, policies, monitoring and ESG arrangements for the mandate. This is reviewed by the independent advisers on an annual basis or more frequently if requested.				✓
						Performance monitored on an ongoing quarterly basis by Independent Advisors				✓
	⚠	✓	✓							
<b>Current Impacts</b>										

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated
PEN021	Inflationary Increase			Elaine Muir	16	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due	9	4	29-Jul-2024
						Regular monitoring of cash flow			
						Strategic Investment advice from Independent Advisors			
						Budgetary control reports are prepared which estimate the costs and income based on trends of previous years. These provide indicative information to monitor financial management of the fund.			
						Diversified range of investment managers over different asset classes			
<b>Current Impacts</b>									

24 September 2024

Agenda Item No. 8

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

Report by: Elaine Muir, Head of Finance

Wards Affected: All

### **Purpose**

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

### **Recommendation(s)**

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The Committee is asked to:-

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

### **Resource Implications**

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There are no resource implications arising from this report.

### **Legal & Risk Implications**

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There are no direct legal implications arising from this report.

### **Impact Assessment**

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An EqlA 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 2024-25					
Report Title	Report Category	Committee Dates			
		30 Sep 24	13 Dec 24	31 Mar 25	20 Jun & 30 June 25
<b>Administration</b>					
Transfer In Criteria	Administration		x		
Gender Pension Gap	Administration		x		
<b>Governance</b>					
Fife Pension Fund Business Plan and Budget	Governance			x	
Fife Pension Fund Annual Report and Accounts	Governance	x			x
Annual Audit Report by External Audit	Governance	x			
Update on Fife Pension Fund Business Plan (incl Admin Performance)	Governance		x	x	x
Pension Fund Budgetary Control - Projected Outturn	Governance		x		x
National Fraud Initiative	Governance				x
Communication Policy	Governance		x		
Update on Annual Internal Audit Plan and Summary of Reports	Governance			x	
Internal Audit Post Audit Review Report	Governance			x	
Annual Internal Audit Report	Governance			x	
Annual Governance Statement	Governance				x
Training and Development	Governance				x
Audit Plans (Internal and External)	Governance	x		x	
<b>Investment</b>					
Fife Pension Fund- Investment Update	Investment		x	x	x
Statement of Investment Principles	Investment				x
Statement of Responsible Investment Principles (update)	Investment				x
Annual Review of Shared Services Agreement	Investment			x	
CEM Benchmarking and Cost Transparency	Investment			x	
<b>Risk</b>					
Risk Management Update	Risk		x	x	x

- 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 September 2024 and June 2025. These meetings have been scheduled to give the flexibility to manage the volume of business over two meetings if required. The split of agenda items across the meetings has yet to be determined.

## 3.0 Training Plan

- 3.1 Targeted training will continue to be scheduled prior to committee meetings to provide more detailed information and training before reports are considered. This is consistent with the agreed Training Policy.
- 3.2 The table below outlines some of the topics likely to be scheduled in the coming year and the intention is to build a training plan over the summer months that will allocate the topics across the coming 12 months. Availability of trainers and content of committee reports will be considered to assess the best timing for the sessions; therefore, sessions are marked with a question mark at this time. Provisional dates have been agreed and scheduled in members calendars and are shown in the column headings in the table as follows:

Training Schedule 2024-25					
Training Dates					
Topics to be covered	30-Oct-24	18-Nov-24	03-Mar-25	23-May-25	02-Jun-25
<b>Administration</b>					
KPI - use of Power BI reporting - TBC					
Pension Dashboards follow up - TBC					
Gender Pension Gap		?			
Transfer In Criteria		?			
<b>Governance</b>					
Fife Council Councillors Code of Conduct - TBC					
Overview of Shared Service Agreement			?		
Annual Report Guidance				?	
<b>Investment</b>					
Investment Policy Groups Deep Dive - Equities	x				
Investment Policy Groups Deep Dive - Various - TBC					
Responsible Investment incl Engagement - Hermes					?
Foreign Exchange Transactions			?		
Independent Advisers - TBC					
Currency Hedging - TBC					
Asset Classes and Benchmarking - TBC					
<b>Risk</b>					
Risk Management Update		?			
Setting Risk Appetite		?			
<b>General</b>					
Meet the Advisers - TBC					

- 3.3 The table includes the scheduled joint training sessions arranged with the partner funds.
- 3.4 Development of the training policy may also have an influence on the development of the training plan moving forward.

## **4.0 Conclusions**

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

### **List of Appendices**

1. Committee Workplan

### **Background Papers**

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

### **Report Contact**

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**PENSION COMMITTEE WORKPLAN**

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