

Pensions Committee

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



Friday, 20 June 2025 - 10.00 am

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. **MEMBERSHIP OF FIFE PENSION BOARD** – The Committee is asked to note that Ross Hugh, Employee Representative (Union) has been re-appointed for a further term on the membership of the Board until 26 April 2029.
4. **MINUTES -**
 - (a) minute of the meeting of the Pension Committee of 31 March 2025 5 – 9
 - (b) minute of the pre-meeting of the Fife Pension Board of 27 March 2025 10 – 13
 - (c) minute of the post-meeting of the Fife Pension Board of 31 March 2025 14 – 17
5. **STATEMENT OF INVESTMENT PRINCIPLES** – Report by the Head of Finance 18 – 45
6. **FIFE PENSION FUND - STATEMENT OF RESPONSIBLE INVESTMENT PRINCIPLES** – Report by the Head of Finance 46 – 59
7. **FIFE PENSION FUND - BUSINESS PLAN UPDATE AND ADMINISTRATION ACTIVITY TO 31 MARCH 2025** – Report by the Head of Finance 60 – 84
8. **UPDATE ON 2024/25 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2024/25 ISSUED AUDIT REPORTS** – Report by the Service Manager - Audit & Risk Management Services 85 – 89
9. **PENSION FUND TRAINING AND DEVELOPMENT** – Report by the Head of Finance 90 – 104
10. **PENSIONS COMMITTEE WORKPLAN AND TRAINING PLAN** – Report by the Head of Finance 105 – 110
11. **RISK MANAGEMENT - QUARTERLY REVIEW** – Report by the Head of Finance 111 – 119

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.

- 12. FIFE PENSION FUND – PROPOSED RESOURCE CHANGES** – Report by the Head of Finance 120 – 127

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

13 June, 2025

If telephoning, please ask for:
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BLENDED MEETING NOTICE

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

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

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

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

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

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

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

THE FIFE COUNCIL - PENSIONS COMMITTEE – BLENDED MEETING

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

31 March 2025

10.00 am – 1.00 pm

- PRESENT:** **Committee** - Councillors Dave Dempsey (Convener), David Alexander, James Calder, Colin Davidson, Jane Ann Liston and Gordon Pryde.
- Fife Pension Board** - Ross Hugh (Chair) (Employee representative – Trade Union); Councillors Tom Adams and Lynn Ballantyne-Wardlaw (Employer representatives – Fife Council); Debbie Fyfe (Substituting for Colin Paterson, Employee representative – Trade Union); Robert Graham and Thomas Templeman (Employee representatives – Trade Unions); and Vicki Wyse (Employer representative – Admitted body employer representative).
- ATTENDING:** Elaine Muir, Head of Finance, Laura Robertson, Pensions Services Manager, Pamela Redpath, Service Manager - Audit and Risk Management Services, John Mackie, Team Manager - Transactions Team, Helena Couperwhite, Service Manager - Committee and Members Services, Lesley Robb, Lead Officer – Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services, Finance and Corporate Services.
- ALSO**
ATTENDING: Albert Chen, Portfolio Manager, Emanuel Bouquet, Chief Investment Officer, Lothian Pension Fund, Karen Jones, Director of Audit and Assurance and Adrian Kolodziej, Senior Manager, Azets and Clare Scott, Independent Professional Observer.
- APOLOGIES FOR** **Committee** - Councillor Sarah Neal.
ABSENCE: **Fife Pension Board** - Colin Paterson (Employee representative – Trade Union).

141. DECLARATIONS OF INTEREST

No declarations of interest were submitted.

142. MINUTE

The committee considered:-

- (1) the minute of the meeting of the Pensions Committee on 13 December 2024.

Decision

The committee approved the minute.

- (2) the minute of the pre-meeting of Fife Pension Board on 10 December 2024.

Decision

The committee noted the minute.

- (3) the minute of the post-meeting of the Fife Pension Board on 13 December 2024.

Decision

The committee noted the minute.

143. FIFE PENSION FUND - BUSINESS PLAN UPDATE AND ADMINISTRATION ACTIVITY TO 31 DECEMBER 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 third quarter of 2024-25. The report was organised into three sections, updating on the development activities identified in the Business Plan, administration activity undertaken, concluding 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:-

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

144. FIFE PENSION FUND BUSINESS PLAN AND BUDGET 2025-26

The committee considered a report by the Head of Finance providing details of the Business Plan 2025-26 for Fife Pension Fund. The document was based on the format of last year's business plan with some additional contextual information.

Decision

The committee:-

- (1) noted the Business Plan; and
- (2) approved the Business Plan 2025-26 and the Indicative Budget 2025-26 detailed in Appendix 2 of the report, which was subject to change following a structure review. Any changes would require further approval by committee.

145. AZETS - ANNUAL AUDIT PLAN FIFE PENSION FUND

The committee considered a report by the Head of Finance providing the Azets External Annual Audit Plan for Fife Pension Fund for the financial year 2024-25, setting out risks highlighted, planned work, audit scope and timing.

Decision

The committee noted the content of the Azets External Annual Audit plan for 2024-25.

146. UPDATE ON 2024/25 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2024-25 ISSUED AUDIT REPORT

The committee considered a report by the Service Manager - Audit and Risk Management Services, providing an update on progress towards delivering the 2024-25 Pension Fund Internal Audit Plan and summary of findings from the Internal Audit Report finalised since the last meeting of the Pensions Committee.

Decision

The committee noted the contents of the report and the update on progress towards delivering the 2024-25 Internal Audit Plan in Appendix A and summary of findings in Appendix B of the report.

Councillor Colin Davidson left the meeting at 11.02 am and rejoined the meeting at 11.06 am

147. POST AUDIT REVIEW (PAR) REPORT

The committee considered a report by the Service Manager - Audit and Risk Management Services, providing an update on progress towards implementing internal audit recommendations previously reported to and agreed by Management.

Decision

The committee noted the contents of the report and the progress made in implementing the recommendations.

148. RISK MANAGEMENT - QUARTERLY REVIEW

The committee considered a report by the Head of Finance providing a quarterly update on the Risk Register for the 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:-

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

149. 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 the agenda planning document and scheduled training dates.

150. 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.

The committee adjourned at 11.40am and reconvened at 11.50am.

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

151. COST TRANSPARENCY AND CEM BENCHMARKING

The committee considered a report by the Head of Finance complementing the previous public report at Agenda Item No. 11 (para. 150 above). The private report provided a more detailed analysis of the Pension Fund Management Costs by providing a breakdown per manager.

Decision

The committee noted the contents of the reports.

152. ANNUAL REVIEW OF SHARED SERVICES ARRANGEMENT

The committee considered a report by the Head of Finance providing an update to the Terms of Reference for the Joint Investment Forum (JIF) and an update in relation to the shared service arrangement between the Fife Pension Fund (FPF) and the Lothian Pension Fund (LPF). Assurance of continued progress and benefits of collaboration were also outlined in the report, including the Independent Professional Observer's (IPO) observations from recent attendance at the JIF.

Decision

The committee:-

- (1) acknowledged the continuing benefits of collaborative working with Lothian and Falkirk Pension Funds;
- (2) endorsed continued collaborative working;
- (3) noted the update to the Terms of Reference; and
- (4) noted the Independent Professional Observer's observations from attendance at the JIF in December 2024 and the responses provided.

153. PENSION FUND - INVESTMENT UPDATE

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

Decision

The committee:-

- (1) approved a change in frequency from quarterly to annual reporting on investment performance and activity;
- (2) noted the Fund's strategic asset allocation and current allocations relative to target;
- (3) noted that the value of the Fund's assets on 31 December 2024 after returning over the quarter;
- (4) noted the Fund's strategic policy group allocations were within the permitted allocation ranges; and
- (5) 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 March 2025

3.00 pm – 4.00 pm

PRESENT: Ross Hugh (Chair) (Employee representative – Trade Union),
Councillor Lynn Ballantyne-Wardlaw (Employer representative – Fife
Council), Robert Graham, Thomas Templeman and Colin Paterson
(Employee representatives – Trade Unions).

ATTENDING: Helena Couperwhite, Service Manager - Committee and Members
Services, Lesley Robb, Lead Officer - Committee Services and
Wendy MacGregor, Committee Officer, Legal and Democratic
Services.

**ALSO
ATTENDING:** Clare Scott, Independent Professional Observer.

**APOLOGIES FOR
ABSENCE:** Councillor Tom Adams (Employer representative – Fife Council),
Vicki Wyse (Employer representative – Admitted body employer
representative) and Debbie Fyfe (Employee representative – Trade
Union substitute member).

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 approval of the Pension Board Annual Report and any other business would be transacted and ratified at the next Board meeting on Monday 31 March 2025.

44. DECLARATIONS OF INTEREST

No declarations of interest were submitted.

45. MINUTES

The Board considered:-

- (1) the minute of the pre-meeting of the Fife Pension Board on 10 December 2024.

Decision

The Board agreed to approve the minute, subject to the decision being ratified at the next Board meeting on Monday 31 March 2025 due to the lack of quorum.

- (2) the minute of the post-meeting of the Fife Pension Board on 13 December 2024

Decision

The Board agreed to approve the minute, subject to the decision being ratified at the next Board meeting on Monday 31 March 2025 due to the lack of quorum.

46. MEMBERSHIP OF FIFE PENSION BOARD

The Committee Officer provided an update on recruitment for the vacancy on the Board, advising that all Scheduled and Admitted body employers in Fife Pension Scheme had been contacted in January 2025 seeking nominations for the vacant position.

There had been interest from one candidate, however following further discussion with the Pensions Services Manager, had decided the role was not suitable for them at this time. Fife College, a Scheduled Body Employer, had indicated they were in the process of recruiting for a Head of Finance position in the organisation and that the Pension Board would fall within their remit.

Legal and Democratic Services agreed to contact all Employer Bodies in the Fund again, in May 2025 to seek nominations for the vacancy on the Board.

Decision

The Board noted the update.

47. REVISED FIFE PENSION BOARD CONSTITUTION

The Board considered the revised Constitution for Fife Pension Board.

Decision

The Board:-

- (1) noted that sections 3.3 (membership of Scheduled and Admitted body employers, amended to allow for two nominees from either of the body employers could join the Fife Pension Board) and 5.1 (creation of the position for a Deputy Board Chair to be appointed annually) had been included in the Constitution as agreed at the Pensions Committee meeting on 13 December 2024;
- (2) agreed in principle, to amend wording at section 5.1 from 'The Deputy Chair will assume the role of Chair at the appropriate time' to replace the word will with may, as follows:- ;The Deputy Chair may assume the role of Chair at the appropriate time';
- (3) noted that section 4.2 had been introduced in the Constitution to ensure that members of the Board attending the Pensions Committee meeting must also be present at the post meeting of the Fife Pension Board to be able to review any decisions of the Pensions Committee; and
- (4) agreed that the Fife Pension Board Constitution would be formally ratified at the next Board meeting on Monday 31 March 2025 due to the lack of quorum.

48. DRAFT ANNUAL REPORT 2024/25

The Board considered the Draft Annual Report of Fife Pension Board 2024/25.

Decision

The Board:-

- (1) noted the contents of the report, suggested further amendments to the report and agreed a revised version would be circulated to the Board members for agreement;
- (2) requested members consider whether the detail of the report was satisfactory in portraying the Board adequately as maturing into a supportive and positive body or if this could be improved;
- (3) noted the Conflicts of Interest Register for all Board members was available to view on the Pension Fund website and a link would be included in all future agenda covers for the Board pre meetings; and
- (4) agreed that the Fife Pension Board Annual report 2024/25, would be formally ratified at the next Board meeting on Monday 31 March 2025, due to the lack of quorum.

49. OVERVIEW OF AGENDA ITEMS FOR THE PENSIONS COMMITTEE MEETING

The Board considered the agenda items on the Pensions Committee meeting agenda for the meeting on 31 March 2025.

Decision

The Board:-

- (1) noted members concerns regarding timescales of members receiving the Pensions Committee agenda pack and being able to digest and comment on the reports prior to the pre meeting of the Board. The Service Manager - Committee and Members Services advised that due to Council Standing Orders, committee agenda packs were issued seven days prior to the committee meeting taking into account the availability for receiving the reports from officers for inclusion in the agenda packs; and
- (2) noted the following key points for consideration on agenda items for the Pensions Committee meeting on Monday 31 March 2025:-
 - (a) **Item No. 5 - Fife Pension Fund Business Plan and Budget 2025-26** - what are the priorities and plans for the next year, budget setting and review of resource and staffing structure. Information Handling (transfers out) - verbal update to be provided at committee. Due to a backlog, does this include Public Sector transfers, are there only issues when dealing with Private sector transfers?;
 - (b) **Item No. 12 - Cost Transparency and CEM Benchmarking** - review management costs detailed in appendices of the confidential report, does this reflect a satisfactory overview, is there sufficient control in place?; and
 - (c) **Item No. 13 - Annual Shared Services Arrangement** - ensure delegations are being made with relevant controls. The Independent Professional Observer (IPO) had attended the Joint Investment Forum (JIF) - note the comments from IPO key observations and responses provided, reporting appears to be much clearer, potential conflicts are

managed better, what is covered at the JIF is being reported to committee, but could this be improved? Proposal in the report to switch to annual reporting, when will it begin?

50. SCHEME ADVISORY BULLETIN

The Board considered the Scheme Advisory Board Bulletins for January and March 2025.

Decision

The Board noted:-

- (1) the contents of both bulletins; and
- (2) that the Scheme Advisory Board (SAB) was encouraging members of Pensions Boards to attend SAB meetings and this could be a development opportunity to be included in members training records.

51. KEY ACHIEVEMENTS

The Board noted key achievements had been included in the Board Annual Report 2024/25 and that members felt they were in a much stronger position and the Board had developed over the last twelve months due to the ongoing support received from Officer and the Independent Professional Observer.

52. TRAINING UPDATE - MANDATORY TRAINING REQUIREMENT FOR PENSION BOARD MEMBERS

The Board considered the training record undertaken by members to date.

Decision

The Board noted that all members had completed the Pensions Regulator Toolkit mandatory training modules and had achieved the annual requirement of 14 hours of training in line with the terms of the approved training policy for the Pensions Committee and Board members. This was a positive achievement for the Board.

53. FIFE PENSION BOARD FORWARD WORK PROGRAMME

The Board noted:-

- (1) the contents of the forward work programme; and
- (2) suggested further ideas for workshops or training, in collaboration with the Pensions Services Manager on topics such as: local investment opportunities for the fund, governance and further updates on local investment and opportunity for the Board and Committee to be able to discuss and suggest options in constructive and meaningful ways.

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

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

31 March 2025

1.05 pm – 1.55 pm

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

ATTENDING: Clare Scott, Independent Professional Observer, Helena Couperwhite, Service Manager - Committee and Members Services, Lesley Robb, Lead Officer - Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

APOLOGY FOR ABSENCE: Colin Paterson (Employee representative – Trade Union).

41. DECLARATIONS/CONFLICTS OF INTEREST

No declarations of interest were submitted.

42. 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. 3 – MINUTES

Due to lack of quorum at the Pension Board pre-meeting on 27 March 2025, the Board carried forward the following business from the meeting:-

- (a) Fife Pension Board pre-meeting 27 March 2025 - Agenda Item No. 3 - Minutes from the Board pre-meeting on 10 December and post-meeting on 13 December 2024;

Decision

The Board approved the minutes.

- (b) Fife Pension Board Pre-Meeting 27 March 2025 - Agenda Item No. 5 - Fife Pension Board Revised Constitution;

Decision

The Board approved the revised Constitution including an amendment to the last sentence in section 5.1 to read - 'The Depute Chair **may** assume the role of the Chair at the appropriate time'; and

- (c) Fife Pension Board Pre-Meeting 27 March 2025 - Agenda Item No. 6 - Fife Pension Board Annual Report 2024-25.

Decision

The Board:-

- (1) approved in principle the Draft Annual Report subject to inclusion of agreed amendments and noted the revised version of the Annual Report would be circulated to Pension Board members; and
 - (2) noted that the final version of the Annual Report would be submitted for approval to the next pre-meeting of the Pension Board on 17 June 2025.
- (2) AGENDA ITEM NO. 4 - FIFE PENSION FUND - BUSINESS PLAN UPDATE AND ADMINISTRATION ACTIVITY TO 31 DECEMBER 2024

Decision

The Board:-

- (a) noted that additional support had been introduced to assist with delays in processing transfers from other pensions schemes and were content this was recognised and action had been taken to improve the process by the Pensions Team; and
 - (b) otherwise agreed they were content with the decision made by the committee and a review would not be required.
- (3) AGENDA ITEM NO. 5 – FIFE PENSION FUND BUSINESS PLAN AND BUDGET 2025-26

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. 6 – AZETS – ANNUAL AUDIT PLAN FIFE PENSION FUND

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. 7 – UPDATE ON 2024-25 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2024-25 ISSUED AUDIT REPORT

Decision

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

(6) AGENDA ITEM NO. 8 – POST AUDIT REVIEW (PAR) REPORT

Decision

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

(7) AGENDA ITEM NO. 9 – RISK MANAGEMENT QUARTERLY REVIEW

Decision

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

(8) AGENDA ITEM NO. 10 – PENSIONS COMMITTEE WORKPLAN AND TRAINING PLAN

Decision

The Board:-

- (a) queried the structure for reporting and report content for submission to the Pensions Committee and acknowledged that the majority of reports were statutory or connected to changes in legislation and not driven by officers. Concerns were raised that there were other external issues affecting the industry that would be of interest to the Committee and Board members and that these matters should also be submitted to the Pensions Committee for further discussion;
- (b) suggested that training sessions with Hermes or other relevant organisations may be beneficial, covering wider topics such as Artificial Intelligence or other external factors that could affect the operation of the Pension Fund and would raise the matter with the Pension Services Manager for further consideration; and
- (c) noted that copies of slides or feedback from training events and conferences were often circulated by the organiser to only the participants at the event and requested that slides/feedback from events were circulated to all members of the Committee and Board where possible to further knowledge and understanding for members that were unable to attend the sessions.

(9) AGENDA ITEM 11 – COST TRANSPARENCY AND CEM BENCHMARKING (Public report)

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. 12 – COST TRANSPARENCY AND CEM BENCHMARKING (Private report)

Decision

The Board:-

- (a) acknowledged the positive development of detailed information relating to management fees being included in the report which was not previously available; and
- (b) agreed they were content with the decision made by the Committee and a review would not be required.

(11) AGENDA ITEM 13 – ANNUAL REVIEW OF SHARED SERVICES ARRANGEMENT

Decision

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

(12) AGENDA ITEM 14 – FIFE PENSION FUND – INVESTMENT UPDATE

Decision

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

AOCB

Following the close of business, the Lead Officer, Committee Services, advised that in order to comply with the Pensions Regulator General Code of Practice, there was a requirement to publish a Register of Interests for Board members. Members would be issued with a Register of Interests form for completion in relation to their position on Fife Pension Board. The Board were asked to note that this was a separate form from the recently completed Conflicts of Interest form.

The elected members on the Board were not required to complete the Register of Interest form as they already had a completed form available on the Fife Council website for their role as an elected member, which would be used for the purpose of their membership on the Board.

Decision

The Board noted the update.

20 June 2025

Agenda Item No. 5

Statement of Investment Principles

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

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 2024. 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)

It is recommended that the Committee:-

1. adopt the revised Statement of Investment Principles; and
2. agree to the revised cycle of formally reviewing the SIP at least every 3 years, aligned to the cycle of the triennial actuarial valuation and investment strategy

Resource Implications

There are no direct resource implications identified at this stage.

Legal & Risk Implications

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

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

Consultation

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

1.0 Background

- 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

- 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 2025, 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.
- 2.3 The main change to the amended SIP is in section 4, paragraph 4.5. Changes have been made to the definitions of policy groups and the layout of the definitions. These changes have been made to ensure consistency with the agreed investment strategy. There are also a few minor revisions to update the language throughout the document. The principles can be found at Appendix 1 and changes highlighted using "tracked 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 A which was agreed at Committee in March 2024.
- 2.5 During the review of the SIP, it was noted that due to the longer-term nature of the investments and pension fund, that an annual review is not always required. On this basis, it is intended that the SIP is formally reviewed and reported to Committee at least every 3 years. It is anticipated that formal reviews are aligned to the triennial valuation and investment strategy review cycle, therefore it's anticipated that the next version of the SIP will be presented in March 2027.

Monitoring and Reporting to Committee

- 2.6 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. In implementing the strategy, officers will consider investment advice as required from qualified advisers, and on a regular basis at the Joint Investment Forum (JIF).
- 2.7 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.

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

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">Actuarial valuation reported to Committee (every 3 years and annual updates from Actuary)Monitoring by JIF and internal team (quarterly or more frequent as required)
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)

- 2.9 The Committee requested improvements to reporting of performance information. It has been agreed that there will be move to annual reporting to provide more meaningful and in-depth commentary. Commentary on performance will be included in the quarterly Business Plan report, should there be a need to do so.
- 2.10 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

- 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

- 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 - Statement of Compliance with UK Stewardship Code
- Appendix C – 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

- 1.1 This Statement of Investment Principles (**SIP**) was agreed by the Pensions Committee (**Committee**) of Fife Council (**FC**) on 20 June 2025 ~~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 officers who attend 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 complies 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). 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

- 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

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 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.** 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 September 2024.
- 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. Funds’ Objectives

- 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.
- 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 the investment strategy with reference to the following policy groups, which classify assets into categories with similar risk and return

characteristics. ~~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 and are detailed in the following table in descending order of return and risk:

<u>Policy Group</u>	<u>Objective</u>	<u>Examples of Policy Group Assets</u>
<u>Equities</u>	<u>The principal driver of the Fund's growth, and in the long term, expected to outperform liabilities, albeit with periods of volatility.</u>	<u>Listed equities; private equities; forward currency contracts; and equity futures may also be permitted for hedging purposes only (eg during equity transition activity).</u>
<u>Real Assets</u>	<u>Positive real returns with an income stream, in some way, linked to inflation. Likely to deliver some diversification from equity returns.</u>	<u>Property; infrastructure; timberland; agriculture; commodities.</u>
<u>Credit</u>	<u>Assets likely to offer diversification from equity returns, strategic funding level protection and/or a superior yield to that available from, and where returns may have a positive correlation to, sovereign bonds.</u>	<u>Investment grade bonds; high yield bonds; loans; private credit; emerging market bonds.</u>
<u>Sovereigns</u>	<u>Assets likely to offer diversification from equity returns and strategic funding level protection by having interest rate and potentially inflation exposure that offsets exposures of the liabilities and so reduces the funding level variability.</u>	<u>Index linked gilts; nominal gilts; gilt futures; overseas sovereign bonds.</u>
<u>Cash</u>	<u>Liquidity function mostly avoiding credit and duration risks.</u>	<u>UK Treasury assets; overseas Treasury assets; local authority loans; bank or building society deposits (all short term).</u>

- **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 54.5 match those used by the Lothian and Falkirk Pension Funds.

5. Fund Strategy

- 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 (presented at policy group level in Appendix A). 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

- 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

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

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.

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment regulations 2016 increased the limit for the LGPS fund contributions to all limited partnerships from 15% to 30%. The term “contributions” was not defined; therefore this is interpreted as capital at risk, which is equal to the sum of all invested capital paid in less the sum of all distributions received.

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~~ on triennial basis 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)

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	Current Allocation (31 March 2025)	Permitted Range
Equities	50%	49%	40% - 60%
Real Assets	20%	24%	10% - 30%
Credit	13%	9%	5% - 25%
Sovereign	15%	16%	5% - 25%
Cash	2%	2%	0% - 15%
Total	100%	100%	100%

FIFE PENSION FUND: POLICY GROUP BENCHMARKS

<u>Policy Group</u>	<u>Allocation</u>	<u>Benchmark (Strategic Policy Group level)</u>
<u>Equities</u>	<u>50%</u>	<u>MSCI ACWI (Dividends Reinvested Net of Withholding Tax) Risk Adjusted (0.9x)</u>
<u>Real Assets</u>	<u>20%</u>	<u>MSCI ACWI (Dividends Reinvested Net of Withholding Tax) Risk Adjusted (0.7x)</u>
<u>Non-Gilt Debt</u>	<u>15%</u>	<u>iBoxx £ IG credit +0.2% pa</u>
<u>LDI Investment</u>	<u>15%</u>	<u>FTSE Actuaries Gilts Index Linked TR> 15 year (FTRFILO)</u>
<u>Total Assets</u>	<u>100%</u>	<u>Weighted average Return of the Strategic Policy Group Weights Benchmark Indices</u>

Appendix B - Investment Strategy Implementation

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
	UK Passive	Blackrock	13.9% 7.7%
	Global Growth	Baillie Gifford	7.6% 7.8%
	Global High Dividend	LPFI	3.9% 3.9%
	Global Low Volatility	LPFI	6.6% 6.8%
	SMuRV	LPFI	6.2%
	Global Fundamental Indexation	State Street	17.1% 16.0%
Real Assets			21.7% 24%
	Property	CBRE	5.9% 6.1%
	Global Infrastructure	Partners Group	15.8% 1.2%
	Global Infrastructure	Various	16.7%
Credit			8.9% 9%

	Corporate Bonds	Janus Henderson	2.4% 2.4%
	Corporate Bonds	Western	2.4% 2.4%
	Corporate Bonds	Legal and General Investment Management	2.5% 2.5%
	Private Debt	Various	1.7% 1.8%
Sovereign			18.5% 16.2%
	Sovereign Bonds	Legal and General Investment Management	4.4% 4.4%
	Government Bonds	Janus Henderson	3.6% 3.3%
	Government Bonds	LPFI	10.5% 8.6%
Cash			1.6% 2.4%
	Cash	Various	1.6% 2.4%

Appendix ~~C~~B – Stewardship Statement

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/conflicts-of-interest-policy)

- 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~~C – CIPFA Principles for investment decision making and disclosure

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 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 upheld. [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 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 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 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 Forum. The Joint Investment 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 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~~ 20 June 2025

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

Arabic	خط هاتف اللغة العربية: 03451 55 55 77
Bengali	বাংলায় আলাপ করার জন্য টেলিফোন লাইন: 03451 55 55 99
Cantonese	中文語言熱線電話: 03451 55 55 88
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20 June 2025

Agenda Item No. 6

Fife Pension Fund

Statement of Responsible Investment Principles

Report by: Elaine Muir, Head of Finance

Wards Affected: ALL

Purpose

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 4 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)

It is recommended that the Committee agree to:-

1. update the Statement of Responsible Investment Principles (SRIP) with the changes highlighted in the SRIP; and
2. the revised cycle of reviewing the SRIP least every 3 years and providing an annual update report on progress with implementing the actions and ambitions outlined..

Resource Implications

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

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 Environmental, Social and Governance (ESG) risks.

Impact Assessment

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 Forum (JIF) have also been consulted in the preparation of the initial document.

1 Background

- 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 4 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 the actions being taken and some language changes as the principles have evolved. The revised SRIP also reflects the approach to discussions with managers, as well as, recognising developments in climate-related reporting requirements.
- 1.5 Finally, there have been changes to the Climate Change section to update the text to reflect more realistic ambitions and timeframes, as well as, recognising developments in the climate-related reporting requirements. All proposed changes to the SRIP are detailed using track changes.
- 1.6 It should be noted the Taskforce on Climate-related Financial Disclosures (TCFD) has now been absorbed into the International Sustainability Standards Board (ISSB). The UK government is assessing the suitability of the ISSB's International Financial Reporting Standard (IFRS) S1 and IFRS S2 for use in the UK with a consultation on UK Sustainability Reporting Standards (UK SRS) expected to be launched in summer 2025.

2 Statement of Responsible Investment Principles

- 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 drives engagement with the management and Boards of corporate entities to support efforts to align with the aims of the Paris Alignment.
- 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

- 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 on the Teams site. Training was provided for Committee and Board members covering Climate Risk, Responsible Investment and Delivering more sustainable outcomes. Carbon metrics are now routinely 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 The Fund's capital is being increasingly allocated to managers/mandates that align with the intent within the SRIP that no new financing or capital is made available to companies or projects that are incompatible with the aims of the Paris Agreement.
- 3.5 The actions that have been advanced have been straight forward in nature and focused on preparation, sharing information and increasing awareness.
- 3.6 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.
- 3.7 Linked to the SRIP, a key area of work will include research on the reporting requirements for climate related disclosures and transition plans, with a view to assessing and considering the reporting requirements in the Annual Report. New reporting requirements may lead to costs being incurred in the future, which are yet to be determined. It's likely that no work can be fully advanced until the future reporting requirements are published and decided resources are in place.

- 3.8 There is also a procurement exercise to be undertaken for the procurement of the Voting & Engagement partner. This will be progressed in the coming months, in collaboration with the partner funds using the Norfolk Framework for Stewardship, to allow for a recommendation to be made to committee in December. The current contract with Federated EOS expires in July 2025 and will require to be extended.
- 3.9 Whilst considering the review of the Statement of Responsible Investment Principles, it became clear that the principles are longer term in nature therefore it is considered more effective to review the principles at least every 3 years. It is anticipated that this would be aligned to the triennial valuation and investment strategy review cycle with the precise timing to be planned taking cognisance of the extent of work needed for each of these large pieces of work.
- 3.10 Future annual reports on responsible investment will concentrate on progress made towards ambitions and implementing the actions identified. This will be a separate annual report.

4 Conclusion

- 4.1 The report sets out the rationale for the SRIP which is attached at Appendix 1. The SRIP will complements 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>

Report Contact

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Statement of Responsible Investment Principles

1.0 Introduction

- 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 incorporation of ESG factors into our investment processes involves, managing and mitigating material risk, with the intention of achieving the best returns for the Fund while acting prudently, balancing risk and reward. ~~—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~~ we are guided by the legal principle of fiduciary duty. Guidance on our fiduciary responsibilities ~~has been~~ is provided by the Scottish Scheme Advisory Board (SAB), which ~~has taken~~ took legal advice on the matter ([Fiduciary Duty Guidance | LGPSAB](#)). ~~The SAB~~ It 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~~ framework and continue to consider it ~~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 should seek appropriate professional advice before exercising their investment powers. 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~~ neither owned nor ~~by~~ controlled by the Council. Pension fund assets, which are earmarked for pension payments over the life of the fund, are ringfenced from '~~Council~~ council Money' money'. There are 18 employers and around 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. As a responsible investor we engage with our investee companies and appointed managers, either directly or ~~their~~ via 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 Forum (JIF), which includes external advisers and members of the Lothian internal investment team who are FCA authorised ~~individuals.~~ investment professionals.
- 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

- 2.1 The Principles for Responsible Investment ("PRI") ~~—previously the United Nations Principles for Responsible Investment—is an—~~ a United Nations supported 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 regulated investment entity 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, class,~~ 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 assessed as having a business plan that is 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) reports, where available. Managers are encouraged to join the PRI as signatories where they are not already members. For active equity strategies ~~Our~~ ambition is to appoint managers who will not provide new financing to companies assessed as having a business plan that is 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~~ Fixed Income 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 assessed as having a business plan that is or projects that are incompatible with the aims of the Paris Agreement.

External Property investment:

During the manager appointment process, we assess the approach of the managers to incorporating ESG issues into their investment analysis and decision-making process. Through our collaborative arrangements with LPFI, we monitor the managers' implementation of their approach on a quarterly basis alongside all other investment matters. 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 reports, and GRESB (Global ESG Benchmark for Real Assets) reports sustainability assessments and product level TCFD reports are reviewed and, if they are not, managers are encouraged to articulate their approach to ESG and sustainability. Where appropriate, we will seek improvements to both the management and implementation of that approach. Managers are encouraged to join PRI if they are not already signatories. as signatories where they are not already members.

External Real Asset ~~management investment~~ (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 assessments~~ and product level TCFD reports of external managers, where available. Managers are encouraged to join PRI signatories ~~if they are not already 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 will consider how 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. We may also file or co-file shareholder resolutions on important issues at the Fund's investee companies in the interests of achieving better governance.~~

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 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 do this directly, through collaborative partners/service providers or alongside them. ~~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, regulators and industry working groups

~~and working collaboratively with regulators and quanges.~~ 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. We expect our appointed managers to demonstrate how they incorporate ESG issues into their ownership policies and practices, and material misalignment from our approach will lead to review.

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, investee companies,~~ to report on relevant ESG metrics, including disclosure of greenhouse emissions. We expect listed companies to produce reporting aligned with the recommendations of TCFD and to incorporate voluntary implementation of International Financial Reporting Standards Sustainability disclosures as a next step. 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 Financial Conduct Authority's Sustainability Disclosure Requirements (SDR-the), 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+

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)~~

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 ~~measure and report on the percentage of our assets allocated to climate change with an ambition to position the Fund to benefit from the energy transition by increasing exposure (across the Fund) to climate solutions (such as by investing in renewable projects). 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 ~~develop assessment and reporting of the carbon intensity of all assets (supported by external managers and using estimates if necessary) in accordance with relevant climate risk reporting requirements applicable to the Scottish LGPS. 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 over the next five years (i.e. by the end of 2029) we will increase the alignment of our investee companies to a future low carbon world. We that by 2025 all focus on~~ holdings in sectors which are currently a significant source of global greenhouse gas emissions as this is where transition is critical to achieving net zero. Initially the scope will be limited to Climate Action 100+ stocks held via LPFI managed equities and active equities ~~covered by TPI will have achieved 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.~~
-

“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 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 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 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 climate risk (or any other risk) points to poor financial outcomes, we would expect to divest.

4. Conclusion

- 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.

20 June 2025

Agenda Item No. 7

Fife Pension Fund – Business Plan update and Administration Activity to 31 March 2025

Report by: Elaine Muir, Head of Finance

Wards Affected: N/A

Purpose

To provide the Committee with an update on the activities undertaken by the wider pension team during the fourth 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 processing of certain tasks by the Pensions Administration team by providing details of the agreed key performance indicators.

Recommendation(s)

The Committee is asked to:-

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

Resource Implications

The business plan for the Fund is delivered by the wider pensions team and overseen by the Head of Finance. It is important to ensure that the team is adequately resourced to deliver the Service and can respond to developments in the future. Managing and monitoring team performance is important in providing an efficient service to both employers and members and can highlight areas for change or improvement.

Legal & Risk Implications

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

Impact Assessment

Not relevant.

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

1.0 Background

- 1.1 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

- 2.1 Progress has been made in the following areas:

- 2.2 ***Development Activities***

- 2.2.1 **McCloud Judgement**

Progress to date

The team are now dealing with the McCloud remedy as a business-as-usual task, taking into account any underpin values that occur during the calculations and including them with pension benefits.

Since the introduction of the CARE scheme on 1 April 2015, all actual calculations that the Team have completed from that date, and where the member is in McCloud scope, will need to be recalculated to determine if an underpin comparison payment is applicable. The team have identified that there will be approximately 500 recalculations of benefits required for deferred, pensioner and death calculations.

With regards to these recalculations, the Team have now completed 108 manual recalculations on death benefits where death in service was the reason for leaving. There are a further 67 manual recalculations being worked on now where, the reason for leaving was ill health retirement prior to the death. On completion, this will leave a further 72 death benefit recalculations to do before the death status recalculations are complete.

The default deadline for the completion of all McCloud rectification activities is 31 August 2025. However, the Pensions Regulator has granted pension funds the discretion to extend the implementation period to 31 August 2026. To exercise this discretion, schemes are required to make a formal determination regarding the scope of the extension—specifically, whether it will apply to individual members or

defined groups. It is the current intention that this extension will be applied to all members.

Doing so acknowledges that it will be longer until the McCloud discrimination is resolved. Given the current rate of completion of recalculations, it is anticipated the extended deadline will be met however this will be kept under review.

Work is being advanced to prepare a briefing note for the Committee and Board outlining the use of the determination and the next steps once the determination is made.

Communications for members will be published informing them of the fund's intention to utilise the deadline extension. As well as being included with the annual benefits statements, the communications will be made available on our website, Fife Council's intranet, by email to employers and by email to members registered to Member Self Service.

2.2.2 Pensions Dashboards

Progress to date

The team successfully completed the UAT (User Acceptance Testing). This included ensuring that Fife Pension Fund information will be accessible on the Dashboard when it goes live and that the criteria for members accessing the Dashboard is not too restrictive and in line with other schemes/funds.

The pre-staging process has now been completed

The team have been in contact with our AVC scheme providers, Standard Life and Prudential. Both schemes have confirmed that they will be adopting the same matching criteria for the Pensions Dashboard. However, despite several chaser emails to Clerical Medical with whom we have 12 deferred members with AVC funds, a response has not been received. Officers are continuing in their attempts to get information from Clerical Medical, who are now under the umbrella of Scottish Widows.

2.2.3 The Pensions Regulator General Code of Practice (GCoP)

In order to address compliance with the GCoP an action plan has been developed and is attached at Appendix 2.

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

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

Chapter	Requirement	Comments and Actions
Board Structure and Activities	<ul style="list-style-type: none"> • The governance of a public service pension scheme will need to take into account the differing responsibilities of the scheme manager, pension board and, where appropriate, pension committee. • The pension board must have an equal number of employer and member representatives 	<p>Partial compliance is achieved as some governance documentation such as “officer powers” for the Council need updated to reflect the introduction of the Pensions Service Manager post. – Documentation has been reviewed and changes will be made at the next review.</p> <p>Partial compliance is achieved as the Pension Board currently has a vacancy which is being addressed by revising the constitution and applying the agreed appointment process. The constitution was updated, and appointment process actioned. Unfortunately, no interest was shown in the vacancy, therefore the appointment process was started again at the end of May.</p>
Risk Management	<ul style="list-style-type: none"> • Regarding the pension board, scheme managers of public service pension schemes should: <ul style="list-style-type: none"> - Circulate the register of interests and the other relevant documents to the pension board for ongoing review - Publish these documents (for example, on a scheme’s website) 	<p>Details of the register of interest have been published on the website.</p>

Information Handling (Transfers Out)	<ul style="list-style-type: none"> • The governing body must provide the statement of entitlement within approximately three months of receiving the request, unless this information has been provided in response to a request in the previous 12 months • Governing bodies are required to complete transfers within six months. For DB benefits, this is measured from the guarantee date provided in the statement of entitlement. 	There is currently a backlog in the processing of transfers out. Hymans Robertson have been engaged to provide additional administration support, training and review of procedures to help reduce the backlog. The expected completion date being July 2025.
Regular Reports	<ul style="list-style-type: none"> • The governing body must tell TPR about changes to the registrable information as soon as reasonably practicable, at the very latest within five working days of the governing body becoming aware of the change. 	Business Continuity plans have been updated and a procedure prepared.

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 has been reported throughout the year and is now summarised in the annual report. The annual report also includes the training provided in 2024/25 and an update to policy (item 9 on this agenda.)

2.4 Reporting a Breach to the Regulator

- 2.4.1 No breaches have been reported to the Pensions Regulator during the quarter.
- 2.4.2 As previously reported there is a requirement to report a breach to the Pensions Regulator for the failure to provide McCloud underpin values on the 2025 annual statements. We anticipate reporting the breach to the Regulator late July or early August when it will be clearer how much work is still required.

2.5 Other Development Activities

- 2.5.1 The 2024/25 Business plan included development activities which have been carried forward to 2025/26 business plan, including procurement of custody contract, the next phase of the KPI review and a review of mandatory/voluntary scheme pays.
- 2.5.2 Work on the custody contract has been progressing in the first quarter of 2025/26 in collaboration with our partner funds. As previously reported the KPI review has been paused until additional resources are in place to take this forward. The review of scheme pays will be advanced in the next quarter.

3.0 Business as Usual Activity

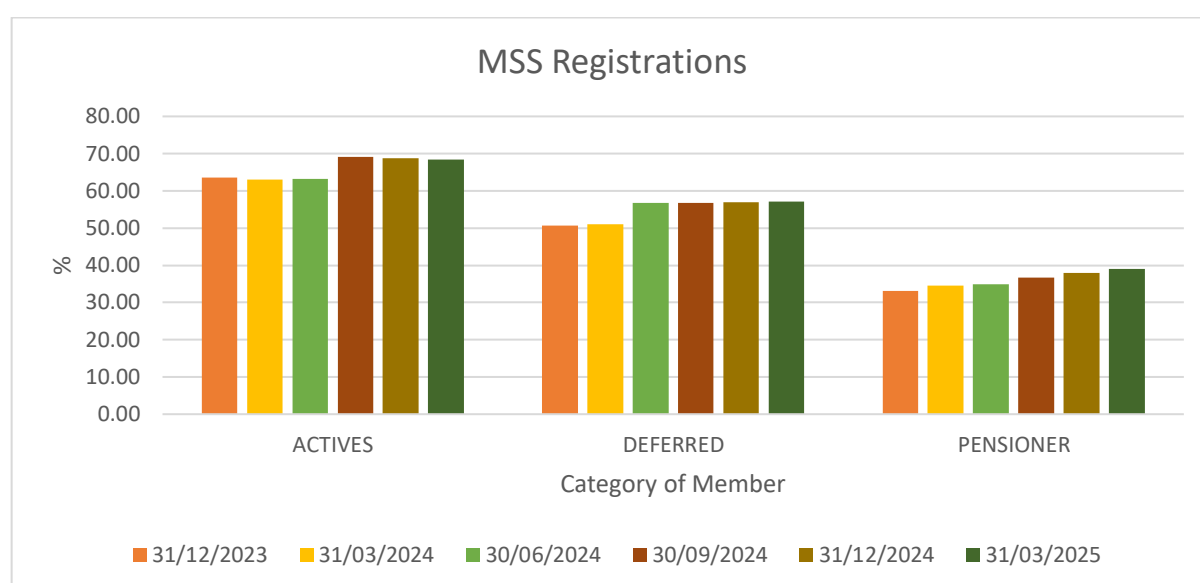
- 3.1 In addition to the development activity the team also continued with activities as follows:
- 3.2 **Business as usual**
 - 3.2.1 In the quarter January to March, the annual Pension Increase Award (1.70% applicable from 7 April 2025) was run in the Test and Live environments in Altair. The resultant queries were resolved, and the system updated prior to April payroll being run. The new rates for pensioner / dependant pension payments were implemented and are now (from 7 April) in payment.
 - 3.2.2 The pensioner payroll P60s and Payslips have been produced and issued to all pensioner members.
 - 3.2.3 The background factor tables, required for all system calculations, have been updated in both Altair Live and Test environments for the financial year 2025/26.
 - 3.2.4 The end of year processes Care Roll-Up and Care Revaluation have been run and queries rectified.
 - 3.2.5 Other year end processes, such as report-writer programmes that are run annually to identify any missing data, the contributions totaller programme and final pay comparison reports have all been run and are either complete or being worked on.
 - 3.2.6 In the quarter, one Lead Officer retired. The resulting vacancy led to a development opportunity within the Team and a Transactions Assistant has temporarily filled the post. This in turn led to another development opportunity which has been filled by one of the team's Support Assistants.
- 3.3 **Staff Training and Development**
 - 3.3.1 Following the internal promotions, additional in-house training has been required to ensure the team members are trained on their new duties. Process and procedures are continually updated, ensuring knowledge and understanding within the team continues to grow.
- 3.4 **Customer Contact**
 - 3.4.1 The team continues to spend time dealing with queries from members. Contact is made using both email and telephony channels. In the quarter to 31 March 2025, the

number of calls received by the team amounted to 1,110. A number of these queries related to accessing Member Self Service (MSS).

3.4.2 Details of the members registered to use MSS are provided in the following table

Category	Number	Registered for MSS	%
Active	17,449	11,941	68
Deferred	8,398	4,802	57
Pensioners	16,590	6,497	39
Total	42,437	23,240	55

The progress of MSS registration as a % of the total number of members, is provided in the following graph.



4.0 Key Performance Indicators

4.1 Appendix 1 presents the suite of KPIs using the Power BI dashboard format developed. Summary information is provided detailing quarterly casework and key processes. From Page 4 onwards there is one page per KPI which provides information and comparison to previous quarters and the agreed target.

4.2 The Quarter 4 statistics show that over the 10 KPIs reported, there was a total of 922 tasks completed by the Team, 91% of which were within target. This is an improvement on the same quarter of the previous year. Although the same quarter last year showed more tasks completed by the team, 1022 tasks, the percentage within target by the Team then was 88%.

An area where performance has been consistently poor is transfers. Hymans have been engaged to assist with the calculation of our backlog cases. On completion of this project, which is scheduled for the end of June, they will provide the Team with training, an updated procedure and letter templates.

4.3 Page 4 - once again the 100% target for new members was achieved. Over 400 new members were created on system, had their paperwork prepared and issued and all well within the target time.

- 4.4 Page 5 – of the 72 refund of contribution calculations processed in the quarter, 71 were within target. The one outlying case was the result of late submission of paperwork from the employee.
- 4.5 Page 6 – following recent poor performance statistics regarding the processing of ill health benefits, the benefit of enhancements that have been made to the process for requesting and collating the required information is being evidenced. Of the 21 completed cases, 18 were within target and of the 3 cases over target, 2 were due to the team having to request additional pay information and the other due to incomplete paperwork received from the employer.
- 4.6 Page 7 – the 5 redundancy cases processed were all within the target.
- 4.7 Page 8 – the performance statistics for processing retiral benefits is showing signs that recent improvements to processes is having an effect. The percentage of cases being completed, whilst still slightly under target, is showing steady improvement. Although still under the target of 95%, the 90% achievement in this quarter is a testament to the hard work of the team, especially when we take into consideration that there was a retirement, and other absences in the quarter.
- 4.8 Pages 9 and 10 reference transfer cases, both incoming and outgoing. As reported previously, support from Hymans has been commissioned to work on the transfer backlogs.
- Hymans have identified that most of the transfer out cases require McCloud information before the calculations can be processed and the Team are actively working on providing this information.
- 4.9 Page 12 – the performance for processing Deaths has dropped slightly in this quarter, caused primarily by staff absence. However, there are other circumstances that can be attributed to some tasks running over the target. Nine of the tasks that were completed over the target time were the direct result of the team awaiting confirmation of next of kin and subsequent bank account details. The others that were over were due to a delay in getting the final payments checked and authorised.
- 4.10 Page 13 – although still under the 90% target, the performance relating to divorce calculations is showing a significant improvement. Like transfers, a considerable amount of time is spent dealing with in-coming and out-going communications. Often the Team are awaiting information from members, their solicitors or estranged spouses and this results in delays in task completion.

5.0 Conclusions

- 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 March 2024.

List of Appendices

Appendix 1 - Pensions KPI Dashboard

Appendix 2 – GCOP Action Plan

Report Contact

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Fife House,
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Glenrothes,
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Email – john.mackie@fife.gov.uk



Fife Council Pension Fund Key Performance Indicators Quarterly Report

Pensions Quarterly Casework Overview

Year

2024-25

Quarter

Q4

6,071

Total Cases

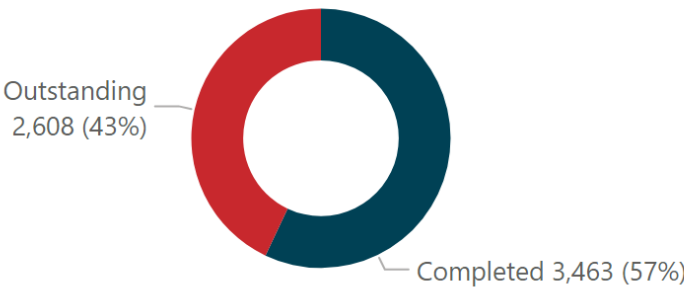
3,463

Completed

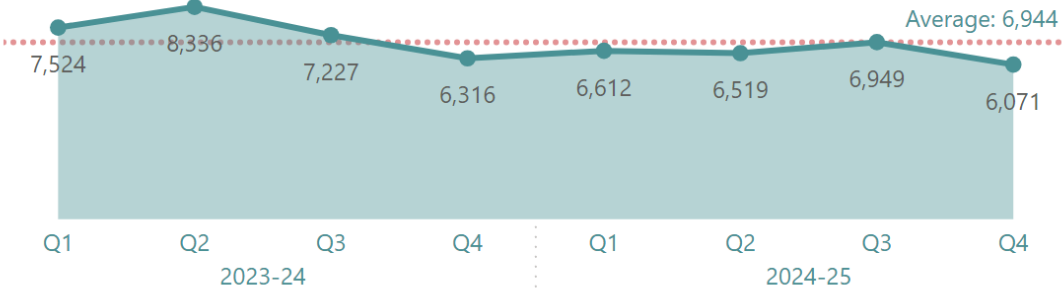
2,608

Outstanding

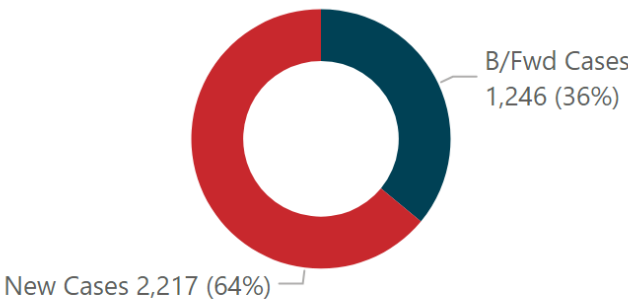
Total Casework



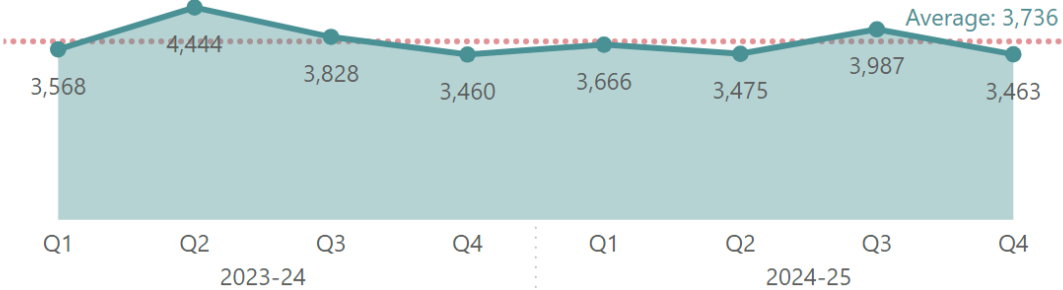
Total Casework by Period Trend



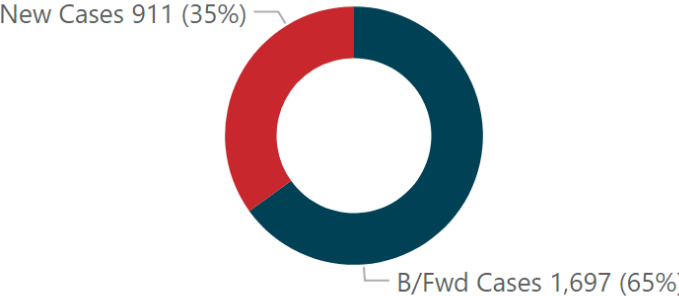
Completed Casework



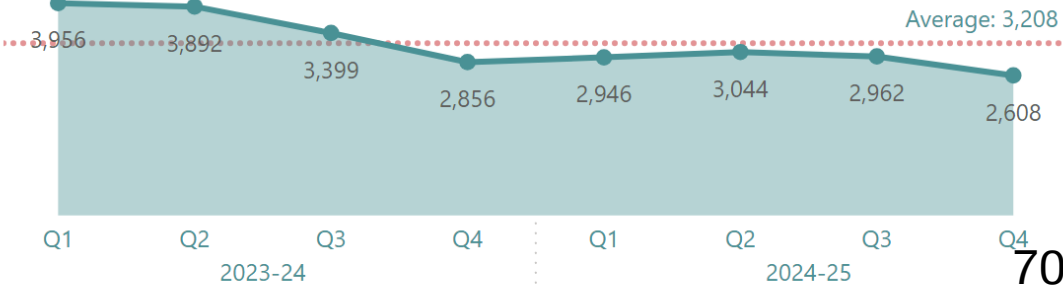
Completed Casework by Period Trend



Outstanding Casework



Outstanding Casework by Period Trend



Year

2024-25

Quarter

Q4

922

Total Completed

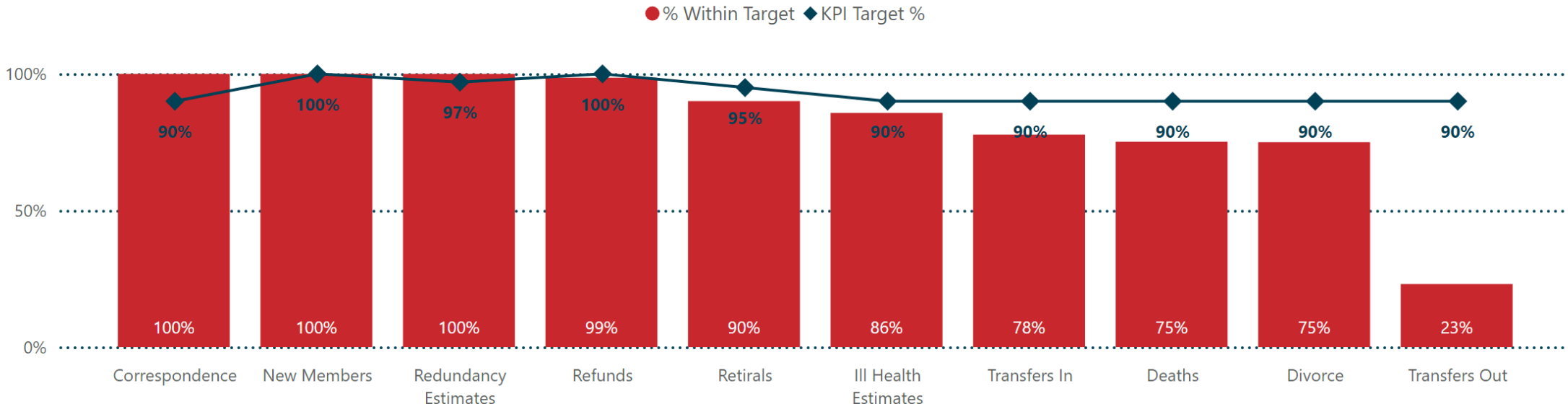
837

Within Target

91%

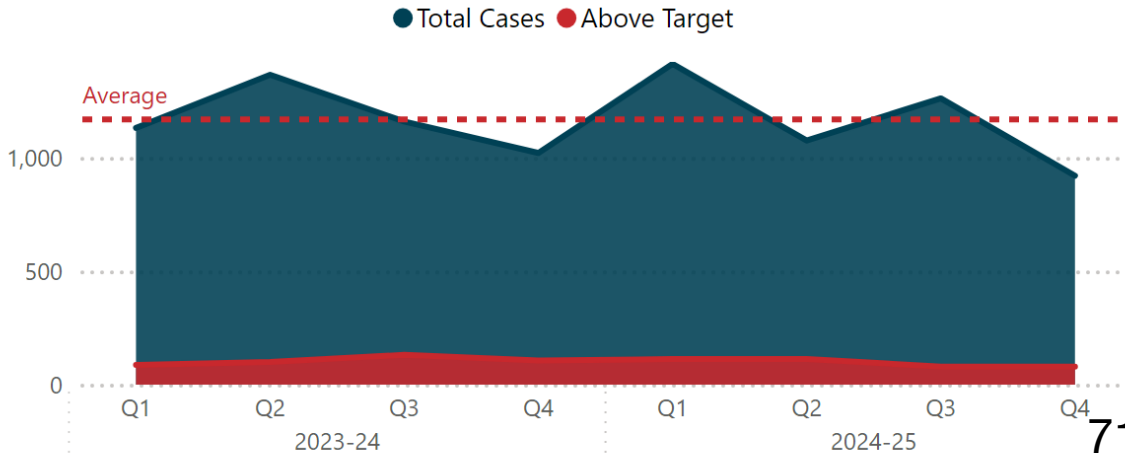
% on Target

Key Processes Performance v Target



KPI Category	Total Completed	Within Target	Over Target	% on Target
New Members	401	401	0	100%
Retirals	201	181	20	90%
Deaths	145	109	36	75%
Refunds	72	71	1	99%
Correspondence	30	30	0	100%
Transfers Out	26	6	20	23%
Ill Health Estimates	21	18	3	86%
Divorce	12	9	3	75%
Transfers In	9	7	2	78%
Redundancy Estimates	5	5	0	100%
Total	922	837	85	91%

Completed Cases Trend



New Members KPI

Year

2024-25

Quarter

Q4

401

Total Completed

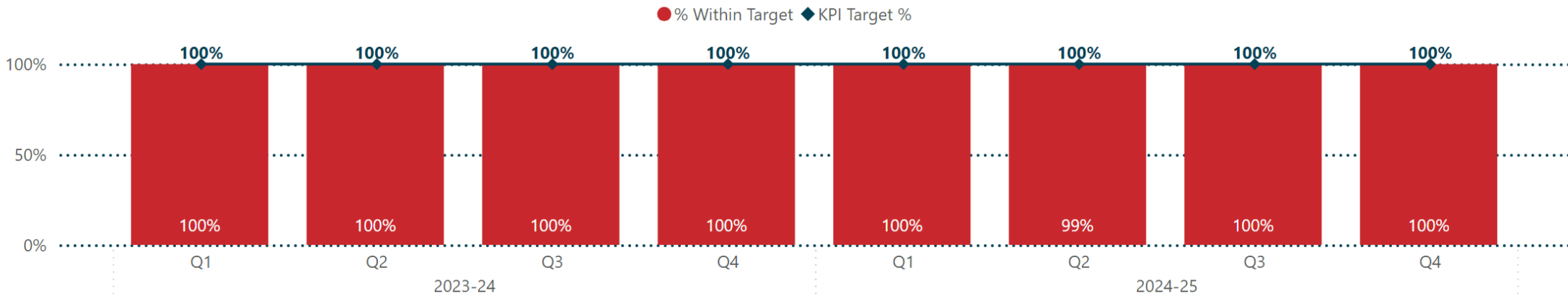
401

Within Target

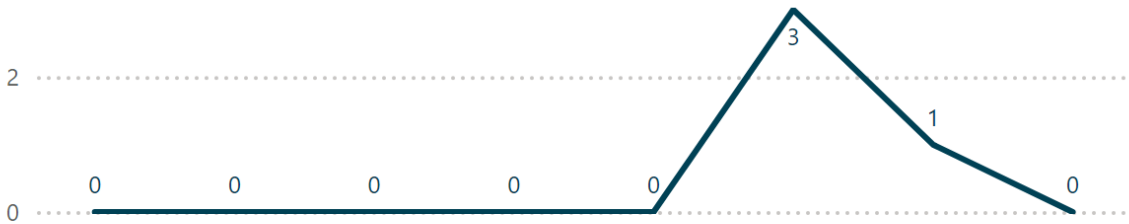
100%

% on Target

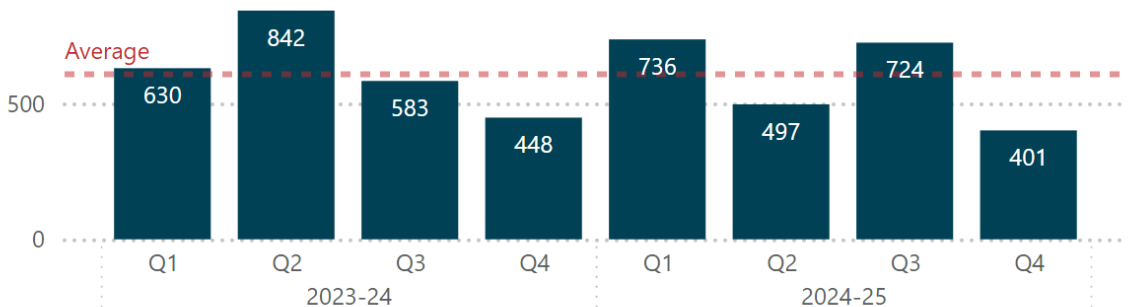
Quarterly Performance v Target



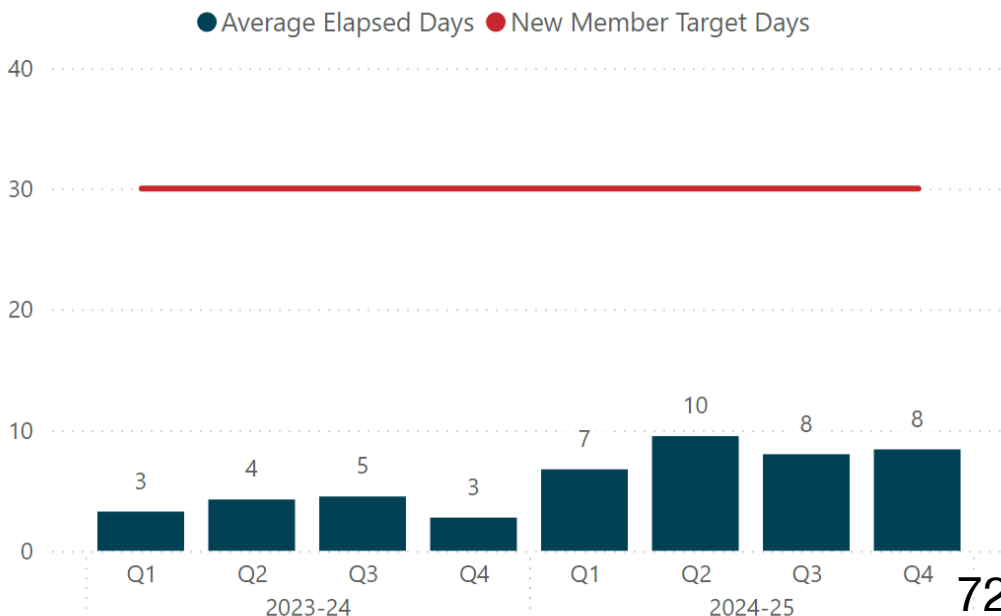
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Refunds KPI

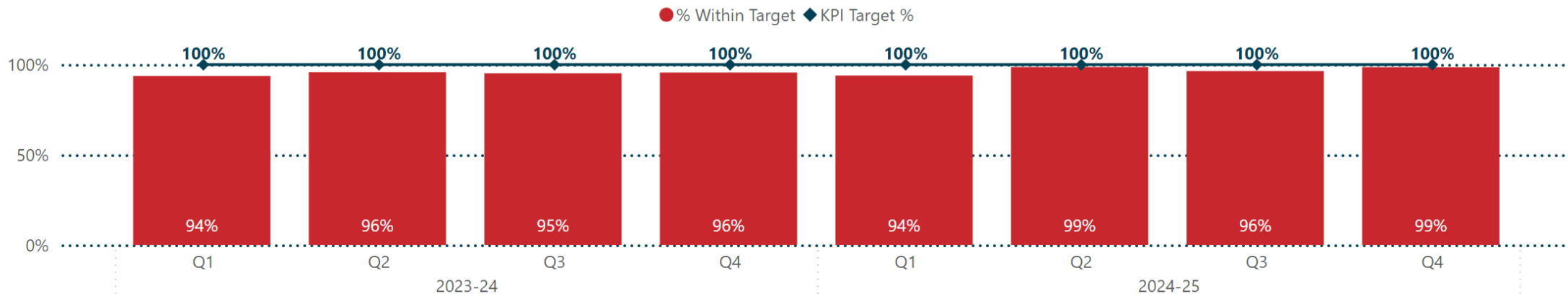
Year

2024-25

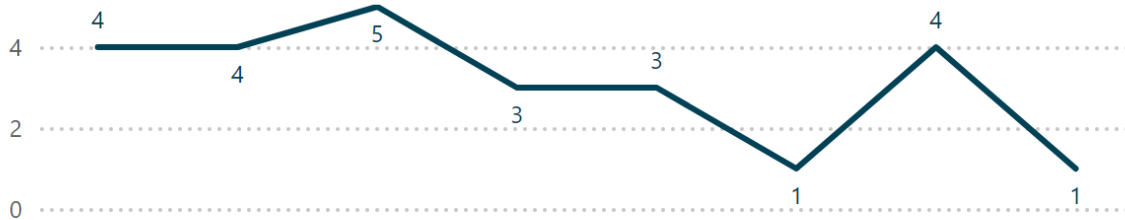
Quarter

Q4

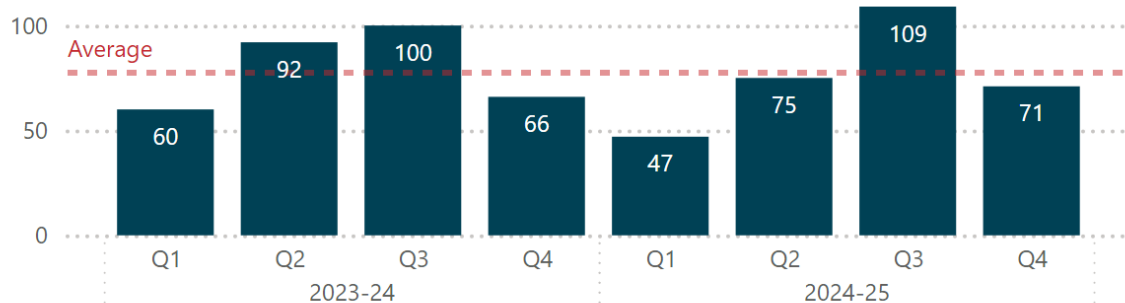
Quarterly Performance v Target



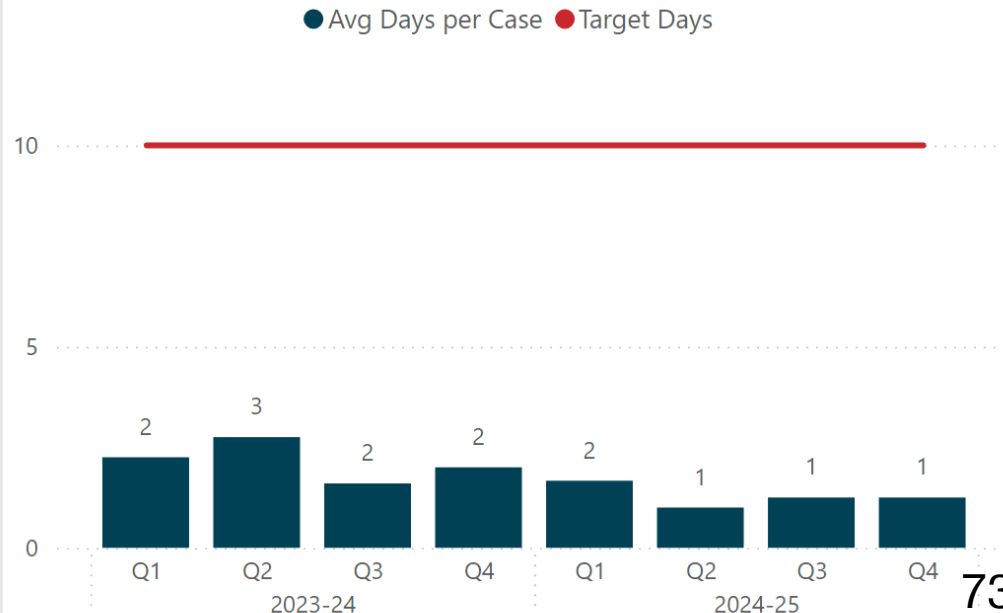
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



72

Total Completed

71

Within Target

99%

% on Target

Year

2024-25

Quarter

Q4

21

Total Completed

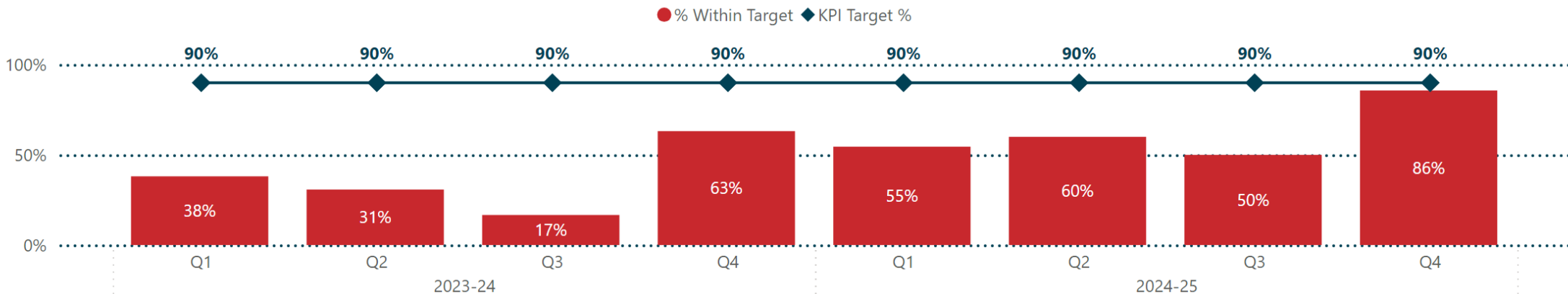
18

Within Target

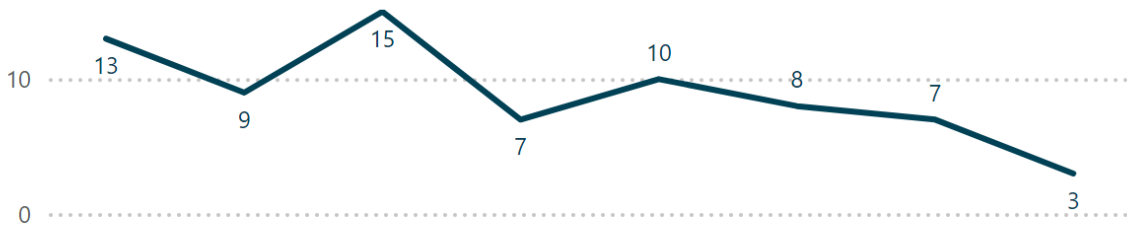
86%

% on Target

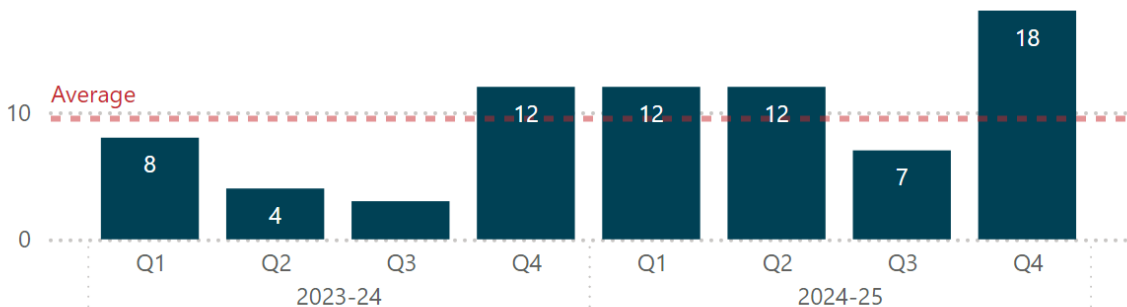
Quarterly Performance v Target



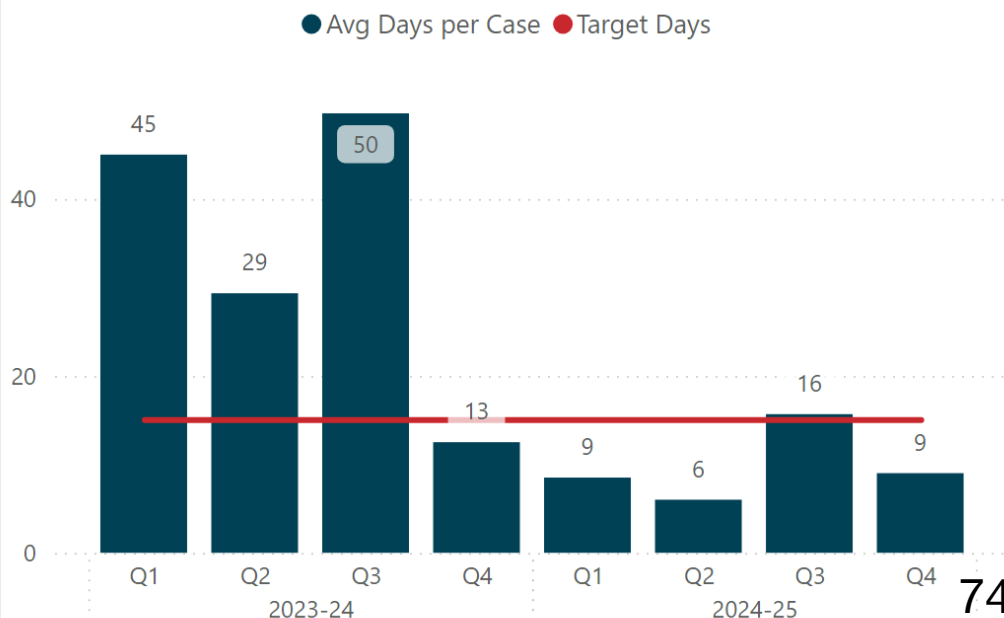
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Redundancy Estimates KPI

Year

2024-25

Quarter

Q4

5

Total Completed

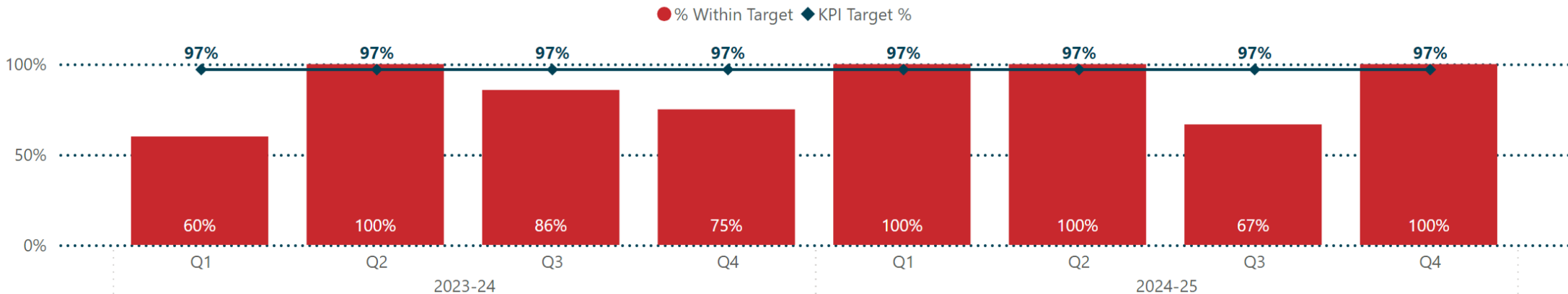
5

Within Target

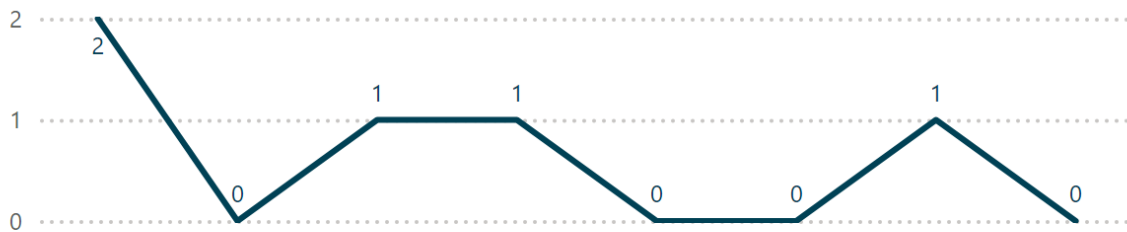
100%

% on Target

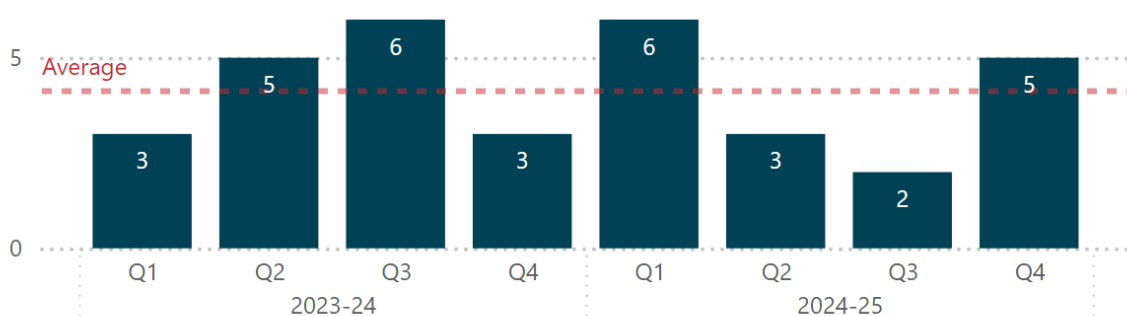
Quarterly Performance v Target



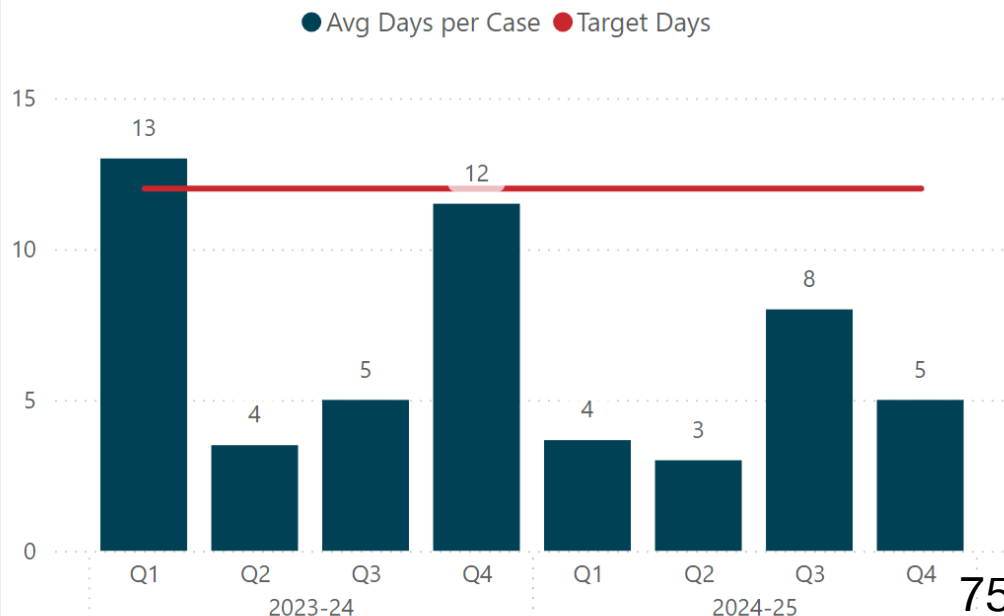
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Retirals Payments KPI

Year

2024-25

Quarter

Q4

201

Total Completed

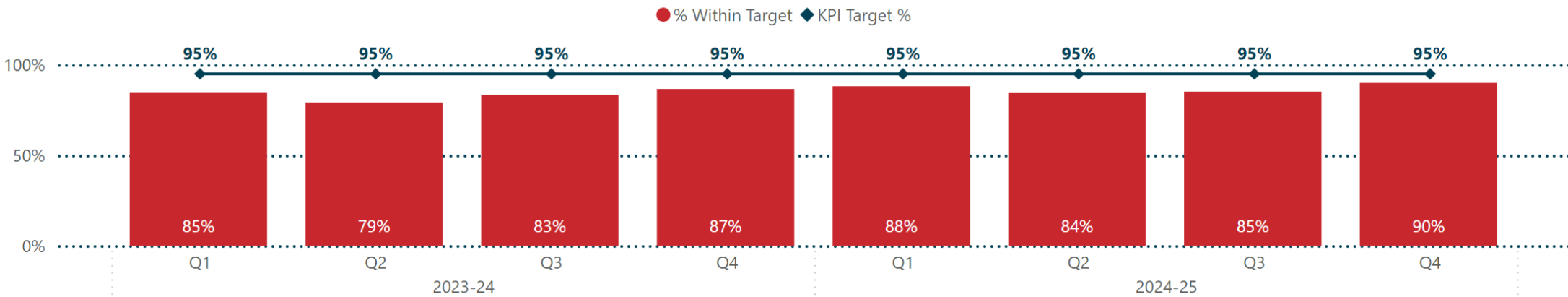
181

Within Target

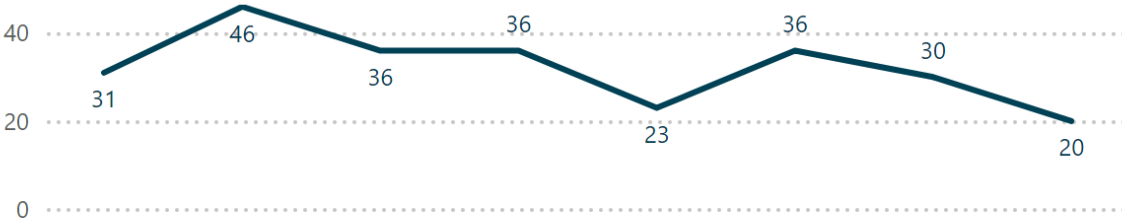
90%

% on Target

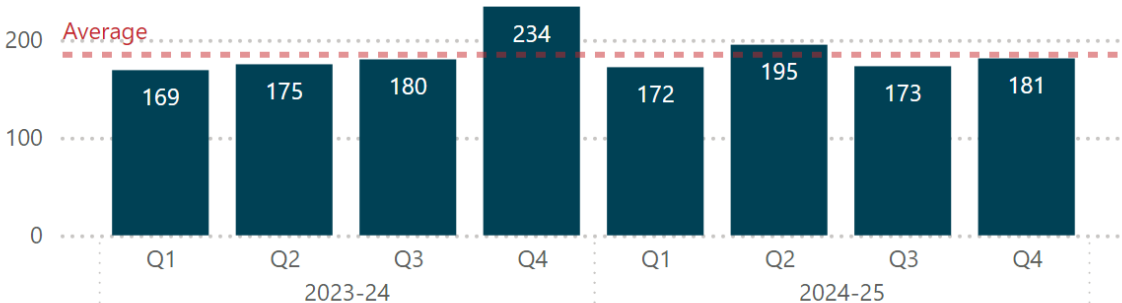
Quarterly Performance v Target



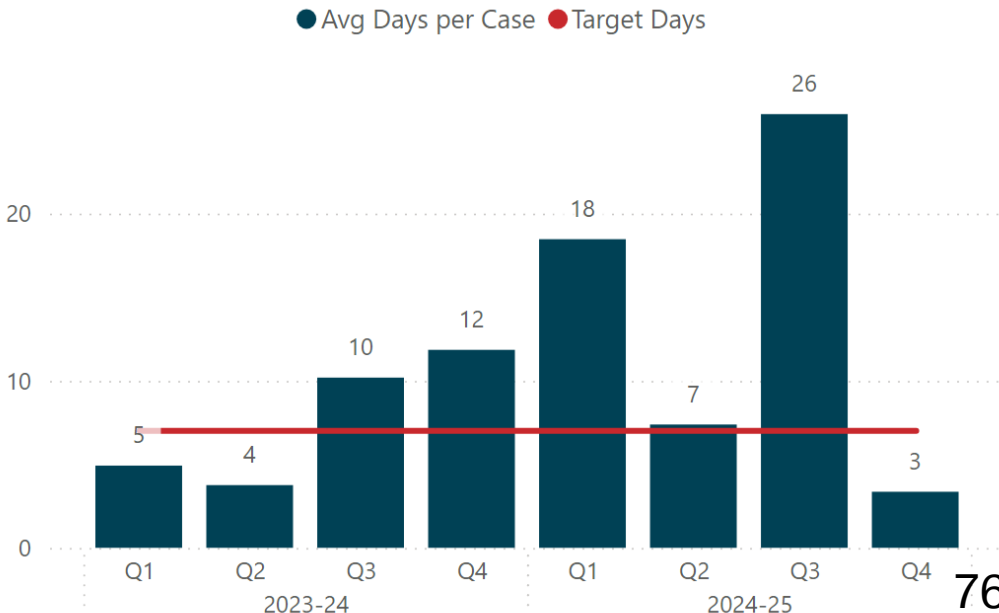
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Transfer In Quotations KPI

Year

2024-25

Quarter

Q4

9

Total Completed

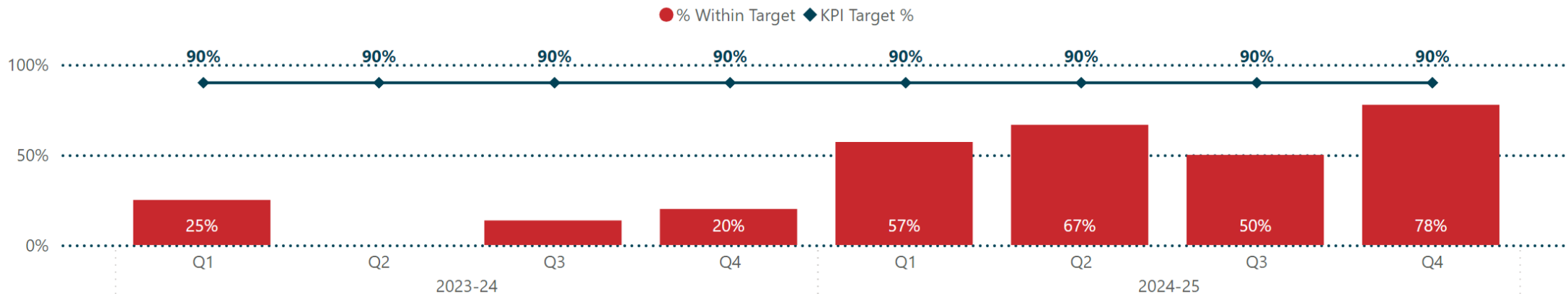
7

Within Target

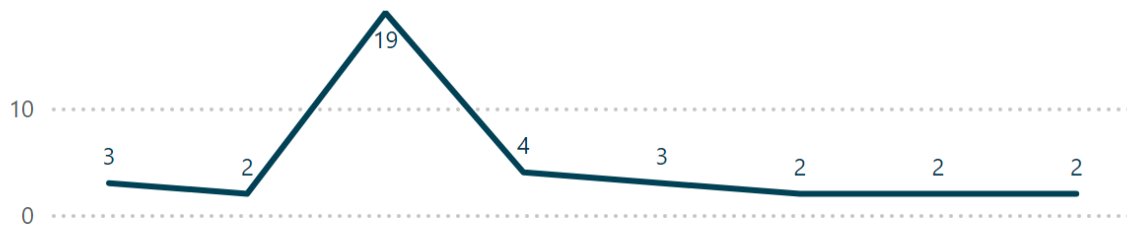
78%

% on Target

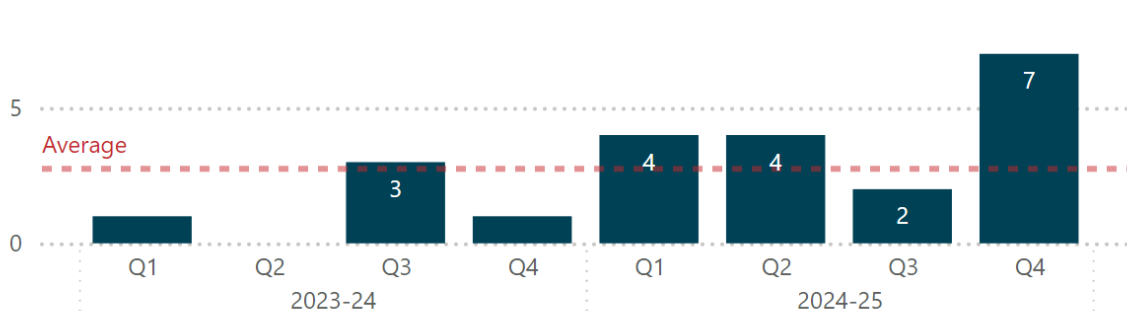
Quarterly Performance v Target



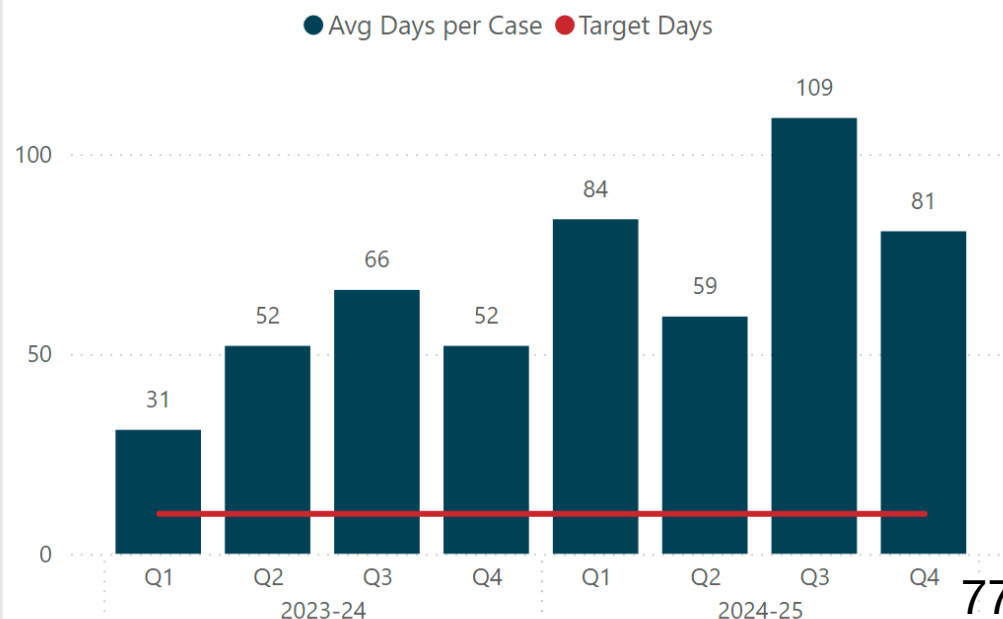
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Transfers Out KPI

Year

2024-25

Quarter

Q4

26

Total Completed

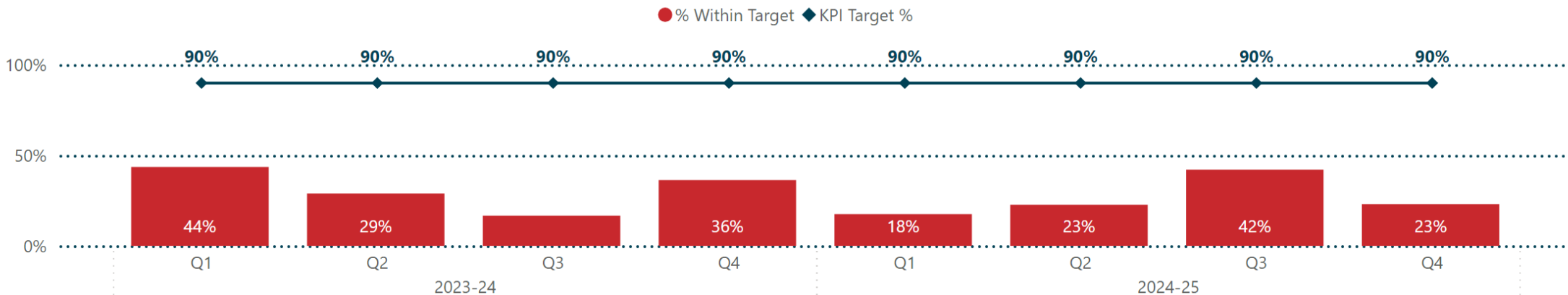
6

Within Target

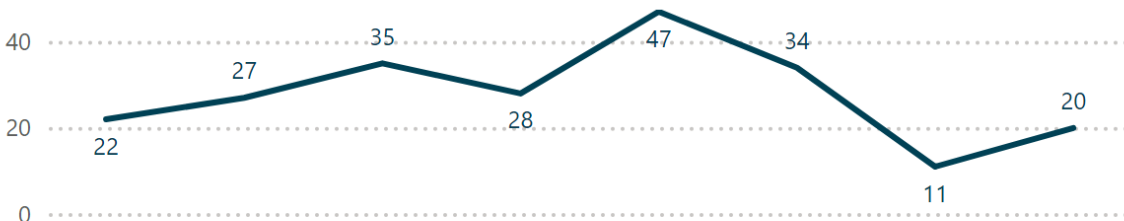
23%

% on Target

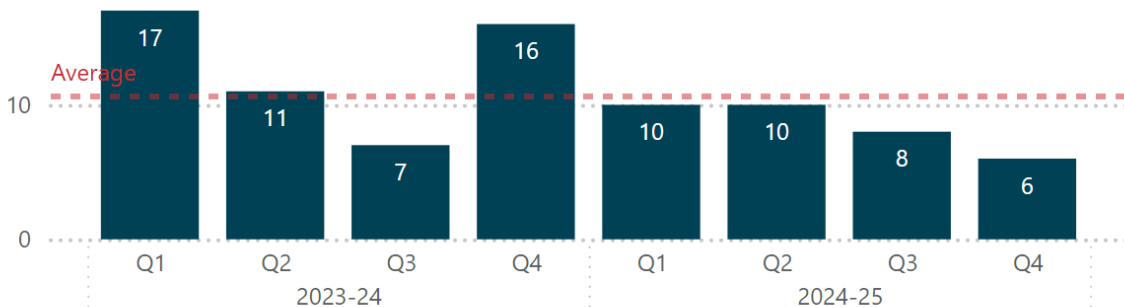
Quarterly Performance v Target



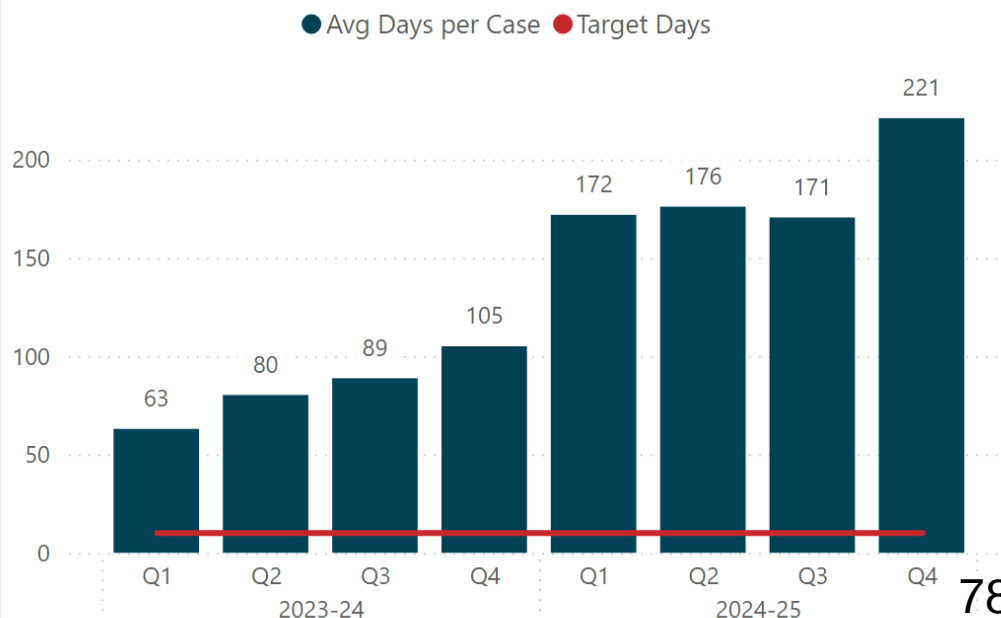
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Correspondence KPI

Year

2024-25

Quarter

Q4

30

Total Completed

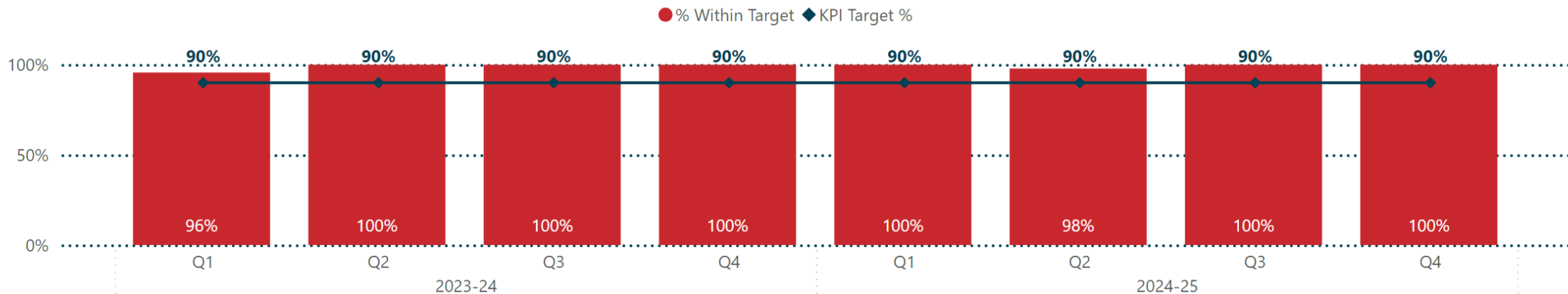
30

Within Target

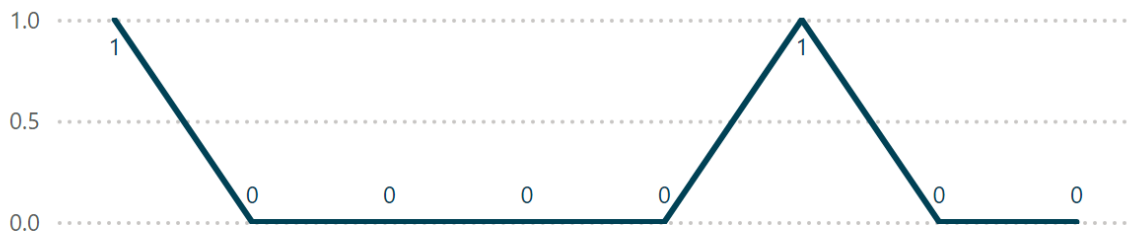
100%

% on Target

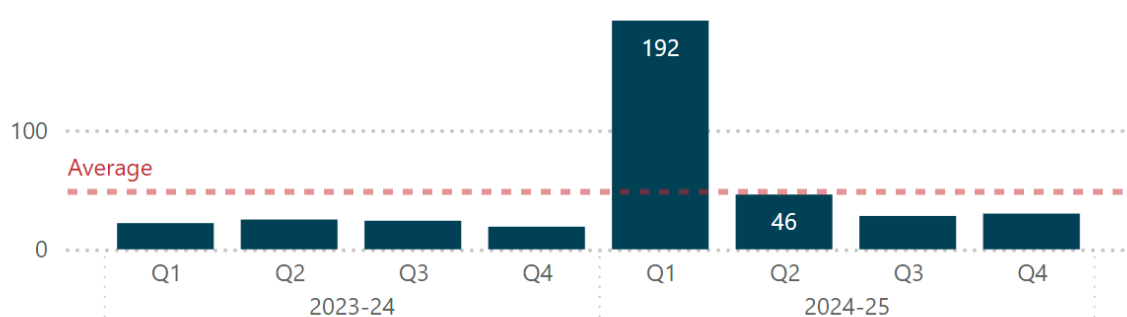
Quarterly Performance v Target



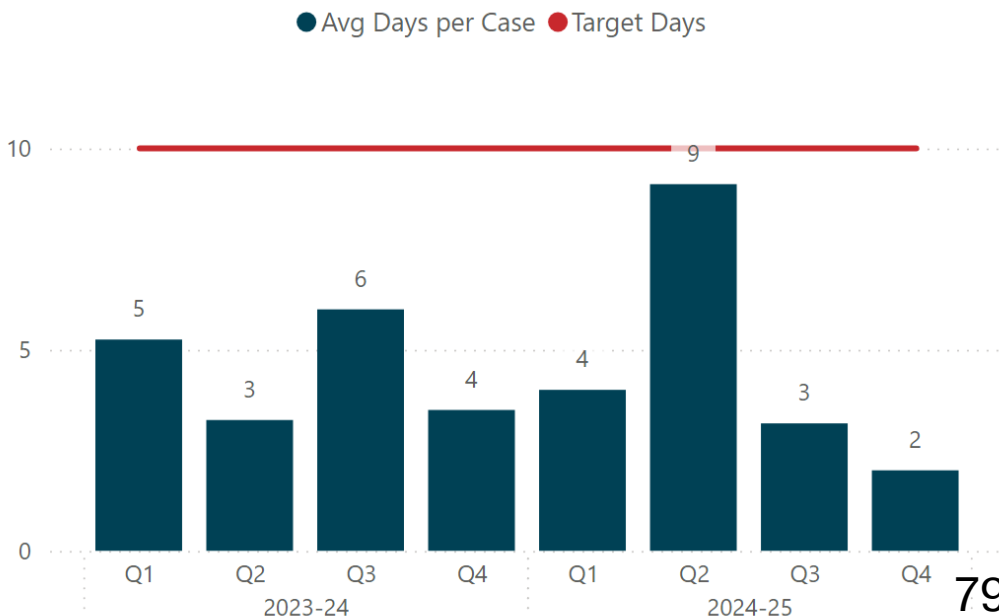
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Death Grants KPI

Year

2024-25

Quarter

Q4

145

Total Completed

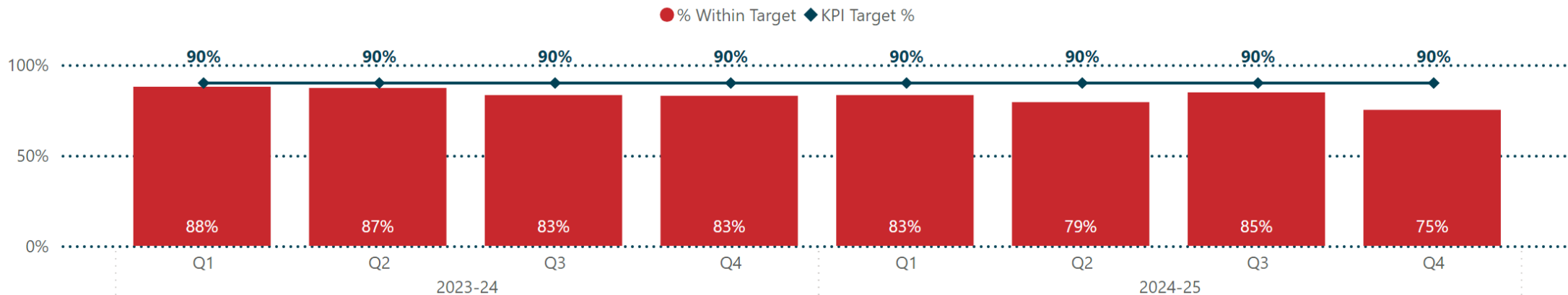
109

Within Target

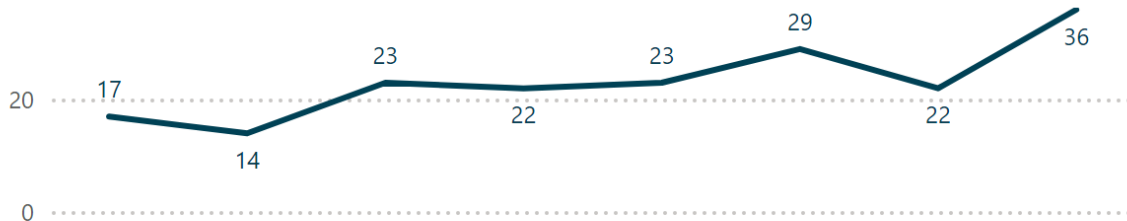
75%

% on Target

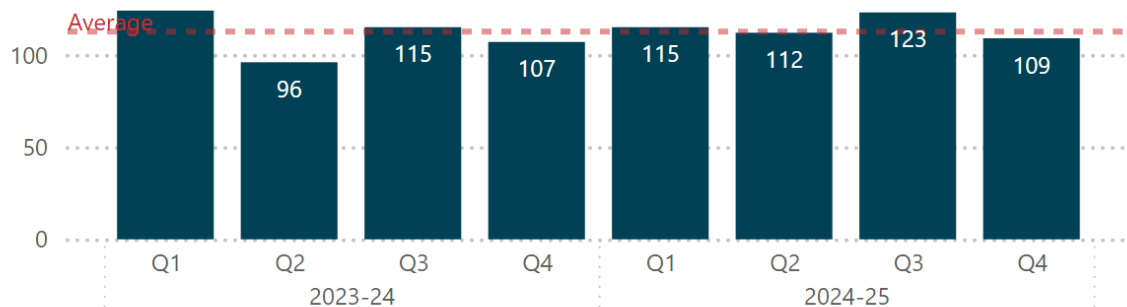
Quarterly Performance v Target



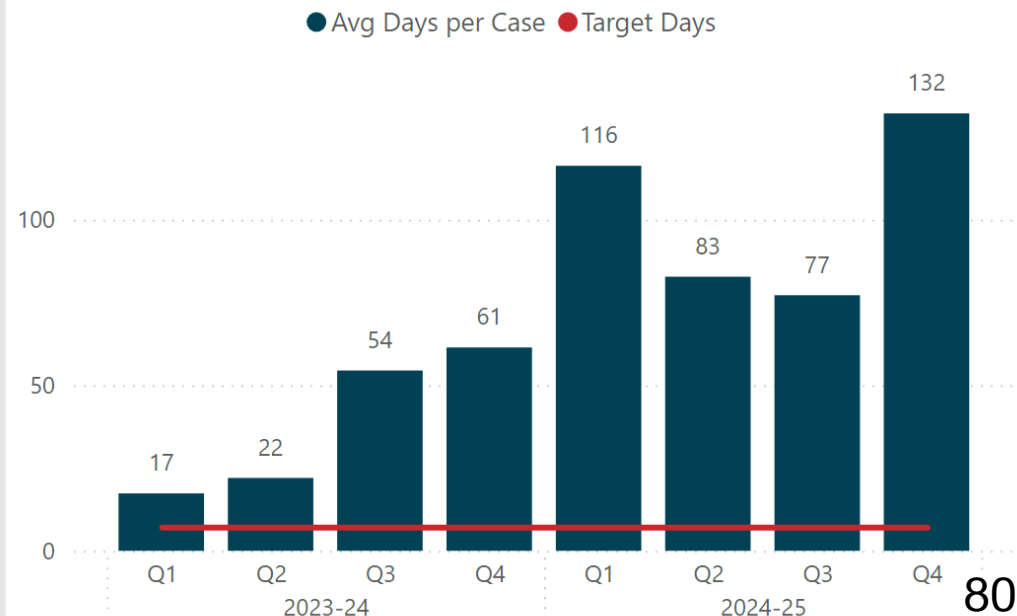
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



Divorce Settlements KPI

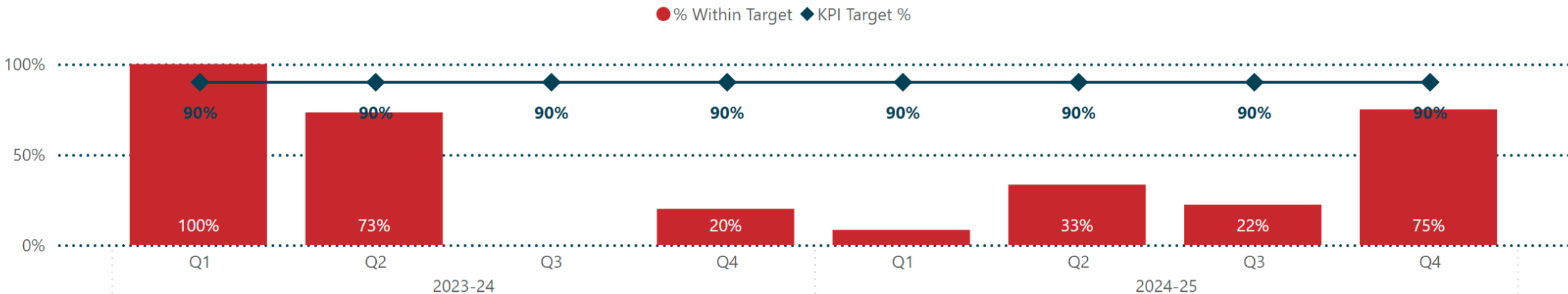
Year

2024-25

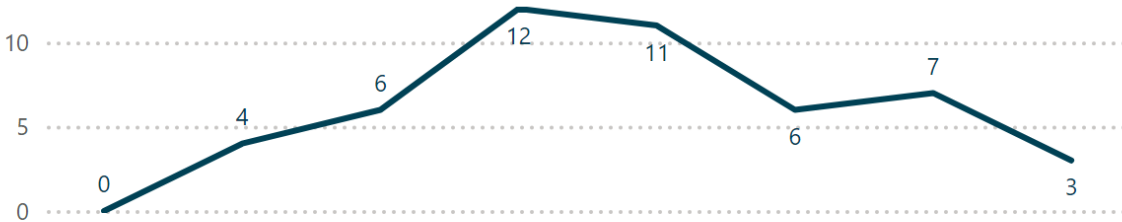
Quarter

Q4

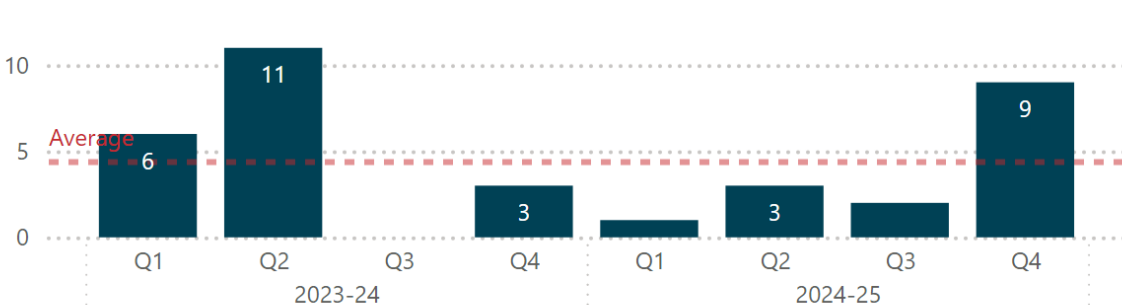
Quarterly Performance v Target



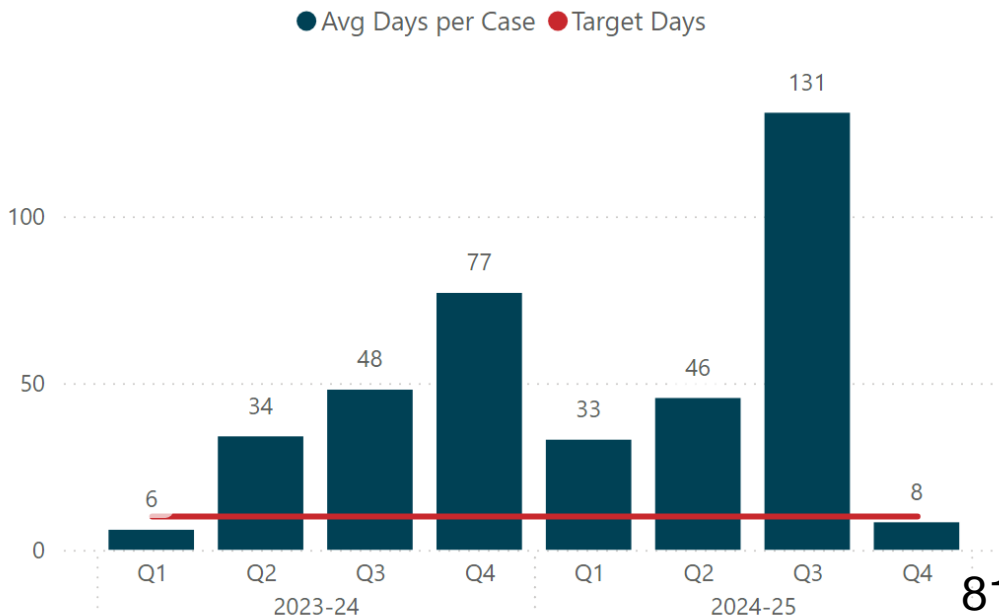
Cases Complete Above Target Trend



Cases Complete Within Target Trend



Average Elapsed Days per Case v Target



12

Total Completed

9

Within Target

75%

% on Target

Fife Pension Fund

Governance Compliance Checklist - Action Plan

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

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

IT and Cyber Security Plan	Update workplan to request information	Medium	Pensions Team Leader	30/04/2025
IT and Cyber Security Plan	Participate in Cyber testing with suppliers (Heywoods)	Medium	Pensions Team Leader	Complete
IT and Cyber Security Plan	Implement Audit Actions	Medium	Pensions Service Manager	30/09/2025
IT and Cyber Security Plan	Define roles and responsibilities in Cyber recovery plan	Medium	Pensions Service Manager	30/09/2025
IT and Cyber Security Plan	Review Council procedures against code, assess if additional required	Medium	Pensions Service Manager	30/09/2025
Contributions	Develop reconciliation process	Medium	Pensions Team Leader	30/06/2025
Information to Members	Reflect McCloud underpin in Annual Benefit Statement	High	Pensions Team Leader	31/03/2026
Public Information	Consider publishing this information	Low	Pensions Service Manager	30/11/2025
Public Information	Review requirement of code	Low	Pensions Service Manager	30/11/2025
Public Information	Consider publishing this information	Low	Pensions Service Manager	30/11/2025
Public Information	Review IDRPs timescales and against TPR Expectations	Medium	Pensions Team Leader/Democratic Services Manager	30/09/2025
Regular Reports	Develop procedure for changing registrable information	High	Pensions Service Manager/Pensions Specialist	30/06/2025
Reporting Breaches	Include reporting breaches in training plan	Medium	Pensions Service Manager	30/11/2025
Reporting Breaches	Develop breaches policy to include other bodies	Medium	Pensions Service Manager	30/11/2025
Board Structure and Activities	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Knowledge and Understanding	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Advisers and Service Providers	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Risk Management	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Scheme Governance	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Investment	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Scheme Administration	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
IT and Cyber Security Plan	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Contributions	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Information to Members	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Information Handling	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Public Information	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Regular Reports	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Reporting Breaches	Independent Review of Self Assessment and Evidence	Low	Pensions Service Manager	30/11/2025
Board Structure and Activities	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Knowledge and Understanding	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Advisers and Service Providers	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Risk Management	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Scheme Governance	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Investment	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Scheme Administration	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
IT and Cyber Security Plan	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Contributions	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Information to Members	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Information Handling	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025

Public Information	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Regular Reports	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025
Reporting Breaches	Annual Assessment of Compliance	Low	Pensions Governance Group	30/11/2025

Key:

Priority

High

Medium

Low

Definition

Relates to "regulatory requirement" and/or to be completed within 6 months

Relates to "TPR Expectation" and/or to be completed within 9 months

Relates to "Best Practice" and/or to be completed within 1 year

20 June 2025

Agenda Item No. 8

Update on 2024/25 Fife Pension Fund Internal Audit Plan and 2024/25 Issued Audit Reports

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

Wards Affected: All

Purpose

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

Recommendation(s)

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

Resource Implications

None.

Legal & Risk Implications

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

Impact Assessment

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

Consultation

Audit Services has consulted all subjects of the audit reports.

1.0 Background

- 1.1 The Fife Pension Fund's Internal Audit Plan for the 2024/25 financial year was approved at the Pensions Committee on 30 September 2024.

2.0 Update on 2024/25 Internal Audit Plan & Audit Reports

- 2.1 Fife Pension Fund's 2024/25 Internal Audit Plan has been completed. The final update report is included at Appendix A.
- 2.2 To enable the Pensions Committee to form an opinion on the effectiveness of the internal control environment, to provide assurance where internal controls are working well and to highlight areas for concern, the Service Manager, Audit and Risk Management Services, prepares a summary of the Pension Fund Audit Reports issued by Audit Services at Appendix B.

List of Appendices

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

Report Contact:

Shona Slayford

Audit Team Manager, Audit and Risk Management Services

Email - shona.slayford@fife.gov.uk

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

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Complete / Pensions Committee Date
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2024/25 INTERNAL AUDIT PLAN	Proposed Coverage	Status 20/06/25
Stakeholder Communication	Review to assess Fife Pension Fund's communication strategy, channels and materials to ensure efficient, effective and timely communication with key stakeholders, including employers and scheme members.	20/06/25
Business Continuity Planning	Review to assess the adequacy of the business continuity arrangements in place to ensure that critical services/ functions can continue to be provided for Fife Pension Fund in the event of a major incident, including those resulting in loss of office, system and staff.	20/06/25
Follow - Up Review on Governance / Oversight and Scrutiny Report P03/23	Review undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented.	31/03/25
Post Audit Reviews (PARs)	Completion of the PAR exercise, whereby formal assurances are obtained from management that internal audit recommendations have been implemented.	31/03/25
Advice and Guidance	Provision of ad hoc support to assist services in respect of specific queries and contribute to the delivery of improvements in the Fife Pension Fund's framework of governance, risk management and control.	Complete
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	Complete

SERVICE, REPORT AND PURPOSE	SUMMARY OF PENSION FUND AUDIT REPORTS
<p>1. Fife Pension Fund</p> <p>Stakeholder Communication (P02/24)</p>	<p>This audit reviewed and assessed Fife Pension Fund's (the Fund's) Communication Policy, channels and materials to ensure efficient, effective and timely communication with key stakeholders, including employers and scheme members.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 1 • System Materiality Grade 5 • Overall Risk Low <p><u>Findings:</u></p> <p>The following area for improvement was identified:</p> <ul style="list-style-type: none"> • While the Fund provides regular updates to the Pensions Committee on its communication and engagement activities – including reporting on Member Self-Service usage, it does not currently undertake any formal assessment of communication effectiveness. For instance, there are no member satisfaction surveys, or similar feedback mechanisms in place to help evaluate the effectiveness of communications and identify any potential areas for improvement. <p>Satisfactory action has been agreed to address the one audit recommendation (1 Moderate) by 30 June 2026.</p>
<p>2. Fife Pension Fund</p> <p>Business Continuity Planning (P03/24)</p>	<p>This audit reviewed the adequacy of the business continuity (BC) arrangements in place to ensure that critical services / functions can continue to be provided for Fife Pension Fund in the event of a major incident, including those resulting in loss of office, system and staff.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 4 • System Materiality Grade 3 • Overall Risk Medium <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> • The Pensions Team does not currently have access to the BC plans of key partners and suppliers including Fife Council ICT, Heywood and Northern Trust. • Key partners and suppliers have not been included in the development of Pension Fund

	<p>BC plans to help ensure a comprehensive, co-ordinated and resilient approach in responding to and handling potential disruptions.</p> <ul style="list-style-type: none"> • Although the Pensions Governance Groip oversee implementation of the action plan, which includes continuity planning, the Pension Fund's BC plans are not formally overseen or reported to any group or committee. • BC plans are not readily accessible to all relevant staff / stakeholders, nor are they securely stored off-site in a hard copy format. • While relevant staff, including the Pensions Team have completed the mandatory Emergency Resilience and Cyber Security e-learning, not all have completed the refresher training. • A training and awareness programme for owners of the BC plans and those involved in Business Continuity Management has yet to be developed and a formal training plan has not been established. • The Fund's BC plans are not tested / exercised to confirm they work, and that staff are well prepared and aware of their roles and responsibilities during an incident. • Communication plans for effectively engaging with stakeholders during a BC incident have not been developed. <p>Satisfactory actions have been agreed to address the nine audit recommendations (5 Moderate and 4 substantial) by 31 March 2026.</p>
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20 June 2025

Agenda Item No. 9

Pension Fund Training and Development

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

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

Recommendation

The committee is asked to:-

- 1) Approve the suggested amendments to the training policy;
- 2) Note that a varied training programme has been provided over the last financial year on a range of topics;
- 3) Note the requirement for members of Committee and Board to meet the annual minimum level of 14 hours training;
- 4) Agree to undertake the required level of training and provide details of doing so, including the Pension Regulators toolkit; and
- 5) Note that work has progressed to support members to achieve their training requirements. Compliance will continue to be kept under review and reported on a regular basis.

Resource Implications

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

Legal & Risk Implications

There are risks associated with elected members making decisions without suitable training. Committee and board members are required by the regulator to attend training in line with the Pension Fund's agreed training policy. Training is a Compliance Standard on the Governance Compliance Checklist and will be recorded as partially compliant in the Annual Report unless the annual training requirement has been fully completed for each member of the committee and board by 31 March each year.

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

Consultation

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

1.0 Background

1.1 Background

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

1.2 Policy approved 2019

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

The policy stipulated that :

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

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

- *Internal training events designed specifically for this purpose and to cover a range of pension administration and investment matters.*
- *External events for Funds' stakeholders, such as the annual employer seminar and finance briefing.*
- *Seminars and conferences offered by industry wide bodies, such as the Pensions and Lifetime Savings Association (PLSA), Local Authority Pension Fund Forum (LAPFF) , Local Government Chronicle (LGC) and National Association of Pension Funds (NAPF).*

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

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

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

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

1.3 Update to Policy

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

1.4 Approach Adopted

- 1.4.1 In view of the new ability to work remotely, the training needs assessment and complex committee reports, a tailored approach to training was developed.
- 1.4.2 The approach adopted provides a series of internal training events to be scheduled in advance of committee meetings. These sessions will be delivered by both the Fund's external and professional advisers for example. Lothian Pension Fund, Hymans Robertson, CMS Scotland, officers and other external experts.
- 1.4.3 The sessions are provided in advance of committee meetings and will cover more in-depth topics that are being considered at Committee.
- 1.4.4 Dates are scheduled in advance and are scheduled in line with the Committee workplan. Attendance at these events contribute towards the minimum training requirement of 14 hours. Recordings of the sessions are also made available.
- 1.4.5 In addition, details of industry wide conferences and events are shared with members as well as invitations to events organised by the funds external advisers.
- 1.4.6 It has previously been agreed that following a Local Government election, all newly appointed members of the Pensions Committee and all members of the Pension Board complete the Pensions Regulator toolkit, this includes any changes to either Committee or Board membership throughout the period of appointment. This is a mandatory requirement with completion expected within a six month time period of

the first new Committee date or from appointment to either the Committee or Board. Individuals are expected to demonstrate completion by sharing the completion certificate with the Head of Finance. The Toolkit can be accessed from this link [Public Service toolkit online learning | The Pensions Regulator](#)

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

1.5 Policy Updated

- 1.5.1 The policy has been reviewed and updated. The revised version is attached as Appendix 1. The changes made have been made using track changes and represent clarifications in respect of recording events, time recorded and the reimbursement of expenses.
- 1.5.2 The policy has also been expanded to include board substitutes and senior officers to reflect the need for them to also have an appropriate level of knowledge and understanding for their roles.
- 1.5.3 There are no further changes to the substance of the policy.

2.0 Training

2.1 Training Provided 2024-25

- 2.1.1 In line with the agreed approach, during the last financial year several internal training sessions and sessions with our partner funds have been provided to committee and the Board as follows;

Training Date	Topics Covered
02 May 2024	<ul style="list-style-type: none"> • CEM Benchmarking • Cost Transparency • Cash Flow Modelling
28 August 2024	<ul style="list-style-type: none"> • Joint Investment Training (Real Assets)
30 August 2024	<ul style="list-style-type: none"> • Delivering More Sustainable Outcomes • Responsible Investment • Governance and the Role of the Pension Board
30 October 2024	<ul style="list-style-type: none"> • Joint Investment Training (Equities)
18 November 2024	<ul style="list-style-type: none"> • Gender Pension Gap • Climate Risk – a general introduction • General Code of Practice Gap Analysis

03 March 2025	<ul style="list-style-type: none"> • Investment Reporting Workshop <ul style="list-style-type: none"> ○ Delegation ○ Reporting ○ JIF Observations • CEM Benchmarking
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Most of these sessions were provided using Microsoft Teams, where possible sessions were recorded.

- 2.1.2 Training sessions have been scheduled for 2025-26 and will cover areas such as more in-depth consideration of policy groups, risk management arrangements, councillors code of conduct and developments across the LGPS sector.
- 2.1.3 Evaluation of each internal training event was carried out using MS Forms and the results shared with the Committee and Board.
- 2.1.4 The evaluations completed by training attendees continue to help inform how future training sessions are delivered and help shape the content for example, making recordings available, introducing pre-reading materials and considering the length of training sessions.
- 2.1.5 To date the feedback has been positive with most members agreeing that the session did increase their knowledge, and they felt better informed to consider the report at the forthcoming committee meetings.
- 2.1.6 Two sessions were held on blended basis with our partner funds, covering more in-depth explanation of policy groups. These sessions were beneficial and well received by members. Discussions around future training being provided in collaboration with partner funds is ongoing.
- 2.1.7 Officers also provided details of webinars and recommend reading throughout the year, covering topics such as the Mansion House speech, A Brief Guide to the LGPS, conference summaries and good governance.

2.2 Recording of Attendance

- 2.2.1 It is the responsibility of members to record details of attendance at external seminars and events and pass these to Members Services who maintain records of elected members attendance at events. Progress in relation to meeting the training requirements will be reported to the committee each year.

2.2.2 Details of total training hours completed in 2024-25 are summarised as follows:

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									
Training in Year										
Internal Training 2 May	3 hours									
Joint Investment Training 28th Aug	1.5 hours									
Internal Training 30th August	3 hours									
Joint Investment Training 30th Oct	1.5 hours									
LGC Investment Seminar	8 hours									
Internal Training 18th Nov	3 hours									
SLGPS Webinar (Gender Pensions Gap)	2 hours									
PLSA Conference London	8 hours									
Internal Training 03 March 2025	3 hours									
PLSA Investment Conference	16.5 hours									
Conf - Creating a Sustainable Future	7 hours									
Reading/Webinars	Various									
Total Hours in year		45	22	40	17	14.5	13.5	4.5	20	15
Total Hours Required in Year (pro-rata as required)		14	14	14	14	14	14	14	14	14
Balance Outstanding		0	0	0	0	0	-0.5	-9.5	0	0

Pension Board Attendance at Training										
		Clir. Adams	Clir Ballantyne-Wardlaw	Robert Graham	Ross Hugh	Colin Paterson	Thomas Templeman	Vicki Wyse	Debbie Fyffe (Unison Substitute)	Gail Dunn (resigned June 2024)
Induction Training	2 hours									
TPR Toolkit	5 hours									
TPR Scams	1 hour									
Additional Training in Year										
Internal Training 2 May	3 hours									
Joint Investment Training 28th Aug	1.5 hours									
Internal Training 30th August	3 hours									
Joint Investment Training 30th Oct	1.5 hours									
LGC Investment Seminar	8 hours									
Internal Training 18th Nov	3 hours									
SLGPS Webinar (Gender Pensions Gap)	2 hours									
PLSA Conference London	8 hours									
LGPS Good Governance Seminar	3.5 hours									
Internal Training 3 March	3 hours									
PLSA Investment Conference	16.5 hours									
Conf - Creating a Sustainable Future	7 hours									
Reading/Webinars	Various									
Other Training	Various									
Total Hours in year		29	23	29	34.5	23	19	15.5	28	3
Total Hours Required in Year (pro-rata as required)		14	14	14	14	14	14	14	14	3
Balance Outstanding		0	0	0	0	0	0	0	0	0
Key										
Not Completed Mandatory Training										
Training Completed / Attended										
Training Partially Completed /Attended										
Not applicable										

According to the information shared with Members Services, seven members of the Committee and all members of the Board have met the minimum time requirement of 14 hours per annum or equivalent for those appointed part way through the year.

It should be noted that this has been prepared based on the information received and it may not include training that has been undertaken but Members Services have not been informed. Members are reminded to prioritise their attendance at training sessions wherever possible and to provide details of training undertaken.

- 2.2.3 It is recognised that some external training dates can clash with other Committee dates. By providing more internally organised training opportunities, cognisance is taken of major meeting dates to avoid clashes and give the best opportunity for attendance. Dates have already been scheduled for the 2025-26 in line with the agreed Committee dates.
- 2.2.4 Including the policy group training, a total of 15 hours were offered to the Committee and Board as internal or collaborative events. Further hours can be achieved by attending external events and undertaking reading and webinars.

- 2.2.5 All members of the Committee have advised that they fully completed the TPR toolkit, with all members of the Board advising they have fully completed the toolkit, albeit, not within the original timescales.
- 2.2.6 Completion of the toolkit is mandatory per the approved training policy; therefore, the Committee and Board are demonstrating full compliance.

3.0 Training Requirements

- 3.1 Induction training is provided to all new Committee and Board members. Throughout 2024-25, no additional sessions were required. A session will be needed when the Board vacancy is filled.
- 3.2 Following the local government elections in 2022 and establishment of a new committee a Training Needs Assessment (TNA) was carried out at the time the Committee was formed to assess the needs of the Committee and Board and help prioritise training to increase the level of knowledge and skills across the range of required topics.
- 3.3 The TNA was based on the CIPFA Pensions Knowledge and Skills Framework and covered a range of topics and topic areas. As a result, the TNA exceeded 70 questions which when answered highlighted varying degrees of knowledge. The TNA is limited in its ability to identify a clear training need given the number of questions and requirements identified. Therefore, the Training Policy was adapted to incorporate in-house quarterly training sessions dealing with the most pressing topics in the committee cycle and with a focus on the most significant risk within the Pension Fund risk register. This approach has been rolled out and participation and feedback has been relatively positive.
- 3.4 To compliment training events, a Microsoft Teams site has been set up and all relevant materials have been saved there. The new general code contains best practice in relation to Knowledge and Understanding and consideration will be given to how to achieve best practice when undertaking the planned assessment and gap analysis.
- 3.5 In March 2024, the Pension Regulator published its General Code of Practice (the code) which has a chapter dedicated to Knowledge and Understanding. This section of the code focusses on ensuring that committee and board members are conversant with the rules of the scheme, they have a working knowledge and can demonstrate this knowledge. At this time, it is considered that the Fund is partially compliant with the code given the training policy and opportunities to attend training sessions. However, full compliance is not achieved as there is no assessment of knowledge or understanding therefore, it is difficult to evidence that is in place.
- 3.6 There are knowledge and assessment tools available to purchase which would allow an assessment to be made. This is currently being considered alongside an alternative approach to develop an assessment process internally in conjunction with our Independent Professional Observer. This will allow determination the best option for the Fund.

4.0 Committee Attendance

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

Pension Committee Attendance

Date	Cllr. Dempsey (convener)	Cllr Pryde (vice convener)	Cllr Davidson	Cllr Liston	Cllr Alexander	Cllr Neal	Cllr Patrick	Cllr Anis-Miah	Cllr Calder
28th June 2024	✓	✓	A	✓	✓	✓	✓	A	A
24th September 2024	✓	✓	✓	A	✓			✓	A
30th September 2024	✓	✓	✓	✓	✓	A	✓	✓	✓
13th December 2024	✓	✓	A	✓	✓	✓	✓	✓	✓
31st March 2025	✓	✓	✓	A	✓	A			✓
% Attended	100%	100%	60%	60%	100%	40%	60%	60%	60%

Pension Board Attendance at Committee

Date	Cllr. Adams	Cllr Ballantyne-Wardlaw	Thomas Templeman	Robert Graham	Ross Hugh	Colin Paterson	Vicki Wyse	Vacancy	Debbie Fyfe (Unison Sub)	Gail Dunn (resigned June 24)
28th June 2024	✓	✓	A	✓	A	A	✓		✓	✓
24th September 2024		✓	✓	✓	✓	✓	✓			
30th September 2024	✓	✓	A	✓	✓	A	A			
13th December 2024	✓	✓	✓	✓	✓	✓	✓			
31st March 2025	✓	✓	✓	✓	✓	A	✓		✓	
% Attended	80%	100%	60%	100%	80%	40%	80%		67%	100%

Key

Attended	✓
Apologies Received	A
Attendance not applicable	
Nonattendance	

5.0 Conclusions

- 5.1 A training policy was approved by Committee in May 2019 and further refined and updated in 2021. Additional updates have been made to clarify some operational and practical aspects of the policy.
- 5.2 Training has been provided in line with the approved approach.
- 5.3 The General Code of Practice contains best practice in respect of Knowledge and Understanding. Consideration is being given as to how best practice in this area can be achieved when undertaking the planned assessment of current compliance with the code.

Background Papers

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

Report Contact

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Fife Pension Fund Training Policy

Training Policy

Introduction

Pensions Committee: Fife Council (“FC” or “Scheme Manager”) operates a Pensions Committee for the purposes of facilitating the administration of the Fife Pension Fund (the “Fund”). Members of the Pensions Committee owe an independent fiduciary duty to the members and employer bodies in the Funds and the taxpayer. Such members are therefore required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

Pension Board: The Scheme Manager is also required to establish and maintain a Pension Board (the “Pension Board”), for the purposes of assisting with the ongoing compliance of the Funds. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 (the “2015 Regulations”) and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role.

This policy sets out the requirements and practicalities for the training of members of both the Pensions Committee, ~~and the Pension Board~~, Pension Board substitutes and senior fund officers. It also provides some further detail in relation to the reimbursement of expenses.

Myners’ Principles

The desirability of pensions fund decision making being overseen by persons with the right skills and expertise was recognised in 2001 in the UK Government’s *Institutional Investment in the United Kingdom: A Review*, undertaken by Paul Myners and reaffirmed in the *Updating the Myner’s Principles : A Response to Consultation* in October 2008.

The first Myners’ principle states explicitly that:

- 1) Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- 2) Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Governance Compliance

Guidance on governance matters and training has been issued by the Pensions Regulator, Chartered Institute Public Finance and Accountancy (CIPFA) ~~and the Scottish Public Pensions Agency~~ (SPPA). This training policy has been drafted in line with this collective guidance.

Training of the Pensions Committee and Pension Board Members

New members of the Pensions Committee and/or Pension Board (including substitutes) must attend induction training provided by the Scheme Manager before taking up their role. This training will provide an overview of the structure and operation of the Fund and provide supply new members with the foundation knowledge and understanding of the roles and responsibilities of the members of their respective bodies.

Members of the Pensions Committee and Pension Board, board substitutes and senior officers will also be required to undertake no less than two days (14 hours-) of training in each financial year (1 April to 31 March). (This training obligation will be met through the following:

- Internal training events designed specifically for this purpose and to cover a range of pension administration, governance and investment matters, as well as the wider pensions landscape. Recordings of internal events will be made available to all members.
- External events for Funds' stakeholders, such as the annual employer seminar and finance briefing.
- Seminars and conferences offered by industry wide bodies, such as the Pensions and Lifetime Savings Association (PLSA), Local Authority Pension Fund Forum (LAPFF), Local Government Chronicle (LGC) and National Association of Pension Funds (NAPF). Some of these events are free provided attendance takes place, but please note, if members are unable to attend a charge is made and therefore, all attempts should be made to attend.
- Seminars and training events offered by the Fund's external professional advisers, partner funds, investment managers and other service providers.
- Online training, including that provided by the Pensions Regulator (e.g. Public Service Schemes/Toolkits).
- Reading articles, recommended webpages and webinars
- Other training deemed appropriate by the Scheme Manager from time to time.

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

To assist with the development of training, a Training Needs knowledge Assessment (TNA) will be carried out periodically used to assess knowledge gaps and to ensure topics covered at internal training events are relevant to needs. The completion of knowledge assessments is mandatory for all Pensions Committee and Pension Board members, board substitutes and senior officers. must complete the TNA.

Based on the TNA and Given the volume of complex committee reports, a tailored approach to training will be has been developed. A series of internal training events to be scheduled in advance of Committee meetings and will cover more in-depth topics being considered at Committee.

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

All members of the [Pensions Committee](#) and [all members of the Pension Board, board substitutes and senior officers](#) must complete the Pensions Regulator Public Service toolkit. This is a mandatory requirement with completion expected within a 6-month period of the first Committee date under a new administration, or from the first Committee attended for members joining mid-term. Individuals must demonstrate completion by sharing the completion certificate with the Head of Finance. The Toolkit can be accessed from this link [Public Service toolkit online learning | The Pensions Regulator](#). It is expected that the toolkit will take approximately 30 to 45 minutes per module. There are 8 modules in total to be completed, including the additional learning module covering Pensions Scams.

Monitoring, Recording and Reporting

Each member of the Pensions Committee and Pension Board must inform the Scheme Manager (via Members Services) of relevant training undertaken. A record of Attendance at internal events will automatically be recorded, dependent on the MS Teams attendance records.

The time recorded for attendance at external events will be equivalent to the length of the event e.g. a full day event will be classed as 7 to 8 hours and a half day 3 to 4 hours. Time taken to travel to and from the events will not be recorded as training.

All internal events will be recorded, and should members watch the recording, the same length of time will be credited to the members training record.

Members must advise Members Services if recordings are viewed, as well as attendance at external events and estimated time reading, watching webinars etc.

Details of the training undertaken will included in the quarterly reporting to the Pensions Committee. A report will also be submitted to the Pensions Committee annually highlighting the training and attendance of each member of the Pensions Committee and Pension Board.

Where the Scheme Manager has a concern that the requisite training requirements are not being met, this will be brought to the attention of to the relevant Party Group Leader or relevant organisation. It will also be highlighted in a report to be considered by the Pensions Committee.

This training policy will be reviewed on an ongoing basis by the Scheme Manager.

Evaluation

Evaluation of each internal training event will be carried out using MS Forms and the results shared with the Committee and Board. - Evaluations will be used to inform future events.

Reimbursement of expenses

All reasonable expenses properly incurred by members of the Pensions Committee, appointed pursuant to the Nominations and Appointments Policy, and the Pension Board

necessary for the performance of their roles will be met by the Funds, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for. The reimbursement of expenses will be made in accordance with the Council's existing Scheme of Councillors' Remuneration and Expenses. Councillors and Council staff should use the Council's Business Travel Service and the same process. The same level of remuneration and expenses will be applied to Board Members

Review Date	June 2025
Author	Laura Robertson, PSM
Next Review Due	June 2027

20 June 2025

Agenda Item No. 10

Pensions Committee Workplan and Training Plan

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

The purpose of this report is to provide the Committee with an overview of the proposed agendas for future meetings of the Pensions Committee and the annual cycle. 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)

The Committee is asked to: -

- a. Consider and comment on the agenda planning document; and
- b. Note the scheduled training dates.

Resource Implications

There are no resource implications arising from this report.

Legal & Risk Implications

There are no direct legal implications arising from this report.

Impact Assessment

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

Consultation

None

1.0 Background

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

2.0 Workplan

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

Table 1: Pension Committee Workplan 2025-26

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

Report Title	Category	Committee Dates				
		30 June 25	23 Sep & 30 Sep 25	18 Dec 25	24 Mar 26	23 June & 30 June 26
Audit Plans (Internal and External)	Governance	x	x		x	x
General Code of Practice Compliance	Governance			x		
IPO Contract	Governance		x			
Investment						
Fife Pension Fund- Annual Investment Update	Investment	x				x
Update on Responsible Investment	Investment					x
Annual Review of Shared Services Agreement	Investment				x	
CEM Benchmarking and Cost Transparency	Investment				x	
Voting and Engagement Contract	Investment			x		
Custody Contract	Investment			x		
Risk						
Risk Management Update	Risk	x	x	x	x	x

The workplan has been updated to reflect the agreed changes to the frequency of the investment update report, moving from quarterly to annual.

- 2.2 During the preparation of both the Statement of Investment Principles (SIP) and Statement of Responsible Investment Principles (SRIP) reports it became apparent that due to the long-term nature of the pension fund and the commitment to longer term strategies, there is little need for these reports to be produced annually. Rather there would be more value in reporting to Committee the actions take and progress in the implementation of the SRIP. Therefore, it is proposed that both the SIP and SRIP are reviewed at least once every 3 years, with the timing aligned to the valuation and investment strategy. That said, should there be a need to change either document that will be brought forward to Committee as required. The revised workplan reflects this proposal.
- 2.3 Aligning the SIP and SRIP with actuarial valuation and investment strategy, may mean the reports will be presented to committee in March 2027.
- 2.4 In recognition of the need to balance the volume of business alongside the statutory deadlines for consideration of the annual report and accounts, additional meetings have been scheduled in June and September 2025. The meetings have been scheduled to give the flexibility to manage the volume of business over two meetings if required.
- 2.5 It should be noted that, the workplan is kept under review and if specific items require reporting to Committee, provision will be made to do so.

3.0 Training Plan

- 3.1 Targeted training will continue to be scheduled prior to committee meetings to provide more detailed information and training before reports are considered. This is consistent with the agreed Training Policy.
- 3.2 The table below outlines some of the topics likely to be scheduled over the year forming an outline training plan. Availability of trainers and content of committee reports will be considered to assess the best timing for the sessions. Provisional training dates have been agreed and scheduled in members calendars.
- 3.3 Some topics have dates agreed for delivery and a date column included. There are topics associated with the actuarial valuation which have been identified and dates proposed. In addition, dialogue is ongoing with our custodian, Northern Trust as to the sort of training they can provide. The next training in August 2025 will focus on Risk Management. By continuing to expand the list of topics and develop the training plan, this addresses actions required for both compliance General Code of Practice and outstanding audit points which relate to developing and maintaining a training plan for members.

Table 2: Training Topics to be covered

Topics to be covered	Date
Administration	
Pension Dashboards follow up	
Funding	
Actuarial Valuation	Nov-25
Cash Flow	
Climate Risk	Nov-25
Actuarial Assumptions	Feb-26
Governance	
Fife Council Councillors Code of Conduct	
Annual Report Guidance	
Investment	
Investment Policy Groups Deep Dive - Various	
Responsible Investment incl Engagement - Hermes	
Foreign Exchange Transactions	
Independent Advisers	

Topics to be covered	Date
Northern Trust	
Currency Hedging	
Developments in England and Wales re pooling	
Asset Classes and Benchmarking	
Risk	
Risk Management Arrangements	Aug-25
General	

- 3.4 The table includes joint training sessions arranged with the partner funds, which have yet to be scheduled. The training programme does need to be populated with more definite dates and topics. This will be advanced in the second part of 2025 as a training plan is developed in line with the audit actions and General Code of Practice actions.

4.0 Conclusions

- 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 is continuing to be developed.

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	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 Annual Audit Report and Accounts Annual Review of Shared Service Arrangement National Fraud Initiative General Code of Practice Compliance Fife Pension Fund – Annual Investment Update Fife Pension Fund – Annual Responsible Investment Update
Every 3 years	Actuarial Valuation Updates Actuarial Valuation Results Funding Statement Strategy Investment Strategy Administration Strategy Communication Policy Statement of Investment Principles – proposed frequency Statement of Responsible Investment Principles – proposed frequency
As required	Audit Reports (Internal) Policy Reviews Currency Hedging Outcome of procurement exercises

20 June 2025

Agenda Item No. 11

Risk Management - Quarterly Review

Report by: Elaine Muir, Head of Finance

Wards Affected: ALL

Purpose

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

Recommendation(s)

The Committee are asked to:

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

Resource Implications

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

Legal & Risk Implications

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

Impact Assessment

An EqIA Assessment is not required.

Consultation

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

1.0 Background

- 1.1 A fund specific risk register is maintained in accordance with the Pensions Regulator's Code of Practice. The risk register covers investment, governance and administration risk. It is held as a separate risk register on Ideagen, Fife Council's risk management system and is reviewed on a quarterly basis by the Pensions Governance Group, which is an officers group chaired by the Head of Finance.
- 1.2 The risk register forms a key part of the risk management strategy for the Fund. It provides a structured and focussed approach to managing risks.
- 1.3 An updated risk register was presented to committee in March 2025. Since that time the register has been considered by the Pensions Governance Group at its meeting on 12 May and again by the Pensions Service Manager following completion of the committee reports. These reviews included an assessment of risks and the effectiveness of associated internal controls, as well as considering any additional risks to be added and any additional context.
- 1.4 This report provides an update on the Risk Register since the last Committee. Since the last committee a review of the format of the reporting has been started, however, that has highlighted that the options around reports from the system are limited. Any enhancements or summaries would require manual intervention. Additional resources will be required to enable more extensive development work to be progressed. This is actively being considered as part of the team structure review.

2.0 Risk Register

- 2.1 The following grids provide a summary of the target risk scores compared to the current risk scores and the risk scores for last quarter for the risks associated with the Pension Fund. Details of the risk reference numbers of each score are shown in Appendix 1.

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

Risk Matrix:

	Impact				
Likelihood	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key:

Insignificant	Low	Medium	High
---------------	-----	--------	------

- 2.2 There are currently 9 risks that have current scores greater than the target. This is due to some internal controls identified not being fully effective in mitigating against the risk identified. Work is continually ongoing to take action to move to fully effective controls where possible. Progress is reviewed on an ongoing basis through a number of processes. Risk management is discussed quarterly at the Pensions Governance Group as well as being considered by the Pensions Committee.
- 2.3 Throughout the last quarter there have been some changes to the effectiveness of internal controls:
- Following the recent internal audit of Business Continuity planning for the Pension Fund, the internal controls in PEN001 and PEN004 associated with business continuity plans have moved from fully effective to partially effective. Although several good practice points were identified, the internal audit did identify areas for improvement and recommendations. On that basis the controls are not considered fully effective in mitigating the associated risks. Reducing the effectiveness of the control has not changed the overall risk scores as the likelihood remains at “unlikely” which is defined “not expected to happen but is possible”.
- 2.4 Some risks continue to have internal controls which are not considered fully effective at this time. This reflects the current processes in place and actions are currently ongoing to ensure these controls become fully effective. These include;
- Internal controls associated with processing of pension payments and lump sums and losses to the fund involve updating of documented procedures for both administration and investment activities. This work is ongoing.
 - Staffing training and provision of training is currently considered as partially effective at this time. This reflects that training on different processes is carried out on an ongoing basis.

- 2.5 It should also be noted that in some instances controls are fully effective but external influences and factors can impact on the control and lead to a change in the effectiveness.
- 2.7 Taking account of the controls in place, there are currently 7 risks classed as insignificant, 8 classed as low risks and 4 risks are identified as medium.
- 2.8 The Risk Register provided at Appendix 1 provides details of risks which have changed, the associated impact, the risk factors, and the controls in place to mitigate against the risk. The current risk score reflects the position as at March 2025. Appendix 1 also details the risk reference numbers and scores
- 2.9 The report focusses on the risk and internal control. Dialogue will continue with the Council's Risk Management team to explore opportunities to improve the reporting. However, the focus will be on ensuring risks continue to be recorded, monitored and reviewed. Enhancements to reporting will be advanced when there are resources in place.

3.0 Conclusions

- 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

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






Laura Robertson
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Fife Pension Fund Risk Register

Generated on: 28 May 2025



Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

Summary Risk Register and Scores

Target Risk Scores


		Pen019		
	Pen012, Pen017, Pen020	Pen001, Pen002, Pen005, Pen006, Pen007, Pen009, Pen013, Pen014, Pen016	Pen003, Pen004, Pen008, Pen015, Pen018, Pen021	












Previous Quarter







		Pen012, Pen014, Pen015, Pen021	Pen018, Pen019	
		Pen001, Pen004, Pen005, Pen016	Pen008	
	Pen017, Pen020	Pen002, Pen006, Pen007, Pen009, Pen013, Pen014	Pen003	

Current Quarter

		Pen012, Pen014, Pen015, Pen021	Pen018, Pen019	
		Pen001, Pen004, Pen005, Pen016	Pen008	
	Pen017, Pen020	Pen002, Pen006, Pen007, Pen009, Pen013, Pen014	Pen003	

Code	Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness	Current Risk Score	Target Risk Score	Risk Last Updated
PEN001	<p>As a result of:</p> <ul style="list-style-type: none"> • Non-availability of Altair pension system. • ORACLE payroll system key staff or error omission. • Lack of availability of information and payment from AVC provider etc. <p>There is a risk that:</p> <ul style="list-style-type: none"> • We do not process pension payments and lump sums on time. <p>Which could result in:</p> <ul style="list-style-type: none"> • Retiring members being paid late which may have implications for their own finances. • Reputational risk for the Fund. • Financial cost to the fund if interest has to be paid to members. 	<ul style="list-style-type: none"> • Retiring members will be paid late which may have implications for their own finances. • Reputational risk for the Fund. Financial cost to the fund if interest has to be paid to members. 	<ul style="list-style-type: none"> • Non-availability of Altair pension system, • ORACLE payroll system key staff or error omission, • Availability of information and payment from AVC provider etc. 	Laura C Robertson	12	BC plans covering the F&CS Directorate regularly updated. 	6	3	28-May-2025

						Robust maintenance and update of Altair					
						Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan					
						Sufficient staff cover arrangements					
						Staff training and development and checking of work					
						Robust maintenance and update of ORACLE.					
						Hosted contractual arrangement for ORACLE including Disaster Recovery Plan and Business Continuity Plan					
						Comprehensive documented procedures and guides					
						Information and Funds received from AVC providers received on a timeous basis					
											
Current Impacts											

Code						Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness		Current Risk Score	Target Risk Score	Risk Last Updated	
PEN004						<p>As a result of:</p> <ul style="list-style-type: none">• Fire• Bomb• Flood• Pandemics• flu epidemic• strike action etc. <p>There is a risk that:</p> <ul style="list-style-type: none">• We are unable to keep service going due to loss of main office, computer system or staff. <p>Which could result in:</p> <ul style="list-style-type: none">• Temporary loss of ability to provide service.	<ul style="list-style-type: none">• Temporary loss of ability to provide service.	<ul style="list-style-type: none">• Fire• Bomb• Flood• Pandemics• Flu epidemic• Strike action etc.	Laura C Robertson	12	BC plans covering the F&CS Directorate regularly updated.			6	4	28-May-2025
						Robust maintenance and update of Altair										
						Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan										
																
Current Impacts																